EY Global IPO Trends

2016 3Q

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Uncertainty suppressing IPO activity, but the pipeline is building

A mostly steady third quarter in overall global IPO activity compared with 2Q16 masked very sharp regional differences. Asia-Pacific powered ahead, driven by receding concerns of a slowdown in the growth rate in Mainland China and a supportive regulatory environment, while US activity was subdued ahead of the presidential elections and activity in EMEIA declined in the wake of the UK Brexit vote.

At US$35.4b, global IPO proceeds in 3Q16 were up 16% on 2Q16, while deal volume declined by 4% to 252 IPOs. Compared with 3Q15, IPO activity levels were relatively strong, with proceeds up by 84% and the number of deals up by 21%.

In terms of regional comparisons, Asia-Pacific exchanges were the standout performers in 3Q16, with a 138% surge in proceeds to US$24.2b on a 41% increase in deal numbers compared with the prior quarter. In contrast, EMEIA IPO proceeds slumped by 69% to US$4.4b and deal volumes were down by 60%, to 39 IPOs. EMEIA exchanges ranked third by proceeds and second by deal numbers. In the US, capital raised rose slightly by 3% to US$6.4b, but deal volumes declined by 3% on 2Q16 levels to 35 IPOs. The US exchanges ranked second by proceeds and third by deal numbers in 3Q16.

This variable performance and the particularly weak start to 2016 means that year-to-date, global activity is still lagging behind 2015 levels. Globally, for the first nine months of 2016, IPO proceeds of US$79.4b are 39% lower than in the same period last year and deal volumes are down by 23% to 704 IPOs from 913 in the same period last year.

Political uncertainty trumps economic fundamentals ...
Political uncertainty concerning Brexit and the US elections, rather than the events themselves, is causing private companies to delay their decisions on when to list. In addition, IPOs are executed locally, but investors are approached globally, so uncertainty spreads beyond the region where the IPO originates.

The tone for both business and investor sentiment was set early in the year. The political unpredictability of a US presidential election year was always expected to weigh on US IPO sentiment. This was quickly compounded by the UK's announcement in January that it would hold a referendum on European Union (EU) membership in June.

A plethora of other geopolitical factors have added to the uncertainty, including the Middle East tension and the migrant crisis, as well as concerns of a slowdown in growth rate in Mainland China and uncertainty over US monetary policy. Rarely, if ever, has there been a year with quite so many complex, inter-related external factors for decision makers to contend with and wait upon for a definitive outcome.

Some of the uncertainties are near-term, such as the November US election, while others will be more protracted. Currently, there is little clarity on what form Brexit will actually take or when it will take place, and uncertainty is set to persist.

Against this backdrop, it is perhaps unsurprising that many have decided to focus their energies on preparing their listing for 2017, deciding that it is better to be patient. This is particularly the case given the availability of other forms of finance in developed markets. With private capital readily available, an IPO is as much about branding and credibility as fundraising and exiting. A cautious and patient approach is understandable, especially for unicorns, that have the interest of going public. We expect more unicorns will list next year, fueled by recent technology IPO performances and when conditions are more favorable.

... even when the fundamentals are improving
Uncertainty has succeeded in subduing IPO activity in the face of a growing list of supportive economic factors, including:

- Short- and long-term interest rates are at extremely low levels and are likely to remain so as the monetary policies of the major global central banks are kept accommodative post-Brexit.
- With real interest rates negative in many countries, investors are being pushed into taking equity risk to generate higher returns, which has helped equity indices push higher following the immediate post-Brexit decline. As a result, the improving trend of recent years in both trailing and forward P/E ratios for many equity indices continues, helping to support IPO sentiment.

IPO sentiment radar

Our radar contains a variety of market factors that may impact investor sentiment for IPOs. Pre-IPO companies should be aware of how these factors may affect their business and ultimately the timing and value of their transaction.

Potential impact

- Prepare for more narrow IPO windows
- Preserve optionality with early IPO readiness preparations
- Consider an array of exit alternatives
- Need for flexibility in timing and pricing

- Volatility in many equity markets has fallen. For example in Europe, volatility has fallen to its lowest level since September 2015.
- The direst economic predictions regarding the fallout from Brexit have not fully materialized. The International Monetary Fund (IMF) described Brexit as throwing "a spanner in the works" of global growth, but then only downgraded its expectations for growth this year and next year by 0.1%. Forecasts by many for a UK recession have been reversed.
- Concerns of a slowdown in China's growth rate and a sharp depreciation of the renminbi have receded.

Cyclical improvement supports existing preference for IPOs in Asia-Pacific

Asia-Pacific has been the region most able to shrug off global political uncertainty so far this year. The region's impressive performance has been led by Greater China, where improving economic conditions have increased confidence and lessened concerns of a sharp slowdown in the growth rate, which had weighed on investor sentiment at the start of the year.

This cyclical improvement works in the same direction to support IPO activity as a distinct structural preference for public markets. In contrast to the US, where private companies are now achieving similar, or at times higher valuations than public companies, in China the valuation gap still favors public companies, making IPOs the route of choice.

This is not purely a question of the availability of private capital. In China, public companies offer investors liquidity and are perceived as being more transparent and better regulated. Public companies in China are also able to attract talent and their reputation helps when bidding for contracts. All of these factors may help to explain why investors are prepared to pay a premium for Chinese private companies as they enter the public markets.

Global IPO activity has a mixed outlook for the rest of 2016

Given the extreme weakness at the start of the year — 1Q16 was the slowest quarter since 2009 — global IPO activity in 2016 is unlikely to match the levels of 2015. However, we expect the continuation of marked regional differences.

Emerging markets are returning to form

Emerging markets are returning to form and we anticipate that Asia-Pacific will be the epicenter of IPO activity with several large deals planned. Over the last five years, emerging markets have underperformed and in a number of instances are now looking relatively undervalued. Growth differentials between emerging markets and developed markets, which are a driver of emerging market equity outperformance, are starting to re-appear. In a low return world, emerging markets offer the opportunity to generate superior returns, which will support investor and IPO sentiment.

Within the emerging markets, China is expected to see a higher level of IPO activity as the China Securities Regulatory Commission (CSRC) looks to clear the pipeline by approving bigger deals now that equity markets have stabilized. Likewise, India has seen strong activity on the back of stronger economic fundamentals and because the pro-business political regime is starting to make an impact.

Developed markets see strong pipelines as unicorns come of age

Amid the slowest year for US IPOs since 2009, the US IPO market is expected to show signs of improvement in 2017. The stellar post-IPO performance of companies listed this year combined with record-high equity prices and low volatility have provided a positive market environment for companies planning their listings.

While some companies may take advantage of the narrow pre-election IPO window in 2016 provided by high equity valuations and low equity volatility, the focus now has switched to building the pipeline for next year. We also anticipate that a backlog of PE-backed companies will come to market in 2017.

Activity in the European market is expected to rebound in 4Q16 and 2017 as the political situation in this region has become clearer. The mix of a steady economic backdrop, accommodative monetary policy, lower interest rate environments, still high equity valuation, currently low volatility levels and outperformance of recent IPOs should encourage both investors and IPO candidates.

Even in an environment where alternative sources of cash are available through the private capital market, a public listing remains an attractive option as a means to build the brand and gain wider exposure. Many unicorns have chosen to funding their growth through private capital, as they continue to mature. We expect a number of unicorns to pursue a dual-track approach where some will follow the public listing route.

Prospects look much stronger for 2017

Looking further ahead, we expect that improving economic fundamentals, high valuations and lower volatility will support IPO sentiment. We foresee that as greater geopolitical clarity emerges, IPO activity will pick up. While a return to the record levels of 2014 may be a stretch, we expect that activity in 2017 could surpass 2015.

Global IPO highlights

3Q16 YTD
(January – September 2016)[1]

Volume and value

704
deals globally
(23% decrease on 3Q15 YTD)

US$79.4b
in capital raised
(39% decrease on 3Q15 YTD)

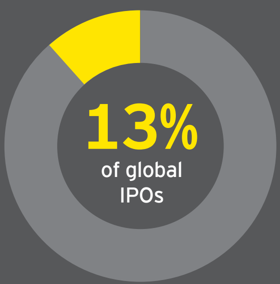
Commentary

Uncertainty has hampered dealmaking throughout 2016. Although we have seen improving economic fundamentals, including reduced volatility and rising equity markets, the combination of a yet-to-be-determined US presidential race, the UK's EU referendum and a raft of other geopolitical stresses have made 2016 exceptionally challenging for dealmakers and issuers. While 2016 will likely lag behind 2015 levels, overall the outlook for 2017 is positive.

Rapid growth vs. developed

Rapid-growth markets represent 57% of global IPO volume in 3Q16 YTD.

Financial sponsor activity fell by 51% in 3Q16 compared with 2Q16



In 3Q16 YTD, PE and VC account for 13% of global IPOs (92 deals)

25% by proceeds (US$19.7b)

Three sectors trending

Technology	Industrials	Health care
120 deals	118 deals	91 deals
(US$8.0b)	(US$10.1b)	(US$5.1b)

Equity markets saw lower volatility in 3Q16

VIX

The VIX® was around the 11% to 18% level in 3Q16, signaling lower volatility and higher investor confidence.

There were 23 withdrawn or postponed deals in 3Q16, which was lower than the 39 deals in 3Q15.

3Q16 IPO activity was affected by market volatility from 2Q16 and political uncertainty in the US and the UK.

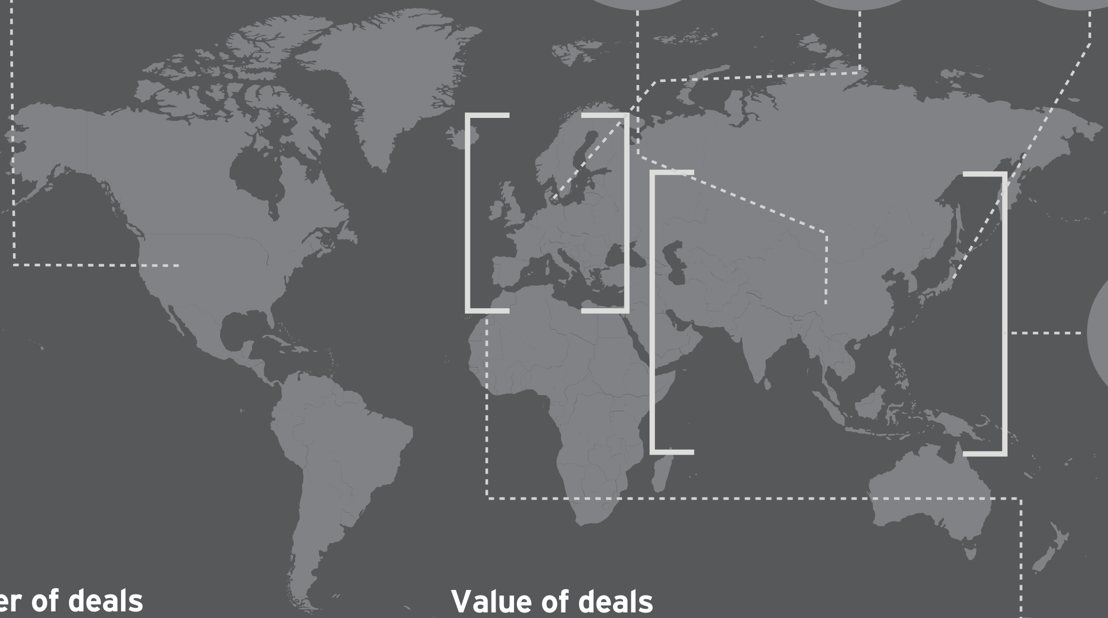
Ninety-three percent of 3Q16 IPOs priced within or above expectations.[2]

Asia-Pacific tops the leaderboard

US 17% US exchanges ranked third by global funds raised.

Top three deals in 3Q16

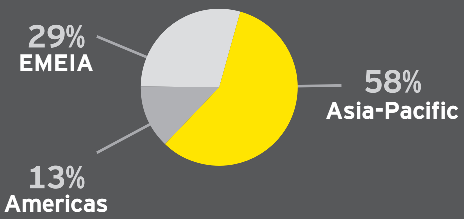
China	Denmark	Japan
US$7.8b	US$2.0b	US$1.3b
Postal Savings Bank of China Co. Ltd.	Nets A/S	LINE Corp.



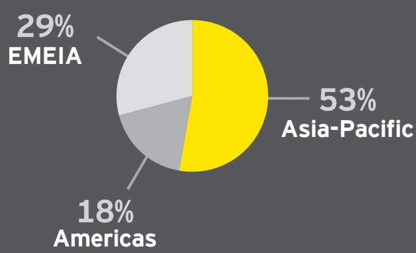
Asia-Pacific 53% Asia-Pacific led by global funds raised.

Europe 25% European exchanges ranked second by global funds raised.

Number of deals



Value of deals

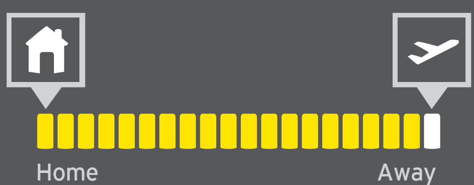


Top six exchanges by funds raised

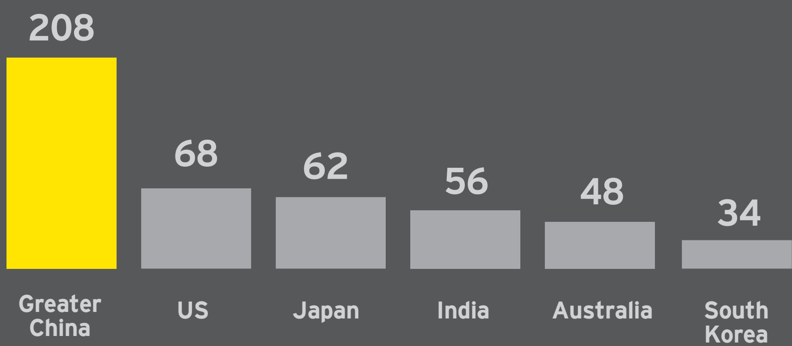
HKEx	NYSE	SSE	NASDAQ OMX	NASDAQ	SZSE
Main and GEM	New York	Shanghai	NASDAQ OMX and First North[3]	NASDAQ	Shenzhen
US$17.6b	US$8.5b	US$7.5b	US$7.3b	US$4.6b	US$4.2b
(67 deals)	(23 deals)	(59 deals)	(36 deals)	(55 deals)	(73 deals)

Home and away

Cross-border listings were 6% of global IPOs during 3Q16 YTD as compared with 7% during 3Q15 YTD.



Top six countries by deal volume[4]



1. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
2. Focus on open-price IPOs with deal value above US$50m.
3. NASDAQ OMX and First North include IPOs on the Copenhagen, Helsinki, Iceland and Stockholm markets.
4. Based on the listed company domicile nation.

US IPO pipeline builds for 2017

As expected, 3Q16 continued to be a quiet year for US IPOs, with a mere 35 deals raising just US$6.4b — largely mirroring last year's traditionally weak third quarter when 33 US IPOs raised US$5.7b. For the first nine months of 2016, there were 79 US IPOs raising US$13.4b in proceeds. This represented a 44% drop in the number of deals compared with the same period in 2015 and a 49% decline in capital raised. Despite the very strong performance of this year's debutants — which are currently trading on average at 31.7% above offer price — most private companies and financial investors are adopting a "wait-and-see" strategy, with sights set on doing a well-priced IPO in 2017 rather than risk the political and economic uncertainty that has weighed heavily in 2016.

- Although the US strongly outperformed EMEIA in terms of capital raised in 3Q16, it came in at a distant second to Asia-Pacific, which dominated global IPO activity in 3Q16. In the first nine months of 2016, US IPO activity saw one of the steepest declines of any countries during the period, suggesting this year will be the slowest for IPOs since the financial crisis.
- NASDAQ was the fourth busiest exchange, accounting for 10% of global IPOs in 3Q16, while NYSE ranked ninth, accounting for 4%. By capital raised, NYSE ranked third globally with a 12% share, while NASDAQ ranked fourth with a 6% share.
- US exchanges saw three of this quarter's ten largest IPOs globally, including oil and gas company Valvoline Inc., as well as two cross-border listings — by Japanese high-tech firm LINE Corp. and Dutch health care firm Patheon NV — reflecting the ongoing appeal of these mature exchanges with their broad investor pool and influential analysts for technology and medical businesses.

Economic and political factors weigh on IPO confidence
Despite the ongoing strength of investor appetite for high-performing IPOs, rising stock markets and low levels of market volatility, IPO activity in 2016 has been muted. Political considerations including the unpredictability of the electoral outcome, post-Brexit concerns, high levels of instability across the Middle East impacting Europe as well as the threat of a Federal Reserval interest rate hike are weighing heavily on confidence.

Corporate behavior is changing the IPO landscape
Changing corporate behavior is also a feature of the current landscape. Financial sponsors are sitting on estimated record levels of dry powder, with North America's dry powder being US$307b as at end of August. In addition, the scale of their investing, particularly in technology or tech-enabled businesses, is creating a raft of unicorns. When freed from the immediate need to raise more cash, these unicorns can take their time to build even larger and more mature businesses before coming to the public markets when conditions are favorable and stakeholders are ready to exit. We expect a number of unicorns to pursue their IPO and may follow a dual-track process.

At the same time, many businesses continue to weigh merger, trade sale and acquisition options alongside private finance and IPO as a route to value generation. With so many choices on the table, it is unsurprising that IPO numbers are down — 44% in the first nine months of 2016 compared with the same period in 2015. The decline in megadeals and a somewhat reduced participation by financial sponsors, who accounted for 43% of IPOs in 3Q16 compared with 61% in 3Q15, is also a feature of this quarter, reflecting weak appetite for IPOs when times are tough.

Health care deals dominate but technology outperforms
Health care and technology continue to be the most active sectors in terms of numbers of deals, with each representing 26% of IPOs in 3Q16. In terms of proceeds, technology accounted for 31% of capital raised, while health care accounted for 19% of capital raised in 3Q16.

Looking ahead, we expect to see the technology sector build its leadership position as more companies in the pipeline go public. This is the only sector where majority of IPOs are priced within or above their filing range so far this year. It has also had strong performances in trading debuts, with companies having average first-day returns over 28%. Moreover, a number of technology IPOs are currently trading at more than 50% above their offer price.

IPO prospects brighten toward the end of the year but 2016 will still end down
In the coming weeks, we anticipate that the combination of positive performance by IPO stocks, high investor appetite and low volatility will encourage IPOs in the short window ahead of the US presidential election in November. However, any such rally in activity is insufficient to compensate for the slow start to the year, which saw only eight deals raise less than US$1b in 1Q16.

Although 2016 looks set to be a slower year for IPO activity compared with 2015, prospects for 2017 are already looking much more positive. We continue to see increasing interest by companies considering an IPO or strategic transaction. The IPO pipeline is starting to refill with a combination of financial sponsored-backed unicorns and others that have pressed the pause button but are now looking with confidence toward reduced uncertainty and more supportive conditions next year.

US IPO highlights

3Q16 YTD

(January – September 2016)[5]

Volume and value

79 deals
(44% decrease on 3Q15 YTD)

US$13.4b
in capital raised
(49% decrease on 3Q15 YTD)

Key trends

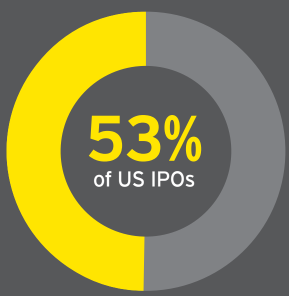
- There may be some IPO activity while markets are strong and volatility is low, but the renewed threat of an interest rate hike and undetermined US election result will weigh heavily on confidence, so activity will likely remain muted through to the end of 2016.
- IPOs from health care, technology and financials sectors will continue to feature in the IPO landscape as investors seek a combination of growth and value generation. The pipeline will start to build as companies consider going out at the end of 2016 or early 2017.
- Foreign businesses looking for the best place to maximize value will continue to consider US exchanges because of their influential analysts and deep pools of experienced investors keen to generate returns.

Commentary

"Our expectations for the IPO market this year were muted and nothing we saw in 3Q16 has changed that view. In a year clouded by unprecedented levels of uncertainty in terms of domestic and international politics, ongoing threats of an interest rate hike and periodically high levels of volatility, companies have by and large stayed away from public markets. With levels of private capital still at all-time highs and multitracking baked into corporate strategy, companies and financial sponsors are focused on getting set for 2017 when political and interest rate uncertainty are likely resolved by year-end and conditions will be supportive of doing a well-priced IPO."

Jackie Kelley
EY Americas IPO Leader

Financial sponsors continue to drive US IPO market



PE and VC account for 53% of US IPOs (42 deals)

55% by proceeds (US$7.3b)

Three sectors trending

Health care
31 deals
(US$2.7b)

Technology
15 deals
(US$2.8b)

Financials
10 deals
(US$1.9b)

IPO pricing and performance[6]

+13.3% first-day average return

+31.7% increase in offer price vs. 16 September 2016

US$338.7m median post-IPO market cap

US$90m median deal size

Equity indices[7]

DJIA	+4.0% ▲
S&P 500	+4.7% ▲

Volatility index and postponed IPOs

VIX®	-15.6% ▼

Postponed and withdrawn IPOs

- 46 deals, -18% ▼

IPO activity

	NYSE	NASDAQ
3Q16YTD	23 deals (US$8.5b)	55 deals (US$4.6b)
3Q15YTD	47 deals (US$14.6b)	93 deals (US$11.5b)

Cross-border activity in 3Q16 YTD from

China **4 deals** (US$458m)

Europe **3 deals** (US$848m)

Japan **1 deal** (US$1,322m)

12 deals[8] → US

New registrations

3Q16 **29 deals**, US$2.2b

3Q15 **45 deals**, US$11.6b

5. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
6. Pricing and performance is based on 68 IPOs on NYSE and NASDAQ that have started trading by 18 June.
7. Year-to-date returns of equity indices as of 16 September.
8. 3Q16 YTD saw 12 cross-border deals raising US$3.4b in total. There was one IPO each from Argentina (US$323m), Bermuda (US$250m), Cayman Island (US$182m) and Israel (US$8m).

Asia-Pacific is the engine of global IPO activity

While other regions have seen a stop-start pattern to IPO activity in 2016, Asia-Pacific has seen an increase in both deals and proceeds each quarter this year. For the first nine months of the year, it outpaced Europe and the Americas by a considerable distance with US$42.1b raised through 406 IPOs, representing a global share of 53% by proceeds and a 58% by deal volume.

- Although Greater China continues to dominate, both within the region and compared with all other markets outside the region, there was significant activity in markets across Asia-Pacific, including Japan, Australia and South Korea. In addition, some companies are coming to market in Singapore, Thailand and Indonesia. With investor confidence seemingly undented by events elsewhere in the world, we expect a healthy flow of IPOs to continue through the remainder of the year.
- In the first nine months of 2016, six of the world's ten most active exchanges by volume and five of the world's ten most active exchanges by proceeds were in Asia-Pacific.
- In 2016 so far, Shenzhen Stock Exchange is the most active by deal number; Hong Kong Main Market and GEM by capital raised.
- By sector, financials led the way in the region with 38% of capital raised; while the industrials sector led by deal volume, with 21% of IPOs.

Australia bucks global trend

Against a backdrop of declining IPO activity in virtually every market, Australia stands out as one of the few to see a year-on-year increase in the number of deals. In the first nine months of the year, the Australian Securities Exchange (ASX) hosted 52 IPOs, compared with 49 during the same period in 2015. Despite this increase in new listings, the amount of capital raised fell slightly to US$3.0b, down from US$3.2b in the first three quarters of 2015.

In August, the US$691m listing of Viva Energy REIT on the ASX was ranked the sixth largest deal in Asia-Pacific during the third quarter. This was Australia's second largest deal of 2016, behind industrials company Reliance Worldwide Corporation Limited, which raised US$702m in April. By volume of IPOs, the most active sectors in the first three quarters were technology, health care and materials.

Looking forward, the fourth quarter of the year typically sees the highest volume of IPOs and, notwithstanding the risk from increasing global capital market volatility, there is a strong pipeline of companies ready to list. This will include a number of cross-border IPOs as we continue to see steady interest from foreign small- to mid-sized companies wanting to list on the ASX.

In a bid to maximize opportunity and value, a growing number of companies are following a dual-track process and we expect this trend to continue for the remainder of 2016 and beyond. Meanwhile, after a record number of financial sponsor-backed listings last year, the majority of private equity (PE) and venture capital (VC) firms in Australia are now in their investment phase in the cycle. As a result, we expect the volume of PE- and VC-backed IPOs to start picking up again toward the end of 2017.

Activity in ASEAN muted

After a slow start to the year and a pickup in IPOs in the second quarter, activity in ASEAN fell slightly in 3Q16, resulting in a year-on-year decline for the first nine months of the year of 2% by number of deals and 27% by capital raised. The economic slowdown, especially in China, continues to affect ASEAN business confidence and GDP growth, which is acting as a brake on IPOs.

The slowdown is exacerbated by ongoing commodity price fluctuations and political developments, including on the Philippines Stock Exchange, where there were no IPOs in 3Q16 ahead of the country's presidential election, although we expect activity will recover now that the result has been decided. Meanwhile, investors remain cautious and are favoring debt offerings, especially in the face of potential interest rate rises. REITS and business trusts are also popular strategies due to their liquidity and steady yields.

Against this somewhat mixed backdrop, the entrepreneurial ecosystem continues to be robust and we expect to see more new listings of start-ups and other innovative businesses in sectors, including Fin-Tech, in the coming months. Furthermore, the recent decline in stock market volatility, coupled with robust VC activity, are positive indicators that the pipeline of IPOs in the ASEAN region is set to grow.

Positive outlook for Japan

Japan continues to see healthy IPO activity with 19 deals raising US$1.5b[9] in 3Q16, compared with US$1.1b in proceeds through 18 IPOs in 2Q16 and US$1.1b in proceeds via 20 IPOs in 3Q15. In addition, the dual-listing of LINE Corp. — the Japanese rival to WhatsApp — on the Tokyo Stock Exchange and New York Stock Exchange in July, raising US$1.3b, was the third largest IPO worldwide of the quarter and the second largest of a technology company so far this year. The deal drew strong investor interest — the international tranche was reportedly 25 times oversubscribed — while the company saw its stock climb 27% at the end of the first-day's trading.

For the first nine months of 2016, Japan saw 61 IPOs with total proceeds of US$3.8b, up from US$2.6b raised through 66 deals in the same period last year. The consumer products and technology sectors have been the most active by deal volume, driven by the recovery in consumption. Investor confidence has been strengthened by lower stock market volatility; the Nikkei Stock Average has been stable through the second and third quarters.

In the coming months IPO activity in Japan should continue to improve as the combined effect of monetary and fiscal easing, which included a stimulus package of US$265b, is expected to give a major boost to growth. There were 97 IPOs on Japanese exchanges in 2015 — a stand-out year — and we anticipate this year's total deal number to be slightly below that level, with the current forecast predicting a total of around 90 new listings for the year.

[9]Capital raised on Japanese exchanges in 3Q16 was US$1.5b, this excluded the US$1.3b dual-listing of LINE Corp. on NYSE and Tokyo Stock Exchange because the majority of IPO proceeds were raised on NYSE via American Depositary Receipts.

Asia-Pacific IPO highlights

3Q16 YTD

(January – September 2016)[10]

Volume and value

406 deals
(14% decrease on 3Q15 YTD)

US$42.1b
in capital raised
(26% decrease on 3Q15 YTD)

Key trends

IPO markets

- Greater China is the principal driver of activity in the region, accounting for 50% of deals and 70% of proceeds in the Asia-Pacific region so far this year.
- Japan, South Korea and Australia are all seeing a healthy flow of companies coming to market.
- In the third quarter, five of the world's ten largest IPOs were from Asia-Pacific.

Commentary

"Although new listings in Asia-Pacific are down year-on-year, in line with the global trend, the region has been the world's most active region through the first nine months of 2016, leading the way in both deal numbers and proceeds. Investor sentiment has been buoyed by the weaker-than-expected negative influence of Brexit and ample liquidity in emerging markets. With investor confidence seemingly un-dented by events elsewhere in the world, we expect a healthy flow of IPOs to continue through the remainder of the year."

Ringo Choi
EY Asia-Pacific IPO Leader

Top six exchanges by funds raised

HKEx	SSE	SZSE	TSE	ASX	KRX
Main and GEM	Shanghai	Shenzhen[11]	Tokyo[12]	Australia	Main and KOSDAQ
US$17.6b	US$7.5b	US$4.2b	US$3.8b	US$3.0b	US$1.8b
(67 deals)	(59 deals)	(73 deals)	(61 deals)	(52 deals)	(36 deals)

Six sectors trending

Industrials	Technology	Consumer products	Materials	Health care	Financials
85 deals	77 deals	41 deals	39 deals	28 deals	28 deals
(US$6.0b)	(US$2.2b)	(US$3.3b)	(US$1.7b)	(US$1.0b)	(US$15.9b)

IPO pricing and performance[13]

+19.7% first-day average returns

+99.3% increase in offer price vs. 16 September 2016

US$125.3m median post-IPO market cap

US$31.7m median deal size

Equity indices[14]

HANG SENG	+6.5% ▲	FTSE STRAITS TIMES	-1.9% ▼
SHANGHAI COMP	-15.2% ▼		
NIKKEI 225	-13.2% ▼	ASX 200	+0.02% ▲

Cross-border IPOs

Greater China issuers had **13 cross-border deals** with four deals on NASDAQ, three on KOSDAQ, and two on SGX and one deal each on NYSE, ASX, Deutsche Börse and Sydney Stock Exchange.

Singapore issuers had **three deals** on the Hong Kong Main Market and GEM, which raised US$1.2b and **one deal** that raised US$1.4m on NASDAQ OMX First North in Stockholm.

Australian Securities Exchange saw **two deals** from New Zealand and **one deal** each from Ireland and China that raised a combined US$82m.

10. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
11. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.
12. Tokyo Stock Exchange includes IPO listings from the Main Board, MOTHERS and JASDAQ.
13. Pricing and performance is based on 373 IPOs of Asia-Pacific exchanges that have started trading by 16 September. Data as of 17 September.
14. Year-to-date returns of equity indices as of 16 September.

Greater China leads the way in 2016

In line with the global trend, IPO activity in Greater China was down in the first nine months of the year. There were 201 IPOs raising US$29.3b, representing decreases of 24% and 34% respectively versus the same period in 2015. However, Greater China has been the world's stand-out market in 2016 and enjoyed an especially strong third quarter — the region's most active of the year so far — with the number of IPOs up 79% on 2Q16, while capital raised rose by 342% over 2Q16.

- Four of the world's ten largest IPOs in the first nine months of 2016 have been on Greater China exchanges.
- The industrials sector saw the greatest number of deals in the first nine months of the year; the financials sector led in terms of proceeds.
- A strong finish is expected for the year, with around 900 companies currently in the Mainland China and Hong Kong IPO pipeline altogether.

Activity in Mainland China accelerates in the third quarter
New listings gathered pace on Mainland exchanges in 3Q16 as the A-share market made steady, stable gains, prompting the regulators to gradually quicken the pace of IPOs. There were 72 deals raising US$7.3b in 3Q16, a marked increase of 95% and 177% respectively on 2Q16. This was the most active quarter of 2016 so far, pushing the year-to-date total of deals to 132 deals, with proceeds of US$11.7b.

The fifth largest deal globally of 3Q16 was Bank of Jiangsu Co. Ltd., which raised US$1.1b on the Shanghai Stock Exchange in August, was also the biggest IPO on a Mainland China exchange in 2016 so far. Investor appetite remains strong — all new listings in 3Q16 on Mainland exchanges rose by the maximum permitted 44% on first day of trading.

Confidence has picked up as the economy has gathered pace. Real GDP growth in 2Q16 reached 6.7% year-on-year, surpassing market expectations, led by a buoyant property market and higher factory output. Manufacturing activity expanded for the first time in 17 months in July as new orders increased, indicating a pickup in domestic demand. Meanwhile, the Chinese Government has taken a number of steps to support business investments.

Hong Kong stages a recovery
After a stagnant first half of the year, IPO activity on the Hong Kong Main Market recovered in the third quarter. There were 19 IPOs raising US$11.8b in 3Q16, with increases of 90% and 636% respectively on 2Q16. This pickup in activity was due in part to a steady rise in the Hang Seng Index, which gained more than 10% in the two-month period spanning July and August.

The improvement in market sentiment was reflected in IPO pricing. The proportion of IPOs issued in the lower pricing range dropped significantly to 13% in 3Q16, compared with 21% in 2Q16 and 16% in 3Q15. Companies were keen to seize the opportunity of attractive valuations and avoid the possible risk of a market slide later in the year, which is potentially due to delayed fallout from the Brexit vote in the UK and uncertainty over the US presidential election.

Large deals dominated on the HKEx in 3Q16. At the time of writing, Postal Savings Bank of China Co. Ltd. was expected to list in the last week of September, looking to raise around US$7.8b in what would be the world's largest IPO since the float of Alibaba Group Holding Ltd. in September 2014, which raised US$25.0b. This was just one of a number of large listings of financial services companies in 3Q16. There were three IPOs from this sector raising a combined US$9.9b in funds, representing 84% of total proceeds this quarter but only 16% by deal volume. Chinese financial companies Everbright Securities Co. Ltd. and Orient Securities Co. Ltd. ranked fourth and sixth in the list of the world's ten largest IPOs in the quarter, raising US$1.11b and US$1.08b on the Hong Kong Main Market respectively.

Positive outlook for the reminder of the year
We expect the recovery of IPO activity on the Hong Kong Stock Exchange to continue through the fourth quarter of 2016, traditionally the busiest period of the year when businesses ready to go public are keen to complete their listings ahead of the Chinese holiday season. According to the HKEx, there are more than 100 companies in the pipeline waiting to go public and investor sentiment has been strengthened by recent stock market gains. A positive market reaction to the Postal Savings Bank IPO would act as a spur to new listings.

In addition, some IPO candidates may choose to bring forward their listing in anticipation of the possible impact of changes resulting from the release of the joint consultation paper by the Securities and Futures Commission and the HKEx on proposed enhancements to the exchange's decision-making and governance structure for listing regulation.

The upcoming Shenzhen-Hong Kong Connect program (SZ-HK) — expected to launch around the middle of December — will be a further boost to market sentiment and is expected to encourage greater participation by foreign institutional investors. The program is a welcome sign showing that policymakers are keen to press on with financial reform as concerns over market volatility and capital outflows continue to fade.

The SZ-HK program will also have a positive impact on Mainland China, which is set to maintain its position as the world's most active market for IPOs. With valuations in the public market exceeding those for the private market, there are more than 800 businesses in the China Securities Regulatory Commission (CSRC) pre-IPO list and we expect CSRC will gradually pick up the pace of IPOs as it seeks to maintain a balance between the pace of new listings and the impact of market volatility. Meanwhile, CSRC has introduced measures designed to improve the functioning of China's stock markets, including stricter financial examination of companies in the IPO pipeline and improvements to the existing delisting system, which bode well for 2017 and beyond.

Greater China IPO highlights

3Q16 YTD

(January – September 2016)[14]

Volume and value

Hong Kong Main Market
42 deals
(14% decrease on 3Q15 YTD)

Shanghai
59 deals
(25% decrease on 3Q15 YTD)

Shenzhen
73 deals[15]
(35% decrease on 3Q15 YTD)

Hong Kong Main Market
US$17.3b
(13% decrease on 3Q15 YTD)

Shanghai
US$7.5b
(55% decrease on 3Q15 YTD)

Shenzhen
US$4.2b[15]
(41% decrease on 3Q15 YTD)

Key trends

- Pace of new listings in Mainland China accelerates as volatility subsides.
- Strong pipeline of companies ready to list should lead to uptick in IPO activity in the fourth quarter.
- Stock market reforms in both Mainland China and Hong Kong will stimulate flow of IPOs.

Commentary

"The Greater China IPO market recovered in 3Q16, with volume and proceeds up on both Mainland China exchanges and the HKEx, following a lull in the second quarter. The weaker-than-expected negative influence of Brexit and diminishing possibility of another rise in US interest rates have stabilized the capital markets. With the anticipated launch of the Shenzhen Hong Kong Stock Connect in mid-December, Greater China will remain the world's most active market for IPOs in 2016."

Terence Ho
EY Greater China IPO Leader

Six sectors trending

Industrials	60 deals	(US$4.5b)
Technology	33 deals	(US$1.4b)
Materials	21 deals	(US$0.8b)
Financials	15 deals	(US$15.5b)
Consumer products	14 deals	(US$2.5b)
Consumer staples	11 deals	(US$0.8b)

IPO pricing and performance[17]

Hong Kong Main Market

- **+14.5%** first-day average returns
- **+7.3%** increase in offer price vs. 16 September 2016
- **US$164.6m** median post-IPO market cap
- **US$38.3m** median deal size

Shanghai and Shenzhen

- **+44.0%** first-day average returns
- **+202.7%** increase in offer price vs. 16 September 2016
- **US$206.5m** median post-IPO market cap
- **US$51.6m** median deal size

Equity indices[18]

HANG SENG	+6.5% ▲
SHANGHAI COMP	-15.2% ▼
SHENZHEN COMP	-14.2% ▼
HANG SENG VOLATILITY	+4.9% ▲

Mainland China's IPO pipeline

More than 800 companies are in the China Securities Regulatory Commission (CSRC) pipeline.

More than half (54%) of the companies are planning to list on the Shenzhen Stock Exchange.

Around 35% are expected to be PE- or VC-backed.

CSRC IPO pipeline

15. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
16. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.
17. Pricing and performance is based on 39 IPOs on Hong Kong Main Market and 115 IPOs on Shanghai and Shenzhen stock exchanges that have started trading by 16 September. Data as of 17 September.
18. Year-to-date returns of equity indices as of 14 September for Shanghai Composite and Shenzhen Composite indices and 15 September for Hang Seng index.

EMEIA IPO activity rebounding as conditions are improving

The fallout from the UK's decision to leave the European Union (EU) reverberated around financial markets during 3Q16, weighing heavily on IPO activity across much of the EMEIA region. EMEIA IPO proceeds slumped by 69% to US$4.4b in 3Q16 from US$14.0b the previous quarter. Deal volumes were down by 59%, dropping from 97 deals in 2Q16 to 40 deals in 3Q16. The decline was most marked in Europe, where both proceeds and deal volume fell by 72% between the second and third quarters. Indeed, mainland Europe's performance was even slightly worse than the UK itself, where the declines quarter-on-quarter were 65% by proceeds and 59% by volume.

- For the first nine months of 2016, EMEIA exchanges raised US$23.3b from 207 IPOs, a decline of 46% by proceeds and 27% by volume of deals compared with the same period in 2015.
- NASDAQ OMX and Borsa Italiana were the only two EMEIA exchanges to feature in the global top 10 by capital raised in 3Q16. For the nine-month period, three EMEIA exchanges featured in the global top ten: NASDAQ OMX ranked fourth by capital raised, with London Main Market and AIM together ranked seventh and Euronext and Alternext together ranked ninth.
- India was very active by deal volume this quarter, accounting for three of the top ten EMEIA IPOs, with 18 IPOs raising US$630m.

Deal size drops

There were two deals of significant size in the region in 3Q16: the US$2.0b IPO of payment processor Nets A/S on NASDAQ OMX Copenhagen at the end of September and the US$918m privatization of state-owned enterprise ENAV, Italy's air traffic control operator. ENAV completed its IPO in mid-July, after it had been delayed by the Brexit vote in June.

The Nets A/S and ENAV transactions were the only EMEIA IPOs large enough to make the quarter's top ten deals, in stark contrast to 2Q16 when five of the largest ten deals were conducted on the region's exchanges.

India's Bombay Main Market and SME Board were the most active exchanges by deal number within EMEIA in 3Q16 with a combined total of 15 IPOs, ahead of the London Main Market and AIM with seven. By proceeds, NASDAQ OMX and its junior market led the way with US$2.0b, followed by Borsa Italiana and its AIM US$929m. Overall, average deal size on EMEIA main markets decreased from US$107.5m in 2Q16 to US$87.5m in 3Q16.

The post-Brexit lull

In the immediate wake of the UK's decision to leave the EU, equity markets fell and forecasts for economic growth were cut. A UK recession was predicted by a number of commentators and the International Monetary Fund (IMF) described Brexit as throwing "a spanner in the works" of global growth, causing widespread economic and financial uncertainty — even though the IMF only modestly downgraded their global growth forecasts for this year and next by 0.1%.

Equity markets, however, have quickly recovered from their immediate post-Brexit declines and volatility has fallen. The backdrop for IPOs has therefore become more supportive. Within the UK, the negative impact of the vote on the economy has so far been less than feared and some forecasters have reversed their predictions for a recession.

However, significant uncertainty remains and the impact of Brexit on investment is likely to take longer to unfold than the impact on consumer spending.

India maintains momentum

This year has been one of the most promising for IPOs in India and the trend continues to look favorable in the near- to medium-term. Year-to-date, India's Bombay and National stock exchanges have been the most active in the EMEIA region by volume with 56 IPOs raising US$1.8b. Bombay Main Market and SME Board is the seventh most active exchange globally by deal volume. And the re-emergence of larger listings, those with an average size touching the US$100m mark, could help India reach the expected target of US$5b in proceeds by the end of 2016.

The surge in activity is being driven by higher investor confidence in the Indian economy and continuing regulatory reforms. Given higher valuations, the majority of IPOs in 2016 have been aimed at providing exits for PE investors and a dilution of other stakeholders. Some IPOs have also been deferred because of lower-than-hoped-for valuations, which can be expected to return to the market in the future.

Bright spots in an uncertain outlook

European IPO activity is unlikely to reach 2015 levels by the end of this year following the UK's vote to leave the EU and geopolitical tensions across the region. However, an uptick in activity toward the end of the year is expected.

Greater clarity over the UK's progress on negotiations with the EU will be key to IPO activity picking up again after the traditionally quiet summer period, but there are a number of supportive factors suggesting a more optimistic outlook in Europe, including:

- Short- and long-term interest rates are at extremely low levels and are likely to remain so as monetary policy is expected to stay accommodative post-Brexit.
- With real interest rates being negative, investors are being pushed into equities to generate higher returns, which has helped European stock indices push higher following the immediate post-Brexit decline. As a result, the improving trend of recent years in both trailing and forward P/E ratios continues and these improved valuations support IPO sentiment.
- Volatility in many equity markets has fallen to its lowest level since September 2015.

IPO activity in India is expected to see a strong end to the year, with a record number of PE exits expected, despite the postponement of the Vodafone mega-IPO (expected to raise US$2.0b) until 2017. IPO activity in India will be driven by improving economic fundamentals and stellar performance of stocks in the secondary markets.

Stock markets in the Middle East and North Africa have remained lackluster and declining oil prices and global economic volatility have weighed on IPO activity in the region. While uncertainties with oil prices and regional geopolitics remain, we would expect to see continued volatility in the region's equity markets.

EMEIA IPO highlights

3Q16 YTD

(January – September 2016)[19]

207 IPOs with US$23.3b proceeds

Main markets: **94 IPOs** (39% decrease on 3Q15 YTD) — **Proceeds US$21.4b** (48% decrease on 3Q15 YTD)

Junior markets: **113 deals** (12% decrease on 3Q15 YTD) — **Proceeds US$1.9b** (23% increase on 3Q15 YTD)

Key trends

Investor confidence

- EMEIA IPOs are still outperforming the main market equity indices, which encourages investor sentiment.
- The combination of a steady economic backdrop, accommodative monetary policy, high equity valuations and low volatility is supportive for higher levels of IPO activity in the medium-term.
- India IPO activity is set to remain strong, driven by high investor confidence and regulatory reforms.

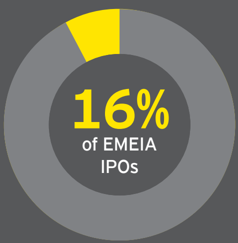
Commentary

"Political uncertainty concerning Brexit and the US elections, rather than the events themselves, is causing private companies to delay their decisions on when to list. In addition, IPOs are executed locally, but investors are approached globally, so uncertainty spreads beyond the region where the IPO originates. However, as the political situation becomes clearer, the mix of a steady economic backdrop, accommodative monetary policy, low interest rate environments, still high equity valuations and current low volatility levels are expected to lead to a rebound in IPO activity for the remainder of the year and 2017."

Dr. Martin Steinbach
EY EMEIA IPO Leader

Top five exchanges by funds raised

NASDAQ OMX	LSE	Euronext	BSE	BME
NASDAQ OMX and First North	Main Market and AIM	Euronext and Alternext	Bombay and SME	Bolsa de Madrid and MaB
US$7.3b	US$4.2b	US$3.3b	US$1.8b	US$1.5b
(36 deals)	(40 deals)	(14 deals)	(48 deals)	(5 deals)



Financial sponsor activity fell by 39% in 3Q16YTD compared with 3Q15YTD

PE/VC accounted for 16% of EMEIA IPOs (33 deals)

44% by proceeds (US$10.2b)

Three sectors trending

Health care	Industrials	Technology
32 deals	29 deals	28 deals
(US$1.4b)	(US$3.7b)	(US$3.1b)

IPO pricing and performance

Main markets[20]

- **+6.7%** first-day average return
- **+14.4%** increase in offer price vs. 16 September 2016
- **US$298.0m** median post-IPO market cap
- **US$211.3m** average deal size

Junior markets[20]

- **+10.9%** first-day average return
- **+27.0%** increase in offer price vs. 16 September 2016
- **US$16.1m** median post-IPO market cap
- **US$17.3m** average deal size

Equity indices[21]

FTSE 100	+7.5% ▲	BSE SENS	+9.5% ▲
DAX	-4.3% ▼	JSE All share	+2.2% ▲
CAC 40	-6.6% ▼	MICEX	+12.5% ▲

Volatility indices

VSTOXX®	-3.9% ▼	VDAX®	-12.4% ▼

Postponed and withdrawn IPOs

- 26 deals -24% ▼

Cross-border IPOs

- 16 (8%) EMEIA issuers conducted cross-border listings, consisting of:
  - 11 IPOs to exchanges within the EMEIA region
  - Five IPOs to exchanges outside the EMEIA region
- Four Asian companies and one US company conducted cross-border listings on EMEIA exchanges

19. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
20. Pricing and performance is based on 91 IPOs on main markets and 110 IPOs on junior markets that have started trading by 16 September. Data as of 17 September.
21. Year-to-date returns of equity indices as of 16 September.

UK IPO market looks set to bounce back

The unexpected EU referendum result has compounded the slow first half of the year in the UK, which saw many businesses put their listing plans on hold. For the first nine months of 2016 there were a total of 40 IPOs on the London Main Market and AIM, raising a total of US$4.2b, which were decreases of 47% in proceeds and 11% in volume compared with the same period in 2015. However, the summer months are a traditionally quiet period for the IPO market in the UK; a comparison of 3Q16 to 3Q15 reveals little change.

- There were seven IPOs in 3Q16, the same number as in 3Q15, but the US$377m capital raised was up 18%.
- Newly listed stocks in 2016 have outperformed veteran assets, which are currently trading an average of 22.6% above list price, with none trading below their list price.
- There were no PE- or VC-backed listings during 3Q16.

Focus has been on the small and domestic this quarter
Six of the seven UK listings that took place this quarter were on the junior AIM market as larger businesses decided to postpone their listings during this turbulent period. Reflecting the international implications of the Brexit vote, of the six IPOs that were priced and started trading in 3Q16, it is unusual that only one was a foreign business, SEC SpA, which is an Italian media and entertainment business that raised US$4.4m. The only listing on the London Main Market was the operator of bowling centers, Hollywood Bowl Group plc, which was completed in the second half of September.

Due to the limited range of activity in 3Q16, no sector could be said to have dominated, but two deals on AIM market were notable. APQ Global Ltd., a financial and investment service provider, raised US$79.4m at a market capitalization of US$101.8m. Autins Group raised US$34.5m at a market capitalization of US$42.1m. Autins Group specializes in the design, manufacture and supply of acoustic and thermal insulation solutions primarily in the automotive sector, but is having a disruptive influence on other sectors as it broadens its focus to include white goods, power generation, marine, apparel, rail, commercial vehicles and industrial sectors. Both companies have traded well in the secondary market, currently up 4.5% and 36.6% respectively.

Pricing and interest are picking up
Initially, at the start of 3Q16, equity indices fell significantly. However, at the time of writing, as the quarter comes to an end, markets are close to an 18-month high, which should lead to strong opportunities in 4Q16.

Although many of the businesses that have put their listing plans on hold are still set to revise their IPO timetables, the recovery in market pricing has made the IPO option attractive once again. In part, this has been driven by strong US and Asian interest in assets made cheaper by the weak pound and is particularly the case for those businesses with strong UK-based revenues. Against this backdrop, we are aware of a number of large IPOs in the pipeline which, if successful, could drive another period of strong IPO activity.

As always, it will be the specific characteristics and equity story of the individual companies that drive investor interest. Companies in the retail, technology, and media and entertainment sectors are likely to be the most attractive, mirroring previous quarters.

Stronger levels of participation by PE- and VC-backed businesses are likely to be another feature of 4Q16 IPO activity. PE-backed businesses typically have the scale and expertise to launch their listings quickly in an effort to take advantage of a positive change in investor confidence in the equity markets. If one of the scheduled larger IPOs launches successfully early in the quarter, this is likely to boost confidence and will likely inspire a raft of other sponsor-backed IPOs to take place.

Prospects for 2017 are improving
It is possible that as we look ahead to 2017, debate over the future of the UK's trading relationships and the triggering of Article 50 will drive volatility, which will impact IPO windows. However, with a number of very large IPOs rumored, it is likely that 2017 could see a resurgence of the UK IPO market as firms look to take advantage of global investor interest.

UK IPO highlights

3Q16 YTD

(January – September 2016)[21]

Volume and value

London Main Market
12 deals
(43% decrease on 3Q15 YTD)

London AIM
28 deals
(17% increase on 3Q15 YTD)

London Main Market
US$3.0b
(58% decrease on 3Q15 YTD)

London AIM
US$1.2b
(71% increase on 3Q15 YTD)

Key trends

- The resolution of political uncertainty due to the EU referendum will see IPO activity pick up on the back of reduced volatility, rising indices and strong aftermarket performance of new IPOs.
- US and Asian investors' interest will help drive pricing, making IPOs more attractive to business leaders and their backers.
- While 2017 looks set for an IPO resurgence, longer term it is possible that the triggering of Article 50 and the renegotiation of Britain's trading relationships will drive volatility, which will impact IPO windows.

Commentary

"The unexpected EU referendum result quickly sent the markets and the pound into decline, resulting in many firms postponing their IPO plans. However, following the markets' strong recovery and the added interest of US and Asian investors looking to take advantage of the weak pound, we now expect a number of firms to re-engage their IPO plans. With a number of very large IPOs rumored, we could see a resurgence of the UK IPO market in 2017, as firms look to take advantage of global investor interest in the UK market."

Scott McCubbin
EY UK and Ireland IPO Leader

Financial sponsors continue to drive UK IPO market

PE and VC accounted for 20% of UK IPOs (8 deals)

51% of proceeds (US$2.1b)

Three sectors trending

Technology
6 deals
(US$0.4b)

Financials
5 deals
(US$1.3b)

Retail
5 deals
(US$0.4b)

IPO pricing and performance

London Main Market[23]

+4.2% first-day average return

+22.6% increase in offer price vs. 16 September 2016

US$416.9m median post-IPO market cap

US$212.0m median deal size

Alternative Investment Market[23]

+11.2% first-day average return

+23.5% increase in offer price vs. 16 September 2016

US$62.8m median post-IPO market cap

US$17.7m median deal size

Equity indices[24]

FTSE 100	+7.5% ▲
FTSE 350	+6.6% ▲
FTSE AIM ALL SHARE	+9.4% ▲

Cross-border activity in 3Q16 YTD[25]

Italy had **two deals**; Guernsey, US and Malaysia had **one deal** each, raising US$122.6m altogether on AIM.

Israel and Philippines had **one deal** each, raising US$8.1m altogether on the London Main Market.

Top three IPOs in 3Q16 by capital raised

Hollywood Bowl Group plc	APQ Global Ltd.	Autins Group
raised	raised	raised
US$240m	**US$79m**	**US$34m**
(UK, Media and entertainment)	(Guernsey, Financials)	(UK, Materials)

22. 3Q16 YTD (January – September 2016) IPO activity is based on priced IPOs as of 16 September and expected IPOs by the end of September.
23. Pricing and performance is based on 12 IPOs on London Main Market and 28 IPOs on AIM that have started trading by 16 September. Data as of 17 September.
24. Year-to-date returns of equity indices as of 16 September 2016.
25. There were seven cross-border IPOs on London Main and AIM in 3Q16 YTD.

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Find out more about future IPO prospects

For more information on global IPO performance by quarter and year, and how IPO market looks set to develop in 2016 and 2017, visit the EY Global IPO website:

ey.com/ipo

Note: Throughout this report, 2016 January to September (3Q16 YTD) IPO activity is based on priced IPOs as of 16 September and expected IPOs by end of September. Source of data: Dealogic and EY.