

Big vs agile?

Global IPO trends: Q4 2018

Mega and unicorn IPOs characterize
2018 deal landscape; trend to
continue in 2019



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Contents

Global IPO market	3
Americas	7
Asia-Pacific	11
Europe, Middle East, India and Africa	21
Appendix	30

About this report

EY *Global IPO trends* report is released every quarter and looks at the IPO markets, trends and outlook for the Americas, Asia-Pacific, Japan and EMEIA regions.

The report provides insights, facts and figures on the 2018 IPO market year-to-date and analyzes the implications for companies planning to go public in the short and medium term.

You will find this report at the [EY Global IPO website](#). You can also follow the report on [LinkedIn](#) or [Twitter](#).



All values are US\$ unless otherwise noted.

A high-angle, close-up shot of a sailboat's deck, showing the wooden planking and various rigging lines. The boat is moving through a deep blue sea with white-capped waves. The sky is a clear, pale blue. The overall tone is professional and dynamic.

Global IPO market

2018 IPO activity charts a steady course forward, despite waves of volatility

“Through a fog of uncertainty, IPO markets around the world found a clear path forward and investment opportunities ultimately delivered returns in 2018, as investor confidence, mega IPOs and the rise of the unicorn companies helped provide assurance for IPO investors. While the fourth quarter was weak, the year ended as expected, with 2018 activity held back toward the end of the year by geopolitical tensions, trade issues between the US, China and the EU, and the looming exit of the UK from the EU. Looking ahead to 2019, we expect a cautious start, followed by rays of hope that should brighten IPO activity in the second half of the year. In the meantime, it is more important than ever for IPO candidates to remain flexible and be well-prepared to move when the fog begins to lift.”

Dr. Martin Steinbach

EY Global and EY EMEA IPO Leader

Highlights from the market

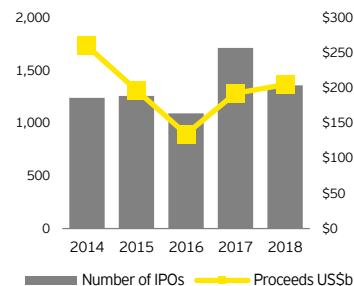
- ▶ **Through a fog of uncertainty, IPO candidates have found a clear path to market in 2018**, supported primarily by investor confidence, large pools of liquidity, strong valuations and low interest rates, despite equity market volatility, geopolitical tensions and ongoing trade issues between the US, the EU and China.
- ▶ **While 2018 global IPO volumes declined by 21% from 2017, proceeds are up by 6%.** This can be largely attributed to a number of unicorns (40 IPOs, raising US\$32.2b in total) and mega IPOs that went public.
- ▶ **Asia-Pacific continued to be a beacon across the global IPO landscape in 2018**, accounting for 49% of deal number and 48% by proceeds. While 2018 deal numbers were 31% lower than 2017, proceeds were up 28% year-over-year in 2018.
- ▶ **EMEIA exchanges saw a 16% drop in deal volume and 26% decline by proceeds in 2018 compared with 2017.** An unclear path to Brexit, political changes in Germany and Italy, and US trade and tariff uncertainties have directly impacted European and EMEIA economies and muted IPO activity.
- ▶ **America's share of global IPOs continued to improve in 2018 by deal number and proceeds.** The region saw its 2018 volume and proceeds exceeded that of 2017. The **US dominated IPO activity**, representing 79% of the region's deal number and 88% by proceeds.
- ▶ **Technology, industrials and health care** were the most prolific sectors by deal numbers in 2018, while technology, telecommunications and financials led by proceeds. This suggests that investors are striking a balance between growth and value investments.
- ▶ **The proportion of cross-border IPOs increased in 2018 by deal number**, compared with 2017. The US, Hong Kong and London continue to be the favored destinations of cross-border IPOs.
- ▶ **Non-financial sponsored companies** are an increasingly dominant source of IPOs in all markets. Moreover, ongoing uncertainties and volatility in global equity markets has pushed an increasing number of financial sponsors to consider M&A as the preferred exit route.

Markets

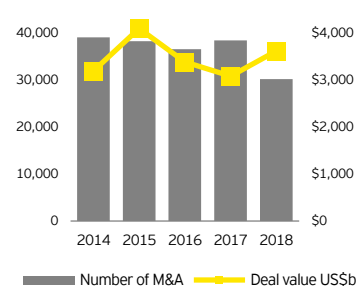
2018	Change on prior year	Q4 2018	Change on prior year quarter
1,359 IPOs globally	▼ 21%	326 IPOs globally	▼ 34%
\$204.8b proceeds	▲ 6%	\$53.7b proceeds	▼ 10%

All amounts in table are in US\$

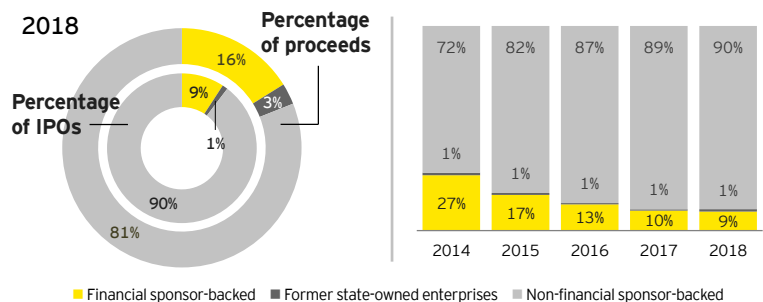
IPO activity



M&A activity



Sources of IPOs



Figures may not total 100% due to rounding

Activity Q4 2018

Stock exchanges
by highest total proceeds

**Tokyo (TSE),
MOTHERS
and JASDAQ**
\$21.6b
30 IPOs

**Deutsche
Börse (Main
and Scale)**
\$4.6b
3 IPOs

**Hong Kong
(Main and
GEM)**
\$4.4b
42 IPOs

Sectors
by highest
number of IPOs

Technology
64 IPOs
\$4.3b

Health care
61 IPOs
\$5.1b

Industrials
49 IPOs
\$9.4b

IPOs
largest by
proceeds

**SoftBank
Corp.**
\$21.1b
Telecommunications
Japan
Tokyo (TSE)

**Knorr-
Bremse AG**
\$4.4b
Industrials
Germany
Deutsche Börse

**Tencent Music
Entertainment
Group**
\$1.4b
Media and
Entertainment
China
New York (NYSE)

All amounts in table are in US\$

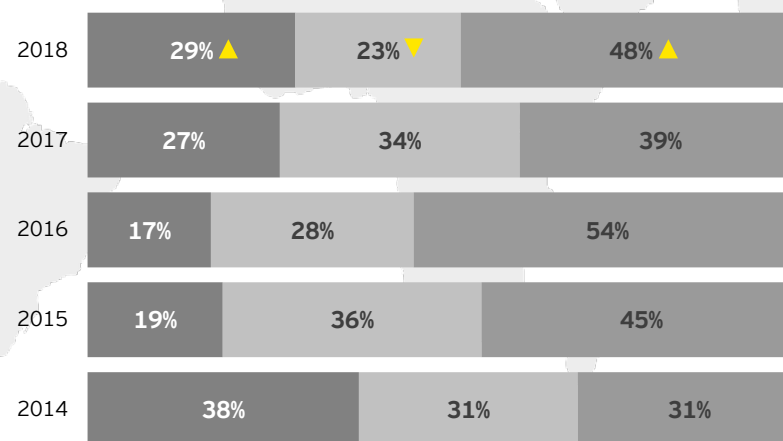
Regional performance and trends

Although positive post-IPO performance has receded from previous years, first-day IPO returns continue to outperform IPO offer pricing by at least 10%. These encouraging returns continue to feed investor appetite, particularly for technology, industrials and health care IPOs. The rise of the unicorns and mega IPOs have also helped to push 2018 proceeds beyond 2017 levels.

Regional share by number of IPOs



Regional share by proceeds

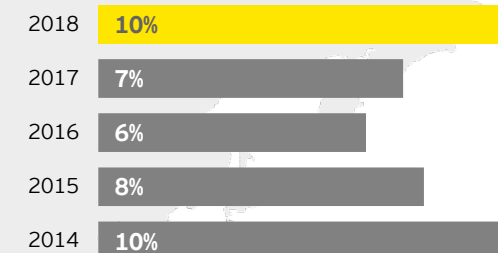


■ Americas ■ EMEA ■ Asia-Pacific

▲ or ▼ or = increase or decrease or remain constant for full year 2018 compared with the full year of 2017
Figures may not total 100% due to rounding.

Cross-border IPOs

Percentage by number of IPOs globally



Top countries of origin 2018

By number of IPOs outside home country

- ▶ China (3)
- ▶ Singapore (15)
- ▶ UK (12)
- ▶ US (10)
- ▶ Australia (6)

Top IPO destinations* 2018

By number of IPOs

- ▶ NASDAQ (33)
- ▶ NYSE (27)
- ▶ Hong Kong (23)
- ▶ London (14)
- ▶ Australia (9)

*IPO destinations refer to stock exchanges (main and junior markets).

Outlook

- ▶ Given market volatilities and geopolitical uncertainties, the strong decline in quarter-over-quarter IPO activity in all regions in Q4 2018 **sends signals for a cautious start in 2019. However, companies that do come to the public markets will be of higher quality as investors become more selective.** The best option for IPO candidates is to ride the wave, take the additional time to further improve their IPO readiness and consider a multitrack approach.
- ▶ Although **2019 IPO deal numbers could be below that of 2018 (1,150 to 1,300 IPOs)**, it is likely that global proceeds could meet or exceed the high 2018 levels.
- ▶ **Asia-Pacific:** Heading into 2019, we expect the decline in IPO activity to continue by deal numbers and proceeds. However, if geopolitical uncertainties and market volatility stabilize, IPO activity levels could improve in the second half of the year.
- ▶ **EMEIA:** US-China-EU trade tensions, Brexit, uncertainty with respect to the stability of selected European economies, and the potential of rising interest rates will likely continue to dampen IPO activity in the first half of 2019. However, with strong fundamentals and investor confidence, EMEIA IPO markets will remain a dominant force globally in 2019.
- ▶ **Americas:** Healthy performance in 2018 creates a supportive backdrop for continued Americas IPO activity. The number of companies, including multiple unicorns, considering the public markets in 2019 suggests that the Americas IPO market has much to look forward to in the year ahead.
- ▶ **Sectors:** Technology, industrials, health care and consumer products sectors will remain particularly active as investors look to balance high returns potential, with more traditional, less risky investments.
- ▶ **Cross-border:** We expect cross-border activity to maintain its momentum well into 2019, with the US, Hong Kong and London continuing to be the top destinations.

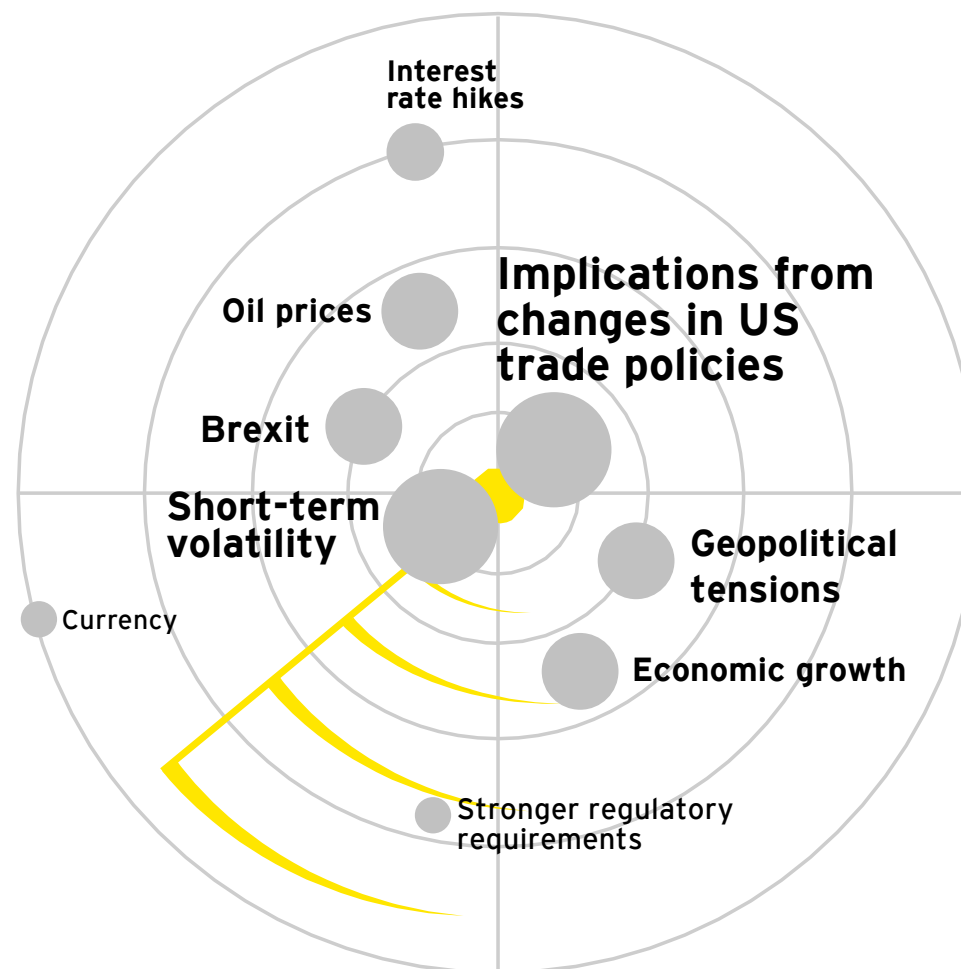
EY IPO sentiment radar

The radar contains a variety of market factors that may impact investor sentiment for IPOs.

Pre-IPO companies should analyze how these factors may affect their business and valuations. These factors can ultimately have an impact on the timing and value of their transaction in view of their chosen IPO destination.

Potential impact

- ▶ **Consider a number of alternative funding or exit options (multitrack)**
- ▶ **Preserve optionality with early IPO readiness preparations**
- ▶ **Prepare early to complete your IPO quickly in narrow IPO windows**
- ▶ **Be flexible in timing and pricing**





Americas

Despite market volatility, 2018 Americas IPO activity continued full-steam ahead

“Despite muted IPO activity on Central and South America exchanges in the second half of 2018, the IPO pipeline continues to build in the Americas. We expect issuers that are well prepared will be able to manage through periods of market instability.”

Jackie Kelley

EY Americas IPO Markets Leader

Highlights from the markets

- ▶ Despite the volatility, Americas IPO markets are ending on a high as year-over-year **deal volumes and proceeds from 2018 exceeded 2017 numbers by 14% and 16%, respectively.**
- ▶ **The US exchanges accounted for 79% of Americas IPO deal numbers and 88% by proceeds.**
- ▶ Besides the US, **Canada's Toronto Stock Exchange and Venture Exchange** saw 17 IPOs, which raised US\$1.1b in 2018, **accounting for 7% of Americas IPOs and 2% by proceeds.** There were **no significant IPOs on Brazil's or Mexico's markets in the second half of 2018.**
- ▶ **Cross-border deals accounted for 25% (65 IPOs) of 2018 Americas IPOs.** 60 foreign issuers listed in the US and 5 listed on Canada's Toronto Main and Venture Exchanges and CNQ. This signaled continued confidence in Americas exchanges.
- ▶ **Health care, technology and financials sectors saw the highest level of IPO activity in 2018,** with health care alone contributing to 35% of deal volume, while technology and financials accounted for 22% and 10%, respectively. These sectors accounted for 17%, 28% and 13% of proceeds, respectively.

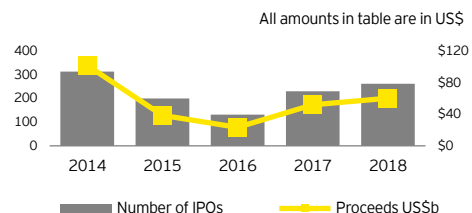
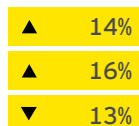
Markets 2018

261 IPOs

\$60.0b proceeds

\$99m median deal size

Change on prior year



Activity Q4 2018

All amounts in table are in US\$

Stock exchanges by highest total proceeds

NASDAQ
\$4.3b | 27 IPOs US

NYSE
\$3.7b | 11 IPOs US

Toronto TSX and Venture
\$235m | 5 IPOs Canada

Sectors by highest number of IPOs

Health care
23 IPOs | \$2.4b

Technology
14 IPOs | \$2.8b

Materials
7 IPOs | \$395m

IPOs largest by proceeds

Tencent Music Entertainment Group \$1.4b Media and entertainment, New York, China

StoneCo Ltd. \$1.4b Technology, NASDAQ, Brazil

Moderna Inc. \$500m Health care, NASDAQ, US

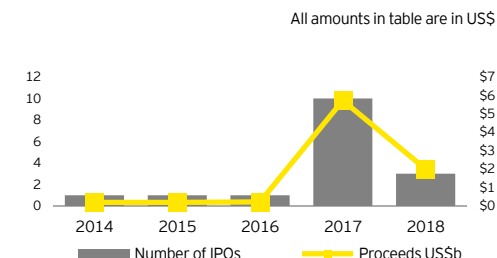
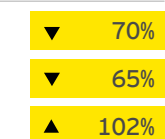
Brazil's B3 2018

Change on prior year

3 IPOs

\$2.0b proceeds

\$801m median deal size



Canada's Toronto Stock Exchange and TSX Venture Exchange 2018

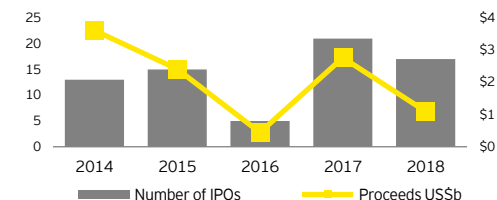
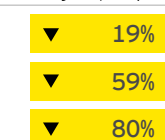
Change on prior year

17 IPOs

\$1.1b proceeds

\$15m median deal size

IPO activity of Canadian Securities Exchange is excluded.



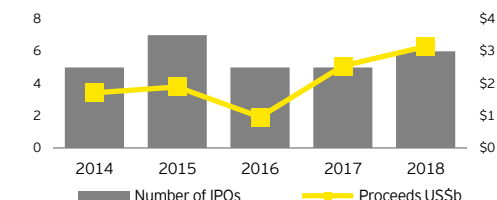
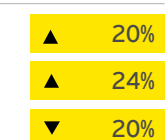
Mexico's Mexican Stock Exchange 2018

Change on prior year

6 IPOs

\$3.2b proceeds

\$387m median deal size



US' NASDAQ and NYSE 2018

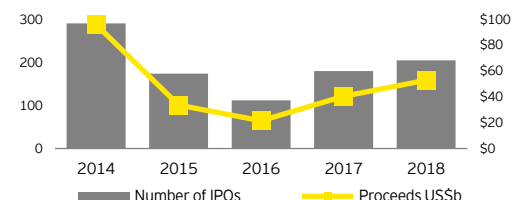
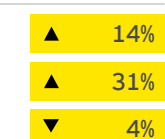
Change on prior year

205 IPOs

\$52.8b proceeds

\$111m median deal size

IPO activity in 2016 includes one IPO on BATS exchange.





Americas – US IPO market insight

2018 US IPO markets surpass 2017 deal volume and proceeds

“The US IPO markets will finish the year strong, with both volume and proceeds surpassing 2017 levels. A number of unicorn companies brought IPOs to market in 2018, with more on record stating that they will be conducting IPOs in 2019. As we head into the new year, we expect IPO volumes to remain steady, driven by a number of high quality issuers that have kicked off IPO processes.”

Jackie Kelley

EY Americas IPO Markets Leader

Highlights from the market

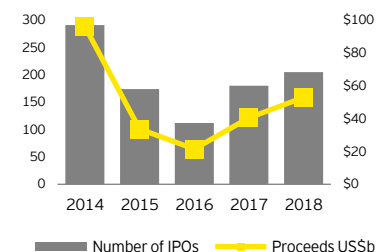
- ▶ **Despite market volatility, US IPO activity** saw 205 IPOs raising a total of US\$52.8b in 2018, a year-on-year rise of 14% by volume and 31% by proceeds.
- ▶ **Health care and technology sectors continue to dominate the US exchanges in 2018 by deal number and proceeds.**
- ▶ **Twenty-six unicorns (with total proceeds of US\$15.0b)** came to the public market in 2018, a trend we expect will continue into 2019.
- ▶ **US exchanges continue to be the destination of choice for foreign companies.** Cross-border IPOs accounted for 29% of US IPOs, with 60 companies choosing to list in the US from 15 countries during 2018.
- ▶ **Positive post-IPO price performance is keeping investors engaged** and encouraging more IPO candidates to come to the market. US IPOs have posted average first-day returns of around 15% and average current share price post-IPO is up by around 11%.

Markets 2018

205 IPOs

\$52.8b proceeds

27% of IPOs are financial sponsor-backed



IPO activity in 2016 includes one IPO on BATS exchange.

Q4 2018

NASDAQ
\$4.3b
27 IPOs

NYSE
\$3.7b
11 IPOs

All amounts in table are in US\$

Activity Q4 2018

All amounts in table are in US\$

Sectors

by highest number of IPOs

Health care
19 IPOs | \$2.3b

Technology
9 IPOs | \$2.8b

Media and Entertainment
2 IPOs | \$1.8b

Consumer products
2 IPOs | \$318m

Financials
2 IPOs | \$283m

IPOs

largest by proceeds

Tencent Music Entertainment Group
\$1.4b Media and entertainment, NYSE, China

StoneCo Ltd.
\$1.4b Technology, NASDAQ, Brazil

Moderna Inc.
\$500m Health care, NASDAQ, US

Studio City International Holdings Ltd.
\$413m Media and entertainment, NYSE, Macau

Livent Corp.
\$391m Materials, NYSE, US

Performance 2018

All amounts in table are in US\$

IPO pricing and performance

US markets

First-day average return

+15.1%

+ or - indicates change compared with offer price at IPO

First-day and current average returns are mean returns of issuers who started trading by 29 November.

Share price performance since IPO (aka offer-to-current)

+10.6%

Equity indices

DJIA
+1.2%
US

S&P 500
+1.0%
US

+ or - indicates change since 29 December 2017

Volatility index

CBOE VIX®

+87.9% | 20.7 index level

YTD

+ indicates a increase in expected volatility as of 4 December 2018 compared with 29 December 2017 for year-to-date (YTD).

Trends

2018

Change on prior year

Median deal size

\$111.1m

▼ 4%

Median post-IPO market cap

\$515.6m

▼ 1%

Median post-IPO market cap is calculated for IPOs that were priced by 29 November.

Cross-border IPOs: top countries/regions of origin 2018

➔ **60**
IPOs

China 33 IPOs (\$9.4b)

Europe 13 IPOs (\$3.8b)

Israel 4 IPOs (\$158m)

Brazil 3 IPOs (\$4.2b)

Argentina 2 IPOs (\$865m)

All amounts in table are in US\$

Outlook

- ▶ Although there is limited visibility into the IPO pipeline due to confidential filings, there continues to be **rumblings of significant IPO activity set to take place during the first half of 2019** behind the scenes.
- ▶ **Unicorn technology companies** garner the majority of the headlines, but **the IPO pipeline includes industry and geographical diversity as well as financial sponsor-backed companies**, signaling continued strength in the US IPO market.
- ▶ As markets digest geopolitical developments and increased uncertainty, **IPO windows may narrow and issuers that are prepared to move nimbly will be rewarded.**

A woman in a red jacket and white visor is sailing on a boat, looking out at the ocean. Another person is visible in the background, also on the boat. The scene is set on a body of water with mountains in the distance.

Asia-Pacific **Asia-Pacific IPO markets have reached crossroads heading into 2019**

“Despite a slowdown in Q4 2018 quarter-on-quarter, Asia-Pacific IPO markets continued to be a beacon across the global IPO landscape in 2018. However, as we head into 2019, the Asia-Pacific IPO market has reached crossroads. If fundamental factors improve, such as greater geopolitical certainty, better trade relations or an increase in liquidity, we may see improvements in IPO activity as early as the first half of 2019. However, if fundamentals remain as they are, we may see a short burst of activity in the first half of 2019, but sustained improvement in IPO activity may not be realized until the second half of the year.”

Ringo Choi

EY Asia-Pacific IPO Leader

Highlights from the market

- ▶ **Asia-Pacific continued to dominate global IPO activity in 2018, despite a slowdown in Q4 2018.** This region accounted for six of the top ten exchanges globally by deal number and five exchanges by proceeds. **2018 deal volumes were down by 31% versus 2017, while proceeds were up by 28% due to a number of mega IPOs in this region.**
- ▶ In Q4 2018, **a number of Asia-Pacific IPO candidates, particularly in the technology sector, saw their valuations decline** as liquidity dried up and investors look to deleverage. Poor post-IPO stock price performance over the last several quarters was partly to blame. **The good news is that the number of IPO candidates bringing their companies to market remain high**, despite investor sentiment, largely because the cost of capital is set to rise. However, it may take some time before IPO pricing rebounds.
- ▶ **In Greater China, the IPO market remains a bright spot among global IPO markets.** Hong Kong exchanges saw higher levels of IPO activity in 2018 whereas Mainland China saw lower levels of activity compared with 2017.
- ▶ **In Japan, the big story in 2018 was the rise of the unicorns (two IPOs raising US\$1.5b together).** In Q4 2018, technology giant SoftBank Corp. went public, making it Japan's largest IPOs ever to date and the largest IPO in 2018 globally.
- ▶ **Australia** hoped for a strong finish to 2018, but poor performance of global stock markets caused many IPO candidates to rethink their listings. Overall, **2018 volumes declined 11% by volume but increased 129% by proceeds** versus 2017.
- ▶ **In Southeast Asia**, geopolitical uncertainties, trade tensions and macroeconomic conditions in the region resulted in a decline in IPO volume of 7%, while proceeds fell by 34%.
- ▶ **By deal volume, industrials, technology and materials topped the list** in Asia-Pacific IPO activity in 2018; while telecommunications, technology and financials led by proceeds.
- ▶ **In 2018 the proportion of cross-border IPO activity by Asia-Pacific companies** rose by deal number, compared with 2017.

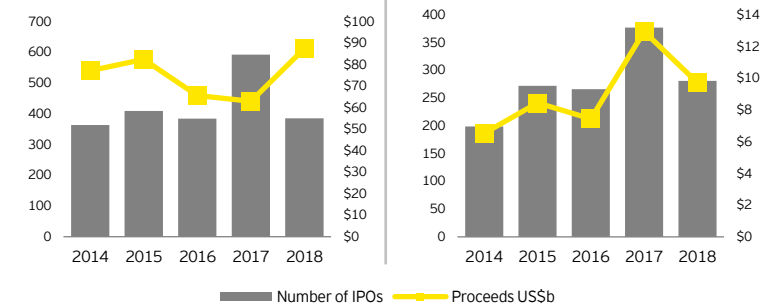
Markets

2018	Change on prior year	Q4 2018	Change on prior year quarter
666 IPOs	▼ 31%	190 IPOs	▼ 30%
\$97.1b proceeds	▲ 28%	\$33.4b proceeds	▲ 50%

All amounts in table are in US\$

Main markets

Q4 2018	Change on Q4 2017	Q4 2018	Change on Q4 2017
103 IPOs	▼ 40%	87 IPOs	▼ 14%
\$30.9b proceeds	▲ 59%	\$2.5b proceeds	▼ 14%



All amounts in table are in US\$

Activity Q4 2018

Stock exchanges by highest total proceeds

**Tokyo (TSE),
MOTHERS
and JASDAQ**
\$21.6b
30 IPOs
Japan

**Hong Kong
(Main and
GEM)**
\$4.4b
42 IPOs
Hong Kong

**Thailand
(SET + MAI)**
\$2.1b
10 IPOs
Thailand

Sectors by highest number of IPOs

Technology
34 IPOs
\$1.0b

Industrials
33 IPOs
\$2.5b

Materials
29 IPOs
\$1.7b

IPOs largest by proceeds

SoftBank Corp.
\$21.1b
Telecommunications
Japan
Tokyo (TSE)

Thailand Future Fund
\$1.4b
Industrials
Thailand
Thailand (SET)

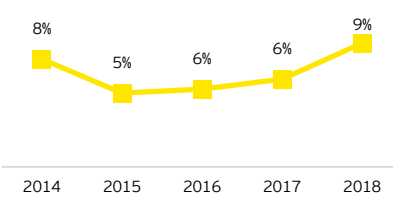
People's Insurance Co. (Group) of China Ltd.
\$872m
Financials
China
Shanghai (SSE)

All amounts in table are in US\$

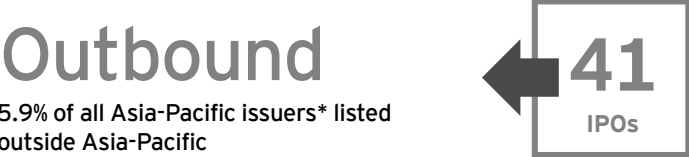
Trends

Cross-border activity 2018

Asia-Pacific issuers' cross-border activity
Percentage of all Asia-Pacific issuers



Despite declines in most IPO markets across the region during 2018, Asia-Pacific exchanges represented six of the top ten exchanges globally by volume in 2018, and five of the top ten by proceeds.

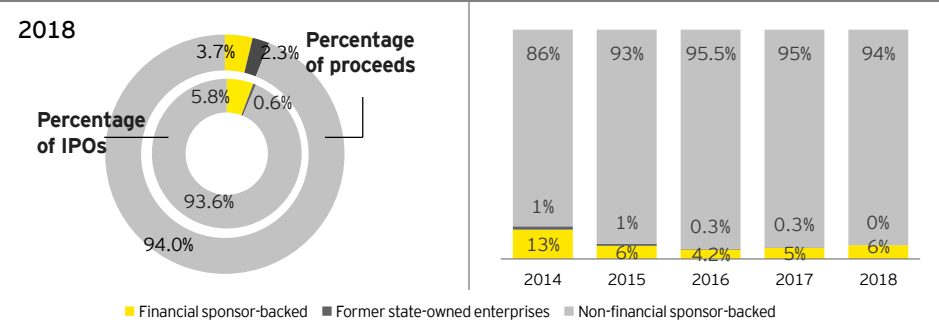


*There were 688 IPOs by Asia-Pacific issuers in YTD 2018. This analysis is based on the listed company domicile, regardless of the listed company exchange.
** There were 130 cross-border IPOs globally in YTD 2018.

Transaction sizes

	Main markets		Junior markets	
	2018	Change on prior year	2018	Change on prior year
Median post-IPO market cap	\$138.3m	▼ 27%	\$40.3m	▼ 54%
Median deal size	\$37.3m	▼ 20%	\$9.9m	▼ 51%
Trends				
	■ Median post-IPO market cap US\$m		■ Median deal size US\$m	

Sources of IPOs



All amounts in table are in US\$. Figures may not total 100% due to rounding.

Performance

IPO pricing and performance 2018

	First-day average return	Share price performance since IPO
Main markets	+17.0%	+9.1%
Junior markets	+40.3%	+97.2%

+ or - indicates change compared with offer price at IPO

Equity indices 2018

Hang Seng
-8.9%
Hong Kong

Nikkei 225
-3.2%
Japan

ASX 200
-5.8%
Australia

Shanghai Composite
-19.4%
Mainland China

FTSE Straits Times
-1.4%
Singapore

KOSPI
-14.3%
South Korea

+ or - indicates change since 29 December 2017

Volatility index

Hang Seng Volatility
24.83 index level
+36.6%
YTD

+10.2%
Q4 2018

+ indicates an increase in volatility as at 4 December 2018 compared with 29 December 2017 for year-to-date (YTD) and 28 September 2018 for end of Q3 2018. Whereas - indicates a decrease in volatility over the same time period.

Outlook

- ▶ As we head into 2019, **the Asia-Pacific IPO markets have reached crossroads. If there is a turnaround in economic fundamentals** (greater geopolitical certainty, better trade relations and an increase in liquidity), **we expect higher levels of IPO activity in 2019.** However, **if the fundamentals remain as they are,** we may see a short burst of activity in Q1 2019, but may have to **wait until the second half of 2019 for a sustained improvement in IPO activity.**
- ▶ Several sectors are expected to remain active. **Technology and media and entertainment** issuers will continue to drive Asia-Pacific IPO markets in 2019. At the other end of the spectrum, **traditional sectors such natural resources may be looking to increase their IPO presence** as persistent trade issues with the US make oil and gas IPOs more attractive, and some investors are looking to go back to the basics. In the short term, we expect **investor appetite will trend toward more traditional IPOs as investors look to limit their risk.**

- ▶ **Mainland China** continues to see lower levels of IPO activity as the regulator continues to slow the pace of reviews and delay listing approvals. However, the IPO pipeline remains strong. Although mega IPOs with strong fundamentals may wait for the IPO window to reopen to avoid a huge IPO discount, we expect stable IPO activity in the region going into 2019.
- ▶ **In Hong Kong,** despite ongoing geopolitical and trade issues, the IPO pipeline remains strong going into 2019. The number of companies filing to go public in Hong Kong has jumped almost three-fold this year, driven in part by China's burgeoning technology sector and listing reforms designed to attract high-growth technology and biotechnology companies. However, there could be headwinds in the form of weaker secondary markets, which could impact IPO activity.
- ▶ The outlook for the **Japan IPO market** remains strong as we go into 2019. However, the SoftBank Corp. IPO may have absorbed

substantial investor capital away from the IPO market, making it more difficult for small- to mid-size IPOs to achieve higher valuations in Q1 2019.

- ▶ **In Australia,** investors will continue to be selective in which larger IPOs (by deal size) they support, restricting IPO volumes at the top end of the market in 2019. IPO activity instead will focus on smaller-cap issuers, mining and metals and technology companies.
- ▶ **Southeast Asia** will remain relatively quiet in the first half of 2019. If geopolitical and trade uncertainties stabilize globally, then this region may see an uptick in IPO activity in the second half of 2019. During the second half of 2018, the Thai and Indonesian exchanges experienced higher IPO activity, while other emerging markets were marred by volatility in equity markets. We expect this trend to continue into 2019.

A background image of a sailboat on the water. The sailboat has white sails and a wooden deck. A person is visible on the deck, partially obscured by the rigging. The water is blue and the sky is overcast.

Asia-Pacific – Greater China market insight

Early preparation remains key to capturing the IPO window in 2019

“Despite the geopolitical issues, which created market volatility during Q4 2018, Greater China exchanges posted a modest increase in IPO proceeds in 2018 compared with 2017. New listing rules on weighted voting rights and pre-revenue biotech companies have attracted high-profile technology and biotech companies to list in Hong Kong. In Mainland China, a new science and technology innovation board will fast-track the listing of quality high-tech and advanced manufacturing companies. With volatility set to continue in 2019, successful issuers will be those that are well-prepared and ready to capture the IPO window when it opens.”

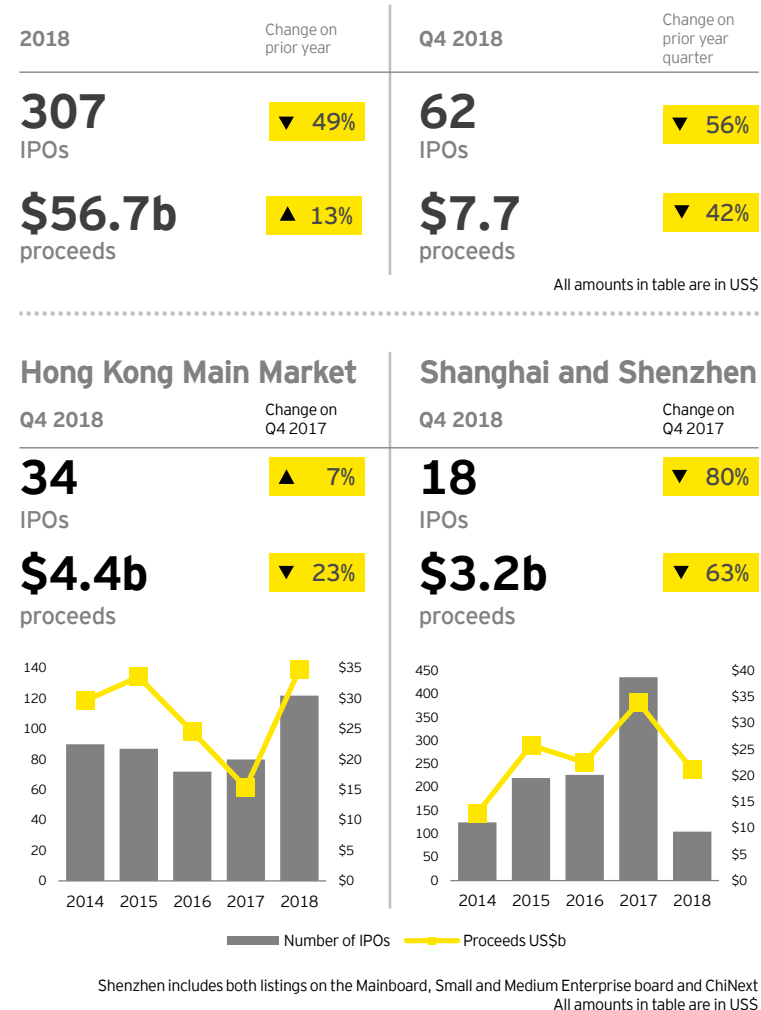
Terence Ho

EY Greater China IPO Leader

Highlights from the markets

- ▶ **As a whole, the Greater China IPO market remains a bright spot in the global IPO market.** Hong Kong markets saw higher deal numbers and proceeds. Meanwhile, Mainland China saw a slow down in IPO activity during 2018 compared with 2017.
- ▶ **The Hong Kong Main Market and Growth Enterprise Market (GEM) was the most active stock exchange globally by both deal number and proceeds in 2018** (197 IPOs, US\$35.4b).
- ▶ **Hong Kong markets saw a rise of 24% and 120% by volume and proceeds, respectively, in 2018 compared with 2017.** New listing rules for new economy companies that became effective in April 2018, as well as a couple of mega and unicorn IPOs, were largely responsible for higher activity levels. But investor sentiment began to waver in Q4 2018 as the average oversubscription rates levelled off at 80% compared with 100% in the first half of 2018.
- ▶ Hong Kong equity market appears to have underestimated both the consequences and duration of the geopolitical uncertainty. **This change in market expectations may have a negative impact on IPOs coming to the market in the next few months as well as those in the pipeline.**
- ▶ **In Mainland China, a sluggish stock market, pessimistic market sentiment and increasing trade tensions took their toll on the equity and IPO markets.** Shanghai and Shenzhen Exchanges posted 105 IPOs with proceeds of US\$21.2b in 2018, a decline of 76% by volume and 38% by proceeds compared with 2017.
- ▶ Given the poor post-IPO performance of some recent IPOs, **it may be some time before a rebound in IPO valuations.** At the same time, the pipeline of IPO candidates and investor sentiment for A-share IPOs remain strong, with almost all companies achieving the maximum first-day returns of 44%.
- ▶ **By proceeds, technology, telecommunications and financials were the most active sectors in Greater China.** By volume, industrials dominated, followed by technology and consumer products.

Markets



Activity Q4 2018

Hong Kong Main Market

Sectors
by highest number of IPOs

Real estate
7 IPOs | \$812m

Materials
6 IPOs | \$691m

Industrials
5 IPOs | \$187m

IPOs
largest by proceeds

Fosun Tourism Group
\$486m
Media and entertainment

Innovent Biologics Inc.
\$485m
Health care

Xinyi Energy Holdings Ltd.
\$450m
Energy

Shanghai and Shenzhen

Sectors
by highest number of IPOs

Industrials
7 IPOs | \$581m

Financials
4 IPOs | \$1,459m

Health care
3 IPOs | \$985m

IPOs
largest by proceeds

People's Insurance Company (Group) of China Ltd.
\$872m
Financials, Shanghai

Shenzhen Mindray Bio-Medical Electronics Co. Ltd.
\$864m
Health care, Shenzhen-Chinext

China Great Wall Securities Co. Ltd.
\$286m
Financials, Shenzhen

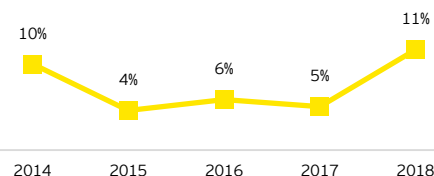
All amounts in table are in US\$

Trends

Cross-border activity 2018

Greater China issuers' cross-border activity

Percentage of all China issuers



Although Hong Kong saw a slowdown in both deal number and funds raised in Q4 2018 compared with Q3 2018, which was impacted by lagged market reflection on China-US trade dispute, it ranks first in terms of both deal number and funds raised in 2018.

To which destination?

2018

35 IPOs to US exchanges

1 IPO to South Korea's KOSDAQ

2018

Leaving Greater China

Outbound

11.3% of Greater China issuers* listed abroad

36
IPOs

Coming to Greater China

Inbound

16.4% of cross-border IPOs globally** were listed on HKEx and GEM

21
IPOs

*There were 314 IPOs by Greater China issuers in YTD 2018. This analysis is based on the listed company domicile, regardless of the listed company exchange.

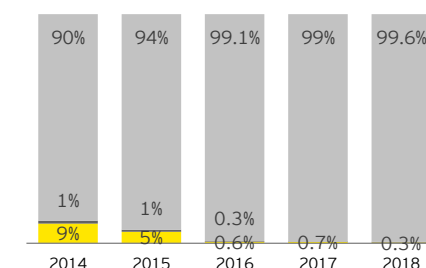
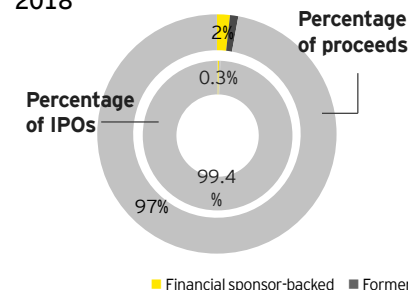
** There were 130 cross-border IPOs globally in YTD 2018.

Transaction sizes

	Hong Kong Main Market		Shanghai and Shenzhen	
	2018	Change on prior year	2018	Change on prior year
Median post-IPO market cap	\$127.9m	▲ 14%	\$467.5m	▲ 110%
Median deal size	\$32.1m	▲ 18%	\$90.4m	▲ 70%
Trends				

Sources of IPOs

2018



■ Financial sponsor-backed ■ Former state-owned enterprises ■ Non-financial sponsor-backed

All amounts in table are in US\$. Figures may not total 100% due to rounding.

Performance

IPO pricing and performance 2018

	First-day average return	Share price performance since IPO
Hong Kong Main Market	+1.2%	-12.6%
Shanghai and Shenzhen	+44.0%	+61.5%

Equity indices 2018 Mainland China

Shanghai Composite -19.4%	Shenzhen Composite -27.0%	Shenzhen SME -33.7%
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Equity indices 2018 Hong Kong

Hang Seng -8.9%	Hang Seng China Enterprises -6.9%	Hang Seng China Affiliated Corporations -0.4%	Volatility index Hang Seng Volatility 20.0 index level +36.6% YTD +10.2% Q3 2018
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+ or - indicates change compared with offer price at IPO

+ or - indicates change since 29 December 2017

+ indicates an increase in volatility as at 4 December 2018 compared with 29 December 2017 for year-to-date (YTD) and 28 September 2018 for end of Q3 2018. Whereas - indicates a decrease in volatility.

IPO pipeline

More than

270

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

More than

227

companies have submitted public filings with HKEx.

Outlook

- ▶ The extent and duration of the geopolitical uncertainty and trade tensions will **create headwinds for IPO activity in 2019**. That said, **more unicorn companies** in the technology, education, consumer products and health care sectors are expected to come to the public capital markets in 2019.
- ▶ **In Mainland China**, the regulator China Securities Regulatory Commission (CSRC) continues to control IPO approvals. As such, IPO reviews will continue to be strict. However, we anticipate that **IPO activity will be more active in 2019** compared with 2018, particularly as the CSRC pipeline continues to decline.
- ▶ In November, the Mainland China Government announced its decision to launch **the science and technology innovation board at the Shanghai Stock Exchange in 2019**. This new board will operate

under a new registration system. This should speed up IPO approvals and improve the pace of IPO activity for 2019 and beyond, **particularly for advanced manufacturing and high-tech issuers**.

- ▶ China has also modified regulations around the lockup period for IPO rejected companies to improve the quality of listed companies, and tightened rules for delisting as a precursor to the implementation of the IPO registration system.
- ▶ In addition, in December 2018, **China and the UK will likely announce the new Stock Connect program between Shanghai and London** that will see companies from the UK and Mainland China listing and trading on each other's exchanges.

- ▶ **In Hong Kong, we expect quality IPO candidates will continue to find the right windows to issue IPOs** even as investors deal with stricter requirements on a company's quality and valuation. Overall, HKEx regulatory reforms will continue to play a positive role in attracting IPO candidates. As we look ahead, **companies remain optimistic in their desire to go public**, with more than 225 companies having issued application proofs. We anticipate that telecommunications, media and entertainment, technology and consumer products to be the most active sectors on the Hong Kong market.
- ▶ However, **Hong Kong investors will want to be cautious of new share listings**. Geopolitical uncertainty, trade issues and a likely increase in interest rates could impact the capital markets, and, by extension, investor sentiment for IPOs.

A background image of a sailboat on the ocean. The boat's mast and rigging are visible on the left, and a thick rope runs diagonally across the right side. The sea is a deep blue with white foam from the boat's wake. The sky is a clear, pale blue.

Asia-Pacific – Japan market insight

Steady growth and blockbuster IPOs set Japan on a strong course for 2019

“Japan saw a variety of IPOs come to the public markets in 2018, from a giant telecommunications company, to two unicorn startups and numerous technology and consumer product companies. As the country’s IPO market steadily grows, and the flow of foreign investments into Japan’s markets continues to rise, we expect a new and interesting mix of IPOs to emerge in 2019.”

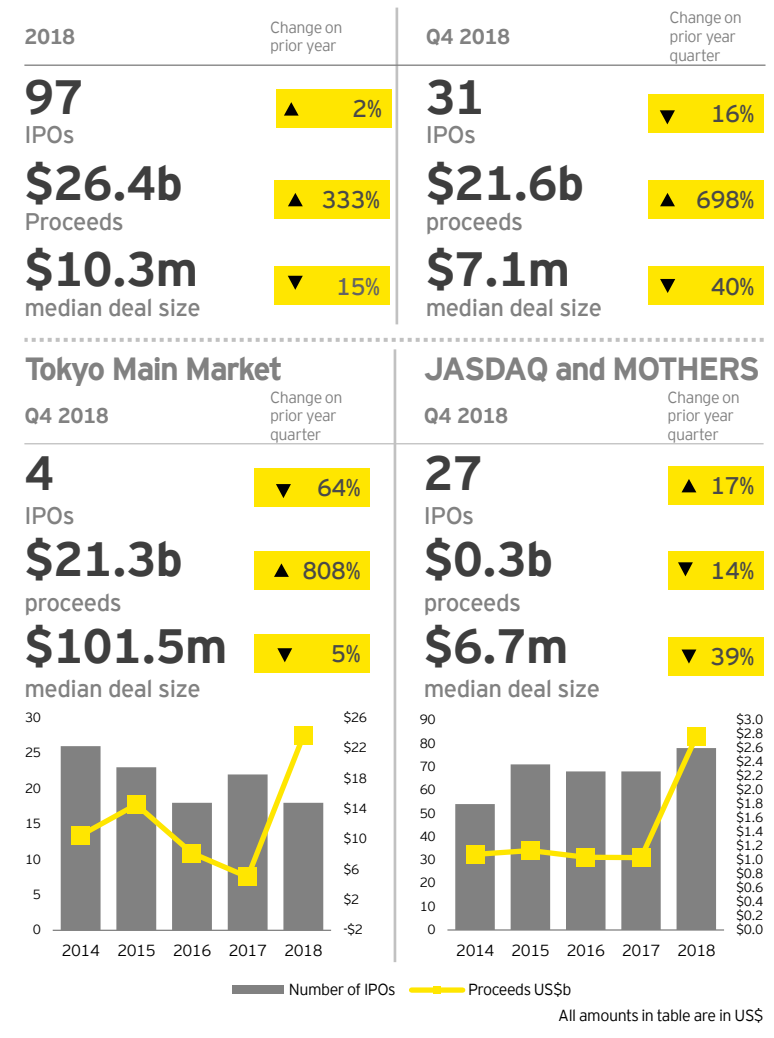
Shinichiro Suzuki

EY Japan IPO Leader

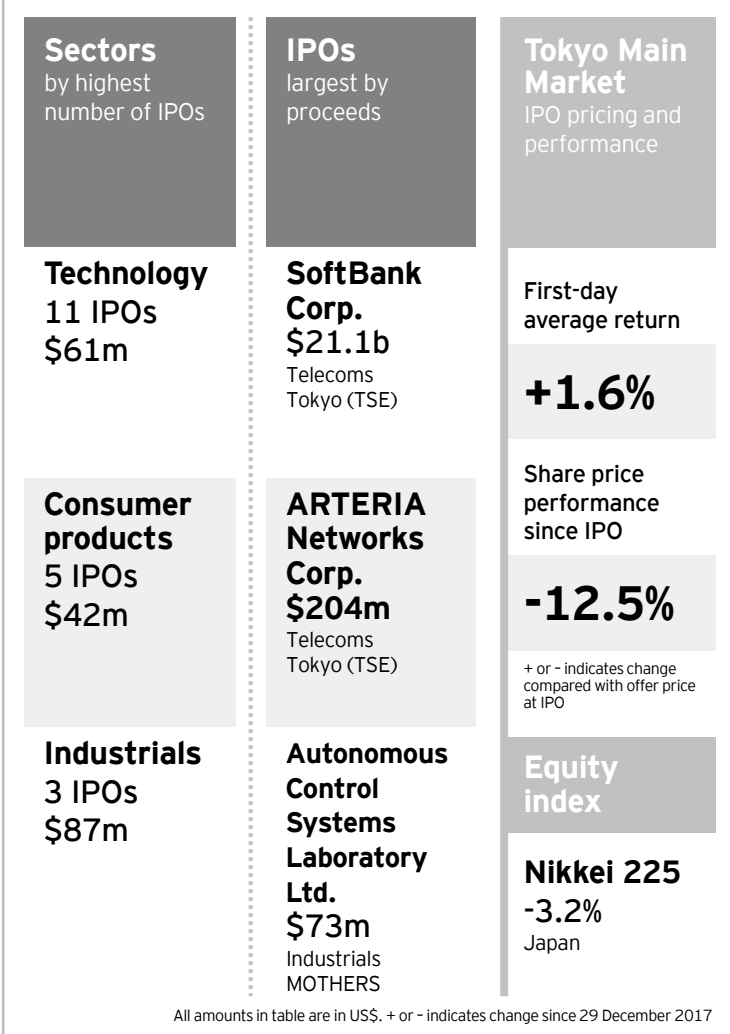
Highlights from the market

- ▶ **Japan ends 2018 on a high note with 31 IPOs in Q4 2018 with total proceeds of US\$21.6b.** Overall, Japan posted 97 IPOs in 2018, a modest 2% increase in terms of volume, but representing a massive 333% increase over 2017 proceeds. This can be attributed to **the listing of telecommunications giant SoftBank Corp.** (a subsidiary of SoftBank Group Corp. (SBG)) **on the Tokyo Stock Exchange in the second half of December, with expected proceeds of US\$21.1b to US\$23.5b, making it Japan's largest IPOs ever.**
- ▶ Strong Abenomics reform policies, combined with Japan's hosting of the Rugby World Cup in 2019 and the Olympics in 2020 are contributing to Japan's strong economy. Meanwhile, **the performance and profitable growth of the country's larger companies have exceeded 2017 levels in 2018.** Japan's favorable relationship with China has allowed Japan to sidestep the trade tensions that have impacted economies in other parts of the world. **These positive economic and financial factors are feeding investor confidence and maintaining their appetite to invest in major companies, startups and IPOs.**
- ▶ In 2018, **technology was the primary driver of IPOs as Japan entered the unicorn era**, with Mercari, Inc. and MTG Co. Ltd. leading the way. However, the biggest story of the year, was the mega IPO by telecommunications company SoftBank Corp.
- ▶ Following Prime Minister Abe's recent re-election, he is expected to lead Japan until 2021. **This ongoing political stability create favorable conditions for Japan's economy and IPO markets.**
- ▶ Looking ahead to 2019, **we expect Japan to launch around 90 to 100 IPOs next year, similar to 2018 deal volume.** However, the SoftBank Corp. IPO may absorb substantial amount of investors' funds from the IPO market. We expect more small- to mid-size IPOs to come in Q1 2019, but these issuers may face lower IPO valuations. The good news, however, is that **the ratio of overseas investors continues to rise, bringing new investment funds into the Japan IPO markets.**

Markets



Activity Q4 2018





Europe, Middle East, India and Africa

EMEIA IPO markets buoyed by strong fundamentals and investor confidence

“The EMEIA IPO market continues to be buffeted by waves of uncertainty owing to geopolitical tensions, trade issues between the US, EU and China, and the looming exit of the UK from the EU. However, the region increased its global market share and hosted two of the five largest IPOs globally during 2018. While the flow of IPO activity may remain slower than usual in Q1 2019, with strong economic fundamentals and the backing of investors, we expect EMEIA IPO markets will remain a dominant force globally in 2019. We expect to see IPOs from a diversified group of IPO bound companies from unicorns, family businesses, carve-outs and high growth businesses.”

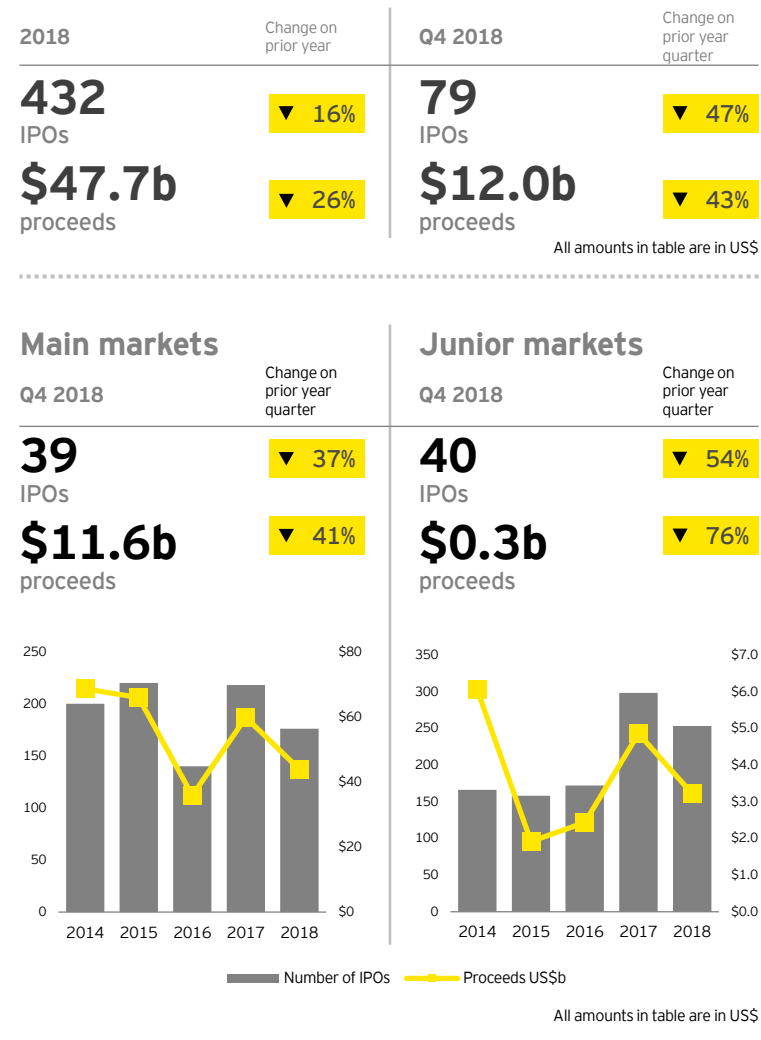
Dr. Martin Steinbach

EY Global and EY EMEIA IPO Leader

Highlights from the markets

- ▶ Geopolitical tensions had a clear impact on EMEIA IPO activity in 2018, as deal volume dropped 16% compared with 2017. **An unclear path to Brexit, political changes in Germany and Italy, and US trade and tariff uncertainties all had a direct impact on EMEIA economies and IPO activity.**
- ▶ Despite these challenges, **EMEIA exchanges remained strong as the world's second-largest IPO market.** EMEIA accounted for 32% of global volume and 23% by proceeds in 2018. **EMEIA accounted for three of the top ten exchanges by proceeds** (Germany, UK and India) and one by volume (India).
- ▶ In **Europe**, Northern EU economies remain stable and interest rates remain low. However, geopolitical issues and trade tensions continue to mute investor confidence. 2018 IPO deal volumes fell by 16% and proceeds fell by 17%, versus 2017.
- ▶ **UK markets** remain active, despite the Brexit turmoil. The London Main Market and AIM ranked seventh within the top ten exchanges globally by proceeds in 2018. UK IPOs raised US\$8.5b from 51 IPOs.
- ▶ In **India**, a liquidity crisis among non-bank lenders caused a correction in the Indian stock market in Q4 2018. At the same time, foreign investors continue to be net sellers of equity, which has triggered in a drop in the Indian rupee. In 2018, Indian exchanges saw 161 IPOs, raising US\$5.5b in capital.
- ▶ In the **Middle East and North Africa (MENA)**, volatility in oil prices, coupled with geopolitical tensions in the region and volatility in global equity markets have caused investors in MENA IPO markets to press pause. As a result, IPO candidates have put their transactions on hold until favorable conditions return in the region.
- ▶ **Technology and industrials posted the highest deal numbers in EMEIA in Q4 2018**, while industrials overwhelmingly drove proceeds. For 2018, technology, industrials and consumer products sectors saw the highest number of IPOs.
- ▶ **Cross-border activity of EMEIA issuers rose during 2018 (9.6% of IPOs)**, moving toward the historical average of 10%.

Markets



Activity Q4 2018

Stock exchanges

By highest proceeds

Deutsche Börse (Main+Scale)
\$4.6b
3 IPOs
Germany

London (Main and AIM)
\$2.7b
13 IPOs
UK

Euronext & Alternext
\$1.5b
5 IPOs
Netherlands, Belgium, Paris, Lisbon

Sectors

by highest number of IPOs

Technology
16 IPOs
\$485m

Industrials
14 IPOs
\$6,792m

Consumer products
12 IPOs
\$617m

IPOs

largest by proceeds

Knorr-Bremse AG
\$4.4b
Germany
Industrials
Deutsche Börse

Aston Martin Lagonda Global Holdings plc
\$1.4b
UK
Industrials
London (LSE)

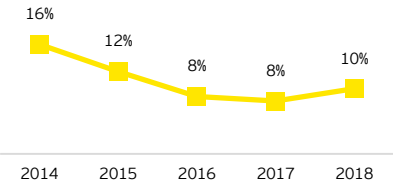
Neoen SA
\$807m
France
Energy
Euronext (Paris)

All amounts in table are in US\$

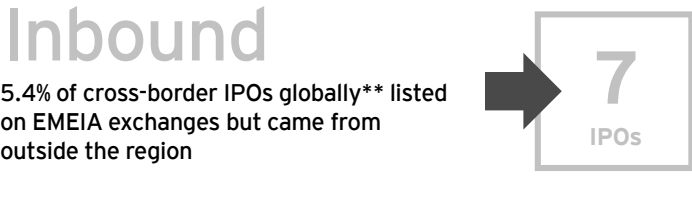
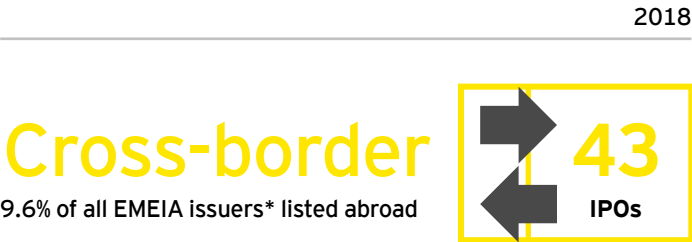
Trends

Cross-border activity 2018

EMEIA issuers' cross-border activity
Percentage of all EMEIA issuers



IPOs that launched in 2018 posted first-day returns of nearly 10% and have outperformed most main market indices in 2018, solidifying investor confidence in the EMEIA IPO market.

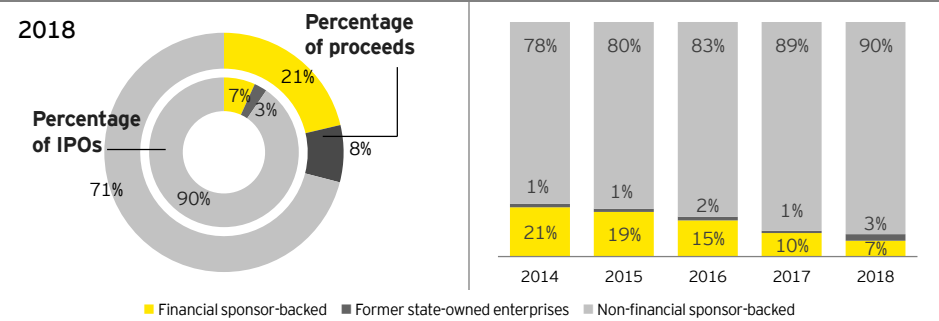


*There were 446 IPOs by EMEIA issuers in YTD 2018. This analysis is based on the listed company domicile, regardless of the listed company exchange.
** There were 130 cross-border IPOs globally in YTD 2018.

Transaction sizes 2018

	Main markets		Junior markets	
	2018	Change on prior year	2018	Change on prior year
Median post-IPO market cap	\$255.6m	▼ 2%	\$11.3m	▼ 15%
Median deal size	\$83.2m	▼ 12%	\$2.9m	▼ 13%
Trends				

Sources of IPOs



All amounts in table are in US\$. Figures may not total 100% due to rounding.

Performance

IPO pricing and performance 2018			Equity indices 2018				Volatility indices		
	First-day average return	Share price performance since IPO	BSE SENSEX +6.1% India	CAC 40 -5.6% France	DAX 30 -12.3% Germany	Euro STOXX 50 -9.2% Europe	VSTOXX® 17.20 index level +27.4% YTD +16.6% Q3 2018	VDAX® 18.36 index level +29.7% YTD +21.0% Q3 2018	VFTSE 100 16.83 index level +76.3% YTD +43.3% Q3 2018
Main markets	+9.6%	+9.0%							
Junior markets	+7.6%	-2.2%	FTSE 100 -8.7% UK	JSE All Share -12.2% South Africa	MICEX +15.8% Russian Federation	Tadawul All Share +6.4% Saudi Arabia			

+ or - indicates change compared with offer price at IPO

+ or - indicates change since 29 December 2017

+ indicates a increase in volatility as at 4 December 2018 compared with 29 December 2017 for year-to-date (YTD) and 28 September 2018 for end of Q3 2018. Whereas - indicates an decrease in volatility over the same time period.

Outlook

- ▶ **Looking ahead to 2019, a number of uncertainties prevail**, including the US-China-EU trade tensions, Brexit and uncertainty with respect to the stability of selected European country economies. At the same time, with interest rates expected to rise in the US, it's only a matter of time before the European Central Bank feels the pressure to follow suit. These issues will likely continue to influence IPO activity in the quarters to come. However, **with strong economic fundamentals and investor confidence, EMEIA IPO markets are expected to remain a dominant force globally in 2019.**
- ▶ **In Europe**, all eyes will be on the four largest economies (France, Germany, Italy and the UK). If one falters, it could challenge capital and IPO markets. Meanwhile, Brexit will be an issue until the UK and EU Governments finalize a plan no later than Q1 2019. **European IPO deal activity could remain sluggish until the second half of 2019.**
- ▶ **In the UK**, Brexit will likely find resolution in Q1 2019. In Q1 2019, we anticipate that foreign IPO candidates will dominate IPO activity as domestic companies delay their IPO plans and wait to see how markets react post-Brexit. **In the second half of 2019, the UK IPO markets are expected to kick back into gear** as domestic IPO candidates look to launch when the timing is right.
- ▶ **In India**, the results of a series of upcoming state elections may impact macroeconomic stability in 2019. If the results are favorable, we expect Indian stock markets to rally and provide momentum to IPO activity, at least in Q1 2019. Overall, we **expect IPO candidates to take a "wait and watch" approach**, until the stock market correction, low rupee exchange rate, and other domestic and geopolitical uncertainties reach resolution.
- ▶ Across **MENA**, while pipelines remain robust, companies may continue to put their IPO plans on hold, at least in Q1 2019, in response to fluctuating oil prices and geopolitical uncertainty. However, **there are positive opportunities ahead for MENA IPO markets**: the Abu Dhabi Securities Exchange plans to roll out futures trading in 2019 to boost investments; the Morgan Stanley Capital International (MSCI) may reclassify the Kuwait Stock Exchange as an emerging market; and the Egyptian Government looks to list state-owned enterprises on its stock exchange.
- ▶ Given the ongoing political and economic instability in many key African markets, we continue to anticipate that **African IPO activity will remain slow** for the first half of 2019.

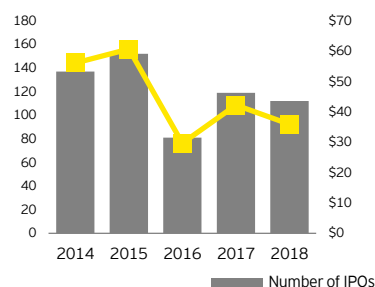
Markets

2018	Change on prior year	Q4 2018	Change on prior year quarter
228 IPOs	▼ 16%	61 IPOs	▼ 35%
\$38.6b Proceeds 10% of IPOs are financial sponsor-backed	▼ 17%	\$10.6b proceeds 5% of IPOs are financial sponsor-backed	▼ 14%

All amounts in table are in US\$

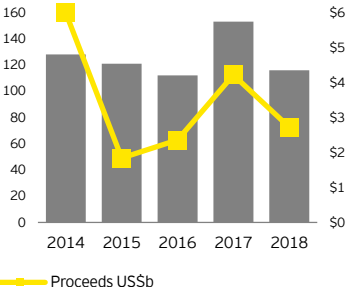
Main markets

Q4 2018	Change on prior year quarter
29 IPOs	▼ 26%
\$10.1b proceeds	▼ 7%



Junior markets

Q4 2018	Change on prior year quarter
32 IPOs	▼ 42%
\$0.3b proceeds	▼ 73%



All amounts in table are in US\$

Activity Q4 2018

Sectors

by highest number of IPOs

Technology
15 IPOs | \$484m

Health care
11 IPOs | \$252m

Industrials
9 IPOs | \$6,704m

IPOs

largest by proceeds

Knorr-Bremse AG
\$4.4b Industrials, Deutsche Börse

Aston Martin Lagonda Global Holdings plc \$1.4b Industrials, London (LSE)

Neoen SA \$807m Energy, Euronext (Paris)

Stock exchanges

by highest total proceeds

Deutsche Börse (Main and Scale)
\$4.6b | 3 IPOs Germany

London (Main and AIM)
\$2.7b | 13 IPOs UK

Euronext and Alternext
\$1.5b | 5 IPOs France, Belgium, Portugal

All amounts in table are in US\$

Trends 2018

Transaction sizes

	Main markets	Change on prior year	Junior markets	Change on prior year
Median post-IPO market cap	\$240.2m	▼ 16%	\$28.8m	▼ 8%
Median deal size	\$89.0m	▼ 45%	\$6.8m	▼ 11%

Cross-border IPOs: top IPO issuers

*There were 234 IPOs by European issuers in 2018. This analysis is based on the listed company domicile, regardless of the listed company exchange.

** There were 130 cross-border IPOs globally in 2018.

Cross-border

15% of all Europe issuers* listed abroad

35 IPOs

Outbound

7.3% of all Europe issuers* listed outside Europe

17 IPOs

Inbound

7.7% of cross-border IPOs globally** listed on European exchanges but came from outside Europe

10 IPOs

Performance 2018

Equity indices

CAC 40
-5.6%
France

DAX 30
-12.3%
Germany

Euro STOXX 50
-9.2%
Europe

FTSE 100
-8.7%
UK

Volatility index

VSTOXX®
+27.4% | 17.2 index level
YTD

VFTSE 100
+76.3% | 16.8 index level
YTD

+ indicates a increase in volatility as at 4 December 2018 compared with 29 December 2017 for year-to-date (YTD).

+ or - indicates change since 29 December 2017

IPO pricing and performance

First-day average return

Main markets **+9.5%**
Junior markets **+10.3%**

Share price performance since IPO

Main markets **+12.2%**
Junior markets **-0.5%**

+ or - indicates change compared with offer price at IPO



EMEIA – UK IPO market insight

Brexit uncertainty gives IPO candidates more time to prepare for 2019

“Despite the uncertainty that Brexit has created, London exchanges continue to rank among the top 10 exchanges globally by proceeds. Moreover, we’ve seen some significant companies successfully complete their IPOs, proving that IPOs remain a viable option. Without a firm Brexit plan, we expect a slow start to H1 2019. However, once we have clarity, we believe the IPO window will reopen rapidly, so IPO candidates should now take the time to prepare in order to be ready to launch and take advantage of pent-up investor demand.”

Scott McCubbin

EY UK and Ireland IPO Leader

Highlights from the markets

- ▶ **The Brexit story continues to play out as 2018 draws to a close.** As of 7 December 2018, a Brexit plan has yet to be finalized. As a result, it is difficult to predict the 2019 UK IPO market with any certainty. As it has in previous quarters, the shadow of Brexit continues to create uncertainty.
- ▶ Year-on-year, 2018 UK IPO deal volumes declined 35%, while proceeds fell by 43% compared with 2017. **Lower deal volumes and proceeds largely reflect investor hesitation to back IPOs in a volatile and uncertain market.**
- ▶ Nevertheless, **London Main Market and AIM remain a key listing destination, ranking seventh within the top ten exchanges globally by proceeds during 2018.**
- ▶ Despite the slowdown in transactions because of Brexit, the **Q4 2018 deals that have moved forward have been sizeable.** The Aston Martin Lagonda Global Holdings plc listing in October ranked as the fourth biggest IPO globally in Q4 2018, posting US\$1.4b in proceeds.
- ▶ Due to the Aston Martin deal, **industrials led UK IPO activity by proceeds in Q4 2018.** By deal number, materials and technology each saw three IPOs, while consumer products and financials saw two IPO each.
- ▶ **Cross-border activity in the UK market in Q4 2018** included companies from Kazakhstan, Cuba and South Africa with one IPO each. In 2018 as a whole, UK exchanges hosted 14 inbound deals with proceeds totalling US\$3.1b, accounting for 27% of UK IPOs and 37% by total proceeds.
- ▶ Although 2018 deal volumes and proceeds saw a decline from 2017 levels, the **UK IPO pipeline remains robust. A pause in the UK IPO market is giving IPO candidates additional time to prepare** so that they are well-positioned to take advantage of the reopening of the UK IPO window later in 2019.

Markets

2018	Change on prior year	Q4 2018	Change on prior year quarter
51 IPOs	▼ 35%	13 IPOs	▼ 48%
\$8.5b proceeds	▼ 43%	\$2.7b proceeds	▼ 43%

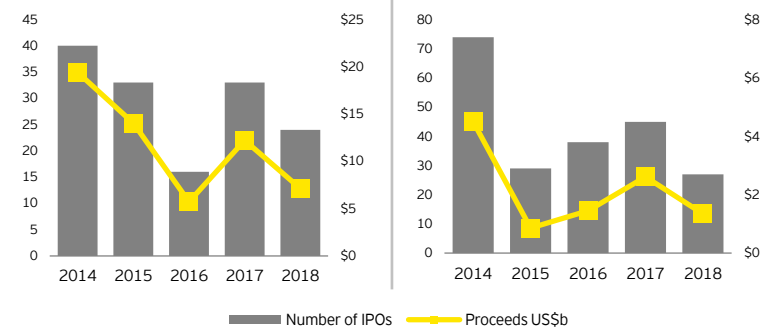
All amounts in table are in US\$

London Main Market

Q4 2018	Change on Q4 2017
8 IPOs	▼ 20%
\$2.6b proceeds	▼ 37%

London AIM

Q4 2018	Change on Q4 2017
5 IPOs	▼ 67%
\$119m proceeds	▼ 82%



All amounts in table are in US\$

Activity Q4 2018

Sectors
by highest
number of IPOs

Materials
3 IPOs
\$437m

Technology
3 IPOs
\$235m

Consumer products
2 IPOs
\$288m

IPOs on Main Market
largest by
proceeds

Aston Martin Lagonda Global Holdings plc
\$1.4b
Industrials
UK

National Atomic Company Kazatomprom JSC
\$401m
Materials
Kazakhstan

Global Sustainability Trust plc
\$262m
Financials
UK

IPOs on AIM
largest by
proceeds

Manolete Partners plc
\$38m
Consumer products
UK

Kropz plc
\$35m
Materials
South Africa

Renalytix AI plc
\$32m
Health care
UK

All amounts in table are in US\$

Trends

Cross-border activity 2018

Main market

Top countries of origin

- ▶ Morocco (1 IPO | \$819m)
- ▶ Czech Republic (1 IPO | \$816m)
- ▶ Greece (1 IPO | \$461m)
- ▶ Kazakhstan (1 IPO | \$401m)
- ▶ Jersey (1 IPO | \$338m)
- ▶ Netherlands (1 IPO | \$182m)
- ▶ Cuba (1 IPO | \$40m)
- ▶ Ireland (1 IPO | \$8m)
- ▶ Philippines (1 IPO | \$3m)
- ▶ Australia (1 IPO | \$3m)

AIM

Top countries of origin

- ▶ South Africa (1 IPO | \$35m)
- ▶ United Arab Emirates (1 IPO | \$25m)
- ▶ Australia (1 IPO | \$8m)
- ▶ US (1 IPO | \$4m)

Leaving UK

Outbound

24.5% of UK issuers* listed abroad

12

IPOs

Coming to UK

Inbound

11.8% of cross-border IPOs globally** were listed on UK exchanges

14

IPOs

*There were 49 IPOs by UK issuers in 2018. This analysis is based on the listed company domicile, regardless of the listed company exchange.

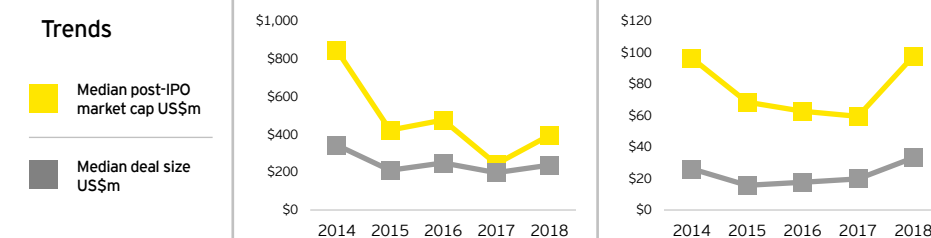
** There were 130 cross-border IPOs globally in YTD 2018.

Brexit may have slowed IPO activity in 2018, but UK exchanges remain a key listing destination, posting four of the top ten deals in EMEIA in Q4 2018, as well as the fourth-largest IPO for this quarter globally.

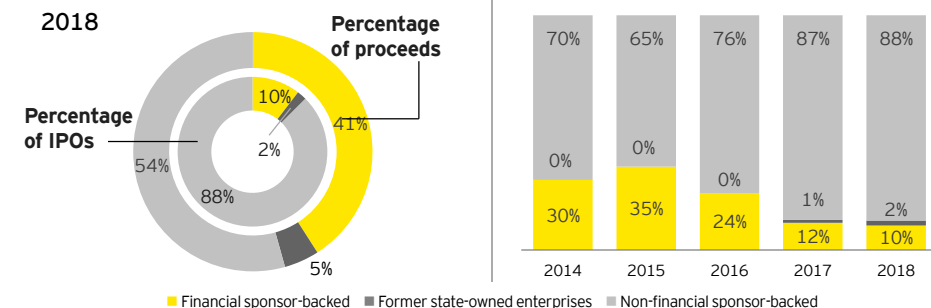
Transaction sizes

	London Main Market		London AIM	
	2018	Change on prior year	2018	Change on prior year
Median post-IPO market cap	\$395.1m	▲ 62%	\$97.8m	▲ 64%
Median deal size	\$237.9m	▲ 20%	\$33.2m	▲ 68%

Trends



Sources of IPOs



All amounts in table are in US\$. Figures may not total 100% due to rounding.

Performance

IPO pricing and performance 2018

	First-day average return	Share price performance since IPO
London Main Market	+1.6%	-4.6%
London AIM	+17.0%	+4.3%

+ or - indicates change compared with offer price at IPO

Equity indices 2018

FTSE 100
-8.7%
UK

FTSE 350
-9.1%
UK

FTSE AIM All-Share
-12.1%
UK

+ or - indicates change since 29 December 2017

Volatility indices

FTSE 100 VIX (VFTSE 100)
16.83 index level
+76.3%
YTD
+43.3%
Q3 2018

+ indicates a increase in volatility as at 4 December 2018 compared with 29 December 2017 for year-to-date (YTD) and 28 September 2018 for end of Q3 2018. Whereas - indicates a decrease in volatility over the same time period.

Outlook

- ▶ The outlook for Q1 2019 remains uncertain. However, **once a Brexit deal is finalized between the UK and the EU, we anticipate a resurgence of activity in the IPO market** as IPO candidates that have been sitting on the sidelines take advantage of pent-up investors' demand once the IPO window reopens.
- ▶ **While we expect IPO activity in Q1 2019 to remain slow, we may see an uptick in cross-border IPO activity as foreign IPO candidates will want to take advantage of the UK market earlier** in the year. Domestic IPO candidates may choose to delay their listings until the dust settles to gauge the full impact of Brexit on the UK capital markets and the economy.
- ▶ In a post-Brexit world, **investors may initially look to sectors and established companies with strong track records**, which would mean that we may see **more mature businesses and those in traditional sectors come to the public markets during 2019**.



Appendix

Areas and regional IPO markets
facts and figures

Definitions

Top 12 stock exchanges

By number of IPOs

2018 year-to-date

Ranking	Stock exchanges*	Number of IPOs	% of global IPOs
1	Hong Kong (HKEx) and GEM	197	14.5
2	National (NSE and SME) and Bombay (BSE and SME)	161	11.8
3	NASDAQ	142	10.4
4	Tokyo (TSE), MOTHERS and JASDAQ	96	7.1
5	Australia (ASX)	85	6.3
6	New York (NYSE)	63	4.6
7	Korea (KRX and KOSDAQ)	62	4.6
8	Shanghai (SSE)	59	4.3
9	NASDAQ OMX and First North	55	4.0
10	Indonesia (IDX)	53	3.9
11	London (Main and AIM)	51	3.8
12	Shenzhen (SZSE and Chinext)	46	3.4
	Other stock exchanges (46)	289	21.3
Global IPO activity		1,359	100.0

2017

Ranking	Stock exchanges*	Number of IPOs	% of global IPOs
1	Shenzhen (SZSE and Chinext)	222	13.0
2	Shanghai (SSE)	214	12.5
3	National (NSE and SME) and Bombay (BSE and SME)	171	10.0
4	Hong Kong (HKEx and GEM)	159	9.3
5	NASDAQ	109	6.3
6	Australia (ASX)	96	5.6
7	Tokyo (TSE), MOTHERS and JASDAQ	90	5.3
8	NASDAQ OMX and First North	86	5.0
9	London (Main and AIM)	78	4.6
10	New York (NYSE)	71	4.1
11	Korea (KRX+KOSDAQ)	56	3.3
12	Thailand (SET+MAI)	44	2.6
	Other stock exchanges (53 exchanges)	318	18.6
Global IPO activity		1,714	100.0

By proceeds

Ranking	Stock exchanges*	US\$b	% of global IPOs
1	Hong Kong (HKEx) and GEM	35.4	17.3
2	New York (NYSE)	29.7	14.5
3	Tokyo (TSE), MOTHERS and JASDAQ	26.4	12.9
4	NASDAQ	23.1	11.3
5	Deutsche Börse (Main and Scale)	13.6	6.6
6	Shanghai (SSE)	13.6	6.6
7	London (Main and AIM)	8.5	4.1
8	Shenzhen (SZSE and Chinext)	7.6	3.7
9	National (NSE and SME) and Bombay (BSE and SME)	5.5	2.7
10	Australia (ASX)	5.0	2.4
11	Euronext and Alternext	4.1	2.0
12	NASDAQ OMX and First North	3.6	1.8
	Other stock exchanges (46)	28.7	14.0
Global IPO activity		204.8	100.0

Ranking	Stock exchanges*	US\$b	% of global IPOs
1	New York (NYSE)	30.1	15.7
2	Shanghai (SSE)	20.3	10.5
3	Hong Kong (HKEx) and GEM	16.1	8.4
4	London (Main and AIM)	14.8	7.7
5	Shenzhen (SZSE and Chinext)	13.7	7.1
6	National (NSE and SME) and Bombay (BSE and SME)	11.7	6.1
7	NASDAQ	10.3	5.3
8	Korea (KRX and KOSDAQ)	6.8	3.5
9	Tokyo (TSE), MOTHERS and JASDAQ	6.1	3.2
10	Sao Paulo (BM&F BOVESPA)	5.7	3.0
11	NASDAQ OMX and First North	4.9	2.6
12	SIX Swiss Exchange	4.6	2.4
	Other stock exchanges (53 exchanges)	47.2	24.6
Global IPO activity		192.3	100.0

*Data based on domicile of the exchange, regardless of the listed company domicile. Euronext includes Amsterdam, Paris, Brussels and Lisbon; Shenzhen (SZSE) includes the Main Board, SME Board and ChiNext.

Regional IPO facts and figures: Americas

Year to date comparison

Quarterly comparison

Regions/country*	IPOs YTD	Change YOY%	Proceeds US\$b YTD	Change YOY%	IPOs current quarter: Q4 2018	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q3 18)	Proceeds US\$b current quarter: Q4 2018	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q4 18)
US	205	14%	52.8	31%	38	-37%	-32%	8.0	-36%	-36%
Canada¹	38	31%	1.3	-55%	17	55%	240%	0.3	-61%	144%
Brazil²	3	-70%	2.0	-65%	0	-100%	NA	0.0	-100%	NA
Mexico	6	20%	3.2	24%	0	-100%	-100%	0.0	-100%	-100%
Jamaica	6	100%	0.1	1747%	1	NA	-67%	0.1	NA	26%
Chile³	2	0%	0.6	87%	0	NA	NA	0.0	NA	-100%
Trinidad & Tobago⁴	1	NA	0.0	NA	1	NA	NA	0.0	NA	NA
Americas	261	14%	60.0	16%	57	-24%	-14%	8.4	-49%	-37%

1. In 2018, there were 17 IPOs raising US\$1.1b on Toronto Stock Exchange and TSX Venture Exchange. There were also 21 IPOs on Canadian Securities Exchange that raised US\$122m altogether – these listings were excluded on page 8. In Q4 2018, there were 5 IPOs raising US\$235m on Toronto Stock Exchange and TSX Venture Exchange, while there were also 12 IPOs on Canadian Securities Exchange that raised US\$27m altogether.

2. In Q3 2018 and Q4 2018, there were no IPOs on Brazil's B3 exchange.

3. In 2018, there were two IPOs on Chile's Santiago Stock Exchange which raised US\$635m whereas in YTD 2017, there were two IPOs which raised US\$339m. In Q2 2018, there were no IPOs on Santiago Stock Exchange.

4. In 2017 and 2018, there were no IPOs on Argentina's Buenos Aires Stock Exchange. There were 2 IPOs by Argentinean companies in 2017: one of the IPOs were dual listed on New York Stock Exchange and Buenos Aires Stock Exchange, while the other IPO was listed on New York Stock Exchange. In YTD 2018, there were 2 IPOs by Argentinean companies, both were dual listed on New York Stock Exchange.

Regional IPO facts and figures: Asia-Pacific

Year to date comparison

Quarterly comparison

Regions/country*	IPOs YTD	Change YOY%	Proceeds US\$b YTD	Change YOY%	IPOs current quarter: Q4 18	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q3 18)	Proceeds US\$b current quarter: Q4 18	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q3 18)
Indonesia	53	0	1.2	66%	18	20%	20%	0.18	-54%	-43%
Thailand	20	-55%	2.5	-28%	10	-57%	233%	2.10	21%	10235%
Singapore	13	-35%	0.5	-85%	1	-83%	-75%	0.00	-100%	-1%
Malaysia	22	100%	0.2	-91%	7	250%	75%	0.03	36%	4%
Myanmar	1	NA	0.0	NA	0	NA	NA	0.00	NA	NA
Philippines	1	-75%	0.2	-66%	0	NA	NA	0.00	NA	NA
Sri Lanka	0	-100%	0.00	-100%	0	-100%	NA	0.00	-100%	NA
Cambodia	0	-100%	0.00	-100%	0	NA	NA	0.00	NA	NA
Vietnam	5	NA	2.6	NA	0	NA	-100%	0.00	-100%	-100%
Asean¹	115	-7%	7.1	-34%	36	-27%	33%	2.31	-46%	425%
Mainland China	105	-76%	21.2	-38%	18	-79%	-25%	3.19	-61%	-6%
Hong Kong	197	24%	35.4	120%	42	-21%	-26%	4.44	-9%	-82%
Taiwan	5	25%	0.11	117%	2	100%	0%	0.03	47%	-44%
Greater China	307	-49%	56.7	13%	62	-56%	-25%	7.66	-42%	-73%
Japan	97	2%	26.4	333%	31	-16%	15%	21.65	698%	1049%
South Korea	62	11%	1.9	-72%	34	127%	143%	0.80	-26%	27%
Australia	85	-11%	5.0	129%	27	-16%	17%	0.99	-9%	-58%
New Zealand²	0	NA	0.0	NA	0	NA	NA	0.00	NA	NA
Oceania	85	-11%	5.0	129%	27	-16%	17%	0.99	-9%	-58%
Asia-Pacific	666	-31%	97.1	28%	190	-30%	9%	33.40	50%	1%

1. There were no IPOs on Myanmar Stock Exchange in 2017.

2. In 2018 and 2017, there were no IPOs on New Zealand Exchange, this compares to 2 IPOs which raised US\$0.3b altogether in the first nine months of 2016.

*Data based on domicile of the exchange, regardless of the listed company domicile. Euronext includes Amsterdam, Paris, Brussels and Lisbon; Shenzhen (SZSE) includes the Main Board, SME Board and ChiNext.

Regional IPO facts and figures: EMEIA

Year to date comparison

Regions/country*	IPOs YTD	Change YOY%	Proceeds US\$b YTD	Change YOY%
Nordics (Denmark, Norway, Sweden and Finland)	76	-22%	4.7	-24%
Commonwealth of Independent States (CIS)	0	-100%	0.0	-100%
Central and Southern Europe (CSE)	26	-13%	2.3	-10%
Germany, Switzerland and Austria (GSA)	24	41%	17.1	75%
Mediterranean (Italy and Spain)	27	-7%	1.9	-78%
WEM (Western Europe and Maghreb)	26	37%	4.2	10%
Continental Europe	179	-9%	30.2	-5%
UK and Ireland¹	52	-33%	8.6	-42%
Europe	231	-16%	38.7	-17%
Africa²	5	-38%	0.6	-1%
India³	168	-8%	5.6	-53%
Middle East and North Africa⁴	28	-45%	2.9	-36%
EMEIA	432	-16%	47.7	-26%

Quarterly comparison

IPOs current quarter: Q4 18	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q3 18)	Proceeds US\$b current quarter: Q4 18	Change QOQ% (vs Q4 17)	Change previous quarter% (vs Q3 18)
26	-21%	420%	0.4	-80%	300%
0	NA	NA	0.0	NA	NA
6	-50%	100%	0.7	5%	11786%
3	-57%	50%	4.6	0%	160%
9	-10%	-25%	0.6	-44%	489%
6	20%	0%	1.6	108%	1347%
50	-28%	79%	7.9	6%	277%
10	-60%	-9%	2.7	-43%	91%
60	-36%	54%	10.6	-13%	202%
1	-50%	-50%	0.0	-90%	-88%
13	-69%	-72%	0.3	-95%	-68%
5	-1%	25%	1.0	-0.6%	200%
79	-47%	-14%	12.0	-43%	137%

1. In YTD 2018, there were 37 IPOs on London Main Market and AIM, which raised US\$5.1b and in Q3 2018, there were 10 IPOs which raised US\$836m. In YTD 2018, there was 1 IPO on Ireland's Irish Stock Exchange, which raised US\$88m.

2. In YTD 2018 and Q3 2018, there were 4 IPOs and 2 IPOs respectively on African exchanges, which raised US\$527m and US\$285m. There were 2 IPOs in Q2 2018. In YTD 2017, there was 6 IPOs on African exchanges that raised US\$1.6b.

3. India includes India's National and Bombay Stock Exchange Main Market and SME (128 IPOs, US\$5.2b) and Bangladesh's Dhaka Stock Exchange (6 IPOs, US\$45m).

4. Middle East and North Africa includes IPO activity on Israel's Stock Exchange (8 IPOs, US\$359m).

*Data based on domicile of the exchange, regardless of the listed company domicile. Euronext includes Amsterdam, Paris, Brussels and Lisbon; Shenzhen (SZSE) includes the Main Board, SME Board and ChiNext. Regions is as per EY regional classification for EMEIA Area. This table may have different statistics for MENA and India compared to the EMEIA section in the report (page 22-25) and UK section (page 26-29).

Most active sectors around the world

Summary of the top three sectors by number of IPOs, by region¹ and sub-region¹ for Q4 2018 (▲) and 2018 year-to-date (■)

Stock exchange regions	Technology	Industrials	Health care	Materials	Consumer products	Financials	Consumer staples	Real estate	Energy	Retail	Media and entertainment	Telecommunications
Americas	▲ ■		▲ ■	▲		■						
▸ US	▲ ■		▲ ■		▲	■						
Asia-Pacific	▲ ■	▲ ■		▲ ■								
▸ Greater China	▲ ■	▲ ■		▲	■							
▸ Japan	▲ ■	▲			▲ ■			■			▲	
EMEIA	▲ ■	▲ ■			▲ ■							
▸ Europe ²	▲ ■	▲ ■	▲ ■		▲							
▸ UK ³	▲ ■			▲	▲ ■	▲ ■						
Global	▲ ■	▲ ■	▲ ■									
2018 year-to-date global IPO activity	254	205	193	150	137	92	82	82	59	42	42	21
Q4 2018 IPO activity	64	49	61	41	29	18	6	18	14	6	14	6

1. Region and sub-regions are classified according to the domicile of the exchange, regardless of the listed company domicile. Please refer to the appendix for the geographic definitions of the regions and sub-regions, which differs slightly from the EY regional classification.

2. For Q4 2019, European exchanges saw four active sectors. Technology led the pack with 15 IPOs, health care saw 11 IPOs, while industrials and consumer products sectors accounted for 9 IPOs each, with proceeds of US\$6.7b and US\$507m, respectively.

3. For Q4 2018, UK exchanges saw four most active sectors. Materials and technology sectors saw 3 IPOs each, with proceeds of US\$437m and US\$235m, respectively. While consumer products and financials sectors had 1 deal each, with proceeds of US\$288m and US\$269m, respectively.

Methodology

- ▶ The data presented in the *Global IPO trends: Q4 2018* report and press release is from Dealogic and EY. Q4 2018 (i.e., October–December) and YTD 2018 (January–December) is based on priced IPOs as of 5 December 2018 and expected IPOs in December. Data is up to 5 December 2018, 12 p.m. UK time. All data contained in this document is sourced to Dealogic and EY unless otherwise noted.
- ▶ For the purposes of these reports and press releases, we focus only on **IPOs of operating companies** and define an IPO as a **company's first offering of equity** to the public.
- ▶ This report includes only those IPOs for which Dealogic and EY offer data regarding the issue date (the day the offer is priced and allocations are subsequently made), trading date (the date on which the security first trades) and proceeds (funds raised, including any over-allotment sold). Postponed IPOs, or those which have not yet been priced, are therefore excluded. Over-the-counter (OTC) listings are also excluded.
- ▶ In an attempt to exclude non-operating company IPOs such as trusts, funds and special purpose acquisition companies (SPACs), companies with the following Standard Industrial Classification (SIC) codes are excluded:
 - ▶ 6091: Financial companies that conduct trust, fiduciary and custody activities
 - ▶ 6371: Asset management companies such as health and welfare funds, pension funds and their third-party administration as well as other financial vehicles
 - ▶ 6722: Companies that are open-end investment funds
 - ▶ 6726: Companies that are other financial vehicles
 - ▶ 6732: Companies that are grant-making foundations
 - ▶ 6733: Asset management companies that deal with trusts, estates and agency accounts
 - ▶ 6799: Special purpose acquisition companies (SPACs)
- ▶ In our analysis, unless stated otherwise, IPOs are attributed to the domicile of the company undertaking an IPO. The primary exchange on which they are listed is as defined by Dealogic and EY research.
- ▶ A cross-border (or foreign) listing is where the stock exchange nation of the company is different from the company's domicile (i.e., issuer's nation).
- ▶ For IPO listings on HKEx; SSE; SZE; Japan's Tokyo Stock Exchange (TSE); TSE MOTHERS; Korea's KRX and KOSDAQ; Thailand's SET and MAI; Indonesia IDX; WSE; NewConnect; TSX and TSX-V exchanges, we use their first trading date in place of issue date.

Markets definitions

- ▶ Many stock exchanges have set up **main markets and junior markets**:
 - ▶ **Main markets** are where medium and large IPOs (by proceeds) are usually listed and traded. **Junior markets** are where small-cap companies or smaller IPOs are listed or traded. Stock exchanges without junior markets are classified as main markets.
 - ▶ **Junior markets** include **Americas**: Toronto Venture Exchange and Canadian National Stock Exchange; **Asia-Pacific**: Malaysia ACE Market, Bombay SME, Hong Kong Growth Enterprise Market, Japan JASDAQ, Japan MOTHERS, Korea KOSDAQ, Thailand's Market for Alternative Investment, National SME, Shenzhen ChiNext, Singapore Catalist, Tokyo Stock Exchange MOTHERS Index; **EMEIA**: Alternext, London Alternative Investment Market, Germany's Frankfurt SCALE (formerly Entry Standard), Spain's Mercado Alternativo Bursatil, NASDAQ OMX First North, Warsaw New Connect, Johannesburg Alternative Market, Nomu – Parallel Market.
- ▶ **Emerging markets or rapid-growth markets** include issuers from Argentina, Armenia, Bangladesh, Bolivia, Brazil, Bulgaria, Chile, Colombia, Croatia, Cyprus, Egypt, Ethiopia, Greater China, Hungary, India, Indonesia, Ireland, Israel, Kenya, Kuwait, Kazakhstan, Laos, Lithuania, Malaysia, Mauritius, Mexico, Namibia, Pakistan, Peru, Philippines, Poland, Qatar, Russian Federation, Saudi Arabia, Sierra Leone, Singapore, Slovenia, South Africa, South Korea, Sri Lanka, Tanzania, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Vietnam and Zambia.
- ▶ **Developed markets** include issuers from Australia, Austria, Belgium, Bermuda, Canada, Denmark, Finland, France, Germany, Greece, Guernsey, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Geographic definitions

- ▶ **Africa** includes Algeria, Botswana, Egypt, Ghana, Kenya, Madagascar, Malawi, Morocco, Namibia, Rwanda, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.
- ▶ **Americas** includes North America and Argentina, Bermuda, Brazil, Chile, Colombia, Jamaica, Mexico and Peru.
- ▶ **Asean** includes Brunei, Cambodia, Guam, Indonesia, Laos, Malaysia, Maldives, Myanmar, North Mariana Islands, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.
- ▶ **Asia** includes Bangladesh, Greater China, Indonesia, Japan, Laos, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Thailand and Vietnam.
- ▶ **Asia-Pacific** includes Asia (as stated above) plus Australia, New Zealand, Fiji and Papua New Guinea.
- ▶ **Central and South America** includes Argentina, Bermuda, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru and Puerto Rico.

- ▶ **EMEIA** includes Armenia, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Kazakhstan, Luxembourg, Lithuania, Netherlands, Norway, Pakistan, Poland, Portugal, Russian Federation, Spain, Sweden, Switzerland, Turkey, Ukraine and United Kingdom plus the Middle East and Africa countries listed below.
- ▶ **Greater China** includes Mainland China, Hong Kong, Macau and Taiwan.
- ▶ **Middle East** includes Bahrain, Iran, Israel, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen.
- ▶ **North America** consists of the United States and Canada.

Glossary

- ▶ **Financial sponsor-backed IPOs** refer to IPOs that have private equity, venture capital investors or both.
- ▶ **First-day average returns** is the market value-weighted median of issuers' offer price versus the closing price at their first trade date, with the exception of the US section (page 10), where this is the mean of issuers' offer price versus the closing price at their first trade date.
- ▶ **Median deal size** refers to the median IPO proceeds.
- ▶ **Post-IPO market cap** is the market value of the company after its IPO is completed. **Median post-IPO market cap** is calculated for IPOs priced by 4 December.
- ▶ **Proceeds** refers to total fund raised by the issuer company and selling shareholders. This is the total deal size.
- ▶ **QOQ** refers to quarter-on-quarter. This refers to the comparison of IPO activity on Q4 2018 with Q4 2017 for this current report.
- ▶ **Share price performance since IPO** is the market value weighted median current returns, which is the year-to-date returns as at 4 December 2018 versus offer price. This should be compared with equity indices performance that is also measured YTD. For the US section (page 10), this is the mean current returns.
- ▶ **State-owned enterprise (SOE) privatizations** refers to former state-owned entities that have completed their IPO listings to become public companies.
- ▶ **YOY** refers to year-on-year. This refers to the comparison of IPO activity for the full year of 2018 with the full year of 2017 for this current report.
- ▶ **YTD** stands for year-to-date. This refers to priced IPOs from 1 January to 5 December 2018 plus expected IPOs by the end of December.

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EYG no: 012535-18Gbl

ED None

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