

EY Global IPO Trends

2014 Q3

Financial sponsor-backed IPOs drive activity close to 2010 levels

2014 is on track for the best year for IPOs since 2010. With 851 listings raising US\$186.6b globally in the first nine months of 2014 (Q3'14 YTD), we are 94% ahead in terms of capital raised compared to the same period in 2013 and 49% by number of deals. Financial sponsors-backed listings (PE and VC backed IPOs) are a major driver of IPOs in 2014, they account for 31% of the number of global IPOs and 56% of the proceeds. In fact, 2014 is a record year for PE-backed IPOs, with the first nine months of 2014 surpassing 2013 totals by capital raised.

It is important to point out that this would still have been a standout year even without the impact of the Alibaba Group Holding Ltd. listing, which contributed US\$25.0b (37%) to the quarter's total proceeds and 13% of total proceeds for 2014 year-to-date. We believe that Alibaba's strong first-day performance will continue to buoy investor confidence in IPOs through to the end of the year and encourage more companies to consider cross-border listings.

Of course, the end of the third quarter traditionally marks the turning point after the summer slowdown and this year is no exception. After a quiet August, in which investors and bankers paused for a breath following an exceptional first half of 2014 (H1'14) and some US-bound companies waited in anticipation of the Alibaba listing, September saw an 128% uplift in value (excluding the Alibaba listing) and a 39% increase in volume of IPOs globally, taking the totals for the quarter to 260 deals and US\$67.1b in capital raised. On this basis, we can look forward to a strong Q4'14 and the best year for IPO activity since 2010.

Improving market conditions are driving activity

A number of factors are currently combining to drive significant IPO activity. Inflation and interest rates remain at historic lows globally and – in many geographies – stock markets continue to rise following a bounce back in consumer confidence, an increase in business spending and supportive actions by central banks. The combination of good corporate-earnings growth and a lack of alternative investment options mean that risk appetite is focused on equities – and IPOs in particular. According to our analysis, in the first three quarters of 2014, global IPOs¹ have delivered on average a 19.5% year-to-date return globally, out-performing market indices by around 14.7%.

For now, innovation remains the key route to value. As markets stabilize, we are seeing a wave of innovation-led IPOs in the energy, health care and technology sectors. This pattern was apparent first in the US and is now being seen in other markets as they too emerge from recession. However, we predict a limited window left for health care IPOs on US exchanges, with average deal sizes declining 47% from US\$180m in Q3'13 to US\$95m in Q3'14.

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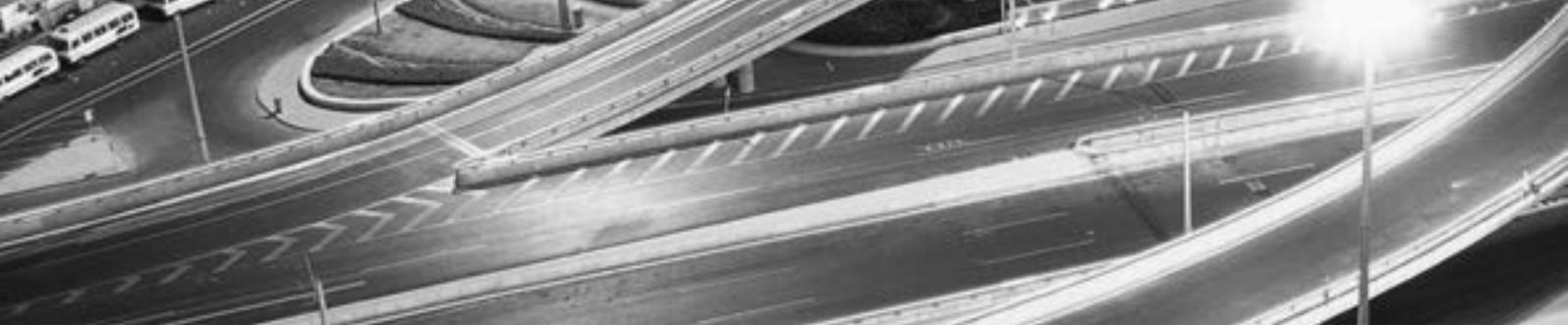
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Building a better
working world



Financial sponsors remain active

Against this backdrop, financial sponsors (PE and VC funds) are keen to realize value through an exit, institutions are keen to invest and the valuation gap is closing. In Q3'14, 27% of deals by number globally were financial sponsor-backed and accounted for an impressive 64% of capital raised. In fact, 2014 is now the best year for PE-backed IPOs since 2001. For the first nine months of 2014, activity levels have already surpassed 2013 by capital raised. There have been 264 IPOs raising US\$105.3b, representing 31% of global IPOs and 56% of capital raised in Q3'14 YTD.

Multi-track is back

As more capital comes into the system, Q3'14 is seeing the return of multi-tracking as part of companies' capital-raising strategy. M&A activity for the first nine months of 2014 has become more robust, in terms of deal ranges, sectors and geographies. We expect the use of global PE buyout dry powder (US\$463b),² which is at the highest level since 2008, to continue to fuel this momentum.

Belief is growing in the power of legislation to influence market performance

Another strong trend we observe in Q3'14 is increasing confidence that government can have a positive impact on the listing environment. In the US, the impact of the JOBS Act is now evident as over 80% of new registrants are sub-US\$1b revenue companies that file as Emerging Growth Companies and take advantage of financial reporting relief provided by the JOBS Act.³

We are now seeing calls for similar legislation in Europe where issuers, the European Private Equity and Venture Capital Association and the Federation of European Securities Exchanges, have joined forces to set up a new industry task force to lobby the EU to encourage more companies to tap into the capital markets. Elsewhere, Brazil's Bovespa is reported to be considering rules to encourage more, smaller companies to list and reform is also gathering pace in India and Nigeria.

In a similar vein, we are seeing a raft of regulatory changes, which are opening up more stock exchanges for companies interested in conducting cross-border IPOs – a move that will enable exchanges to protect and promote their position in the competition for global value creation. For example, in Singapore, rule changes are underway to allow Indian companies to list and both Thailand and Mauritius are introducing changes to encourage more foreign issuers. Hong Kong's move to allow dual currency listings and the launch of Shanghai-Hong Kong Stock Connect is a similar step that both encourages more Chinese companies to list in Asia and improves their access to a broad range of foreign investors.

Exchanges of note

In Q3'14, the top exchanges were the NASDAQ by deal volume and NYSE by value, with Hong Kong ranked second on both measures. Interestingly this quarter, Australia's ASX was third by both deal numbers and proceeds raised, in large part due to the PE-backed IPO of Healthscope Ltd., which raised US\$2.1b.

Cross-border IPOs on the rise

Supportive legislation and regional market performance is contributing to the rising trend of cross-border IPOs, which have been steadily gaining momentum. In Q3'14, 14% of IPOs globally were cross-border compared to 7% at the same point last year. To date in 2014, the US has hosted the majority of cross-border IPOs, accounting for 52% globally, while European exchanges accounted for 34% of cross-border IPOs.



Global markets broadly positive

Overall, the mood is good, with an expectation of more robust activity to come. Accommodative monetary conditions and strong investor risk appetite in key markets looks to be providing sustenance to global IPO levels as we progress toward 2015. Absent the impact of further significant geo-political shocks, we believe that activity should continue positively through Q4'14 into H1'15. Outside the worst affected conflict zones, our teams around the world are seeing an increasingly healthy pipeline of IPO candidates across a range of sectors, indicating that a broad-based recovery has now taken hold.

Downside risks remain

Of course there are downside risks to the overall positive picture. Many equity markets around the world are at their highest level since the financial crisis and some market watchers say the IPO boom has recently attracted less mature companies, particularly in hot sectors such as technology and health care. There also has been considerable debate among the investor community over whether reform of the IPO process is needed, particularly in relation to investors calling for sufficient time frames in which to obtain and evaluate company information pre-IPO. As we look ahead to Q4'14, we believe the influencing factors will be the continued strength and pace of the global economic recovery and the impact of rising geo-political tensions in a number of regions.

Expect a fourth quarter rush for returns

The fourth quarter is traditionally the strongest of the year for IPO activity as financial sponsors, institutions and retail investors rush for returns before the end of December. Given the positive performance of the first three quarters of 2014 we predict the strongest market since the start of the financial crisis and look forward to hailing 2014 as the year that the global IPO market got back on track to pre-crisis levels.

Maria Pinelli

Global Vice Chair
Strategic Growth Markets, EY

¹We look at global IPOs with IPO proceeds above US\$100m and calculated their market capitalization weighted average year-to-date returns (up to 19 September). We have excluded the Alibaba Group Holding Ltd. IPO from our returns calculation. The listing had a first trade day returns of 38.1% and would have had a 25% share of total market capitalization if included in the calculation.

²Source: Preqin, data as at end of 21 September.

³The JOBS Act: 2014 mid-year update – An overview of implementation and an analysis of emerging growth company trends, EY, August 2014.

Global IPO highlights

Q3'14 YTD
(January - September 2014)⁴

Volume and value



851

deals globally

(49% increase on Q3'13 YTD)



US\$186.6b

in capital raised

(94% increase on Q3'13 YTD)

Commentary

"2014 global IPO activity could be the strongest since 2007 if macroeconomic conditions remain stable, financial sponsors continues to favor IPO exits, and more Chinese listings materialize. A combination of good corporate earnings growth and a lack of alternative investment options mean that risk appetite is focused on equities and IPOs. As markets stabilize, innovation remains the key route to value, and we are seeing a wave of innovation-led IPOs in the energy, health care and technology sectors."

Maria Pinelli

Global Vice Chair, Strategic Growth Markets, EY

Developed vs. rapid-growth

Rapid-growth markets represent 45% of global IPO volume in Q3'14 YTD.



Financial investors dominate

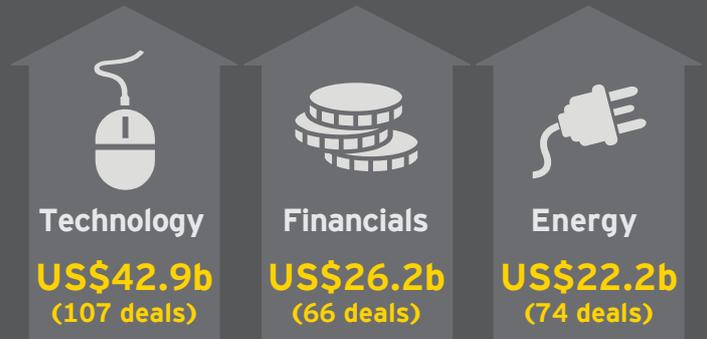


PE and VC account for 31% of global IPOs (264 deals)

56% by proceeds (US\$105.3b)



Three sectors trending



Confidence continues to grow



Confidence continues to build as the VIX[®] is now at the lowest level since the start of 2007.



There were 35 withdrawn and postponed deals in Q3'14, higher than the 28 deals in Q3'13.



Rising equity markets are a positive for IPOs – MSCI World Index continues to rise, its level exceeding the last peak at October 2007.



86% of IPOs priced within or above expectations.⁵

US tops the leaderboard

Top three deals in Q3'14

US
41%

US exchanges led by global funds raised.

US\$25.0b

Alibaba Group Holding Ltd.

US\$3.4b

Citizens Financial Group, Inc.

US\$3.0b

Synchrony Financial

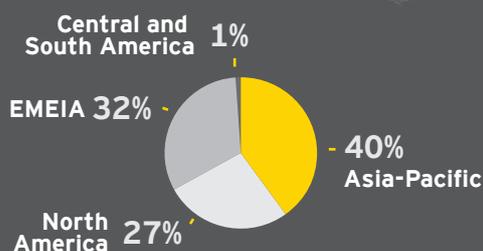
Asia-Pacific
25%

Asia-Pacific exchanges ranked third by global funds raised.

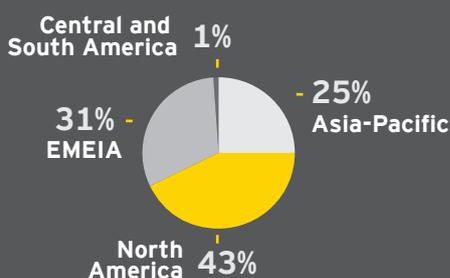
Europe
28%

European exchanges ranked second by global funds raised.

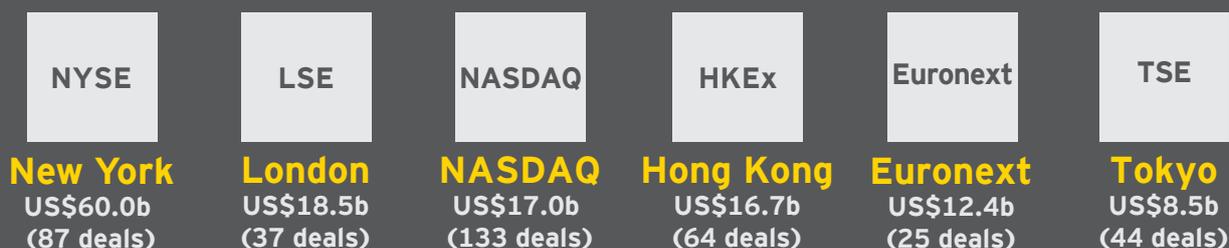
Number of deals



Value of deals



Top six exchanges by funds raised



Home and away

Cross-border listings were 12% of global IPOs compared to 8% in Q3'13 YTD.

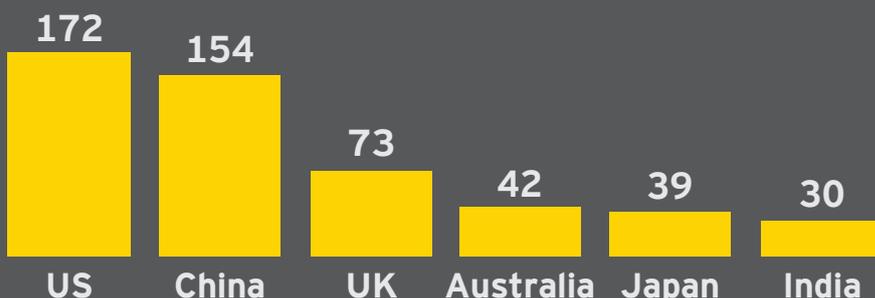


Home



Away

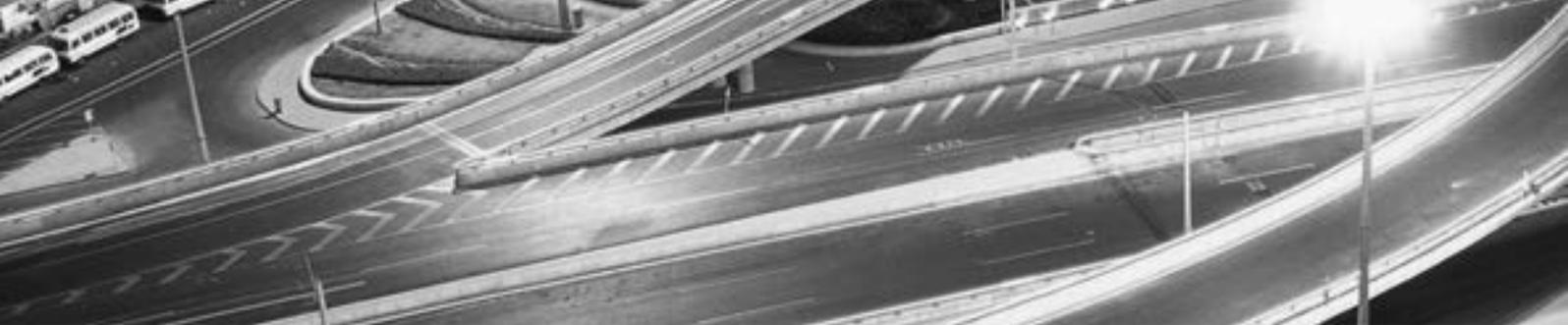
Top six countries by deal volume⁶



4. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

5. Focus on open-price IPOs with deal value above US\$50m.

6. Based on the listed company domicile nation.



US poised for fourth-quarter surge

Despite a slower Q3'14, activity for the first nine months of the year was up on 2013, in terms of volume and value, and a spate of IPOs expected in Q4'14 points to the busiest year on US exchanges since 2000 by deal numbers and capital raised.

- ▶ Q3'14 saw 62 IPOs, up slightly from 60 listings in Q3'13. By capital raised, Q3'14 was higher than Q3'13 (even when we exclude the US\$25.0b Alibaba IPO).
- ▶ For the first nine months of the year, the number of IPOs is up 42% and proceeds are 116% higher at US\$77.0b via 220 IPOs compared to the same period in 2013.
- ▶ US exchanges continue to lead globally in 2014 – NASDAQ led by number of IPOs and NYSE by capital raised.

IPOs continue to attract investor attention

Although IPO activity took an extended summer hiatus in Q3'14 – in part as a number of companies waited to avoid being overlooked as attention focused on Alibaba – those companies that did list have performed well as overall investor sentiment to pricing remains strong. Of the 50 companies⁷ that debuted in the third quarter and started trading before 19 September, 33 listings (66% of IPOs) are trading above their offer price. With interest rates at persistently low levels and limited alternative investment options, IPOs remain an attractive option for investors. As stock markets have been trending higher, IPOs have been outperforming market indices. Companies that have listed in US exchanges in 2014 have average year-to-date returns of +21.1% (excluding the Alibaba listing), compared to the S&P 500 at +8.8% as of 19 September.

A broad spread of sectors

Companies continue to come to market from a range of industries. Rising confidence means investors are becoming more daring – favoring the more innovative companies that offer higher risks and higher returns.

In Q3'14, health care led the way in terms of deal volume, accounting for around half of the new listings in the quarter compared to about a third in the same quarter last year. As deal size has been trending smaller, with average proceeds of around US\$95m, we expect the volume of health care listings to taper off.

The Alibaba IPO propelled the technology sector to top spot by capital raised, ahead of financials with the quarter's second and third biggest deals – the US\$3.4b IPO of Citizen Financial Group which listed on NYSE in September and the US\$2.9b IPO of

Synchrony Financial, which listed on NYSE in July. Energy and power companies also were well represented in Q3'14, both in terms of deal numbers and proceeds.

Cross-border activity on the rise

The first nine months of 2014 saw a rise of cross-border listings into the US compared to the whole of 2013, including China, Israel and European companies choosing to list on NASDAQ or NYSE. The US has seen 51 cross-border IPOs which raised US\$37.0b, accounting for 23% of deal numbers and 48% of proceeds in 2014 and is now outpacing the UK and Hong Kong for overseas listings. Growing familiarity with US accounting regulations, the strength of its markets and access to capital – together with the success of Alibaba's IPO – are likely to encourage more cross-border IPOs on US exchanges.

Financial sponsor proceeds increase

PE- and VC-backed exits remain an important driver of IPO activity in the US. Although financial sponsor-backed listings account for 62% of IPOs year-to-date, compared to 61% in the same period in 2013, average proceeds from both PE- and VC-backed IPOs are higher in 2014 (US\$243m if we exclude the Alibaba IPO)⁸ compared to the first nine months of 2013 (US\$222m).

Activity is set to pick up in Q4'14 following the entry into the IPO pipeline of a number of financial sponsor-backed companies. PE and VC firms will be seeking exit opportunities before the end of the year. As these types of offering tend to see good first-day performance, making them attractive to investors looking for a quick return, there should be little shortage of investor appetite.

IPO surge expected in Q4'14

Although other factors including geo-political tension in the Middle East and elsewhere may have a negative impact, we expect a strong finish to 2014 for US IPOs, driven by a combination of low volatility, strong investor confidence and a robust pipeline of companies getting ready to list. We expect the success of the Alibaba listing to buoy market sentiment and IPO activity in Q4'14. Although we may start to see some pressure on after-market performance, with the pricing gap between financial sponsors and institutional investors at a historically low level, the stage is set for a surge in listings before the year-end.

⁷Of the 62 IPOs priced during Q3'14, 50 listings were priced and started first trading by 19 September. For the other 12 listings have first trading date after 19 September, their offer price information was not available at the time of publication.

⁸Average proceeds of PE- and VC-backed IPOs in Q3'14 YTD would be US\$425m if the Alibaba IPO was included.

US IPO highlights

Q3'14 YTD

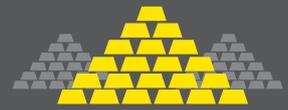
(January - September 2014)⁹

Volume and value



220 deals

(42% increase on Q3'13 YTD)



US\$77.0b

in capital raised

(116% increase on Q3'13 YTD)

Key trends



- ▶ US on course for bumper fourth quarter; wide choice of targets for investors.
- ▶ IPOs have outperformed the stock markets by around 15% to 22% so far this year.
- ▶ Many companies are dual- or multi-tracking as M&A surges.

Commentary

"The US IPO market is in the grip of a perfect storm. Stock market indices continue to hit new highs, volatility is low and investor sentiment is bullish. Although we expect to see some pressure on after-market performance, financial sponsors are pushing for exits and the pricing gap is at a historically low level, setting the stage for a surge in listings as investors rush for returns before the year-end."

Jackie Kelley
Americas IPO Leader, EY

Financial sponsors drive US IPO market



PE and VC account for 62% of US IPOs (137 deals)

76% by proceeds (US\$58.2b)



Three sectors trending



IPO pricing and performance¹⁰



+10.8% first-day average return

+21.1% increase in offer price vs. 19 September

US\$341m median post-IPO market cap

Equity indices¹¹

DJIA	+4.2% ▲
S&P 500	+8.8% ▲
VIX	-11.7% ▼

IPO activity



	NYSE	NASDAQ
Q3'14 YTD	87 deals (US\$60.0b)	133 deals (US\$17.0b)
Q3'13 YTD	74 deals (US\$24.7b)	81 deals (US\$11.0b)

Cross-border activity from

Greater China **13 deals** (US\$29.1b)
 Europe **19 deals** (US\$5.2b)
 Israel **10 deals** (US\$1.9b)
 Other 6 countries **9 deals** (US\$792m)



New registrations

Q3'14 75 deals, US\$9.1b
 Q3'13 91 deals, US\$16.4b



9. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

10. Pricing and returns are based on 208 IPOs on NYSE and NASDAQ that have been priced and started trading by 19 September (excluding the Alibaba IPO whose first trade date is 19 September with first day returns of +38.1%). Data as at 19 September.

11. Year-to-date returns of equity indices as at 19 September.



Asia-Pacific continues to lead by deal volume

Q3'14 has been a strong quarter for Asia-Pacific, particularly with regard to deal volume where the region represented 50% of global listings. Overall performance year-to-date has been robust with proceeds and deal volume up significantly on the same period in 2013.

- ▶ Asia-Pacific saw 130 IPOs in Q3'14 which raised US\$14.8b – the region led by number of deals.
- ▶ Capital raised is up 51% year-to-date, with the number of IPOs 58% higher than in the same period last year.
- ▶ Five of the 20 largest IPOs by proceeds in Q3'14 were in Asia-Pacific, spread across Hong Kong, Australia and Singapore exchanges.

Steady progress in Japan

Under fundamentally unchanged market conditions, Japan's IPO market remains strong with 10 listings in Q3'14 raising a total of US\$238m altogether. Internet-related technology, media and entertainment (dining, hospitality and advertising) companies dominated the market, making up 80% of new listings in Q3'14.

Following a variety of large listings in H1'14, including one of the world's biggest listings of the year to date, Japan Display Inc., Q3'14 has generally seen smaller companies coming to market, including an increasing number listing on the Tokyo Stock Exchange's junior market, MOTHERS (eight IPOs which raised US\$198m altogether).

Strong IPO performance is likely to continue, with a number of large IPOs already scheduled for Q4'14. Favorable legislation also may have a positive effect as the Japanese Government is relaxing the exchange listing requirements with the aim of growing the economy and making it easier for companies to go public.

Australia sees demand for high-value sectors

Australian IPO activity has continued to build on a strong H1'14, with 20 IPOs raising US\$3.3b in Q3'14. PE-backed companies continue to dominate the mid- to large-cap listings, the largest being Healthscope Ltd., a hospital owner and operator backed by US private equity giants TPG Capital Management LP and Carlyle Group, which raised US\$2.1b in its July listing on the Australian Securities Exchange.

As the economy improves and investors seek greater returns as the year comes to a close, the Australian markets mirror the global shift in sector demand. Investor appetite for innovative, high-risk, high-value sectors such as health care and e-commerce is growing, in a shift away from the more traditional sectors such as mining and resources that have dominated in recent years.

The outlook for the rest of 2014 remains strong, but we expect a number of smaller companies to come to market over the next quarter and beyond as business owners seek to take advantage of the IPO window and realize the value they have grown in their businesses over the past years.

Southeast Asia sees domestic and cross-border activity

Investor sentiment is holding steady in Southeast Asia, consolidated by relative political stability following elections in Indonesia and the settling of political unrest in Thailand. The region saw a number of significant listings in Q3'14, including four that rank in the quarter's top 20 IPOs on Asia-Pacific exchanges by IPO proceeds. Two of these were domestic: the US\$246m IPO of Philippines' Stores Specialists Inc. and the US\$236m IPO of Malaysia's Reach Energy Bhd.

The other two IPOs were cross-border listings on the Singapore Stock Exchange: Japan's Accordia Golf Trust's US\$613m IPO in July and Indonesia's Japfa Ltd., which raised US\$183m in August. These deals are further evidence of the increasing number of overseas companies looking to list on Southeast Asia exchanges. This trend toward cross-border listings is likely to increase as the region continues to develop and is viewed as an important market for international businesses. On the other hand, there also has been a marked increase in interest from Southeast Asian companies, particularly in the technology and e-commerce sectors, to list on European and American exchanges, where they will have access to investors who are both more experienced and have the funds to afford them the valuations they are seeking.

Further activity expected

Asia-Pacific should see strong IPO activity in the near-to-medium term, fueled by positive investor sentiment and solid after-market performance. There is a strong pipeline of IPO candidates in Hong Kong and Mainland China, while a number of sizeable companies are expected to list in Australia, Japan and South Korea. Greater political certainty combined with buoyant stock markets and a range of IPO candidates across countries including Malaysia, Singapore, Thailand and Indonesia point to continued listings in Southeast Asia.

Asia-Pacific IPO highlights

Q3'14 YTD

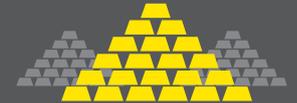
(January - September 2014)¹²

Volume and value



339 deals

(58% increase on Q3'13 YTD)



US\$47.4b

in capital raised

(51% increase on Q3'13 YTD)

Key trends



- ▶ Asia-Pacific has more IPOs than any other region in 2014.
- ▶ Consumer staples, technology and energy are the most active sectors by capital raised.
- ▶ Multiple markets set to contribute to an active fourth quarter, with more PE-backed exits and cross-border listings.

Commentary

"A consistently high number of companies are choosing to go public on exchanges right across Asia-Pacific. There are a wealth of options in terms of where to list, stock markets are performing strongly and growth prospects are good. Positive investor sentiment is translating into an abundance of liquidity in the first three quarters. This, combined with a robust pipeline of IPO-ready businesses, points to a healthy level of new listings through the remainder of 2014."

Ringo Choi
Asia-Pacific IPO Leader, EY

Top five exchanges by funds raised

HKEx

Hong Kong

US\$16.7b

(64 deals)

ASX

Australia

US\$8.5b

(44 deals)

TSE

Tokyo

US\$6.0b

(12 deals)

SZSE

Shenzhen¹³

US\$4.7b

(59 deals)

SSE

Shanghai

US\$3.6b

(22 deals)

Six sectors trending



Consumer staples

US\$6.6b

(35 deals)



Technology

US\$5.9b

(43 deals)



Energy

US\$5.9b

(21 deals)



Industrials

US\$5.4b

(56 deals)



Health care

US\$4.8b

(18 deals)



Real estate

US\$4.5b

(27 deals)

IPO pricing and performance¹⁴

+16.4% first-day average return

+34.5% increase in offer price vs. 19 September

US\$201m median post-IPO market cap

Equity indices¹⁵

HANG SENG

+4.1% ▲

FTSE STRAITS
TIMES

+4.3% ▲

SHANGHAI COMP

+10.1% ▲

NIKKEI 225

+0.2% ▲

ASX 200

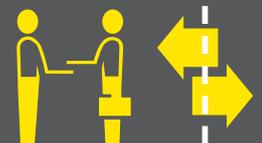
+1.5% ▲

Cross-border IPOs

Greater China issuers had **13 deals** that raised US\$29.1b in total on US exchanges.

Singapore Mainboard saw **2 cross-border deals** (from Japan and Indonesia) and

2 deals on the junior market, Catalist (from South Korea and Australia).

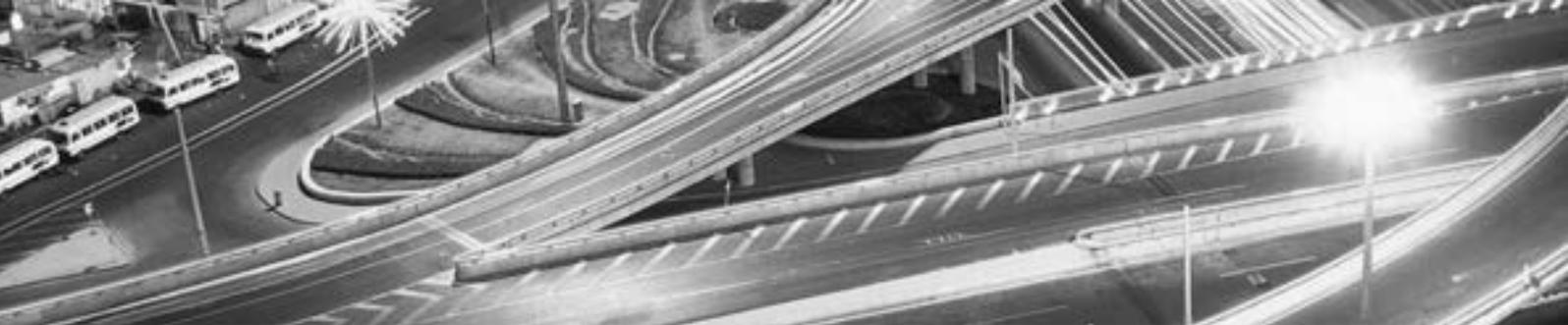


12. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

13. Shenzhen Stock Exchange includes IPO listings from the Small and Medium Enterprise (SME) board and ChiNext board.

14. Pricing and returns are based on 317 IPOs on Asia-Pacific exchanges that first started trading by 19 September. Data as at 20 September.

15. Year-to-date returns of equity indices as at 19 September.



Greater China set for takeoff

After a lull in new listings in Q2'14, Greater China exchanges saw an uptick in activity in the third quarter, in contrast to other markets. Overall, in the first nine months of the year, both IPO deal numbers and capital raised are up significantly and the outlook for the coming months points to the most active year for new listings in Greater China since 2011.

- ▶ Greater China exchanges account for 19% by global number of deals and 13% by capital raised in the first nine months of 2014.
- ▶ Mainland Chinese exchanges raised US\$8.3b through 81 IPOs in the first nine months of 2014, with a further 30 companies expected to IPO in the fourth quarter.
- ▶ On Hong Kong Main market, there were 64 IPOs raising US\$16.7b in the first nine months of 2014, ranking it third behind NYSE and NASDAQ by deal numbers.

IPO activity saw a significant increase in Q3'14 when the suspension of new listings on Mainland China exchanges (which started in the middle of February) was lifted at the end of June. There were 29 IPOs raising US\$2.5b in Q3'14 compared to US\$0.3b in proceeds through just four deals in Q2'14. Materials was the most active sector by capital raised, and industrials by deal volume. Investor sentiment for new offerings remains strong on the back of positive returns; all the companies that listed on the A-share market in Q3'14 closed first-day trading above offer price.

Cross-border listings remain a popular route to market. Beyond this quarter's headline story of Alibaba's IPO on the NYSE, Chinese companies continue to conduct cross-border IPOs, particularly in Hong Kong. Six of the 10 largest IPOs by Mainland Chinese issuers in Q3'14 were of this type, including WH Group Limited, which raised US\$2.4b in August – the second largest IPO on HKEx this year, accounting for 41% of its proceeds in the third quarter.

Hong Kong proceeds double year-on-year

IPO activity has seen a significant year-on-year increase in the first three quarters of 2014, driven by strong stock market performance – Hong Kong equity indices recently hit six-year highs, the continued in-flow of foreign capital and the improving global economic outlook. There have been 64 IPOs raising US\$16.7b on Hong Kong Main market so far this year, across a range of sectors. This represents a 113% increase in deal numbers and a 119% increase in proceeds compared to the same period in 2013 (US\$7.6b raised via 30 IPOs).

As demand for new stocks remains high, Q3'14 also saw an uptick in activity against the prior quarter as IPO volume rose 13% to 26 IPOs and proceeds increased 35% to US\$6.2b. This is against a backdrop of continued investor caution. In the third quarter, for IPOs with trading date by 19 September, 9 out of 24 IPOs (38%) – compared to 8 out of 23 IPOs (35%) in Q2'14 – were issued in the upper pricing range, with four at the top end. It appears that more reasonable valuations have left a greater profit margin for investors; first-day returns were up with 16 out of 24 IPOs (67% of IPOs) at or above offer price, compared with 10 out of 23 IPOs (43%) in Q2'14.

Positive outlook for Greater China

With an abundance of liquidity and a robust pipeline of companies waiting to go public – including a number from the health care and telecommunications, media and technology sectors; perennial favorites of Hong Kong investors – we expect IPO activities will continue its strong momentum for the rest of the year, beating our forecast made last year of over 100 deals and funds raised US\$23b (HK\$180b). More H-share listings are expected as companies seeking to be listed on the A-share market may turn to Hong Kong in order to accelerate the listing process.

Deal volume in Mainland China will reach a similar level in 2014, hitting around 100 IPOs by the end of the year in line with the plan outlined by the China Securities Regulatory Commission (CSRC), as the amount of new A-share listings continues to be set by policy. This will include a number of financial sponsor-backed listings. VC and PE exits have accounted for 12% of new listings in Greater China by deal numbers in the first nine months of 2014 compared with 7% in the same period last year. With financial sponsor-backed companies accounting for around 40% of pre-IPOs in the CSRC pipeline, more are set to follow.

Shanghai-HK Stock Connect will be a key IPO driver

A further driver of IPO activity in the region will be the Shanghai-Hong Kong Stock Connect program, which is expected to be implemented in October. It should bolster the attractiveness of Hong Kong as a listing location for both Mainland Chinese and international companies and bring the A-share market closer to the international markets, attracting international institutional investors who will likely bring in their expertise in more sophisticated valuation models. This is a significant step forward in developing the market and broadening its investor base and is expected to bring funds into the mainland market, boost confidence and increase the number of new listings.

Greater China IPO highlights

Q3'14 YTD

(January - September 2014)¹⁶

Volume and value



Hong Kong Main Market
64 deals
(113% increase on Q3'13 YTD)



Shanghai
22 deals¹⁷



Shenzhen
59 deals¹⁸



Hong Kong Main Market
US\$16.7b
(119% increase on Q3'13 YTD)



Shanghai
US\$3.6b¹⁷



Shenzhen
US\$4.7b¹⁸

Key trends



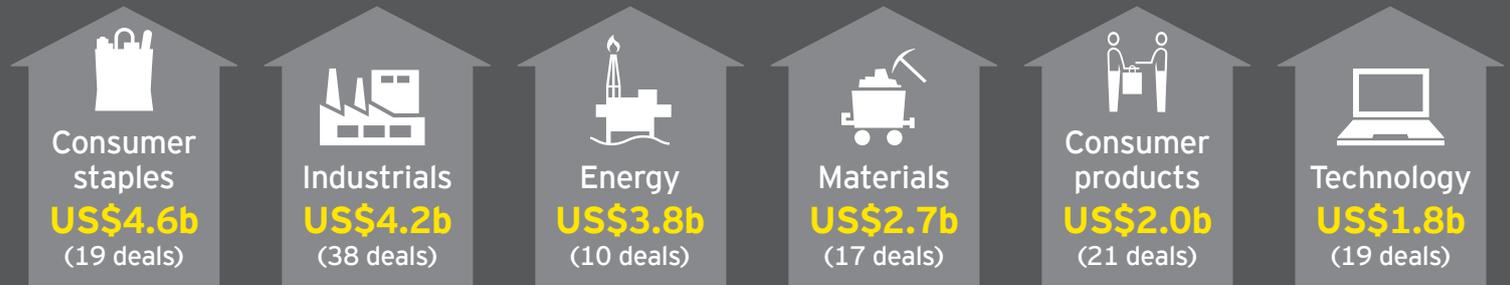
- ▶ Solid returns and buoyant markets are bolstering investor confidence and demand for IPOs.
- ▶ Shanghai-Hong Kong Stock Connect is set to have a significant positive impact on IPO activity.
- ▶ Increase in H-share IPOs expected as more companies choose to list in Hong Kong.

Commentary

"Greater China IPO activity continues to rise. Hong Kong equities hit multi-year highs in Q3 on the back of improving global economic conditions and an influx of foreign capital. Meanwhile, solid fundamentals and predictions of steady GDP growth, together with the government's market-oriented reform policies will continue to drive listings on Mainland China exchanges. The upcoming Shanghai-Hong Kong Stock Connect program will spur increased IPO activity in the coming months."

Terence Ho
Greater China IPO Leader, EY

Six sectors trending



IPO pricing and performance¹⁹

Hong Kong Main Market

+2.9% first-day average return

+12.5% increase in offer price vs. 19 September

US\$450m median post-IPO market cap

Shanghai and Shenzhen

+37.0% first-day average return

+72.8% increase in offer price vs. 19 September

US\$292m median post-IPO market cap

Equity indices²⁰

HANG SENG

+4.1% ▲

SHANGHAI COMP

+10.1% ▲

SHENZHEN COMP

+22.1% ▲



Mainland China's IPO pipeline

40% are expected to be PE- or VC-backed.

More than half of companies are planning to list on the Shenzhen exchange (SME and ChiNext boards).

626 companies are in the CSRC pipeline.



IPO pipeline

16. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

17. IPO activity on Shanghai and Shenzhen Stock Exchanges was suspended from November 2012 to December 2013.

18. Shenzhen Stock Exchange includes IPOs on the main board, SME board and ChiNext.

19. Pricing and returns are based on 62 IPOs on Hong Kong Main Market and 78 IPOs on Shanghai and Shenzhen Stock Exchanges that first started trading by 19 September. Data as at 20 September.

20. Year-to-date returns of equity indices as at 19 September.



EMEIA sees surge in proceeds

In Q3'14, EMEIA sustained its strong showing in 2014, led by solid levels of IPO activity in Europe. In the first nine months of 2013, EMEIA exchanges rank second to Asia-Pacific by deal numbers and trail the US by proceeds. Excluding Alibaba's mega-IPO in September, EMEIA would have ranked first for capital raised for the first nine months of 2014.

- ▶ The number of deals in EMEIA Main markets is up 107%, and the value of deals is up 267% in the first nine months of 2014.
- ▶ EMEIA exchanges accounted for 32% of global deals by number and 31% by capital raised in the first nine months of 2014.
- ▶ Financial sponsor-backed exits remain a key driver, especially in Europe.
- ▶ Uptick in activity and positive outlook for the Middle East, India and Africa.

Europe sees breadth of activity

European IPO activity on main and junior markets is up significantly on 2013 year-to-date, with volume ahead by 113% and proceeds up 316%. While London exchanges ranked second behind New York by capital raised for the first nine months of 2014, the Euronext was the star performer of Q3'14 by proceeds, raising US\$2.5b via four IPOs, driven by the listing of PE-backed NN Group NV, the fourth largest deal globally for the quarter.

IPOs continue across a range of sectors, with financials, retail and industrials sectors leading by both total proceeds and average deal size for the first nine months of 2014 and in Q3'14. Real estate remains in the top five sectors by proceeds but its share of European exchange IPOs has lessened compared to the first nine months of 2013.

PE and VC investors continue to capitalize on strong valuations, with PE- and VC-backed IPOs in Europe accounting for 30% of the total IPO volume and 58% of proceeds so far this year, compared to 19% and 61% respectively in 2013.

A note of caution

While European IPO activity is likely to remain positive in Q4'14, we expect investors to be more selective, challenging companies to have appropriate valuations. The European Central Bank has stayed supportive of European markets, announcing rate cuts and additional purchase programs that will feed liquidity and further improve financing conditions for corporates.

However, persisting geo-political tensions in the region are on the radar screen of investors and while the UK, Germany and Spain economies looks increasingly robust, weaker economic performance continues to be seen elsewhere in Europe; such as France and Italy. Recovery is expected to gain momentum gradually and the pace of the upturn will remain uneven across eurozone countries.

Middle East turns the corner

Investor confidence in the Middle East is returning, driven by improving economic conditions, better liquidity and higher valuations. This is being translated into more and larger IPOs. Year-to-date there have been 13 deals compared to 12 IPOs in the same period last year, but the level of capital raised has increase 53%, from US\$2.3b to US\$3.5b. The most significant deal has been Emaar Malls Group LLC's listing on the Dubai Stock Exchange in Q3'14, which raised US\$1.5b, surpassing the US\$888m IPO by Mesaieed Petrochemical Holding Co. in Qatar in January 2014.

Elsewhere in the region in 2014 there have been four IPOs in Saudi Arabia which raised US\$533m and 15 IPOs involving Israeli companies; one listing on the Tel Aviv Stock Exchange, 10 cross-border IPOs on to US exchanges which raised US\$1.9b, and four deals on the London Main and AIM markets which raised US\$223m altogether – with more lined up to follow.

Growing confidence in African IPOs

African exchanges have seen a spike in interest in 2014. Year-to-date, there have been 12 IPOs, up from nine in the same period in 2013 and proceeds have seen a 258% increase to US\$0.7b. In July, Alexander Forbes Group raised US\$348m on the Johannesburg Stock Exchange (JSE) in the second largest African listing in 2014 after Nigeria's Seplat Petroleum Development Company raised US\$538m on a dual listing on the London Main market and Nigerian Stock Exchange in April.

With the JSE All Share Index reaching record highs this year, pension funds and PE exits lifting IPO activity, and rule changes driving fresh interest, market sentiment has proved consistently positive. In further developments, Nigeria has adopted a dual pricing system and East Africa's four exchanges plan to harmonize the listing requirements for IPOs to create a single investment hub. All these actions should support higher IPO activity from this region in the fourth quarter and into 2015 and beyond.

Early signs of IPO revival in India

Although IPOs on Indian exchanges have been limited in 2014 – proceeds are down 38% on 2013 through just 29 IPOs in 2014 (six of which are on the Main market), a number of positive signals indicate that the IPO market in India is set to rebound in the fourth quarter and 2015. A supportive government, favorable macroeconomic trends, an optimistic business environment, pent up demand and a significant backlog of PE firms waiting to exit via the IPO route bodes well for a long-awaited revival.

EMEIA IPO highlights

Q3'14 YTD

(January - September 2014)²¹

Volume and value



Main markets:
157 deals
(107% increase on Q3'13 YTD)



Main markets:
proceeds US\$53.6b
(267% increase on Q3'13 YTD)



Junior markets:
119 deals
(42% increase on Q3'13 YTD)



Junior markets:
proceeds US\$4.0b
(285% increase on Q3'13 YTD)

Key trends



INVESTOR
CONFIDENCE

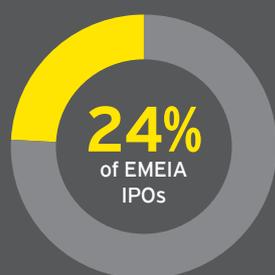
- ▶ Investor confidence in Europe remains high, buoyed by European Central Bank intervention.
- ▶ Financials and retail sectors lead by capital raised in EMEIA in the first nine months.
- ▶ EMEIA is seeing a range of IPO activity across developed and emerging markets.

Commentary

"The ECB sent a strong signal to the market recently that it remains supportive of the IPO ecosystem. The rate cuts and additional purchase programs will feed liquidity, improve financing conditions and accelerate stock market gains, strengthening appetite for IPOs; although investors will be more selective in the coming quarter. Despite on-going geo-political tensions on the radar, European volatility indices remain at low levels, encouraging IPO activity."

Dr. Martin Steinbach
EMEIA IPO Leader, EY

Top five exchanges by funds raised



Financial sponsors drive EMEIA IPO market

PE and VC account for 24% of EMEIA IPOs (66 deals)

54% by proceeds
(US\$31.4b)



Three sectors trending



IPO pricing and performance

Main markets²²

+15.7% first-day average return

+14.6% increase in offer price vs. 19 September

US\$266m median post-IPO market cap

Junior markets²²

+9.7% first-day average return

+6.1% increase in offer price vs. 19 September

US\$42m median post-IPO market cap

Equity indices²³

FTSE 100	+1.3% ▲	BSE SENS	+28.0% ▲
DAX	+2.6% ▲	JSE All share	+11.3% ▲
CAC40	+3.8% ▲	VSTOXX	-12.7% ▼
MICEX	-18.9% ▼		

Cross-border IPOs



12% of EMEIA IPOs were cross-border deals by volume as well as funds raised.

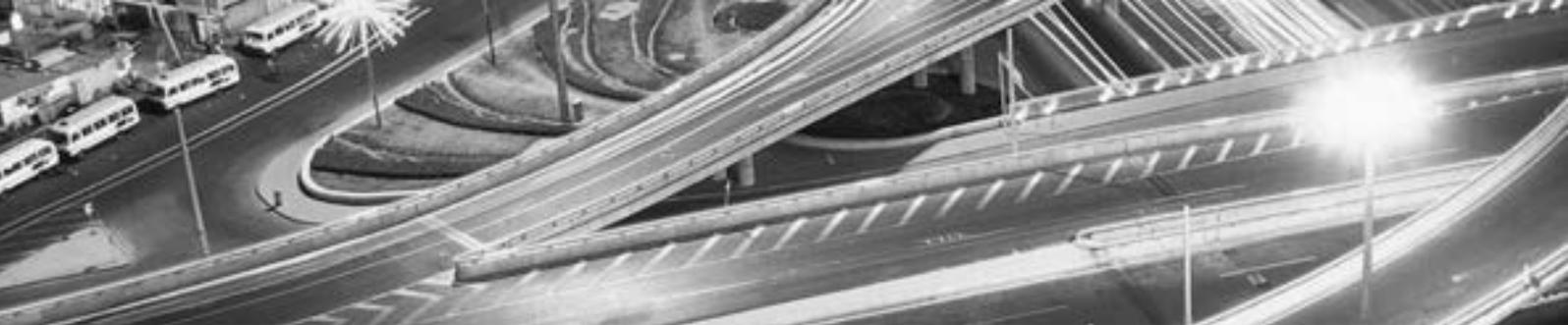
London²⁴ hosted **23 deals** that raised US\$3.3b.

21. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

22. Pricing and returns are based on 148 IPOs on main markets and 112 IPOs on junior markets that have started trading by 19 September. Data as at 20 September.

23. Year-to-date returns of equity indices as at 19 September.

24. London Main hosted six cross-border IPOs which raised US\$2.2b in aggregate, while London Alternative Investment Market (AIM) hosted 17 IPOs which raised US\$1.1b.



UK sees solid IPO pipeline

Despite signs last quarter that the UK IPO market may be “taking a breath,” companies continue to come to the public markets in search of capital. Across the first three quarters of the year activity is up significantly on 2013, while even during the traditionally quiet third quarter, there were four IPOs raising US\$1.7b on the Main market, compared with Q3’13 results of US\$0.7b through only one new listing.

- ▶ London exchanges rank second behind New York by capital raised in the first nine months of the year.
- ▶ Deal numbers on the Main market in 2014 are up 311% compared to January – September 2013, with capital raised 324% higher.
- ▶ UK IPO deals accounted for 32% of IPOs on EMEA exchanges and 38% of capital raised.

UK continues to lead European IPO market

IPO activity in the UK is strong compared to other markets, especially in Europe. This solid performance has been driven by a combination of robust investor confidence and the quality of assets coming to market. Of particular interest is the range of industries represented in London IPOs at the moment, with no single sector dominating. In Q3’14 the four Main market IPOs have each come from a different sector. Meanwhile, of the 14 IPOs on AIM in the quarter, there have been three health care companies while the rest have been spread broadly across sectors including materials, energy, technology, financials and consumer products.

Financial sponsors remain active

The UK market continues to be dominated by financial sponsor-backed IPOs. So far this year PE has accounted for 35% of IPOs in the UK by volume and 71% by capital raised. The two largest Main market listings in Q3’14, food and beverage company SSP Group plc and operator of private hospitals and clinics, Spire Healthcare, were both PE-backed IPOs. Both companies have traded well since IPO and are currently trading at 16% and 29% above their first trading date closing price.²⁵

There are a good number of high-quality companies under PE-ownership looking to exit in the next 12 to 24 months and, with appetite investor for this type of offering still strong, we expect the number of financial sponsor-backed IPOs to remain high for the remainder of this year and through the first quarter of 2015 at least.

Competition for capital

With the lock-up periods for more than 20 UK Main market businesses due to expire between now and the end of the year, there will be a lot of new stock released into the market, which will inevitably increase competition for investors’ capital. However, PE firms are very conscious of maintaining their reputation with institutional investors, particularly when they are looking to bring more of their investee companies to the public market. As such, they are carefully managing their exits from their remaining equity post lock-up, to ensure that there is no serious impact on share price. While those businesses that have traded well will likely be largely unaffected, others may struggle. Meanwhile, any new issuers coming to market may have to work harder to stand out from the crowd and attract investor interest.

Bright outlook, with some clouds

There were no IPO listings in the first three weeks of September as issuers and investors – uncertain of the capital market’s reaction to an independent Scotland – waited for the results of the referendum on Scottish Independence. Following Scotland’s decision to remain part of the UK, we anticipate an increase in IPO activity on London exchanges toward the end of September, particularly from issuers with greater exposure to the UK.

Although we expect IPO activity to pick up again in Q4’14 and finish the year strongly, there are a number of short- to medium-term factors that could impact investor confidence and have a knock-on effect on appetite for new listings. Overall, sentiment remains fairly solid with a widespread belief that economic recovery in the UK has taken hold, although a degree of uncertainty remains about the outlook for the eurozone.

Elsewhere, continued and escalating tensions in Ukraine/Russia, Syria and the wider Middle East may have an effect on investor confidence. We could see a reduction in the number of companies from certain countries (Israel and Russia in particular) looking to raise money in London while any business exposed to those jurisdictions could find it harder to get traction with investors.

²⁵Current stock price is the closing price on 19th September. Source: Capital IQ.

UK IPO highlights

Q3'14 YTD

(January - September 2014)²⁶

Volume and value



London Main Market
37 deals
(311% increase on Q3'13 YTD)



London Main Market
US\$18.5b
(324% increase on Q3'13 YTD)



London AIM
52 deals
(58% increase on Q3'13 YTD)



London AIM
US\$3.4b
(441% increase on Q3'13 YTD)

Key trends



- ▶ Pricing remains the number one issue for investors but high-quality companies continue to attract attention.
- ▶ No single sector is dominating – new listings characterized by breadth of sector representation.
- ▶ Outlook is upbeat despite some geopolitical uncertainty looking forward.

Commentary

"2014 has seen IPOs across a range of sectors. Financial sponsor-backed exits have been the main driver of new UK listings. Lock-up periods due to expire in the fourth quarter will increase competition for capital, and may act as a brake on new listings. However, the number and quality of companies in the pipeline and the strength of investor confidence points to the busiest year on UK exchanges since 2007."

David Vaughan
UK IPO Leader, EY

Financial sponsors drive UK IPO market

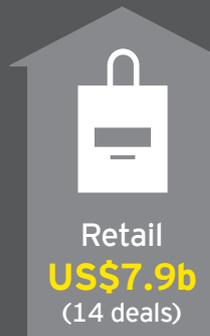


PE and VC account for 35% of UK IPOs (31 deals)

71% by proceeds
(US\$15.6b)



Three sectors trending



IPO pricing and performance

London Main Market²⁷

+2.9% first-day average return

+3.9% increase in offer price vs. 19 September

US\$823m median post-IPO market cap

Alternative Investment Market²⁷

+12.2% first-day average return

+8.8% increase in offer price vs. 19 September

US\$79m median post-IPO market cap

Equity indices²⁸

FTSE 100	+1.3% ▲
FTSE 350	+1.0% ▲
FTSE AIM ALL SHARE	-10.4% ▼

Cross-border activity in Q3'14 from

Israel **1 deal** US\$70m on London Main Market

United States **2 deals** US\$30m on London AIM

China **2 deals** US\$5m on London AIM



Top three IPOs in Q3'14 by capital raised

SSP Group plc	Spire Healthcare Group plc	Epwin Group plc
raised US\$949m (UK, retail)	raised US\$540m (UK, health care)	raised US\$161m (UK, materials)

26. Q3'14 YTD (January - September 2014) IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September.

27. Pricing and returns are based on 37 IPOs on London Main Market and 52 IPOs on AIM that have been priced by 19 September. Data as at 20 September.

28. Year-to-date returns of equity indices as at 19 September.

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ED None

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For more information on global IPO performance by quarter and year, and how IPO market looks set to develop in 2014, visit the EY Global IPO Center of Excellence:

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*Throughout this report, 2014 January to September IPO activity is based on priced IPOs as of 20 September and expected IPOs by end of September. Source of data: Dealogic and EY.