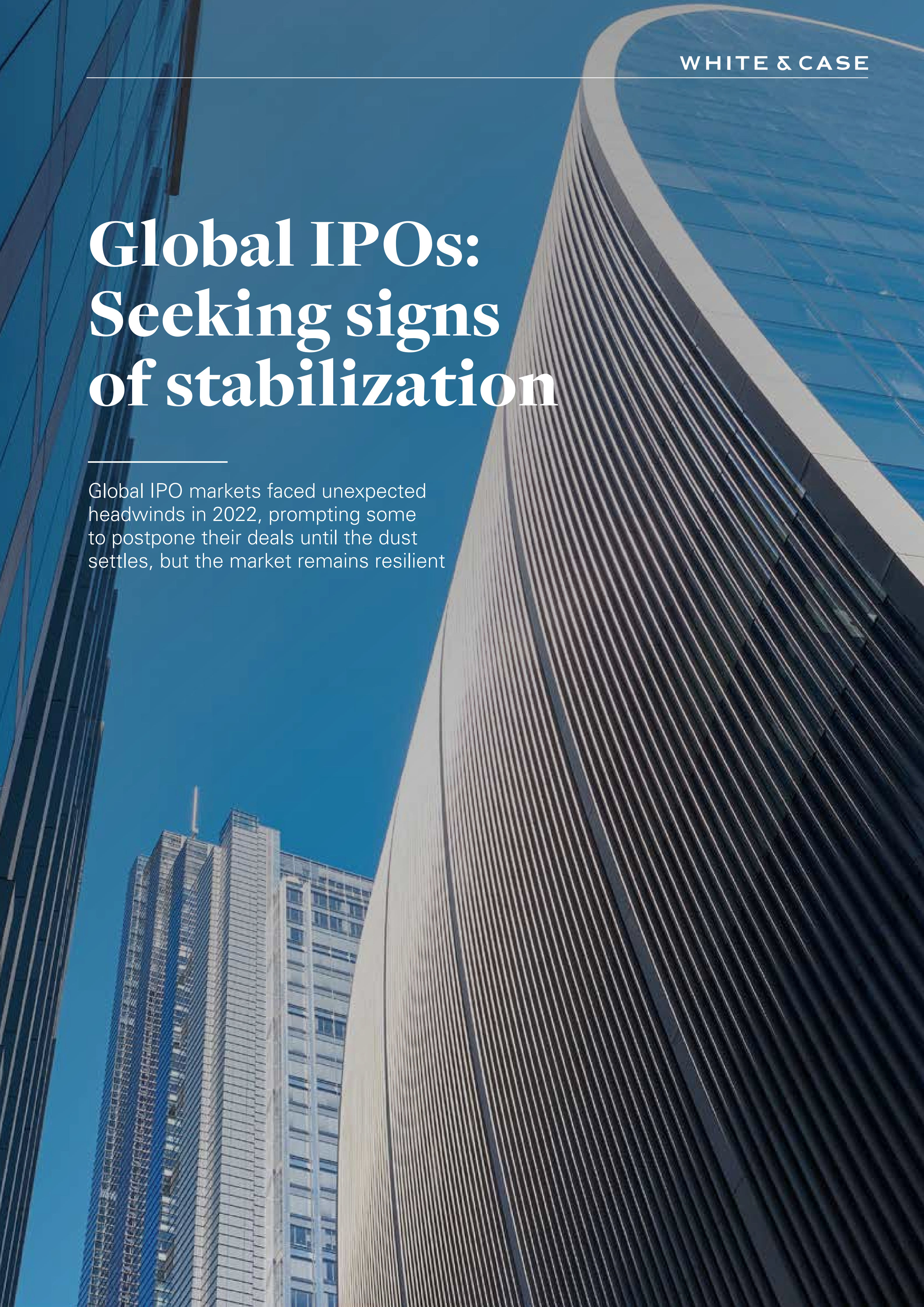


WHITE & CASE

Global IPOs: Seeking signs of stabilization

Global IPO markets faced unexpected headwinds in 2022, prompting some to postpone their deals until the dust settles, but the market remains resilient

Contents

Resetting expectations

It was clear in the opening months of 2022 that the winds had changed for the global IPO market as compared to the prior year, a rocky path that continued throughout the year and into the first quarter of 2023, but with a few notable bright spots

As we reported in last year's issue of the Global IPO Report, inflation concerns were starting to mount in early 2022 and investors were beginning to accept the prospect that central banks would need to step in to rein in demand. Against that backdrop, Russia invaded Ukraine, further disrupting already frayed supply chains and sending global energy prices soaring. This put further upward pressure on inflation and interest rates have been rising almost vertically since then.

None of this has been kind to IPO sentiment. In 2022, total global IPO value, including SPACs, came in at US$170.7 billion, a decline of 72 percent year-on-year. Excluding SPACs, the total was US$153.9 billion, down 65 percent year-on-year. While 2021 had been a record-breaking year and was unlikely to be repeated under the best of circumstances, these were the lowest global IPO value totals stretching back to 2016.

This continued into Q1 2023, with only US$26 billion in IPOs, including SPACs, down 53 percent year-on-year. Excluding SPACs, this total came in at US$25 billion in IPOs, 42 percent lower than Q1 2022.

Having said that, some context is helpful. Although SPAC deal value declined as compared to 2021, 2022 levels were still well above levels seen prior to the pandemic and the emergency monetary stimulus that supercharged the markets. Banks and investors may have balked at the SEC's promise of stricter regulation, but SPACs have nonetheless cemented themselves as a credible strategy for swiftly accessing public market fundraising.

Moreover, global IPO volume held up surprisingly well despite the macro and market volatility. Of note, larger ticket listings have been concentrated on non-US exchanges, with the Asia-Pacific (APAC) region proving to be comparatively robust, and the Middle East making notable moves on the IPO stage.

In the first quarter of 2023, a positive sentiment was settling over the markets and there were high hopes that a more stable base was being formed from which companies could soon begin to launch their IPOs. In March, however, cracks began to show following the collapse of Silicon Valley Bank, as liquidity issues emerged at high-profile banks in both the US and Europe. Investors watched to see whether any more shoes might drop, as interest rates continued to climb in response to inflationary pressure. Nonetheless, there is cause for cautious optimism about what the remainder of 2023 may hold, as disinflationary signals begin to emerge.

Global IPO markets pause to take a breath

Inflation concerns, rising interest rates and the specter of war cast a more sober tone over equity markets in 2022 and through Q1 2023, throttling appetite for IPOs in most regions—but not all

By Sami E. Al-Louzi, Colin J. Diamond, Thilo Diehl, Inigo Esteve, Laura Sizemore and Ibrahim Soumrany

Global IPO activity has pulled back sharply since the all-time records set in 2021. The start of 2023 has been exceptionally quiet. The 284 IPOs (excluding SPAC listings) listed in Q1 of this year is the lowest recording since COVID-19 first affected markets in Q2 2020, while total deal value came to just US$25 billion. For perspective, the pandemic-stricken second quarter of 2020 saw US$35.7 billion in deals.

Looking back on 2022, a total of 1,380 IPOs (excluding SPAC listings) was recorded globally—a 42 percent decline on the previous year's tally, according to Mergermarket data. Nonetheless, this was still a solid showing. The six-year trailing average is 1,562 IPOs globally per year and this figure is clearly inflated by 2021's neck-bracing rally in activity. Last year comfortably outperformed the volumes seen in 2019 and was not far off 2020, though there was a material softening in the second half of 2022 as the market deteriorated.

It is in the value of proceeds raised where softness really showed. The US$153.9 billion in deals (excluding SPACs) was down 65 percent year-on-year, the lowest level since 2016. The trailing average for the previous six years is US$227.8 billion, which, again, is significantly enlarged by 2021's phenomenal performance. Even so, 2022 was something of a reset, as investors caught their breath following the whirlwind of the previous year.

One of the most defining characteristics of last year was how dramatically the regional distribution of IPOs shifted. The Americas, dominated by the New York Stock Exchange and Nasdaq, went from being a global deal value powerhouse in 2021 to the quietest regional market in the world. Excluding SPACs, IPO value came to US$7.4 billion—down 95 percent year-on-year—and these proceeds were shared among just 179 listings, a similarly steep annual decline of 67 percent.

Several factors contributed to this underperformance. One is that

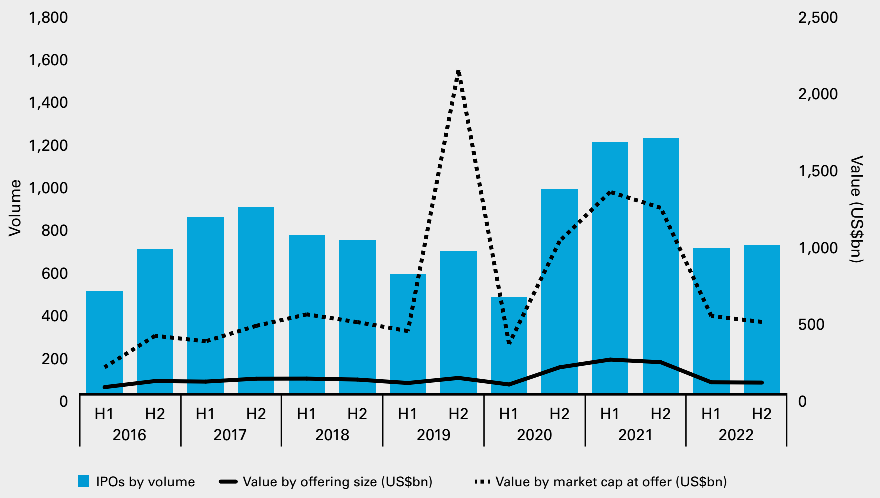
1,380

The number of global listings in 2022 (excluding SPACs)

the US equity markets had leaned heavily into the technology sector, which has been especially prone to inflation and the rising cost of capital. The Federal Reserve (Fed) has also embarked on a far more aggressive monetary tightening cycle than anywhere else, measured by the rate of change, particularly compared with Europe.

The APAC region, by contrast, was something of an outlier. The region led on both value and volume measures, with US$107.4 billion in IPOs and 967 separate listings (excluding SPACs). This equated to

Global IPOs by offering and market size (excl. SPACs)



Top-ten IPOs globally in 2022*

Pricing date	Company	Jurisdiction	Industry	Exchange	Deal value USD (m)
Jan. 14, 2022	LG Energy Solution Ltd.	South Korea	Auto/truck	Korea Exchange-KOSPI	10,726
Sept. 28, 2022	Dr. Ing. h.c. F. Porsche AG	Germany	Auto/truck	Frankfurt Stock Exchange-Prime	8,736
April 4, 2022	DEWA	United Arab Emirates	Utility & energy	Dubai Financial Market	6,077
May 12, 2022	Life Insurance Corp. of India	India	Insurance	Bombay Stock Exchange-BSE National Stock Exchange of India	2,718
May 31, 2022	Borouge plc	United Arab Emirates	Chemicals	Abu Dhabi Securities Exchange	2,005
Nov. 24, 2022	Americana Restaurants International PLC	United Arab Emirates	Dining & lodging	Abu Dhabi Securities Exchange Saudi Stock Exchange	1,803
Sept. 14, 2022	Corebridge Financial Inc.	United States	Insurance	New York Stock Exchange-NYSE	1,680
Aug. 9, 2022	Shanghai United Imaging Healthcare Co. Ltd.	China	Health care	Sci-Tech Innovation Board (STAR Market)	1,627
Aug. 2, 2022	Hygon Information Technology Co. Ltd.	China	Computers & electronics	Sci-Tech Innovation Board (STAR Market)	1,598
Jan. 14, 2022	Jinko Solar Co. Ltd.	China	Computers & electronics	Sci-Tech Innovation Board (STAR Market)	1,574

**There were no SPACs in the top-ten IPOs globally in 2022*

year-on-year falls of only 42 percent and 25 percent respectively. APAC typically leads all other regions due to the scale of its collective economy—the largest in the world—but it has been interesting to see the market's relative strength under the circumstances, undergirded by a fast-paced macro environment.

Europe, the Middle East and Africa (EMEA) sat between the Americas and APAC, in both absolute and relative terms. The US$39.1 billion in IPOs spread over 234 deals (excluding SPACs) represented annual declines of 63 percent and 59 percent respectively. Russia's invasion of Ukraine loomed large over European equity markets and energy price inflation dented investor confidence throughout the year.

IPO activity across EMEA is a tale of two markets. The Middle East was a stronghold in the region, contributing three of the world's top 10 largest IPOs and seven of the largest 25 deals. The conflict in Ukraine soured confidence in Europe, but also sent the price of crude skywards, bolstering economies in the Middle East, while also emboldening investors and attracting foreign capital.

Several factors are contributing to the region's continued strength. For one, Saudi Arabia continues to ease restrictions on foreign investors in its capital markets and attract foreign blue chip companies to dual list their securities on the Saudi Stock Exchange, as the Kingdom seeks to draw more international capital, modernize its economy and raise its standing on the world stage. This includes allowing foreign qualified financial institutions with more than US$500 million in assets under management to participate in IPOs and hold securities listed in Saudi Arabia.

As part of these modernization efforts, governments throughout the Middle East are embarking on an ongoing privatization push. For example, in November 2021, Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, the ruler of Dubai, announced plans to sell 10 government and state-owned companies on the Dubai Financial Market, with the goal of expanding Dubai's principal stock market to AED3 trillion (US$817 billion).

In addition, sovereign wealth funds in the subregion, such as Saudi's Public Investment Fund (PIF) and the Abu Dhabi Investment Authority, have become major players in global finance in recent years. Their assets under management have swelled from accumulating large natural resource

US $153.9 billion

The total amount raised by global IPOs in 2022 (excluding SPACs) revenue surpluses. The common aim of these funds is to diversify their countries' wealth, leading them to be active direct investors. This is building a pipeline of potential IPOs that may come to fruition in the next three to five years, at the same time foreign capital is flowing into the region and demonstrating a clear appetite for offerings.

Case in point: In March 2023, as a banking liquidity crisis was unfolding in the US and Europe, shares in the 50x oversubscribed IPO of Adnoc Gas climbed as much as 25 percent in its first day of trading.

However, there may be some recalibration in the region's IPO markets in 2023. The price of oil is a strong proxy for investor appetite in the region and the price of crude fell steadily from mid-2022 before stabilizing from November 2022 to March 2023. The commodity showed further weakness in mid-March 2023 and investors will be watching this closely. However, the Middle East remains in a favorable position to weather any global headwinds. Local governments are also sure to do their part to maintain recent IPO activity.

Meanwhile, reflecting APAC's dominance in 2022 is the fact that half of the top 10 largest IPOs worldwide came from the region, including the biggest: South Korean electric vehicle (EV) battery manufacturer LG Energy Solution. The company's US$10.7 billion share offering was also notable because it set a new IPO record in the country and is one of South Korea's most valuable companies after Samsung Electronics and SK Hynix.

Overall, the broader APAC region and Middle East subregion were beacons of strength in what was an otherwise cooler, more risk-averse market.

Green themes

The LG Energy IPO was very much a carryover from the previous year, when there were several noteworthy listings in the automotive space driven in part by the global shift to electric vehicles. In 2021, the biggest IPO was EV manufacturer Rivian Automotive, which raised US$13.7 billion. In 2022, the second biggest offering after LG Energy was Volkswagen's spin-off carmaker Porsche in a US$8.7 billion share sale. On the face of it, the IPO may seem like a pure luxury automotive play, but Porsche will use the proceeds to fund its transition to electric vehicles.

Even in a less stable equity environment, deals can still be executed if they have fundamentally strong narratives, which Porsche's sustainability angle delivered. The demand for EVs and the batteries that power them is being driven by environmental concerns, technological advancements, government policies and changing consumer preferences. Battery manufacturers are investing heavily in developing higher energy density, a longer lifespan and faster charging times. These advancements will make electric cars more practical and affordable for consumers, further fueling demand.

Governments around the world are also offering incentives to promote the adoption of EVs and major automakers are shifting their production focus in this direction, ensuring that this is no passing fad.

There were also sustainability hallmarks in the third-largest IPO of 2022. Dubai's state water and power utility, DEWA, launched on the Dubai Financial Market in a US$6.1 billion sale, the first ever government entity in Dubai to go public. The company seeks to explore the use of new and innovative storage technologies in renewable energy and extend its district cooling services to Saudi Arabia, Qatar and other regional markets.

Dubai is racing to become one of the planet's most sustainable cities, reflecting the recognition by governments in the region that they must adapt to changing times after bringing in vast revenues from the boom in demand for fossil fuels in past decades. The UAE capital is also growing fast, supporting demand for essential water and electricity. It is expected that the city's population will almost double, from approximately 3.5 million people today to 5.8 million by 2040.

Post-IPO performance

These table-topping IPOs have presented mixed results for investors. For example, LG Energy's share price climbed more than 20 percent between its market debut in late January 2022 and March 2023, while Porsche's stock was up by nearly 40 percent in the less than five months since it began trading. DEWA, however, was down by more than 8 percent through March 2023 since it hit the Dubai Financial Market at the beginning of July 2022.

On a six-month post-IPO basis, deals have been hit-and-miss, with an almost even split between those that traded up from their listing price and those that slipped lower. For example, 50 percent of floats (excluding SPACs) saw their price rise over this timeframe, 1 percent were flat and 49 percent came in below par. This was slightly worse than 2021, when 52 percent were up, 1 percent were flat and 47 percent were down. This makes for a surprisingly strong comparison given the weaker equity environment throughout much of 2022.

However, it is worth noting that more than a quarter of IPOs (28 percent) were down between 11 percent and 50 percent in 2022, versus the 27 percent that fell to this degree a year prior. This is the highest proportion of companies that fit this lagging group going back to 2018.

In Q4 2018, public equity markets softened as trade tensions between the US and China were dominating headlines. At the time, there were rising concerns over decelerating global economic growth after a ten-year expansionary phase in the wake of the global financial crisis. The Fed raised interest rates four times that year. In many ways, 2022 and to date in 2023 echoed that similarly choppy period.

Sector preferences

Every sector last year saw a fall in IPO activity in both value and volume. Technology led the charge on both measures, with 335 deals (excluding SPACs) worth a combined US$39.5 billion, representing declines of 47 percent and 75 percent year-on-year respectively. As was the case across the board, on average, these were smaller IPOs due to a reduced appetite among investors for new assets and tech-related offerings in particular.

US companies were also notably absent from tech-related proceedings following a full slate in 2021. Chinese computer components manufacturer Hygon Information Technology was the largest tech IPO of 2022 with its US$1.6 billion float.

This reflects the pronounced shift in sentiment witnessed last year. In the second half of 2020 and through 2021, the technology sector was driven by the mass of liquidity washing through markets that were in search of growth assets at any cost amid rock-bottom yields. The pandemic cemented the idea that technology was the answer in a socially distanced, digital world. Of course, technology continues to play a fundamental and growing role in society, with money flowing into pre-profit growth companies on the back of the loosest possible monetary conditions. By 2022, it became clear that surging inflation would need to be contained and the shift in central bank policy that followed resulted in a decline in these valuations.

The automotive industry, meanwhile, had a bigger relative impact on deal value in 2022. Year-on-year, it had a consistent performance, with a drop of only 2 percent to US$23.3 billion (excluding SPACs), putting the sector in second place behind tech. This was made possible by the stock offerings of LG Energy and Porsche—combined, they contributed more than 83 percent of the total automotive IPO value for the year. By contrast, there were only 28 automotive stock market launches globally, an annual fall of 46 percent, putting the sector in the fifteenth position by volume.

The third-highest sector by value and number two by volume (excluding SPACs) was health care. A total of US$15.2 billion was raised by companies in the industry across 150 offerings, representing large year-on-year downturns of 75 percent and 58 percent respectively. Big deals were thin on the ground, with just one health care listing appearing in the global top 25 IPOs of the year in 2022—Shanghai United Imaging Healthcare, worth just US$1.6 billion.

SPAC IPOs reset, but remain a viable option

If there was one area that exemplified last year's change of heart regarding the prospects for initial listings of early stage companies, it was SPACs. No SPAC IPO raised more than US$1 billion in 2022, the largest being a US$750 million offering by Screaming Eagle Acquisition Corp. After an incredibly strong year in 2021, in which a record US$172.5 billion was raised globally, this total fell by 90 percent year-on-year to just US$16.8 billion. Global volume also fell 76 percent during the same period to 162 listings.

Last year confirmed that SPACs are particularly sensitive to a downturn in market conditions. One reason for this is the lag between de-SPAC announcements and deals closing. Particularly, in today's higher rate environment, SPAC investors earn a yield on their public shares, and if market valuations decrease between the announcement of a de-SPAC and the closing, there is greater incentive to redeem their cash with a return rather than stay on board and watch the value of the company adjust to fit depressed market conditions.

Another challenge has been the move by the US Securities and Exchange Commission (SEC) to impose additional regulations and potential liability on various SPAC market participants, including certain institutions that provide financial advice and other services in connection with a de-SPAC transaction (*see "IPO hopefuls digest forthcoming regulatory changes"*). This led many investment banks to decline to participate in these deals.

Despite these challenges, SPACs are likely to remain a meaningful alternative for companies seeking a route to public markets that may not be available through a traditional IPO. Once there is greater clarity from the SEC, banks could be more willing to support these transactions and investor appetite for these deals could potentially improve in line with a more supportive equity market.

It would be easy to characterize 2022 as a bad year for IPOs. US issuance slowed dramatically amid the Fed's aggressive tightening and Europe was understandably stricken by the specter of war. But APAC showed impressive strength and should continue to support activity through 2023 as it sets the pace of global economic growth. All eyes continue to be focused on interest rates and how much further there is to go to tame inflation.

Promisingly, several key indices ran up in Q4 of last year, bringing equity prices back to levels seen in mid-2022. This year started on a relatively optimistic note, suggesting that 2023 could deliver another solid IPO performance.

Recently, however, attention has shifted to the turmoil in the banking sector. Following the collapse of Silicon Valley Bank and troubles at mid-sized lender First Republic Bank, the Federal Open Market Committee said, on March 22, 2023, that the US banking system is "sound and resilient."

Simultaneously, in Europe, UBS agreed to a deal to rescue Credit Suisse, Switzerland's oldest bank.

It is not clear how much, if any, contagion there may be from these events. Certainly, these developments have dampened sentiment and, at the very least, will make investors more cautious about allocating capital to IPOs as they wait to see how the situation unfolds.

> **APAC showed impressive strength and should continue to support activity through 2023 as it sets the pace of global economic growth. All eyes continue to be focused on interest rates and how much further there is to go to tame inflation.**

Tech continues to dominate

Last year was a volatile 12 months for the tech sector, with a steep sell-off in growth stocks and a drop in IPOs—but, although the sector was down, it was by no means out

By Jessica Chen, Darina Kogan-Bellamy, Kaya Proudian and Joel L. Rubinstein

Once again, the technology sector dominated worldwide IPOs in 2022, despite experiencing one of its worst years on public stock markets in over a decade. Nasdaq, the most closely watched tech-centric stock exchange in the world, did not have a single technology IPO valued over US$1 billion last year. The largest came in just below this mark, at US$990 million, which involved Intel spinning off its self-driving cars business Mobileye five years after acquiring it. The benchmark Nasdaq 100 saw a 33 percent year-on-year decline last year—its worst performance since 2008.

Notwithstanding the downturn in IPO activity, the tech sector had more public offerings in 2022 than any other sector—even with a 47 percent drop in volume year-on-year to 335 IPOs (including SPACs) in the sector globally. It was also the highest value sector for IPOs during the same period, although there was a 75 percent decline, year-on-year, to US$39.5 billion.

This downturn in activity reflects the fact that the US tech IPO market became a relative ghost town following an unprecedented run. The previous year saw a slate of highly anticipated IPOs, including electric vehicle company Rivian, Toast (a software firm that provides solutions for restaurants), GitLab and HashiCorp (both cloud software vendors) and the stock-trading application Robinhood, not to mention the direct listings of crypto platform Coinbase and video game smash Roblox.

In 2022, that momentum came to a halt. At the start of 2022, risk-averse investors took a more cautious approach, favoring solid financial fundamentals such as present-day earnings, inflation-resistant business models and cash-heavy balance sheets to help withstand an economic downturn and sustained higher interest rates. This caused some pre-IPO companies to revise their plans, having observed their counterparts in the public market experience significant declines in their stock prices, some dropping by as much as 90 percent from the record highs achieved in the previous year.

Shoot for the STAR

While traditional venues may have been quiet, a lot of action took place on China's Sci-Tech Innovation Board, part of the Shanghai Stock Exchange and also known as the STAR Market. This included the largest tech IPO globally: Hygon Information Technology, which makes and distributes computer components and is on a US Department of Commerce watchlist requiring American companies to seek approval before selling goods and services to Hygon.

Mainland China's IPOs primarily focus on local investors due to the challenges posed by capital controls that restrict foreign investors from participating in the initial IPO allocation (but not post-IPO trading). As a result, these IPOs generally experience significant price increases when they begin trading.

335

The total number of tech listings in 2022 (including SPACs)

The Hygon IPO was no exception, trading up by 67 percent on its first day.

In a similar fashion, shares of Jinko Solar had a first-day surge of 111 percent on the STAR Market as overseas investors crowded into one of the world's largest solar panel manufacturers post-IPO. The company raised just under US$1.6 billion from the offering, putting it in second place in the technology sector to Hygon, with Mobileye's return to the Nasdaq representing the industry's third biggest float.

Focus on financial services

The second most active sector globally behind tech on a volume basis was financial services (excluding insurance), which performed relatively well by volume at 284 deals (including SPACs) despite a 67 percent fall, year-on-year, but IPO values dropped dramatically, raising US$20.6 billion during the same period, a 90 percent decline.

TPG's float was big news because it had been a long time coming and the PE firm joined the ranks of The Carlyle Group, Apollo, KKR and Blackstone. The latter mega fund managers have enjoyed a change of fortune in recent times, following years of relatively tepid post-IPO share price activity. By adding new strategies and scaling up their assets under management, public market investors have come to recognize their inherent value.

Notably, 18 of the top 25 finance-related IPOs in North America were

SPAC offerings. These deals were possible because investors benefit from optionality. SPACs raise at a nominal share price of US$10, offer a yield and investors can redeem their cash once a merger target has been found because either they do not like the deal or have changed their opinion on the state of the overall market. Notwithstanding looming regulatory questions, these factors and their fast route to market make SPACs comparatively painless IPOs in contrast to traditional corporate deals.

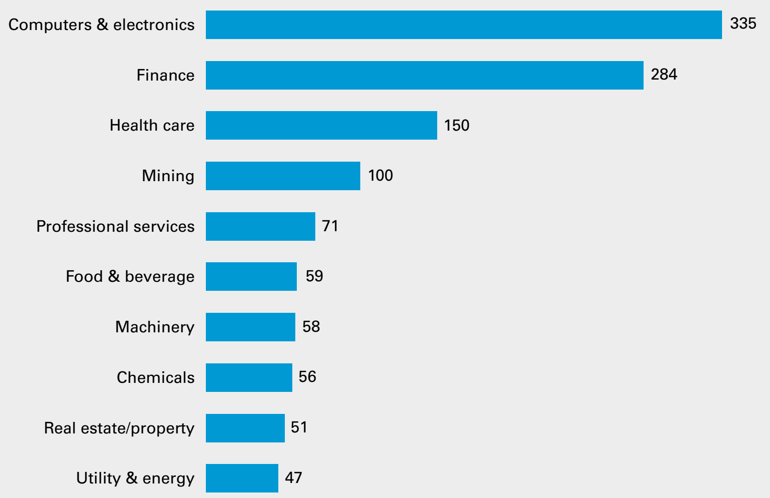
Having said that, these IPOs were on the smaller side. After the US$750 million Screaming Eagle Acquisition Corp. float, the next largest was the US$525 million Gores Holdings IX IPO. No other SPAC in North America was valued over US$500 million and this trend toward smaller deals is likely to continue until further notice is provided by the SEC.

Health care highlights

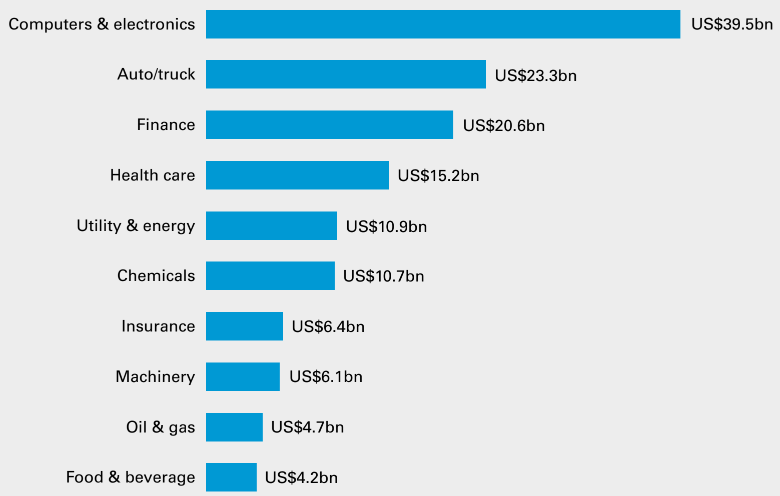
The health care sector came in a distant third place by volume at 150 listings (including SPACs), a 58 percent drop year-on-year. These were valued at US$15.2 billion in aggregate, putting the sector in fourth place by value behind technology, automotive and finance. Health care listings were also of the smaller variety. Only one health care IPO made it into the top 25 deals across all regions: Shanghai United Imaging Healthcare's US$1.6 billion debut, which was also APAC's third-largest deal. Similar to Hygon and Jinko, United Imaging's shares flew after opening. United Imaging (a medical imaging and radiotherapy equipment manufacturer) claims to own the world's largest medical equipment production base and its market dominant position made it a must-have for institutional investors.

Generally, health care has proven to be a haven for investors. Case in point: The S&P 500 Health Care Sector Index was flat in 2022 against a backdrop of falling indices. Demographic pressures mean that demand for care services continues to climb irrespective of the macroeconomic climate and companies in the sector often benefit from large margins.

Global IPOs by sector 2022 (top-ten by volume, incl. SPACs)



Global IPOs by sector 2022 (top-ten by value, incl. SPACs)



These are the kinds of characteristics that investors are looking for in today's inflationary environment. However, even with these perennial tailwinds, health care IPO value was still down year-on-year, falling by as much as 75 percent.

In 2022, companies were waiting for calmer waters before choosing to float. This means that pipelines have built up and these businesses are now seeking signs of stabilization in 2023 to act on their plans.

> "
> **Notably, 18 of the top 25 finance-related IPOs in North America were SPAC offerings. These deals were possible because investors benefit from optionality.**

Asia-Pacific's IPO market outshines

No region demonstrated more resilience than APAC in 2022, with the largest deal globally, the greatest total IPO value and volume, and the smallest year-on-year declines

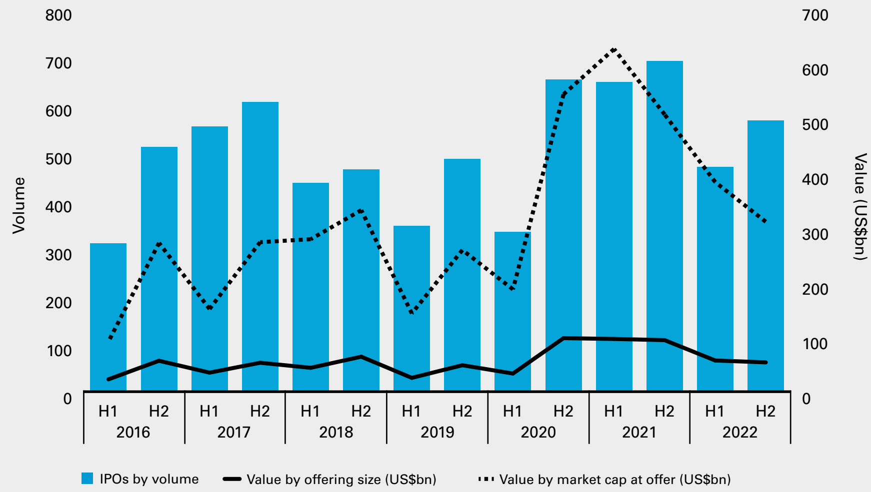
By Kaya Proudian, Rahul Guptan and Jessica Zhou

APAC is proving to be the most resilient regional IPO market by some distance. In Q1 of this year, there were 223 deals (including SPACs) worth an aggregate US$17.6 billion, representing year-on-year declines of 5 percent and 50 percent, respectively. Compare that with North America, which saw a 60 percent annual fall in IPO volume and value plummet 76 percent (in both cases, including SPACs) in the first three months of 2023.

The strength of the APAC region was also on full display the previous year. There were 1,034 deals (including SPACs) recorded in 2022, a drop of only 23 percent year-on-year (as compared to declines of 77 percent in North America and 60 percent in EMEA) and the third-highest annual performance going back to 2017.

Mirroring this robustness, while value fell by 42 percent to US$110.4 billion (including SPACs), it remained well above pre-pandemic totals, significantly outperforming both North America and EMEA combined in absolute dollar terms.

IPOs by volume, offering and market size—APAC (incl. SPACs)



A year to remember

Looking at the top deals across the region, many records were broken in APAC's IPO market in 2022. For example, the US$10.7 billion LG Energy Solution listing was South Korea's largest IPO ever and the largest deal globally in the year.

State-operated insurer Life Insurance Corp. of India (LIC)—APAC's second biggest IPO of 2022—earned the same distinction in India. LIC pulled in US$2.7 billion in an oversubscribed offering for a 3.5 percent stake in the business, giving it a total valuation of nearly US$77.7 billion. This made it the largest business to go public in the world in 2022 and placed it among India's top 10 listed companies.

No other IPO in India came close to LIC in terms of value. However, what India lacked in large listings, it more than made up for in volume. India saw a 22 percent increase in the number of IPOs in 2022, according to Mergermarket, thanks to its large domestic investor base and impressive economic growth. India is expected to be the fastest-growing major economy in 2023, according to the International Monetary Fund (IMF). The agency predicts India's GDP will rise by 6.1 percent during its 2023-2024 fiscal year, even with the Reserve Bank of India's (RBI) monetary tightening policy.

23%

The year-on-year decrease in volume in the APAC IPO market in 2022 (including SPACs)

And, while the largest Chinese deal—Shanghai United Imaging—came in third place in APAC IPOs by value in 2022 at US$1.6 billion, Mainland China was responsible for the lion's share of the region's largest deals in the year. More than a third of the top 25 largest global IPOs last year took place on the

Top-ten APAC IPOs in 2022*

Pricing date	Company	Jurisdiction	Industry	Exchange	Deal value USD (m)
Jan. 14, 2022	LG Energy Solution Ltd.	South Korea	Auto/truck	Korea Exchange-KOSPI	10,726
May 12, 2022	Life Insurance Corp. of India	India	Insurance	Bombay Stock Exchange-BSE National Stock Exchange of India	2,718
Aug. 9, 2022	Shanghai United Imaging Healthcare Co. Ltd.	China	Health care	Sci-Tech Innovation Board (STAR Market)	1,627
Aug. 2, 2022	Hygon Information Technology Co. Ltd.	China	Computers & electronics	Sci-Tech Innovation Board (STAR Market)	1,598
Jan. 14, 2022	Jinko Solar Co. Ltd.	China	Computers & electronics	Sci-Tech Innovation Board (STAR Market)	1,574
Sept. 28, 2022	CALB Co. Ltd.	China	Auto/truck	Hong Kong Exchange-Main Board	1,287
March 30, 2022	PT GoTo Gojek Tokopedia Tbk	Indonesia	Computers & electronics	Indonesia Stock Exchange	957
July 11, 2022	Thai Life Insurance pcl	Thailand	Insurance	Stock Exchange of Thailand	954
Sept. 16, 2022	Hubei Wanrun New Energy Technology Co. Ltd.	China	Chemicals	Sci-Tech Innovation Board (STAR Market)	912
April 11, 2022	Suzhou Novosense Microelectronics Co. Ltd.	China	Computers & electronics	Sci-Tech Innovation Board (STAR Market)	912

**There were no SPACs in the top-ten APAC IPOs in 2022*

STAR Market, China's Nasdaq-style stock exchange, and the Shenzhen Stock Exchange.

China's contribution

China's capital markets are experiencing something of a paradigm shift lately. Last year, foreign investors were net sellers in the country's bond markets and mostly kept their distance from its equity markets. Meanwhile, the IPO pipeline has been increasingly influenced by the government.

In the past 10 years, vehicles known as "government guidance funds" have reportedly raised over US$900 billion to ensure early funding for companies in preferred industries such as high-end manufacturing, biotech and renewables. Additionally, policymakers have implemented reforms to enable faster listings once these companies are ready to go public.

The STAR Market is playing an essential role in the development of local pioneering tech firms. Launched in July 2019, the bourse is unique in that it allows companies without a profit history to list, unlike other Chinese stock exchanges. It also has a registration-based system that simplifies the IPO process and expedites the listing process. The market has seen rapid growth since its inception, with over 500 companies listed and a total market capitalization of over US$460 billion as of March 23, 2023.

China has recently expanded the STAR Market's registration-based IPO system to its other exchanges, which could further fuel activity. Under the previous regime, new listings had to be approved by the China Securities Regulatory Commission (CSRC), and now they only need to register with the regulator. It was announced on February 1, 2023 that this more streamlined approach would be expanded to all of Mainland China's exchanges, consolidating the IPO rules of the various bourses.

Hong Kong has its own plans to streamline its listing regime. In a move aimed at boosting its standing as a hub for innovative tech companies, the Hong Kong Stock Exchange published a consultation paper on October 19, 2022, proposing an alternative route for floating pre-profit, high-growth potential science and technology innovators that do not meet the existing listing requirements. The consultation period ended on December 18, 2022 and, once adopted, the new rules are expected to improve access to public markets among these early-stage companies by employing an approach similar to Nasdaq.

Previous concerns over the lack of transparency available to US investors in equity securities of China-based companies are showing signs of subsiding and will likely improve confidence. The Public Company Accounting Oversight Board (PCAOB), the US accounting watchdog, was granted access starting in the third quarter of 2022 to fully inspect and investigate Mainland China and Hong Kong-based PCAOB-registered auditing firms, which audit China-based companies listed on US exchanges. Prior to this, more than 100 China-based companies, including Alibaba, Baidu and JD.com, among others, faced the risk of delisting from the New York Stock Exchange and the Nasdaq.

The ability of PCAOB inspectors to fully inspect and investigate the relevant auditing firms could pave the way for more IPOs of China-based companies on US equity markets, which historically have been the deepest, most liquid in the world.

On the China regulatory front, on February 17, 2023, the CSRC introduced a new set of regulations that took effect on March 31, 2023, requiring domestic Chinese companies and those with a majority of operations and/or assets in China, generally, to seek approval before listing in other jurisdictions. The new rules also come with a set of obligations imposed on underwriters. While this is generally viewed as a positive step toward increasing transparency and streamlining the approval process, the potential impact on timetables and implications for underwriters remain to be seen.

Short-term headwinds, long-term tailwinds

The APAC region is highly diverse, which makes it difficult to draw many generalizations. Nevertheless, this market has arguably the most attractive underlying growth characteristics of anywhere in the world, including present-day GDP performance and long-run potential.

At a more granular level, there is a lot of divergence, particularly with regard to inflation. China stands out globally as taking a tentatively more dovish approach. While the Federal Reserve issued its first rate hike in June 2022 and other central banks followed its lead, which had the effect of quelling confidence in the equity markets, China trimmed its benchmark lending rate in August 2022. In the following months, as monetary policy was tightened further in other countries, China held its rate steady at 3.65 percent in an effort to stimulate business lending and economic growth.

That is a very different picture from other parts of APAC. India, for example, had its first hike in May 2022, finishing the year with a rate of 6.25 percent, and the RBI is currently expected to tighten rates further in 2023 to deal with inflation.

It's similar in Southeast Asia where the lending rate in Indonesia, the Philippines and Vietnam ranged between 5.75 and 6 percent by the end of last year. Indonesia finally left its key rate unchanged in February 2023, following six consecutive hikes. In the Philippines, inflation reached a 14-year high of 8.75 percent in January 2023, prompting its central bank to raise the benchmark interest rate by 50 basis points. Vietnam, meanwhile, also raised its rates by 100 basis points in October 2022 after a string of hikes (though, in March 2023, the country's central bank announced it was cutting several policy rates as the country's inflation was under control).

There were only two US$1 billion (approximately) raisings in Southeast Asia last year: Indonesia's GoTo, which raised US$957 million, and Thai Life Insurance with US$954 million raised. GoTo has been closely watched following its genesis from the 2021 merger of Indonesia's two most valuable startups—ride-hailing giant Gojek and e-commerce firm Tokopedia. The company, which contributes an estimated 2 percent of Indonesia's GDP, is made up of three arms: Gojek, Tokopedia and fintech services business GoTo Financial. The stock fell since its listing in April, in line with the wider tech sell-off during this period, closing the year down nearly 75 percent.

Thai Life, meanwhile, was the largest ever insurance IPO in Southeast Asia and the region's third-largest IPO of a financial institution to date. While its stock climbed in the first two months after listing on the Stock Exchange of Thailand in July 2022, the trajectory subsequently shifted, with the stock ending just over 10 percent below its listing price by February 2023.

High inflation and interest rates are clear headwinds, just like in western markets. However, there are numerous variables at play. The underlying growth in Southeast Asia and its high proportion of young people—the IMF estimates that more than half of the population is under 30—is highly attractive to investors, especially with economic performance cooling in developed markets.

This growth and dynamism across the broader APAC region combined with its vast size could keep the region's IPO activity in the lead through 2023. Thematic tailwinds such as consumer demand for technology and fintech services, and necessary physical and digital infrastructure upgrades in an increasingly urban population, will support the right deals.

In a further possible boost to IPO activity in the region, recently, foreign investors have been rekindling their appetite for Chinese equities. In January 2023, there was more recorded volume from these buyers for already listed stock than for the whole of 2022. If this return of overseas investors persists, Chinese IPOs should see strong demand after going live. Reduced COVID-19 restrictions in the country and the wider region combined with capital market reforms will further catalyze an IPO market that has already displayed comparatively impressive momentum.

Strong narratives will continue to play a central role. In mid-April 2023, Harita Nickel raised approximately 10 trillion rupiah (US$672 million) in Indonesia's biggest listing this year. The company owns the country's first high-pressure acid leaching plant, which processes low-grade nickel ore from Harita's mining projects into mixed hydroxide precipitate, a precursor to the battery-grade nickel sulfate used for electric vehicle batteries. The share price surged on the first day of trading, which is a testament to the strength of the business's thematic tailwinds.

IPO hopefuls digest forthcoming regulatory changes

The US Securities and Exchange Commission has plans to regulate SPACs more closely and mandate ESG reporting—sponsors and companies should pay close attention

By Maia Gez, Jonathan Parry and Joel L. Rubinstein

It was not just the ebb in stock prices that gave companies second thoughts about launching public offerings in 2022. In March of last year, the US Securities and Exchange Commission (SEC) announced a proposal for new rules to enhance disclosure and investor protections relating to SPAC M&As, or de-SPACs, sending ripples through the market.

With uncertainty about when and how the new guidance would be applied and its implications for various stakeholders, new SPAC IPO activity, which had already begun to heavily decline at the start of 2022, slowed to a trickle. Sponsors and their banks continue to digest the implications of the anticipated regulations and many have been taking a more cautious approach.

The SEC wants consistent and enhanced disclosures for investors and seeks to impose underwriter liability on banks at the de-SPAC stage, bringing SPACs in line with traditional IPOs. This raised concerns that there could be exposure for financial projections and other misrepresentations in SEC filings. The proposed rules would also require enhanced disclosure about SPAC sponsors and conflicts of interest, and fiduciary duties that officers and directors owe to other companies.

The proposed rules would also require disclosure of material potential sources of dilution and whether the SPAC believes that the de-SPAC transaction and any related financing are fair to SPAC investors. Additionally, the de-SPAC target company would be deemed a co-registrant alongside the SPAC, thereby making it an issuer and its executive officers and directors subject to liability under US securities laws.

The potential underwriter liability is a serious possible pain point. Not long after the SEC's announcement, a raft of banks began effectively placing a moratorium on their SPAC desks. An investment bank will usually work with a SPAC after it has gone public when it finally identifies a de-SPAC acquisition, not just on the IPO. Issues may arise for banks if they are exposed to liability risk from the sponsor or company making claims about the future prospects of the company, which may not be realized.

Vast sums of capital were raised in 2021 and some of this is still waiting to find a home. During those 12 months, SPAC IPOs totaled US$172.5 billion, far eclipsing any previous year, and this may not be matched for some time, given that most of this capital was raised on US exchanges. Until the SEC's rules are implemented, allowing for greater regulatory clarity, and equity markets improve, the SPAC IPO market is likely to remain subdued.

Climate considerations

The SEC issued several major rule proposals in spring 2022. In addition to the SPAC rule proposals, the market regulator also proposed a comprehensive set of new disclosure requirements that would require public companies to disclose extensive climate-related information in their SEC filings.

Specifically, the proposed climate disclosure rules would require disclosure of:

1. Climate-related risks that are reasonably likely to have a material impact on a public company's business, results of operations, or financial condition.
2. Greenhouse gas (GHG) emissions associated with a public company that includes, in many cases, an attestation report by a GHG emissions attestation provider.
3. Climate-related financial metrics to be included in a company's audited financial statements.

These disclosures could include emissions from the company's supply chains and products if those emissions are material, or if the company has set a GHG emissions reduction target that includes its Scope 3 emissions.

> **The SEC wants consistent and enhanced disclosures for investors and seeks to impose underwriter liability on banks at the de-SPAC stage, bringing SPACs in line with traditional IPOs.**

The expansive rule proposal is potentially a game changer, extending climate-related disclosures beyond the basic materiality standard, which is the foundation of the SEC's disclosure regime. It is modeled, in part, on the Task Force on Climate-Related Financial Disclosures (TCFD), a voluntary framework released in 2017 by the Financial Stability Board.

The proposed SEC rules are more prescriptive than the TCFD standards and, if adopted as initially proposed, would require public companies to delineate climate-related risks totaling 1 percent or higher of a total line item in the relevant year financial statements. However, media reports in February suggested that the SEC is considering softening the rules, including potentially raising the proposed 1 percent threshold, or possibly removing the so-called bright-line test altogether.

Moreover, the proposed rules require a more detailed disclosure framework, thereby demanding greater internal resources and time commitments to implement internal controls, produce and vet relevant data, and to produce sufficiently accurate and consistent reporting.

The proposal has not been without its hitches. In June 2022, three months after it was issued, in the case, *West Virginia v. Environmental Protection Agency*, the US Supreme Court found that regulatory agencies must obtain permission from Congress to create regulations that have major economic or political effects. Managing a deluge of public comments on the rules, the SEC missed a self-imposed October 2022 deadline to finalize the rules.

Some are expecting legal challenges to the SEC's proposed rules from companies that consider the requirements too heavy-handed and inappropriate, and the Supreme Court ruling could put the regulator's plans in jeopardy. However, if the SEC does relax the proposed rules as some are expecting, including by raising the 1 percent threshold, the regulator will be in a stronger position to defeat any legal challenge that may be forthcoming.

Meanwhile, in Europe, the European Securities and Markets Authority issued a positive first opinion in January 2023 on the first draft of a set of reporting standards known as the European Sustainability Reporting Standards (ESRS Set 1).

The agency found that the rules "broadly meet the objective of being conducive to investor protection and of not undermining financial stability." The aim is to deliver a consistent set of standards as part of the Corporate Sustainability Reporting Directive (CSRD), a new framework that will be rolled out in a phased approach beginning in 2024. The CSRD applies to large and listed EU companies and to third country companies that do substantial business in the EU or have securities listed on EU regulated markets. It is worth noting that in the future, companies in some jurisdictions outside of the EU, including the US, may be able to rely on an EU determination of "equivalence" of their home country's sustainability reporting standards. Companies in these jurisdictions can point to compliance with their home country's standards as a reason for not complying directly with the detailed CSRD requirements. However, if there are additional CSRD requirements, third country equivalence will not assist.

While some smaller companies that are hoping to list one day may fall below these thresholds, the reality is that expectations throughout the supply chain are rising. Customers and suppliers have their own regulatory mandates to meet and it will become increasingly incumbent on businesses large and small to understand, quantify and report their climate change and broader ESG impacts, whether at the behest of regulators or not. The inexorable shift toward greater ESG disclosure is underway.

Braving unsettled waters

Recent months have been exceptionally quiet, especially for the North American and EMEA IPO markets, as the bears have taken the upper hand—and investors and issuers are now hoping for a more active second half in 2023

By John Vetterli

As we signaled in last year's Global IPO Report, elevated inflation and interest rates coupled with lowered economic growth prospects and the situation in Ukraine remain a concern in 2023. More than any specific factor, companies and investors are faced with a pervading sense of uncertainty.

Then, in March 2023, a liquidity crisis surfaced in the US and European banking sectors, an unintended consequence of the rapid rate of change in interest rates throughout 2022, unnerving investors and hitting financial services stocks especially hard.

Everything hinges on how sticky inflation proves to be and, by extension, how high rates will need to go and for how long. Greater clarity and certainty around these variables will have a direct impact on investor confidence and companies' appetite to brave the public markets.

For these reasons, the first half of 2023 looks set to be quiet. Any recovery is likely to be gradual and tentative. Typically, secondary deals tend to dominate during weaker economic periods and IPOs lead when growth improves. Certainly, 2023 will not be a repeat of 2021, but with valuations having cooled, ample capital sidelined and inflation slowing down, there are signals that hold promise for what may be in store for the second half of the year.

1

Pent-up pipelines

Market volatility kept many IPO prospects from realizing their plans in 2022. If inflation is gradually contained, these pent-up pipelines may deliver the necessary supply to bring activity back online in the second half of the year. Notably, Europe saw a strong equity rally in Q4 last year and there were echoes of this rebound in the US. Meanwhile, India's stock markets have shown impressive resilience. A continued recovery in market confidence and successful secondary issuance could pave the way for a steady stream of IPOs coming to market.

2

Narratives will count for everything

Whether it's energy transition, which is seeing huge federal support in the US, or artificial intelligence platforms with demonstrable use cases, solid narratives have never been more important. Markets will welcome businesses that have buyable equity stories that play into long-arcing themes such as sustainability and industry disruption. Management teams in all sectors need to have honest and realistic conversations about what their companies do and whether markets will welcome their issuances, and if so, at what price.

3

Investor scrutiny remains high

In 2021, a wide variety of companies could float, and at extraordinary valuations. Now, investors will be paying close attention to company financials, present-day earnings and the robust nature of their growth potential. Companies should expect due diligence to go deeper and be ready to explain how the proceeds of an IPO will be used to bridge growth and take the business to the next stage of its development. It will be no use raising money for the sake of it—investors will be asking, "Why now?"

4

APAC to hold its top position

With the exception of 2020 and 2021, the APAC region has historically contributed more deal value than either North America or EMEA. Given the sharp decline seen last year, particularly in the US, it's reasonable to expect a US market recovery in 2023 compared to the prior year, but doubtful that this will put North America ahead of APAC. A slower increase and possible plateauing of the Fed rate in H2 should see the US dollar stabilize from its epic rally. This could give emerging markets room to breathe and make foreign equities more attractive by reducing forex risk.

5

Patience is a virtue

Above all, companies need to take their time. Sentiment can turn on a dime. As author Joyce Meyer once said: *"Patience is not the ability to wait but the ability to keep a good attitude while waiting."* Management teams should use the current environment to lay the foundations for their planned IPOs such as improving corporate governance, internal controls and reporting readiness, ultimately putting their businesses on a solid footing for when the markets are more welcoming.

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