Bocconi Students Asset Management Club

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GLOBAL IPO MARKETS IN 2023: NAVIGATING THE CHALLENGES AND OPPORTUNITIES

MATTHIAS PURICELLA – TEAM LEADER

NATALIA BORISOVA

ATABERK KORKUTAN

SALVATORE NESI

GIULIA VEGGETTI

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Executive Summary:

The IPO process has long been an integral part of global financial markets. It allows companies to raise new capital, and to increase the liquidity of their shares. In recent years, IPO markets have suffered a downturn caused by the discouraging macroeconomic context and geopolitical uncertainties. In this report, we go into the specific reasons for the low IPO volumes in the last years, highlight trends currently impacting the markets, and explore future scenarios that could restore investor confidence and facilitate new offerings. Across the board, we focus on bringing a global view, highlighting differences between regions and analyzing the fact that emerging markets are playing more and more an increasing role in the IPO market.

1.1 A lookback on IPO markets...starting from the very beginning:

The first Initial Public Offering (IPO), conducted by the Dutch East India Company (VOC) in 1602, marked a pivotal moment in financial history. This groundbreaking event revolutionized the way companies raise capital and introduced the concept of shareholder ownership. VOC's decision to sell shares to the public enabled them to amass the substantial funds needed for their ambitious expeditions to East Asia. The IPO's success not only fueled the company's expansion but also created a framework for future publicly traded companies, shaping the contemporary financial landscape.

VOC's IPO had far-reaching consequences. It not only enabled investors to share in the company's successes but also made them bear the associated risks. This novel approach generated significant attention and enthusiasm, leading to a high demand for shares that far exceeded their supply. Consequently, share prices surged exponentially even before the voyages commenced. The IPO's prosperity allowed VOC to finance numerous expeditions and establish trading outposts in Asia, solidifying its status as one of the most profitable ventures in history.

Overall, the Dutch East India Company's IPO in 1602 was a catalyst for financial innovation. It not only introduced the concept of publicly traded companies and shareholder ownership but also laid the foundation for the modern financial landscape. The success of VOC's IPO exemplifies the transformative power of such financial mechanisms, enabling companies to secure substantial capital and investors to benefit from their growth.

1.2. What the most successful IPOs ever reveal about the characteristics of a good offering:

A successful Initial Public Offering involves various factors, both before and after going public, that contribute to its success. Here are some key factors that can make an IPO successful: Strong Business Fundamentals, Experienced Management Team, Effective Use of Proceeds, Comprehensive Disclosure, Market Timing, Pricing and Valuation.

Here are the top 3 IPOs with a little characterization about them:

In the last decade we witnessed the largest IPO ever, issued on December 5th, 2019, by account of the Saudi Arabian oil giant **Aramco**. It is an energy company that transports, produces and sells crude oil and natural gasses. The company went public in December 2019 and began trading on the Saudi Stock Exchange. It raised $25.6 billion by selling 3 billion shares. That was raised to $29.4 billion after the company reportedly sold an additional 450 million shares, making it the largest IPO in history. The stock has performed well since its IPO by growing annually closely to 10%. The current valuation in 2023 is $1.93 trillion.

Alibaba's initial public offering (IPO) on the New York Stock Exchange (NYSE) broke all previous records, making it the largest IPO in history, at least until it was surpassed by Saudi Aramco. The enthusiasm surrounding Alibaba did not wane following its public debut. Just four days after the IPO, the underwriters exercised an option to sell additional shares, ultimately raising the total IPO to $25 billion. The IPO was issued on September 19th, 2014 and right now it has a $272.9 billion valuation. What contributed to its exceptional popularity?
The company's chairman expressed a strong desire to expand into international markets beyond China, with a particular focus on Europe and the United States. Alibaba is a diversified technology firm headquartered in China, with its portfolio encompassing various businesses such as AliExpress, Freshippo, and Youku.

When **SoftBank** made its debut in the stock market on 18th December, 2018, it marked a significant milestone as the largest Japanese IPO in history, a notable achievement given the multitude of global tech companies. It's important to note that SoftBank is not a traditional bank as its name might suggest. Instead, the company offers a wide range of communication services, and also sells mobile devices to consumers.
SoftBank commenced trading on the Tokyo Stock Exchange following its IPO completion in December 2018, successfully raising more than $21 billion, albeit experiencing a 14.5% decline on its first trading day. However, it subsequently faced challenges, including scandals stemming from its prominent investment in WeWork and the broader tech downturn triggered by the COVID-19 pandemic. Its current valuation is $66.7 billion.

1.3. The US historically dominated IPO markets, but emerging markets are starting to rise:

More recently, from the 1980s, the US dominated the global initial public offering (IPO) market during this time, mainly thanks to its large stock exchanges like the New York Stock Exchange (NYSE) and NASDAQ. The United States was renowned for its dynamic and inventive financial markets. Throughout the 1990s, the US remained a major player in the global initial public offering (IPO) market. Western European nations, especially Germany and the United Kingdom, also experienced a significant amount of initial public offering activity. Technology-related IPOs increased dramatically in the wake of the dot-com boom in the late 1990s.During the 2000s, the US remained a major participant in the IPO market despite going through the 2008 global financial crisis and the burst of the dot-com bubble. China gained prominence in the IPO market due to its quickly expanding economy and the establishment of stock exchanges like the Shanghai Stock Exchange. Throughout this decade, there has also been a rise in IPO activity in other emerging markets, such as Brazil and India. In recent years, China emerged as a major player in the global initial public offering (IPO) market, mainly through the stock exchanges in Shanghai and Shenzhen. The United States remained active, with a notable role being played by technology companies, especially those located in Silicon Valley. There were also other nations present, including Hong Kong, India, and several European countries, who had a major presence in the IPO market.

1.4. Markets in recent years have faced record levels of stagnation, what caused this?

IPO activity can become stagnant for several reasons, including increased volatility, rising interest rates, increased regulations, the rise of private equity, a shift in investor preferences from growth to value, and economic uncertainty. These factors can collectively discourage companies from going public and influence the dynamics of the IPO market.

Increased volatility: Market volatility, often driven by geopolitical events, economic factors, or corporate developments, can make companies hesitant to go public. A volatile market can lead to significant price fluctuations for newly listed stocks, making them less attractive to investors. In 2023 we can say that with the ongoing wars, the market volatility is pretty high.

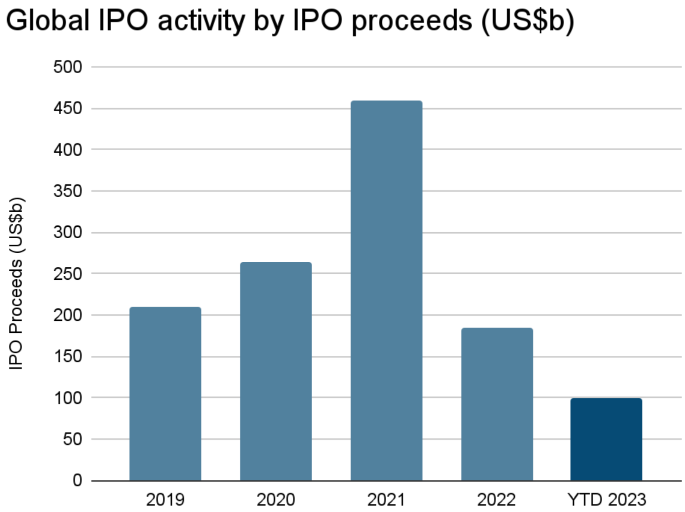
Rising interest rates: When interest rates are on the rise, investors may seek higher returns in fixed-income securities, diverting funds away from equities, including newly listed IPOs. Higher borrowing costs can also affect the finances of companies planning to go public.

Increased regulations: Stringent regulations and reporting requirements can increase the costs and complexities associated with going public. Companies may delay their IPOs or opt for alternative financing methods to avoid the regulatory burden.

Rise of private equity: The availability of private capital from venture capitalists and private equity firms can make it more appealing for companies to stay private or seek funding from these sources rather than going public. Private equity investments may offer more flexibility and a longer-term horizon for companies to grow.

Shift in investors preferences from growth to value: A shift in investor sentiment from growth-oriented to value-oriented investing can affect the appeal of certain IPOs. Companies that emphasize value and dividends may be more attractive during such periods, while high-growth companies might see decreased interest.

Economic uncertainty: Major economic uncertainties, such as recessions or geopolitical instability, can deter companies from going public due to concerns about their stock's performance in unpredictable markets. Investors may also become more risk-averse during uncertain times.



2.1. How IPO Markets are currently performing:

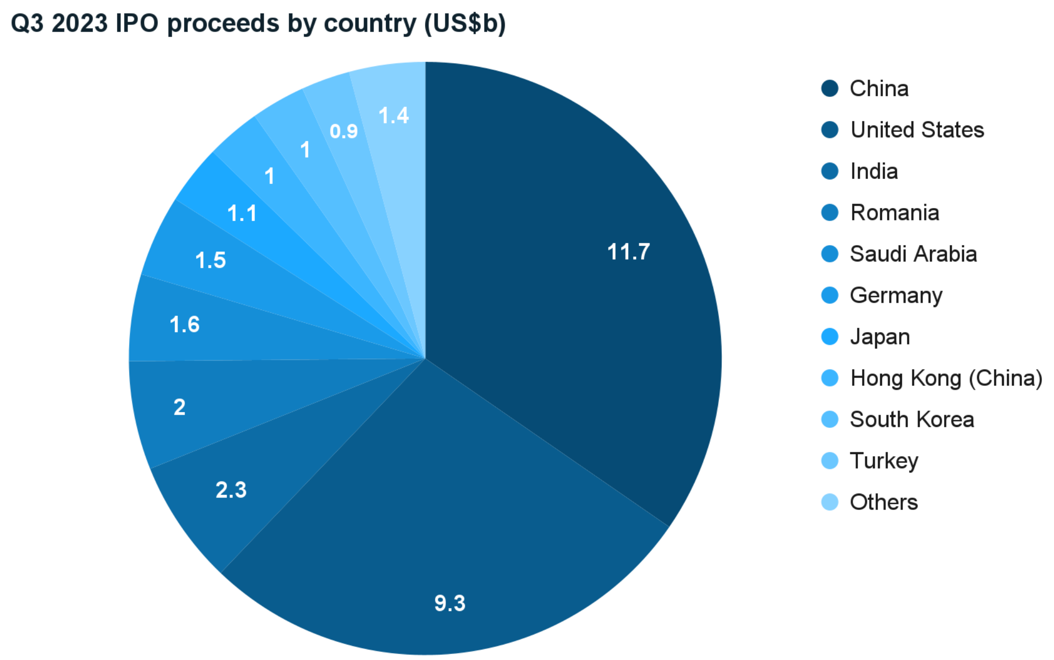
Global IPO activity in 2023 faced headwinds, primarily due to rising interest rates, uncertainty surrounding monetary policy, and worldwide general volatility in markets. In the first half of the year, the number of IPO deals declined by 5%, while proceeds dropped by 36% YoY, which is down remarkably compared to the all time highs in 2021. Unicorn IPOs have experienced a substantial drop of over 80% YoY, particularly in traditional growth sectors such as technology, health, and life sciences. Financing has become more challenging as central banks keep interest rates high in an effort to bring inflation down to target levels and obtaining credit has become much tighter. However, the third quarter has demonstrated a significant improvement in post-IPO share price performance compared to previous quarters and with the British chip designer Arm carrying out the largest IPO of the year, investors are assessing the post-listing performance of such IPOs and are curious about how it can affect the performance of the global IPO activity in the fourth quarter and beyond. We will break down the activity of major regions and examine how the recent rise in large IPOs has contributed to this comeback.

2.2. United States:

The U.S. has been home to numerous companies seeking to raise capital by going public, attracting many foreign companies in addition to the domestic ones. As of November 1, 2023, there have been 132 IPOs on the U.S. stock market and this is -21.9% less than the same time in 2022, which had 169 IPOs by this date. Among the top 10 largest IPOs in 2023, 3 of them were listed on major U.S. stock exchanges such as Nasdaq and New York Stock Exchange. In September alone, four companies went public at valuations exceeding $2 billion; that included the listing of Arm, Klaviyo, Instacart, and Neumora Therapeutics. Arm plays a vital role in the global semiconductor industry because its chip designs are widely used by most product manufacturers such as Nvidia, Intel, AMD, Samsung, and the Taiwan Semiconductor Manufacturing Company. Also, its offering was an important test for Wall Street hoping that a successful IPO could restore investor confidence which was at low levels for the last 18 months. Arm raised almost $5bn in the first week of trading and, on its first day, its share price of initially $51 jumped by a quarter. However, their trading has faced a huge decline, as shares' price dropped by 5.8% to $49. Year to date, it's now trading at $53.49 which is above its initial offering price of $51, but -15.88% down from the trading price. The second largest company that went public in 2023 was Kenvue, the ex-consumer healthcare division of Johson & Johnson, which is listed on NYSE at $41 billion. It's now trading at $19.37, an amount -27.99% below the initial trading price. On October 11, German shoemaker Birkenstock, whose majority shares are owned by L Catterton – a private equity firm backed by the chairman of LVMH Bernard Arnault, went public at $7.5 billion. Shares in Birkenstock dropped more than 10% on their first day of trading, as the initial offering price of $46 dropped and closed at $40.20 per share. Currently, the company is trading at $41.16 per share, which is -9.56% down from its initial offering price. When we look at the overall U.S. IPO market, we observe that majority of companies seeking to go public in the U.S. are technology companies, as in the case of grocery delivery service Instacart and marketing automation platform Kleviyo, and while the U.S. has been performing some kind of activity recently, it is important to note that some companies are considering to delay their IPO process until next year such as Vietnamese internet company VNG due to market volatility.

2.3. China:

Despite the slowdown in the Chinese economy, China remains as the leader in the global IPO market by the number of proceeds and transaction value; however, as 2023 YTD proceeds were reduced by 25% at $43 billion, compared to the $57 billion reached last year. As the chart below indicates, in Q3 alone, China's proceeds was $11.7 billion, while in the U.S. it was $9.3 billion. The IPO market in China is primarily fueled by Beijing's efforts to support the growth of the country's start-up sector. Nearly 42% of the funds raised through IPOs in China from January to July came from the startup-focused STAR Market in Shanghai, and an additional 34% from the ChiNext board in Shenzhen. In the first six months, companies raised $10.6 billion through IPOs on the STAR Market, the largest IPO hub, and $9.3 billion on Shenzhen's ChiNext, which is the second-largest IPO hub, followed by New York with listings worth $5.4 billion. Among the top 10 largest IPO deals in 2023 YTD, 5 of these companies were Chinese, that included Nexchip Semiconductor Corporation, SMEC, Shaanxi Energy Investment, Baimtec Material, and CSI Solar. The utility and energy company Shaanxi was listed on the Shenzhen Stock Exchange, while the remaining were on the STAR Market, and are all currently trading well below their initial offering prices. Additionally, Syngenta, a leading agrochemical company providing agricultural inputs and technology, which is seeking to raise 65 billion yuan ($9 billion), has got a permission from the Shanghai Stock Exchange and could be China's biggest IPO this year.



2.4. Europe:

The European equity markets are significantly impacted by the ongoing Russian invasion of Ukraine, and the increase in energy prices causing inflation reduced investor confidence throughout the year. For the third consecutive quarter of 2023, the European IPO market has witnessed a slowdown in IPO activity. Additionally, the current situation has prompted European companies to seek greater liquidity, a diverse investor base, and favorable valuations abroad, resulting in an increase in cross-border deals from Europe to the US. However, just as in the US, there has been an increase in Q3 volume and proceeds in Europe compared to Q1 and Q2 with 33 IPOs raising €4.6bn. Romanian renewable energy producer Hidroelectrica completed its IPO on July 5 raising $2 billion proceeds and became the fourth largest IPO deal in 2023 as well as the largest listing in the history of the Bucharest Stock Exchange. Shares of the company surged by as much as 9.7% on the Bucharest Stock Exchange before closing at 110 leu ($23.75), higher than the IPO price of 104 leu ($22.46) that valued the company at 46.8 billion leu ($10.4 billion). On November 3, the shares were trading at 117 leu ($25.26), 12.5% up from its initial offering price, which highlights the success of the public offering. Other companies from the renewable energy sector also priced their IPOs last quarter in Germany and France.

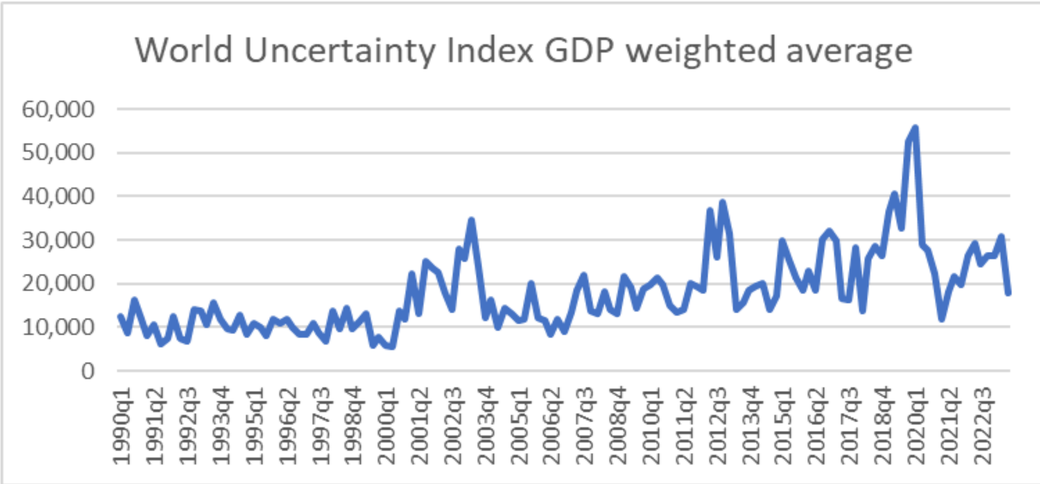
2.5. Emerging markets:

Since the start of 2023, there has been a notable increase in the number of new players participating in the active IPO scene in emerging markets. This includes countries like Turkey, Romania, and Saudi Arabia which have joined the list of already successful countries such as Indonesia, Malaysia, and India. In contrast to the worldwide decline in IPO activity, the MENA region is not currently witnessing a similar downward trend. Specifically, the United Arab Emirates and Saudi Arabia remain the most active markets in the MENA region in terms of both the number and size of IPOs. One factor contributing to this trend is the rise in oil prices driven by the recent global demand supported by the production cuts by OPEC+, which is attracting global investors to oil and gas companies in this region. For instance, the IPOs of Saudi-based Ades Holding and UAE-based ADNOC in 2023 outpaced the global markets in terms of demand and both companies secured a place on the list of the top 10 largest IPO deals in 2023. The chart below indicates that between Q1 and Q3 India is positioned at the top spot in the world rankings in terms of the number of IPOs, with a total of 150 deals. The current trend in the country's IPO market highlights its significant potential and has experienced a remarkable surge in recent years. While domestic funds remain cautious about backing loss-making Indian technology start-ups, foreign investors have the potential to make or break upcoming technology IPOs. So far this year, the largest IPO in India this year was a 43.2 billion rupee ($525 million) public offering by Mankind Pharma, a pharmaceutical and healthcare products company headquartered in Delhi. Currently trading at 1,767 rupee ($21.25), the stock is up 24.3% compared to its initial price. With several successful and large IPOs, along with numerous companies waiting to be listed, emerging markets can maintain their prominent position as an attractive hub for foreign investors.

3.1. Outlook of primary equity markets:

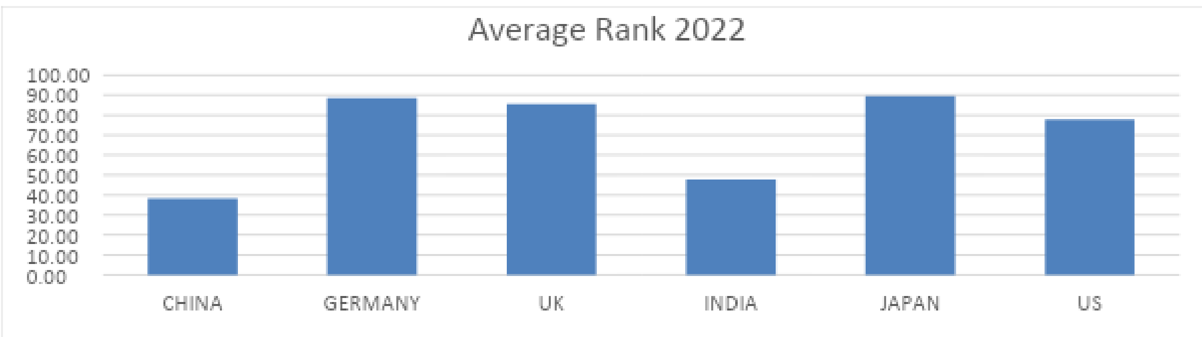
Demir et al. (2023) describe how uncertainty affects IPO activity, proxied by IPO count and proceeds. Economic uncertainty can be measured by World Uncertainty Index (WUI), that is constructed searching for the words 'uncertain', 'uncertainty' and 'uncertainties' in EIU country reports. There are several ways in which uncertainty affects IPO activity, first of all increasing uncertainty leads higher underpricing since there is more information asymmetry. Indeed in this situation firms have to lower the offering price to attract investors, which have less information on the real value of the company. The result is that firms often decide to postpone IPOs to more stable periods. Another consequence

of uncertainty is that firms may go for alternative exit strategies, such as merging with other public companies or being acquired by them. Firms can also decide to go public through other methods such as reverse mergers or backdoor listings (*Luo et al. 2017*). However, uncertainty can be reduced if a country provides stable and trustworthy institutions, indeed in this case information asymmetry is reduced (*Enriquez-Perales et al., 2022*). Institutional quality is measured by the Worldwide Governance Indicator (WGI) provided by the World Bank.
Given this framework, let's first focus on uncertainty.



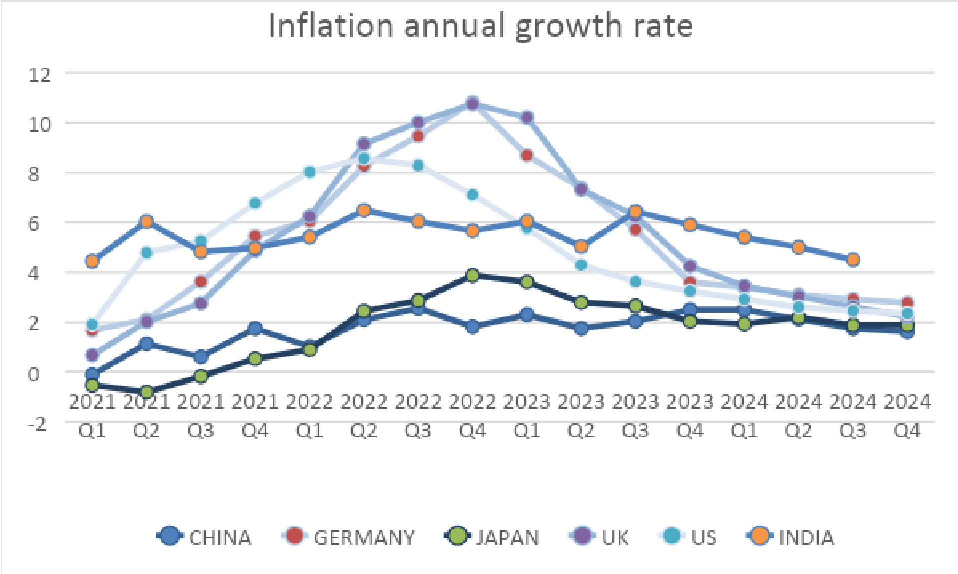
The index, through GDP, takes in account the weight that a country has in the whole economy. It can be observed that in the last trimester the index has experienced a solid decrease. Since the decision of being listed publicly is taken in advance, to have an insight of the path of IPOs in the next future, it is useful to look at the 1-year lagged data. Hence the actual contraction might be a signal of future recovery.

Regarding institutional quality, the WGI considers 6 dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and finally Control of Corruption. Looking at the average rank among these 6 dimensions, that is the average percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank), it is clear the gap between on one hand Germany, UK, Japan and US and on the other hand China and India. Hence in the first group of countries the strength of their institutions can have a key role in the reduction of uncertainty.



However, in order to have a clearer overview of the situation in the 6 countries above, it is helpful to look at some macroeconomic data: inflation, interest rates and GDP growth.

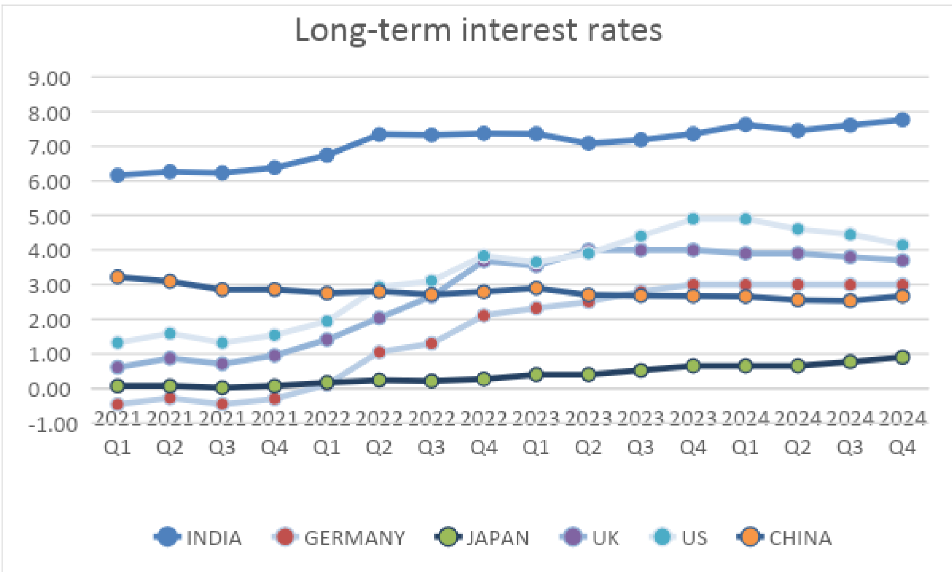
Inflation



Sources OECD, Trading Economics

Forecasts of 2024 show a general reduction in the inflation rate, particularly for Germany, UK and US, while the decrease in China and Japan seems to be more contained. High inflation could be dangerous for IPO activity since a high level of prices leads to instability, moreover if prices do not go down the risk is that Central Banks decide to continue in their restrictive monetary policy. However, in the countries considered, it seems that the inflation rate is not so higher as in 2022 for UK, US and Germany, while in Japan and China inflation has never been so big. In India the inflation rate swings between 4% and 6%, but forecasts show that the trend is now decreasing.

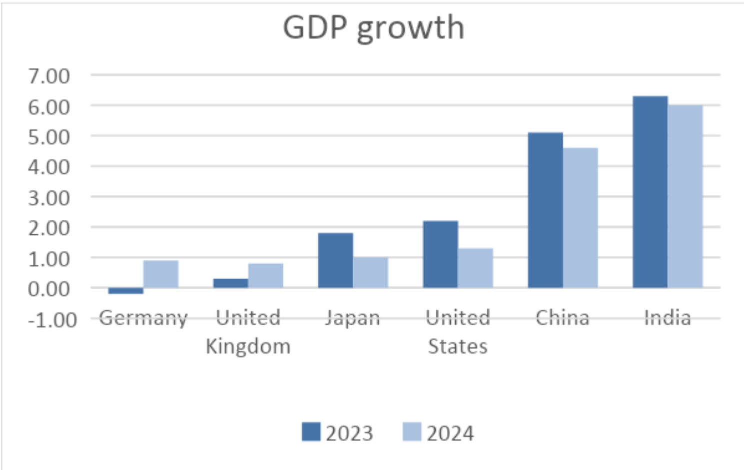
Interest rates



Sources OECD, Investing.com, World Government Bonds

Long-term interest rates refer to values of government bonds maturing in ten years.
IPO activity can be influenced by long-term interest rates, indeed when they increase, then the rate at which firms' cash flows are discounted is higher, in particular it is affected the cost of equity. So higher rates lead to a reduction of the value of the firm that want to become public and this can lead managers to decide to wait until the rates are more favourable. It can be noticed looking at the chart that India and Japan will probably face an increase in the value of government bonds, while in China the rate tend to be more stable. US and UK are likely to assist to a slow reduction in the rates, finally Germany's rate will remain stable.

GDP growth



Source OECD

The expected growth for the countries considered is positive for all of them, even if the rates are not homogeneous. India will be the country with the biggest growth, followed by China, but rates will be smaller than the ones of 2023. Other countries will have a contained growth, however Germany and UK will have a greater growth than this year. IPOs can prosper more where there is a solid economy: indeed a company that becomes public is more likely to succeed if the economic environment is more prone to the growth.

3.2. Highlighted IPOs to Watch

To conclude this section on outlooks, here are some companies that one should look out for in terms of possible IPOs next year:

Stripe
Born in 2009 and based in San Francisco, Stripe is a financial infrastructure developer that allows its users to manage payments and revenues through a platform. The future listing of the company is significantly considered for many reasons: first of all in March 2023 its valuation was $50 billion, down from its peak of $95 billion of March 2021 (*Forbes*); then Stripe raised $6.9 billion funds in August 2023 from important investors like Goldman Sachs Special Situations Group; finally OpenAI announced a collaboration with Stripe to use the platform to monetize its products. According to PitchBook senior equity analyst Rudy Yang, Stripe listing will be one of the largest fintech IPO of ever.

Waystar
It is a healthcare payments company that provides software for finance management of hospitals and clinics. The valuation of the firm could reach $8 billion in an IPO. Waystar IPO was set within this year, but it is very likely that we will see it during next year (*Wall Street Journal*).

Klarna
It is a Swedish company operating in the financial services sector. In 2022, it was used by nearly 150 million customers. Sebastian Siemiatkowski, CEO at Karna, told the Financial Times that the fintech company satisfies his three requirements for an IPO: being well established in the US, having a sustainable business model and still having margin of growth. In addition investors may demand for an exit, since the company was founded in 2005. The company was valued $6.7 billion in July 2022, a dramatic decrease from its peak of $50 billion in the previous year.

Flexport
Founded in 2013, Flexport is a supply chain management company that develops a platform made for the coordination of goods transportation and track inventory. In its latest round of financing in October 2022, Flexport received $200 million from Kohlberg Kravis Roberts. The company also received an undisclosed amount of funding in August 2022 from 13 firms, and before it received 935 million in March from 18 firms, among them Softbank Group and Shopify. In the latest valuation, the firm was $8 billion worth.

Biofourmis
It is a health analytics company that deals with the development of AI-integrated wearable devices to predict increased symptom intensity in advance of a serious health event. In 2019 the CEO Kuldeep Singh Rajput was projecting the IPO in 2023, but market conditions have not allowed it, so maybe next year will be the good one. According to the last valuation, Biofourmis value is $1.3 billion.

4. Investment recommendations

4.1. Overview

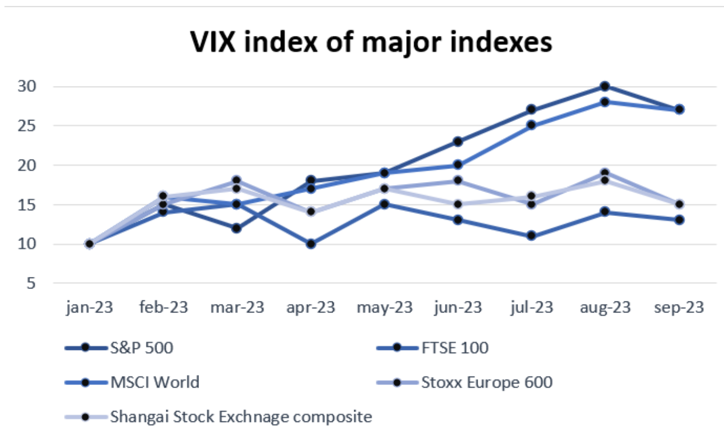
As it has been seen, during the last 18 months the stock market has been subject to high volatility and uncertainty, especially due to the current macroeconomic environment. The recent geopolitical instability and the continuous interest rate hikes by central banks, which may not be done, have continuously undermined both investors confidence and companies valuations. Hence, this situation hugely impacted the IPO market, as a lot of businesses started to postpone their entrance in stock exchanges or, when they finally completed their IPO process, they did not deliver the performance that was expected. Recently, investors may have felt a little sense of hope when looking at the newest IPO offers, which however have turned out to be not highly profitable as planned just after a couple of trade days.
For these reasons, mainly regarding the macroeconomic environment, the geographic and economic sector performance of IPOs and the recent deals achievements, this segment will advise investors to not invest in IPOs at the moment. Their high risk profile, combined with the current uncertainty and lack of initiative in the market, is a huge indicator for the fact that investing in an IPO will not deliver high profits, on the contrary it could also turn into a loss for the investor.

4.2. Impact of the macroeconomic environment on IPO market

The shape of the global equity market performance is continuously influenced by the macroeconomic environment. To this day, tighter liquidity and higher cost of capital have caused a huge IPO blockage that may not be resolved any soon. The interest rates are at an all time high, and, as the FED and other central banks have recently disclosed, they are expected to stabilize at this high percentages for a long period, since inflation is not decreasing at the desired pace. It is therefore not advisable for investors to dedicate a segment of their portfolio to IPOs, since these risky investments are not profitable when facing uncertainty and expected recessions from impactful countries like the US, China and

Europe. In fact, as a consequence of this situation, question marks are raised when analyzing fundraising and liquidity abilities of companies and, subsequently, the demand for stocks becomes inexistent and valuations of companies go down. Hence, these events absolutely decrease the attractiveness of the IPO market for profit-looking people.

To provide further evidence against investment in IPOs, it is recommended to look at the VIX Index provided by the PWC Global IPO Watch Q3 2023. The VIX is crucial when it comes to market sentiment, as a VIX above 15 indicates uncertainty in the stock market, while as it reaches 30 it translates in real fear from investors. As it is highlighted by the graph, the main stock index S&P 500 is experiencing a huge increase in VIX, which reached the value of 30 in the last two months, which



essentially represents the fearful sentiment of investors when considering to invest in stocks, augmented by the fact that when VIX is high, S&P 500 has low returns. A similar pattern is shown by the MSCI World while lower levels of instability are exhibited by the European indexes, which however are not attractive to investors for the general inexistent performance of IPOs that will be later explained.

Moreover, IPOs are generally performed by growth-based companies. This means that enterprises who need high amounts of liquidity in order to expand their business model are the type of entities that usually boost initiative in the IPO market. However, because of the situation above mentioned, if one wants to invest in the stock market, they should look for three key aspects: financial health, solid equity story and established business model.This means that investors should absolutely avoid growth-based companies, whose stocks have in fact crashed this year because of tight economic conditions, and should prefer value-based companies, which usually have strong fundamentals and a quite easy path towards profitability. However, as it will be discussed later when analyzing current examples of IPOs, these types of companies have been also facing lower valuations and a lack of initiative when considering to go public or not, since they fear to experience a “down-round”.

For example, some huge companies, mainly in the tech sector, have been waiting on the sidelines for the right conditions to propose an IPO, which however seem to never come. The fintech giant Stripe, once valued at $95 billion, recently dropped down by 28%, reaching a valuation of $74 billion. In addition, the buy-now-pay-later giant Klarna saw its valuation drop by 85% because of dry investors' appetite. Also for value-based companies, IPOs are of little sense right now.

4.3. Recommendations based on geographic and economic sector

For this next part, recommendations will focus on how the IPO market is performing in different countries and in different sectors, in order to discover some hidden opportunities that, despite the negative impact of the overall economic situation, might provide a return to investors.
Starting with the US market, it has revived investors’ hope, with long-awaited IPOs, as funds raised increased by 161%. In fact, Wall Street stock exchanges, especially Nasdaq, have hosted some big IPO pricing opportunities, like for example the chip designer Arm and the online marketing company Instacart. However, as it will be described later, these new offerings have not turned out to be so profitable for investors. It is therefore advisable for would-be shareholders to show some concern and meditation before investing in an US-based IPO.
The main cause of the mid success of the American IPO market is that the 40% of the total value of the US IPO market is made up by tech companies, which have been particularly sensitive to hikes in the cost of borrowings, since they can take years to turn a profit, and to the latest anti-trust regulations regarding some tech giants, like Microsoft and Google. This situation is also concerning if past data is looked at: listings on US exchanges have been valued at $20 billion so far this year, down 5% from 2022, and only a fraction of the $315 billion notched in 2021 and the $168 billion in 2020.

The situation is a little more problematic when looking at China. Its IPO market is currently experiencing a huge tightening, as the Chinese economy is subject to an economic slowdown, due to the prolonged COVID 19 shutdowns and the crisis in the housing market. Hence, investors shouldn’t really pursue profitable strategies in the Chinese IPO market, as 2023 year-to-date proceeds were reduced by 25%, therefore only reaching $43 billion, compared to the $57 billion reached last year. Expectations do not involve any good news either. In fact, the recent corruption scandal regarding housing market giant Evergrande led to more rigorous processes and lengthier registration procedures in order to become public, preventing a pipeline of good companies from listing on the Hong Kong Exchange. As there are not many opportunities for an IPO of a value-based company, which was suggested from the beginning, investors could try to look at new SMEs proposals that are still allowed on the Beijing Stock Exchange, considering the huge risk of investing in small companies, which are often swept away by economic crises and may not deliver secure returns.

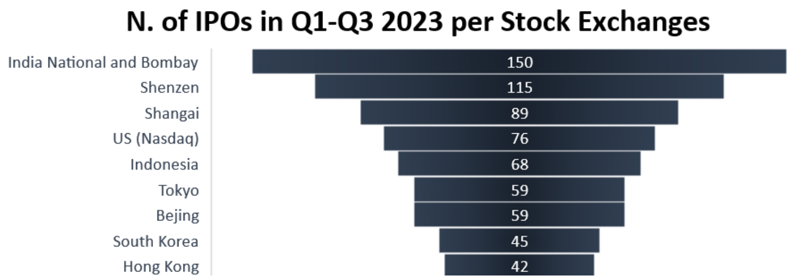
Unfortunately, the situation looks even worse when considering the European IPO market, which therefore is strongly not recommended. Early in October 2023, some signs of revival went incredibly wrong.

Software firm Planisware launched what was going to be the biggest France IPO in two years, as they planned a €300 million offering with an initial market feedback apparently positive on the company and on its valuation. However, this IPO never came to life and was withdrawn. Another €350 million Frankfurt based IPO of the military tank gearbox maker Renk Group was postponed, even if the underwriters announced that the offering was oversubscribed, which was not enough to raise real demand for the offered shares.

Therefore, investors should not really get their hopes up about the European IPO market, as they clearly won't find any new profitable opportunities to exploit. The main reason is that the market is suffering from poor liquidity, a subscale of the domestic investor pool and the absence of retail investors. The volumes of deals have collapsed to a 13-year low and, at least until the worldwide economic situation is not stable, investors may seek other investing opportunities.

Despite this negative analysis of IPO markets of the main economic drivers, if one wanted to invest in an attractive new listing, then they would find this opportunity in the markets of emerging economies. In fact, stock exchanges in emerging economies account for three-quarters of the money raised this year via IPOs, attracting 77% of all new offerings. It is therefore interesting to take a deeper look into these markets and, to make reasonable recommendations, it would be best to analyze the Indian and Indonesian situation.

Promising signs are arising for tech IPOs on the Indian markets. Domestic funds are remaining cautious about backing young ventures but foreign investors have high potential to make returns. Foreign investors seem excited about the growing prospects of the Indian economy, since they are



accustomed to highly valued yet loss-making big public companies, particularly in the US. New start ups are therefore encouraged to start an IPO, and some of them have already received regulators' approval to go public. Would-be shareholders are therefore encouraged to take the risk and put some of their savings in Indian start-ups.

In fact, between January and August, as many as 99 of these IPOs raised Rs24.5bn and, during the same time span, 22 companies listed on the main exchanges, raising Rs150.5bn. India's biggest IPO so far this year has been a Rs43.2bn ($525mn) flotation by Mankind Pharma.

As said before, investors could also seek a profit opportunity by looking at the Indonesia IPO market, especially in the energy and raw material sector.

Indonesia is now hosting the world's fifth-biggest IPO market when measuring the amount of money raised (3.5 billion so far this year), only behind China, US, India and United Arab Emirates, and the future expectations are just positively growing. Would-be shareholders should consider the fact that metal steel and mining industries account for almost two-thirds of the total value of the country's IPO deals so far and that their profits are going to increase in the future, as Indonesia has vast deposits of the metal needed to make the batteries of electric vehicles, sector which is expected to grow in the next years.

4.3. Conclusions and insights of recent IPO deals

As it has been described so far, IPO market should not be considered as the best place to invest in at the moment. Overall, value-based companies are preferred to the growth-based ones, which are more impacted by the tight economic conditions and the high worldwide uncertainty and therefore have difficulties to deliver returns. However, IPOs are risky investments and, considering that the main indexes are underperforming and also the big companies are experiencing negative trends with valuations and liquidity abilities, this market is not secure and profitable for investors at the moment. In specific, IPOs in the two biggest markets of the world, namely US and China, are underperforming and lacking initiative, while European new listings are basically non-existent. The only light at the end of the tunnel is brought by emerging countries, especially India and Indonesia, as new public offerings made in the tech or energy market are looking quite attractive.
As briefly but previously mentioned, one could think that a possible strategy that could overcome all these issues regarding public offerings is to patiently wait and invest in big and established companies' IPOs. However, investors and bankers have cautioned that they do not expect a full return to normal volumes in profits and valuations until 2024 at the earliest and, as a final evidence to discourage currently IPO investing, some recent examples of successful businesses will be provided in order to rightfully support all the previous recommendations.

The first one is the Softbank-backed chip company Arm, which in September completed one of the biggest IPO offerings on the Nasdaq market after two years. Arm raised almost $5bn in the first week of trading and, on its first day, its share price of initially $51 jumped by a quarter. However, their trading is facing a huge decline, as shares' price dropped by 5.8% to $49, which is below the initial one.

Another long awaited public offering on the NYSE was the BIrkenstock one. However, shares in Birkenstock dropped more than 10% on their first day of trading, as the initial offering price of $46 dropped and closed at $40.20 per share. Main cause: investors and bankers have cautioned that they don't expect a full return to normal volumes in the consumer sector until 2024 at the earliest.

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