

Foreword

Dear Friends,

In 2011, global IPO markets continue to recover and gain momentum. Global investors seeking to capitalize on the emerging markets growth story have been fueling stock market rallies and new listings world-wide. The lack of exit routes, shortage of capital-raising opportunities, and numerous IPO postponements since 2007 have led to a growing IPO pipeline worldwide. Many key drivers of 2011 global IPO markets including emerging markets growth, state privatizations, multinational spin-offs, and fast-growth companies in the energy, industrial, material, and technology sectors, reflect a continuation of 2010 key IPO trends.

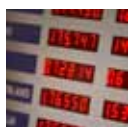
Despite market volatility exacerbated by the Eurozone sovereign debt crisis, in 2010, global IPO fundraising gradually recovered to pre-crisis levels, buoyed in particular by a record-breaking fourth quarter. In 2010, emerging market issuers, particularly in China, maintained their fundraising leadership, driven by rapid economic growth, market liquidity, and foreign fund inflows. At the same time, developed IPO markets began to revive: in the US, numerous financial sponsor-backed IPOs for fast growth companies fueled IPOs, while Europe saw large Polish government sell-offs and London cross-border listings.

The 8th annual 2011 Ernst & Young *Global IPO trends* report highlights the outlook for IPO markets in 2011 and analyzes the key trends of 2010, including the perspectives of some of the world's top investment bankers. While not all businesses are suited to life in the public eye, for many fast-growing private companies, an IPO can raise the capital needed to accelerate growth and achieve market leadership. We look forward to working together with these companies and their teams in their transformation from private entities to public enterprises.

Ernst + Young



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Global IPO Markets

2011 Outlook: Global IPOs continue to rebound in 2011

Reflecting growing investor confidence around equity valuations and sharpened risk appetites, IPOs are expected in an even greater variety of sectors and geographies.

Global IPO markets continue to make a robust recovery in 2011. Global investors seeking to capitalize on the emerging markets growth story have been fueling stock market rallies and new listings world-wide. The shortage of exit routes, lack of capital-raising and numerous listing postponements since the financial crisis in 2007 have created a growing IPO pipeline worldwide. Even so, the current upward trajectory of global IPO markets in 2011 may not necessarily be smooth as global macroeconomic risks such as the sovereign debt crisis could yield market volatility. However, barring another unforeseeable crisis, 2011 global IPO markets are expected to be even more dynamic than in 2010.

Many key drivers of 2011 global IPO markets reflect many of last years' top themes including emerging markets growth, state privatizations, multinational company spin-offs, and companies in the energy, industrial, materials and technology sectors. Secondary market momentum is also expected to continue as companies ramp up their capitalization to record levels, particularly to support future acquisitions. Reflecting growing investor confidence around equity valuations and sharpened risk appetites, IPOs are expected in an even greater variety of sectors and geographies.

2011 Asian IPO outlook

Greater China. In 2011, Greater China looks set to maintain its five-year-long leadership of global IPO markets. Although growing inflation and the absence of jumbo IPOs may moderate Chinese IPO volumes, Hong Kong, the most active exchange in 2010, is expected to remain the world leader and raise over US\$50 billion in 2011. More large non-Asian companies, especially in the natural resources sector, are also expected to list in Hong Kong. Financial, consumer products, industrials and resources listings will be most prevalent in Hong Kong and Shanghai.

India. Propelled by India's 8% GDP growth rate and healthy corporate earnings and prospects, India's IPO markets will continue their dramatic recovery. More than 100 companies are expected to pursue IPOs and follow-on offerings, spurred by the country's US\$10 billion Government privatization program and its massive US\$1 trillion infrastructure investment plan.

2011 Americas IPO outlook

US. At the end of January 2011, the growing US backlog contained about 150 companies slated to raise around US\$40 billion. The pipeline includes private equity (PE)- and venture capital (VC)- backed companies, fast-growth companies in technology, health care and real estate, companies based in China, large company spin-offs and US companies backed by money from the Troubled Asset Relief Program (TARP).

Brazil and Latin America. In 2011, Brazil expects about 30 IPOs with an average deal size of US\$500 million, in the retail, oil and gas and mining sectors in particular. Brazil's IPO markets have been fueled by its 5% GDP growth rate, foreign capital inflows, the Government's infrastructure investment plan and high domestic consumption levels. Mexico, Argentina and Chile will also see new issuances.

2011 European IPO outlook

UK. The UK pipeline of potential IPO candidates remains strong. Numerous cross-border listings on the London Stock Exchange (LSE) Main Market are expected, most notably from emerging market-facing companies. Europe's financial institutions, including spin-offs from over-leveraged banks, could be the source of the largest IPO prospects.

Germany. Germany anticipates approximately 20 small cap IPOs from diverse industries to list on the "Entry Standard" segment of the Deutsche Borse.

Eastern Europe and Russia. The Governments of Poland and Czech Republic will continue to sell off state-owned assets to generate revenue. After Russia's severe economic contraction in 2008-09, surging oil prices, state privatizations and a capital market revival may also lead to a return in Russian listings, on the LSE in particular.

“Although pre-crisis levels of IPO activity have not yet been reached, 2011 global IPO markets, in particular the second half, are expected to be even stronger than in 2010, barring another unforeseeable crisis.”

Richard Hall, EMEIA IPO Leader,
Ernst & Young

Figure 1: Global IPOs by number of deals and capital raised

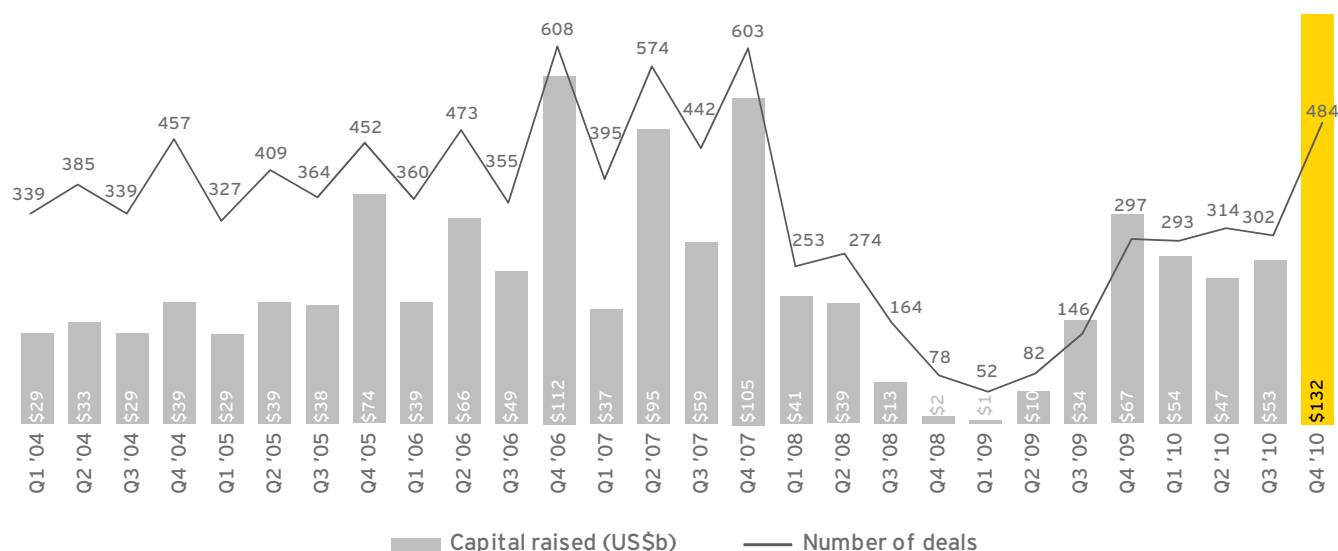


Figure 2: Key Global IPO statistics

	2008	2009	2010
Number of deals	769	577 (▼25% ¹)	1393 (▲141% ²)
Capital raised (US\$)	\$95.8b	\$112.6b (▲18% ¹)	\$284.6b (▲153% ²)
Average deal size (US\$)	\$124.6m	\$195.1m	\$204.8m
PE-backed IPOs	52 deals, \$10.8b	53 deals, \$16.2b	155 deals, \$35.0b
Top five sectors (number of deals)	Materials (185) Industrials (107) High technology (84) Financials (68) Energy (65)	Industrials (101) Materials (96) High technology (59) Consumer staples (49) Financials (46)	Materials (307) Industrials (236) High technology (180) Consumer staples (113) Energy (94)
Top five sectors (capital raised)	Financials (\$25.9b) Energy (\$18.4b) Materials (\$16.0b) Industrials (\$14.2b) Telecommunications (\$6.9b)	Industrials (\$23.2b) Financials (\$22.6b) Energy (\$12.1b) Real estate (\$10.8b) Materials (\$7.2b)	Financials (\$80.0b) Industrials (\$57.6b) Materials (\$38.5b) Energy (\$23.2b) High technology (\$20.7b)
Top five exchanges (number of deals)	Shenzhen – SME (69) Australian (65) Warsaw – NewConnect (50) Toronto – Venture (42) KOSDAQ (39)	Hong Kong (56) KOSDAQ (56) Shenzhen – SME (54) Australian (37) Shenzhen – ChiNext (36)	Shenzhen – SME (205) Shenzhen – ChiNext (116) Australian (92) Hong Kong (87) New York (82)
Top five exchanges (capital raised)	New York (\$24.8b) Saudi (\$9.7b) Shanghai (\$8.5b) London – Main market (\$5.5b) Hong Kong (\$4.8b)	Hong Kong (\$21.9b) Shanghai (\$20.4b) New York (\$19.1b) NASDAQ (\$8.1b) Shenzhen – SME (\$6.2b)	Hong Kong (\$57.4b) New York (\$34.7b) Shenzhen – SME (\$30.2b) Shanghai (\$27.9b) Tokyo (\$14.3b)

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

Please see Appendix for the list of stock exchanges.

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Global IPO Markets

2010 saw choppy IPO revival until record-breaking fourth quarter

2010 Key trends

- ▶ **In 2010, global IPO activity recovered to pre-financial crisis levels** (US\$284.6 billion, 1,393 IPOs) and reached the second-highest fund-raising amount ever, after 2007. After two years of quiescent IPO markets during the global financial crisis and recession, 2010's healthy IPO volumes represent more than double the amount raised during either 2008 or 2009.
- ▶ **Despite volatility, 2010 global IPO markets gradually revived** with a record fourth quarter. In the first three quarters, investor worries over Eurozone sovereign debt, sweeping regulatory changes, government reductions of stimulus packages and limited access to credit led to numerous IPO withdrawals, postponements and highly discounted pricing worldwide. However, investor confidence improved over the course of the year. Driven by Asian growth, pent-up demand for capital, sales of government-held assets and financial and industrial institution spin-offs, Q4 saw the highest quarterly total capital raised on record (US\$131.5 billion, 484 deals).
- ▶ **2010 saw the world's largest IPO ever and other high-profile jumbo IPOs.** The largest IPO ever was the US\$22.1 billion offering of the state-owned commercial bank Agricultural Bank of China followed in size by the second-largest IPO ever – the US\$20.5 billion listing of AIA, the main Asian life insurance unit of AIG Group. And the return to the public markets of US automaker General Motors for US\$18.1 billion marked the third-largest IPO globally in 2010.
- ▶ **The vast majority (86%) of global IPOs priced within their initial filing range** in 2010, compared with a historical 10-year average of 74.3%. Only 11% of IPOs priced below their initial prices while just 3% priced above. Nonetheless, investors remained extremely price sensitive, especially with regard to highly leveraged companies. Citing difficult market conditions, many companies had to withdraw or postpone their offerings in 2010 while others were sold in dual-track sale processes.
- ▶ **Financial and infrastructural sectors prevailed**, although IPOs were quite diverse. Investors continued to assess IPOs on a company-specific basis. The financial sector led by volume, at US\$80 billion, with 28% of the global capital raised, thanks largely to 3 jumbo Asian insurance companies that made up three of the top 10 IPOs. They included the AIA listing; the US \$11.1 billion Dai-ichi Life Insurance listing, the second-largest Japanese IPO on record; and the US\$4.4 billion Samsung Life Insurance Co. Ltd., South Korea's largest IPO ever. Propelled by continuing emerging market demand for commodities and global demand for energy, the industrial and materials sectors were also very active.
- ▶ **Emerging market IPO volume made up 69% of global volume** (US\$195.3 billion via 983 deals). This includes 87 government sell-offs of numerous state-owned enterprises, worth US\$81.8 billion, in order to raise cash. The vast majority of IPOs (67) came from China, with several top IPOs from India, Poland and Indonesia.

The fourth quarter of 2010 saw the highest quarterly fundraising total on record, driven by Asian growth, sales of government-held assets and financial spin-offs.

Figure 3: Global IPOs by number of deals and capital raised, by year

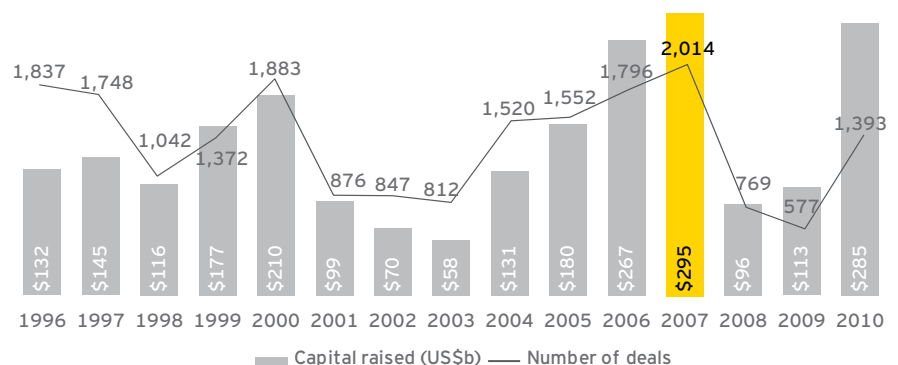
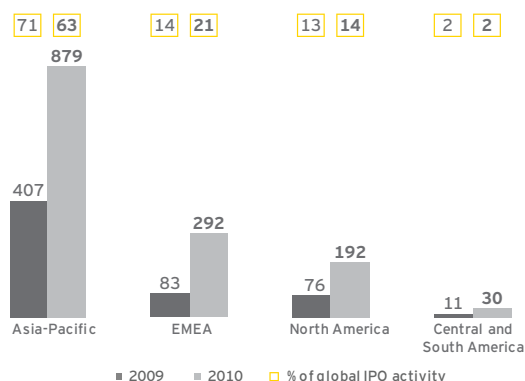
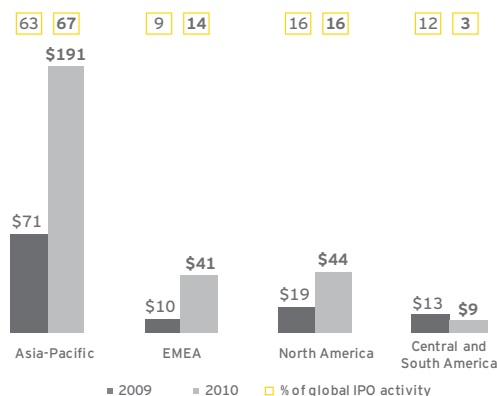


Figure 4: 2009 and 2010 global IPOs by region**Number of deals****Capital raised, US\$b****Figure 5: 2010 Global IPOs by domicile countries****Top 10 by number of deals**

Country	No. of deals	% of global total
Greater China*	509	36.5%
United States	115	8.3%
Poland	92	6.6%
Australia	88	6.3%
Canada	77	5.5%
India	70	5.0%
South Korea	69	5.0%
Malaysia	33	2.4%
United Kingdom	31	2.2%
Singapore	24	1.7%
Rest of world** (64 countries)	285	20.5%
Grand Total	1393	100.00%

Top 10 by capital raised

Country	Capital raised (US\$m)	% of global total
Greater China*	\$131,765	46.3%
United States	\$37,041	13.0%
Japan	\$14,603	5.1%
India	\$10,716	3.8%
South Korea	\$8,361	2.9%
Australia	\$7,578	2.7%
Malaysia	\$6,977	2.5%
Canada	\$6,596	2.3%
Brazil	\$6,430	2.3%
Singapore	\$5,900	2.1%
Rest of world** (64 countries)	\$48,641	17.1%
Grand Total	\$284,607	100.0%

Based on the listed company domicile

*Greater China includes China, Hong Kong and Taiwan

**Rest of world includes countries with 1% or less of IPO activity by number of deals or capital raised

Figure 6: 2010 global IPOs by stock exchanges***Top 10 by number of deals**

Exchange	No. of deals	% of global total
Shenzhen**	321	23.0%
Australian	92	6.6%
Hong Kong	87	6.2%
New York	82	5.9%
NASDAQ	76	5.5%
Warsaw – NewConnect	71	5.1%
Bombay	62	4.4%
KOSDAQ	56	4.0%
Toronto – Venture	42	3.0%
London AIM	40	2.9%
<i>All other exchanges</i>	464	33.4%

Top 10 by capital raised

Exchange	Capital raised (US\$m)	% of global total
Hong Kong	\$57,383	20.2%
Shenzhen**	\$44,295	15.6%
New York	\$34,717	12.2%
Shanghai	\$27,879	9.8%
Tokyo	\$14,268	5.0%
London	\$8,861	3.1%
NASDAQ	\$8,726	3.1%
Bombay	\$8,304	2.9%
Australian	\$7,905	2.8%
Korea	\$7,750	2.7%
<i>All other exchanges</i>	\$64,506	22.7%

*Data based on domicile of the exchange, regardless of the listed company domicile

**Shenzhen Stock Exchange includes listings on Mainboard (SME) and ChiNext

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Global IPO Markets

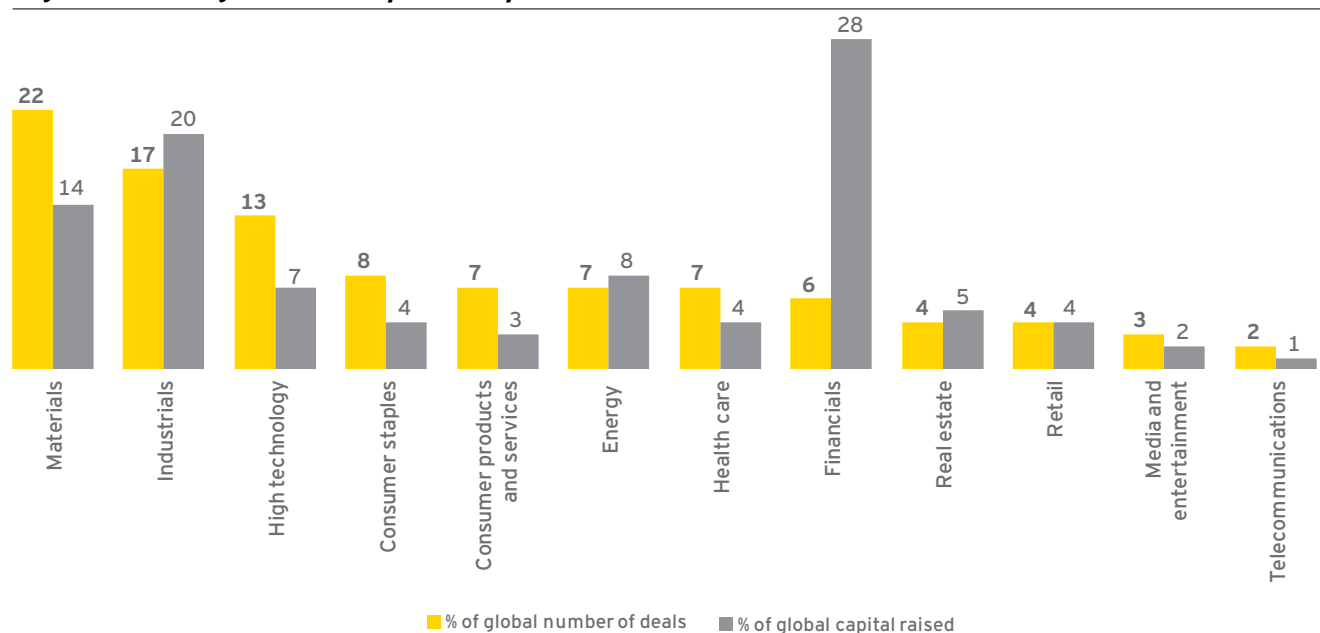
Asian issuers raised the most capital ever



In a five-year trend that began in 2006, Asia raised the most IPO capital on record, making up almost 65% of global proceeds.

2010 Key trends (continued)

- ▶ **Asian issuers, particularly China and Hong Kong, continued to lead IPO activity** in a five-year trend begun in 2006. Asia raised the most IPO capital on record, making up almost 65% of global proceeds (US\$183.9 billion, 789 deals). Greater China achieved record highs for fund-raising, accounting for 46% of global funds raised – (US\$131.8 billion in 509 deals) – a huge 165% increase from 2009.
- ▶ **In 2010, Southeast Asian issuers also raised the most capital ever**, at 6% of global capital raised (US\$17.5 billion, 109 deals). Activity was led by Malaysia (US\$7.0 billion in 33 IPOs), Singapore (US\$5.9 billion in 24 IPOs) and Indonesia (US\$3.4 billion in 24 IPOs). Malaysia's US\$4.2 billion offering of Petronas Chemicals was the largest Southeast Asian IPO ever.
- ▶ **US IPO markets were rejuvenated by small-cap high-tech and energy companies** and the return of PE and VC exits. US exchanges launched the highest total since 2007 (US\$43.5 billion in 163 IPOs), albeit with a smaller-than-average deal size (US\$267 million). Almost two-thirds of IPOs were backed by PE or VC firms. Historically the global IPO leader, the US raised just 15% of global capital, well below its past 10-year average levels of 28%.
- ▶ **Europe saw a choppy IPO revival due to Eurozone sovereign debt concerns.** Even so, by the end of 2010, IPOs on European exchanges raised the highest volume since 2007 (US\$36.7 billion in 252 deals), a huge 395% fund-raising increase from 2009. European IPOs were revitalized by Polish state privatizations, London cross-border listings, PE-backed IPOs and robust emerging market demand for commodities. Europe represented a 13% global IPO market share, compared with its past 10-year average level of 25%.
- ▶ **PE-backed IPOs made a comeback** (US\$35 billion raised in 155 deals), particularly in the US and Europe. The amount was more than double the US\$16.8 billion raised in 2009, and almost three times what sponsors raised in the trough of the recession in 2008. Nonetheless, activity is still behind the peak of the cycle, when PE firms raised more than US\$58 billion taking companies public in 2007. On average, PE-backed IPOs returned 27.2% in 2010. The PE-backed IPO after-market stock performance and pipeline are likely to remain strong in 2011.
- ▶ **Among world exchanges, Hong Kong was the most active exchange** for the second consecutive year (US\$57.4 billion), up 162% from 2009. It was followed in volume by Shenzhen's SME and ChiNext boards, China's venue for small, high-growth companies, (US\$44.3 billion) and the New York Stock Exchange (US\$34.7 billion).
- ▶ **Numerous cross-border listings reflected increased globalization of capital markets.** Attracted by higher valuations and strong liquidity, non-Asian companies began to make primary listings in Hong Kong, including the US\$2.2 billion IPO of the world's largest aluminum producer, Russia's RUSAL. At the same time, 41 Chinese companies listed on US exchanges, the majority of which were very well-received.
- ▶ **The world exchange industry continued to consolidate**, with many prospective mergers underway. Although the consolidation is not likely to have a direct impact on the number of IPOs, 2010 saw new exchanges emerge that would offer new opportunities and sources of finance. The proposed partnerships of the NYSE Euronext/Deutsche Börse, the Australian/Singapore Stock Exchanges and the London/Toronto/Mongolia Stock Exchanges would improve the liquidity of the newly combined exchanges and their global competitiveness.
- ▶ **Secondary market played an increasingly significant role** in raising company profiles and increasing investor bases. Their popularity also reflects the ever-increasing cross-border nature of capital markets and investor desire for emerging markets exposure. Compared to global IPOs, which made up 31% of total capital market activity, follow-on offerings represented more than half (57%), with US\$515.5 billion raised in 4,062 deals, down 26% in funds raised from 2009. 2010 saw the world's largest follow-on offering ever – the US\$70.1 billion listing of Brazilian oil and gas firm Petrobras.

Figure 7: 2010 global IPOs by industry**Figure 8: 2010 top 20 global IPOs by capital raised**

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$b)	
Jul	Agricultural Bank of China Ltd	China	Financials	Commercial Bank	22.1	Hong Kong, Shanghai
Oct	AIA Group Ltd	Hong Kong	Financials	Insurance and financial services provider	20.5	Hong Kong
Nov	General Motors Co	US	Industrials	Automobile manufacturer	18.1	New York, Toronto
Mar	Dai-ichi Life Insurance Co Ltd	Japan	Financials	Life insurance provider	11.1	Tokyo
Nov	Petronas Chemicals Group Bhd	Malaysia	Materials	Integrated petrochemicals producer	4.8	Kuala Lumpur
Apr	Samsung Life Insurance Co Ltd	South Korea	Financials	Investment and insurance company	4.4	Korea
Nov	QR National Ltd	Australia	Industrials	Rail freight services operator	4.0	Australian
Nov	Enel Green Power SpA	Italy	Energy	Electric power generation (renewable energy) company	3.4	Milan, Madrid
Oct	Coal India Ltd	India	Materials	Coal mining company	3.4	Bombay, National
Aug	China Everbright Bank Co Ltd	China	Financials	Commercial bank	3.2	Shanghai
Oct	Global Logistic Properties Ltd	Singapore	Real estate	Provider of logistic facilities in Asia	3.0	Singapore
May	Powszechny Zakład Ubezpieczeń SA – PZU SA	Poland	Financials	Insurance company	2.7	Warsaw
Feb	Huatai Securities Co Ltd	China	Financials	Provider of securities brokerage services	2.3	Shanghai
Dec	Otsuka Holdings Co Ltd	Japan	Health care	Holding company for pharmaceutical subsidiaries	2.3	Tokyo
Jan	United Co RUSAL Ltd	Russian Federation	Materials	World's largest producer of aluminium	2.2	Hong Kong, Euronext
Oct	Pandora A/S	Denmark	Retail	Jewelry designer, manufacturer, marketer and distributor	2.1	Copenhagen
Dec	Westfield Retail Trust	Australia	Real estate	Retail real estate investment trust	2.0	Australian
Apr	Essar Energy plc	India	Energy	Electric power generation and oil and gas exploration company	1.9	London
Apr	Amadeus IT Holding SA	Spain	Technology	Travel transaction processor and provider of advanced technology solutions	1.9	Madrid
Dec	Gjensidige Forsikring ASA	Norway	Financials	Insurance company	1.9	Oslo

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Interview: Chris Whitman

Global Co-head of Equity Capital Markets, Deutsche Bank, London



Ernst & Young: What were the key trends in the global IPO markets in 2010, and what is your outlook for 2011?

Chris Whitman: The most important trend in 2010 was the IPO market reopening in earnest, with healthy volumes. This was true around the world, particularly in Asia, where two of the biggest IPOs in history completed very successfully – Agricultural Bank of China and AIA. At various points in the year, equity markets were challenged by concerns about sovereign debt in Europe or a double-dip recession, and this impacted the IPO pipeline. But there were pockets of very strong risk appetite in the spring and then September through December, and a reasonable number of deals got done.

The other key themes were sponsor-backed exits, carve-outs, and government sell-downs. There was a pickup in technology IPOs in the US, and a broad-based selection of IPOs in Asia driven by economic secular growth, much more so than in Europe or the US.

We're optimistic that the global IPO market will function more continuously in 2011 than last year; risk appetite is increasing, volatility has decreased significantly, and there's generally a good tone in equity markets. Asia had a strong 2010 and that will continue, but comparisons will be more dramatic in the US and EMEA, where I think we may see very substantial pickup. Volume comparisons for Asia are a little hard to call; because there were a couple of megadeals last year that skewed volumes, it will be hard to exceed those volumes this year. We're more likely to exceed 2010 volumes dramatically in EMEA or the US. Beyond China, in Asia, we've been doing deals in India, Malaysia, Indonesia, Philippines, Korea. The tiger economies are growing like crazy, and the IPO markets are very active. Asian companies need growth capital and entrepreneurs want to unlock value.

Ernst & Young: Are you optimistic about IPO markets in Europe for 2011?

Chris Whitman: I'm optimistic that IPO volumes in Europe for 2011 will be substantially higher than they were in 2010. Poland was a highlight last year – it was the only country in Europe to avoid the recession. They're undergoing a broad-scale privatization, and the country has a good growth profile, an economic model investors like, and strong support from the domestic retail investor base.

PZU's IPO and secondary offering were runaway successes.

Looking forward, Russia is an interesting place. It should attract attention on valuation alone, as it's trading at big discounts to other major emerging market countries. There is pent up supply and a large pipeline of potential privatizations. That may make investors more selective than they otherwise would have been. The key question is if Russian sellers are willing to sell at prices that IPO investors are willing to buy. Price sensitivity will be key, and we've already seen three Russian IPOs pulled in the first few weeks of 2011.

Ernst & Young: Follow-on offerings have been increasing in significance in recent years – do you expect this trend to continue in 2011?

Chris Whitman: We think there will be a lot of activity, and a reasonably consistent volume of secondary offerings from companies who want to monetize their stakes in various businesses. I think this will be a prevalent theme this year for sponsor, government, corporate and financial institution sellers. Every situation is different, but overall the level of activity will be driven by equity market valuations continuing to recover, volatility staying low, and risk appetite staying healthy. We expect bank recapitalizations to continue in 2011, and it's been encouraging to see investors embracing recapitalizations from banks in European peripheral economies. In the US this year, we've already seen the follow-on offering of a commercial bank, Fifth Third Bancorp – to repay TARP and we expect more of those types of transactions.

Ernst & Young: What do you think accounted for the valuation pushback we saw globally in 2010?

Chris Whitman: As the IPO market re-opened at the start of 2010, it was a buyers' market. They had to be convinced to meet the sellers' aspirations on price, and there was frequently a meaningful bid / offer spread between the buyer and seller views. Moreover, volatility was still higher than usual, and then sovereign debt concerns came to the fore during the first quarter and intensified in the second quarter. As the year progressed, the tone in equity markets improved, and equity valuations recovered. This rebalanced the dynamic between buyers and sellers, but overall, investors were cautious in 2010. They looked closely at a company's balance sheet, how it fared through the ultimate

stress test of the recession and drilled down into whether the company was a unique asset or similar to companies that are already public. Once those requirements were met, deals got done, and traded very well in the aftermarket.

Ernst & Young: What are the main hurdles for companies trying to ready themselves for a public listing?

Chris Whitman: Corporates need to prepare thoroughly before exposing themselves to the scrutiny of public investors. Whatever the structure of the public listing, there are some key features corporations must have in place: financial reporting, a credible business plan, a suitable corporate and tax structure and transparent and appropriate corporate governance (including independent non-executive directors as well as audit and remuneration committees). The potential success of the IPO will also be determined by having a well-crafted equity story and relative valuation/leverage story, an experienced and well-regarded management team and a well-coordinated shareholder base that allows smooth execution at the time of the IPO.

Ernst & Young: In your experience, what are global investors looking for in a company?

Chris Whitman: Investors like to see companies with powerful long-term growth stories. Those aren't easy to find. For a given company, investors want the asset to be unique or have characteristics that aren't already represented in their portfolios. They want the asset to have been stress-tested by the recession and to have stood up well. Also, global investors want to see a model that's scalable. In other words, can earnings grow not just because the company is growing but also because margins are improving? Aftermarket liquidity is also important. Investors like vendors to retain skin in the game rather than "love them and leave them." They want the vendor to remain motivated for the asset to continue to perform.

"Investors like to see companies with powerful long-term growth stories. Those aren't easy to find."

Is your company thinking of an IPO?

When the IPO window of opportunity opens, winning companies are ready

While not all businesses are suited to life in the public eye, for many fast-growing private companies, an IPO can raise the capital needed to accelerate growth and achieve market leadership.

Here are some examples of how Ernst & Young can help you prepare for an IPO:

The Ernst & Young IPO Readiness Diagnostic:

- ▶ The IPO Readiness Diagnostic starts with a series of structured interviews with your management team across 12 business areas.
- ▶ We perform a detailed assessment of your readiness for the IPO journey.
- ▶ We give a detailed diagnostic report to you that identifies gaps, recommends actions and suggests timing.
- ▶ For more information, please contact your local Ernst & Young representative.

The Ernst & Young IPO Retreats:

- ▶ We host IPO retreats in over 30 key markets around the world, to provide attendees a complete run through of what is involved in taking a company public.
- ▶ It offers an unparalleled opportunity to test the waters without risking your business.
- ▶ To find out about an IPO retreat near you, please contact your local Ernst & Young representative.

The Ernst & Young *Guide to Going Public*:

- ▶ Our Ernst & Young *Guide to Going Public* is a 32-page report on the IPO value journey, including the top 10 IPO readiness steps for a pre-listed company, alternative capital-raising options and current public listing challenges.
- ▶ Our guide also offers the insights of over 300 institutional investors that we surveyed regarding the impact of uncertain markets on their IPO evaluations.
- ▶ To view the guide's executive summary or to download a complete PDF of the report, please go to: www.ey.com/guidetogoingpublic

China

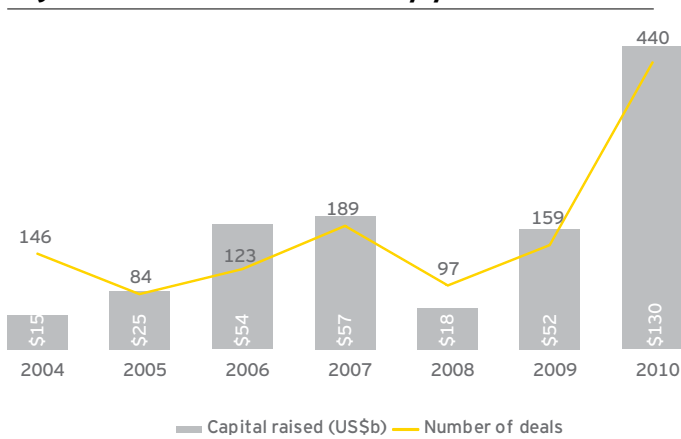
Greater China maintains its five-year leadership of global IPOs



Global portfolio investors continue to allocate an ever-increasing percentage of their total portfolio to China, a reflection of the growing importance of the China economy.

Key trends

- ▶ **In 2011, Greater China looks set to maintain its five-year leadership** of global IPO activity. Its robust pipeline contains small-and mid-sized enterprises in the consumer, infrastructure, clean technology and pharmaceutical sectors, as well as some large state-owned enterprises (SOEs). On the Hong Kong Stock Exchange, (HKEx), total fund-raising is expected to exceed US\$50 billion, and the HKEx will also continue to attract more cross-border listings, particularly natural resources companies. The Shenzhen Exchange also has a full pipeline, including many PE- and VC-backed IPOs, as local governments in China introduce policies to encourage quality enterprises to list locally. Finally, the Shanghai Stock Exchange International Board could possibly launch in 2011, providing an opportunity for A-share investors to buy into quality foreign company shares. Large multinational corporations are expected to be the first batch of companies listing on the International Board.
- ▶ **Global investor appetite for Chinese shares continues in 2011** spurred by China's strong economic fundamentals and market liquidity. Global portfolio investors continue to allocate an ever-increasing percentage of their total portfolio to China, a reflection of the growing importance of China's economy. Furthermore, gradual and continuous renminbi currency appreciation is expected, which will benefit Chinese companies with renminbi-denominated assets and operating cash flows.
- ▶ **Greater China's vibrant IPO markets reached record fund-raising levels**, accounting for 46% of global funds raised in 2010. Greater China's exchanges raised US\$129.8 billion in 440 deals, a huge 152% rise in total value from 2009. 2010 saw the world's largest IPO ever, the US\$22.1 billion Chinese IPO of Agricultural Bank of China, the last of China's big state-owned commercial banks to list. The second-largest Chinese IPO was the US\$20.5 billion listing of AIA, the Asian life insurance business spun off from the American International Group (AIG).
- ▶ **Financial, infrastructure and cleantech companies drove IPOs**, boosted by Government stimulus funding. China's financial sector raised record funds in 2010, with four mega-IPOs of financial and insurance companies in the global top 20. Industrials and materials companies, particularly in railway network expansion, mining and machinery, were also active. Both sectors benefited enormously from the US\$586 billion Chinese stimulus spending, dedicated mostly to extensive infrastructure and transportation projects. The technology sector, specifically cleantech, saw numerous Chinese solar and wind-power IPOs after the Government targeted US\$735 billion to boost the country's use of renewable-energy sources.
- ▶ **Hong Kong was the leading global stock exchange for funds raised** for the second year in a row. Profiting from attractive valuations and heavy trading volumes, HKEx raised US\$57.4 billion in 87 IPOs. As the only Chinese exchange fully open to foreign investors, HKEx has become a great platform for China-based companies with international ambitions, in part because of its access to global funds and its flexibility in subsequent fund-raising activities. Due to great demand for growth-stage companies, the Shenzhen Stock Exchange (SME Board and ChiNext) saw the most deals (321 IPOs).
- ▶ **Hong Kong began attracting foreign issuers seeking a foothold in China**, including the US\$2.2 billion IPO of the world's largest aluminum producer, Russia's RUSAL which listed on HKEx. At the same time, Chinese companies with primary listings on exchanges in Singapore, Frankfurt or New York are looking to relist in Hong Kong, drawn by its market liquidity.
- ▶ **Numerous fast-growth Chinese companies listed on US exchanges** (US\$4.1 billion, 41 IPOs). Eager to participate in the economic growth of China, US investors have shown strong appetite for Chinese listings on US exchanges, primarily early-stage, small-cap companies in fast growth sectors.

Figure 9: Greater China IPOs by year

“Foreign funds buying into the shares of Chinese companies is driving IPO activity in Greater China and we expect that trend and current IPO momentum will continue in 2011.”

*Terence Ho, Greater China IPO Leader,
Ernst & Young*

Figure 10: Key Greater China IPO statistics

	2008	2009	2010
Number of deals	97	159 (▲64% ¹)	440 (▲177% ²)
Capital raised (US\$)	\$17.5b	\$51.5b (▲194% ¹)	\$129.8b (▲152% ²)
Average deal size (US\$)	\$180.4m	\$324.1m	\$295.1m
Top five sectors (number of deals)	Materials (26) Industrials (24) Consumer staples (8) Retail (8) High technology (7)	Industrials (34) Materials (22) Consumer staples (19) High technology (18) Consumer products (15)	Industrials (103) Materials (97) High technology (70) Consumer staples (44) Health care (28)
Top five sectors (capital raised)	Industrials (\$8.8b) Materials (\$3.0b) Consumer staples (\$1.8b) Retail (\$1.0b) Energy (\$0.8b)	Industrials (\$19.7b) Materials (\$5.4b) Real estate (\$5.2b) Media & entertainment (\$4.8b) Energy (\$3.5b)	Financials (\$51.1b) Industrials (\$20.1b) Materials (\$18.5b) High technology (\$10.6b) Health care (\$6.1b)
Stock exchanges: Hong Kong Shanghai Shenzhen – SME Shenzhen – ChiNext (number of deals, capital raised)	24 deals, \$4.8b 3 deals, \$8.5b 69 deals, \$4.1b N/A	56 deals, \$21.9b 8 deals, \$20.4b 54 deals, \$6.2b 36 deals, \$3.0b	87 deals, \$57.4b 26 deals, \$27.9b 205 deals, \$30.2b 116 deals, \$14.1b

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

Figure 11: 2010 top five Greater China IPOs by capital raised

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$b)	Exchange (s)
Jul	Agricultural Bank of China Ltd	China	Financials	Commercial Bank	22.1	Hong Kong, Shanghai
Oct	AIA Group Ltd	Hong Kong	Financials	Insurance and financial services provider	20.5	Hong Kong
Aug	China Everbright Bank Co Ltd	China	Financials	Commercial Bank	3.2	Shanghai
Feb	Huatai Securities Co Ltd	China	Financials	Provider of securities brokerage services	2.3	Shanghai
Jan	United Co RUSAL Ltd	Russian Federation	Materials	World's largest producer of aluminium	2.2	Hong Kong, Euronext

Based on IPO activity on Greater China exchanges (Hong Kong, Shanghai, Shenzhen – SME and Shenzhen – ChiNext)

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Interview: Daniel Ng

Managing Director, Vice Chairman, Investment Banking,
Bank of China International, Hong Kong



Ernst & Young: What's your outlook for 2011 IPO markets in China and Hong Kong?

Daniel Ng: the IPO market for Hong Kong in 2011 should be not only very strong but also diversified. In addition to the mining, consumer, infrastructure, cleantech and pharmaceutical sectors in China, there would be growing interests from companies around the world in seeking a listing on the Hong Kong Stock Exchange.

Infrastructure was a key theme of 2010, and this will continue in 2011. We're seeing activities in mining, machinery and transportation, and we are participating in a number of these IPOs. We think the infrastructure and consumer-related plays will be very strong for 2011.

One trend that I feel is very important for 2011 is renminbi fund-raising and the concerted effort to make Hong Kong the renminbi offshore center for China. In Hong Kong, renminbi deposits have been growing very rapidly and are now approximately RMB300 billion (\$45.7 billion). People want to tap into this capital, which is not earning much sitting in the banks. Renminbi bonds and other products are already available, and in 2011, we may see the first renminbi IPO in Hong Kong.

Ernst & Young: What did you think were the key drivers in the 2010 IPO markets in China and Hong Kong?

Daniel Ng: In 2010, we saw some very big capital raisings in Hong Kong, led by the financial sector. The Hong Kong Stock Exchange saw big IPOs by AIA – an AIG spinoff – and the Agricultural Bank of China. These were in addition to rights issues by three of the biggest banks in China (including our parent company, Bank of China).

We also saw IPOs from a variety of companies, especially pharmaceuticals, consumer and infrastructure-related companies. Consumer IPOs received a strong response in the Hong Kong market. Investors still like the consumer story in China. It's easy to see why: you have a huge market, with strong domestic growth encouraged by the Government.

Ernst & Young: Many formerly state-owned enterprises (SOEs) have now listed. Will we see a trend toward smaller IPOs?

Daniel Ng: I think we will see fewer mega-IPOs. But there will still be some very strong and solid SOEs that will be preparing for the public markets. We could see some of them eventually restructuring and perhaps spinning off businesses, and they can be significant in size. In terms of the mid- to smaller-sized companies, we have already seen an increasing number of them. So, yes, the mix is changing somewhat.

Ernst & Young: What are investors most concerned about regarding Chinese Government regulation and policy?

Daniel Ng: I think investors are mostly concerned about how the Government responds to macro issues. The main concern is inflation. Will addressing European debt spur inflation in Europe and beyond? Will events in Egypt and neighboring countries impact commodity prices? These possibilities cause concern about rising interest rates globally, whether there are additional policy measures designed to cool housing prices in PRC.

Ernst & Young: How much is the Chinese Government stimulus plan still driving the IPO markets?

Daniel Ng: At this point, we will see some rationalization or consolidation of industries. There has been quite a bit already in the mining sector. But I think stimulus money will continue to be employed in the transportation and infrastructure sectors, both because of extensive projects that are already ongoing and because China still needs a lot of infrastructure. The government is also providing stimulus to clean energy companies. So companies in all of these sectors undertaking IPOs should benefit.

Ernst & Young: International companies have been relisting in Hong Kong. Do you think this new trend will continue this year?

Daniel Ng: Yes, I think it will. We're seeing companies in particular from Europe, Australia and Canada showing interest in coming to Hong Kong to raise capital – especially companies in commodities and in the consumer sectors.

For these companies to succeed, I think they need to be a recognized brand globally, with room for that brand to grow in the Asian region. They also need to convince potential investors that the company will benefit from China's or Asia's growth.

Ernst & Young: In preparing for an IPO, what do you think prelisted companies should be focused on the most?

Daniel Ng: Preparing to go public entails significant work and resources. It requires management's focus and commitment. There are considerations such as corporate governance structure, competition and qualifications of the board of directors, etc. Also the investment story has to be right: not only the question of whether you are in a growth area, but also why your company needs to go public in order to grow strong.

"Your investment story has to be right: not only the question of whether your company is in a growth sector, but also why your company needs to go public in order to grow."

Interview: Fang Fang

Managing Director, Vice Chairman, Asia, Investment Banking,
J.P. Morgan Chase, Hong Kong



Ernst & Young: What is your outlook for Greater China's IPO markets in 2011?

Fang Fang: I see a very strong pipeline. Our business is very volatile, with low visibility and at the mercy of the global market environment. However, we do see a lot of private enterprises from China coming to Hong Kong or going to New York for listing. We have also seen large A-share companies that are already listed domestically in Shanghai or Shenzhen coming to Hong Kong for secondary follow-up listings.

Companies seeking follow-up listings have all sorts of reasons why they come to Hong Kong. A company may want a listing on an international exchange so it has access to foreign currency and to have a stock that international investors can trade. They may have international expansion ambitions or offshore investment programs or cross-border M&A needs or may want to expand their brand into the international market.

With continued strong economic growth, success will be broad-based. The consumer sector will do well, as will technology companies, in e-commerce, internet, media. We will also see metals and mineral materials do well.

Ernst & Young: What do you anticipate for 2011 in terms of the Chinese stock exchanges – do you expect Hong Kong will continue to see the most listing activity?

Fang Fang: I think ChiNext was the biggest event in the Chinese IPO market in 2010, and in 2011 it will continue to flourish. It has been a phenomenal success. It made Shenzhen the number one IPO market in the world in 2010 in terms of number of new listings.

I see many companies coming to Hong Kong as well as going to the US. In 2010, I was told more than 20% of the total number of IPOs that happened in the US came from the Chinese region. In 2011, I see even more Chinese companies going to the US for listing. However, Hong Kong will continue to be the main listing venue for the majority of Chinese companies who are seeking an offshore listing. But there will be companies that prefer the US, mainly because it has more companies with business models comparable to theirs.

Ernst & Young: Could you comment on the broader Asian IPO markets and the IPO activity in the Southeast Asian "tiger economies"?

Fang Fang: We are seeing an increase in deal activity from Southeast Asia and the greater China region, which are the two primary sources of deals. Activity in the smaller countries will continue to benefit from a broad-based recovery in Asia. The companies in Indonesia were resources-driven, and they will benefit from China's thirst for energy and mineral commodities as well as the broad-based recovery. Companies in Singapore and especially Malaysia will prosper. Asian countries learned lessons from the 1997 financial crisis that have helped financial institutions hold up OK this time around. This has driven capital sustainability and investor confidence.

Ernst & Young: What were the key drivers of Chinese IPO activity in 2010?

Fang Fang: There were two main driving forces. On the capital demand side, a lot of Chinese companies have grown very fast. They are also optimistic about future growth and investment opportunities, and that has prompted them to access capital markets via IPO.

The other driving force was on the capital supply side. Investors around the globe have been very receptive to the China growth stories, translating into quite attractive valuations that entice even more Chinese companies to seek offshore IPO fund-raising.

We had two gigantic IPOs in 2010, ABC and AIA, but I would say those are outliers. Other than these two, the remaining top 10 deals from China were all basically domestically oriented IPOs – in construction machinery, shipbuilding, renewable energy, pharmaceutical, luxury retail. Going forward, I believe we will continue to see some very sizeable IPOs – US\$1 billion plus – both from state-owned enterprises and the private sector.

Another trend we're seeing is strong mid cap companies that come to Hong Kong to list because they want to access offshore capital markets – for ownership reasons, international ambitions, or for the prestige.

Companies that are positioned to take advantage of the Chinese population's increasing disposable income did well such as those in the consumer sector, food and beverage, high-end retail, luxury goods, property.

The second theme playing well with investors is businesses in the growing cleantech and environmental areas, such as renewable energy, solar, wind power, recycling, environmental protection.

Ernst & Young: After being quite inflated earlier, Chinese valuations have dropped in recent quarters, down about 30%. How realistic are valuations now?

Fang Fang: Yes, 2010 was a very volatile year in terms of IPO markets. For instance, Hong Kong had 94 successful IPOs. But there were also 16 Chinese IPOs that failed – registered deals called off either during or after the investor road show. That's quite a high failure rate.

It's not a boom market per se, but a volatile market, so 2010-11 valuations were not boom market valuations. Obviously valuations depend on companies' growth profiles, and I think we're seeing reasonable valuations, not outrageous ones like those of 2007.

Ernst & Young: What are the top three questions you hear from your clients, and what is your response?

Fang Fang: For clients seeking IPOs, valuation is still number one. Can I get a fair value for my company? We answer this by giving our clients a fair assessment of the company's value, and also by educating them about how investors will value the company – we look at discounted cash flow models, comparable analyses, fundamental research.

Number two would be timing. We always tell them that there will never be a perfect time to go public. It does depend on market conditions. But it also depends a lot on your growth plan and opportunities, on your own development and when you need the money, when you need to become a listed company or to consolidate your industry. Our advice has always been to get your company ready first, then decide whether you launch now or later.

The third question we often hear is about listing venue. Do I do A-share domestically or in Hong Kong? It's always a discussion topic.

"Our advice has always been to get your company ready first, then decide whether you launch now or later."

India

Healthy corporate outlook and government initiatives fuel IPOs

Key trends

- ▶ **In 2011, India's IPO markets will be strong**, driven by an 8% GDP growth rate, healthy corporate earnings and steady growth in corporate profits. More than 100 Indian companies are expected to raise resources via IPOs and follow-on offerings.
- ▶ **India saw a dramatic recovery in its IPO markets in 2010.** This revival has been a domestic consumption led-growth story, driven by an influx of capital from Western economies and a booming local stock market. India saw a growth of 215% in the number of IPOs compared to 2009.
- ▶ **2010 saw a string of IPOs and follow-on offerings** from many previously state-owned enterprises in the materials sector such as steel, oil and gas – all of which helped the Indian Government raise funds to build roads, ports and power plants. This materials sector activity stems from India's US\$10 billion divestment program that spawned the largest IPO in India ever, the listing of the world's largest coal producer, US\$3.4 billion Coal India, a former state-owned enterprise.
- ▶ **Driving industrial IPO activity is India's investment plan** to modernize its infrastructure worth US\$1 trillion. This program has led to many new listings in the energy and power, natural resources, building and construction sectors, in particular.

"In a domestic-consumption led growth story, India will continue its dramatic recovery in 2011 with over 100 listings IPOs and follow-on offerings expected."

R. Balachander, India IPO Leader,
Ernst & Young

Figure 12: India IPO activity by year

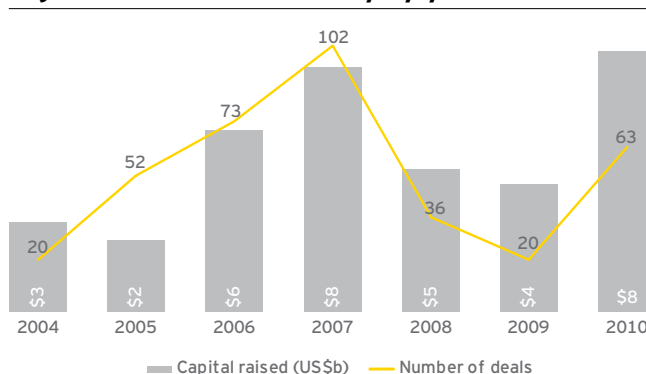


Figure 13: Key India IPO statistics

	2008	2009	2010
Number of deals	36	20 (▼44% ¹)	63 (▲215% ²)
Capital raised (US\$)	\$4.5b	\$4.1b (▼10% ¹)	\$8.3b (▲105% ²)
Average deal size (US\$)	\$125.7m	\$203.4m	\$132.5m
Top 2 sectors (number of deals)	Industrials (12) Materials (8)	Energy (5) Media & entertainment (3)	Industrials (17) Materials (11)
Top 2 sectors (capital raised)	Energy (\$3.6b) Industrials (\$0.5b)	Energy (\$3.4b) Media & entertainment (\$0.2b)	Materials (\$3.9b) Industrials (\$1.7b)
Bombay & National Stock Exchanges ³ : (number of deals, capital raised)	36 deals, \$4.5b	20 deals, \$4.1b	63 deals, \$8.3b

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

³Most IPOs by Indian issuers are dual-listed on Bombay and National Stock Exchanges

Figure 14: 2010 top 3 India IPOs by capital raised

Issue month	Issuer name	Sector	Issuer business description	Capital raised (US\$m)	Exchange(s)
Oct	Coal India Ltd	Material	Coal mining company	3,439	Bombay, National
May	Jaypee Infratech Ltd	Industrials	Highway constructor	511	Bombay, National
Aug	SKS Microfinance Ltd	Financials	Microfinance loan provider	353	Bombay, National

Based on IPO activity on Indian exchanges

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Japan

Mega IPOs revive sluggish markets

Key trends

- In 2010, Japan's IPO market conditions improved** with proceeds of US\$14.6 billion in 22 IPOs, buoyed by an upswing in the Japanese stock market. Japan's IPO fundraising rose 2,406% from 2009 (US\$583 million). However, total proceeds are still 21% less than Japan's most recent IPO peak in 2006. Even so, among all countries in 2010, Japan raised the fourth highest global proceeds, representing 5% of total global funds raised (compared with a 10-year average of 6%).
- Two high-profile listings in Tokyo dominated** and accounted for most of the 2010 activity. The 2010 demutualization of Japanese life insurance company Dai-ichi represented 76% of Japanese IPO volume. Raising US\$11.1 billion, the Dai-ichi Life Insurance listing was the largest IPO in Japan since the US\$18.4 billion listing of NTT Mobile Communications Network in 1998. The second largest IPO in Japan was the US\$2.8 billion listing of major drug and food maker Otsuka Holdings Co. Global institutional investors have been wary of Japanese IPOs due to the country's lackluster economic growth, the absence of new companies, the lack of a VC market to help start-up companies grow, small listing sizes and high volatility in the small-cap market.

"With an upswing in the Japanese stock market, conditions improved for the country's IPO markets."

*Tomofumi Watanabe, IPO Leader
Ernst & Young, Japan*

Figure 15: Japan IPO activity by year

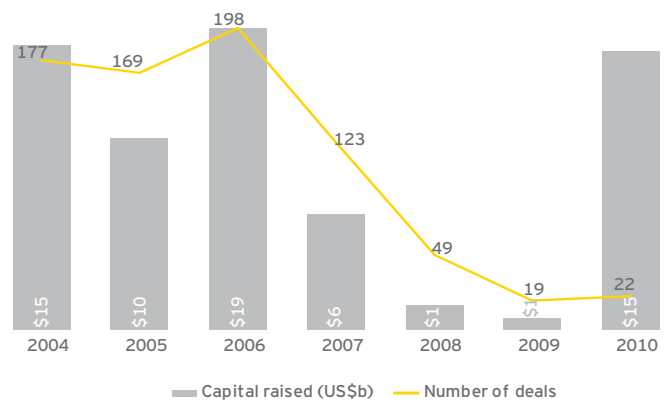


Figure 16: Key Japan IPO statistics

	2008	2009	2010
Number of deals	49	19 (▼61% ¹)	22 (▲16% ²)
Capital raised (US\$)	\$1.3b	\$583m (▼54% ¹)	\$14.6b (▲2406% ²)
Average deal size (US\$)	\$25.9m	\$30.7m	\$663.8m
Top 2 sectors (number of deals)	Consumer products ³ (11) Technology (11)	Health care (5) Industrials (3)	Consumer products ³ (6) Technology (6)
Top 2 sectors (capital raised)	Financials (\$513m) Real estate (\$279m)	Industrials (\$125m) Energy (\$87m)	Financials (\$11.2b) Health care (\$2.4b)
Tokyo Stock Exchange – TSE	8 deals, \$398m	6 deals, \$241m	6 deals, \$14.3b
JASDAQ	19 deals, \$619m	8 deals, \$200m	10 deals, \$161m
MOTHERS	12 deals, \$211m	4 deals, \$133m	6 deals, \$175m
(number of deals, capital raised)			

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

³Consumer products include consumer services

Figure 17: 2010 top 5 Japan IPOs by capital raised

Issue month	Issuer name	Sector	Issuer business description	Capital raised (US\$m)	Exchange(s)
Mar	Dai-ichi Life Insurance Co Ltd	Financials	Life insurance provider	11,141	Tokyo
Dec	Otsuka Holdings Co Ltd	Health care	Holding company for pharmaceutical subsidiaries	2,290	Tokyo
Dec	Pola Orbis Holdings Inc	Retail	Holding company for cosmetics products manufacturer	408	Tokyo

Based on IPO activity on Japanese exchanges

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

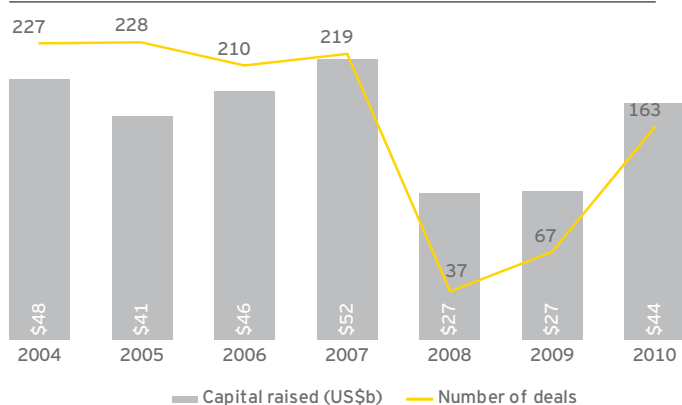
United States

Fast growth companies and financial sponsors propel IPOs

Key trends

- ▶ **Pent-up demand for capital by fast-growth companies is still driving US IPOs** in 2011, including many PE- or VC-backed companies or small cap China-based listings. More high-profile deals worth over US\$1 billion are also expected, including the US\$4.3 billion PE-backed hospital chain HCA Holdings, the world's biggest LBO. In addition, some companies backed by funds from the US government's Troubled Asset Relief Program (TARP) are looking to go public and use IPO proceeds to repay TARP loans.
- ▶ **The growing US backlog contained 150 companies** at the end of January 2011, slated to raise around US\$40 billion. The top sectors include technology, real estate (particularly REITS) and health care (e.g., pharmaceuticals and medical devices). The trend of financial-sponsored offerings is likely to continue as well; the 2011 listing of energy company, Kinder Morgan, worth US\$3.3 billion was the largest PE-backed IPO ever seen so far in the US. As markets grow more receptive, the average US deal is taking about three months to progress from registration to IPO.
- ▶ **2010 saw the highest yearly fundraising on US exchanges since 2007** as the US emerged from the recession (US\$43.5 billion in 163 IPOs). About 40% of the 2010 amount, however, came from the second-largest IPO in US history – the US\$18.1 billion listing of automobile manufacturer General Motors (GM) on the NYSE and Toronto. The US raised just 15% of global proceeds, a 60% increase in value from the same period in 2009 but well below its past 10 year average levels of 28%.
- ▶ **The fourth quarter of 2010 achieved the highest US quarterly total since Q4 1999** (US\$27.4 billion in 57 deals) making up 63% of the 2010 total. The first three quarters of 2010 market uncertainties contributed to intense pricing pressure, many withdrawals and primarily smaller transactions. Without the GM deal, the average yearly deal size was US\$157 million. Indeed, it was not until Q4 that the US IPO market began its resurgence with larger brand-name offerings.
- ▶ **Many smaller US IPOs achieved strong first-day performance**, delivering a 10% average first-day return. Of the 142 IPO deals with funds raised above US\$50 million, 48% priced within range, 14% priced above range and 38% priced below their initial filing range. The best performing US stock debut came from Youku.com, a Chinese internet video site that closed its first day up over 160%.
- ▶ **The US industrial and high-tech sector IPOs drew headlines.** Due to the GM IPO and those of other transportation and infrastructure companies, the industrial sector dominated the market (US\$22.0 billion, 17 IPOs). A flurry of 35 small high-tech companies raised US\$4.9 billion, which, with their potentially high returns, suggested a return of US investors' risk appetite.
- ▶ **US PE- and VC-backed IPOs accounted for more than two-thirds of all US deals**, reflecting the eagerness of financial sponsors to monetize investments made earlier in the decade. PE-backed IPOs made up 35% of the total US IPO capital raised (84 deals worth US\$15.2 billion), representing the second-highest proportion for PE on record. Recovering from their 2008-09 doldrums, VC exits also returned, with 61 VC-backed IPOs worth US\$6.7 billion. About 33% of VC-backed IPO fundraising came from Chinese start-up companies.
- ▶ **US exchanges saw numerous Chinese listings.** US investors eagerly sought higher returns from emerging market companies. Out of 54 cross-border listings on US exchanges, 41 were China-based companies, mostly early-stage, fast-growth, small-cap companies (US\$4.1 billion in 41 deals).
- ▶ **In 2010, US secondary markets raised US\$169.2 billion**, particularly as financial sponsors sought further returns following their public offerings. Although 2010 raised less than the record amount (US\$230.6 billion) raised in 2009, 2011 looks set to be an active year for follow-on offerings, especially as the U.S. Treasury is likely to continue to sell off much of its remaining stake in GM, which will be among the largest US share sales.

US PE- and VC- backed IPOs accounted for more than two-thirds of all US deals, reflecting the eagerness of financial sponsors to monetize investments made earlier in the decade.

Figure 18: US IPO activity by year

“The US IPO markets continue to pick up with larger, more high-profile deals expected, amidst an improving economic environment and stronger corporate earnings.”

*Jacqueline Kelley, US IPO Leader,
Ernst & Young*

Figure 19: Key US IPO statistics

	2008	2009	2010
Number of deals	37	67 (▲81% ¹)	163 (▲143% ²)
Capital raised (US\$)	\$26.8b	\$27.3b (▲2% ¹)	\$43.5b (▲60% ²)
Average deal size (US\$)	\$724.9m ³	\$406.9m	\$267.1m
PE-backed IPOs (number of deals, capital raised)	8 deals, \$2.5b	28 deals, \$9.0b	84 deals, \$15.2b
Top sectors (number of deals)	Energy (8) Financials (5) Health care (5) Industrials (5) High technology (4)	High technology (12) Health care (9) Real estate (9) Industrials (8) Financials (5)	High technology (35) Health care (21) Financials (20) Industrials (17) Energy (14)
Top sectors (capital raised)	Financials (\$20.0b) Energy (\$2.7b) Materials (\$1.3b) Industrials (\$0.8b) High technology (\$0.6b)	Financials (\$10.5b) High technology (\$3.2b) Real estate (\$2.9b) Health care (\$2.2b) Energy (\$1.4b)	Industrials (\$22.0b) High technology (\$4.9b) Financials (\$4.1b) Energy (\$3.5b) Real estate (\$2.0b)
Stock exchanges: NYSE NASDAQ AMEX (number of deals, capital raised)	17 deals, \$25.1b ¹ 18 deals, \$1.7b 1 deal, \$3m	35 deals, \$19.1b 30 deals, \$8.1b 1 deal, \$2m	82 deals, \$34.7b 76 deals, \$8.7b 5 deals, \$94.5m

¹Percentage change from 2008 and 2009

²Percentage change from 2009 and 2010

³Includes Visa's \$19.7b IPO (largest US IPO ever). The average deal size excluding Visa is US\$199.2 million

Figure 20: 2010 top 5 US IPOs by capital raised

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$m)	Exchange (s)
Nov	General Motors Co	US	Industrials	Automobile manufacturer	18,140	New York, Toronto
Dec	Swift Transportation Co	US	Industrials	Transportation services company; operator of tractor-trailers	873	New York
Jun	Oasis Petroleum Inc	US	Energy and Power	Oil and natural gas exploration and production company	676	New York
Jul	SMART Technologies Inc	Canada	High Technology	Manufacturer of interactive whiteboards	660	Nasdaq, Toronto
Mar	Sensata Technologies Holding BV	US	Industrials	Developer, manufacturer and seller of sensors and controls	654	New York

Based on IPO activity on US exchanges (NYSE, NASDAQ and AMEX)

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Interview: Frank Maturo

*Managing Director, Head of Americas Equity Capital Markets,
Bank of America Merrill Lynch, New York*



Ernst & Young: What is your outlook for US IPO markets in 2011, and what did you see as the key trends in 2010?

Frank Maturo: Going into 2011, we're clearly in a better economic and equity environment. We may end up with about the same number of transactions as in 2010, but we believe we will see bigger, higher profile deals. Recently Nielsen launched, as well as Bank United, and other large IPOs are eventually moving into the market.

The environment for much of the year, especially from April to Labor Day, was very difficult. We saw substantial fund flows out of equities and into bonds. This really took a toll because the IPO market gets oxygen from inflows into the equity mutual funds. As a result, there were a lot of smaller transactions. Even though IPO volume picked up last year, large, high-profile offerings didn't come to market until the fourth quarter of 2010.

But in the fall of 2010, funds started coming back into equities, which breathed life into the IPO market. Overall for the year there were more transactions than in 2009: 144 as opposed to 58. But many of these were small – small tech, biotech, health care – until the fall, when we finally started to see some of the higher profile brand name IPOs, like GM, Booz Allen, LPL Financial and Swift Transportation. There were also a number of withdrawals during that period, but many deals came at a significant discount last year.

Ernst & Young: What's your perspective on Latin America's IPO markets in 2010 and 2011?

Frank Maturo: It's very active in Latin American public markets. These environments are increasingly stable. Company reporting and governance are cleaner, and investors are taking advantage of it. Latin America picked up in 2010, and we see that continuing in 2011.

Brazil is certainly very active. In 2010, you had the largest follow-on deal ever done, which was Petrobras, the second largest energy company in the world, reflecting the focus of investors on Brazilian growth opportunities. With the existing investors adding on the transaction it was a \$70 billion deal. Even if you take out the shareholders rights offering part of the deal, it still was over a \$20 billion equity offering globally.

Mexico, Chile and Argentina are three other countries where we expect to see

some equity activity, particularly in their strong commodity sectors, such as metals and mining. With the commodity markets, growth is being fueled now by the BRIC countries, especially China, but as economic activity picks up globally, demand will likely be more broad-based. During the recession, mines and plants closed, so commodity supplies fell. Now as demand continues to rise, so should commodity prices and the potential value of commodity-sector IPOs.

Ernst & Young: Although US financial sponsor-backed IPOs made up the majority of IPOs in 2010, why were they not always well-received?

Frank Maturo: The PE-backed deals, especially in the first half of the year, were over-leveraged, so that was one reason for the valuation pushback we saw. But there were also a lot of external risks to the companies themselves, which weighed on investors' minds – a double-dip recession, Eurozone debt, US financial stocks, tax changes, health care changes. These concerns caused investors to seek even lower valuations, and the PE firms opted to not proceed.

But now, most of those general anxieties are behind us. And companies in the pipeline are the lean ones that have taken advantage of low interest rates and improved their debt situations; they're less leveraged and have more cash. So private equity deals at this point should be much better received. These companies' cash situation and operating leverage have improved dramatically. Costs have come down, cash flow and EBITDA have increased, leverages have naturally come down over the course of the past year, so they have gotten their debt to a more realistic level.

Now on the VC side, last year investors were looking for growth, for companies that would give them outperformance, and we believe for that reason those deals were slightly better received. As things pick up for both VC and PE, we believe VCs will continue to do better for the same reason. With all of the young technology companies, including cleantech and biotech, with potentially high returns, small growth plays should attract investors. In the fourth quarter, with the inflows of money that then came into the equity mutual funds you started to see the IPO performance improve. The deals did better, getting price within the range and performance being better.

I would say it only happened in the last three or four months of the 2010.

Ernst & Young: What is your outlook for US technology IPOs, which are currently very active in tapping the public markets?

Frank Maturo: It's been a long time since venture capital companies that are invested in technology start-ups have been able to monetize. We do think higher profile technology deals are going to be a very big IPO driver this year and into the first half of 2012, and that we will see these sorts of high-profile deals. Not only social networking, but also more broadly in tech and telecom. The move from 3G to 4G on the wireless side, will allow more data movement and generate more technology possibilities. These companies will grow fast and need capital quickly.

Ernst & Young: What's behind the record number of China-based companies listing in the US, and do you see this trend continuing?

Frank Maturo: The fourth quarter saw a wave of about 35 China growth-oriented company IPOs that generated a lot of IPO activity and a lot of buzz. There was either feast or famine on some of the China deals. Many were small in size again (about \$100 million – 250 million) but they outperformed dramatically which had again skewed the overall performance of IPOs. While many of the Chinese companies were very successful, others didn't perform up to expectations. Given the growth characteristics, and the high level of investor interest in China, we will continue to see a lot of Chinese companies launching successful IPOs in the US.

Ernst & Young: What three questions do your prelisted clients asks you the most?

Frank Maturo: The biggest question is about timing. Is my company fundamentally ready to go public? We advise clients to focus on the company itself, because this is so important to investors. Are you showing a couple of quarters of good growth? Is the company too leveraged, and how will the balance sheet look to investors in the current market? Then the second question would clearly be valuation. What are the comparable companies that people are going to compare us with on a valuation basis? If there is a third question, it is basically of how we should tell our story. How should we position ourselves in the marketplace? What are the key themes that we should focus on to excite or interest investors?

Brazil

Commodities and consumer demand spur more listings

Key trends

- In 2011, Brazil expects a surge of about 30 new listings** with an average deal size of US\$500 million, despite rising inflation. An anticipated 5% GDP growth rate continues to fuel foreign capital inflows. Domestic-oriented sectors (e.g., real estate, consumer products, clean tech) will predominate in 2011, driven by the high domestic consumption levels of Brazil's lower and middle classes. Numerous infrastructure listings will be spurred by the Government's US\$344 billion infrastructure investment plan and other initiatives.
- In 2010, Brazilian IPOs raised US\$6.4 billion in 11 deals.** Total proceeds made up 2% of total global volume, although still far below Brazil's peak year of 2007 (when 63 companies raised US\$27.6 billion). In 2010, the industrial and energy sectors were the most active, including the largest IPO in Brazil – the US\$1.5 billion listing of oil and natural gas company HRT Participacoes em Petroleo, which capitalized on the recent discovery of huge oil reserves in Brazil. Other top Brazilian IPOs reflected the continuing emerging market demand for Brazil's raw materials. The Brazilian oil company, Petrobras launched a US\$70.1 billion follow-on offering, the largest equity capital markets deal ever seen.

“Brazil expects a surge of new listings in domestic-oriented sectors, driven by high domestic consumption levels.”

Paulo Sergio Dortas, IPO Leader,
Ernst & Young, Brazil

Figure 21: Brazil IPO activity by year

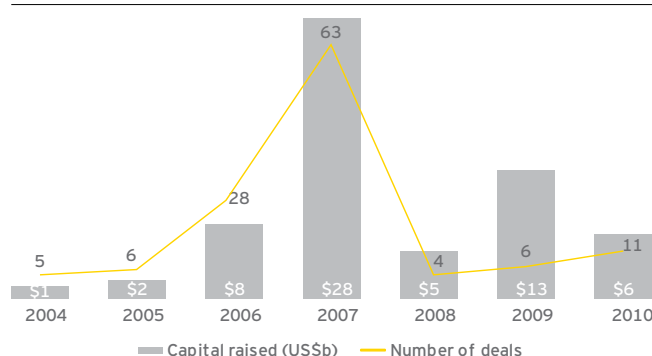


Figure 22: Key Brazil IPO statistics

	2008	2009	2010
Number of deals	4	6 (▲50% ¹)	11 (▲83% ²)
Capital raised (US\$)	\$4.6b	\$13.1b ³ (▲185% ¹)	\$6.4b (▼51% ²)
Average deal size (US\$)	\$1.1b	\$2.2b	\$581m
Top 3 sectors (number of deals)	Consumer staples (2) Energy (1) Materials (1)	Financials (3) Health care (1) High technology (1)	Industrials (4) Energy (2) Real estate (2)
Top 3 sectors (capital raised)	Energy (\$4.1b) Consumer staples (\$0.5b) Materials (\$12m)	Financials (\$12.2b) Health care (\$0.4b) High technology (\$0.3b)	Industrials (\$2.8b) Energy & power (\$1.6b) Real estate (\$0.9b)
Stock exchange: Sao Paulo (number of deals, capital raised)	4 deals, \$4.6b	6 deals, \$13.1b ²	11 deals, \$6.4b

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

³Includes 2009's largest IPO, Banco Santander Brasil's \$7.5b listing on both NYSE and Bovespa

Figure 23: 2010 top 5 Brazil IPOs by capital raised

Issue month	Issuer name	Sector	Issuer business description	Capital raised (US\$m)	Exchange (s)
Oct	HRT Participacoes em Petroleo SA	Energy	Oil and natural gas exploration and production company	1,479	Sao Paulo
Mar	OSX Brasil SA	Industrials	Provider of shipbuilding, offshore rig building and other services and equipment to oil and gas industry	1,388	Sao Paulo
Mar	EcoRodovias Infraestrutura e Logística SA	Industrials	Operator of toll roads	755	Sao Paulo
Mar	BR Properties SA	Real estate	Real estate company, focus on acquisition and management of properties	523	Sao Paulo
Apr	Mills Estruturas e Servicos de Engenharia SA	Industrials	Provider of scaffolding and concrete forms	390	Sao Paulo

Based on IPO activity on Sao Paulo Stock Exchange

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Europe

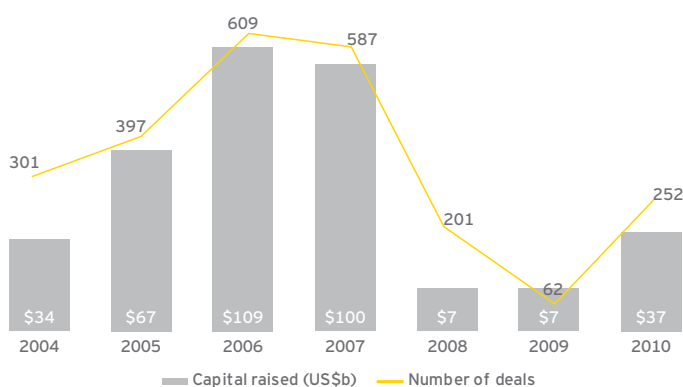
Fragile IPO markets recuperate, buoyed by emerging markets



The prevailing view is that downside macroeconomic risks for the European markets have already been priced into the markets, and European investors now appear to put money into equity.

Key trends

- ▶ **Europe's 2011 IPO markets are expected to improve**, although still in a fragile state of recovery. Key drivers of 2011 European IPO markets will include further cross-border LSE listings, particularly in energy, mining and metals sectors, bank and corporate spin-offs, and East European privatizations as Polish, Czech Republic, and Russian governments seek to finance their fiscal deficits. European investors now appear keen to put money into equity. The prevailing view is that downside macroeconomic risks for the European market have already been priced into the markets, although the sovereign debt crisis could provoke further market volatility in 2011.
- ▶ **The 2011 pipeline of potential IPO candidates is quite strong** in the UK, Germany and Russia. In the UK, spinouts from banks both in the UK and overseas could lead to some of the largest IPOs. The LSE Main market will also launch cross-border listings from emerging market-facing companies with businesses in the BRICs, Kazakhstan, Latin America and Africa. With short-term commodity prices remaining robust, more mining, oil and gas companies will also list. Germany's IPO markets are expected to pick up, with approximately 20 small cap IPOs in diverse industries expected to list on the less-regulated "Entry Standard" segment of the Deutsche Borse. In Russia, after a severe economic contraction in 2008-09, the country's budding capital market revival, surging oil prices and state privatizations may also lead to a return in listings, especially on the LSE.
- ▶ **In 2010, European IPOs began to revive**, and achieved their highest volume since 2007 (US\$36.7 billion in 252 deals). In 1H 2010, continued market dislocation and sovereign debt crisis resulted in numerous withdrawals, postponements and highly discounted pricing. However, gradually in 2H 2010, European investors regained their risk appetite, buoyed by improving returns, a supportive interest rate environment and higher fund inflows into equities. Q4 saw a large surge in IPOs combined with strong aftermarket performance. Even so, while 2010 volumes represented a 395% rise from 2009, European IPO fundraising remained far below the pre-crisis IPO levels in 2007 (US\$100.4 billion). Europe accounted for just 13% of global capital raised, far less than the 10-year average of 25%.
- ▶ **Market volatility led to discounted valuations** and pricing pressure in 2010. By the end of the year, the average 1 week aftermarket increase for \$100 million-plus listings in European exchanges stood at 4.47% for the year, while the FTSE 100 rose about 8.5% in the same period.
- ▶ **In Europe, the UK and Polish exchanges led IPO markets.** The UK led in funds raised (US\$8.9 billion) while Polish exchanges saw the most deals (95 deals), including the US\$2.7 billion privatization of Poland's largest insurance company, PZU SA in Warsaw. Europe's largest IPO in 2010 was the US\$3.4 billion listing of an Italian spin-off, renewable energy company Enel Green Power SpA in Milan.
- ▶ **Europe's energy and power sector raised the most capital** (23%), followed by the materials sector, (which includes metals, mining and chemicals companies). Both sectors' activity was driven by demand from emerging markets for commodities and growing consumption of energy and power.
- ▶ **European IPO exits by PE funds were fueled by healthy aftermarket returns.** 2010 saw 18 PE-backed IPOs worth a total of US\$9.5 billion. Accounting for just 12% of all the sponsored IPOs in 2010 European PE-backed IPOs represented 27% of the total proceeds raised and took four of the top five spots among the largest PE IPOs globally. The US\$2.1 billion listing of Danish jewellery maker Pandora A/S was the largest global PE-backed deal of the year.
- ▶ **In 2010, European secondary fund-raisings were well-received** (US\$ 146.8 billion, 1,025 follow-on deals). Rights offerings (US\$63.8 billion, 219 deals), were seen as an effective way to deleverage including Deutsche Bank's US\$14.0 billion rights issue on Deutsche Borse.

Figure 24: European IPO activity by year

"The global IPO pipeline is robust, and we expect an even stronger recovery in 2011, driven by many postponed offerings, state privatizations and the desire to benefit from strong commodity prices."

Michael Lynch-Bell, UK IPO Services Leader,
Ernst & Young

Figure 25: Key Europe IPO statistics

	2008	2009	2010
Number of deals	201	62 (▼69% ¹)	252 (▲306% ²)
Capital raised (US\$)	\$16.8b	\$7.4b (▼56% ¹)	\$36.7b (▲395% ²)
Average deal size (US\$)	\$83.4m	\$119.4m	\$147.2m
PE-backed IPOs (number of deals, capital raised)	3 deals, \$3.4b	3 deals, \$0.8b	18 deals, \$9.5b
Top 5 sectors (number of deals)	High technology (28) Materials (27) Industrials (25) Consumer products ³ (23) Energy (18)	Industrials (16) Materials (7) Financials (7) Real estate (6) Health care (5)	Materials (31) High technology (29) Consumer products ² (28) Industrials (28) Consumer staples (26)
Top 5 sectors (capital raised)	Energy (\$5.3b) Materials (\$4.7b) Telecommunications (\$2.5b) Industrials (\$0.9b) Financials (\$0.9b)	Energy (\$2.3b) Financials (\$2.2b) Industrials (\$1.6b) Real estate (\$0.6b) Materials (\$0.2b)	Energy (\$8.3b) Materials (\$6.4b) Financials (\$5.9b) High technology (\$3.8b) Retail (\$3.5b)
Stock exchanges: London – Main market London AIM Euronext Alternext Deutsche Borse Warsaw Stock Exchange Warsaw – NewConnect (number of deals, capital raised)	8 deals, \$5.5b 27 deals, \$1.0b 11 deals, \$2.5b 6 deals, \$57m 3 deals, \$0.6b 24 deals, \$1.6b ⁵ 50 deals, \$67.7m	2 deals, \$0.7b 7 deals, \$0.6b 3 deals, \$3.1b 1 deal, \$7m 3 deals, \$78m 13 deals, \$2.4b 17 deals, \$17.7m	18 deals, \$8.9b 40 deals, \$1.5b 5 deals, \$2.7b ⁴ 5 deals, \$66m 14 deals, \$3.1b 24 deals, \$5.0b 71 deals, \$63.8m

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

³Consumer products include consumer services

⁴Includes Russia's United Co RUSAL Ltd US\$2.2 billion IPO, which is dual listed on Hong Kong Stock Exchange and Euronext

Figure 26: 2010 top 5 Europe IPOs by capital raised

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$b)	Exchange(s)
Nov	Enel Green Power SpA	Italy	Energy	Electric power generation (renewable energy) company	3.4	Milan, Madrid
May	Powszechny Zakład Ubezpieczeń SA – PZU SA	Poland	Financials	Insurance company	2.7	Warsaw
Oct	Pandora A/S	Denmark	Retail	Jewelry designer, manufacturer, marketer and distributor	2.1	Copenhagen
Apr	Essar Energy plc	India	Energy	Electric power generation and oil and gas exploration company	1.9	London
Apr	Amadeus IT Holding SA	Spain	Technology	Travel transaction processor and provider of advanced technology solutions	1.9	Madrid

¹Excludes Russia's United Co Rusal Ltd US\$2.2 billion IPO, which is dual listed on Hong Kong Stock Exchange (HKEx) and Euronext, as majority of IPO proceeds was raised on HKEx.

Based on IPO activity on European Exchanges

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Interview: Nick Williams

Managing Director and Head of EMEA Equity Capital Markets, Credit Suisse, London



Ernst & Young: What do you think were the key trends in EMEA IPO markets in 2010, and which seemed to be recovering yet are still volatile?

Nick Williams: Clearly the IPO markets reopened more broadly over the course of 2010 in the EMEA region compared to 2009. There's no question that getting transactions done successfully was often challenging, due to volatility, market dislocation and lower risk appetite, but overall, as the year progressed, we saw the emergence of a relatively constructive overall tone for IPO issuance.

The IPO market benefitted from an improved secondary-market performance in the second half of the year. You started to see a wide variety of issuance, both from emerging and developed markets in the EMEA region.

Investors' returns from IPOs improved over the course of the year. IPO aftermarket performance improved quite strongly in the second half. And in the last few months of 2010, we finally saw a big pickup in fund inflows into equities.

Jon Grussing: In 2010, we were between a stage of balance sheet repair, which mostly completed in 2009, and the later phase of the cycle where IPOs really come back. There were a few large deals that broke the ice, such as the PZU privatization, but smaller IPOs still found it tough going, especially companies that were not well prepared to IPO. It is still early, but we think this year there are number of companies that have used the time well to prepare and will go public this year.

Ernst & Young: How is the IPO market now specifically in the Middle East and Africa?

Nick Williams: We're seeing the re-emergence of a healthy environment where investors have more risk appetite. Both corporations and financial institutions are more active and are looking to fund growth more aggressively and need to tap the capital market. Investors see a lot of global growth coming from emerging market economies and consumers in those markets.

We expect to see more activity coming out of Sub-Saharan Africa. We also see a much broader level of dialogue now in the Middle East than was the case 12 months ago, due to the stronger secondary market and the bigger economic pickup.

Ernst & Young: So it sounds like you have a cautiously optimistic outlook for EMEA IPO markets in 2011. What do you see as the key drivers?

Nick Williams: I'm optimistic, and overall, investors' outlook and sentiment for IPO markets is quite upbeat. Economies are generally rebounding, corporate activity is increasing, corporate spending and investment is picking up, and privatization is also increasing. Recently, investors have been making pretty solid returns, and many of 2010's transactions are performing well in the aftermarket. This is fueling a broadly positive consensus outlook.

We're seeing the re-emergence of a healthy environment where investors have more risk appetite. Both financial institutions and corporations are more active and are looking to fund growth more aggressively and need to tap the capital market. Investors see a lot of global growth coming from emerging market economies and consumers. Clearly there are still some headline risks to the market, specifically ongoing uncertainty about parts of southern Europe (Spain, Portugal, Greece), and that's cause for some caution.

But as always, companies need to finance growth, and for some companies the public market is an obvious route. Privatization activity is increasing as well. You have ongoing financial sponsor activity. Many of the transactions that were successfully executed in 2010 have performed favorably in the aftermarket. Financial sponsors are continuing to look to the new IPO cycle as a way to generate returns on their investments for their limited partners. And investor returns from many sponsor IPOs have been very strong.

Additionally, several of last year's flotations that traded up from their IPO prices have seen follow-on offerings, which have been well received or oversubscribed. We're also seeing financial institutions, especially banks, continue to be very focused on improving their capital positions, and some are finding it makes sense to spin off subsidiary businesses as IPOs. On top of that you also have further privatization plans announced.

Jon Grussing: We think EMEA IPO activity will remain very active. So far this year, we've seen a flurry of quick-to-market transactions, both accelerated bookbuilds and transactions with a backstopped price.

We would expect that trend to continue, buttressed by three things: one, the current high level of liquidity and investor desire to put money to work; two, increased visibility on the global and European economic outlook; and three, the fact that the hesitancy that can occur during the resumption of an IPO market cycle does not apply to quick-to-market deals. With an accelerated offering, you can survey market conditions with the vendor and then launch and price the deal before trading resumes the next morning.

And the deals we're seeing in the backlog are the types you would like to see coming to market in the early phase – companies with a good track record and a realistic use of proceeds that will sustain and support their growth story. Given also the relatively decent liquidity we have seen in December and January, we may be off to a good start.

The aftermarket performance of a class of IPOs that successfully came to market in the fourth quarter does give us a certain degree of confidence.

But we also know that these markets take several quarters of steady progress in terms of the size, profile and breadth of issuers that are coming to market. Issues or setbacks faced by one issuer can sometimes have knock-on implications for others. Successful completion of several bellwether transactions will provide the confirmation that the IPO market is back in earnest.

Ernst & Young: What do you see as the key downside risks for EMEA investors, and how are these impacting new issuances?

Jon Grussing: One concern is simply the general global macroeconomic outlook. Then there are country-level concerns about the size of deficits, the politics of coming to grips with those deficits, and the currency implications. Finally, there is the question of whether a sector you are interested in is going to be hit especially hard by changing economic conditions. But we're not pessimistic. Well-supported propositions can find market windows and achieve success.

Nick Williams: There is definitely still uncertainty around some European economies, but investors have more money to put into equity, and that will provide support to valuations. I think the downside risks for the markets are largely

Interview: Jon Grussing

Managing Director and Head of Equity Corporate Finance, Credit Suisse, London



priced in right now – the market has been efficient in that regard. There exists a relatively robust conviction that the emerging market consumer is going to continue to provide support to overall global GDP.

Ernst & Young: What types of companies, and which geographies and sectors, look most promising as new issuances for 2011?

Nick Williams: Many more people are considering floating businesses now because of how the market and broader economy have evolved and improved perceptions of risk appetite.

Financial sponsors tend to have a wide variety of sectors in their portfolios – many of them relatively predictable quasi-defensive high-cash-flow business models, but a lot of those are potential transactions for the IPO market. And then on the privatization front, it can be a very wide variety, from financial institutions to utilities to other companies.

Financial sponsors' portfolios are still predominantly in developed rather than emerging markets. But many of the highest-growth companies with the greatest capital needs for growth are in the emerging markets. Russia has picked up significantly, and the forward pipeline there is very considerable.

Ernst & Young: It seems like investors are quite discriminating now. What are they focused on when they evaluate potential IPOs for their portfolios?

Nick Williams: I think we are still in a relatively disciplined IPO environment. Investors really want solid, robust business models, good management teams and predictable cash flows with growth. But they're reaching beyond defensive propositions now in favor of higher-growth opportunities. They're happy to have a balanced portfolio of defensive and higher-growth investments, as long as the quality of the company is excellent.

Ernst & Young: Many institutional investors have held banks partially responsible for recent unsuccessful IPOs, due to aggressive pricing. Do you think that's a valid criticism?

Jon Grussing: I think well-grounded, well-reasoned pricing is a necessary but not the only ingredient for a successful IPO. There are issuer, investor and sometimes vendor expectations that need

to be met to achieve a successful deal. Success is usually seen as a deal that trades up in the aftermarket – ideally, it should enable investors to realize some reward, but not leave too much money on the table. And getting that balance right can be hard, especially when markets are volatile.

Some of the criticisms of IPOs were leveled at companies with relatively high levels of debt. Investors were concerned that their money was going to be used to mend historic balance sheets rather than fund growth.

Ernst & Young: Some European companies are looking to Hong Kong to list. What's your take on that trend?

Jon Grussing: We've been involved in a number of Hong Kong listings over the last year, and we think that especially for issuers sensitive to Chinese macroeconomic trends, Hong Kong can be the right market. And as a very active retail investor market, demand for new issues in Hong Kong can run high. But the various regulatory disciplines and demands of the Hong Kong offering process mean that it isn't right for everyone.

Ernst & Young: Secondary fund-raising was quite robust in Europe in 2009 but then dwindled a little bit last year. What's your outlook for 2011?

Nick Williams: Many of the companies, especially financial institutions, that had to tap the market in 2008 and 2009 due to the financial crisis didn't need to raise additional capital last year. So relative to 2010, we will see increased activity in follow-on offerings in 2011. Depending on the outcome of further stress tests and guidance from Basel III, there is potentially a lot more activity on the capital-raising front from banks that need to further boost their core equity positions. But contrary to 2009, this activity will be balanced by a rise also in M&A-driven capital-raising.

Ernst & Young: Where do you see these pre-listing companies turning to raise capital if they don't go public?

Jon Grussing: Some of the companies are owned and supported by private equity firms and will just remain in the firms' portfolios. They may be sold to another financial sponsor in a secondary buyout, or they may be sold to a strategic buyer.

Using any lull in the IPO market as a time to improve will continue to be key. Christian Hansen is an example of where a company went private, pursued a growth strategy for a number of years, focused the business, and successfully returned to the market; and now in January 2011, there was a further sell-down by the private equity owners.

“Recently European investors have been making pretty solid returns and many of 2010's transactions are performing well in the aftermarket. This is fueling a broadly positive consensus outlook for 2011.”

Middle East and Africa

Negative investor sentiment stifles IPO markets

Key trends

- ▶ **The 2011 Middle East IPO outlook remains dim.** Companies in many Middle East countries are wary of listing, frustrated by poor valuations, sluggish GDP growth prospects and political unrest. Other factors deflating IPO activity are depressed corporate earnings, low trading volumes, negative investor sentiment and insufficient demand for IPOs.
- ▶ **The Middle East IPO markets saw a flat trend** in 2010, with 35 IPOs worth a total of US\$3.3 billion, a 59% increase from 2009 by capital raised. Conventional bank financing, bonds and sukuk³ are likely to be the preferred mode of raising funds for regional corporations until the profitability of issuers and investor sentiment improve.
- ▶ **Companies in Saudi Arabia** have consistently been far more willing to go public compared to other Middle East countries. Among other advantages, Saudi Arabian issuers have mandatory listing regulations, are able to take advantage of the low cost of capital secured through the market route and enjoy more positive investor reception.
- ▶ **In 2010, Africa saw a 406% jump in total proceeds**, with 13 IPOs worth US\$1.6 million. African IPO markets, driven by four South African deals in the health care and mining sectors.

"The Middle East IPO markets normally recover after the secondary markets and we have been seeing a gradual recovery in the stock markets around the region."

Azhar Zafar, IPO Leader,
Ernst & Young, Dubai

Figure 27: Middle East and Africa IPOs by year

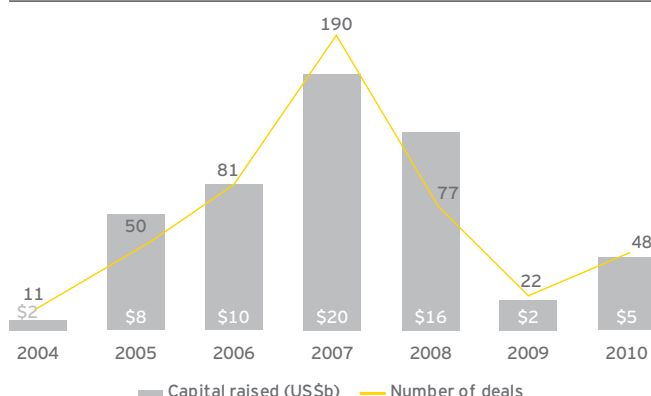


Figure 28: Key Middle East and Africa IPO statistics

	2008	2009	2010
Number of deals	77	22 (▼71% ¹)	48 (▲118% ²)
Capital raised (US\$)	\$15.8b	\$2.4b (▼85% ¹)	\$5.0b (▲106% ²)
Average deal size (US\$)	\$205.5m	\$109.6m	\$103.3m
Top 2 sectors (number of deals)	Financials (26) Industrials (12)	Financials (12) Telecommunications (4)	Financials (9) Industrials (8)
Top 2 sectors (capital raised)	Telecommunications (\$4.3b) Materials (\$4.0b)	Telecommunications (\$1.1b) Energy (\$0.6b)	Materials (\$1.2b) Real estate (\$1.0b)
Stock exchanges:			
Riyadh	13 deals, \$9.7b	11 deals, \$1.0b	9 deals, \$1.0b
Qatar	1 deal, \$0.5b	1 deal, \$1.0b	1 deal, \$144m
Tel Aviv	-	1 deal, \$22m	17 deals, \$0.9b
Johannesburg	4 deals, \$24m	-	5 deals, \$1.4b
(number of deals, capital raised)			

¹Percentage change from 2008 to 2009

²Percentage change from 2009 to 2010

Figure 29: 2010 top 3 Middle East & Africa IPOs by capital raised

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$m)	Exchange(s)
Jun	Life Healthcare Group Holdings Ltd	South Africa	Health care	Private health care service provider	681	Johannesburg
Jun	Azrieli Group	Israel	Real estate	Real estate investment company	522	Tel Aviv
Oct	Omani Qatari Telecommunications Company (NAWRAS)	Oman	Telecommunications	Telecommunications company	475	Muscat

³Sukuk are an Islamic fixed income security that complies with Sharia, Islamic religious law

Based on IPO activity on Middle East and African Exchanges

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Private Equity

IPOs remain a strong exit alternative for PE investors

Key trends

- ▶ **In 2011, PE exit activity will continue to accelerate on all fronts**, with an increased number of offerings in 2011 in both developed and emerging markets expected. Elevated exit activity can be attributed to higher valuations associated with the recent performance of stock markets, improved operating results, increased holding periods and the need to return money to limited partners. Improved financing and liquidity will facilitate growing deal sizes. Deals valued at over US\$5 billion should be increasingly common and some could even exceed US\$10 billion.
- ▶ **PE-backed IPO activity returned in 2010** driven by stronger capital markets activity, particularly in the emerging markets. Just as global IPO markets rebounded strongly in 2010, listings globally by PE firms were likewise robust, with 155 PE-backed companies raising US\$35 billion, more than double the US\$16.8 billion raised in 2009. Nonetheless, activity is still less than at the peak, when PE firms raised more than US\$58 billion taking companies public in 2007. PE-backed issuance was particularly strong in Q4, with sponsors taking 61 companies valued at US\$13.3 billion into the public markets across all geographies, but especially in Asia-Pacific, and in EMEA.
- ▶ **All regions saw a pick-up in PE-backed IPOs.** Americas exchanges raised US\$16.1 billion in 87 deals, while EMEA listings raised US\$10.2 billion in 19 deals. Asia-Pacific listings accounted for US\$8.7 billion raised in 49 separate deals. PE-backed IPOs by China-based companies listing on the US exchanges were a new trend with 20 such deals in 2010. PE-backed emerging market IPOs saw a significant increase in the second half of 2010, raising more than US\$8 billion in 46 new offerings, representing more than 50% of total PE-backed issuance, the highest percentage on record.
- ▶ **PE-backed IPOs in the technology and consumer goods sectors** made up over half of the capital raised. Technology represented nearly a quarter of 2010's sponsored issuance on both a volume and value basis, (US\$8.4 billion raised in 35 separate IPOs). PE-backed deals in the consumer goods and services sector were likewise robust, jointly accounting for 28% of 2010's IPOs, (US\$9.7 billion, 44 deals). Health care issuance retreated in 2010 amid regulatory uncertainty in the US, representing 12% of total proceeds raised. However, KKR and Bain-backed hospital operator HCA recently reaffirmed its desire to go public in what is expected to be the largest PE-backed IPO in history at US\$4.3 billion.
- ▶ **Pricing has been a perennial challenge** since the opening of the IPO markets in the final quarters of 2009, as investors have remained wary of many new public offerings, especially from companies with significant leverage. In Europe and the Americas, nearly 40% of sponsored IPOs priced below their anticipated ranges, while just over 10% priced above their expected price. The difficult pricing environment led 27 PE-backed companies to withdraw their offerings in 2010, while others were sold in dual-track sale processes. Many IPOs that did price faced pricing resistance, as investors remained extremely price-sensitive throughout the year and scrutinized each deal closely. Although an improved pricing environment is generally lifting listing prospects, the IPO market is likely to remain uneven in 2011.
- ▶ **Aftermarket performance for PE-backed IPOs was strong**, with the average sponsored IPO increasing 27.2% from its offer price by the end of 2010. US performance was especially good, driven by triple-digit gains from a handful of high performers with healthy growth prospects. Nonetheless, positive performance was seen across the spectrum. 71% of 2010 PE-backed IPOs ended the year above their offering price, with one-third closing out December at 40% or more above their offering price.



Elevated PE exit activity will be driven by robust capital markets, especially in emerging markets, improved operating results and the need to return money to limited partners.

Source: *Private Equity, Public Exits*, Ernst & Young, January 2011

Figure 30: Global PE-backed IPOs by region (by capital raised)

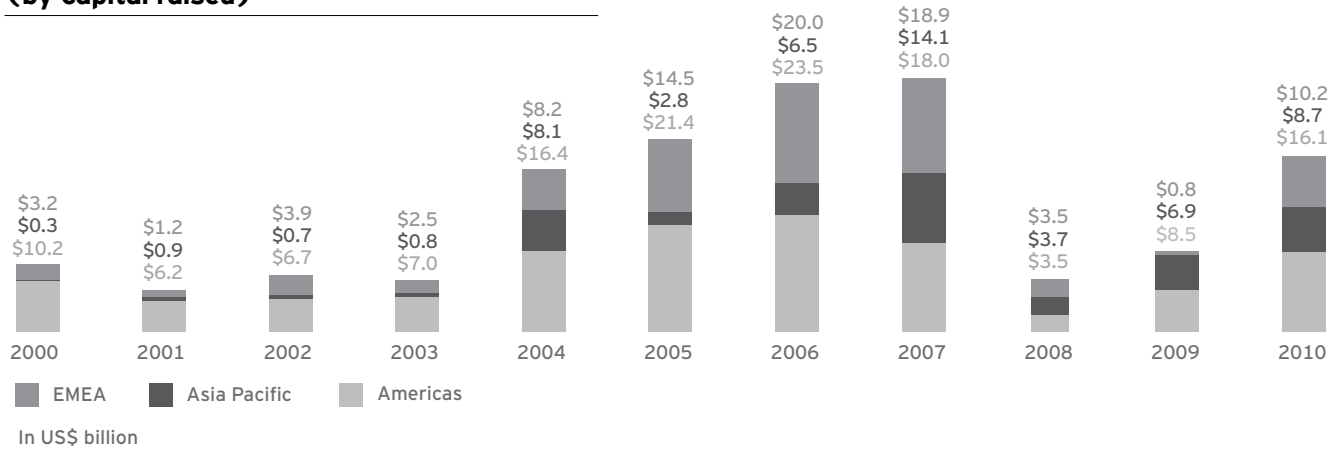


Figure 31: Global PE-backed IPOs by region (by number of deals)

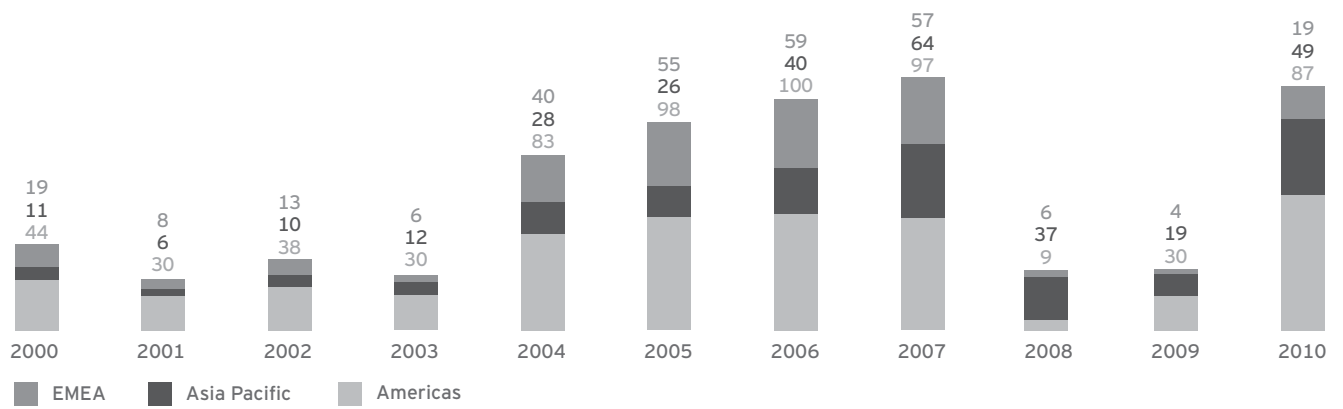
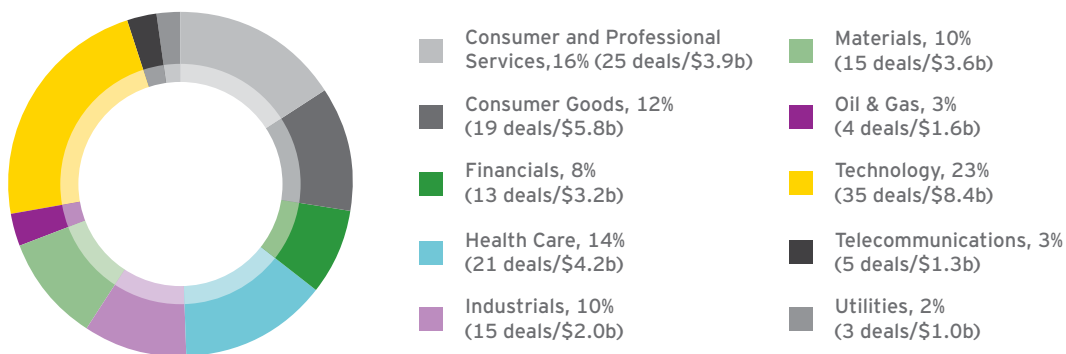


Figure 32: 2010 PE-backed sponsored IPOs by industry (ranked by number of deals)



Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

“We expect an increased number of PE-backed offerings in 2011. In addition to the numerous filings already in the queue, there is a sizeable shadow pipeline of companies that either have yet to make an initial filing, or withdrew an IPO in 2010. Many are likely to make another run at public ownership sometime in 2011.”

Jeff Bunder, Global Private Equity Leader, Ernst & Young

Figure 33: 2000–2010 global PE exits by deal value

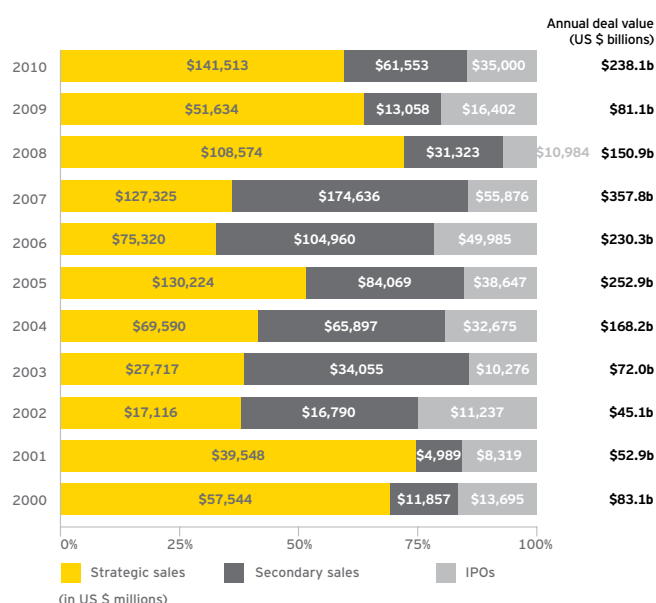
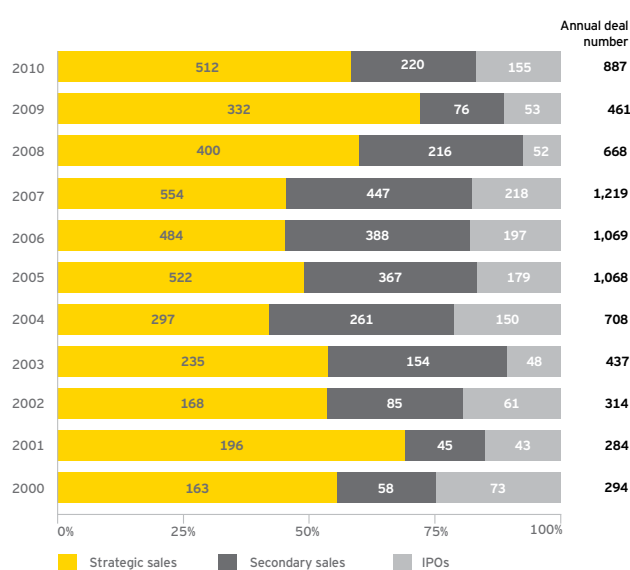


Figure 34: 2000–2010 global PE exits by number of deals



“Strategic sales” are sales to corporations while “secondary sales” are sales to other PE firms

Figure 35: 2010 top 10 PE-backed IPOs by capital raised

Issue month	Issuer name	Domicile country	Sector	Issuer business description	Capital raised (US\$m)	Exchange(s)
Oct	Pandora A/S	Denmark	Retail	Jewelry designer, manufacturer, marketer and distributor	2,101	Copenhagen
Apr	Amadeus IT Holding SA	Spain	High technology	Travel transaction processor and provider of advanced technology solutions	1,927	Madrid
Oct	Xinjiang Goldwind Science & Technology Co Ltd ¹	China	Industrials	Renewable energy company that manufacture and market wind generator sets	1,054	Hong Kong
Mar	Kabel Deutschland GmbH	Germany	Media & entertainment	Cable TV company	1,036	Deutsche Borse
Mar	Brenntag Holding GmbH	Germany	Materials	Chemicals distributor	1,003	Deutsche Borse
Jun	Chr. Hansen Holding A/S	Denmark	Health care	Developer of natural ingredient solutions to the food, pharmaceutical and agricultural industries	907	Copenhagen
Oct	Sihuan Pharmaceutical Holdings Group Ltd	China	Health care	Cardio cerebral vascular drugs manufacturing company	852	Hong Kong
Oct	AZ Electronic Materials SA	Hong Kong	High technology	Electronic materials supplier.	696	London
Jun	Life Healthcare Group Holdings Ltd	South Africa	Health care	Private health care service provider	681	Johannesburg
Aug	MEG Energy Corp	Canada	Energy	Oil and gas exploration company	678	Toronto

¹This deal is the company's first listing on HKEx.

Source for all charts and tables shown: Dealogic, Thomson Financial, Ernst & Young

Appendix: definitions

IPO definition: This report only focus on IPOs of operating companies. An IPO is defined as: a company's first offering of equity to the public.

Comment: This report includes only those IPOs for which the data providers Dealogic, Thomson Financial and Ernst & Young offer data regarding the issue date (the day the offer is priced and allocations are subsequently made), the trading date (the date on which the security first trades) and proceeds (funds raised including any overallotment sold). Postponed IPOs or those which have not yet been priced are therefore excluded.

In an attempt to exclude non-operating company IPOs such as trusts, funds and special purpose acquisition companies (SPACs), companies with the following Standard Industrial Classification (SIC) codes are excluded:

- ▶ 6091: Financial companies that conduct trust, fiduciary and custody activities
- ▶ 6371: Asset management companies such as health and welfare funds, pension funds and their third-party administration as well as other financial vehicles
- ▶ 6722: Companies that are open-end investment funds
- ▶ 6726: Companies that are other financial vehicles
- ▶ 6732: Companies that are grant-making foundations
- ▶ 6733: Asset management companies that deal with trusts, estates and agency accounts
- ▶ 6799: Special Purpose Acquisition Companies

In our analysis, unless stated otherwise, IPOs are attributed to the domicile nation of the company undertaking an IPO. Capital raised is captured in US dollars (US\$). The primary exchange on which they are listed is as defined by Dealogic, Thomson Financial and Ernst & Young research. A foreign listing is where the stock exchange nation of the company is different from the company's domicile nation (i.e., issuer's nation). For IPO listings on HKEx, SSE, SZE, WSE, NewConnect, TSX and TSX-V exchanges, we use their first trading date in place of issue date.

List of stock exchanges

Primary exchanges long name	Primary exchanges short name used
Alternext	Alternext
American Stock Exchange (AMEX)	AMEX
Australian Securities Exchange (ASX)	Australian
Bombay Stock Exchange (BSE)	Bombay
NASDAQ OMX Copenhagen	Copenhagen
Deutsche Borse	Deutsche Borse
NYSE Euronext	Euronext
Hong Kong Exchanges & Clearing Ltd (HKEx)	Hong Kong
JASDAQ	JASDAQ
Bursa Malaysia (KLSE)	Kuala Lumpur
Korea Exchange (KRX)	Korea
KOSDAQ	KOSDAQ
London Stock Exchange – Main market (LSE)	London – Main market
London Alternative Investment Market (AIM)	London AIM
Bolsa de Madrid	Madrid
Borsa Italiana	Milan
Tokyo Market of the High-Growth and Emerging Stocks (MOTHERS)	MOTHERS

Primary exchanges long name	Primary exchanges short name used
NASDAQ	NASDAQ
National Stock Exchange (NSE)	National
New York Stock Exchange (NYSE)	New York
Nigerian Stock Exchange	Nigerian
Qatar Exchange (QE)	Qatar
Sao Paulo Stock Exchange (BM&FBovespa)	Sao Paulo
Saudi Stock Exchange (Tadawul)	Saudi
Shanghai Stock Exchange (SSE)	Shanghai
Shenzhen Stock Exchange – ChiNext board	Shenzhen – ChiNext
Shenzhen Stock Exchange – Small & Medium Enterprise Board (SZSE)	Shenzhen – SME
Singapore Stock Exchange (SGX)	Singapore
Tokyo Stock Exchange (TSE)	Tokyo
Toronto Stock Exchange (TSX)	Toronto
Toronto Venture Exchange (TSX-V)	Toronto – Venture
Warsaw Stock Exchange (WSE)	Warsaw
Warsaw – NewConnect	Warsaw – NewConnect

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