

News release

Donna Liew
Ernst & Young Solutions LLP
+65 6309 6129
Donna.liew@sg.ey.com

IPO activity rebounds in Q3 driven by Chinese listings – Ernst & Young

Q3 sees appetite for IPOs bounce back in Asia and tick up in the US

SINGAPORE, 6 OCTOBER 2009 – A succession of billion dollar plus Chinese IPOs helped drive the total value of the IPO market in Q3 to US\$37.8billion: the highest amount since Q2 2008 and an increase of 292% on Q2 2009. The number of IPOs (149) was the highest quarterly total this year but remains well down on historical trend.

China dominates as Europe stutters

Seven of the ten largest IPOs in the quarter were from Chinese companies and all of those entities bar one chose to list on either the Shanghai or Hong Kong exchanges. The largest IPO in the quarter (and the year so far) was China State Construction Engineering Corp, which listed in Shanghai in July at US\$7.3billion.

Nearly 63% of the total IPO value in Q3 was for the 62 Chinese companies which listed in the period. US firms were second with total value of \$3.2b or 8.4% of global capital raised and four of the top 20 deals by size. Indian firms were third with total value of \$2.6b or 7.2% of global capital raised, and three of the top 20 deals.

Whilst China and the rest of Asia boomed, Europe is still very much stuck in the doldrums. Among the leading markets there were no IPOs in the period in Germany and Italy, one apiece for France and Spain, and two in the UK. Total value across Europe was US\$189.2million or 0.5% of the Q3 global figure.

Gregory K. Ericksen, Ernst & Young's Global Vice Chair Strategic Growth Markets says, "It has been a remarkable quarter for the IPO market in Asia and in particular for China. Not only has there been a welcome return to activity with a series of significant listings, it is also noticeable that whereas in the early part of this decade Indian or Chinese companies might have considered listing in developed markets, today there is no question around Mumbai or Shanghai's capacity to host IPOs of almost any scale."

This is reflected in the data. In 2006, London attracted 86 listings which raised \$24.1b altogether. So far in 2009 there have been no foreign IPO listings on any London market. Nasdaq fared somewhat better in Q3 2009 with two significant foreign listings; Shanda Games Ltd from China and Avago Technologies a Singapore-based company.

A shifting world order?

Although IPO levels in Q3 were on a par by value (if not in number) with similar quarters in 2005 and 2006, the contrast between how far the IPO drought has hit the European markets and the extent to which the Asian markets now dominate the global picture is a remarkable one. In Q3 2005, over 31% of the total value of listings came from European companies, 15% from Asian domiciled companies and 28% from the United States.

Ericksen says, “Even though we saw the globalization of the capital markets with companies, investors and exchanges looking worldwide for growth opportunities five years ago, the pace of that change has really accelerated with the recession and the relative speed with which the Chinese and Indian economies have recovered from the downturn.”

Future outlook

In Q4, we expect another strong quarter for the IPO market in Asia; the absence of a rapid rebound in Europe; and a cautious but substantive improvement in IPO sentiment in the US as risk appetite returns. The listing by Talecris Biotherapeutics in New York, on the last day of the quarter, is a strong indication that there has been a shift in risk appetite in the US for sectors like biotech that have been recently viewed more skeptically by investors. The number of companies that have withdrawn their filings or postponed their IPOs, which rose 62%, to 120, last year, has also decreased.

Further afield we believe that we will see renewed activity in Europe in 2010 as Private Equity houses look to exit their investments and realize value.

Ericksen concludes, “This doesn’t quite feel like a ‘dead cat bounce’, but nor is it a universal recovery in global IPO markets. Until we see properly functioning markets globally, and in particular a return to confidence on the main European bourses, questions will remain about the health of the recovery and there will remain an excessive reliance on a handful of large Chinese listings to prop up the overall numbers. So for now it remains cautious optimism.”

-ends-

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

This news release has been issued by EYGM Limited, a member of the global Ernst & Young organization that also does not provide any services to clients.