

EY Global IPO Trends

2014 Q1

2014 opens strongly

The global IPO market is off to a very good start in 2014. This has been the best-performing first quarter since 2011 in terms of both number of IPOs and capital raised. With the MSCI World Equities Index reaching an all-time high in March and volatility, as measured by the VIX index, trending downward, investors' confidence and appetite for IPOs is off the scale. As a consequence, average deal sizes are 24% higher than the same time last year, and six deals raised more than US\$1b.

Regional performance varies

In developed markets where economic fundamentals are improving rapidly, the US S&P 500 reached an all-time high in March, the UK FTSE was at its highest level in 14 years and the German DAX and France CAC indices are at their highest level since March 2009. Against this backdrop, IPO performance was strong both in the US (68 deals raising US\$11.6b) and in EMEIA (59 deals raising US\$14.4b).

Although economic fundamentals are less compelling in Asia, where the unwinding of US tapering is causing repatriation of investments and the slowdown in Chinese manufacturing held Asian equity indices back, IPO performance was nevertheless strong. With 110 IPOs raising US\$18.1b in 2014 Q1, Asia-Pacific accounted for 47% by global deal number and 41% of global deal value. Seven of the quarter's 20 largest IPOs were on Asian exchanges.

IPO activity was relatively slower in 2014 Q1 for the Central and South America region, but this is expected to increase in the second half of 2014.

PE and VC are prime drivers of activity

Globally, PE and VC are prime drivers of IPO activity, accounting for 33% of global deal numbers; this compares to 73% of US IPOs and 26% of EMEIA IPOs. PE and VC have seized the opportunity presented by the wide-open IPO window to clear out aging investments from their portfolios, realize gains for investors and lock in profits for reinvestment. However, Asia saw only 12% of PE- or VC-backed IPOs. Globally, PE and VC exits via IPO span across all sectors, with more activity from the health care, technology, retail, consumer products and financial industries.

Three sectors are trending

Three sectors that led globally by capital raised in 2014 Q1 were energy, technology and real estate. Although technology may not always be the leading sector in any geography, it is often new or innovative technology that is the driving force behind the popularity and success of the leading sectors. As boundaries blur between technology and other industries, companies may move away from traditional sector categorization in an effort to maximize valuation as they come to the market.

Pipeline is looking strong

Looking ahead toward prospects for the first half of 2014, we are optimistic that the growth in IPOs will be sustained. The pipeline is extremely healthy with more than 1,000 companies registered around the world and a particularly strong run anticipated in Greater China, the US and EMEIA.

We hope that you find the information and perspectives contained in this report useful, and we are happy to provide further insight on request.

Maria Pinelli

Global Vice Chair
Strategic Growth Markets, EY

Contacts:

Maria Pinelli

Global IPO Leader
maria.pinelli@ey.com

Jacqueline Kelley

Americas IPO Leader
jacqueline.kelley@ey.com

Ringo Choi

Asia-Pacific IPO Leader
ringo.choi@cn.ey.com

Dr. Martin Steinbach

EMEIA IPO Leader
martin.steinbach@de.ey.com

Shinichiro Suzuki

Japan IPO Leader
suzuki-shnchr@shinnihon.or.jp



Building a better
working world

Global IPO highlights

2014 Q1¹

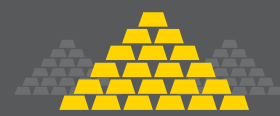
Volume and value



239

deals globally

(47% increase on 2013 Q1)



US\$44.3b

in capital raised

(82% increase on 2013 Q1)

Commentary

"Q2'14 and the second half of 2014 will extend the sharp growth trajectory established in Q1'14. Geopolitical shocks aside, with sound economic fundamentals and strong global liquidity fueling new listings, the global pipeline is looking extremely healthy. We believe that IPO activity will come from a broad range of geographic markets and from multiple sectors, including technology, real estate, energy and health care."

Maria Pinelli

Global Vice Chair, Strategic Growth Markets, EY

Developed vs. rapid-growth

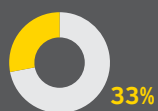
Rapid-growth markets represent **49%** of global IPOs in 2014 Q1.



Financial investors dominate



PE- and VC-backed IPOs drive global deal activity.



PE and VC account for **33%** of global IPOs, **72%** of US IPOs and **36%** of European IPO deal number in this quarter.

Three sectors trending



Energy

US\$7.9b
(16 deals)



Technology

US\$6.5b
(31 deals)



Real estate

US\$4.9b
(18 deals)

Confidence is growing



Confidence continues to build as the VIX[®] falls and the central banks' stimuli continue.



Rising equity markets are a positive for IPOs – MSCI World Equities Index is at its highest since the last peak at October 2007.



There were 32 postponed or withdrawn deals in 2014 Q1, 39% up on 2013 Q1.



91% of the IPOs priced within or above expectations.²

Asia-Pacific tops the leaderboard

Top three deals in 2014 Q1

US
22%

US issuers ranked third by global funds raised.

US\$3.1b
HK Electric Investments Ltd.

US\$3.1b
Japan Display Inc.

US\$2.0b
Santander Consumer USA Holdings Inc.

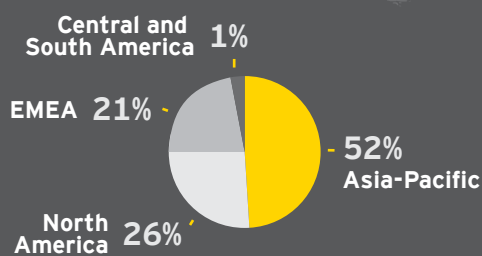
Asia-Pacific
42%

Asia-Pacific issuers led by global funds raised.

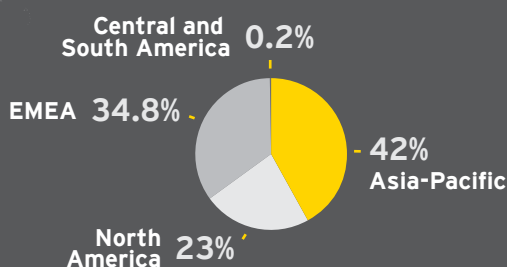
Europe
31%

European issuers ranked second by global funds raised.

Number of deals



Value of deals



Top six exchanges by funds raised

Exchange	Location	Funds Raised (US\$)	Number of Deals
NYSE	New York	US\$8.6b	(25 deals)
HKEx	Hong Kong	US\$5.0b	(15 deals)
London	London	US\$4.6b	(8 deals)
Tokyo	Tokyo	US\$4.6b	(6 deals)
NASDAQ	NASDAQ	US\$3.1b	(43 deals)
Euronext	Euronext	US\$3.1b	(6 deals)

Home and away

Cross-border listings were 9% of global IPOs compared to 3% in 2013 Q1.

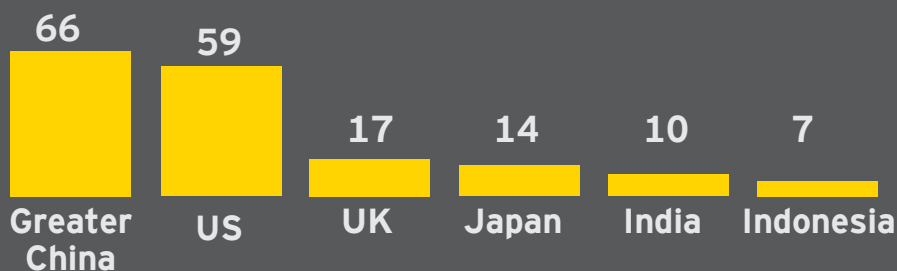


Home

Away

Top six countries by deal volume³

Number of deals



1. 2014 Q1 IPO activity is based on priced IPOs as of 18 March and expected IPOs by end of March.

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

3. Based on the listed company domicile nation



US makes strong start to the year

The US IPO market is booming. Improving economic fundamentals, resurgent investor confidence, capital market strength and tapering of quantitative easing – which has re-focused investors on developed market opportunities – is creating something of a perfect storm.

- ▶ The number of deals is 113% higher in 2014 Q1 and deal value is up 113% on 2013 Q1.
- ▶ US deals accounted for 29% of deal numbers and 26% by capital raised.
- ▶ Four of the global top 20 deals were on US exchanges.

Financial sponsors take advantage of open window

The combination of attractive valuations and solid after-market performance means financial sponsors are seizing the opportunity to exit aging investments. They accounted for 9 of the top 10 deals in the US in 2014 Q1, 89% of deals with IPO proceeds above US\$100m and 73% of deals overall as PE and VC funds continued to clear their backlog of older companies and return results for limited partners.

Cross-border listings make a comeback

The US continues to attract IPOs from around the world as companies seek to ride the momentum of the US capital markets. There were 11 foreign listings raising US\$1.9b in 2014 Q1, which accounted for 16% of US IPO numbers and 16% by deal value. We expect to see a higher number of cross-border IPOs in the remainder of 2014 from China, Europe and the rest of the world.

Appetite for innovation and risk returns

Rising confidence means investors are becoming more daring – favoring the more innovative companies that offer higher risks and higher returns. For example, January alone saw three energy companies come to market that specialize in unconventional energy assets, including the extraction of shale gas.

The most active sector by deal number in 2014 Q1 is health care, which accounted for 51% of US IPOs (35 IPOs, US\$2.2b). Pharmaceutical was the most active sub-sector accounting for 23 of the 35 IPOs (raising US\$1.6b). Biotech followed with seven deals raising US\$266m and medical equipment with five deals raising US\$272m. This extends the trend seen in 2013 Q4 and reflects investor appetite for higher risk, higher return stocks in the stronger market environment.

Technology investments will gather pace in 2014 Q2 with more offerings from disruptive, innovative businesses that blur the boundaries between technology and other sectors. As a result, companies may move away from traditional sector categorization in an effort to maximize valuation as they come to the market.

Pipeline is strong and prospects are good

With the VIX consistently below 20, the S&P 500 trading at around 16 times 2014 reported earnings and around 75% of companies achieving solid after-market performance,⁴ investor appetite is likely to remain firm. The pipeline is strong with new registrations up 124% on 2013 Q1. We anticipate continued momentum for health care and disruptive tech companies including cloud, SaaS, big data and social media – particularly those that offer revenue streams alongside advertising. The market will continue to be dominated by more offerings with smaller deal size (US\$100m or lower in expected proceeds) while confidence rebuilds. A number of billion dollar-plus deals, such as the listing of Chinese e-commerce companies, Alibaba and JD.com, are also anticipated during 2014.

⁴Of US IPOs in 2014 Q1 (Jan-18 March) 75% were trading above their offer price. Half of the IPOs (25 out of 49) had greater than 20% YTD returns. These figures exclude expected IPOs by end of March.

US IPO highlights

2014 Q1⁵

Volume and value



68 deals

(113% increase on 2013 Q1)



US\$11.6b

in capital raised

(36% increase on 2013 Q1)

Key trends



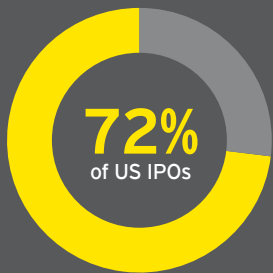
- ▶ US capital markets are strong, confidence is high and the IPO pipeline is filling up.
- ▶ PE and VC dominate as they seize the opportunity to realize value for investors.
- ▶ Cross-border IPOs in 2014 are set to reach their highest level since 2007.

Commentary

"The fact that investors are more willing to back disruptive, innovative businesses with high risk/reward profiles is a definite sign of how strong the US IPO market is right now. We think disruptive companies in health care, technology and energy sectors will continue to drive deal activity through 2014."

Jackie Kelly
Americas IPO Leader, EY

Financial sponsors drive US IPO market



PE and VC account for 72% of US IPOs (50 deals)

86% by proceeds
(US\$10.1b)



Three sectors trending



IPO pricing and performance⁷



17.3%

first-day average return

21.2%

increase in offer price vs. 24 March

US\$285m

median post-IPO market cap

Equity indices⁶

DJIA	-1.8% ▼
S&P 500	+0.5% ▲
VIX	+8.4% ▲

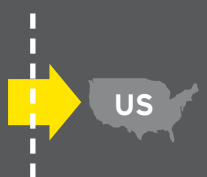
IPO activity



	NYSE	NASDAQ
2014 Q1	25 deals US\$8.6b	43 deals US\$3.1b
2013 Q1	16 deals US\$6.5b	16 deals US\$3.0b

Cross-border activity from

Europe **4 deals** US\$0.9b
Israel **3 deals** US\$0.2b
Hong Kong **1 deal** US\$371m
Other countries **3 deals** US\$454.2m



New registrations

2014 Q1 83 deals, US\$11.0b
2013 Q1 37 deals, US\$5.4b



⁵ 2014 Q1 IPO activity is based on priced IPOs as of 24 March and expected IPOs by end of March.

⁶ Year-to-date returns of equity indices as at 24 March.

⁷ Pricing and returns are based on 57 IPOs on NYSE and NASDAQ that have been priced by 24 March. Data as of 24 March.



Asia-Pacific tops the leaderboard

Beyond the huge uplift to IPO activity in Asia-Pacific from the reopening of mainland Chinese exchanges, markets elsewhere in the region posted solid levels of new listings in 2014 Q1. With a positive IPO outlook in many countries, Asia-Pacific is likely to continue to dominate the IPO landscape in the coming quarter and beyond.

- ▶ With 110 IPOs raising US\$18.1b in 2014 Q1, Asia-Pacific accounted for 47% of global deal numbers and 41% of global capital raised.
- ▶ Seven of the quarter's 20 largest IPOs were by Asian companies – three IPOs on Tokyo Stock Exchange, two on Shanghai Stock Exchange and one each from Hong Kong Stock Exchange and Bursa Malaysia.
- ▶ Energy, technology, real estate, industrials and consumer staples are the most active sectors across the region.

Investors eye Japanese companies

After a solid 2013, IPO activity on Japanese exchanges has continued at a good pace in 2014 Q1 with 15 IPOs raising US\$4.9b compared to 16 IPOs raising US\$2.0b in 2013 Q1, many of which posted first-day gains. The Nikkei 225 is trending higher, with increased share prices reflecting investors' expectations of companies' profits. The number of pre-IPO companies continues to increase, and we estimate around 70 to 80 IPOs in Japan in total in 2014, including the listing of PE-backed Seibu Railway in 2014 Q2, which is expected to generate significant IPO proceeds.

Temporary lull in Oceania

After a significant pick-up in activity in Australia in 2013 Q4, when 24 IPOs raising US\$3.6b after a five-year IPO drought, 2014 Q1 saw six new listings raising US\$874m in total. However, this is traditionally a quiet quarter, and activity is expected to pick up in April, leading up to AU\$8b of IPOs to be listed in the first six months of this year. New Zealand companies, eager to access local and Australian investors, are expected to be among those coming to market in 2014.

There was one IPO of a former state-owned power company, Genesis Energy Ltd., on the New Zealand Exchange which raised US\$364m. We expect to see more IPOs from a number of former state-owned enterprises in 2014 and 2015 as the Australia and New Zealand governments consider monetizing their assets.

Steady activity in Southeast Asia

Southeast Asia IPOs are gathering momentum, notwithstanding the continuing concerns over emerging markets. IPO activity in Indonesia, Singapore, Thailand and Malaysia remained on par with 2013 Q1, with seven deals reported in Indonesia, four each in Singapore and Thailand, and one in Malaysia in 2014 Q1. These countries are expected to be the ones to watch in Southeast Asia through the remainder of 2014, although the federal election in Indonesia may slow capital-raising activities.

Asian private equity lags other markets

Although Asia-Pacific led the way in terms of total number of IPOs in 2014 Q1, only 12% of the new listings were PE- or VC-backed. EY's recent *Global private equity watch 2014* report⁸ mentioned IPOs have become a less favored option for PE exits in Asia-Pacific in 2013, partly because of the closed Mainland China IPO market, but also due to economic deceleration in some areas of the region, which affected capital market appetite.

While the reopening of the IPO market in China may see more PE exits via IPOs in this region in 2014, there has been a noticeable shift in PE investors' views on exit routes in 2013. Trade sales are now seen as an attractive option as corporations look to improve their strategic position in the region and local trade buyers emerge. Moreover, as the Asia-Pacific markets mature, secondary buyouts are also becoming a more viable exit route for PE funds.

⁸EY, Regaining equilibrium: *global private equity watch 2014*, March 2014

Asia-Pacific IPO highlights

2014 Q1⁹

Volume and value



110 deals

72% increase over
2013 Q1



US\$18.1b

in capital raised
(231% increase on 2013 Q1)

Key trends



- ▶ Asia is marked by the breadth and depth of its IPO markets.
- ▶ Activity in Mainland China leads the way, but Hong Kong and Japan are among the most active.
- ▶ PE- and VC-backed IPO activity dropped sharply in 2014 Q1.

Commentary

"Investors looking at Asia are currently spoiled for choice. There has seldom been a greater array of opportunities with companies as far afield as Australia, Japan and China all looking for funding via an IPO. With this range of options, the potential returns on offer will continue to lure investors from every corner of the globe."

Ringo Choi
Asia-Pacific IPO Leader, EY

Top five exchanges by funds raised

HKEx	TSE	SZSE	SSE	ASX
Hong Kong	Tokyo	Shenzhen ¹⁰	Shanghai	Australian
US\$5.0b	US\$4.6b	US\$3.4b	US\$2.0b	US\$874m
(15 deals)	(6 deals)	(38 deals)	(6 deals)	(6 deals)

Six sectors trending

Energy	Technology	Real estate	Industrials	Consumer staples	Materials
US\$4.4b	US\$4.3b	US\$2.2b	US\$1.7b	US\$1.5b	US\$1.3b
(8 deals)	(17 deals)	(8 deals)	(21 deals)	(9 deals)	(13 deals)

IPO pricing and performance¹²

22% first-day average return

28% increase in offer price vs. 24 March

US\$267m median post-IPO market cap

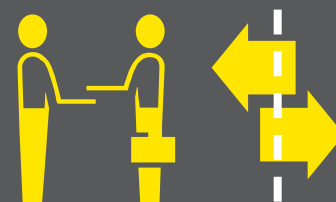
Equity indices¹¹

HANG SENG	-6.3% ▼	FTSE STRAITS TIMES	-1.8% ▼
SHANGHAI COMP	-2.3% ▼		
NIKKEI 225	-11.1% ▼	ASX 200	-0.1% ▼

Cross-border IPOs

Greater China (Hong Kong) had **1 deal** that raised US\$372m on NYSE.

Singapore had **1 deal** that raised US\$20m on London AIM.



9. 2014 Q1 IPO activity is based on priced IPOs as of 24 March and expected IPOs by end of March.

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

11. Year-to-date returns of equity indices as of 24 March.

12. Pricing and returns are based on 94 IPOs on Asia-Pacific exchanges that have started first trading by 24 March. Data as at 24 March.



Greater China is back

With the reopening of mainland Chinese exchanges and a strong start to the year in Hong Kong marked by a number of mega deals, the region led the way in terms of global IPO activity in 2014 Q1. Solid investor confidence and appetite for new listings look set to bring a continued wave of companies to the public markets over the coming months.

- ▶ Greater China accounted for 27% of global deal numbers and 24% of capital raised globally in 2014 Q1.
- ▶ Hong Kong's Main Market saw 15 IPOs raising US\$5.0b in 2014 Q1, a 67% increase in deal numbers and 373% increase in capital raised compared with 2013 Q1.
- ▶ Mainland Chinese exchanges raised US\$5.3b via 44 IPOs – there was no activity in the same period last year due to suspension of new listings.

Floodgates open in Mainland China

Chinese exchanges saw a flood of IPOs in 2014 Q1. Thus far, post-IPO performance has been strong. All of the 48 new listings posted first-day gains, and as of 18 March, none were trading below the offer price. Industrials, technology and consumer staples were the most active industries in 2014 Q1. In China's largest IPO since November 2012 when listing activity was suspended, Shaanxi Coal Industry Co. raised US\$657m on the Shanghai Stock Exchange.

Hong Kong holding its own

Strong momentum from 2013 Q4 propelled activity in 2014 Q1, including one mega deal that saw capital raised exceeding US\$1b (out of six deals globally). This is the US\$3.1b listing of HK Electric Investments, the world's biggest IPO so far this year,

which contributed 63% of the total capital raised on the Hong Kong Main Market. This ranked energy as the top industry by capital raised, although real estate, retail and consumer staples remain the most active industries by number of deals. All of the 15 IPOs in 2014 Q1 were priced in the upper range. As of 18 March, 6 of the 13 newly listed companies were trading at or above the offer price.¹³

Positive outlook for Mainland China

This year is expected to be a period of transition and learning as the new IPO regulations take hold. However, with 691 Chinese companies in the pipeline waiting to go public and no signs of investor appetite for new listings diminishing, the stage is set for continued high numbers of IPOs this year. The Chinese Government is expected to issue further regulations to strengthen the IPO process and protect individual investors' interests, boding well for the long-term health of the A-share market and future IPO activity.

Possible slowdown in Hong Kong for second half of 2014

With a strong IPO pipeline including a number of further mega deals, listings activity should remain steady on the Hong Kong Stock Exchange in 2014 Q2. Looking to the second half of the year, the IPO market outlook is positive, but there is some uncertainty. Activity could slow if investors' appetite for risk is affected by market volatility resulting from US tapering and lower-than-expected results from China's manufacturing sector.

¹³Pricing and stock price performance information is available for 13 IPOs that have first trading date prior 24th March. There are 2 more IPOs expected by end of March where pricing and performance information is not yet available

Greater China IPO highlights

2014 Q1¹⁴

Volume and value



Hong Kong Main market
15 deals
(67% increase over 2013 Q1)



Shanghai
6 deals¹⁵



Shenzhen
38 deals¹⁶



Hong Kong Main market
US\$5.0b
(373% increase over 2013 Q1)



Shanghai
US\$2.0b¹⁵



Shenzhen
US\$3.4b¹⁶

Key trends



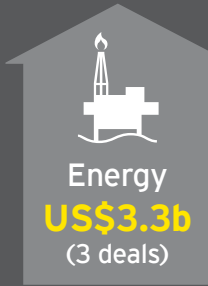
- ▶ Markets are surging as mainland Chinese exchanges reopened in January.
- ▶ Hong Kong activity has been boosted by spate of mega deals, with more to come.
- ▶ Solid returns and a robust pipeline are fueling investor appetite in the region.

Commentary

"Greater China was the stand-out global IPO player in 2014 Q1. Strong after-performance by businesses coming to market is driving investor confidence higher. With nearly 700 companies across a diverse range of sectors waiting to list and raise capital in Mainland China alone, the region is set to continue to lead IPO activity in the coming quarter."

Terence Ho
Greater China IPO Leader, EY

Six sectors trending



IPO pricing and performance¹⁸

Hong Kong Main Market

1.2% first-day average return

7.1% decrease in offer price vs. 24 March

US\$306m median post-IPO market cap

Shanghai and Shenzhen

34% first-day average return

48% increase in offer price vs. 24 March

US\$318m median post-IPO market cap

Equity indices¹⁷

HANG SENG

-6.3% ▼

SHANGHAI COMP

-2.3% ▼

SHENZHEN COMP

+2.6% ▲



Mainland China's IPO pipeline

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

75%
are planning to list on the Shenzhen exchange (SME and ChiNext boards).

691
companies are in the CSRC pipeline.



IPO pipeline

14. 2014 Q1 IPO activity is based on priced IPOs as of 24 March and expected IPOs by end of March.

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

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

17. Year-to-date returns of equity indices as of 24 March.

18. Pricing and returns are based on 45 IPOs on Shanghai and Shenzhen Stock Exchanges altogether that have started first trading by 24 March. Data as at 24 March.



Investors look for opportunity in EMEIA

Huge liquidity pools seeking above-inflation investment opportunities combined with a rising appetite for risk is feeding growing investor interest in equities and IPOs in EMEIA. With indices trending up based on high valuation levels, low volatility and strong investor confidence following a broadly positive experience in 2013, pressure to invest has rarely been as strong in recent years.

- ▶ Main markets IPO activity in 2014 Q1 is 19% higher by deal numbers and 91% higher by capital raised compared to 2013 Q1.
- ▶ EMEIA exchanges accounted for 24% of global deal number and 33% by capital raised.
- ▶ Nine of the global top 20 deals were listed on EMEIA exchanges.

UK and smaller deals dominate

Four of the top 10 deals on EMEIA exchanges in 2014 Q1 were listed on London Main Market. Two cross-border EMEIA listings made the global top 20 IPOs in 2014 Q1: Russian hypermarket chain, Lenta Ltd., which listed on the London Main Market, and French telecom company Altice SA, which listed on the Amsterdam market of Euronext.

Financial sponsors seize the moment

Many PE and VC investors, keen to capitalize on improving market sentiment, are clearing their backlog and actively pushing out companies in 2014 to take advantage of the wide-open IPO window. They accounted for half of the top 10 deals in EMEIA in 2014 Q1 and 12 of the 24 larger IPOs with IPO proceeds in excess of US\$100m.

IPOs help boost returns in a flat interest rate environment

In a historically and persistently low interest rate environment, investors' appetite for greater risk is rising in a bid to find opportunities that deliver a higher return. This is feeding growing interest in equities and in IPO stocks in particular. With corporate performance strengthening, first-day average returns up 1.2% in 2014 Q1 for financial sponsor-backed IPOs and most of EMEIA IPOs priced within or above the initial filing range, we anticipate continued investor support for equity markets and IPOs.

Investors favor household names

Industry performance has been broadly positive across sectors, but investors continue to favor technology companies and those with strong brand names. The lead sector by some margin in 2014 Q1 was retail, which saw two internet businesses – online clothing company boohoo and domestic electrical retailer AO World – debut successfully on the back of strong market recognition. The media and entertainment sector also performed strongly in 2014 Q1.

Pipeline is strong and prospects are good

We expect the EMEIA pipeline to fill up rapidly in 2014 Q2. With valuations set by regulators in many MENA markets, post IPO performance is robust. UAE and Saudi Arabia are expected to be active following their economic rebound, the ongoing institutionalization of family businesses and listing of state-owned entities that is driving public interest in share ownership. Across the EMEIA region, we anticipate that retail, consumer products, health care and technology will continue to grab investor interest and deliver superior returns.

EMEIA IPO highlights

2014 Q1¹⁹

Volume and value



Main markets:
32 deals
(19% increase on 2013 Q1)



Junior markets:
26 deals
(4% decrease on 2013 Q1)



Main markets:
proceeds US\$12.4b
(91% increase on 2013 Q1)



Junior markets:
proceeds US\$2.0b
(356% increase on 2013 Q1)

Key trends



INVESTOR
CONFIDENCE

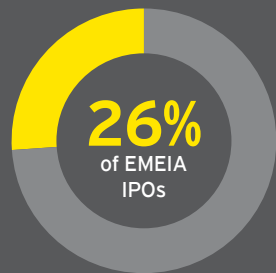
- ▶ European equity indices are trending up, taking PE, corporate and investor confidence with them.
- ▶ Building on the strong IPO tailwind from 2013, market sentiment in MENA is positive.
- ▶ Investors are turning to equities and IPOs in the search for above-inflation investments.

Commentary

"IPO markets in EMEIA are back, and risk appetite is rising following improving performance across all industry sectors. Many PE funds are pushing to exit while the IPO window remains open, suggesting 2014 Q2 will see even stronger IPO performance."

Dr. Martin Steinbach
EMEIA IPO Leader, EY

Top five exchanges by funds raised



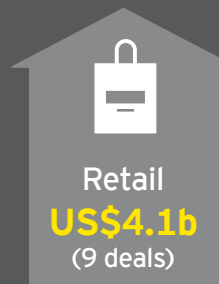
Financial sponsors drive EMEIA IPO market

PE and VC account for 26% of EMEIA IPOs (15 deals)

48% by proceeds
(US\$7.0b)



Three sectors trending



IPO pricing and performance

Main markets²¹

6.7% first-day average return

10.2% increase in offer price vs. 24 March

US\$548m median post-IPO market cap

Junior markets²¹

18.0% first-day average return

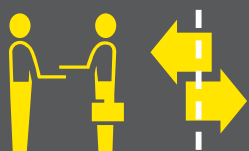
6.5% increase in offer price vs. 24 March

US\$61m median post-IPO market cap

Equity indices²⁰

FTSE 100	-3.4% ▼	BSE SENS	+4.2% ▲
DAX	-3.8% ▼	JSE All share	+1.3% ▲
CAC40	-0.5% ▼	VSTOXX	+12.6% ▲
MICEX	-21.6% ▼		

Cross-border IPOs



15% of EMEIA IPOs are cross-border deals

by volume and **28%** by funds raised.

London²² hosted **7 deals** that raised US\$2.0b.

19. 2014 Q1 IPO activity is based on priced IPOs as of 24 March and expected IPOs by end of March.

20. Year-to-date returns of equity indices as of 24 March.

21. Pricing and returns are based on 23 IPOs on the Main Markets and 21 IPOs on junior market that have been priced by 24 March. Data as at 24 March.

22. London Main Market hosted two cross-border IPOs that raised US\$1.2b in aggregate, while London Alternative Investment Market (AIM) hosted five IPOs which raised US\$0.7b.



UK IPOs trading to expectation

There was a view late last year that investor interest could potentially taper for UK IPOs in 2014, given the significant fulfillment of demand in 2013. However, as yet this has not materialized. The majority of IPOs have comfortably filled their books and are trading to expectation. Rising indices in a low inflation and low interest rate environment are continuing to drive strong investor support for UK equities.

- ▶ The number of deals on the London Main Market in 2014 Q1 is up 60% by deal number and 95% by capital raised on 2013 Q1.
- ▶ IPOs on London Main Market and Alternative Investment Market (AIM) accounted for 41% by deal numbers and 45% of capital raised on EMEA exchanges.
- ▶ Four of the global top 20 deals were from London Main Market.

The UK is performing well versus its global competitors

London Main Market ranked third globally by capital raised in 2014 Q1. Combining the amount raised in IPOs on the LSE and AIM exchanges in 2014 Q1, the UK ranks third behind the US and Greater Chinese exchanges, accounting for 10% of global IPOs and 15% by global funds raised. This quarter, the London Main Market saw eight listings that raised US\$4.6b, surpassing 2013 Q1 activity (five deals that raised US\$2.3b).

Strong investor appetite for retail IPOs

Retail has been the dominant sector this quarter, representing 5 of the 8 London Main Market listings and 3 of the 16 AIM listings. 2014 Q1 saw more UK retail IPOs than in the last five years put together. Specifically, it is the low-cost retailers and those with a strong online presence that have successfully secured a listing. The drivers for this move are twofold: more consumer purchases than ever before are being made online, and there is increasing demand for value-based retailers like Poundland.

Technology set to perform well?

In 2014, there are a large number of technology businesses looking for an opportunity to take advantage of the buoyant market to raise capital. The London Stock Exchange has invested in attracting fast-growth technology business to the Main Market

with initiatives like the High-Growth Segment and Future Fifty. While the US, in particular NASDAQ, will always provide a strong alternative for some global technology businesses, London's depth of capital and international investor base should ensure the majority of UK technology businesses list locally.

PE driving UK IPO market

Forty-two percent of UK IPOs were PE- or VC-backed in 2014 Q1, and we believe PE and VC will continue to be a major market participant in 2014. EY's *Global private equity watch 2014* report²³ shows that there are a significant number of UK companies that have been under PE ownership for more than four years (the typical hold time). Continued PE exits via IPO will be driven by a combination of need and opportunity. As major shareholders in many recent IPOs, PE sponsors have received a significant uptick in value from post-IPO trading and will want to perpetuate the trend in 2014 while the IPO window is open.

Outlook for the second half is good

2014 Q2 is expected to be one of the strongest quarters for the UK since the start of the global financial crisis. We anticipate businesses from a broad range of sectors to come to market that will be predominantly UK-based and PE-backed. In particular, natural resources IPOs may feature more strongly following a dry run in recent times, and there are signs that in-bound, cross-border listings are starting to pick up. We may also see more large deals, potentially from the financial services sector. Whatever the industry, however, investor demand will persist for assets that come to market at the right time, with the right price, right team and a strong track record.

²³EY, *Regaining equilibrium: global private equity watch 2014*, March 2014

UK IPO highlights

2014 Q1²⁴

Volume and value



London Main Market
8 deals
(60% increase on 2013 Q1)



Alternative Investment Market
16 deals
(167% increase on 2013 Q1)



London Main Market
US\$4.6b
(95% increase on 2013 Q1)



Alternative Investment Market
US\$2.0b
(1,863% increase on 2013 Q1)

Key trends



- ▶ The UK IPO market is running hot following its most active year since the financial crisis began.
- ▶ Retail is the most active sector accounting for 33% of IPOs and 62% by funds raised.
- ▶ PE is a key driver fueled by the twin need to exit investments and generate returns.

Commentary

"This quarter we have seen strong IPO market momentum continue with eight Main Market listings taking place, exceeding the corresponding quarter of last year. With the OECD predicting that UK recovery will be the strongest among G7 nations over the first half of 2014, we believe the stage is now set for strong IPO performance for the first half of 2014."

David Vaughan
UK IPO Leader, EY

Financial sponsors drive UK IPO market

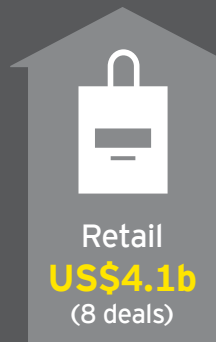


PE and VC account for 42% of UK IPOs (10 deals)

67% by proceeds
(US\$4.4b)



Three sectors trending



IPO pricing and performance

London Main Market²⁶

7.3% first-day average return

3.7% increase in offer price vs. 24 March

US\$1,626m median post-IPO market cap

Alternative Investment Market²⁶

18.3% first-day average return

6.1% increase in offer price vs. 24 March

US\$261m median post-IPO market cap

Equity indices²⁵

FTSE 100 -3.4% ▼

FTSE 350 -2.8% ▼

FTSE AIM ALL SHARE -0.6% ▼

Cross-border activity from

Russia **1 deal** US\$952m

Ireland **1 deal** US\$363m



2014 Q1 saw one global depository receipt that raised around US\$952m, issued by Russia's Lenta Ltd.



Top three IPOs by capital raised

Lenta Ltd.
raised
US\$952m
(Russia, Retail)

Pets at Home Group plc
raised
US\$818m
(UK, Retail)

AO World plc
raised
US\$812m
(UK, Retail)

²⁴ 2014 Q1 IPO activity is based on priced IPOs as of 24 March and expected IPOs by end of March.

²⁵ Year-to-date returns of equity indices as of 24 March.

²⁶ Pricing and returns are based on 6 IPOs on Main board and 11 IPOs on AIM that have been priced by 24 March. Data as of 24 March

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EY is a leader in helping to take companies public worldwide. With decades of experience, our global network is dedicated to serving market leaders and helping businesses evaluate the pros and cons of an IPO. We demystify the process by offering IPO readiness assessments, IPO preparation, project management and execution services, all of which help prepare you for life in the public spotlight. Our Global IPO Center of Excellence is a virtual hub which provides access to our IPO knowledge, tools, thought leadership and contacts from around the world in one easy-to-use source.

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Find out more about future IPO prospects

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

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* Throughout this report, 2014 Q1 IPO activity is based on priced IPOs as of 18 March and expected IPOs by end of March. Source of data: Dealogic, EY