

# EY Global IPO Trends

Q4 2013

## 2014 will be a record year for IPOs

Welcome to our combined fourth-quarter and 2013 full-year review of global IPO trends in which we provide extensive commentary on listings activity across the world and analysis of key drivers from EY's global network.

As anticipated in our third-quarter report, activity lifted strongly in Q4 2013, marking a very strong end to 2013. In 2013, we saw alternate weak and strong activity with each passing quarter, reflecting fluctuating global macroeconomic conditions and wavering investor confidence.

Thanks in large part to a very strong fourth quarter, we are pleased to report that 2013 was the first year since 2010 in which deal numbers and values rose compared to the prior year. The broad spread of sectors and geographic markets returning, bodes well for a strong start to 2014 and the end of the two-year decline.

The strong recent uptick in listings indicates a recovery in investor confidence and better market fundamentals. However, the path forward is not expected to be a smooth ride. In particular, global markets are operating in an extraordinary policy environment, with monetary conditions very loose and significant fiscal adjustment still on the horizon in some key economies. As a result, any unanticipated changes in the timing or size of policy changes or another unexpected market shock could drive volatility in global IPO markets in 2014. Still, with the fundamentals improving each quarter, the trend in IPO activity is nonetheless expected to be an improving one, even if some short-term uncertainty re-emerges.

We expect that in Q1 2014 the number of IPOs worldwide could reach 250 to 300, generating total proceeds of around US\$35b-US\$45b. If achieved, this performance would be a significant improvement on year-ago levels and reset activity more in line with levels achieved between 2005 and 2008. Activity is also expected to be broad-based, from across the major deal regions and a cross-section of industries. We expect the strong momentum in the US markets and continual recovery of the European and Middle East IPO markets to continue into 2014. 2014 could be a bumper year for Asian exchanges due to the reopening of mainland Chinese exchanges and stronger levels of activity from Hong Kong, Japan and Southeast Asian markets. Private Equity- (PE-) backed IPOs will continue to be a key driver of global IPO activity.

We hope that the analysis and perspectives contained in this report will be of use to all participants in the capital markets, but should you require further insight, please contact me or my EY colleagues in your region.

### 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

**Maria Pinelli**

Global Vice Chair  
Strategic Growth Markets, EY



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## Global IPO activity – 2013<sup>1</sup> analysis

2013 ended on a high note, after several mixed quarters

There were 864 IPO deals globally in 2013, a 3% increase on 837 deals in 2012. By capital raised, US\$163.0b was raised globally in 2013 compared to US\$128.6b in 2012, a 27% increase.

While 2013 activity was softer than 2010 and 2011, this is a solid full-year result and much better than anticipated, particularly given the suspension of IPO activity in mainland China through 2013. In previous years, China would have been expected to account for around 17%-25% of IPO activity by value and 6%-25% by number of deals, suggesting that 2013 would have been the strongest year since 2010 if Chinese exchanges had been open.

### Global IPOs by number of deals and capital raised



\* 2013 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

Although the year got off to a slow start, with Q1 2013 activity at a multi-quarter low, reflecting high market volatility and tepid signs of recovery in the global economy, Q2 2013 saw substantial improvement with proceeds close to doubling as investor confidence improved, equity markets gained and more companies in the global IPO pipeline came to market.

Q3 2013 was again somewhat disappointing, but lower IPO activity is expected during the summer months in the northern hemisphere. After a strong start in which markets were buoyed by improving macroeconomic conditions and low market volatility, sentiment turned in the second half of the quarter as investor concern grew on impending monetary tightening from the US Federal Reserve and softening economic prospects in key emerging markets. Higher equity market volatility ensued and global IPO proceeds totaled US\$20.2b via 202 IPOs for Q3 2013, the softest Q3 result since 2008.

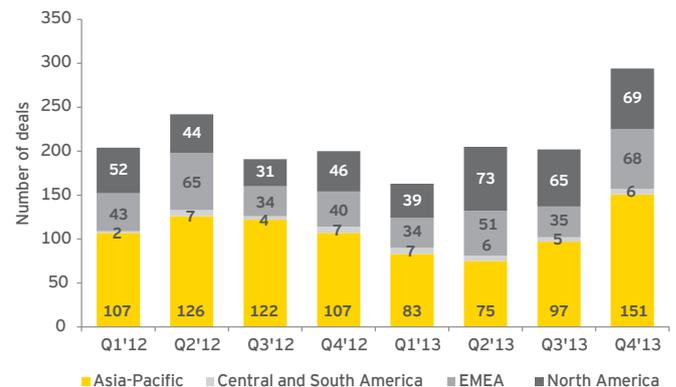
<sup>1</sup> Analysis included in this report includes all deals listed up to 2nd December and EY's expectations of deals that will close in the rest of the month.

## Q4 2013 was the strongest quarter since Q4 2010

The strong end to the year reflects the recovery in investor confidence, sustained improvement in global economic conditions, extremely easy global monetary conditions, easing political uncertainty in key markets and lower market volatility. This meant the window for new listings widened considerably.

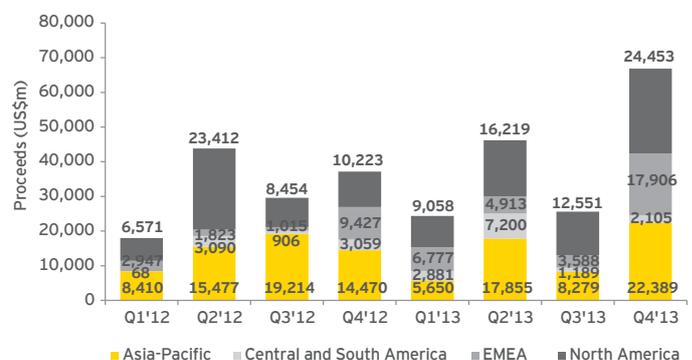
Q4 2013 deal proceeds (US\$66.9b) were the highest since Q4 2010, and at 294 deals, the number of deals was the highest since Q2 2011. Global IPO activity broadened by sector during 2013, with capital raised from more industry groups than in the last three to four years.

### Quarterly IPO deals by region



\* Q4'13 refers to projected IPO activity, which consists of priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

### Quarterly IPO proceeds by region (US\$m)



\* Q4'13 refers to projected IPO activity, which consists of priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.



## IPO activity by region

### 2013 Global IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	864	837	294	200
Proceeds (US\$b)	163.0	128.6	66.9	37.2
Average deal size (US\$m)	188.7	153.6	227.4	185.9
% Increase/ decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	3%	47%		
Proceeds (US\$b)	27%	80%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

“2013 was an inflection point in the global capital markets, ending a two year decline in IPO activity. The improved global economy and rising investor confidence sets the stage for momentum to continue across all regions in 2014.”

**Maria Pinelli** | Global Vice Chair,  
Strategic Growth Markets, EY

### US leads by value

The US was the strongest-performing country in 2013 in terms of funds raised. A total of 222 deals raised US\$59.6b in proceeds, accounting for 37% of global deals by value. 2013 IPO activity has exceeded the 2012 totals by number of deals and capital raised and is surpassing 2007 levels.

### Asia leads by number

Despite the closure of exchanges in China, Asia was the strongest-performing region in terms of total number of deals by some margin, with activity particularly strong in Japan and Hong Kong. We also saw increasing activity on Thailand, Singapore, Malaysia, Indonesia and Philippines stock exchanges by deal value and volume compared to 2012.

### Europe recovering strongly in Q4

Europe saw a significant turnaround in 2013 after more than three years of subdued IPO activity. Q4 2013 demonstrated a marked uplift in performance with deal numbers doubling on the Q3 2013 level and deal proceeds around 2.6 times higher. Large IPOs have made a return due to a significant rise of PE-backed listings and IPOs of state-owned enterprises. Despite some markets still being impacted by the financial crisis, the UK and Germany have seen a record year by volume for IPO activity – the highest since 2007. IPO activity has also picked up in other continental Europe countries.

### Central and South America continues to recover

IPO activity by deal volume and value for 2013 has surpassed 2012 due to improvement in listing activity from Brazil and Mexico exchanges. Although the second quarter was strong as in other regions, Central and South America had a flat end to the year with limited listings in Brazil, although Mexico saw an upturn in activity in Q4 2013 and has a solid pipeline for 2014.



### 2013 January-December\* Top 10 global IPOs by capital raised

Issuer name	Sector	Proceeds (US\$m)	Exchange(s)
BB Seguridade Participacoes SA	Financials	5,677.5	Sao Paulo (BM&F BOVESPA)
Suntory Beverage & Food Ltd	Consumer staples	3,964.5	Tokyo (TSE)
Royal Mail plc	Consumer products and services	3,170.3	London (LSE)
Plains GP Holdings LP	Energy	2,912.4	New York (NYSE)
Zoetis Inc	Health care	2,574.4	New York (NYSE)
China Cinda Asset Management Co Ltd	Financials	2,256.7	Hong Kong (HKEx)
Hilton Worldwide Holdings Inc	Media and entertainment	2,200.0	New York (NYSE)
BTS Rail Mass Transit Growth Infrastructure Fund	Industrials	2,127.4	Thailand (SET)
Twitter Inc	Technology	2,093.0	New York (NYSE)
Antero Resources Corp	Energy	1,807.7	New York (NYSE)

\* Based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

### Top 10 deals show US and Asian dominance

Analyzing the top 10 deals for the year, the US led with five listings and Asia saw three deals, with UK and Brazil with one deal each. In terms of sector, energy tops the 2013 top 20 deal table in terms of number of value of IPOs globally, followed closely by financials and real estate.

### 2013 January-December\* global IPOs by sector

Sector	Number of deals	% of global deal number	Proceeds (US\$m)	% of global capital raised
Real estate	94	10.9%	25,646.7	15.7%
Financials	89	10.3%	24,060.6	14.8%
Energy	72	8.3%	22,745.4	14.0%
Industrials	116	13.4%	18,547.5	11.4%
Consumer products and services	78	9.0%	12,898.0	7.9%
Health care	92	10.6%	10,933.6	6.7%
Media and entertainment	39	4.5%	10,475.4	6.4%
Consumer staples	49	5.7%	10,169.0	6.2%
Technology	116	13.4%	10,072.7	6.2%
Materials	59	6.8%	6,651.9	4.1%
Retail	45	5.2%	6,496.2	4.0%
Telecommunications	15	1.7%	4,318.1	2.6%
<b>Global total</b>	<b>864</b>	<b>100.0%</b>	<b>163,015.1</b>	<b>100.0%</b>

\* Based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

### New York and Hong Kong top exchanges by volume and value

In terms of stock exchange performance, New York, NASDAQ and Hong Kong are vying for the top three positions in terms of number and value of deals. This is closely followed by London, Tokyo, Sao Paulo, Australian, Thailand and Mexican stock exchanges by capital raised.

## 2014 outlook

### 2013\* global IPOs by stock exchange

#### Top 12 by number of deals

Exchange	No. of deals	% of global total
New York (NYSE)	114	13.2%
NASDAQ	108	12.5%
Hong Kong (HKEx)	68	7.9%
Australia (ASX)	52	6.0%
London (AIM)	49	5.7%
KOSDAQ	37	4.3%
Bombay SME	30	3.5%
Indonesia (IDX)	29	3.4%
Tokyo MOTHERS	29	3.4%
Hong Kong GEM	21	2.4%
Thailand (SET)	21	2.4%
London (LSE)	20	2.3%
All other exchanges	285	33.0%
<b>Global total</b>	<b>864</b>	<b>100.0%</b>

#### Top 12 by capital raised

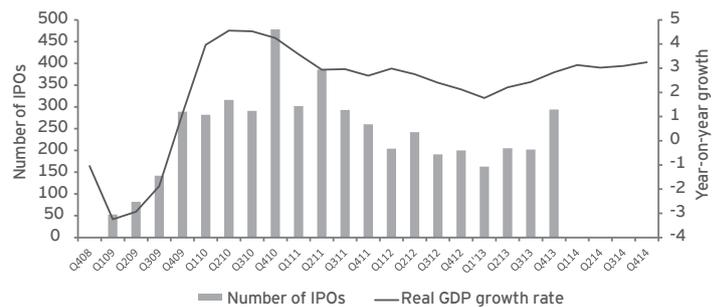
Exchange	Capital raised (US\$m)	% of global total
New York (NYSE)	\$44,081	27.0%
Hong Kong (HKEx)	\$16,548	10.2%
NASDAQ	\$15,560	9.5%
London (LSE)	\$13,306	8.2%
Tokyo (TSE)	\$9,249	5.7%
Sao Paulo (BM&F BOVESPA)	\$8,479	5.2%
Australia (ASX)	\$5,854	3.6%
Thailand (SET)	\$5,195	3.2%
Mexican (BMV)	\$4,805	2.9%
Singapore (SGX)	\$4,647	2.9%
New Zealand (NZX)	\$3,893	2.4%
Deutsche Borse	\$3,288	2.0%
All other exchanges	\$28,110	17.2%
<b>Global total</b>	<b>\$163,015</b>	<b>100.0%</b>

\* Based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

### Global economic conditions set to improve

Global macroeconomic fundamentals point to contained market volatility and a supportive environment for IPOs in the coming months. Global gross domestic product (GDP) growth is expected to accelerate to 3.4% in 2014, from 2.2% in 2013, on IHS Global Insight forecasts. This would be the best pace since 2009. Stronger activity in the US and Japan, gradual recovery in Europe, a reacceleration in GDP in China and diminishing risks in other emerging markets suggest a more favorable backdrop for equity markets and IPOs in 2014.

#### IHS Global GDP forecast vs. number of IPOs



\* Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic, IHS Global Insights.

The other key difference in market conditions relative to prior quarters is the outlook for monetary policy. Ultra-loose policy settings, with interest rates at record-low levels and central banks purchasing bonds, have been a major support for risky assets, including equity markets, in recent years. Uncertainty on when, and how quickly, this support would be unwound drove volatility and a weaker Q3 2013 for IPOs. Significantly, major central banks changed their tone on any tapering in policy support in Q4 2013, making clear that conditions should remain highly supportive for some time yet. In fact, with economic conditions expected to show ongoing but gradual improvement and inflation pressures still subdued, policy support should stay in place throughout the first half of 2014 at least.

For IPOs, this combination of better economic growth, easy monetary conditions and stable volatility is supportive. These are considerably stronger foundations for new listings in 2014 than at the start of 2013.



## IPO activity should hold pace in Q1 2014

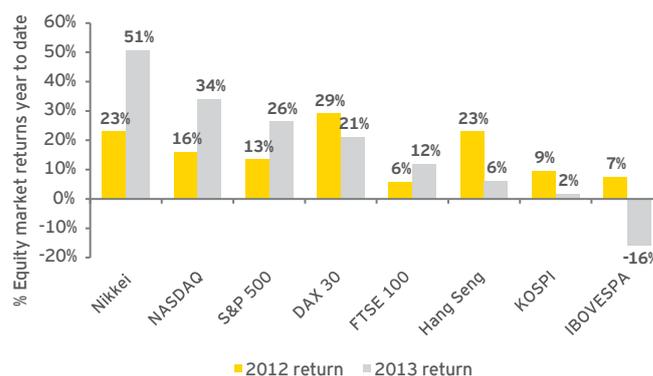
Global IPO activity is expected to record an even better year in 2014, with economic fundamentals and strong global liquidity suggesting a receptive market for new listings in the New Year. We anticipate that total proceeds for Q1 2014 could be in the range US\$35-US\$45b, on global volume of 250-300 deals. If achieved, this performance would be a significant improvement on year-ago levels and reset activity more in line with levels achieved between 2005 to 2008.

Activity is also expected to be broad-based, across the major deal regions, with the solid performance of recent listings in the majority of major markets supportive for IPO activity in the coming months. Improving economic conditions and investor interest in developed market equities should continue to support IPO activity in major markets including the US, UK and Europe. At the same time, the subdued level in emerging market offerings has likely run its course, with economic conditions steadying. The reopening of the mainland China exchanges in the new year should result in at least 50 IPOs in the first quarter. Moreover, we are likely to see increasing activity from Southeast Asia, from Europe and from Central and South America, such as Mexico. The prospect of low bond yields for a while yet and investors hungry for higher returns are factors that support the strengthening of investor appetite for IPOs globally.

The risks around this outlook remain significant. On the positive side, expectations for the New Year would need to be recalibrated should equity market volatility dip further; economic data exceed expectations; or central banks provide new, supportive forward guidance on policy. On the negative side, renewed policy uncertainty, particularly on monetary tightening, would disrupt this outlook, as would new signs of weakness in the economic data.

Nonetheless, the overall trend is an improving one, and activity should trend noticeably higher in 2014, despite any near-term oscillations. For firms getting ready to go public, the market window looks its best in several quarters for the start of 2014.

Stronger equity performance in many developed markets indicates increasing investor confidence



Source: S&P Capital IQ. Data as of December.

“Institutional investors continue to indicate pricing as their number one concern for investing in an IPO. Having the right management and right equity story are important to pre-IPO companies. However, investors see this as a given. The right pricing can make or break the success of an IPO.”

**Maria Pinelli** | Global Vice Chair,  
Strategic Growth Markets, EY



## Healthy pipeline and strong post-IPO performance drive PE activity

Recent data indicates lagging IPO-exit rates for PE firms – 62% of companies acquired in 2006 and 73% of those acquired in 2007 have yet to be exited. However, this does not tell the whole story. The global economy is improving, and market sentiment is high and rising. At the same time, performance of PE-backed companies has improved, and the IPO pipeline has grown rapidly.

PE-backed activity peaked in the fourth quarter of 2013 with US\$26.2b raised across 69 IPOs. Indeed, PE-backed IPOs in 2013 totaled 182 deals that raised US\$56.4b, making it the most active year since 2007. VC-backed activity was also at its highest since 2007, with proceeds of US\$6.2b from 43 IPOs in Q4 2013 and a total of 126 deals for the year, which raised US\$13.6b. Year-to-date, around 40% of total global IPO proceeds and 28% of deal volume were generated by PE- or VC-backed deals.

In 2013, six out of the global top 20 IPO deals by proceeds were PE- or VC-backed listings. For IPOs globally in 2013, US exchanges account for 52% of PE-backed deals by deal volume and 58% by deal value. Europe is now picking up, buoyed by rising investor confidence and a slowly improving macroeconomic picture. Europe exchanges account for 16% of global PE backed IPOs and 26% by capital raised. However, falling valuations and China's yearlong freeze on stock market listings have challenged PE-backed IPO activity in the Asia-Pacific region.

The largest PE-backed IPOs so far this year are US natural gas company Plains GP Holdings LP, which raised US\$2.9b on NYSE

in October, and hotel and resort owner Hilton Worldwide Holdings Inc's US\$2.2b IPO on NYSE expected to go out in December. The largest VC-backed IPO of 2013 is from social media giant Twitter Inc., which raised US\$2.1b on NYSE in November.

Strong global equity markets, solid investor demand and attractive post-IPO performance has driven the robust issuance in 2013. Pricing trends were also positive in 2013: 83% of PE-backed deals were priced within or above their expected ranges. Year-to-date, PE-backed IPOs on average delivered a 19.1% first-day increase from their offer price<sup>2</sup> and closed the quarter 13.1<sup>3</sup> above their offer price on average. PE-backed companies have also raised record amounts in follow-on deals – to date, more than US\$100b.

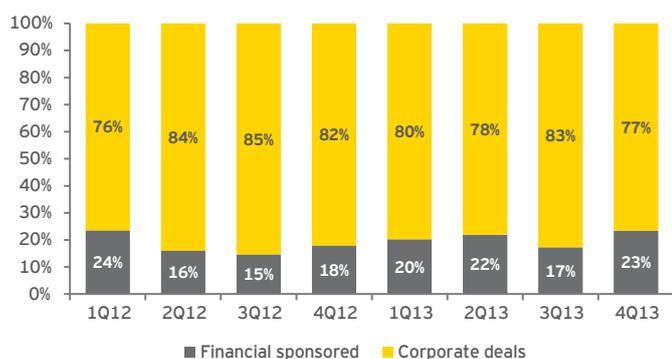
Looking forward to 2014, the PE-backed IPO pipeline remains very healthy with around 65 companies in active registration for 2014 poised to raise more than US\$18.2b in total.<sup>4</sup>

### Global PE-backed IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	182	107	69	26
Proceeds (US\$b)	56.4	19.4	26.2	5.4
Average deal size (US\$m)	309.9	181.0	379.0	207.8
% Increase/decrease	2013* vs. 2012	Q4'13* vs. Q4'12		
# of deals	70.1%	165.4%		
Proceeds(US\$b)	191.2%	384.0%		

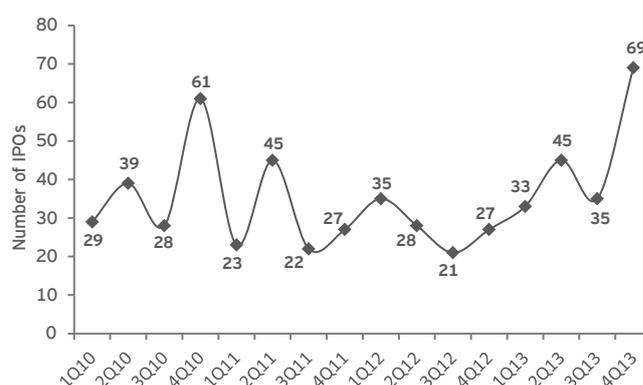
\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

### PE- sponsored backed vs. corporate IPO deals



Source: Dealogic.

### Global PE-backed IPOs by quarter



Source: Dealogic.

<sup>2</sup> Based on PE backed IPOs priced by 5 December 2013.

<sup>3</sup> Based on PE backed IPOs priced by 5 December 2013, calculated on a weighted average basis.

<sup>4</sup> The 2014 PE-backed IPO pipeline is at 5 December 2013.

## Industry analysis

Broad range of industries contributed to 2013 IPO activity

Global IPO activity broadened in 2013, becoming much more widespread than in 2012, with contributions to total proceeds drawn from across the major industry groups throughout the year. This trend is expected to persist in 2014, with issuers from a broad mix of sectors forecast to raise capital via IPO listings. The global IPO backlog suggests 17 major industries have more than five deals pending as at the end of November 2013, compared to 14 industries at the end of the second quarter, according to Dealogic data.

Globally, 2013 saw the real estate sector lead IPO activity in terms of proceeds generated. The financial and energy sectors were the next most active sectors from a deal value perspective. From a deal volume perspective, the industrials sectors led IPO activity in terms of volume of activity, accounting for 13.5% of global deal number. The technology and real estate sectors were the next most active sectors.

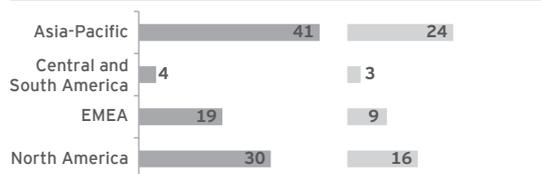
### Three sectors likely to dominate in 2014: tech, real estate and financials

Three key sectors should continue to drive deals in 2014. Technology offerings are expected to lead by a big margin on the back of an active Q4 2013 for the industry. The very strong price performance of key technology offerings in the quarter, including Twitter Inc., should result in an increasing number of issuers to go to market in Q1 2014. Pipeline data shows that 27 prospective offerings from computer and electronics firms make up more than 10% of the recorded backlog with a focus on more business-to-business (B2B) listings as the run of large business-to-consumer (B2C) listings comes to an end.

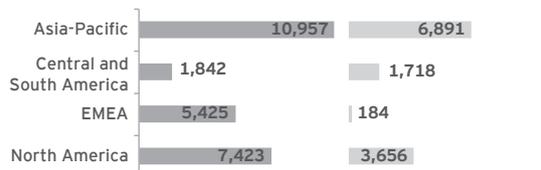
Real estate should also remain a leading sector in early 2014. The sustained cyclical recovery in the US housing market is important, alongside the ongoing investor quest for attractive yields in a low interest rate environment. Commercial real estate could also emerge as an important sub-sector, with the success of the Empire State Realty Trust in H2'13 highlighting solid investor appetite. Globally, the recent success of PE-backed real estate offerings in Europe, such as Deutsche Annington Immobilien GmbH in Germany, is encouraging for real estate IPO activity in the New Year. Real estate and property offerings are a close second to technology with 26 IPOs registered in the Dealogic pipeline.

Finally, financials firms are likely to be a mainstay of future global IPO activity. Better earnings performance for the sector in recent months, supported by improving credit quality, suggests the timing is becoming more attractive for IPOs in this sector. The expected spin-off of the North American retail finance division of GE should support solid activity in the first half of 2014. Emerging market financial IPOs could also be an important contributor following the debut of Russian credit card operator TCS in Q4 2013.

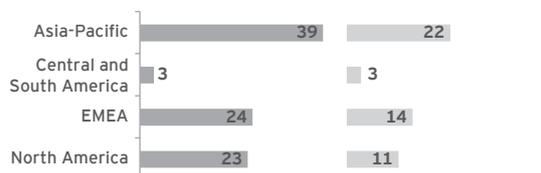
Real estate	2013*	2012
Real estate – by number of deals		
	94	52



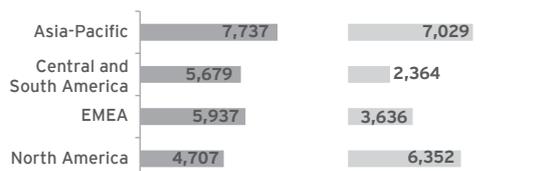
Real estate	2013*	2012
Real estate – by capital raised (US\$m)		
	\$25,647	\$12,448



Financial	2013*	2012
Financial – by number of deals		
	89	50



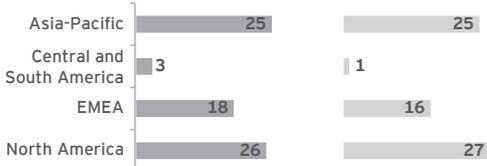
Financial	2013*	2012
Financial – by capital raised (US\$m)		
	\$24,061	\$19,381



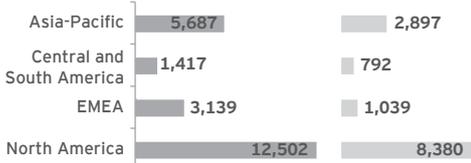
\* 2013 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December.  
Source: Dealogic



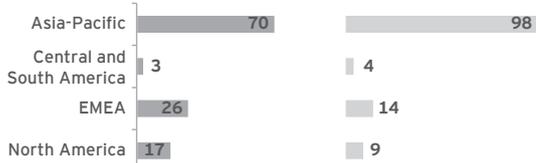
Energy	2013*	2012
Energy – by number of deals	70	69



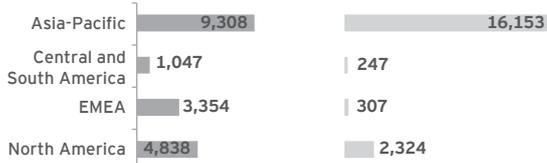
Energy – by capital raised (US\$m)	2013*	2012
	\$21,845	\$13,107



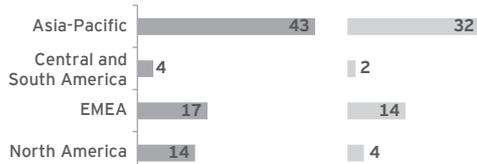
Industrial	2013*	2012
Industrial – by number of deals	116	125



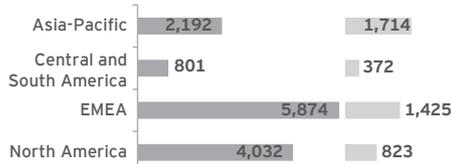
Industrial – by capital raised (US\$m)	2013*	2012
	\$18,547	\$19,031



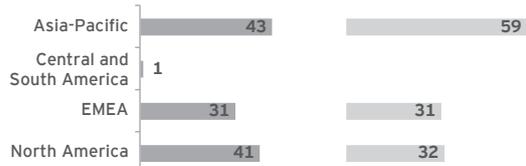
Consumer products	2013*	2012
Consumer products – by number of deals	78	52



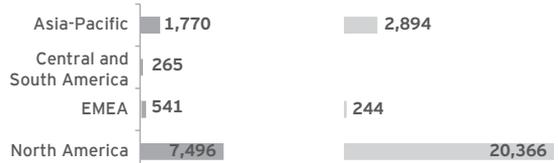
Consumer products – by capital raised (US\$m)	2013*	2012
	\$12,898	\$4,335



Technology	2013*	2012
Technology – by number of deals	116	122



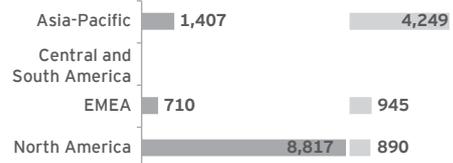
Technology – by capital raised (US\$m)	2013*	2012
	\$10,073	\$23,504



Health care	2013*	2012
Health care – by number of deals	90	56



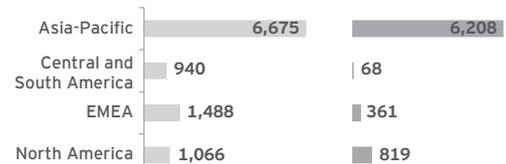
Health care – by capital raised (US\$m)	2013*	2012
	\$10,823	\$6,084



Consumer staples	2013*	2012
Consumer staples – by number of deals	49	58



Consumer staples – by capital raised (US\$m)	2013*	2012
	\$10,169	\$7,456



## Regional analysis

### The US

#### 2013 proves to be the most active US IPO market since 2004 and momentum will continue in 2014.

2013 presented a long-awaited window of opportunities for IPOs due to calmer economic climate, low volatility and huge backlog of PE-backed IPOs seeking an exit. IPO activity in 2013 proves to be the most active since 2004 when the number of listings was last highest and should surpass 2007 when capital raised was highest. The total number of IPOs on US exchanges in 2013 is set to reach 222 with US\$59.6b in proceeds raised. This is compared to 238 IPOs which raised US\$49.6b in 2004 and 214 IPOs which raised US\$50.4b in 2007. Activity and momentum in 2014 are expected to continue.

NYSE and NASDAQ ranked first and third by capital raised in the list of global exchanges for 2013. NYSE saw 114 deals (13.2% of the global total) and raised US\$44.1b (27% of global total), while NASDAQ raised proceeds of US\$15.6b (9.5% of the global total) through 108 IPOs (a 12.5% share of the worldwide total). Unsurprisingly, US exchanges hosted six of the year's top 20 largest IPOs worldwide, including possibly one of the most high-profile – Twitter Inc.'s US\$2.1b listing on NYSE in November.

VC backed companies recovered strongly in 2013 and PE activity provided a key source of IPO-related exits this year. As an indicator of the volume, in 2007, the peak year for PE-backed IPOs, there were 94 deals which raised US\$20.3b. In 2013, by contrast, 94 of the 222 US IPOs were PE-backed, which raised US\$32.8b. 42% of US IPOs by deal number and 55% by capital raised were from PE-backed companies. Despite relatively robust levels of PE exit activity over the last two years, there remains a significant backlog of PE exits that will continue to spur IPO activity into 2014.

The US continues to attract IPOs from around the world as companies seek to capitalise on the momentum of the US capital markets. For example, 36 out of 222 US IPOs were cross-border IPOs in 2013, that is, 16% of US exchanges IPOs by deal number and 11% by capital raised (US\$6.7b raised) were from foreign private issuers. This compares to 9% of US IPOs by deal number and 12% by capital raised in 2012. We expect to see higher number of cross-border IPOs onto US exchanges in 2014.

Activity in the US was broader in 2013 than in 2012, with a spread of listings across a multiple of industries. In 2013, health care saw 49 IPOs in the US, the largest number by sector, raising US\$8.8b in total proceeds. Pharmaceutical development and, in particular, biotechnology firms were active, with listings for the latter reaching the highest level since 2007. Looking forward, we expect the pace of health care IPO activity to continue in 2014 as long as market volatility remains low. Other sectors in the top five include: technology, energy, real estate and financial services.

Energy led the way in 2013 in terms of capital with US\$12.0b raised through 24 IPOs. Levels of activity are likely to be sustained in 2014 due to the projected expansion of the sector in the US and the enormous amount of investment that this is attracting. The energy sector has seen a degree of under-investment in recent years and as this balance is corrected, new listings may result.

Technology is another sector to watch in 2014 with listings likely to continue at a strong pace in the new year. 2013 saw 39 IPOs raising \$US7.4b, bolstered by the Twitter listing, which is likely to renew investors' interest in technology companies.

2014 will see more IPOs from disruptive and innovative companies, as well as IPOs of companies that blur and cross-over between technology and other industries such as consumer products, media, real estate and financial services. Such companies may have a choice under which sector to list and valuation will be a key driver in their decision.

Looking ahead to 2014, investor sentiment in the US remains extremely positive as valuations and performance remain firm. The future looks bright for the IPO market, PE- and VC-backed IPOs will continue to be key driver and 2014 will be a good time for US and international companies to go public in the US across a range of markets.

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“US IPOs in 2014 will be a combination of household names, as well as disruptive, innovative companies. The backlog of PE-backed IPOs will continue to push into 2014, and companies blurred by sector convergence will drive market activity. These factors make 2014 another exciting year for IPO activity.”

Jacqueline Kelley | Americas IPO Leader, EY



## US exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	222	133	67	33
Proceeds (US\$b)	59.6	46.7	24.1	8.9
Average deal size (US\$m)	268.7	350.9	359.3	268.9
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	67%	103%		
Proceeds (US\$b)	28%	171%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

“Companies from Europe, China and Israel continue to look to the US and its deep capital markets for growth capital. The US surge in the IPO market, positive investor sentiment for this asset class and their appetite for Global investment makes the US attractive and much more competitive than their domestic markets.”

**Maria Pinelli** | Global Vice Chair,  
Strategic Growth Markets, EY

## Central and South America

**IPO activity by deal volume and value for 2013 has surpassed 2012, due to improvement in listing activity from Brazil and Mexico exchanges. Investor sentiment across the region is mixed, and IPO activity in selected parts of the region remains soft due in part to softer economic fundamentals.**

In 2013, Brazil IPO activity by deal volume and deal value has surpassed 2012 levels. There were 10 IPOs, which raised US\$8.5b altogether, compared to three IPOs raising US\$2.1b in 2012. After a positive start to the year, which saw seven IPOs raise US\$7.7b in the first nine months, including the world's largest to date, BB Seguridade Participacoes SA raising US\$7b on the BOVESPA in April, IPO activity has slowed down in Q4 2013 as concerns about the macroeconomic outlook have affected pricing levels.

Looking forward, IPO activity in Brazil in 2014 is likely to sustain a similar pace, with more companies looking to raise between US\$200-500m in IPO proceeds, from across a range of sectors including education, utilities, infrastructure, IT and retail

(e-commerce) and consumer products. The GDP forecast remains low at around 2% and the FIFA Football World Cup in Q2 2014 may impact the window for IPOs. Later in 2014, the Brazilian Presidential election may generate some uncertainty among investors as they wait to see whether a change of administration will result in any significant change in government policy.

Elsewhere in Latin America, the outlook for Mexico is very positive. In 2013, the country saw nine IPOs which raised US\$4.8b altogether – a multi-year high, from a variety of sectors.

The IPOs that came to market in 2013 were well received by Mexican investors, indicating that they are ready to invest in good, viable businesses, with a strong equity story. All nine IPOs were priced within their initial filing range.

Companies in every sector are increasingly looking at an IPO as an alternative mechanism to finance growth and there have already been five applications filed for IPOs in 2014, including two of significant size expected in the first quarter.

## Central and South America exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	24	20	6	7
Proceeds (US\$b)	13.4	7.1	2.1	3.1
Average deal size (US\$m)	557.3	356.1	350.8	437.0
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	20%	-14%		
Proceeds (US\$b)	88%	-31%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

## Asia

**IPO activity shows signs of rebound in Q4 2012; the imminent re-opening of mainland Chinese exchanges is expected to drive momentum across the region in 2014.**

Asian IPO activity firmed in Q4 2013, breaking with the downward trend seen in prior quarters of 2013. The amount of capital raised rose 151% to US\$16.7b from US\$6.6b in Q3 2013, with deal volume 44% higher – up from 87 to 125 IPOs.

## China

Despite this late rally, the freeze in IPO activity in mainland China – where listings have been suspended since late 2012 – weighed heavily on deal volume in the region in 2013 with the total number of IPOs for the year expected to reach 347, compared to 414 IPOs in the previous 12 months. Proceeds are



also down with US\$44.4b raised compared to US\$56.2b in the region in 2012.

With IPO markets elsewhere in the region – notably Hong Kong and Japan – showing solid activity in 2013, the news from the China Securities Regulatory Commission (CSRC) in late November that mainland China will move from an approval- to a registration-based IPO system, as the Government prepares to lift the moratorium on new listings, points to a glut of IPOs in 2014.

About 50 companies are expected to complete the IPO approval, preparations and list or be ready to do so by the end of January, according to CSRC. In addition, there are more than 760 companies in the queue for approval and it will take about a year to complete an audit of all the applications.

Under the new IPO registration system, it will be easier for an issuer to complete its IPO and become a public company. However, CSRC will impose more stringent rules on listed companies. Although this is a positive development for the long term as both companies and stock investors will gradually have more choice under the new rules, there may be some downward pressure on the stock market in the short term as the rush of new IPOs in the next few months may drain capital and force a correction in some inflated stocks.

## Hong Kong

In the Hong Kong Main Market, IPO activity was up in 2013 in terms of both number of deals (68) and funds raised (US\$16.5b) compared to US\$11.5b raised in 48 IPOs in 2012.

Consistent with previous years, the fourth quarter was the most active quarter in 2013, with 38 IPOs raising US\$8.9b. There are a number of issuers who are completing their IPOs in December, including two large deals, China Cinda Asset Management and China Everbright Bank, which may raise US\$2.3b and US\$2.0b, respectively. Average deal size in 2013 slightly rose to US\$238m from US\$243m in 2012, indicating that smaller deals continue to come to the IPO market.

Activity in the first two quarters of 2013 was steady due the slowdown in the economic growth rate in mainland China, the effect of the country's change in leadership and the continuation of economic policies to cool off certain overheated sectors such as infrastructure and real estate.

Sentiment in the capital market started to improve in July, which resulted in a number of successful IPOs in Q3. With more indications of a solid IPO window, issuers who were well prepared and in the pipeline already, accelerated the IPO process to complete their listings in 2013.

Investor sentiment lifted in the second half of 2013 as more IPOs priced in the upper range compared to the previous six

months. In Q4 2013, 23 out of 28 IPOs opened above or at the offer, which indicates that market sentiment overall is positive. In a further sign that investor appetite for new listings has been rising, as of the end of November, 44 out of 50 IPOs on the HKEx (main board) in 2013 were oversubscribed. The scale of oversubscription increased through the year – 15 times in Q2 2013, 49 times in Q3 2013 and 136 times in Q4 2013.

The industrials and real estate sectors were the most active in terms of IPO volume with 12 and 10 IPOs respectively in 2013, reflecting investors' appetite for companies in these industries. Financials, which raised US\$5.5b, ranked first in terms of capital raised, the result of a number of state-owned financial institutions completing their IPOs in Hong Kong. Industrials ranked second with US\$3.7b and the consumer staples sector ranked third with US\$1.8b raised via six IPOs.

There is a strong IPO pipeline in Hong Kong which points to continued activity in 2014. Among those preparing to go public, Hong Kong-based conglomerate Hutchison Whampoa has announced it is considering carrying out an IPO of its retail pharmacy chains Watsons. The offering could raise HK\$8b to HK\$10b, which may make it one of the biggest deals of next year. Other potential IPOs include Shuanghui International Holdings, the Chinese meat processing company, which could raise HK\$6b, and China SCP Group, the shopping mall group, which is aiming to raise about US\$1b through its Hong Kong IPO.

Financial sponsor-backed listings accounted for four of the 68 Hong Kong IPOs in 2013, up from a single deal out of 48 listings in 2012, but PE and VC will remain important drivers for companies coming to the market in 2014. We also expect to see a greater number of IPOs from small- and medium-sized companies, which account for the majority of the current listing pipeline.

However, there are some developments that may negatively impact the IPO market in the coming year. While some sectors will benefit from the economic policies of mainland China, others such as real estate will still be under pressure compounded by the new property tax that will take effect in 2014.

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“The much anticipated re-opening of mainland Chinese exchanges and stronger levels of IPO activity from Southeast Asia will mean that Asia continues to be a dominant global IPO player in 2014. We expect more Asian companies than ever to prepare for their IPO to raise growth capital.”

**Ringo Choi** | Asia-Pacific  
Strategic Growth Markets Leader, EY

Hong Kong is likely to see increasing competition from other stock exchanges. For example, CSRC and the SGX have set up a direct listing framework which will be making it easier for Chinese firms that have received regulatory approval to list directly in the country.

Looking forward, the Hong Kong Government's top financial advisory body has begun a review of the city's stock listing regime. The study aims to look into the weaknesses of the Hong Kong IPO market and to enhance the framework, including ways to attract a greater variety of companies and from a wider range of countries.

## Japan

In Japan, IPO activity on the main market and junior markets MOTHERS and JASDAQ in 2013 was also up with 60 listings, including 24 in Q4 2013, compared to 51 in 2012. Software and related IT-service industries were the dominant sectors, followed by retail, biotech and construction.

The market environment is expected to remain supportive for IPOs in Japan in 2014. The Nikkei 225 equity index has been continuously trading higher through 2013, and we expect IPO activity will increase further in 2014, up to a total of around 80 new listings. Investor sentiment for recent IPOs has been strong, with the price on first-day trading exceeding the offer price for all IPOs so far this year.

Interest rates are forecast to stay very low for some time, and with the number of companies listing still at low levels relative to the size of the economy, there is room for higher level of IPO activity as the economic recovery continues and policy conditions remain supportive.

### Asian exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	347	414	125	90
Proceeds (US\$b)	44.4	56.2	16.7	13.5
Average deal size (US\$m)	128.0	135.8	133.2	149.6
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	-16%	39%		
Proceeds (US\$b)	-21%	24%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

## Southeast Asia

IPO activity continues to increase in Malaysia, Indonesia, the Philippines, Singapore and Thailand, with 111 IPOs across the region in 2013 raising almost US\$15.6b – an increase from 86 IPOs which raised US\$13.1b in 2012.

The biggest volume of deals came from Thailand where IPO activity is booming; including the two biggest IPOs in the country's history both being completed in 2013. BTS Rail Mass Transit Growth Infrastructure Fund raised US\$2.4b in April and True Telecommunications Growth Infrastructure Fund is planning to list by the end of the year with expected capital raised of US\$1.2b-1.5b.

## India

In 2013, there were three IPOs on the Bombay Main Market, raising US\$232m compared to 11 IPOs which raised US\$1.3b in 2012. In contrast, 2013 saw a rise in listings on the junior segment BSE SME platform, from 14 IPOs raising US\$14m in 2012 to 32 deals with US\$60m in capital raised.

Recent regulatory changes in India present interesting opportunities for private companies wishing to raise capital overseas. To date, if an Indian company wanted to complete a cross-border IPO they'd have to list in India first and then execute a follow-on offering at an overseas exchange. In September, the Government announced that domestic companies will be allowed to list directly at overseas exchanges without first being listed locally. More details about the particular rules and requirements will be announced in the coming months; however, the move is expected to boost capital inflows and attract foreign investment into India. We expect more cross-border listings by Indian companies in 2014. Some PE investors, who have been unable to exit their investments in the domestic market, may also explore overseas listings.

“Loose monetary conditions continue to fuel investor appetite for equities. The Japanese IPO market continues to accelerate in 2014, with approximately 80 new listings expected.”

**Shinichiro Suzuki** | Japan IPO Leader, EY



## Australia and New Zealand

Australia got off to a steady start in 2013, but activity picked up significantly towards the end of the year. The country saw 52 IPOs raising a total of US\$5.8b, but Q4 2013 accounted for 24 deals raising US\$4.1b. In 2012, there were 46 IPOs with proceeds of US\$894m, illustrating an almost tenfold increase in average deal size year-on-year – from US\$19m in 2012 to US\$113m in 2013.

PE-backed IPOs were among the largest IPOs in Australia, with six of the top 10 IPOs being PE-backed, which raised US\$2.5b, representing 11% of 2013 total deal volume but 42% of proceeds. The real estate sector was the most active with seven listings raising US\$1.6b in 2013. The year's largest deal was the US\$610m listing of media and entertainment company Nine Entertainment – the largest PE-backed IPO in Australia since retailer Myer Holdings in 2009. The window for deal-making remains open, and the momentum generated in Australia in Q4 2013 looks set to continue into 2014.

New Zealand also saw a very active year with US\$3.9b raised through seven IPOs. Three of these were the sell-off of state-owned enterprises in the energy sector. Electricity providers Meridian Energy Ltd and Mighty River Power Ltd raised US\$1.6b and US\$1.4b respectively while oil and gas company Z Energy raised US\$677m. IPO activity in New Zealand is set to continue in 2014, although we expect more smaller companies to come to market.

### Australian and New Zealand exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	59	48	26	17
Proceeds (US\$b)	9.7	1.3	5.7	1.0
Average deal size (US\$m)	165.2	27.9	220.6	59.0
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	23%	53%		
Proceeds (US\$b)	628%	471%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

## EMEA

**Low IPO sentiment receded in 2013; there are positive signals in core Europe and UK with improvements over the last five quarters; outlook is good for 2014.**

Rising equity markets, very low interest rates and improving investor confidence have bolstered IPO markets in Europe in 2013, despite still-sluggish economic activity in some countries leading to mixed conditions overall. The third and fourth quarters were particularly strong contributors to activity for the year. Right across the EMEA region, IPO sentiment is more positive than a year ago – continuing an improving trend over the last four to five quarters.

In Europe, there were 158 IPOs, which raised US\$30.3b altogether. Deal proceeds are up 130% on the same period in 2012, even with six fewer deals being done overall. Average deal size rose markedly from US\$80.5m in 2012 to US\$191.8m in 2013 due to a higher number of large IPOs and a slowdown in small-cap listings. Good performance and more compelling valuations suggest the recent positive trend should continue in 2014 unless a macroeconomic shock derails progress.

Privatizations of state-owned enterprises via IPO were one of the major contributors to Europe activity in 2013, including Royal Mail in the UK, Energa in Poland and Romagaz SA in Romania, and could continue to contribute in 2014. In early December, Portugal's Government sold a majority stake in its postal operator, CTT- Correios de Portugal, which raised more than US\$619m, the first IPO in this market in five years.

PE-backed deals were also significant drivers of improved activity, accounting for more than 48% of capital raised in the Europe region this year and 19% by deal number.

## Europe

Off the back of a traditionally quiet third quarter, Q4 2013 saw almost twice the amount of IPO activity – 58 deals compared to 29 in Q3 2013 – bringing total funds raised in the year to US\$30b, more than double 2012's total. Despite some markets still being impacted by the financial crisis, for both the UK and Germany it was a record year by volume for IPO activity – the highest since 2007. This vigor looks set to remain. The Bank of England and the European Central Bank continue to stimulate the market, the economy is improving overall, and recent deal activity and post-listing performance present an encouraging precedent for issuers.

The financial, consumer products, real estate and industrials sectors led by capital raised in Europe this year and, in a continuing global trend, companies looking to list over the next 12-18 months also come from a very broad cross-section of industries. That aside, 2013 has been particularly favorable to



real estate IPOs. Notable transactions in the sector in the UK included Foxtons Group, Crest Nicholson and Countrywide, while Germany saw LEG Immobilien AG and Deutsche Annington Immobilien GmbH go public in 2013. Overall in Europe, real estate IPOs raised total funds of US\$6.0b via 18 IPOs, a sign that the UK and German property markets are recovering.

While there could be more technology and health care IPOs of European companies next year, a real cluster of sectors is not expected. Investors may shift from value to growth investments in 2014. They have a higher-risk appetite and are hungry to generate higher rates of return for their growing volume of investable capital.

The largest of the deals in Europe – and third largest globally – was the privatization of the UK’s Royal Mail, which raised US\$3.2b. The second largest European IPO was the US\$1.7b listing of Merlin Entertainment in London. However, activity wasn’t limited to just the UK. Completing the list of the top five deals across European exchanges, Germany’s LEG Immobilien AG raised US\$1.5b at the beginning of 2013, Switzerland’s Cembra Money Bank AG raised US\$1.2b, Belgium’s bPost SA/NV raised approximately US\$1.1b later in the year.

2013 could rightly be called the year of the PE-backed IPO. Spurred by a wide-open European market that was closed for so long, the resurgence in activity saw 30 PE-backed deals, which raised US\$14.6b this year compared to just four listings raising US\$1.4b in 2012 – a staggering 956% increase in value and 650% in volume. Going forward, EMEA has a significant PE-backed portfolio that needs to be wound down. UK’s Merlin Entertainment, the second largest European IPO in 2013, was backed by PE investors. This, along with other large IPOs on European exchanges, indicates that private equity now sees IPO as a realistic exit option for the right assets.

#### Europe exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	158	164	58	34
Proceeds (US\$b)	30.3	13.2	17.5	9.0
Average deal size (US\$m)	191.8	80.5	302.0	263.3
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	-4%	71%		
Proceeds (US\$b)	130%	96%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

#### Middle East and Africa

While we have seen an increase in IPO activity in the Middle East and Africa from 2012 to 2013 in both the number of deals and capital raised, the Middle East IPO market remains lackluster compared to pre-financial crisis level. Indicating a large number of small transactions, Middle East exchanges saw 23 IPOs raising US\$3.68b altogether in 2013 compared to US\$2.1b raised through 12 listings in 2012. African exchanges conducted 16 IPOs in 2013, raising US\$481.5m in total capital, up from 10 IPOs and US\$343m in proceeds in the prior year.

Strong global economic recovery and the subsequent increase in regional indices like the Dubai Financial Market are crucial to investor interest, increased valuations and growth in PE-backed and VC-backed IPOs. We expect more IPOs from both regions in 2014; in particular from family business conglomerates or their subsidiaries in the Middle East, and from PE exits. Investor appetite is strong for defensive sectors like health care, education, food and beverages, and consumer products, while financial services and real estate are still recovering.

#### Middle East and Africa exchanges IPO activity

	2013*	2012	Q4'13*	Q4'12
# of deals	30	18	10	6
Proceeds (US\$b)	2.9	2.0	0.4	0.5
Average deal size (US\$m)	96.0	112.0	38.7	79.2
% Increase/decrease	2013 vs. 2012	Q4'13* vs. Q4'12		
# of deals	67%	67%		
Proceeds (US\$b)	43%	-19%		

\* 2013 and Q4'13 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. Source: Dealogic.

“Investor sentiment has been strengthened by increasing valuations and low volatility levels. With record highs on the main European indices and low interest rates set to persist for the foreseeable future, the stage is set for further expansion of IPO activity across EMEA in 2014.”

**Martin Steinbach** | EMEA IPO Leader, EY

# Global IPO highlights

2013 January – December<sup>1</sup>

## Volume and value



**864**

deals globally  
(3% increase on 2012)



**US\$163.0b**

in capital raised  
(27% increase on 2012)

## Commentary

"2013 was an inflection point in the global capital markets, ending a two year decline in IPO activity. The improved global economy and rising investor confidence sets the stage for momentum to continue across all regions in 2014."

Maria Pinelli,  
Global Vice Chair, Strategic Growth Markets

## Developed vs. rapid-growth

Rapid-growth markets represent 7 of the top 20 IPOs in 2013.



## Financial investors dominate



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



PE and VC account for 64% of US IPOs, 21% of Europe IPOs and 28% of global IPO volume.

## Three sectors trending



Real estate  
**US\$25.6b**  
(94 deals)



Financial  
**US\$24.1b**  
(89 deals)



Energy  
**US\$22.7b**  
(72 deals)

## Confidence is growing



Confidence continues to build as the VIX<sup>®</sup> falls and the central banks' stimuli continue.



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



Only 119 postponed or withdrawn IPOs in 2013, 51% down on 2012.

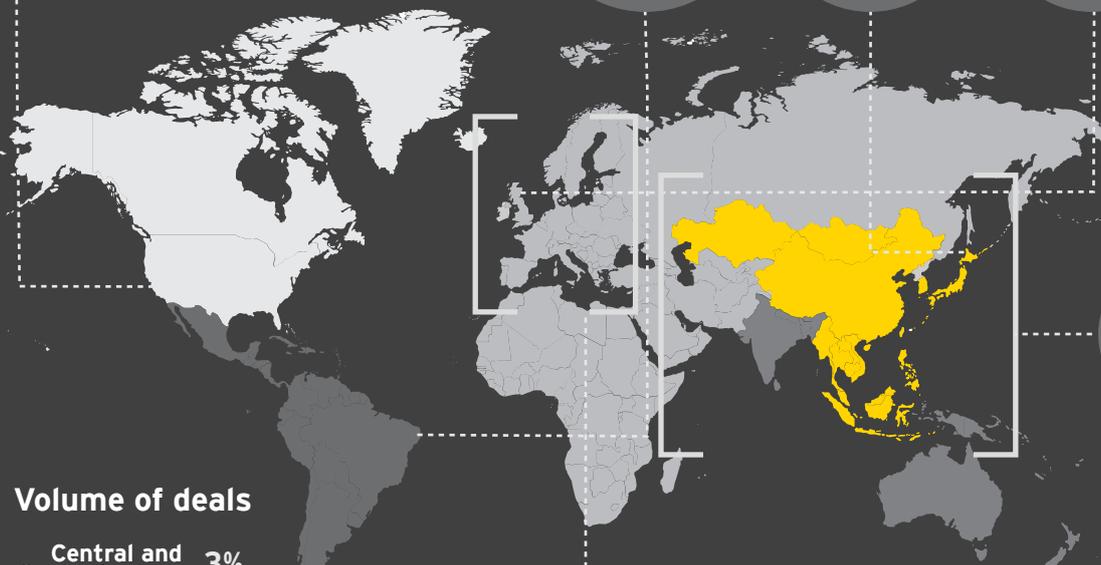


90% of the IPOs filed within or above expectations.<sup>2</sup>

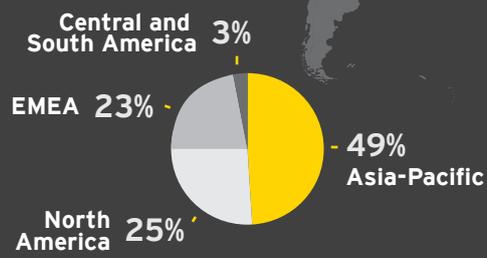
# US tops the leaderboard



## Top 3 deals in 2013



### Volume of deals

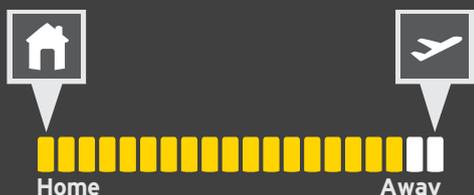


## Top six exchanges by funds raised

Exchange	Funds Raised (US\$)	Deals
NYSE	US\$44.1b	114
HKEx	US\$16.5b	68
NASDAQ	US\$15.6b	108
London	US\$13.3b	20
Tokyo	US\$9.2b	17
Sao Paulo	US\$8.5b	10

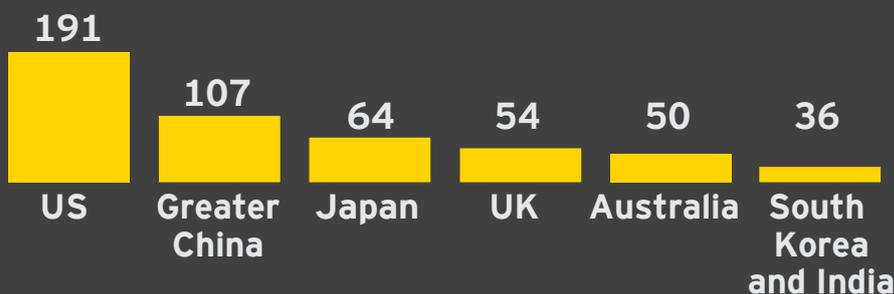
## Home and away

Cross-border listings were 10% of global IPOs compared to 7% in 2012.



## Top six markets by deal volume

Number of deals



<sup>1</sup> 2013 IPO activity is based on priced IPOs as of 2 December and expected IPOs by end of December. We compare this with 2012 full year.

<sup>2</sup> Focus on open-price IPOs with deal value above US\$50m



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\* Methodology notes for forecasts: IPO deal volume forecast using prior performance in deal volumes, median offer prices, global equity markets, and equity market volatility. IPO median valuations forecast using prior performance in median deal values, deal volumes, global equity markets and equity market volatility.