



Houlihan Lokey

Equity Advisory

# Equity Capital Markets Update

JULY 2023



# Introduction

## Dear Clients, Business Partners, and Friends,

As we head into the summer break, we are pleased to present you with our Equity Capital Markets Update and review of equity capital market (ECM) activity so far in 2023.

Coming into this year and following on from a difficult 2022, we were cautious around ECM activity, especially IPOs. The market in the first half of the year has undoubtedly been tough, but looking forward we see several reasons to be optimistic. Global ECM activity is up on last year, driven by the US and Europe, albeit from a low base. Inflation has, to quote the ECB, been “too high for too long” but appears to have peaked, interest rates are unlikely to go much higher, and corporate earnings have remained resilient. Finally, equity indices have generally performed well this year which, combined with low levels of market volatility, should present a more supportive backdrop for issuance.

Investors will likely remain cautious and will continue to prefer larger, more liquid transactions but there are clear green shoots with a number of IPOs recently completing and trading well on both sides of the Atlantic.

It is unclear what will trigger the normalisation of the IPO market or when it will happen, but we will likely need clear evidence that inflation is returning to more normalised levels to combine with a handful of successful IPOs that perform well post pricing. Our current expectation (and hope) is for IPO activity in the US and Europe to gradually pick up following the summer break before returning to more normal levels in late Q1/early Q2 2024, once companies have published FY23 results.

We hope you find this update helpful. If there is additional content you would find useful for future issues, please don't hesitate to call or email us with your suggestions.

We look forward to staying in touch with you.

Kind regards,



**Daniel Klausner**

*New York*

Managing Director

[Daniel.Klausner@HL.com](mailto:Daniel.Klausner@HL.com)

+1 212.318.8168



**Tim Richardson**

*London*

Director

[Tim.Richardson@HL.com](mailto:Tim.Richardson@HL.com)

+44 (0) 77 9965 4199



**Christopher Richert**

*Frankfurt*

Director

[Christopher.Richert@HL.com](mailto:Christopher.Richert@HL.com)

+49 (0) 151 6113 9503



**Stephen Taylor**

*London*

Director

[STaylor@HL.com](mailto:STaylor@HL.com)

+44 (0) 74 7199 5186

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Initial Public Offerings

Equity-Linked

Capital Raises – Public and Private Markets

Sell-Downs

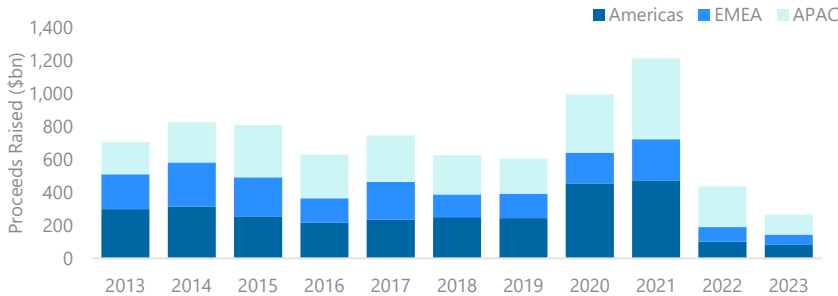
Public Company M&A

Public Company Support

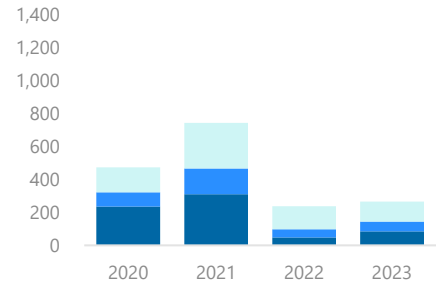
# Global ECM Activity

Globally ECM volumes are tracking approximately 12% above 2022 levels but remain well below their 10-year average\*. As with 2022, APAC is a relative outperformer, although with APAC volumes YTD tracking below 2022 levels, this outperformance is less marked.

## Issuance by Geography: 2023 YTD vs. Prior 10 Years

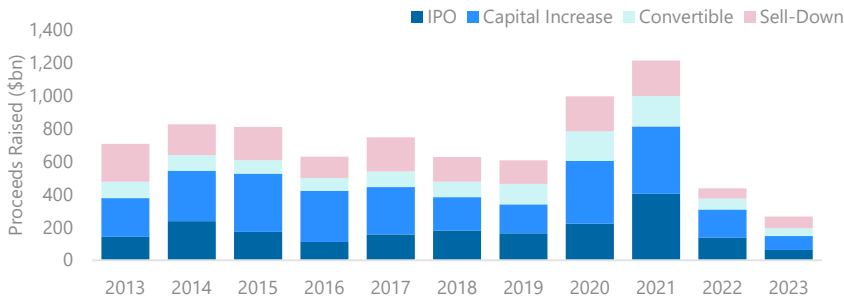


## YTD Comparison

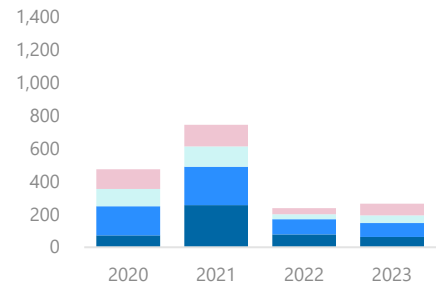


- YTD issuance is higher than in the same period in 2022 in both the US and Europe but lower in APAC.
- APAC's share of overall issuance is down from 2022 levels but still elevated at c. 46% versus an average of c. 38%. The Americas and EMEA have accounted for c. 32% and c. 22% of global issuance, respectively YTD versus averages of c. 37% in the Americas and c. 25% in EMEA.

## Issuance by Product: 2023 YTD vs. Prior 10 Years

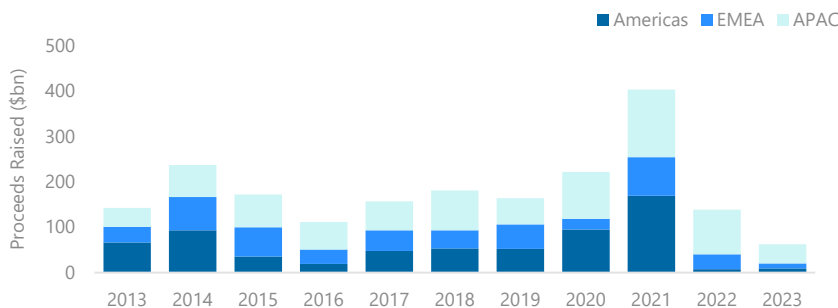


## YTD Comparison

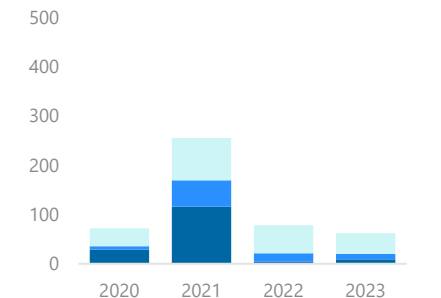


- Sell-downs are showing the largest increases from 2022 levels with volumes up more than 90% YTD.
- Convertible bond volumes are also sharply higher as rapidly rising interest rates increase their appeal to issuers.

## IPO Issuance by Geography: 2023 YTD vs. Prior 10 Years



## YTD Comparison

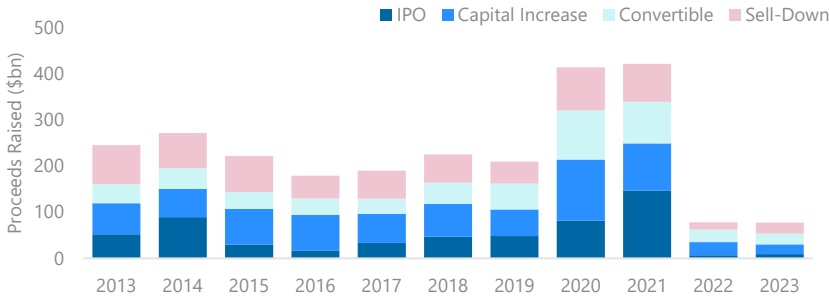


- The Asian IPO market has remained active, although volumes are down on the elevated levels seen in 2021 and 2022, with issuance from China again dominating.

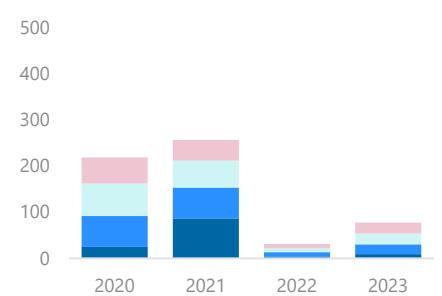
# US ECM Activity

Macro headwinds have impacted US ECM volumes and IPO issuance so far in 2023. However, there has been an impressive pick-up in activity when measured against 2022 (admittedly a low base). More importantly, we have seen an acceleration in IPO activity in the run-up to summer, so normality appears to be gradually returning.

## Issuance by Product: 2023 YTD vs. Prior 10 Years

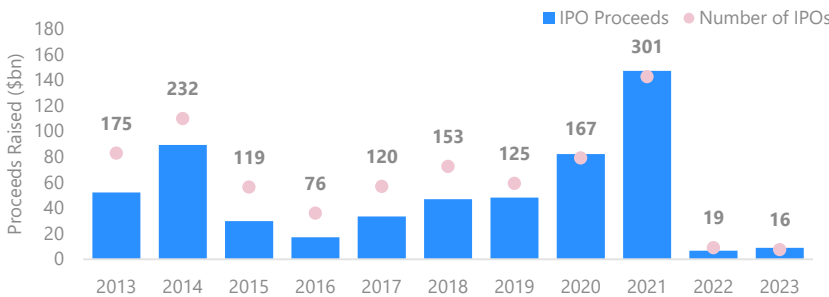


## YTD Comparison

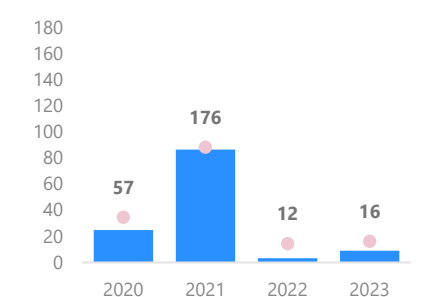


- ECM volume YTD totals \$77 billion versus \$78 billion for the whole of 2022, although volumes remain well below average (YTD issuance in mid-July represents c. 31% of the average annual total over the past 10 years).
- The increase in activity has been driven by follow-ons with sell-downs c. 50% higher YTD than for the full year in 2022, and capital raises more than double the equivalent period in 2022.

## IPO Issuance and Number of Deals vs. Prior 10 Years

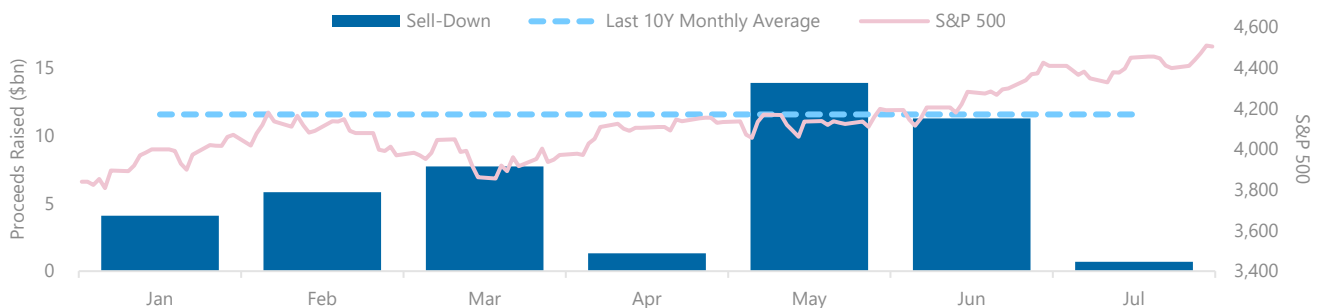


## YTD Comparison



- Comparisons with 2022 are favourable, with total IPO proceeds YTD exceeding the 2022 full-year total. However, this is clearly a low bar and IPO issuance so far this year has been subdued.

## US Follow-ons\* in 2023 YTD

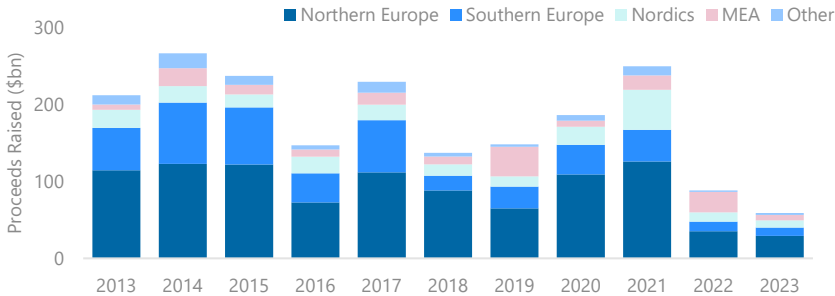


- Follow-on activity in May and June has returned to longer term averages as strong equity market gains encouraged secondary sellers and both corporate and investor confidence returned. This heightened activity looks likely to resume after the summer once the results season has passed.

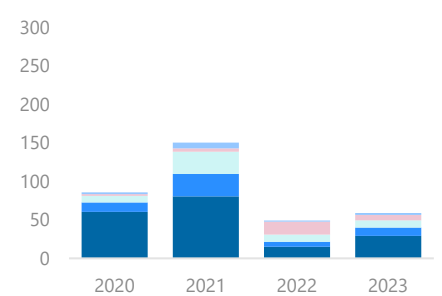
# EMEA ECM Activity

As with the US, EMEA ECM activity is improving, with volumes YTD up in 2022. IPOs remain challenging, with activity focused predominantly on Turkey and the Middle East rather than Western Europe, which remains unusually quiet.

## Issuance by Geography: 2023 YTD vs. Prior 10 Years

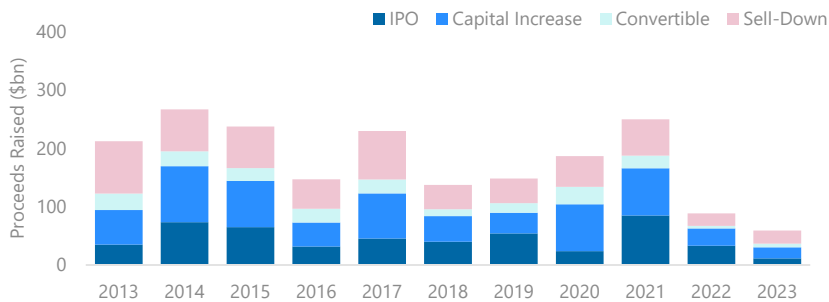


## YTD Comparison

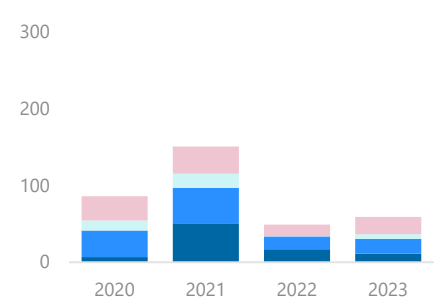


- Overall EMEA issuance is up c. 20% on the comparable period in 2022, with Northern European issuance almost doubling and Southern European issuance two-thirds higher.
- The Middle East—the one bright spot in the region in 2022—has seen continued activity, but volumes are down c. 60% YTD as fewer IPOs completed and against a comparator, which included the \$6 billion DEWA IPO.

## Issuance by Product: 2023 YTD vs. Prior 10 Years

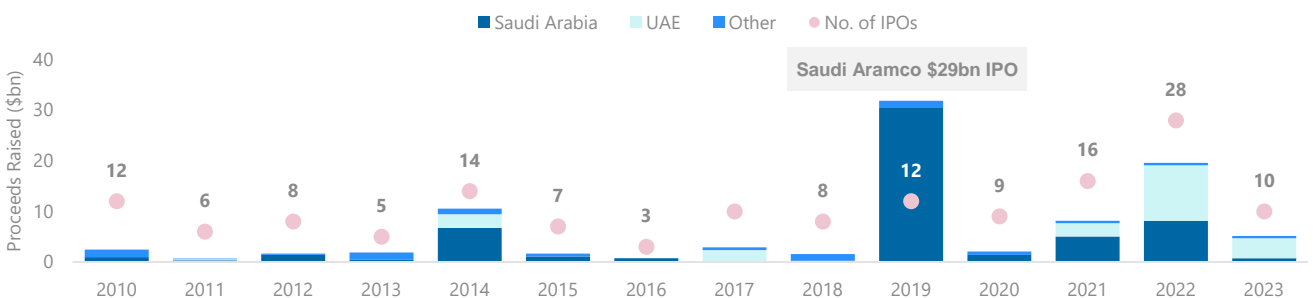


## YTD Comparison



- Sell-down activity has predominated with seven transactions of over \$1 billion completing at attractive discounts as investors welcomed the opportunity to participate in transactions offering ample liquidity.
- Convertible issuance was also sharply higher with c. \$6 billion of issuance, already exceeding the 2022 total.

## IPO Issuance in the Middle East: 2023 YTD vs. Prior 10 Years

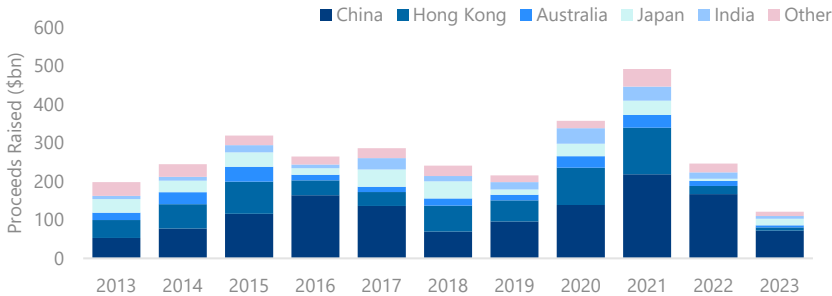


- The IPO market in the Middle East remains active, although issuance is down on 2022 YTD as activity from Saudi Arabia fell (four IPOs priced in 2023 YTD vs. 10 past years) and only one \$1 billion+ IPO priced.

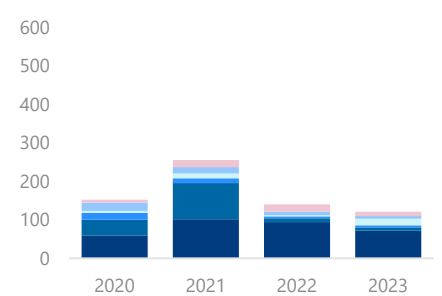
# APAC ECM Activity

APAC remains the regional outperformer. While APAC's share of global ECM activity has returned to more normal levels than in 2022, it continues to dominate IPO issuance, with 200 IPOs in 2023 YTD representing more than 80% of the global total by number.

## Issuance by Geography: 2023 YTD vs. Prior 10 Years

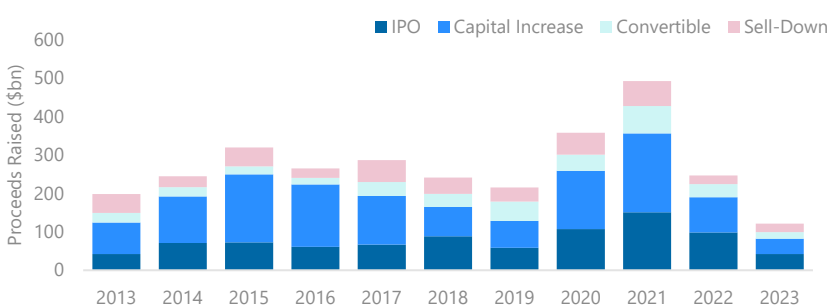


## YTD Comparison

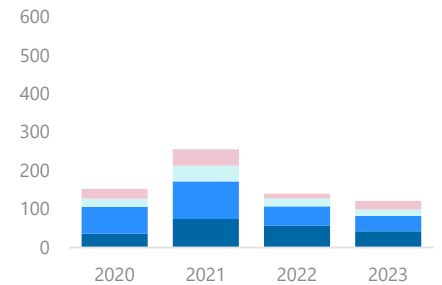


- China continues to dominate in APAC, accounting for c. 60% of all issuance.
- Japan has seen a resurgence in activity as equities rallied to levels not seen for three decades, with c. \$17 billion of issuance YTD, c. 3x the volume seen for the whole of 2022 and surpassing the same period in 2021.

## Issuance by Product: 2023 YTD vs. Prior 10 Years

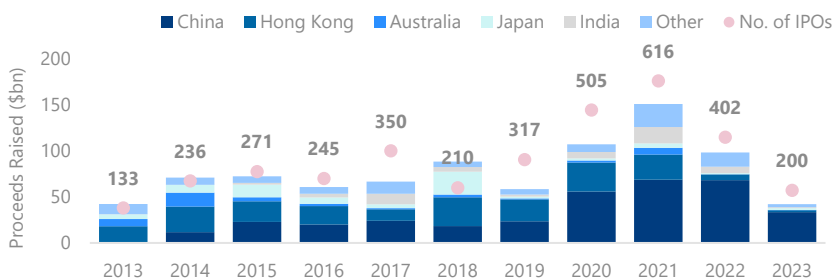


## YTD Comparison

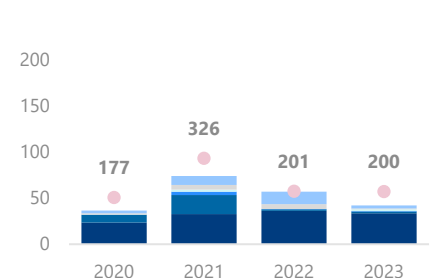


- IPOs and capital raises are the key drivers of APAC YTD volumes, accounting for c. 35% and c. 33% of total issuance, respectively, although volumes for both are lower than in the same period in 2022.
- As is the case in the US and Europe, sell-down activity in APAC has increased significantly and is more than 80% higher year-on-year.

## IPO Issuance in APAC in 2023 YTD vs. Prior 10 Years



## YTD Comparison



- China continues to lead the world in IPO issuance with more than 150 transactions in 2023 YTD—this represents almost 80% of IPO activity in the region by both volume raised and number of IPOs.

# The US IPO Market in 2023 YTD

A realistic approach to valuation for the few US IPOs that have taken place this year has seen half of them price at or above the top of the price range. The overall performance of US IPOs so far this year has been encouraging, with all but one trading above, or close to, the issue price. The attractive returns that YTD issuance has provided should underpin investor confidence post summer.

Date	Company	Sector	Deal Value USD (m)	Primary vs. Secondary	Final Pricing	1-Day Perf.	Current Perf.
19-Jul-23	ODDITY Tech	Technology	424	15-85	Above Range	36%	36%
14-Jul-23	Sagimet Biosciences	Healthcare	85	100-0	In Range	0%	0%
13-Jul-23	Apogee Therapeutics	Healthcare	345	100-0	Top of Range	25%	25%
29-Jun-23	Kodiak Gas Services	Oil and Gas	294	100-0	Below Range	-2%	1%
28-Jun-23	Savers Value Village	Retail	461	73-27	Above Range	27%	32%
28-Jun-23	Fidelis Insurance Holdings	Insurance	210	48-52	Below Range	-8%	-2%
14-Jun-23	Cava Group	Food and Beverage	365	100-0	Above Range	99%	117%
26-May-23	Atmus Filtration Technologies	Auto/Truck	317	0-100	In Range	11%	21%
04-May-23	Kenvue	Consumer Products	4,372	100-0	In Range	22%	13%
04-May-23	Acelyrin	Healthcare	621	100-0	Top of Range	31%	18%
09-Mar-23	Atlas Energy Solutions	Oil and Gas	324	100-0	Below Range	-6%	-2%
09-Feb-23	Mineralys Therapeutics	Healthcare	221	100-0	Top of Range	15%	-3%
08-Feb-23	Nextracker	Technology	734	0-100	Above Range	27%	57%
08-Feb-23	Hesai	Technology	192	100-0	Top of Range	11%	-34%
02-Feb-23	Structure Therapeutics	Healthcare	185	100-0	Top of Range	73%	125%
26-Jan-23	TXO Energy Partners	Oil and Gas	115	100-0	In Range	10%	6%
12-Jan-23	Skyward Specialty Insurance	Insurance	154	46-54	In Range	27%	64%
<b>Average*</b>			<b>562</b>			<b>23%</b>	<b>27%</b>
<b>Median*</b>			<b>306</b>			<b>19%</b>	<b>16%</b>

# The EMEA IPO Market in 2023 YTD

The average return of EMEA IPOs so far this year has been impressive, but has been driven by the significant outperformance of a number of Turkish and Middle Eastern transactions. Average returns for IPOs in Western Europe are positive, but only marginally, with six of the 11 IPOs above issue price.

Date	Company	Country	Sector	Deal Value USD (m)	Primary vs. Secondary	Final Pricing	1-Day Perf.	Current Perf.
06-Jul-23	CAB Payments Holdings	UK	Finance	371	0-100	Fixed Price	-10%	-13%
05-Jul-23	Hidroelectrica	Romania	Utilities	1,782	0-100	In Range	6%	7%
05-Jul-23	Thyssenkrupp Nucera	Germany	Utilities	572	100-0	In Range	18%	17%
25-Jun-23	MEEZA QSTP	Qatar	Technology	193	0-100	Below Range	0%	0%
20-Jun-23	DOF Group	Norway	Transport	53	79-21	Fixed Price	29%	36%
30-May-23	First Milling	Saudi Arabia	Food and Beverage	266	0-100	Top of Range	18%	57%
25-May-23	Jamjoom Pharmaceuticals Factory	Saudi Arabia	Healthcare	336	0-100	Top of Range	30%	102%
25-May-23	ADNOC Logistics & Services	UAE	Transport	769	0-100	Top of Range	56%	70%
22-May-23	Morabaha Marina Financing	Saudi Arabia	Professional Services	83	100-0	Top of Range	2%	-2%
21-May-23	AlMawarid Manpower Solutions	Saudi Arabia	Professional Services	77	0-100	Top of Range	30%	103%
15-May-23	Italian Design Brands	Italy	Consumer Products	88	87-13	Fixed Price	3%	5%
15-May-23	Kayseri Seker Fabrikasi	Turkey	Food and Beverage	88	100-0	Fixed Price	7%	57%
15-May-23	Bien Seramik	Turkey	Construction	157	100-0	Fixed Price	0%	17%
02-May-23	CW Enerji Muhendislik	Turkey	Technology	167	63-38	Fixed Price	10%	99%
28-Apr-23	Lottomatica Group	Italy	Gaming	661	71-29	Bottom of Range	-9%	5%
17-Apr-23	Europower Enerji Ve Otomasyon Teknolojileri Sanayi	Turkey	Technology	126	75-25	Fixed Price	10%	262%
10-Apr-23	Koza Polyester Sanayi	Turkey	Chemicals	56	52-48	Fixed Price	10%	132%
30-Mar-23	Gubra	Denmark	Healthcare	79	93-7	Fixed Price	0%	-17%
27-Mar-23	Al Ansari Financial Services	UAE	Finance	210	0-100	Top of Range	17%	17%
22-Mar-23	Stainless Tankers	Norway	Transport	66	100-0	Fixed Price	-3%	-1%
21-Mar-23	Eksun Gida Tarim Sanayi	Turkey	Food and Beverage	52	100-0	Fixed Price	10%	43%
17-Mar-23	Presight AI Holding	UAE	Technology	496	100-0	Top of Range	0%	0%
13-Mar-23	Akfen Yenilenebilir Enerji	Turkey	Utilities	176	0-100	Fixed Price	10%	33%
07-Mar-23	Abraj Energy Services	Oman	Oil and Gas	235	0-100	Top of Range	17%	26%
03-Mar-23	ADNOC Gas	UAE	Oil and Gas	2,476	0-100	In Range	19%	43%
23-Feb-23	Dar Global	UK	Real Estate	72	100-0	Fixed Price	8%	11%
22-Feb-23	Seacrest Petroleo Bermuda	Norway	Oil and Gas	234	100-0	Fixed Price	0%	-19%
08-Feb-23	EuroGroup Laminations	Italy	Technology	439	61-39	In Range	0%	12%
07-Feb-23	IONOS Group	Germany	Technology	416	0-100	Bottom of Range	-5%	-25%
16-Jan-23	Astor Enerji	Turkey	Technology	140	70-30	Fixed Price	10%	552%
<b>Average</b>				<b>365</b>			<b>10%</b>	<b>54%</b>
<b>Median</b>				<b>185</b>			<b>9%</b>	<b>17%</b>

Sources: Dealogic, 2023 EMEA IPOs above \$50 million as of 14/07/23, excluding SPACs, REITs, and closed-end funds.



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