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Chinese Unicorns Rush Out IPOs

BY JULIE STEINBERG AND LIZA LIN

A wave of Chinese technology companies are accelerating plans to raise money from the global capital markets, hoping to leverage investor optimism about the sector and lock in buoyant stock valuations.

In recent months, at least a dozen Chinese companies with collective private valuations of roughly $500 billion have been in talks with bankers and potential investors about initial public offerings in the second half of this year or in early 2019, according to people familiar with the discussions.

If all those deals go ahead, at least $50 billion worth of new shares could hit stock markets, shaping up as a test of investor appetite for China's expanding internet consumer economy. Companies typically sell 10% to 20% of their shares when they go public.

The rush to list reflects a shift from last year, when many of the world's most valuable technology unicorns—private companies with valuations exceeding $1 billion—had little need or desire to tap the capi-

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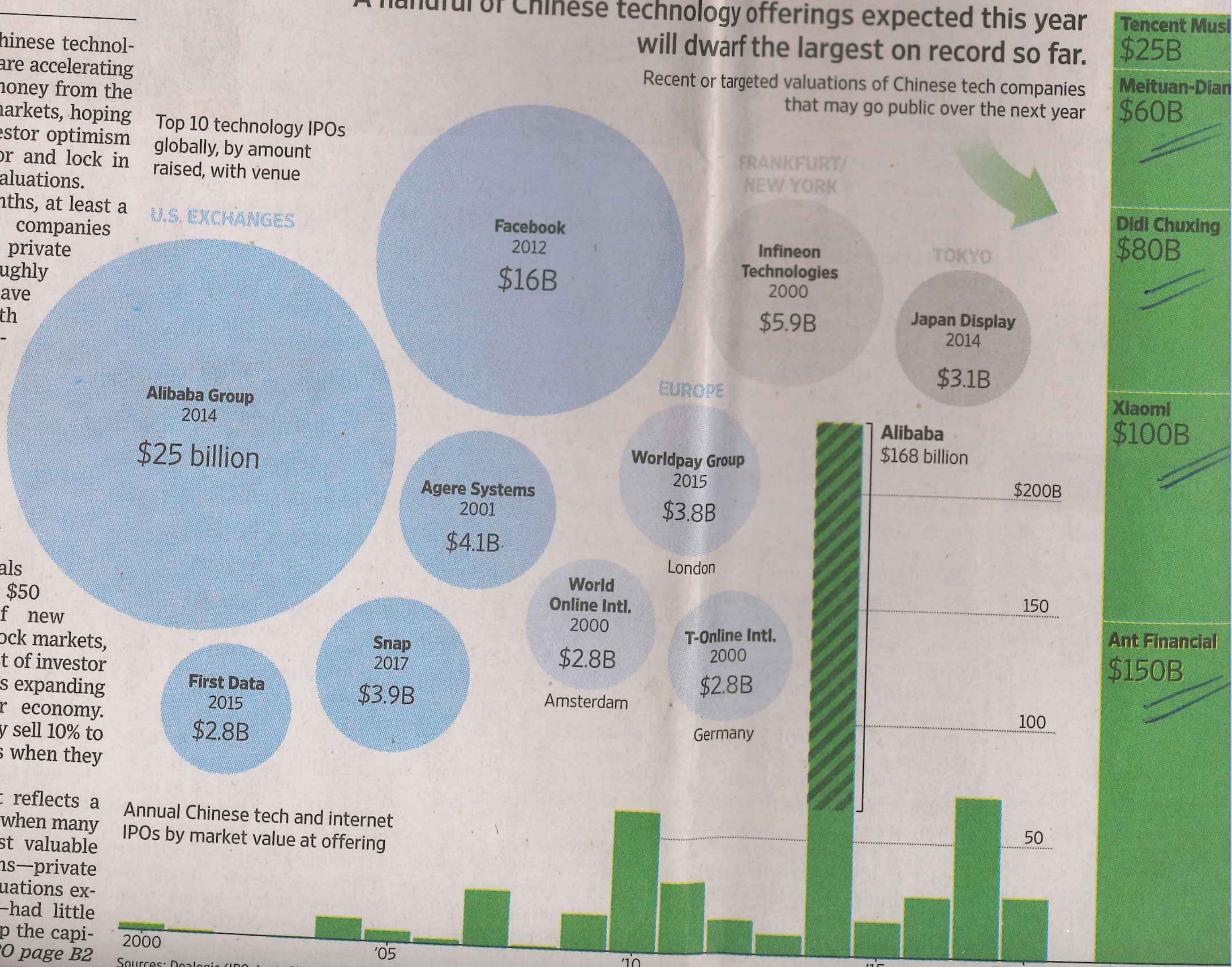
A handful of Chinese technology offerings expected this year will dwarf the largest on record so far.



Sources: Dealogic (IPOs); staff reports (valuations)

IPO

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tal markets because they were flush with cash and had abundant private fundraising options.

Several factors are at play, including a loosening of listing rules in China and Hong Kong, intensifying competition in China's mobile and internet industries, rising stock valuations and shareholder pressure.

"It's a herd mentality," said Rocky Lee, a partner at law firm King & Wood Mallesons who advises Chinese tech founders. "If a competitor of yours decides to list, you have to consider listing."

Chinese ride-hailing giant **Didi Chuxing Technology** Co. in recent weeks has sped up talks about the possibility of going public, The Wall Street Journal reported last week, after a large Chinese online-services platform earlier this year started offering competing ride-hailing services.

QILAI SHEN/BLOOMBERG NEWS

Smartphone maker Xiaomi is planning an IPO. One of its products is unveiled in Shanghai.

That platform, **Meituan-Dianping**, has a large online food review and delivery services business and plans an IPO—targeting a $60 billion market valuation—according to people familiar with the matter. Didi is aiming for at least $70 billion to $80 billion, the Journal previously reported.

Gloria Liu, a partner at law firm DLA Piper in Hong Kong, said several Chinese private companies have become dominant players in their industries after merging with or acquiring other tech firms. Going public, she added, "is the natural next step."

Other Chinese tech unicorns working on IPO plans include smartphone maker **Xiaomi** Corp., music-streaming company **Tencent Music Entertainment Group** and online lender **Lufax**, which is backed by Chinese financial giant **Ping An Insurance**. Jack Ma's financial technology giant and **Alibaba** affiliate Ant Financial Services Group—now in the middle of a $9 billion fundraising round—is widely expected to follow. Some of the larger companies are already profitable.

Several firms are seeking a listing in Hong Kong, where regulatory changes also encourage more initial share sales.

A recent move by that exchange to allow companies with two classes of voting stock to list is "a big game-changer," said Richard Ji, chief investment officer at Hong-Kong based All-Stars Investment Ltd., allowing tech entrepreneurs to keep control of their companies and list them in a market close to home.

China recently said it would allow overseas incorporated companies to list on the mainland by issuing depositary receipts, or contracts that give domestic investors interests in their shares.

Some younger and smaller companies are also working on IPO plans. News app **Qutoutiao** plans an offering in the U.S. later this year, according to people familiar with the matter. It could value the startup at $4 billion, one of the people said. NIO, an electric-car maker based in Shanghai, is discussing selling a chunk of its IPO shares to Japan's **SoftBank Group** when the startup goes public in New York in the second half of the year, the Journal has reported.

U.S. investment banks are trying to get in on the potential IPO bonanza. Some U.S.-based bankers have spent more time in China in recent months, courting companies and pitching them on going public, according to people familiar with their movements. Some banks in Hong Kong have been bulking up their teams of tech bankers.

Kai Fang, managing director at investment bank China Renaissance, said bankers on his team may work as many as 100 hours some weeks to handle the increased workload created by companies considering IPOs and investors looking to buy stakes.

—Stella Yifan Xie contributed to this article.