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Analysis of the Global IPO Market Since 2013

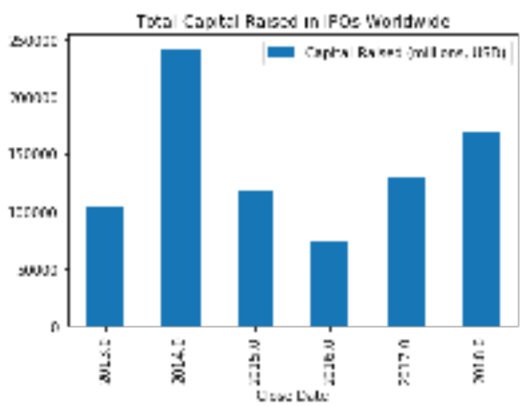
The following analysis is based on a log of all IPOs announced or closed since 1 January 2013. Sourced through the financial information platform Pitchbook, the data was analyzed using Python script in a Jupyter Notebook. A full output of all plots, figures and data frames can be found in the accompanying Notebook (.ipynb or .html formats).

Summary of Key Conclusions:

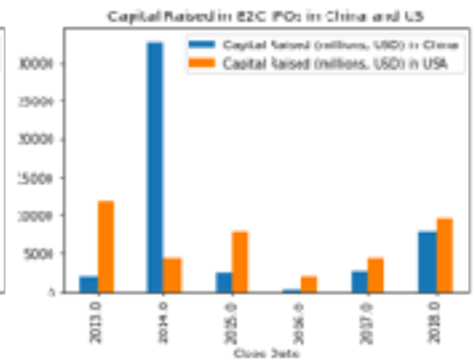
- The global IPO market is growing, up from 2016 lows but still far from its 2014 high
- Capital raised by Chinese companies through IPOs within B2C and IT sectors will soon outpace that from their American competitors
- Chinese listings dominate the top ten largest IPOs by valuation
- IPOs of small- and mid-cap companies still make up the lion share of capital raised in public listings globally
- The IPO market favors small- and mid-cap listings, and this is especially true within Healthcare and Materials sectors, where the vast majority of capital raised has been for companies with post-IPO valuations in the small- and mid-cap range

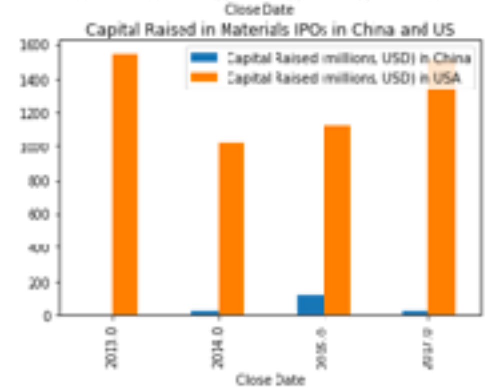
Analysis:

Based on capital raised, the global market for IPOs has been improving over the last three years. Still, the market has not reached its 2014 high when nearly $250B was raised for companies going public. This recovery in the overall IPO market has tracked that of many sectors — including healthcare, B2C, IT and Materials — but not all — such as Financials, B2B and Energy.



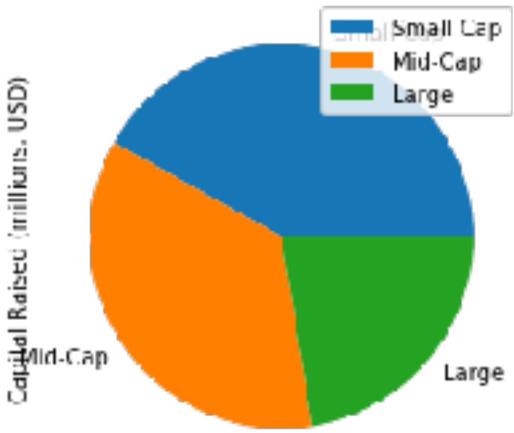
The rise of China as a competitor to the US for IPOs, particularly for the many companies based in China experiencing rapid growth, has been a popular discussion within the investment community. The performance of the Chinese IPO market against America's, however, tells very different stories based on sector. Capital raised in Chinese Healthcare IPOs, for example, have been increasing but, in 2018, still raised only half as much as those in the US. A similar story can be told about B2B IPOs in China and the US. In recent years, Chinese IPOs raised only a fraction of the capital raised by US counterparts in Financials, Energy and Materials. Still, the story is quite different within B2C, where China's market is quickly approaching America's, and in IT, where capital raised in China in 2018 is more than double that raised in America.



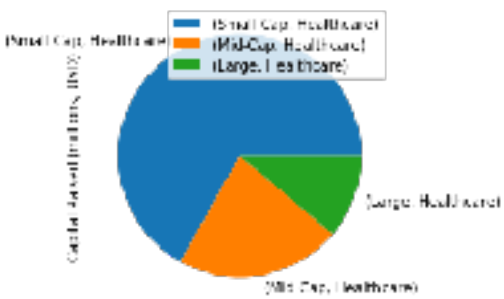


Enormous, individual IPOs from China support this narrative as well. When grouped by post-IPO valuations, seven out of the largest ten IPOs recorded globally were Chinese companies. These listings are almost exclusively within IT and B2C sectors. Among just American companies, the ten largest IPOs mostly come from the IT sector (four), with some come out of Healthcare, B2B, Financial Services and B2C.

Still, small-cap and mid-cap IPOs account for much more capital raised than their large-cap counterparts. Globally, the amount of capital raised by large-cap (post-IPO valuations more than $10B) listings is less than a quarter of the global pool.



When examining this trend globally, many sectors mimic the global breakdown fairly closely. B2C, IT and Financials each have a slightly larger portion of capital raised by large-cap names than that of the global aggregate (almost even split three ways). More interestingly, however, is how these measurements break down within Healthcare, B2B and Materials.



The behavior within the IPO market of each of these sectors does not mimic the global trend. Within Healthcare, small-cap listings dominate the amount of capital raised since 2013. This supports theses saying various subsectors within Healthcare are ripe for disruption and innovation. Moreover, aging populations within both large emerging (i.e. China) and wealthy countries ensure successful players will have a market for their products.

Though smaller, the IPO market within Materials and Resources is most successful for mid-cap names. The sector is generally characterized as being asset-intensive, with businesses often being either small, nimble and specialized, or large and able to reap the benefits of economies of scale. It makes sense then that mid-cap names in this sector are the most eager to raise capital and break into the large-cap bracket in their market. Once in the large-cap bracket, investors hope those asset-intensive businesses can realize higher margins from that scale.