US-China trade dispute

China stock sales in US surge to record despite delisting threat

Equity fundraising by Chinese groups on Wall Street has jumped 440% this year

The slew of fundraising in New York underscored the appeal of America's vast capital markets for Chinese companies despite geopolitical tensions © AP

Hudson Lockett and **Tabby Kinder** in Hong Kong YESTERDAY

Funds raised by Chinese groups on US equity markets surged 440 per cent in the opening months of 2021, as the allure of sky-high Wall Street valuations outweighed the threat of forced delistings.

Chinese companies have raised a record $11bn this year on the New York Stock Exchange and Nasdaq via initial public offerings, follow-on share sales and issuance of convertible bonds, according to data from Dealogic.

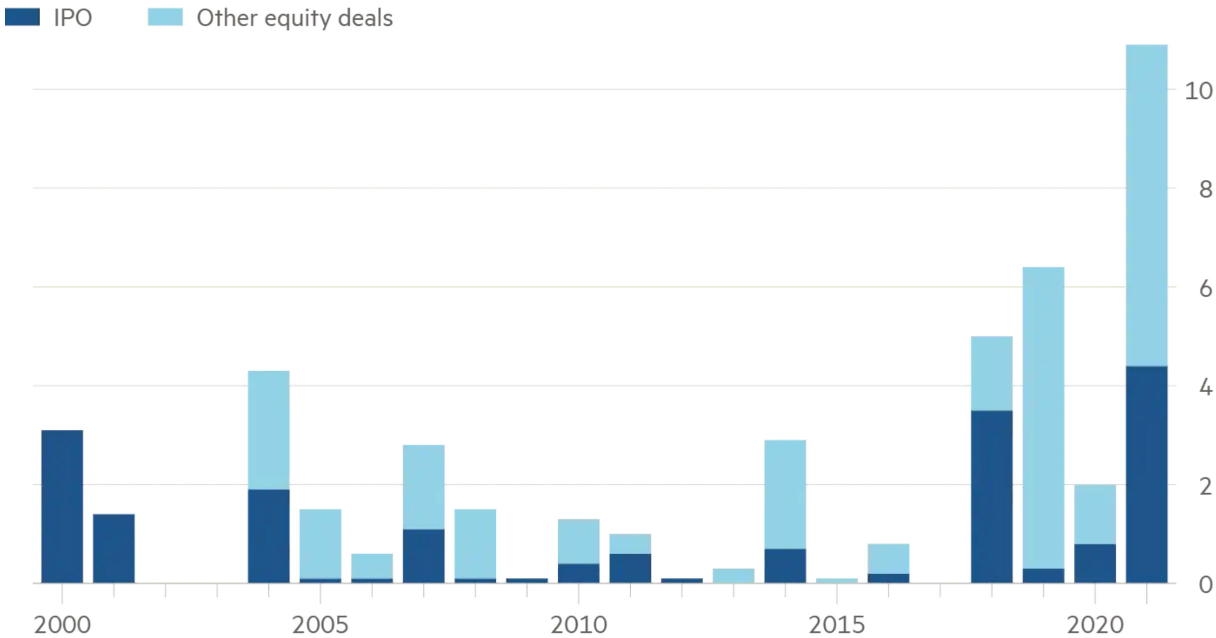
Big listings included a $1.4bn IPO by e-cigarette maker RLX Technology and a $947m offering from software company Tuya, along with those by 20 other Chinese groups.

The slew of deals underscored the appeal of the vast US capital markets for Chinese companies despite tensions between Washington and Beijing.

The NYSE this year delisted three state-run Chinese telecommunications companies over their suspected ties to the country's military. More could meet the same fate after US lawmakers in December passed a law that will forcibly delist groups that refuse to submit to US audit inspections for three years, which is prohibited by Beijing.

Chinese issuers tap US stock markets at record pace in 2021

Funds raised year to date as of April 21 ($bn)



Source: Dealogic

But bankers and IPO lawyers said that a US listing still offered Chinese groups access to a market with greater depth and more coverage by equity analysts, even as bourses in Hong Kong and mainland China have sought to close the gap.

“Implementation [of the delistings law] is still a ways out,” said Jason Elder, a partner at law firm Mayer Brown in Hong Kong. “Most companies wouldn’t want to sacrifice a few years of growth while they wait for that to shake out — especially with the constructive market environment we’ve got right now in the US.”

The listings boom also reflected China’s strong economic recovery from the Covid-19 pandemic.

Last week, China reported record year-on-year GDP growth of more than 18 per cent for the first quarter, illustrating how Beijing’s decision to impose strict lockdowns a year ago helped the country chart a path out of the pandemic far sooner than its global peers.

“The Chinese economy is forecast to grow strongly in 2021. Couple that with the emergence of a group of very strong companies, and, of course, you have investors that are keen to find ways to invest in those names,” said Craig Coben, co-head of global capital markets in Asia-Pacific for Bank of America.

While stocks listed in Shanghai and Shenzhen have plateaued after a world-beating performance in 2020, the US market has powered ahead this year, with the benchmark S&P 500 rising 10 per cent.

The US market has also benefited from beefier valuations, with the S&P 500's price-to-earnings ratio standing at 32 times compared with 19 times for mainland China's CSI 300. The Nasdaq Golden Dragon index of US-listed Chinese companies was trading at an eye-watering PE ratio of about 100 times.

That has helped boost IPO valuations and provide a receptive environment for share sales by Chinese companies that have already listed.

"Investors are focused on growth margins and the prospect for profitability here and now," said Coben, "and they will address regulatory changes or geopolitical events as and when they materialise."