BAKER & MCKENZIE

Cross-Border IPO Index

Full Year 2014

17 December 2014

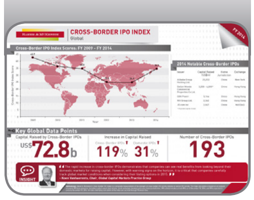
Cross-Border IPOs Raise Largest Amount of Capital Since Financial Crisis

Companies raised US$72.8 billion through cross-border initial public offerings (IPOs) in 2014, more than doubling the amount raised last year and setting the highest mark since the financial crisis. The volume of cross-border IPOs also had a strong year, rising to 193 in 2014. This growth comes after a banner year for cross-border IPOs in 2013, when US$33.3 billion was raised through 156 listings.

The growth of capital raised through cross-border IPOs outpaced domestic listings, driven by China-based Alibaba Group's history-making debut on the New York Stock Exchange (NYSE) and a return to modest economic growth in many parts of the world. Even without the Alibaba Group listing, the value of cross-border IPOs increased by 43% to US$47.8 billion in 2014. The value of domestic IPOs grew 31%, rising to US$172.7 billion.

Companies in the technology industry issued the largest number of cross-border IPOs, with 41 listings this year, followed by companies in the healthcare and financial industries. The increase in technology listings was largely driven by the solid performance of technology IPOs at the beginning of 2014 and investors' strong appetite for companies developing disruptive technology.

To evaluate and track trends related to cross-border IPOs, Baker & McKenzie has released the 2014 year-end edition of its Cross-Border IPO Index. Fueled by increased cross-border IPO activity around the world, the global index score grew to 34.3 this year, up from 24.9 at the end of 2013.



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Growth of Cross-Border IPOs to Slow in 2015?

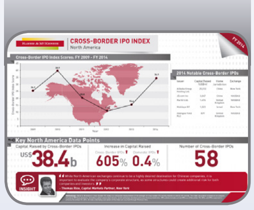
While a significant slowdown in cross-border IPOs appears unlikely in the short term, warning signs have begun to appear in all three major IPO regions. In Asia Pacific, companies have shown a growing interest in listing domestically, cutting into the number of cross-border IPOs. In North America, increased scrutiny of the variable interest entity structures (VIEs) that Chinese companies use to list on the region's exchanges has generated concern among investors. And in EMEA, lower-than-expected aftermarket performance of several offerings led to a flurry of IPO cancelations in the second half of the year.

"The rapid increase in cross-border IPOs demonstrates that companies can see real benefits from looking beyond their domestic markets for raising capital," says Koen Vanhaerents, chair of Baker & McKenzie's Global Capital Markets Practice Group. "However, with warning signs on the horizon, it is critical that companies carefully track global market conditions when considering their listing options in 2015."

North America: Cross-Border IPOs Have Exceptional Year & NYSE Leads Globally

Driven by solid stock market performance, 58 overseas companies raised US$38.4 billion through IPOs in North America this year, a 605% increase over capital raised on the region's exchanges in 2013. Even excluding the Alibaba Group listing, the value of cross-border IPOs in North America grew by 148% to US$13.4 billion, up from US$5.4 billion in 2013. As a result, the region's index score more than doubled to 34.1.

This year's largest North American cross-border IPO was the debut of Alibaba Group, which raised US$25 billion in its listing on the NYSE in September. Companies in the technology, retail, and energy & power industries raised the most capital through cross-border IPOs. Worldwide, the NYSE led all exchanges by value, with 21 companies raising a total of US$30.7 billion. In North America, NASDAQ ranked first for volume, with 37 companies raising US$7.7 billion.



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The influx of cross-border IPOs also fueled activity in the debt sector in 2014. Many companies, including Alibaba Group, raised additional capital through 144A private placements, an offering that allows non-US issuers to avoid registration requirements mandated by the Securities Act of 1933. In North America alone, high-grade companies sold over US$600 billion worth of debt this year.

While the stream of Chinese companies listing on North American exchanges has continued to grow, their use of VIE structures to avoid China's restrictions on foreign direct investment has drawn increasing attention from the US Securities and Exchange Commission and the China Securities Regulatory Commission. Although the Chinese government has not prohibited VIEs, they have not endorsed these structures either. Analysts warn that a clamp down on VIEs by Chinese regulators may curb investor appetite for Chinese IPOs listed in North America.

"While North American exchanges continue to be a highly desirable destination for Chinese companies, it is important to evaluate the company's corporate structure, as some structures could create additional risk for both companies and investors," says Thomas Rice, a Baker & McKenzie capital markets partner based in New York.

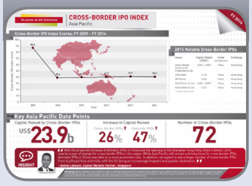
Asia Pacific: Cross-Border IPOs Grow, But Domestic Listings Even Stronger

Companies raised US$23.9 billion in cross-border IPOs in Asia Pacific this year, a 26% increase over 2013. Domestic listings, however, increased by 47% to US$31.9 billion. As a result, the region's 2014 index score declined slightly to 42.3, from 42.7 last year. The Hong Kong Stock Exchange (HKSE) dominated the region's exchanges, where companies raised a total of US$22.4 billion in 62 cross-border IPOs — the highest number of listings worldwide.

Companies in the energy & power, consumer staples and industrials industries raised the most capital through cross-border IPOs in Asia Pacific. Mainland China-based CGN Power's recent listing on the HKSE is currently the region's top cross-border IPO of the year, having raised US$3.2 billion. CGN Power's reign may end before the end of the year with Dalian Wanda Commercial Properties' listing on the HKSE, a floatation expected to raise between US$3.5 billion and US$6 billion.

Despite the growth of cross-border IPOs globally, mainland China was a notable exception as the reopening of the Shanghai and Shenzhen stock exchanges to IPOs gave Chinese companies the option to list at home. The resurgence of domestically-listed IPOs will be further stoked by the opening of the Shanghai-Hong Kong Stock Connect, which enables Hong Kong and Mainland China investors to trade and settle shares listed in the other market through their home exchange. With the reopening of the Chinese exchanges and ease of investing in Chinese companies through Connect, the number of Chinese companies listing domestically will likely continue rising.

"With the projected increase of domestic IPOs in China and the opening of the Shanghai-Hong Kong Stock Connect, 2015 may be a year of change for cross-border IPOs in the region," says Ashok Lalwani, chair of Baker & McKenzie's Asia Pacific Capital Markets Practice Group. "While Asia Pacific will remain a driving force for cross-border IPOs, domestic IPOs in China may take on a more prominent role. In addition, we expect to see a larger number of cross-border IPOs from Southeast Asia and India, with the US being an increasingly frequent and popular destination."



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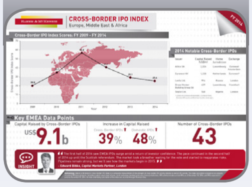
EMEA: Resurgence of Domestic IPOs

In 2014, companies raised US$9.1 billion through cross-border IPOs in EMEA, a 39% increase over last year. Despite the increase in capital raised, the number of cross-border IPOs remained nearly flat at 43, as EMEA companies turned to their home exchanges. This year EMEA exchanges hosted 139 domestic IPOs, up from 94 in 2013. As a result, EMEA's cross-border IPO index score dropped to 25.4 this year from 29.1 at year-end 2013.

The London Stock Exchange led all EMEA exchanges for cross-border IPOs in value and volume, where 33 companies raised US$4.8 billion. Companies in the financial, media & entertainment, and retail industries raised the most capital in cross-border IPOs. The region's largest cross-border IPO by capital raised was Luxembourg-based telecommunications operator Altice's listing on Euronext Amsterdam.

The current recovery began in the second half of 2013. The pipeline swelled, resulting in record IPO volumes in the second quarter of this year. There was a resurgence of private equity-backed deals, and investors sought companies that could benefit from the recovering economy and returning consumer confidence. More recently, however, investors have expressed concern about the underperformance of several IPOs on EMEA exchanges, soft economic data and increased geopolitical risk. In October alone, nearly US$2.0 billion in IPOs were canceled, setting an all-time record in the region.

"The first half of 2014 saw EMEA IPOs surge amid a return of investor confidence," says Edward Bibko, chair of Baker & McKenzie's EMEA Capital Markets Practice Group. "The pace continued in the second half of 2014 up until the Scottish referendum. The market took a breather waiting for the vote and started to reappraise risks. Pipelines remain strong, but we'll see how the markets begin in 2015."



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Latin America: Recovery Targeted in 2015

This year was a tumultuous one for Latin American equity markets. Weakened commodity prices and domestic policy uncertainties in many countries prevented Latin American markets from recovering at the rate that analysts had projected at the beginning of 2014.

While Latin America did not host a cross-border IPO in 2014, analysts predict the region will become a more attractive listing destination for foreign companies next year. The region's GDP is expected to increase to 2.2% in 2015, up from 1.3% this year, according to a recent International Monetary Fund report.

"Latin American equity markets will continue to mature in 2015," says Pablo Berckholtz, a Baker & McKenzie capital markets partner based in Lima. "There is little doubt that steady growth of Latin America's equity markets will draw cross-border IPOs in the future."

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Methodology

Baker & McKenzie's Cross-Border IPO Index is calculated as a weighted average of three components based on IPO activity data: the amount of capital raised, number of IPOs and number of issuer home jurisdictions involved. Each component is calculated as the quotient of the component's value when considering cross-border IPO activity divided by that component's value when considering overall IPO activity. The population of data underlying each calculation is based on aggregate data of IPO transactions completed on select stock exchanges and is grouped by region. Determination of stock exchanges for inclusion is based on market capitalization and certain diversification factors. IPO activity includes priced IPOs as of December 10, 2014, and IPOs expected to price by December 31, 2014. All data underlying the calculations is sourced through Thomson ONE.

About Baker & McKenzie

Baker & McKenzie's Global Capital Markets Practice Group comprises nearly 350 securities lawyers in more than 50 offices, including all of the world's leading financial centers. The Firm represents issuers and investment banks in a wide variety of IPOs, cross-border listings and other capital markets transactions, including debt, equity and equity-linked issues, and in complex, multijurisdictional acquisitions and divestitures involving public companies. Over the past five years, the Global Capital Markets Practice Group has been involved either as issuer's or underwriter's counsel in more than 530 equity and debt offerings, valued in total at approximately US$350 billion. The practice is consistently ranked among the top corporate law firms globally and in the world's largest capital markets. Additional cross-border listing resources, including the group's recent publication on navigating risk in cross-border capital raisings, can be found at www.crossborderlistings.com and on the Firm's capital markets blog at www.thecapitaltrend.com.

Founded in 1949, Baker & McKenzie advises many of the world's most dynamic and successful business organizations through 5,600 fee earners and 5,300 professional staff in 77 offices in 47 countries. The Firm is known for its global perspective, deep understanding of the local language and culture of business, uncompromising commitment to excellence, and world-class fluency in its client service. Global revenues for the fiscal year ended June 30, 2014, were US$2.54 billion. Eduardo Leite is Chairman of the Executive Committee. (www.bakermckenzie.com)

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