BAKER & MCKENZIE

Cross-Border IPO Index

Full Year 2015

15 December 2015

Tough 2015 for cross-border IPOs after two block buster years

After significantly outperforming domestic initial public offerings in both value and volume growth terms the past two years, cross-border deals slid back to just below 2013 levels in 2015. As we predicted last year, domestic and cross-border IPO activity both fell, for a number of different reasons. Potential issuers faced poor market performance, geopolitical uncertainty, low commodity prices and interest rate rises on the horizon.

Meanwhile, cash rich corporates continued to put their war chests to use, meaning trade sales often provided more certain and often higher valuations than an IPO. Good for M&A, less so for equity capital markets.

In the background the anticipation of an increase in the US Federal Reserve rate has been adding to volatility. While US rate rises will inevitably begin the normalisation of the economic cycle, short term pain for the equity markets is equally inevitable. The Eurozone is going the other way, ramping up monetary stimulus as the US tapers off. China provided some of the biggest equity shocks of all, with stock markets swinging wildly amid fears of a Chinese hard landing, which have since dissipated. Ironically, amidst the volatility, the Asia-Pacific region is the only one to have seen increased cross-border IPOs, demonstrating both the robust nature of Chinese markets and the interconnections between economies.

Overall, cross-border IPOs raised US$37.8 billion worldwide to 10th December, down 53% from last year. Though to put that in context, cross-border deal values rose 98% in 2014 and 73% in 2013. Domestic issuance fell a more modest 25%, but off the back of a rise of just 2% in 2014.

Cross-border volumes declined 32% to 128 deals after a 26% gain in 2014 and 58% increase in 2013. Domestic volumes also fell, by 17%.

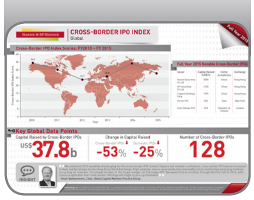
Nine of the 10 largest global cross-border deals were Chinese companies listing on the Hong Kong Stock Exchange. Financials dominated, with the two largest deals being Huatai Securities Co Ltd and GF Securities Co Ltd, showing growing demand in China for access to financial products as the middle class continues to grow and become wealthier, diversifying investments into securities as well as real estate.

Meanwhile the trophy listing of Ferrari on the New York Stock Exchange stood out as the only non-Asian cross-border deal among the top 10.

Just three exchanges accounted for 93% of all cross-border IPOs in 2015: the Hong Kong Stock Exchange, Nasdaq and the London Stock Exchange.

Globally, 2015 saw increased cross-border IPOs in the telecommunications, healthcare, financials and industrial sectors. Telecommunications IPO values grew by 266%, driven by Chinese Telcos listing in Hong Kong. Meanwhile high-tech companies saw the largest decline in capital raising from cross-border IPOs.

By volume, healthcare companies were the most active, with 38 cross-border IPOs (21 of which are in North America), accounting for 30 percent of total cross-border IPO volume, followed by financials and industrials with 17% and 10% of volume market share, respectively.



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Long term gain, short term pain

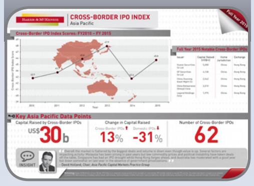
"We predicted 2015 would be more challenging for the cross-border IPO market after two blockbuster years," said Koen Vanhaerents, chair of Baker & McKenzie's Global Capital Markets Practice Group. "However, even in a tough year when investor confidence has been generally low, cross-border IPO values increased in Asia, led by companies listing on the Hong Kong Stock Exchange and we saw a few interesting one-off deals in EMEA. It's inevitable though that high volatility, macro uncertainty, low commodity prices and bumpy emerging markets are a drag on markets. It's simply the year of the mega-merger not the mega-IPO. We expect this to continue through the first half of 2016, with cautious optimism that cross-border offerings deals will begin to pick up thereafter."

Asia-Pacific: Chinese listings continue unabated

Asia-Pacific was the only region to see growth in cross-border listings by value. The financial sector dominated, with capital raised jumping 474% due to the mega deals of Huatai Securities and GF Securities, which raised over US$9 billion between them. Healthcare, media and entertainment and retail companies also raised more capital through cross-border IPOs than in 2014.

Real estate companies dropped the most in terms of value, with just four cross-border IPOs raising US$187 million. Healthcare dominated volume along with financials, growing 400% and 225% respectively, while tech and retail sector IPOs declined.

"Overall the results are distorted somewhat by the size of the biggest deals and volume is down even though value is up," said David Holland, Asia-Pacific regional chair for Capital Markets. "The fall in cross-border IPO activity across the Asia Pacific region has a variety of causes when you look into each market, but include uncertainty over China's growth, low commodity prices, currency devaluations and political instability in some areas."



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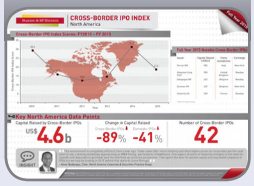
North America: Megamergers dominate

A handful of megadeals, topped by Alibaba, raised more than US$30 billion in 2014. Their absence sees cross-border IPO values plummet 89% in 2015, with no deals valued above US$1 billion. However, both domestic and cross-border deals have declined. US companies are dropping initial public offerings and selling themselves at the highest rate in three years. This underscores the gap between volatile financial markets and a booming merger business. However, Nasdaq continues to be one of the three most successful exchanges globally in attracting cross-border listings, even if activity is down this year, and Ferrari's New York listing was the only non-Asian cross-border deal in the top ten deals by value.

"The environment is completely different from a year ago," said Amar Budarapu, chair of North America Corporate & Securities Practice Group. "Trade sales offer more certainty in volatile times, as well as often higher prices at the moment as corporates finally put the cash piles they have been sitting on for years to use, creating something approaching an M&A frenzy in some sectors, particularly healthcare. Conversely, the major stock indices are flat or down and Alibaba skews the year on year comparison completely. The picture is unclear for 2016, with the Fed looking to raise rates here while in Europe we see monetary policy pulling in the opposite direction with more QE, with questions around the robustness of China's economy lingering in the background. One aspect of some of these big mergers is the need for spinoffs and disposals to get them over the line from an antitrust perspective. That opens the door for private equity and may build a pipeline of IPOs for the future but we may be looking at 2017 before that starts to come through."



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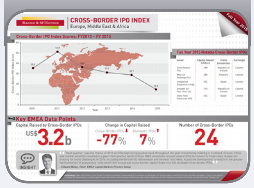
EMEA: Potential amidst fragmentation

Domestic listings grew seven percent by value in EMEA, the only region that showed growth in domestic deals. However, the total value of cross-border deals dropped by 77%, with healthcare slowing growth while other sectors fell back. This year lacked a mega deal like Alibaba which helped make 2014 a record year for cross-border IPOs. In addition, political change and uncertainty has been impacting markets all year. Elections within Europe, the Scottish independence referendum as well as macro factors such as low Chinese and Eurozone growth and high third quarter market volatility have impacted the level of IPO activity. Meanwhile emerging markets, traditionally a significant source of cross-border IPOs, have seen challenges either from the ongoing standoff between Russia and Ukraine, or low oil prices affecting Nigeria and other oil-dependent African economies. Despite this, the London Stock Exchange remains one of the world's top three venues for cross-border IPOs and the Warsaw and Johannesburg exchanges saw cross-border listings after a period of inactivity.

"'Next quarter' was the theme of 2015 as IPOs kept being pushed back throughout the year. Uncertainty relating to Scotland and Greece effectively closed the pre-Easter and pre-summer windows. Market volatility resulted in a poor third quarter, while frothier M&A valuations caused several IPOs to convert to trade sales. The fourth quarter has been brighter, but fell short of the record activity that some predicted given the pipeline of delayed deals," said Edward Bibko, EMEA chair of Capital Markets. "Banks are bracing for more challenges in 2016, including the British EU referendum and interest rate hikes. A positive development to watch is the greater harmonisation of prospectus rules. It is going to take time, but is another step in encouraging cross-border capital flows and will facilitate cross-border IPOs."



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Latin America: Domestic deals dominate but possibilities ahead

There were no cross-border IPOs in Latin America in 2015 but domestic issuance picked up by 14% in value and 40% in volume after being the only region to have a poor 2014. Issuers in Mexico and Brazil were the most active. The materials sector was most active, contributing 50% of activity by value.

"As markets in Latin America become more sophisticated and interconnected it is only a matter of time before we see cross-border activity," said Pablo Berckholtz, chair of the Capital Markets practice group in Latin America. "New York is the key money centre for the region and it's possible a national champion will dual-list and raise new money in New York in the near future, for example. Another possibility is secondary listings raising new money as companies increase their intra-regional trade and seek more liquidity and raise brand profile in the countries in which they do business."

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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. For 2015, the scope of IPO transactions considered has been broadened to include transactions that are initial public offerings in a given jurisdiction, and prior year comparison data has been restated to reflect this broader scope. IPO activity includes priced IPO as of 02 December 2015 and IPOs expected to price by 31 December 2015. 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.

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