

**Baker
McKenzie.**

Global IPOs 2016

A year of uncertainties

Cross-border IPOs gain share of global listings



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**USD 30 billion
raised by
Cross-Border
IPOs**

Global Insight

Cross-border IPOs grow share of listings while market falls

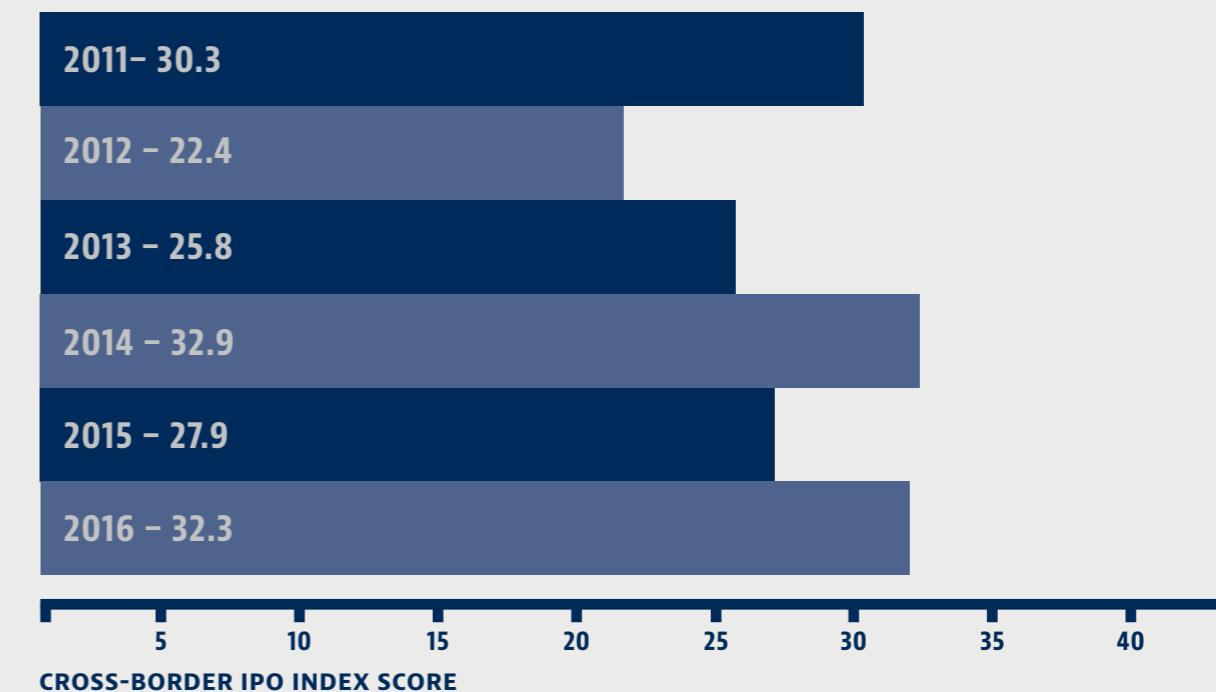
Baker McKenzie's full-year Cross-Border IPO Index rose by 16% to 32.3 for 2016, as cross-border deals gained a larger share of new equity deals in 2016.

Issuers raised USD 30 billion from cross-border IPOs in 2016 through

109 deals. Total deal value fell 25% on the prior year but proved less volatile than domestic IPOs, which fell by 47% to USD 56 billion. Cross-border deals accounted for 35% of new IPOs.

Eight out of the top ten cross-border listings by value in 2016 were on the Hong Kong Stock Exchange, with two on the New York Stock Exchange. All ten were by Asian issuers.

Cross-border IPO Index: Global

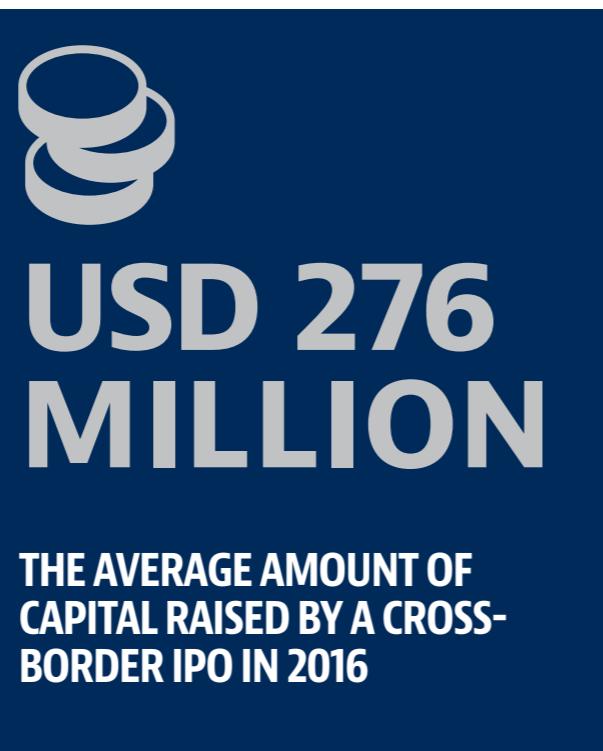


With IPO activity down across the board, the New York Stock Exchange was the only major exchange to see cross-border IPO growth, with value up 206% and volume 40%.

Issuers raised 75% of the total value of cross-border deals on the Hong Kong Stock Exchange alone. Adding deals on the NYSE and NASDAQ brings the total to 96% of the global value of cross-border deals.

Notably, cross-border listings on the London Stock Exchange in 2016 fell the most of any major exchange, declining by 85% in value and 38% in volume, while domestic UK IPOs dropped 58% by value and 26% by volume.

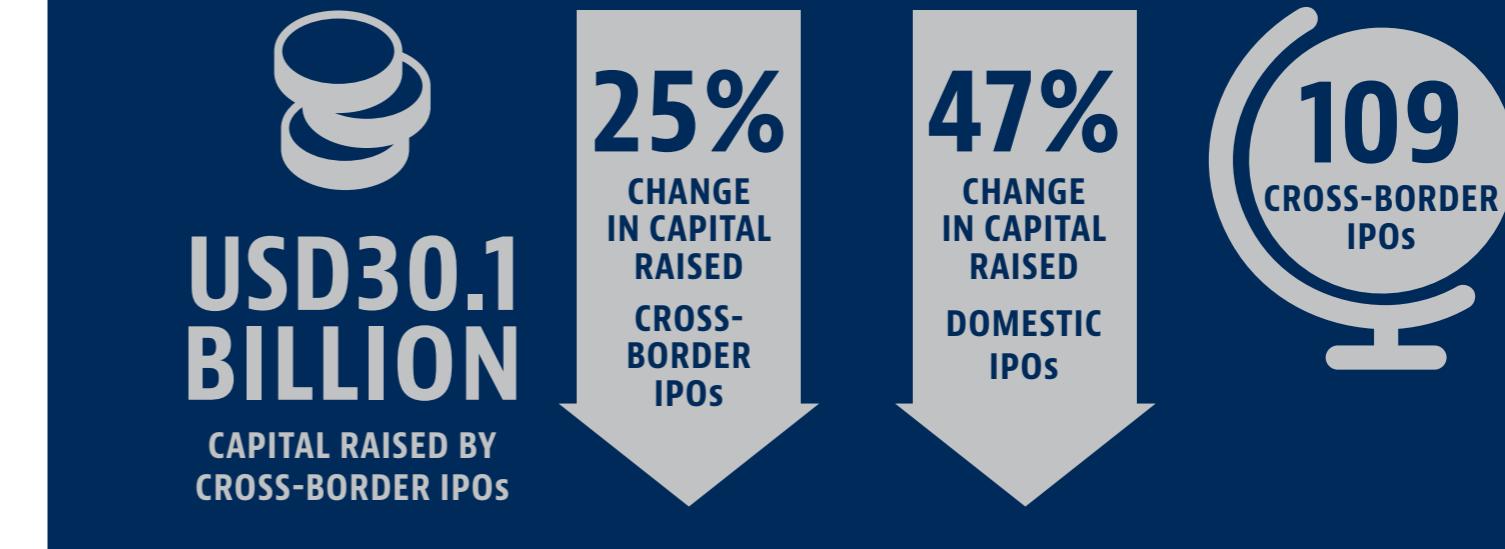
The average amount of capital raised by a cross-border IPO in 2016 was USD 276 million, compared to USD 160 million for a domestic listing.



Globally, issuers raised more on the debt and equity capital markets combined in 2016 than any of the past 5 years, rising 21% on 2015, with debt issuance spiking by 28% as historically low rates and abundant liquidity made for active debt markets. Investment grade corporate bond issuance rose 27% year on year to USD 4 trillion.

Most global equity indices were broadly flat on the year until the US election. Since November 8, 2016 the NASDAQ Composite and S&P 500 have jumped by 6% in the expectation of US fiscal stimulus and business-friendly policies.

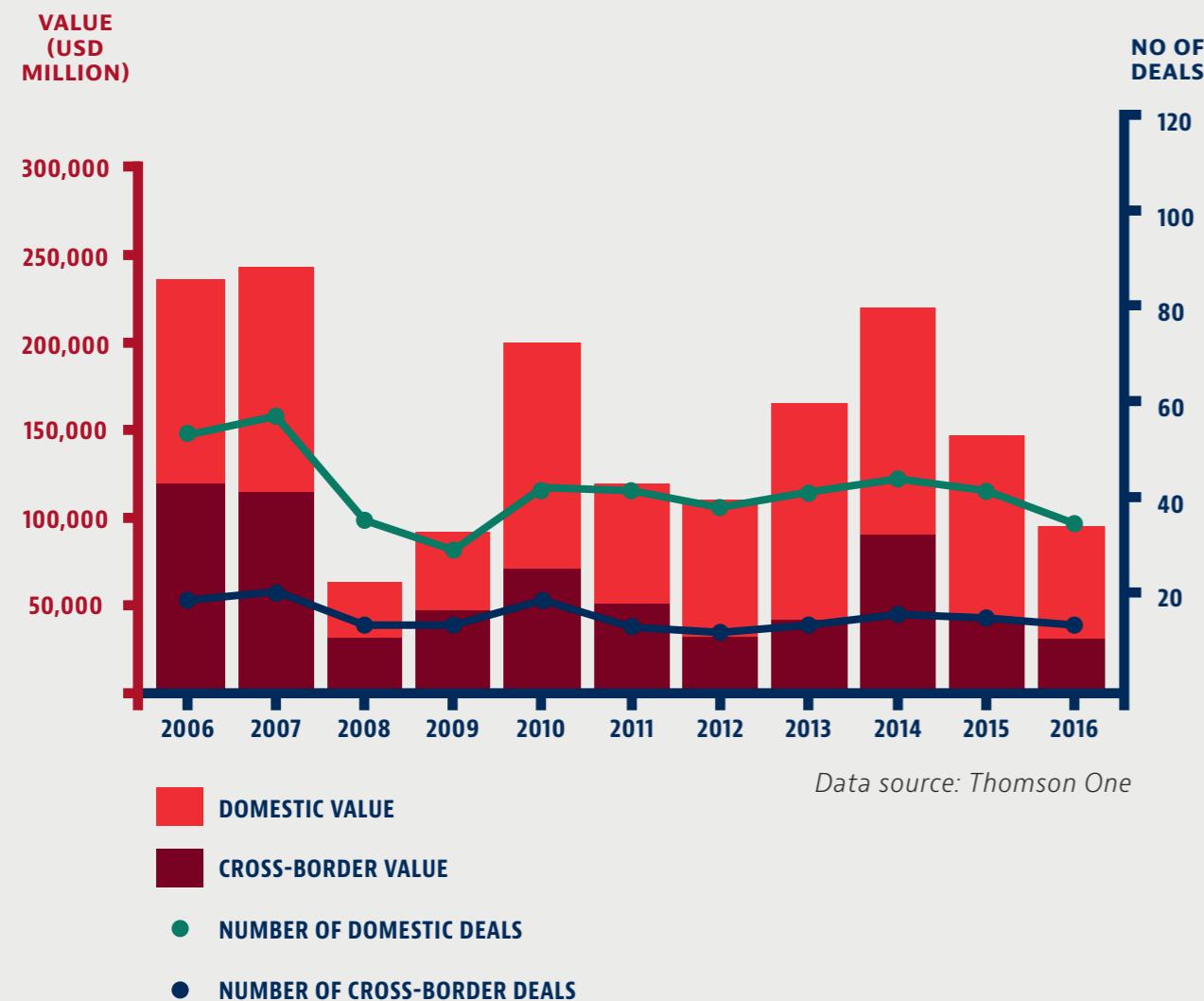
KEY GLOBAL DATA POINTS



NOTABLE CROSS-BORDER IPOs

ISSUER	CAPITAL RAISED US\$	HOME JURISDICTION & EXCHANGE
POSTAL SAVINGS BANK OF CHINA	7627.40 MILLION	CHINA HKSE
CHINA ZHESHANG BANK CO LTD	1938.55 MILLION	CHINA HKSE
ZTO EXPRESS (CAYMAN) INC	1405.95 MILLION	CHINA NYSE
CHINA MERCHANTS SECURITIES CO	1378.95 MILLION	CHINA HKSE
LINE CORP	1310.98 MILLION	JAPAN NYSE

Global IPOs 2006 – 2016



"CROSS-BORDER DEAL VALUE IS LESS VOLATILE THAN DOMESTIC ISSUANCE."

Cross-border deals more resilient long term

"When you take a longer term view, you can see cross-border deal activity is less volatile than domestic issuance on measures of both volume and value," said Koen Vanhaerents, global head of capital markets at Baker McKenzie. "The directional trends are the same, but the cross-border flow is smoother. While partly a function of deal size, this suggests that a well-structured cross-border IPO by a high quality company is achievable in many market conditions. Such deals are less constrained by perceptions of a market window or opportunistic conditions."



Koen Vanhaerents
Global Head of Capital Markets at Baker McKenzie

"The story of 2016 is geopolitical instability, particularly as the world waited on the results of the UK referendum and US elections, along with weak economic performance in key jurisdictions, resulting in weaker investor appetite. Investors have been conservative, rewarding realistic pricing and seeking as much certainty as possible."

Stock Exchange Insight

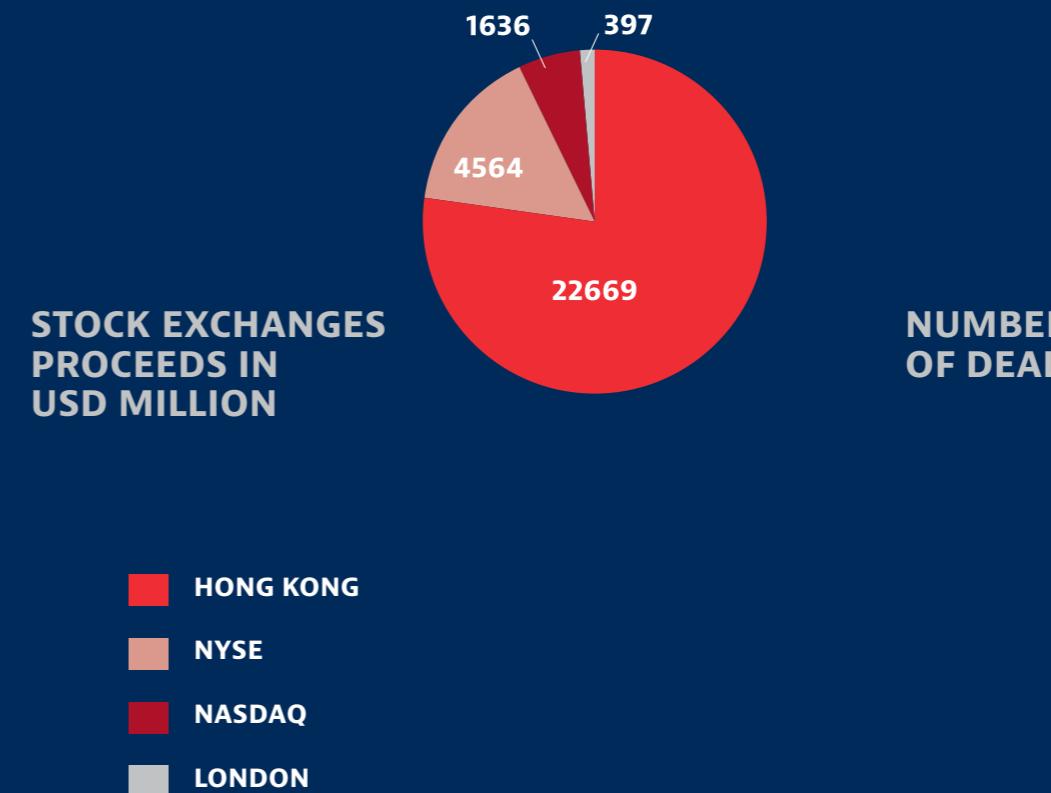
Venues of choice

Hong Kong comfortably retained its position as venue of choice for IPOs, primarily (though by no means exclusively) by Chinese issuers. But only New York saw growth in both cross border IPO value and volume. Among the largest exchanges London saw the greatest decline in cross-border deals.

"Deal volumes fluctuate, but year-on-year the vast majority of cross-border IPOs take place in the world's leading financial centres, which remain Hong Kong, New York and London," said Mr Vanhaerents. "This underlines the importance of a market's liquidity, talent base and financial infrastructure."



CROSS-BORDER ACTIVITY: TOP 4 EXCHANGES



Sector Insight

Sector outlook: energy and tech set for 2017; financials dominate 2016

Looking to 2017, technology listings have a promising outlook, with Snapchat's mooted IPO. If Snapchat's IPO is successful, it will be the largest US-listed technology offering since Alibaba Group in 2014.

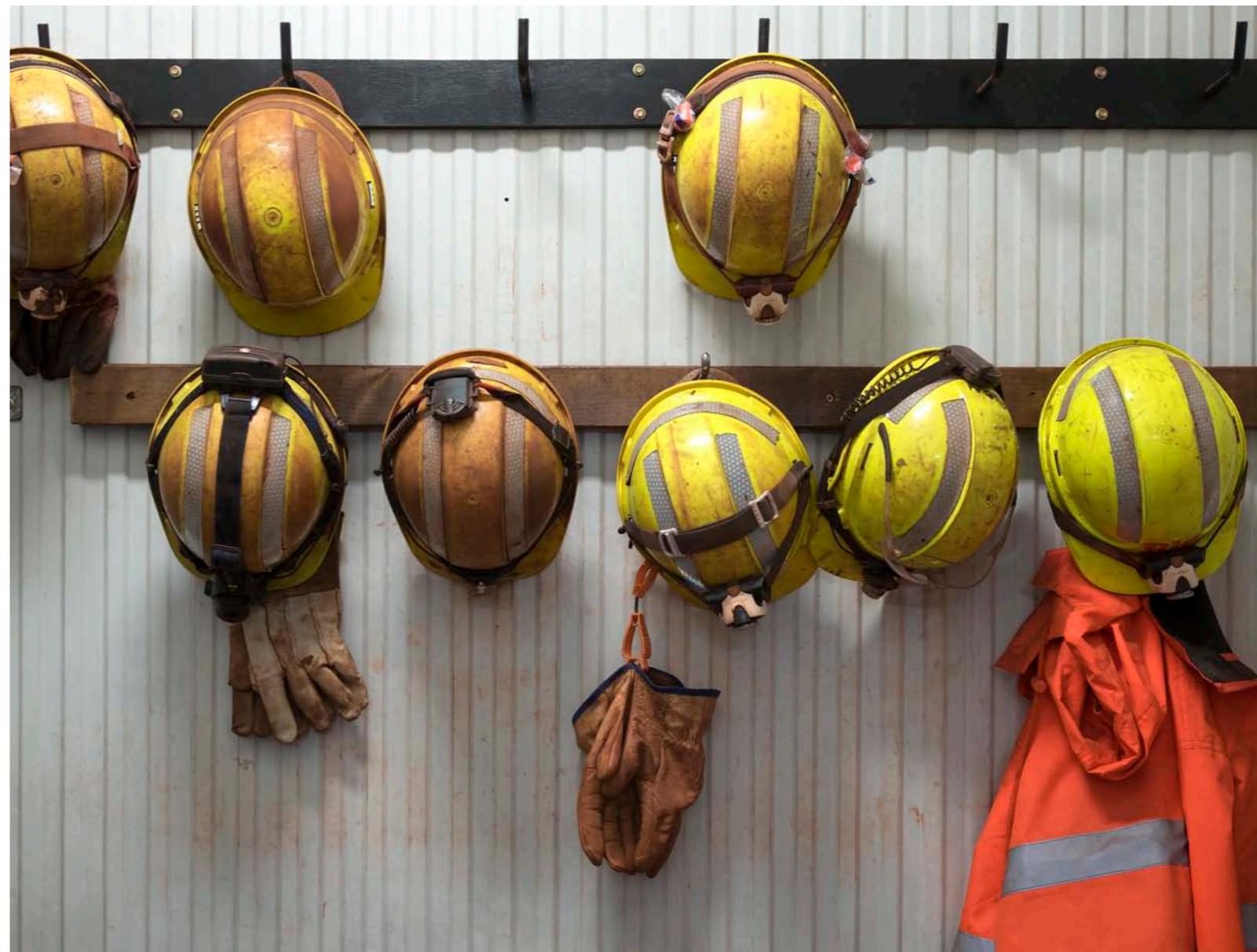
Saudi oil giant Aramco, could also list in 2017 in what would be the biggest IPO in history. Saudi Arabia plans to modernise and diversify its economy. The company is considering the New York, London, Hong Kong and Tokyo Stock Exchanges as possible listing venues.

In the current year, the financial industry dominated cross-border issuance, with issuers raising USD 19 billion, 64% of the global total mainly thanks to Chinese banks, insurers and brokerages listing in Hong Kong.

Consumer products, energy and technology were the only sectors raising more from cross-border listings in 2016. Financial companies also dominated volume, with a quarter of all cross-border deals this year. But the only industry that showed an increase in volume was energy and power, up 80%, with 9 IPOs as energy prices stabilised.

Healthcare has also been in the spotlight this year, with deals stifled by the threat of US government intervention on drug pricing and controls, increased financial risks and the presidential election, causing the industry to see a 61% decrease in listings. The outlook has changed and regulatory intervention receded in the final quarter, which may set the scene for biotech IPOs in 2017.

SAUDI OIL GIANT ARAMCO, COULD ALSO LIST IN 2017 IN WHAT WOULD BE THE BIGGEST IPO IN HISTORY.



CROSS-BORDER IPOs BY SECTOR

SECTOR	VALUE USD MILLION	NUMBER OF DEALS
 FINANCIALS	19,388	27
 INDUSTRIALS	2,808	10
 HIGH TECHNOLOGY	1,848	11
 HEALTHCARE	1,601	15

TOP DEALS IN TOP SECTORS

SECTOR	COMPANY	VALUE USD MILLION
 FINANCIALS	POSTAL SAVINGS BANK OF CHINA	7.67
 INDUSTRIALS	ZTO EXPRESS (CAYMAN) INC	1,406
 HIGH TECHNOLOGY	LINE CORP	1,311
 HEALTHCARE	PATHEON	719

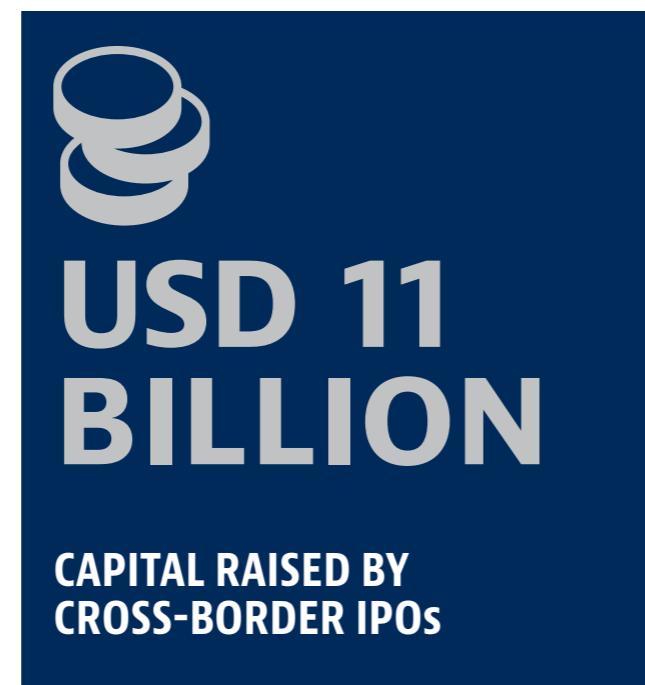
Private Equity Insight

Private Equity exits track cross-border IPOs downwards

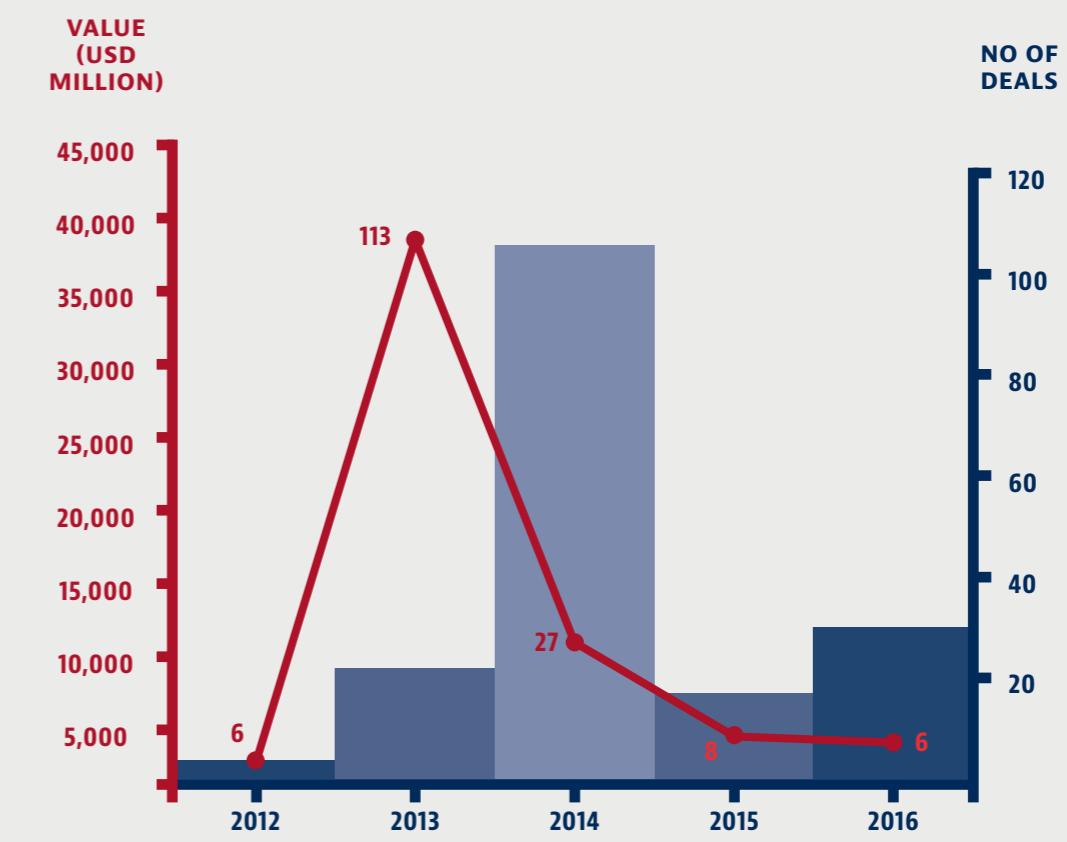
In 2016 Private equity exits via IPOs fell to USD 22.01 billion, in line with the wider market. Trade sales continue to attract, providing more certainty and potential for higher pricing than an equity offering. However, the six PE-backed cross-border IPOs raised USD 11 billion, an increase of 100%.

Hong Kong, New York and London were the most active exchanges for PE exits. Two of the largest cross-border deals in 2016 were PE backed; Postal Savings Bank of China, and ZTO Express Inc, which listed on Hong Kong and New York stock exchanges respectively.

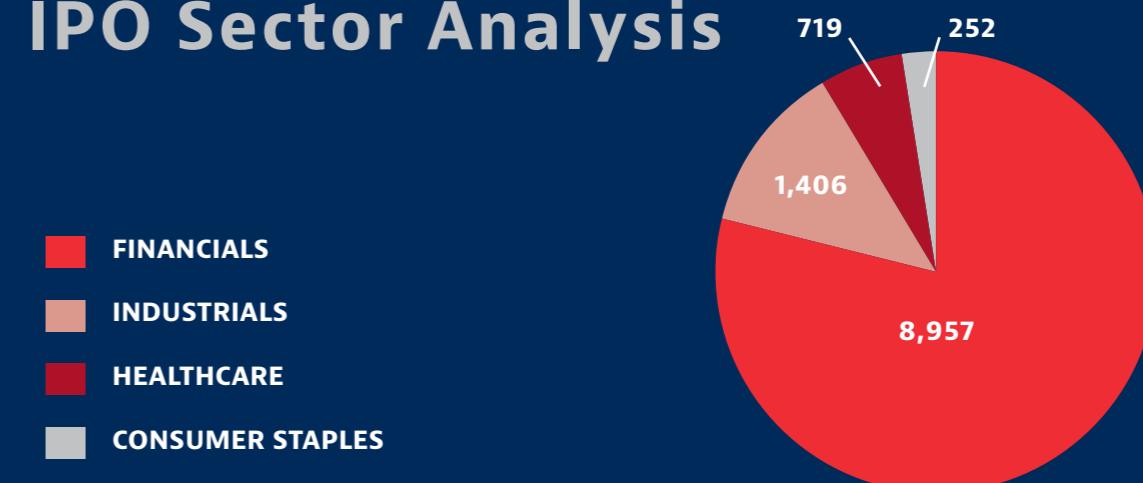
Financials, healthcare and retail are the top three industries by value for PE backed exits in 2016, with the real estate sector having the highest increase in value.



Cross-border PE Backed IPOs



Cross-border PE backed IPO Sector Analysis



REGIONAL INSIGHT

Asia Pacific

Asia Pacific IPOs declined in volume and value for both cross-border and domestic deals for the first time since 2013. The region still accounted for 76% of all cross-border equity deals, with companies listing in Australia, Hong Kong and Singapore.

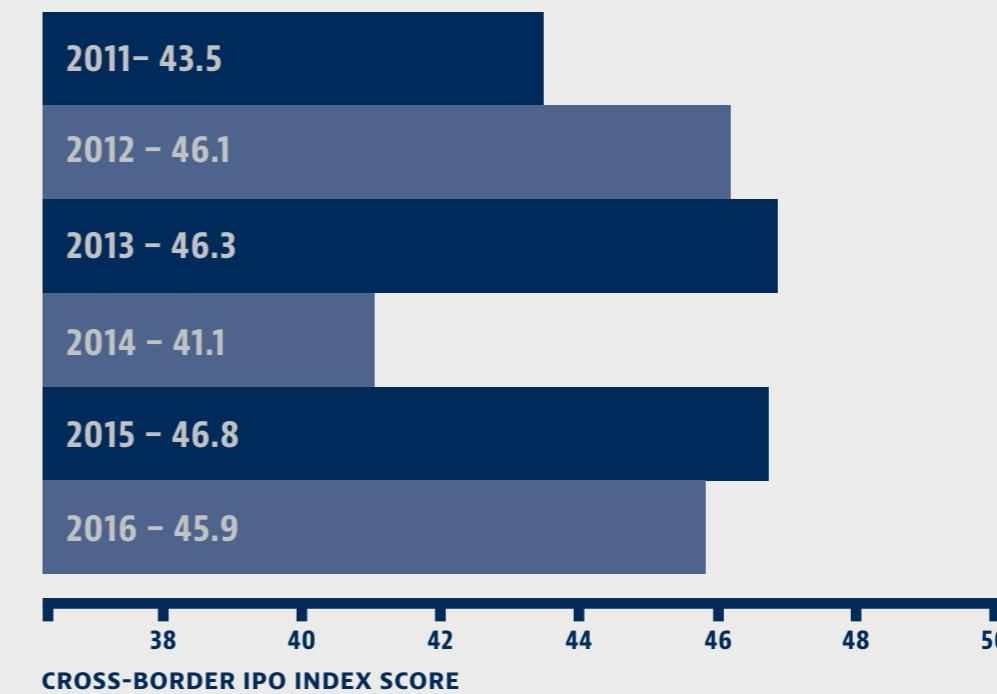
Chinese banks led the way, raising a total of USD 11 billion in Hong Kong. China's banks are raising capital to expand and clean up balance sheets.

Outside banks, the consumer products and services sector had the highest growth rate for capital raised in 2016 from cross-border IPOs, with an increase of 1,090%, this was followed by real estate and energy and power with an increase of 165% and 24% respectively.

The Shenzhen-Hong Kong Stock Connect, designed to give foreign investors greater access to shares listed on the mainland, launched on 5 December 2016. It is expected to begin to open financial markets in China to global investors.



Cross-border IPO Index: Asia Pacific



"POLITICAL UNCERTAINTY COUPLED WITH MACRO AND MICRO ECONOMIC CONDITIONS HAVE DEPRESSED ACTIVITY LEVELS ACROSS THE REGION."

KEY ASIA PACIFIC DATA POINTS

27%

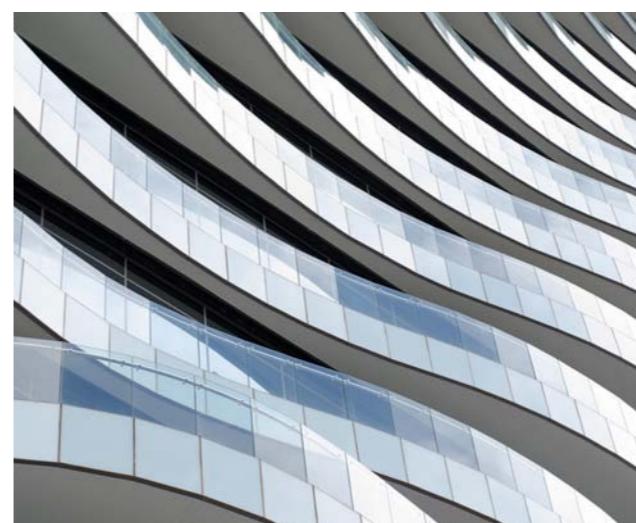
CHANGE
IN CAPITAL
RAISED
CROSS-
BORDER
IPOS

18%

CHANGE
IN CAPITAL
RAISED
DOMESTIC
IPOS

69
CROSS-BORDER
IPOS

**"AUSTRALIA'S STOCK MARKET
IS RISING AND CAPITAL
FLOWS LOOK POSITIVE."**



David Holland
Head of Capital
Markets in
Asia Pacific

"Political uncertainty coupled with macro and micro economic conditions have depressed activity levels across the region. Credit growth in China has also slowed, but several markets look positive for 2017; Australia's stock market is rising and capital flows look positive, while Singapore has bounced back as a hub for IPOs in Southeast Asia. The trend of companies seeking to meet more demand from affluent consumers in Asia's high growth economies continues, and raising equity capital is part of that story."

REGIONAL INSIGHTS

EMEA

Capital raised by companies listing in EMEA decreased by 76 percent to USD 871 million. Investors remained apprehensive about investing in the region as market recovery remained slow.

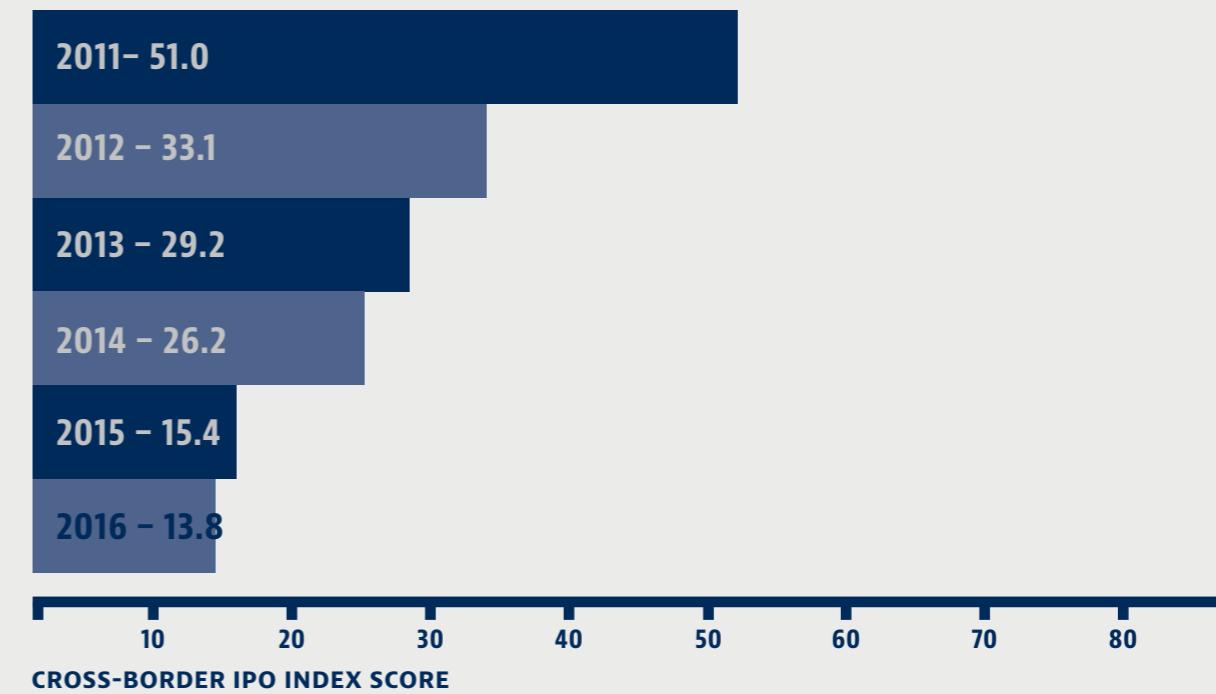
EMEA is the only region down overall on both debt and equity capital markets financing, with corporates opting for bank finance amid capital market turbulence caused by political uncertainty and weak GDP growth.

Following the UK's decision to leave the EU, Q3 was particularly impacted, with only 17 IPOs of any sort across the region. Technology, media and entertainment and energy were the only sectors to increase capital raising via cross-border IPOs in EMEA. Technology and telecoms saw the biggest declines.

The value of London IPOs dropped by 62%. However, deal value on Euronext was down 63% and on Frankfurt 31%, indicating a poor year for IPOs generally, rather than any decline of London as a financial centre.



Cross-border IPO Index: EMEA



"AFTER A FLURRY OF DEALS AT THE START OF THE YEAR, ANTICIPATION OF THE BREXIT VOTE DEPRESSED ACTIVITY THROUGH JUNE, AND VOLATILITY AFTER THE VOTE RESULTED IN MANY IPOs BEING PULLED."

KEY EMEA DATA POINTS

76%

CHANGE
IN CAPITAL
RAISED
CROSS-
BORDER
IPOS

53%

CHANGE
IN CAPITAL
RAISED
DOMESTIC
IPOS

18

CROSS-BORDER
IPOS



Edward Bibko

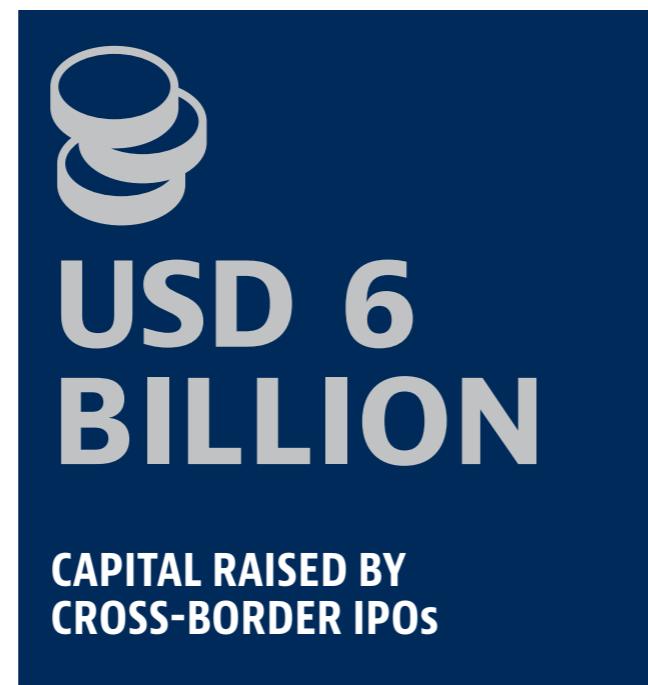
Head of EMEA Capital Markets

"After a flurry of deals at the start of the year, anticipation of the Brexit vote depressed activity through June, and volatility after the vote resulted in many IPOs being pulled. The US election had a similar negative effect in the second half of the year. Although we are hearing conflicting messages, there is reason for optimism for 2017. Banks did manage to clear most of their holdover deals from last year, and several banks report healthy pipelines of new IPO candidates for next year."

Although there are plenty of things to worry about, 2017 doesn't have the scheduled unknowns that marked 2016 and 2015 (think back to the Greek elections and the Scottish referendum). The market may have adjusted to a new normal level of uncertainty. The next year may also be a year of privatisations by countries looking to reduce debt or diversify their economies. We could see a real uptick in deals from the Middle East and Turkey, and potentially Russia and some African countries."

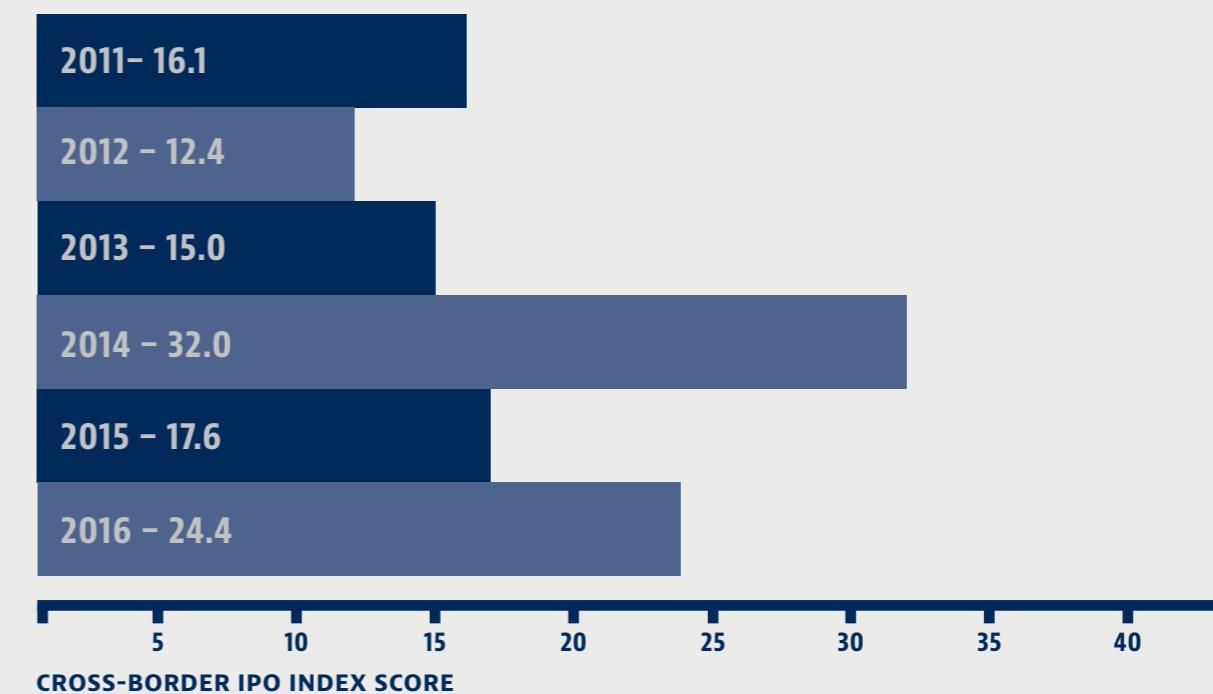
REGIONAL INSIGHT North America

North America was the only region to see an increase in the value of cross-border IPOs, rising 29% to USD 6 billion, with ZTO Express raising USD 1 billion and LINE raising over USD 800 million on the NYSE. Companies in the consumer products and services, financials, consumer staples, energy and power, technology and industrial sectors all raised more in 2016 via IPOs. Healthcare fell due to regulatory action on pricing, though these concerns have dissipated somewhat since the presidential election.



US equity markets have risen by around 6% since the election on pro-business sentiment though uncertainties remain about the new administration's policies. Recent announcements of potential cross-border listings in North America in 2017 come from a Brazilian beef producer, a German hotel booking business and a Chinese logistics company backed by Alibaba.

Cross-border IPO Index: North America



"NORTH AMERICAN EXCHANGES ARE CLEARLY VENUES OF CHOICE FOR CROSS-BORDER MEGADEALS. HOWEVER, 2016 HAS BEEN MARKED NOT BY ECONOMIC CONCERN BUT POLITICAL UNCERTAINTY.

KEY NORTH AMERICA DATA POINTS



Amar Budarapu

Head of Capital Markets in North America

"North American exchanges are clearly venues of choice for cross-border megadeals. However, 2016 has been marked not by economic concern but political uncertainty. This has also spread to the Fed – frequently when a rate rise is imminent but GDP growth comes in under expectations, the hikes are postponed. We are likely to see more of the

same in 2017, though markets have moved higher since the election based on pro-business sentiment. If rate increases start to come through in 2017, it will compound the already rising cost of debt, and that in turn could make equity capital raising more attractive. Equity-linked structures have been out of favour for some time due to inexpensive debt."

REGIONAL INSIGHT

Latin America

There was no cross-border IPO activity in Latin America in 2016, and the region saw only four domestic listings. Equity markets continued to be weak. Mexico's IPO listings have been put on hold after the US election.

Finance in the region continues to be dominated by debt rather than equity, with almost USD 91 billion of corporate bond issuance in 2016 compared to just USD 501 million raised by IPOs.



Pablo Berckholtz
Head of Capital Markets in Latin America

"In Latin America there is less of a shareholder culture and less incentive for corporations other than the very largest to go public. The corporate finance landscape is dominated by debt rather than equity, though the large deals that do happen tend to be cross-border with a listing in New York. We could see some IPO activity in Argentina, while Mexico is effectively on hold while we see what happens with US trade policy."

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 IPO and IPOs expected to price in 2016 correct to 8 December 2016. All data underlying the calculations is sourced through Thomson ONE.

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.

About

Baker McKenzie helps clients overcome the challenges of competing in the global economy. We solve complex legal problems across borders and practice areas. Our unique culture, developed over 65 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instil confidence in our clients.

Unprecedented volatility and intense regulatory change since the financial crisis have greatly impacted the capital markets sector. Regulators are demanding greater transparency and high levels of litigation continue. This backdrop makes raising and managing capital while complying with changing legal and listing requirements a major challenge for public and private companies and governments.

We provide practical, commercially-focused advice to maximize deal certainty. We represent issuers, investment banks, and selling shareholders in equity and debt transactions including domestic and cross-border IPOs, debt issuances and programs, and complex, multi-jurisdictional acquisitions and divestitures involving public companies.

Since 2012, we have been involved in more than 400 debt and equity offerings with a total value of US\$120 billion. Using our unmatched global network, comprised of more than 420 capital markets lawyers in 42 countries, we offer a fully integrated service, working across borders and practice areas including M&A, Private Equity, Antitrust & Competition, and Compliance to help clients achieve the best outcome. 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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