



Press Release

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Global tech IPOs close 2015 on a high note

Momentum may not be sustained due to volatile capital markets

Monday, 22 February 2016 – Overall, 2015 was the second-best year for global technology IPOs in five years, with 92 IPOs that raised US\$27.1 billion in proceeds, according to PwC’s [Global Technology IPO Review](#).

This marked a decline of 22% in terms of listings and 47% in proceeds compared with 2014. However, total proceeds declined just 8% if we exclude the blockbuster 2014 Alibaba IPO. Global technology IPO activity was lower in 2015 than 2014 primarily due to two factors: uncertainties about US Federal Reserve and European monetary policies, and uncertainty over the Chinese economy. Concerns in these key areas led to weak and volatile capital markets around the globe.

Additionally, a large unresolved disparity between public and private market valuations tempered technology IPO activity.

The fourth quarter—the strongest period of the year—was instrumental in driving 2015 proceeds to their height after a relatively modest previous three quarters. The fourth quarter had reported average proceeds of US\$490.2 million, bolstered by the two largest tech IPOs of the year: Worldpay Group Plc (US\$3.8 billion on the London Stock Exchange) and First Data Corp. (US\$2.6 billion on the New York Stock Exchange). Though the number of listings in the fourth quarter declined by 34% year on year, total proceeds increased by 45%.

“Despite continued market volatility and global economic concerns, the accelerating pace of technological change across all industries helped to buoy global tech IPO activity in the fourth quarter and led to the second best year since 2010,” said Raman Chitkara, PwC Global Technology Industry Leader. “While we can expect to see fewer technology IPOs until volatility subsides, it’s too early to say whether 2016 will mean a pullback across the technology sector as a whole.”

IPO activity gained pace in the fourth quarter due to the return of both US and China tech IPOs, which were virtually absent in the third quarter. The freeze on China IPOs put in place in the third quarter by the Chinese Securities and Regulatory Commission was lifted in November, while volatile US market activity in the third quarter led to companies delaying their listings to the fourth quarter or beyond.



Europe and Asia as major global contributors

Europe's performance in 2015 was its strongest in the last decade, with 20 IPOs, proceeds of US\$11 billion, and three big-ticket Internet Software & Services IPOs with more than US\$1 billion each in proceeds. Indeed, the Internet Software & Services subsector made up 55% of tech IPOs in Europe, compared with 43% globally, and they represented 83% of proceeds in Europe compared to 59% globally in 2015.

Japan also had a strong year with six tech IPOs and US\$1.3 billion in proceeds. South Korea had four IPOs and Australia had three, with proceeds of US\$613 million and US\$1.2 billion, respectively.

China reported the highest number of offerings (30) in 2015, but the amount raised, at US\$4.1 billion, was much lower than other years. This decline in proceeds was due to the listing restrictions from regulators and negative macroeconomic data, which led to downward pressure on valuations as investors became more risk averse. In addition, very few Chinese companies had cross-border listings, which led to lower average proceeds.

Tech IPOs in 2015 were geographically well-distributed with 15 countries participating. The US led in terms of proceeds with US\$8.4 billion. The UK followed with US\$7.8 billion, replacing China in the second spot. Though the US garnered the highest proceeds, average offering size (US\$365 million) was significantly lower than both the UK and Germany (US\$868 million and US\$692, respectively), owing to the three US\$1 billion-plus offerings from those countries.

A strong foothold for the Internet Software & Services subsector

Internet Software & Services was far and away the leading tech IPO subsector in 2015 with 40 IPOs and US\$15.9 billion proceeds. It contributed 59% of the total proceeds raised during the year, 43% of the listings, and boasted four of the five 2015 US\$1 billion-plus IPOs. Of the 40 IPOs, 20 were listed on US exchanges and five on the London Stock Exchange (LSE).

"The increasing reach of the Internet across regions and advanced connectivity has led to the sustained expansion of the Internet Software & Services subsector," said Chitkara. "Demand for improved logistics delivery systems in e-commerce continued to rise, so the accompanying demand for ease of operations also lent support to this subsector."

The Software subsector listed 16 IPOs and raised US\$3.6 billion. It contributed 13% in terms of total proceeds for the year and 17% in terms of number of IPOs. The subsector did not have a single US\$1 billion-plus IPO and only recorded two US\$500 million-plus IPOs.

How will 2016 impact the IPO window?

It remains difficult to say how the global technology IPO market will shape up in 2016. We see a number of highly anticipated tech IPOs waiting on the sidelines, and they could continue to encounter challenges. There are definite headwinds for technology IPOs. First and foremost, capital markets will need to stabilize if we are to expect a healthy IPO market in 2016.

With the US and China typically setting the tone in the tech IPO space, we will need to wait and see how the US political climate and uncertainties in China will affect the overall market.

For more information, please visit <http://www.pwc.com/globaltechipo>, where you can download reports and explore global technology IPO trends and subsector distribution and activity.



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