



Press Release

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<i>Pages</i>	2

Global tech IPOs in 2016 fell to their lowest level this decade

Following a weak year, 2017 looks to be stronger for IPOs in the sector

New York, 31 Jan 2017 – While 2016 marked this decade’s low point for global tech IPOs, a stream of high-profile companies in the pipeline will likely create a resurgence in 2017¹, according to PwC’s [Global Technology IPO Review](#).

Only 53 tech companies completed IPOs in 2016, with total proceeds of US\$8.7 billion. Following two strong years, the 2016 total marked a 42% decline in volume and a 68% decline in proceeds compared with 2015.

Overall, tech IPOs rebounded in the second half of 2016, with an almost three-fold jump in the proceeds from the first six months. However, even with the increase in offerings, average 2016 tech IPO proceeds only equalled the US\$165 million previously experienced in 2010, the prior low for the decade. This was due in part to the lack of big-ticket IPOs that had been common in 2014 and 2015 but were virtually non-existent in 2016. While the 2016 third quarter was the best period of the year, with 20 tech IPOs, the final three months of 2016 were the worst, with just nine tech IPOs.

“The combination of uncertain market conditions, high private valuations and ample cash caused many companies to wait until public markets offer a more favourable environment,” said Raman Chitkara, PwC Global Technology Industry Leader. “Looking ahead, the market rally of the past few months bodes well for a healthier global tech IPO market in 2017.”

Outside of the UK, Europe was lone region that avoided decline

Excluding the UK, Europe had 10 IPOs in 2016 that raised US\$3.7 billion. This total was largely aided by the year’s largest IPO, digital payments services company Nets A/S, which raised US\$2.4 billion. There was broad distribution across eight European countries. The UK had no tech IPOs during 2016, compared with nine in 2015 and seven in 2014. This drop-off can probably be attributed to uncertainty over the Brexit vote and its aftermath.

¹ Issue size greater than US\$40 million (includes over-allotment) and based on trade date



China led the way with 18 tech IPOs in 2016, posting aggregate proceeds of US\$1.4 billion. Outside of China, Asia saw a dip in proceeds due to fewer IPOs. Japan provided some support for the region, with three tech IPOs and the fourth-highest proceeds.

The US tech IPO market declined to its lowest level in the decade, registering 16 public offerings for total proceeds of US\$1.8 billion—a far cry from the US\$8.4 billion recorded in 2015.

With volatility and uncertainty dominating the major markets in China, the UK and the US, companies outside these countries largely chose to list on their home exchanges. Nets A/S, for instance, listed on Copenhagen's OMX. Tokyo SE registered a total of US\$111 million with two offerings and India's BSE and NSE exchanges saw a total of three tech IPOs with US\$318 million in proceeds. Australia listed three companies with proceeds of US\$283 million, and the OMX in Stockholm listed four companies with proceeds of US\$320 million.

Cross-border IPOs, as a percentage of the total, were within the 15%-to-17% range, mostly consistent with recent years.

Internet Software & Services continues to lead—albeit on a different scale

The Internet Software & Services and Software subsectors remained the growth engines for tech IPOs in 2016, with 32 offerings that raised US\$4.7 billion in total. However, compared to the previous six years, these two subsectors experienced a pullback in 2016, recording the second-lowest proceeds and number of IPOs in the decade.

Consider the fourth quarter, a rare period that saw just one Internet Software & Services IPO, Trivago, which raised US\$287 million. Most big-ticket Internet Software & Services subsector companies chose not to test public markets in 2016.

A wider opening for the tech IPO window?

“In addition to the post-election market rally in the US, the promise of US tax reform, general economic conditions, cyclicalities of the tech IPO market and pent-up demand for public offerings collectively suggest that the 2017 global tech IPO market will be much better,” said Chitkara.

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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