

A photograph of two hikers standing on a rocky mountain peak, looking out over a vast, hazy mountain range at sunset. The sky is a mix of orange, yellow, and blue. The hikers are silhouetted against the bright light of the setting sun.

# IPO activity still slow in 1H 2023, but market conditions are improving

EY US IPO Trends 2023 – Q2 report

# IPO aspirants: be ready to seize emerging market opportunities

## In brief:

- 01 For the US IPO market to begin normalizing, the first wave of IPOs likely needs to come to market at reasonable valuations and trade well in the aftermarket.
- 02 IPO aspirants should be ready to capitalize on potentially fleeting market windows. Preparation is critical, particularly regarding public company readiness.

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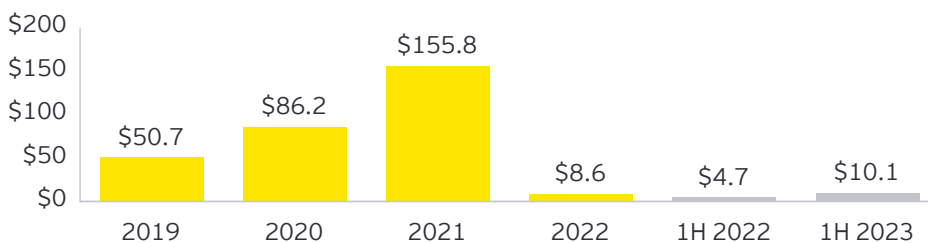
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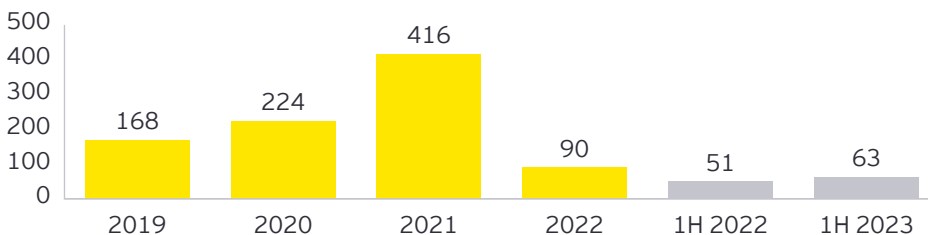
US IPO activity remained slow in 1H23, compared to prior bull markets. However, the IPO market saw an uptick over last year, driven primarily by a few large deals, and improvements in key macroeconomic factors signal hope for a turnaround later this year or in early 2024.

## US IPO deal count and proceeds

IPO proceeds (\$b)



Number of IPOs



Sources: EY analysis, Dealogic  
Data as of June 30, 2023

While the public markets have not yet come roaring back, US IPO activity experienced an uptick in 1H23, driven primarily by a few large deals. US IPOs raised \$10.1 billion via 63 IPOs, representing increases of 115% and 24%, respectively, over the comparable 2022 period.

Proceeds raised was largely driven by a single \$4.4 billion IPO in May, accounting for over 40% of total US IPO proceeds YTD. The offering, which was the largest US IPO since November 2021, traded up 22.3% on its first day of trading.

Considering the market challenges of recent years, including stubborn inflation, geopolitical instability and rising interest rates, corporates have been actively exploring ways to unlock value and drive shareholder returns. Two of the larger US IPOs in Q2 2023 were carve-outs from corporates, and a number of similar spinoff transactions are in the pipeline.

## The Market Outlook in 1H 2023

Despite the slowdown in the US IPO market in recent quarters, many of the headwinds that contributed to the dearth of activity began to subside in 1H 2023. Equities have rebounded from 2H 2022 lows, inflation may have peaked, interest rate increases could be nearing an end, and volatility has subsided to pre-COVID lows.

Still, it may take the IPO market longer to recover than many market participants forecasted at the beginning of the year. The unforeseen banking crisis in 1H 2023 drove uncertainty in the markets, but contagion fears seem to have faded, yielding optimism for more activity in the back half of 2023 and into 2024, given the more constructive market backdrop.

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Despite the continued slow pace of IPOs, recent improvements in market sentiment and the uptick in follow-on activity could be a harbinger of brighter days in the IPO market later this year or next year.

**Mark Schwartz**

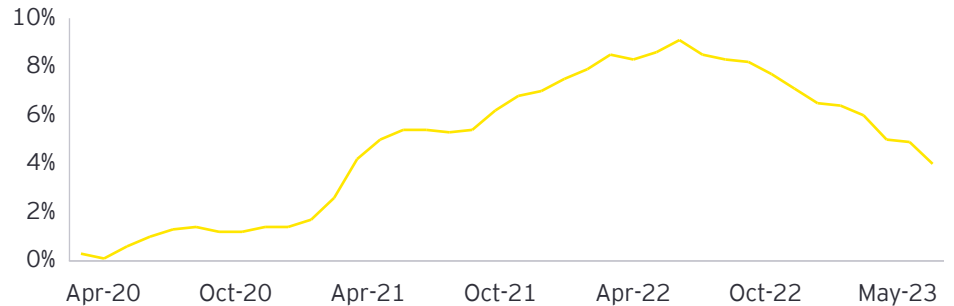
EY Americas IPO and SPAC Advisory Leader



## Six factors that could improve the IPO market backdrop

### 1. Continued moderation in inflation

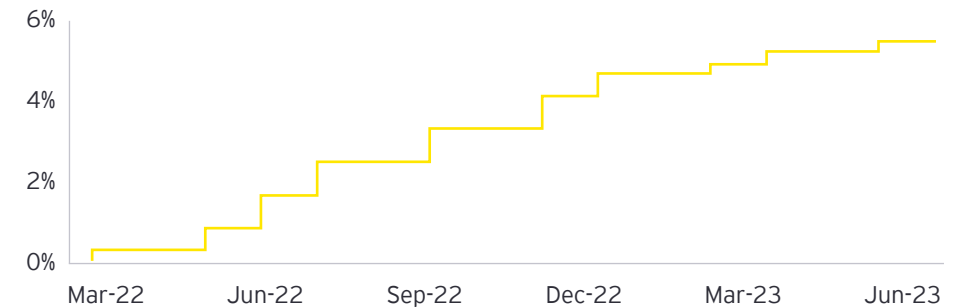
Consumer Price Index



Source: OECD (2023), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en>  
 Accessed July 4, 2023

### 2. Interest rate hikes slowing, stopping or reversing

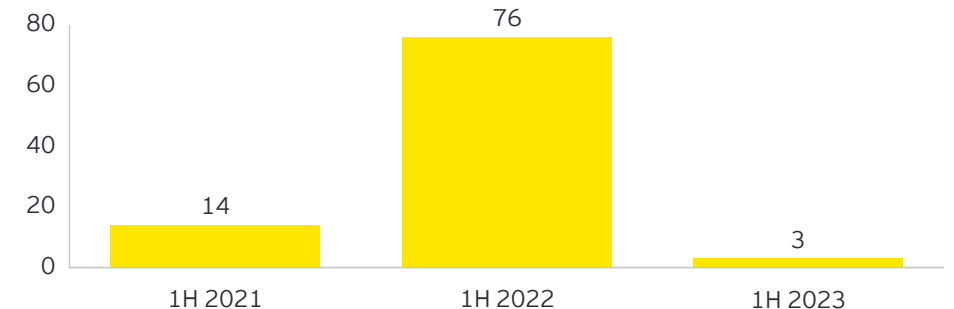
Effective Fed funds rate



Source: [www.macrotrends.net](http://www.macrotrends.net)  
 Data as of June 30, 2023

### 3. Market volatility remaining subdued

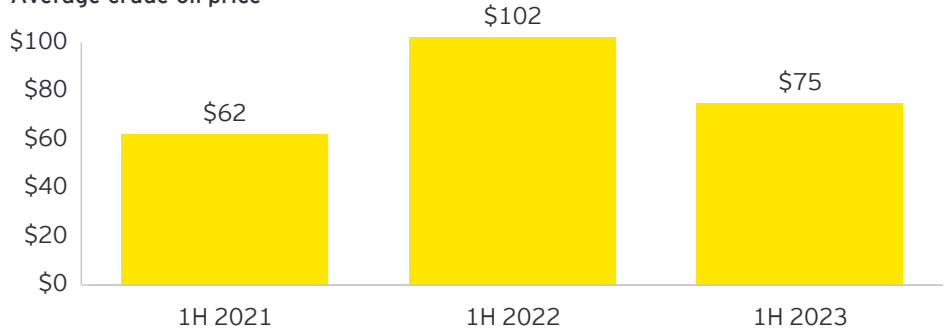
Number of days the VIX® Index was over 25



Source: Cboe Global Markets, Inc.  
 Data as of June 30, 2023

#### 4. Commodity prices stabilizing

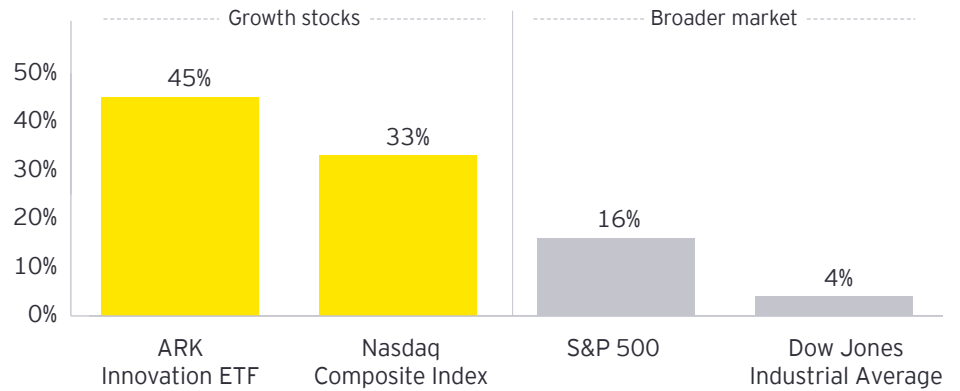
Average crude oil price



Source: Yahoo Finance  
Data as of June 30, 2023

#### 5. Growth stocks performing

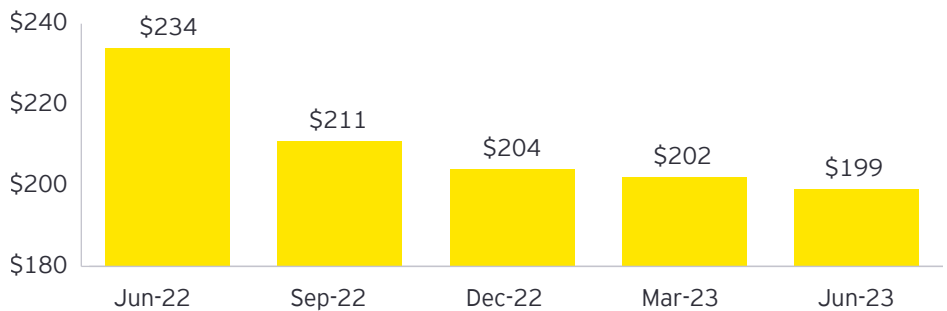
Growth stock performance YTD 2023



Sources: S&P Capital IQ, Yahoo Finance  
ARK Innovation ETF and NASDAQ Composite Index are utilized here as general approximations for the performance of growth stocks.  
Data as of June 30, 2023

#### 6. Earnings estimates remaining stable or improving

Estimated S&P 500 earnings per share for 2023, as of:



Source: S&P Dow Jones Indices  
Data as of June 30, 2023

## Looking ahead

With the backdrop improving, IPO aspirants should position themselves to be ready for when the market window reopens. Navigating strategic transactions like an IPO is complex, and preparation is critical, particularly as it relates to public company operations. Prioritizing your strategic timeline and milestones now will leave issuers with more flexibility and optionality for optimal outcomes.

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Now is the time to activate your IPO plans and build muscle around operating as a public company. Preparation is key to capitalize on potentially fleeting market windows with confidence.

Rachel Gerring  
EY Americas IPO Leader



## The path forward – top 5 things IPO aspirants should do now

- 01 Do what you do best: focus on **near-term, actionable growth drivers** for your business
- 02 **Manage capital carefully** to ensure an ample financial and operational runway to IPO
- 03 IPO sizing, timing and certainty are never a given; plan accordingly
- 04 **Integrate environmental, social and governance (ESG)** into your strategic priorities well ahead of an IPO
- 05 Be proactive about IPO preparation and be ready for potential sharp turns in market windows

## Summary

Many of the macroeconomic challenges that halted IPO activity in recent quarters have begun to subside in 1H 2023. IPO aspirants should prepare and position themselves for when the market window reopens.

## Global IPO market, YTD 2023 review

Despite low market volatility and strong stock exchange performance in certain major financial markets, YTD 2023 saw more than 600 IPOs raising approximately US\$60 billion, a contraction of 5% by volume and 36% by value YOY. These modest results continue to reflect slow global economic growth, tight monetary policies and heightened geopolitical tensions. High interest rates and poor post-IPO share price performance have persuaded investors to look for other investment asset classes.

For an in-depth look at global trends, read the full report:

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