

Bull or bear? Key factors that will shape the US IPO market in 2024

EY US IPO Trends 2023 – Q4 report



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Transaction volume remained light, but US IPO activity picked up in 2023.

In brief:

- 01** We are exiting two very challenging years in the US IPO market.
- 02** High interest rates, geopolitical instability and recessionary concerns weighed on the IPO market last year, but strong fundamentals still led to investment.
- 03** A multitude of factors will influence which companies can go public and the trajectory of the IPO market rebound.

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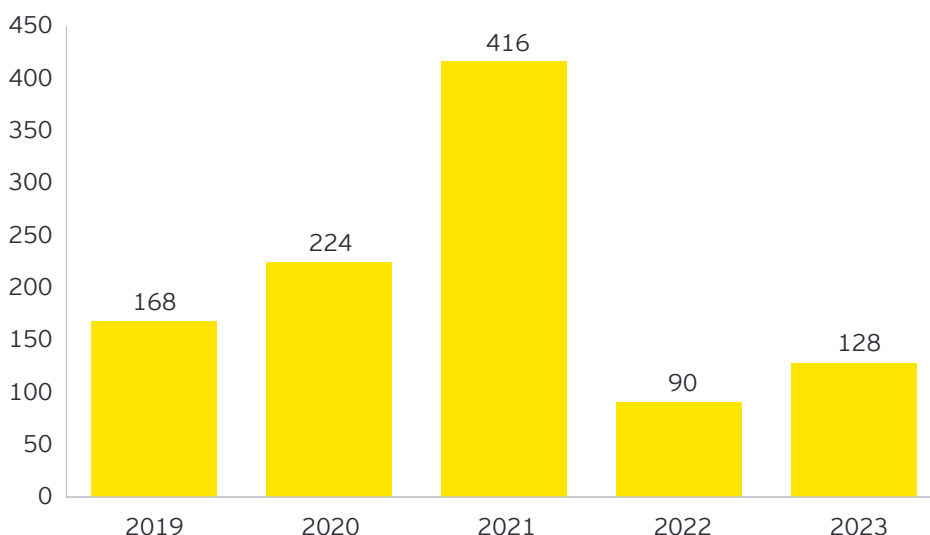
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While IPO activity in 2023 was light compared with recent norms, a series of high-profile deals late in the year demonstrated that investors are willing to fund the right companies at the right price. Strong gains in the markets in 2023 and the potential for a Federal Reserve pivot have ignited a sense of optimism heading into 2024.

We are exiting two very challenging years in the US IPO market

Number of IPOs



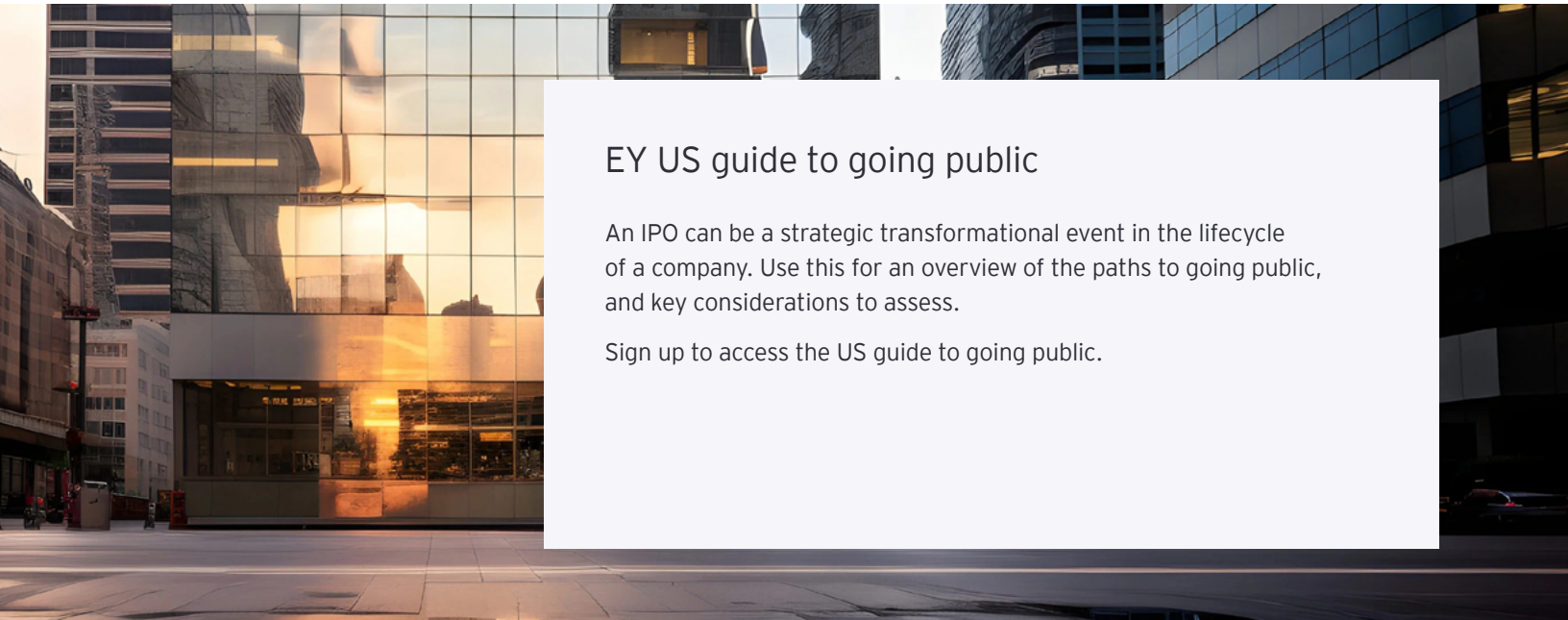
Sources: EY analysis, Dealogic
Data as of December 31, 2023

The US IPO market: 2023 in review

In 2023, the number of IPOs on US exchanges increased by 42% vs. 2022, but IPO proceeds grew by more than 160%, driven by several large high-profile IPOs. Seven IPOs in 2023 raised more than US\$500m compared with just four in 2022.

In 2023, several closely watched deals saw robust oversubscription levels and strong pricing outcomes, but aftermarket trading largely disappointed investors and may lead to greater pricing discipline as the IPO market resumes.

Technology and health care continued to lead the US IPO deal count. Across sectors, investor preferences have continued to gravitate toward companies with greater scale and profitability.



EY US guide to going public

An IPO can be a strategic transformational event in the lifecycle of a company. Use this for an overview of the paths to going public, and key considerations to assess.

Sign up to access the US guide to going public.

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The back half of 2023 reminded companies that investors are open to sizable IPOs as a few marquee deals entered the markets. Next year could be a transition year — if some of the recent IPOs continue to gain momentum and the cost of capital begins to decline, we could see an expansion of the types and sizes of companies entering the public markets.

Mark Schwartz

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2024 outlook for the IPO market

We are entering 2024 with a sense of optimism that the IPO market could begin to return to more historically “normal” levels, based on the following:

- There is a significant backlog of IPO hopefuls in the publicly filed and shadow pipeline that are eager to access the public markets.
- The market backdrop for IPOs has improved significantly over the past few quarters: valuations are up, volatility is down, inflation may be corralled, and interest rates could begin ticking down.

We are actively monitoring the potential factors that could influence whether we see a bull or bear IPO market in 2024.

2024 outlook: key factors that could influence the bull and bear cases

Bull case:

“Soft landing” and declining interest rates

Bear case:

Weakening economy and spiking volatility

Cost of capital

Interest rates stabilize or decline

Inflation flares up/
interest rate uncertainty rises

Equity market performance

Low volatility/
expanding valuations

Market turbulence/
lackluster IPO aftermarket performance

Consumer health and labor markets

Strength in job market and consumer spending

Declining consumer health

Lots of unknowns

US presidential election
Geopolitical tensions
Other unforeseen “shocks”

The path forward

Regardless of the uncertainty around when the IPO market will rebound, IPOs are long lead time transactions that require extensive, thoughtful and strategic preparation. Open windows of opportunity to go public will depend on company, sector and market factors, but only those companies that are public market ready will be able to seize the moment.

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It is crucial for IPO aspirants to build trust and confidence among key stakeholders: have the right management team in place, demonstrate a track record of performance and show a predictable path for growth and profitability. Companies need flexibility to capitalize on fleeting market windows, and proper preparation facilitates strategic optionality.

Rachel Gerring
EY Americas IPO Leader

Summary

An IPO recovery will depend on an improving economic backdrop, including more buoyant valuations and stable or declining interest rates. Those companies that are prepared to respond when opportunities arise will be in the best position to complete transactions and pursue their long-term goals.

The global IPO market: 2023 review

In 2023, global IPO volumes fell 8% and proceeds were down 33% compared with 2022. Last year's IPO market was in flux, featuring improving market sentiment in the West and a slowdown in China, as well as a contrast between a large number of smaller-cap deals and a few larger high-profile offerings.

These and other findings are available in [EY Global IPO Trends 2023](#), a quarterly report analyzing global IPO data and highlighting market trends and the outlook for the year ahead: [EY Global IPO Trends](#).

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