

## Nosedive in number of IPOs this year reflects 'cold market,' but is it thawing?

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Just two technology stocks went public this summer - not a good sign for the long list of technology startups eyeing initial public offerings.

August's stock market slamdown, the deepest drop in nearly four years, sounded like a death knell for the IPO market in 2015.

But a sign of life emerged Wednesday as Pure Storage Inc., a Mountain View, Calif., flash storage company, raised \$425 million on the New York Stock Exchange.

It's unclear how much cheer that will provide for financial technology company Square and payments processing company First Data, or for non-tech companies such as grocery chain Albertsons and Spanish cable network Univision, which are all preparing to go public before the end of the year.

Those who prefer their glass half-empty can look at recent figures put out by consulting firm PwC: July through September turned into the slowest quarter for tech offerings since the start of 2009.

Those who prefer half-full can draw some optimism from Pure Storage's market debut.

"Market weakness so far has been a drag on a majority of new stock issues this year," Richard Peterson, senior director at S&P Capital IQ said ahead of the Pure Storage debut. "Big gains in the first day ... a lot

of market observers will see it as a positive development."

While Pure Storage pocketed the cash it sought, the big gain for stockholders didn't materialize Wednesday. Shares of Pure Storage fell to \$16.01 by midday, 6 percent down from its \$17 IPO price.

At the same time, Caribbean wireless carrier Digicel Group scuttled plans to go public, citing "market volatility" forcing the price of new stocks down. The announcement and Pure Storage's early results could become fresh evidence for the pessimists.

Just 45 companies joined U.S. stock exchanges from July through September, leaving 2015 with little chance to match last year's 14-year high of 304 [initial public offerings](#).

Led by the record \$25 billion debut of China-based Alibaba, the 68 IPOs in last year's third quarter generated \$38 billion in cash for companies. This year's third quarter brought in \$7.3 billion, or a little more than half of last year's sum after excluding Alibaba, the consulting firm PwC reported. Since then, Alibaba shares, briefly over \$100, have languished at about \$65, below the \$68 IPO price.

Worldwide, IPO activity fell 55 percent compared with the previous quarter and proceeds raised sunk 58 percent compared with last year's third quarter after removing Alibaba, business consultancy EY said.

September is usually flush with IPOs, but the combination of a late Labor Day and a stock market spooked by China sidelined offerings. China's Shanghai composite index has fallen more than 40 percent from its mid-June peak, including a big drop in August, when the exchange closed the door to new IPOs.

The U.S. stock market has been anything but steady this year too, with

the Greek debt crisis, the fears of slower growth in China and mixed U.S. economic reports halting years of boom. A volatility index that measures short-term fears based on option prices spiked 126 percent in August to its highest point since 2011.

The IPO slowdown is another expression of the volatility, said Christopher Schwarz, a finance professor at the University of California, Irvine.

"You want to go public in a market that is bullish on stocks," he said. "The number of IPOs doesn't mean much to retail investors directly, but it's a sign that the market isn't very strong. It's a cold market."

CB Insights, which tracks venture capital investments, had identified nearly 600 technology companies that had at least a slim chance to go public sometime this year. Few have.

The private equity market has taken up much of the slack.

In the first six months of 2015, more than 100 venture-capital-backed companies received at least \$100 million through private placements, five times the number that issued IPOs. Corporations, especially in Asia, have been big funders. As have mutual funds and private equity operations starved for even slim growth in a low-yield environment.

The latest: Last week, Japanese conglomerate SoftBank Corp. led a \$1 billion investment into U.S.-based online student loan refinancing startup Social Finance Inc.

"To be quite frank, there's still so much money coming in on the private side that the better question might be who's on the path to raise another (private funding) round than who's lining up to go public," said CB Insights analyst Matthew Wong. "That will continue to be the narrative

through the end of the year."

But he noted that the tech IPO drought will have to end sometime because of the long list of consumer technology companies, such as ride-hailing app Uber, that can't infinitely fund expensive operations through revenue and private investment. If it doesn't end, it could be bad news for the startup economy.

Outside of tech, companies are cutting IPO prices to drum up interest on Wall Street. Last week, biotech company NovoCure sold initial shares for \$22, below an initial high-end goal of \$26. Trading has pushed shares down to \$16. EY's global vice chair Maria Pinelli said that meant the pendulum was swinging back to investors.

"As the market settles, we believe this will prove beneficial to the [IPO market](#) as investors regain comfort with valuations and lend support to the most promising new issuers," she said in a recent report.

Automaker Ferrari, fitness studio chain SoulCycle, retailer Neiman Marcus and pet supply store Petco are among others considering an IPO this year that may have to adjust pricing expectations.

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