WHITE & CASE

Global IPOs: A blockbuster year

IPOs boomed in 2021, with both the number of new listings and the total proceeds raised breaking records. But dealmakers face a tougher road ahead

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Foreword

The global IPO market broke new records in 2021 on the back of robust stock market performances

The initial public offerings (IPO) market began 2021 with some questions as the world entered the second year of the COVID-19 pandemic. Would the recovery from the crisis seen during the second half of 2020 persist? Or would new developments related to the pandemic put the market back on ice, just as IPO activity had frozen during the first half of 2020?

As it turns out, the answers could not be clearer. Global IPO activity broke new records in 2021, with every region of the world recording significant increases in the number of businesses coming to market. The proceeds of these IPOs totaled more than US$600 billion—a new high.

With interest rates at rock bottom, investors poured money into capital markets—creating a supportive environment for IPOs. In addition, some of the impacts of the pandemic proved helpful to the IPO market. The way we live our lives is continuing to change rapidly, accelerating trends in how we work, shop and play, and the environmental imperative is more front of mind than ever. In industries such as financial services, life sciences and, particularly, technology, this is creating huge opportunities for innovative new businesses.

These trends—the energy transition and growing digitalization across all industries—will continue to motivate corporate activity, including IPOs. The market dynamics, however, may not be as supportive for new issuance this year as they were in 2021. As worries about inflation began to dominate headlines, and there were signs that central banks were planning to raise rates, equity markets began to cool at the end of 2021. Russia's invasion of Ukraine and the continuing conflict there have increased volatility considerably—never good for IPOs. It is still unclear, however, how long the disruptions will last. Already the global economy was struggling with pandemic-related supply chain issues—these could be exacerbated by the impact of the situation in Ukraine, including sanctions on Russia.

The levels of IPO activity in 2021 would always have been a tough act to follow, but despite the significant headwinds equity capital markets face, the broad secular trends are in place to support further IPOs. It's just a question of when.

Global IPOs reached new highs

Fueled by strong stock markets and the need for yield, investors poured money into IPOs in 2021, resulting in a record-breaking year

By Stuart Bressman, Jessica Chen, Colin Diamond, Sheila Forjuoh, Rahul Guptan, Kaya Proudian and John Vetterli

Global IPO activity hit an all-time high in 2021 as the market continued to roar back after a strong second half in 2020. A total of 3,022 new listings globally were announced last year, which raised US$601.2 billion among them.

To put those figures into context, they represent an 88 percent and 87 percent increase in volume and value terms, respectively, compared to 2020. No previous year has seen global IPO numbers break the 2,000 mark or raise more than US$350 billion. By any measure, last year was phenomenal.

Moreover, "global" accurately describes the stellar year for IPOs, with every region and sector seeing significant activity. Although the Americas remained the biggest market for IPOs—with 1,094 deals worth US$293.8 billion, increases of 133 percent and 83 percent, respectively, over 2020—other regions also registered sharp rises in activity. There were 1,338 IPOs in the Asia-Pacific region (APAC), worth US$188.6 billion in 2021 (up 48 percent and 47 percent, respectively, over 2020), while the Europe, the Middle East and Africa region (EMEA) saw 590 deals worth US$118.8 billion (increases of 150 percent and 271 percent, respectively, over 2020).

This spread is evidenced from the top of the deal charts downward. The biggest IPO of 2021 took place in the US, where the electric vehicle manufacturer Rivian Automotive raised US$13.7 billion. But the next largest deal took place on the other side of the world, as Hong Kong's Kuaishou, the live streaming and online marketing business, completed its US$6.2 billion listing. In Europe, meanwhile, the IPO of Poland's InPost, an e-commerce delivery business, raised US$3.9 billion, which also took it into the top-five listings of the year.

The changing world

These three mega-IPOs took place in three different regions and three different sectors. Still, a common theme unites these transactions and forms an important part of the explanation for why IPO activity was so strong last year. Each of the deals speaks to the way the world has changed—and at an accelerated pace—in the wake of COVID-19.

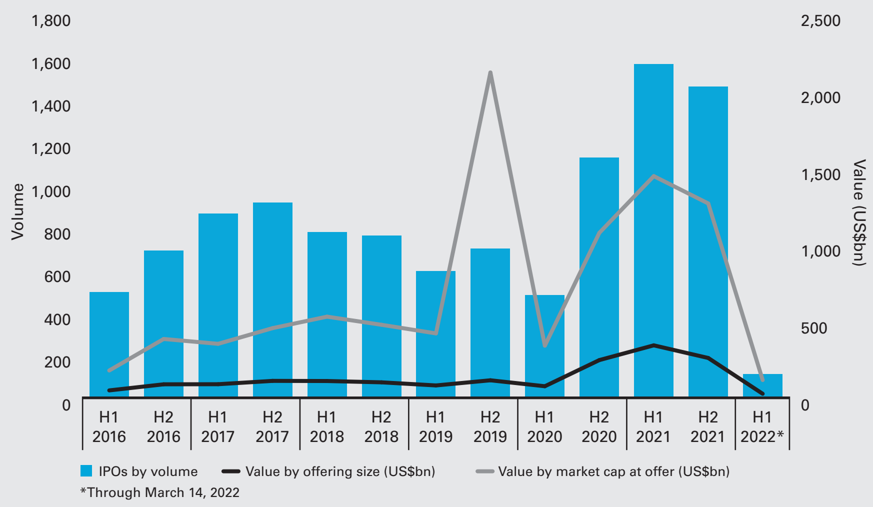
For example, Kuaishou's successful IPO was on top of the trend toward technology-enabled home entertainment—embraced in even greater numbers during a time when people were often stuck at home because of pandemic restrictions. InPost is in prime position to benefit from the continuing rise of e-commerce, another trend accelerated by COVID-19.

As for Rivian Automotive, its innovative technologies—focused on industrial vehicles as well as passenger cars—carry huge

3,022

The number of global listings in 2021

Global IPOs by offering and market size (incl. SPACs)



potential as the world confronts climate-related issues. Despite the strong decarbonization trend in the automotive sector, however, Rivian has faced supply-chain challenges and inflationary issues which have forced the company to cut back on production targets. The announcement of its cut in production has led to a dramatic drop in the company's share price.

Indeed, the COVID-19 crisis cemented the perception that the world is undergoing a period of disruption and transformation. Consumers changed their behavior and a new generation of fast-growth companies that met their needs evolved at speed—and drove activity in the IPO market, as boards sought the financial firepower to support their journeys.

Innovation and technology sit at the heart of that story. But while last year's IPO markets saw a surge of activity in the technology sector, it is important to recognize the key role of convergence; many of the biggest deals last year involved companies in other industries whose potential is being enabled by technology, rather than pure tech firms.

In Brazil, the US$2.6 billion flotation of Nu Holdings was the biggest Latin American IPO of the year; Nu's digital banking services leverage the latest advances in fintech innovation. Another good example of this phenomenon is Coupang, the South Korean business that completed a US$4.6 billion IPO last year. Its commitment to e-commerce fulfillment and logistics innovation proved compelling to investors.

Stock market stability

It helped that these businesses—and IPOs from across every sector—knew they could land in a supportive market. Although the end of the year saw increased volatility due to the rise of the Omicron variant of the COVID-19 virus, global stock markets were relatively stable and buoyant through the majority of 2021.

Indeed, while the second half of 2020 saw a bounce in IPO activity from the lows of the pandemic, 2021's IPO figures almost certainly reflect at least some pent-up demand. Businesses that had originally hoped to list in 2020 took the plunge in 2021 instead, as it became clear that the market environment would remain welcoming.

US $601.2 billion

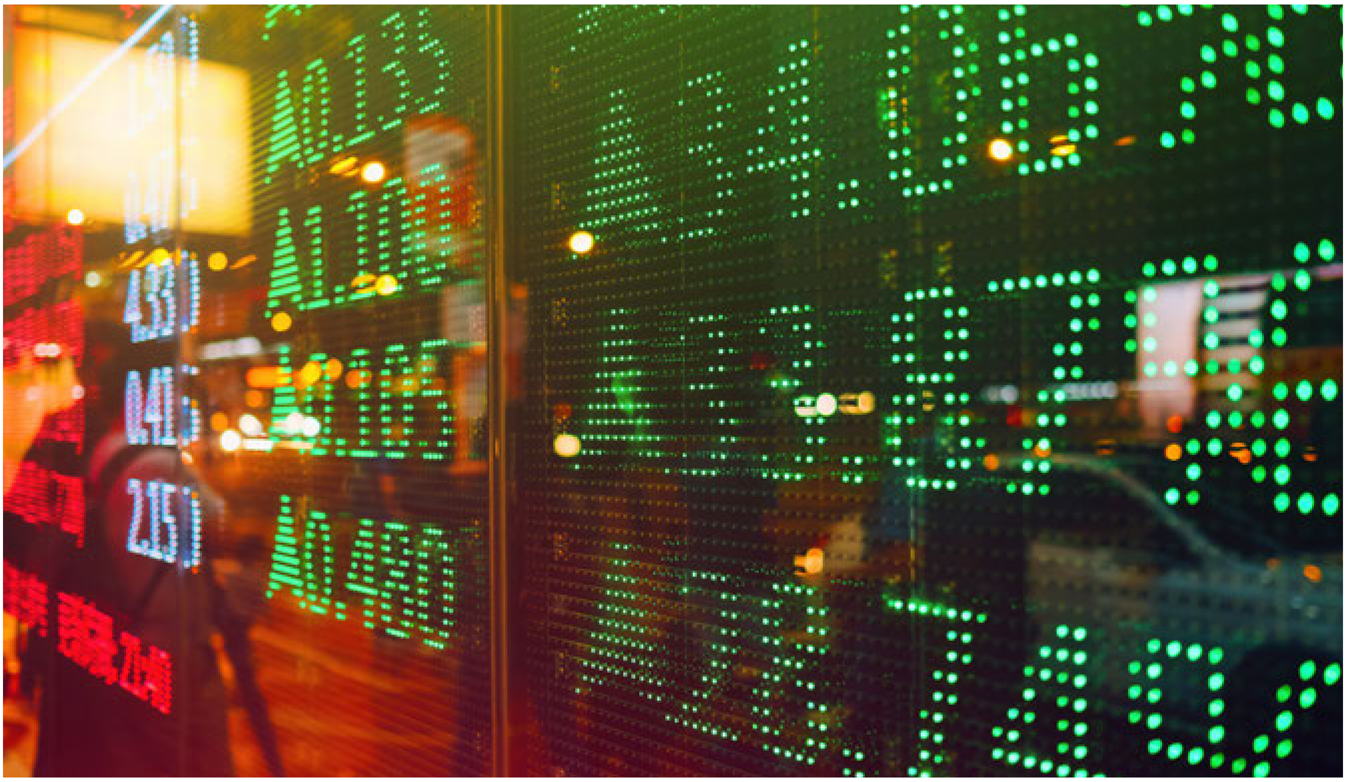
The total amount raised by global IPOs in 2021

On the demand side, moreover, the appetite of potential investors for IPOs was strong. The loose monetary policies pursued by central banks over the past two years—instrumental in protecting the global economy from the COVID-19 crisis—flooded the markets with capital, but left yield and return in short supply. Investors were eager for new opportunities to deploy their cash.

SPACs surge

Indeed, that demand was an important factor in the strong performance of one area of the IPO market in particular. Special purpose acquisition companies (SPACs) boomed in the first part of 2021, before regulatory headwinds slowed down activity.

Last year's global IPO figures include 681 new SPACs, which raised US$172.3 billion in the aggregate. That was a major leap compared to 2020, itself a record year for SPACs, with the SPAC market up 166 percent year-on-year in volume terms, and 105 percent



by value. Seven SPACs each raised more than US$1 billion last year.

The record levels of IPOs were not just due to the SPAC boom. Even stripping out these SPAC figures, IPO activity hit levels never previously seen. Excluding SPACs, the IPO market around the world saw 2,341 new issues raising US$428.9 billion during 2021. That was higher than in any previous year on record. By volume, IPO activity excluding SPACs rose 73 percent last year compared to 2020; in value terms, 2021 was 81 percent ahead.

Technology leads the way

Against this overall backdrop, very few sectors of the global market saw a fall-off in IPO activity; indeed, real estate and property was the only notable sector to see fewer IPOs in 2021 than in 2020—and the decline was small.

Still, three sectors dominated. Among them, finance, technology and life sciences accounted for more than half of all 2021 IPOs worldwide—and raised more than half of the total proceeds.

The technology sector led the way, accounting for 631 IPOs during 2021, with a collective value of US$158.2 billion. That was an increase of 80 percent in deal volumes and 106 percent by value year-on-year. Indeed, the sector was responsible for three of the five largest IPOs of the year, and five of the top ten. The theme of convergence is very apparent here—those larger deals, such as the IPOs of Kuaishou and Coupang, were at the confluence of technology and other business activities.

In the life sciences sector, meanwhile, there were 366 IPOs around the world last year, up 67 percent compared to 2020. These IPOs collectively raised US$60.5 billion, a 34 percent increase over the same period. By and large, deals in this sector in 2021 tended to be smaller—not one life sciences IPO made it into the top 20 by size—with businesses in areas such as biotech and digital health naturally of a more modest scale. Still, there were some larger issues. South Korean vaccines specialist SK Bioscience raised US$1.3 billion from its listing and Agilon Health, a US-based platform for primary care providers, generated US$1.2 billion.

Finance was in third place (excluding SPAC listings), with 176 IPOs worth US$25.9 billion over the course of the year, up 238 percent and 150 percent, respectively. Notable deals include the Nu Holdings IPO in Brazil, as well as the listing of mobile-only bank Kakao Bank in South Korea, which raised US$2.2 billion. Both transactions demonstrate the ongoing convergence between finance and technology—a global trend that is still ramping up.

IPOs (mostly) hold their price

With so much issuance taking place, one question mark for the global IPO market last year might have been its ability to digest the new arrivals. In fact, despite a few high-profile examples of companies trading under their listing prices, post-listing performance was respectable: 70 percent of IPOs rose on their first day of dealings last year—and only 7 percent fell back, broadly in line with previous years.

Moreover, that performance was typically sustained: Six months after the IPO, 50 percent of IPOs were trading above their listing price, including 45 percent that were up by more than 11 percent. Although this did not quite match 2020, when 87 percent of IPOs were trading at least 11 percent above their IPO prices six months after listing, it is in line with pre-pandemic years. For instance, 45 percent of firms that listed in 2019 were trading 11 percent or more above their IPO prices six months post-IPO.

Notable exceptions include Rivian, which faced manufacturing delays due to supply-chain issues, and video content sharing app Kuaishou, the second biggest IPO of the year. Kuaishou saw its share price drop, which has been attributed in part to worries around intensifying regulatory scrutiny of technology companies by the Chinese government.

The year ahead

A blockbuster year like 2021 would have been a tough act to follow in any circumstances. But strong headwinds could mean that 2022 will be a far quieter time for equity capital markets. Heading into the new year, the IPO markets faced the challenges of rising inflation, slowing economic growth, and the waning albeit continued threat of further COVID-19-related shutdowns, as well as continued geopolitical tensions.

Of course, all of this has been further exacerbated if not eclipsed by the situation in Ukraine, requiring the global markets to assess and absorb the possibility of a much less interconnected world economy going forward. In the short term, there have been disruptions to the global economy, as sanctions and other measures begin to impact the energy markets. While the European IPO market may be the most directly affected in the short term, all regions of the global markets have started to feel the repercussions.

The decision by the US Federal Reserve to raise its benchmark interest rate in March has only further dampened enthusiasm for equities, as has its messaging that it plans to take an aggressive approach to raising rates for the rest of 2022 and into 2023.

Already, companies have been waiting longer before listing, thanks to the high levels of funding available in private markets. With conditions for new listings becoming less welcoming, firms mulling an IPO may decide to stay private for longer, sitting out this period of volatility.

That said, the structural drivers at play in the IPO markets, as the global economy shifts to accommodate bold new trends, and the technology convergence story continues, show no sign of dissipating. Although the number of listings will almost certainly be lower than last year, there are still reasons to expect healthy IPO activity—especially outside of the EMEA region.

A rollercoaster year for SPACs

After a flurry of new listings in the first quarter of 2021, SPAC IPOs slowed down considerably, but the asset class remains a viable path for companies to go public

By Daniel Nussen and Elliott Smith

Special purpose acquisition companies (SPACs) had a rollercoaster of a year in 2021, with never-before-seen highs at the start of the year, followed by a significant dip in Q2.

More than half of the total IPO value raised throughout the year was from SPACs that listed in the first quarter. There were 314 SPAC listings in Q1, raising US$100.3 billion. In contrast, the next three quarters in total saw 367 listings, raising US$72 billion. Of the top-25 largest SPACs that listed in 2021, all but two occurred in Q1 and none took place in the second half.

Despite this slowdown, the activity level in the second half—283 SPAC IPOs in H2—was still higher than in any six-month period in history, other than the first half of 2021.

The phenomenal pace of the SPAC IPO market eased substantially during the second half of last year due to a variety of factors, including accounting changes to SPAC warrants that paused the market and caused many SPACs to restate their financial statements, as well as a general glut of SPAC IPOs that exceeded aftermarket demand, causing share prices to trade down after the IPO.

The SPAC market also exhibited unsustainable excess that resulted from factors including inexperienced sponsors raising multiple SPACs simultaneously, the touting of celebrity sponsors from sports, entertainment and politics, and overly optimistic valuations for early-stage target companies in de-SPAC transactions. A paring back of these practices was to a large degree inevitable, and it came in H2 of 2021 driven in large part by market forces: IPO and PIPE investors grew fatigued from the sheer volume of deals in the market and became increasingly discerning in their evaluations of sponsors and transactions. As a result, sponsors who were eager to launch SPACs were forced to modify terms to be more investor-friendly in order to entice investors into their IPO.

The SEC flexes its muscles

At the same time, certain statements and actions taken by the US Securities and Exchange Commission (SEC) may have also contributed to slowing down new SPAC issuance activity. At a minimum, the SEC staff's public statements focused investors and professionals on legal and accounting issues unique to SPACs, resulting in negative media coverage of SPACs.

The SEC, under the leadership of chair Gary Gensler, whose tenure began in April 2021, had been growing increasingly concerned about the volume of activity in the SPAC sector. From March through May 2021, the SEC staff published a number of public statements relating to SPACs. These included an investor alert about celebrity involvement with SPACs published in March, a statement published in April by John Coates, then acting director of the Division of Corporation Finance, which addressed, among other things, concerns regarding projections in de-SPACs, and an investor bulletin published by the SEC's Office of Investor Education and Advocacy in May.

SPAC-related SEC enforcement activity also increased during this period, as evidenced by the regulator's intervention in the de-SPAC between space transportation startup Momentus Inc. and Stable Road Acquisition Corp., in which it charged the SPAC, its CEO and sponsor, and Momentus and its former CEO with violating antifraud provisions of the federal securities laws, imposed fines and required the SPAC's sponsor to forfeit some of its founder shares and permit PIPE investors to forego funding committed capital into the de-SPAC.

The SEC staff also warned it was looking more generally at the potential for risks to investors in SPAC transactions, including conflicts of interest and the potential for investors to be misled by target company financial projections that are published by SPACs as part of the de-SPAC transaction (in contrast to traditional IPOs, where underwriters do not permit projections to be included in the marketing materials). In December 2021, members of the SEC staff informally signaled that the SEC would likely propose new rules regarding SPACs in the first quarter of 2022.

In isolation, none of these developments has the potential to fatally undermine SPACs or the

IPO

283

The total number of SPAC listings in H2 2021

viability of SPACs as a legitimate path for a company to go public. But the SEC's statements and interventions generally suggest that the SEC views SPACs, their sponsors and potentially their advisors as gatekeepers to the capital markets with attendant responsibility to conduct thorough due diligence along with exposure to potential liability. And there is a general sense that the regulator will pursue further regulation in this area both informally through interpretations and formally through rulemaking in order to carry out its stated mandate of investor protection.

SPACs still in business

None of this is to suggest that the SEC is about to bring the shutters down on the SPAC market or that the SPAC market has been deterred by these overtures. Indeed, it was noticeable that the fourth quarter of 2021 saw something of an acceleration, with 179 SPAC IPOs raising US$35 billion, up from 104 deals worth US$19 billion in the third quarter. With the record level of SPAC IPOs in 2021, as of early March more than 600 SPACs were actively hunting an attractive target business to take to market, raising the question of whether a sufficient supply of quality target companies exists to meet that demand.

Moreover, while the US SPAC market remains absolutely dominant, activity is beginning to pick up in other regions. European SPAC IPOs accounted for 9 percent of the market by volume last year—the UK, in particular, tweaked its regulation to support SPAC launches—and Asian issuers showed more interest too; South Korea, for example, saw 17 SPAC launches in 2021.

A more challenging road ahead

Unsurprisingly, having raised so much capital in the past two years, de-SPAC activity saw a surge over the past year. By the end of 2021, there were 302 de-SPAC deals over the year with US$622.9 billion invested and year-on-year gains of 152 percent and 182 percent, respectively.

Looking ahead, the SPAC market—like the overall IPO market—faces challenges related to the changing macroeconomic environment. The events in Ukraine have introduced considerable volatility into equity markets. The subsequent sanctions against Russia have also thrown commodity markets into disarray, exacerbating existing challenges around supply chain snags, inflation and rising interest rates. All of this adds to the uncertain environment for new issuance.

For SPACs that have already listed, there will naturally be further questions regarding how quickly they will be able to deploy all the money they have raised over the past two years. Although the difficult macroeconomic conditions could prove challenging for all types of corporate activity, de-SPAC transactions historically have been able to close even during periods of market instability. As such, although SPACs face a less welcoming listing environment than they did at the start of 2021, SPACs will likely continue to occupy a significant sector of the capital markets, and de-SPAC mergers will continue to represent a viable alternative to a traditional IPO for companies seeking access to the public markets.

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European IPO activity proved strong, led by e-commerce and tech listings

While IPO activity was robust throughout Europe, the Nordic region stood out

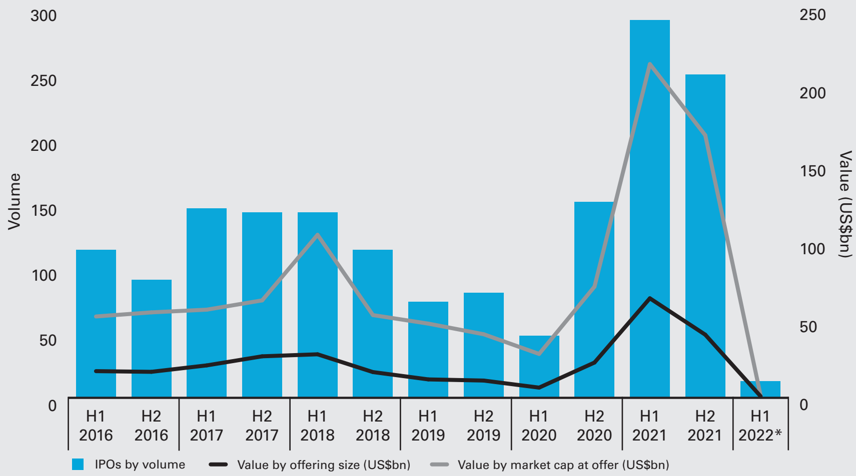
By Inigo Esteve, Michael Immordino, Bob Lehner, Jonathan Parry, Andrew Scott, Laura Sizemore, Max Turner and Karsten Woeckener

It was a blockbuster year for IPOs of European firms, following the global trend. In total, 476 European firms listed last year, excluding SPACs. Collectively, they raised US$90 billion. That represented increases of 156 percent and 253 percent, respectively, compared to 2020.

This was, by some margin, the busiest year for IPOs of European companies on record, even without counting SPACs, which likewise had a banner year—64 European SPACs listed in 2021, raising a total of US$13.8 billion. This represented an annual growth of 392 percent and 339 percent, respectively (see "A rollercoaster year for SPACs" on p. 6 for more on SPACs).

The range of businesses coming to market last year was remarkably wide. Indeed, each of the five largest IPOs of the year featured a different sector. From transport to telecoms and from technology to machinery, businesses in every area of the market were able to raise money.

IPOs by offering and market size—Europe (incl. SPACs)



*Through March 14, 2022

InPost leads the way

The largest 2021 deal involving a European company saw Polish logistics operator InPost list on the Euronext Amsterdam stock exchange in an IPO raising US$3.9 billion, underlining the huge demand for businesses offering exposure to the booming e-commerce market and the supply chains that support it.

The second-biggest IPO of a European company also played into an important structural shift. Volvo Cars raised US$2.7 billion in a listing on Nasdaq Stockholm that will support the Swedish auto manufacturer's move into electric cars, as the industry transitions to cleaner technologies in the face of climate change.

Similarly, Vantage Towers benefited from another market development. The business, created by the telecoms giant Vodafone, builds and operates the infrastructure that enables mobile networks, which carry increasing data traffic, to operate across Europe. Its IPO, with a listing in Frankfurt, raised US$2.6 billion last year.

253%

The year-on-year percentage increase in value of the European IPO market in 2021

Technology IPOs race ahead—followed by finance and life sciences

Overall, technology was the single busiest sector for IPO activity last year, with 162 new issues that raised US$27.5 billion. As in other markets, those figures include a number of businesses that are better described as technology-enabled, rather than pure technology plays. For example, the year's biggest IPO in the sector was for Allfunds, which operates an online marketplace for the investment industry, connecting asset managers with customers such as retail banks and wealth managers. Allfunds, which is based in Spain, raised US$2.6 billion.

In second place, life sciences businesses were also market favorites; the sector completed 65 IPOs that raised US$8.9 billion. Deals such as the US$974 million listing of animal health group Vimian and the US$932 million IPO of Swiss drug maker PolyPeptide underscored investors' demand for exposure to the life sciences sector.

Finance was the third-biggest sectoral contributor to last year's IPO figures, with 33 new issues raising US$7.8 billion in the aggregate. The sector continues to see consolidation and innovation, particularly in the fintech arena, but there is also growing interest in IPOs from businesses that have previously preferred to stay private. In particular, last year's US$1.2 billion IPO of UK private equity firm Bridgepoint turned heads. Following the strong stock market performance of Sweden's EQT AB since its 2019 listing, the Bridgepoint deal was another success for the private equity sector.

Nordics flourish while the UK bucks Brexit

The Vimian deal was among Sweden's largest IPOs of 2021 in a boom year for new issues in the country, which also included the listings of Volvo Cars and oat milk producer Oatly. Sweden was second only to the UK in IPO volumes last year, amid increasing demand for businesses across the Nordics.

That represented a continuation of the flourishing IPO market seen in the Nordic region for several years now, with a strong startup community, supportive regulation and a healthy domestic institutional investment industry all contributing to this performance. The very strong performance of Sweden's stock market in particular last year—up 23.5 percent—also encouraged IPO activity, and issuers in the region won praise for their speedy adaptation to the pandemic; they were early adopters of tools such as virtual roadshows, for example.

In the UK, meanwhile, the uncertainties of Brexit do not appear to have dampened the IPO market. Last year saw 133 IPOs of

UK companies—almost a quarter of Europe's total volume—which raised US$25.3 billion. That was a 209 percent increase in volume on the previous year and a 204 percent increase by value.

Although a couple of IPOs performed poorly in the aftermarket—food delivery business Deliveroo, for example, saw its share price trade at approximately 33 percent below listing price one month after listing, and e-commerce group The Hut Group (THG) has similarly been trading below its IPO price since its January 2021 listing—the London Stock Exchange continued to attract a number of technology and high-growth issuers including Oxford Nanopore, Wise, Darktrace and Trustpilot.

In addition to tech IPOs, the LSE is still attracting listings from other sectors, plus listings from foreign issuers. Singaporean food firm Olam International, for instance, announced last year its intention to seek a dual listing in London and Singapore in the second half of 2022.

Events in Ukraine send markets into turmoil

Even under normal circumstances, European IPO activity would have struggled to match the same heights as the blockbuster 2021, but events in Ukraine only further depressed the potential for listing activity in the region. Equity markets in Europe will likely remain volatile as long as the situation lasts, especially given Europe's dependence on Russia for energy. Soaring oil and gas prices and potential shortages could have knock-on effects on the rest of the economy, and further destabilize stock markets. As such, new listings activity is likely to be muted until later in the year.

In time, however, listings should come trickling back. Although central banks are poised to raise interest rates this year, any hike will be modest, and alternative options will be limited for investors. Broad secular trends such as digitalization and the energy transition will provide further impetus for new listings. As long as volatility eases, listings should return to European markets.

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Sweden was second only to the UK in IPO volumes last year, amid increasing demand for businesses across the Nordics.

Latin American IPOs surged on the back of tech listings

IPOs of Latin America-based companies enjoyed a robust year in 2021, especially when it came to listings in Brazil in sectors like fintech

By John Guzman, Karen Katri, Abraham Paul and John Vetterli

In line with global trends, Latin American issuers recorded surging IPO volumes in 2021. Over the year as a whole, globally, there were 57 new issues involving Latin American companies, worth US$18.7 billion; that was a 73 percent increase in volume compared to 2020, and a 75 percent increase by value.

One noticeable feature of the IPO market for Latin American companies last year was that it raised more money in the second half than the first (albeit from slightly fewer IPOs)—by contrast, most regions saw a noticeable slowdown in IPO activity during the second half of 2021, particularly in the third quarter.

US $18.7 billion

The total value of new listings in the Latin American and Caribbean IPO market in 2021

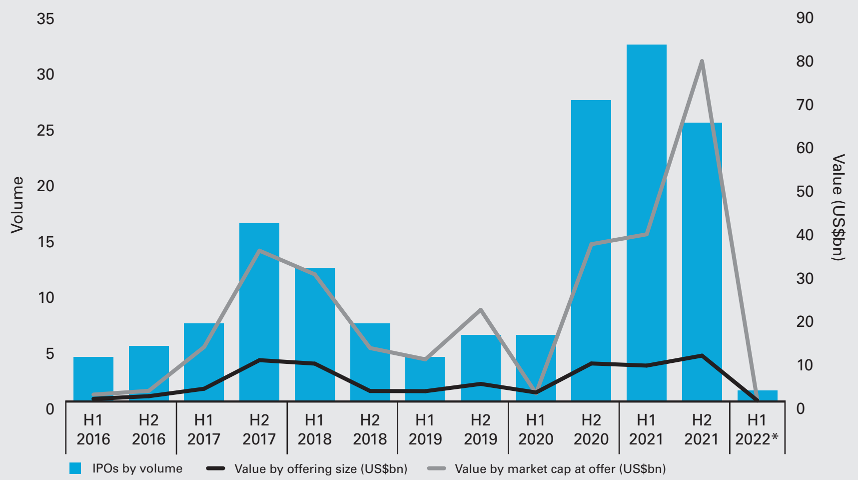
Nu Holdings leads Latin America's IPO charge

In part, Latin America's second-half pick-up reflects the impact of December's dual listing of Nu Holdings in the US and Brazil, the biggest IPO of a Latin American company in 2021, which raised US$2.6 billion. The technology-driven financial services company offers a digital banking platform in Brazil, Colombia and Mexico, and has strong brand recognition throughout the Latin American region.

The second-biggest IPO of a Latin American company in 2021 also took place in the second half of the year, with Brazilian energy business Raizen raising US$1.3 billion, which came on the heels of its acquisition of Biosev, a Brazilian sugar and ethanol business. In a region where the economy is heavily dependent on the oil and gas sector, Raizen, a joint venture between oil major Shell and Brazilian energy and logistics company Cosan, is a specialist in biofuels, recording high growth rates as the world looks to embrace renewable energy sources. The transition to clean energy is likely to be an ongoing IPO theme in the region in the years ahead.

Mexico's Fibra EXI took third place in last year's Latin American IPO rankings with a US$1.1 billion listing. The company is focused on transportation infrastructure—in the roads sector in particular—and is in a strong position to benefit as Mexico invests heavily in infrastructure as part of a plan to support its economy in the post-pandemic environment.

IPOs by offering and market size—Latin America and the Caribbean (incl. SPACs)

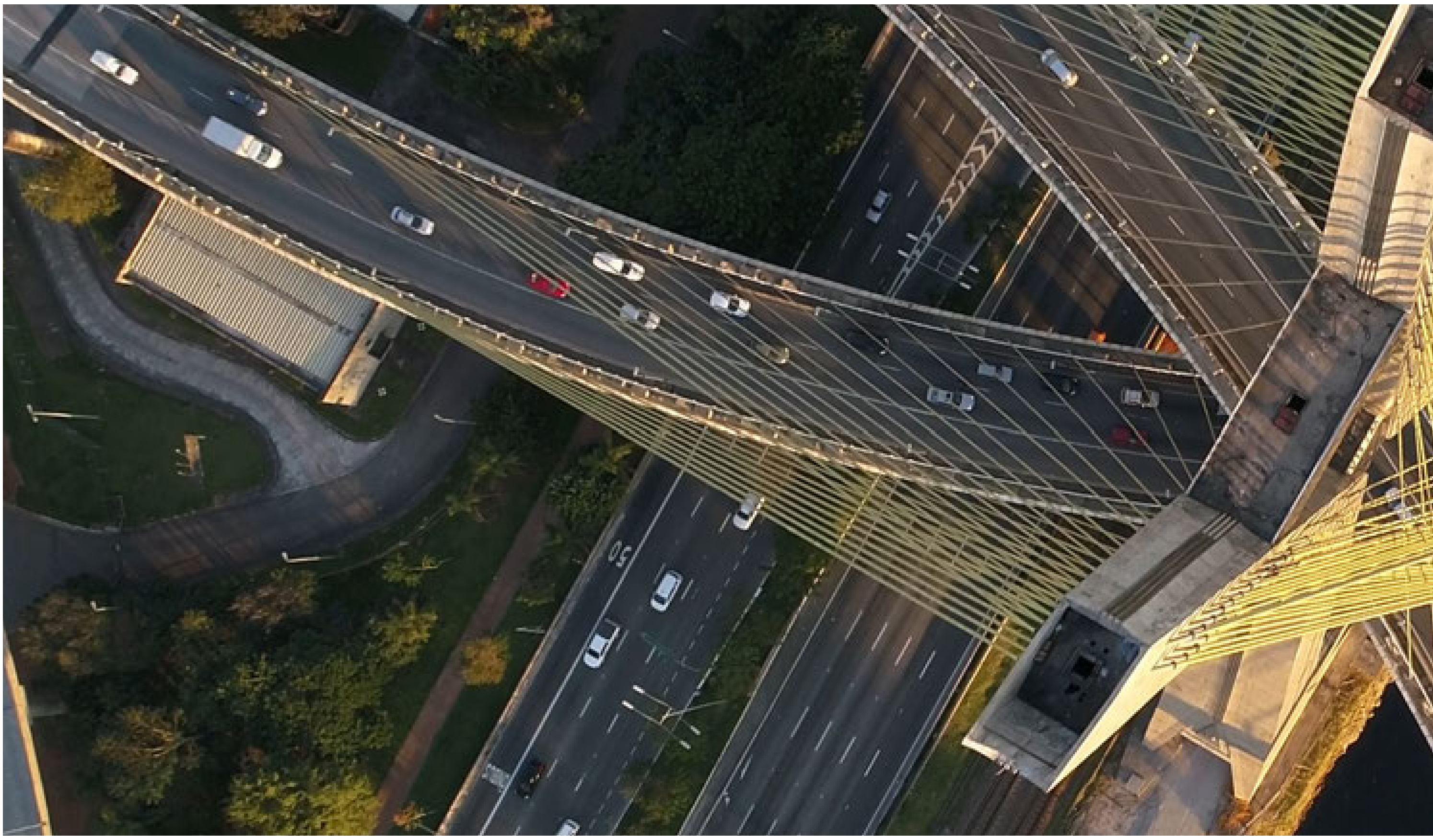


*Through March 14, 2022

Big in Brazil

One market continues to dominate the Latin American IPO market. Of the 57 IPOs completed in 2021, Brazil accounted for all but four (Mexico saw three deals and Uruguay just one). In value terms, Brazilian IPOs raised US$16.6 billion of the US$18.7 billion regional IPO total.

Brazil benefited from several different drivers last year. Loose monetary policy and strong stock



market performance helped on the demand and supply sides. And the range of companies on offer was an additional boon, with a variety of smaller businesses raising money alongside a handful of much larger IPOs.

However, it should be recognized that the supportive backdrop in Brazil did not last all year long. By the end of the year, interest rates had risen, there was increasing concern about stagnation in the country's economy, and the stock market appeared to have gone into reverse. That deteriorating picture appeared to foreshadow a slowdown in IPOs toward the end of the year, with reports of many companies pulling back from their public listing plans. There is also anxiety about political volatility in Brazil, with a presidential election scheduled for October 2022.

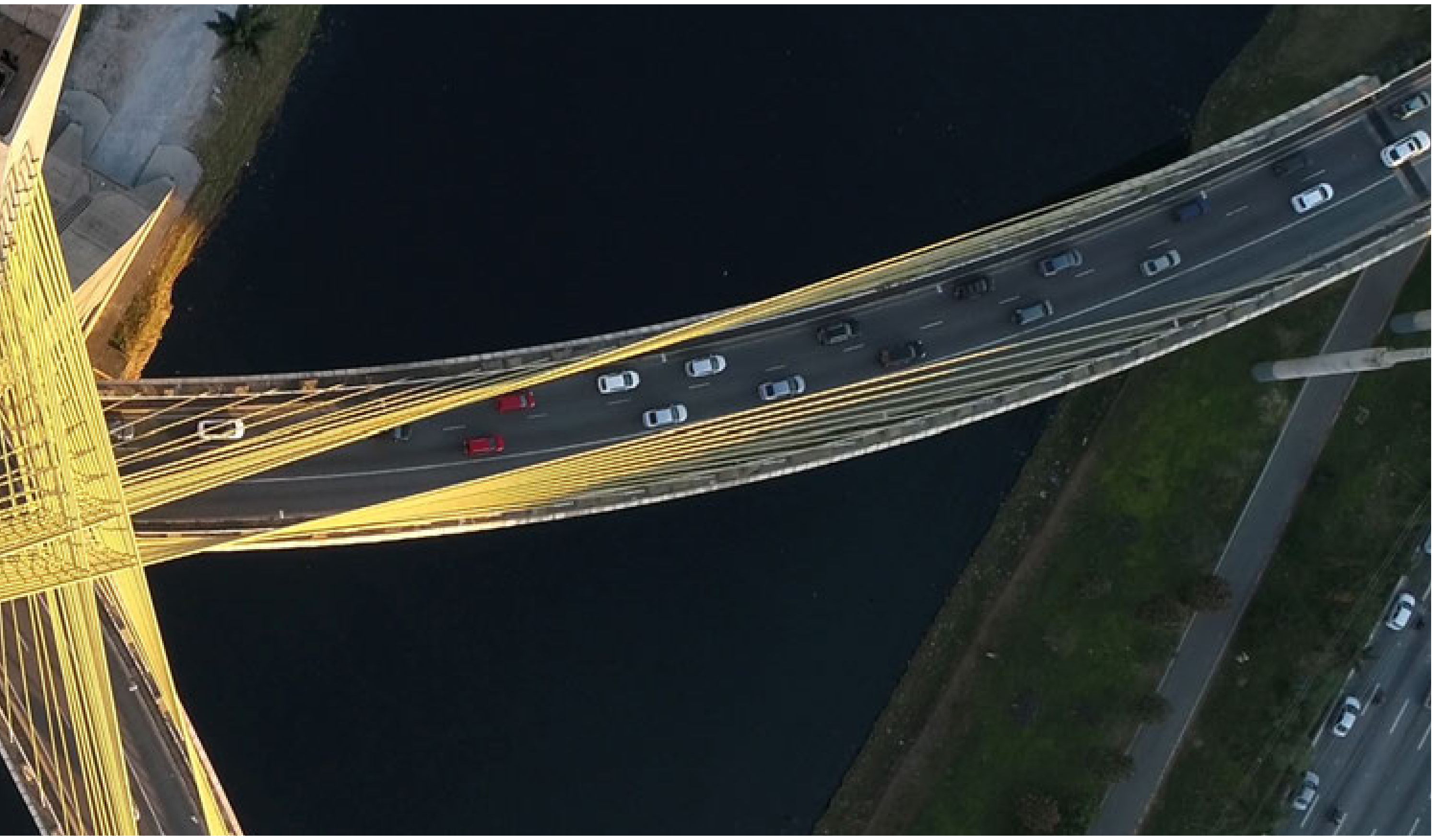
A slower year to come?

After the flurry of activity in 2021, it is unlikely that 2022 will be able to keep pace. Globally, IPO activity already showed signs of a slowdown toward the end of 2021 and in the first few months of 2022. The region is facing some economic headwinds, which may pose additional challenges to new listings activity in the region. In Mexico, for instance, the only other country that saw IPO activity of any note last year, the latest data suggests the economy has slipped back into recession, though interest in new issues in the country persists.

Also, the region's economies will likely be impacted by geopolitical and macroeconomic issues in other parts of the world. The events in Ukraine are having, and will likely continue to have, far-reaching implications for capital markets globally, including in Latin America. Slowing growth in China could also impact Latin America—many countries in the region have strong trading and other ties to China's economy and slowing consumer demand will negatively affect growth in the region. China is expected to see GDP growth slow from 8 percent in 2021 to 4.8 percent in 2022, according to the IMF.

This is not to suggest that the IPO market for Latin America-based companies will close up shop in 2022. The strong performance of several sectors last year is unlikely to grind to a halt. In particular, 16 companies in the technology and software sector in the region completed IPOs last year, raising US$4.4 billion in the aggregate (as compared to six IPOs in the sector in 2020, which picked up just US$125 million).

Finance companies also had a strong year, with 10 IPOs worth US$4.4 billion compared to just a single transaction in 2020, and the relatively low penetration of banking services in the region means there is growth potential in this area. The convergence between finance and technology—fintech—will likely continue to generate a healthy pipeline of companies coming to market.



Although regulations in the region have not been welcoming to SPACs, this has not stopped SPAC investors interested in Latin America. US-based SPAC Alpha Capital, for instance, announced in November that it would combine with Brazilian software firm Semantix in a US$645 million deal. Other investment vehicles have listed on US exchanges with the stated purpose of investing in Latin America-based companies, including Valor Latitude, which raised US$230 million in May, and XPAC Acquisition Corp., which raised US$219.6 million in July.

Moreover, private equity firms continue to invest heavily in Latin American firms and have a track record of encouraging investee companies to pursue new issues. This may provide further stimulus for the IPO market in the months to come.

Nevertheless, the outlook for Latin American IPO activity does now appear more uncertain than in other regions of the world. Clearly, much will depend on the outcome in Brazil, where the government hopes downcast international estimates of its growth over the year ahead—the International Monetary Fund is projecting GDP expansion of just 1.5 percent—will prove overly pessimistic.

Foreign investors at least seem to be optimistic, making significant investments in Brazilian stocks at the beginning of the year, which helped equity prices to recover at the start of February 2022 to their highest levels since October. The country's double-digit interest rates offer a rare opportunity to find yield for global investors—and most seem relaxed about the strong poll leads enjoyed by presidential contender Luiz Inácio Lula da Silva, who is bidding for a return to office. In this context, IPO activity of Brazilian companies may hold up better than expected in the months ahead.

> **“After the flurry of activity in 2021, it is unlikely that 2022 will be able to keep pace. The region is facing some economic headwinds, which may pose additional challenges to new listings activity in the region.**

Conclusion

The dust is settling after the flurry of activity in 2021, and the IPO market is facing considerable headwinds. The following key themes could dominate equity market headlines in 2022

Going into 2022, the stage was set for a quieter year for IPOs than the buoyant 2021: Inflation worries and the specter of interest rate hikes had led some investors to pull out of equities, as had projections of slower GDP growth globally. Against this background, the events in Ukraine are sending shockwaves through markets. Although IPO activity is set to be more muted as long as the situation lasts, activity will not dry up entirely for 2022—the following factors are also at play:

1

Market volatility

The situation in Ukraine has only further destabilized share prices around the world, while sending energy commodity prices sky high. All of this volatility and uncertainty makes for an unwelcoming environment for IPOs—one that will continue to weigh heavily on global IPO markets until a resolution is reached.

2

The pace of economic growth

Inevitably, the broader economic backdrop will provide IPO markets, and capital markets more generally, with the conditions to flourish—or not. The outlook is mixed. In January 2022, the International Monetary Fund expected global GDP to slow in 2022, to a rate of 4.4 percent, down on the 5.9 percent estimated for 2021.

The COVID-19 pandemic has caused disruptions to the supply chain, which in turn has led to a tough inflationary landscape. There has also been a significant step backward in the interconnectedness of the global economy that has served as a backdrop for growth around the world for decades. How long the disruptions to the global economy and to capital markets are likely to last is still unclear, but some regions—particularly those outside Europe—could possibly see conditions for IPOs improve in Q2 of 2022.

3

Regional variation to return

One chapter of the 2021 IPO story was its universality—every region of the world saw strong growth in new issues, as international markets bounced back in unison from the COVID-19 traumas of 2020. In 2022, however, regional IPO markets look set to come uncoupled and less connected. Although prospects in the US market are relatively upbeat, the European IPO market could see the sharpest drop in issuance, as markets are set to remain inhospitable as a result of the events in Ukraine. Latin American IPO activity slowed markedly in the second half of last year and faces tough headwinds in all-important Brazil. There are also question marks over the Asia-Pacific region, given anxiety about the Chinese economy—though interest in Indian IPOs is growing.

4

Raising the bar

As stock markets begin to cool, IPO investors will naturally become more demanding about the businesses they are asked to back—and the prices they are expected to pay. The disappointing performance of some IPOs in post-listing trading last year will provide pause for thought in this context. Some issuers may feel their IPOs are unlikely to attract the support they would hope for—and they may not relish the tougher questions they will face from investors. In which case, fewer IPOs will make it to the starting line—and those that do will need to be able to provide a robust defense of their value proposition.

5

SPACs to remain

The SEC's interventions in the SPAC market might have been expected to pour cold water on issuance, but while SPAC launches dipped in the third quarter of 2021, they bounced back in Q4. Although demand for SPACs has decreased, there is good reason to be confident that 2022 will see further activity in this area of the market as the instrument has become mainstream, and all the more so given the growing number of non-US SPAC launches. Further regulatory developments might change the story, but for now, SPACs continue to raise money.

6

ESG moves center stage

The climate change agenda and the growing importance of social issues in many markets should play into the hands of businesses with a credible story to tell on environmental, social and governance (ESG) factors. Demand for businesses in sectors such as renewable energy is likely to grow even stronger as investors look for businesses to back during the world's transition to cleaner technologies. And beyond pure plays on the climate, every IPO candidate can expect to be asked about its ESG record.

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