

2011 U.S. IPO watch Analysis and trends

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The heart of the matter

The 2011 U.S. IPO market demonstrated resilience in the face of high volatility, and the volume and diversification of industries in the IPO pipeline have sparked renewed confidence in the IPO market for 2012.

Just as preparing for life post-IPO is key to being a successful public company, understanding IPO market trends and analyses is critical to executing a successful IPO.

The year kicked off with robust IPO activity throughout the first half of 2011. Although market activity was slow for the majority of the second half, there were windows of new offering activity in the fourth quarter which contributed to the year ending on a stronger note.

Interest in the IPO market was strong with 274 companies filing initial registration statements in 2011. Of these offerings, 171 remain in the IPO pipeline as of year-end, marking the largest IPO pipeline in several years.

The strong finish in 2011 and the large pipeline, combine to create cautious optimism about IPOs in 2012. Success of companies in the pipeline being able to complete their IPOs in 2012 will be dependent on both company-specific and external factors. A key component of the 2011 IPO market was that volatility can cause market windows to open and close very quickly. Companies must now, more than ever, continue to focus on preparing their organization and ensuring they are ready to effectively compete in the 2012 IPO market.

The strong finish in 2011 and the largest pipeline seen in several years, combine to create cautious optimism about IPOs in 2012.

An in-depth discussion

A total of 134 IPOs generated \$35.5 billion compared to 168 IPOs raising \$39 billion in 2010. These figures represent a 20% decrease in volume and a 9% decrease in value when compared to 2010.

Foreword

The U.S. IPO market reflects a tale of two halves in 2011. On the backend of a solid recovery towards the end of 2010, the year kicked off with robust IPO activity throughout the first half. Although market activity was slow for the majority of the second half, there were windows of offering activity in the fourth quarter which contributed to the year ending on a stronger note.

The first two quarters showed tremendous strength in both volume and value, generating proceeds of \$25.8 billion, and had put 2011 well on pace to eclipse the full year 2010 proceeds of \$39 billion, which included the General Motors (GM) offering of \$15.8 billion. After a strong start to the third quarter in the month of July, high volatility disrupted the momentum in the IPO market in early August coinciding with macroeconomic uncertainty around U.S. and European debt levels. Despite continued volatility the fourth quarter proved resilient, with two market windows opening sparked by highly anticipated offerings. The year ended on a high note with IPOs including Zynga and Michael Kors.

Although completed IPO's declined in 2011 when compared to 2010, larger deals returned to the market and when combined with a robust and well diversified pipeline, this bodes well for 2012.

Factors impacting IPO activity in 2011

Financial sponsors continue to provide leadership

Financial sponsors continued to have a strong presence in the U.S. IPO market in 2011, similar to 2010. 87 IPOs raising \$27.4 billion were backed by financial sponsors, contributing to 77% of total IPO proceeds in 2011. The strong presence of financial sponsors in the deal pipeline further demonstrates their continued interest in equity capital markets as their exit strategy.

Two open windows spark activity towards year-end

As volatility began to decline towards the end of the year, investor confidence appeared to return as a number of IPOs were successfully priced in the fourth quarter. The highly anticipated Groupon IPO sparked a window to open—leading 14 IPOs to price in the space of two weeks in November which raised \$2.6 billion. The largest IPO in the second half of 2011 was Zynga, which raised \$1 billion, as part of a surge in IPO activity in mid December with nine IPOs generating a total of \$3.2 billion.

Larger IPOs return to the market

The IPO market witnessed the return of some larger deals in 2011, with a total of six billion-dollar plus IPOs pricing, compared to 2010 which only produced the GM IPO. These billion-dollar IPOs included HCA Holdings generating close to \$4 billion, followed by Kinder Morgan and Nielsen raising \$2.9 and \$1.6 billion, respectively.

Deal pipeline remained robust

Despite the significant drop in pricing activity in the latter half of 2011, filing activity remained consistent compared to the first half of the year. Even though market volatility and macroeconomic challenges has caused investors to be more cautious, it has not hampered companies' interest and preparation around executing future IPOs.

2012 outlook

The flurry of IPO activity in mid-December, after ramping back up in November subsequent to the Groupon offering, sparked enthusiasm in the markets as 2011 came to a close. Heading into 2012, the IPO pipeline consists of 171 companies that had filed in 2011 but not yet priced. Sixty-three percent of the pipeline consists of companies in the technology, financial services and industrial industries, but the pipeline remains well diversified with filings from consumer, energy and healthcare companies. The strong finish in 2011 and the largest pipeline, seen in several years, combine to create cautious optimism about IPOs in 2012.

A number of external issues will likely cause the IPO window to continue to open or close during 2012, including the pace of U.S. economic recovery, U.S. and European debt levels, and concerns about a slowdown in Asian economic growth. Companies must now, more than ever, continue to focus on fundamentals and create the necessary attention in what will be a crowded equity capital market in 2012.

Sincerely,



Henri Leveque
PwC-Capital Markets and Accounting Advisory Leader

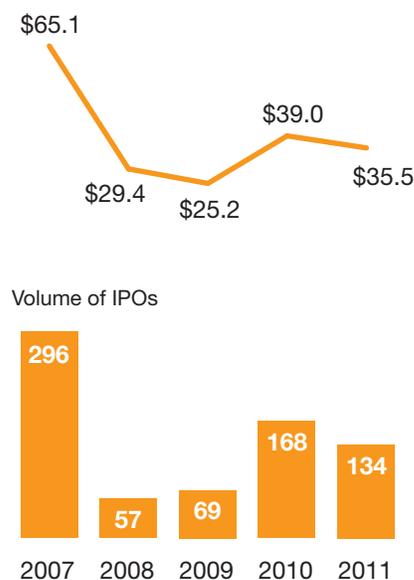
Overview

In 2011, the IPO market saw strong momentum in the first half of the year, followed by market volatility, and a resurgence of activity in the fourth quarter. Overall, IPO markets witnessed a decrease in activity in 2011. A total of 134 IPOs generated \$35.5 billion compared to 168 IPOs raising \$39 billion in 2010. These figures represent a 20% decrease in volume and a 9% decrease in value when compared to 2010. However, as has been the case historically, the comparison to total 2010 proceeds is skewed by a single large deal – when General Motors (GM) completed the largest IPO of 2010, raising \$15.8 billion. If the GM IPO proceeds are excluded for comparison purposes, 2011 IPO proceeds of \$35.5 billion surpass 2010 IPO proceeds of \$23.2 billion by 53%.

The first half of 2011 contributed 85 IPOs raising proceeds of \$25.8 billion, representing a 174% increase in proceeds over the \$9.4 billion raised in the first half of 2010. In 2011, we saw six billion-dollar plus deals, five of which took place in the first half of the year. Those deals were led by health-care services provider HCA Holdings, raising \$3.8 billion, followed by pipeline operator Kinder Morgan, pricing at \$2.9 billion.

During the second half of 2011, IPO activity was hindered by increased volatility in markets driven by the downgrade of U.S. Treasury debt in August, followed by the possible contagion effect of potential European sovereign debt defaults. As a result 49 IPOs raised only \$9.7 billion compared to 98 IPOs raising \$29.6 billion in the second half of 2010.

Figure 1: Offering value and volume of IPOs by year
(proceeds in U.S.\$ billions)



Despite the decline in volume and value of offerings, average deal size increased by 14% from \$232.3 million in 2010 to \$264.8 million in 2011. Six IPOs raised more than \$1 billion during 2011, compared with only one in 2010. Ten IPOs raised between \$500 million and \$1 billion during 2011, compared with four in 2010. IPOs of less than \$500 million decreased from 163 in 2010 to 118 in 2011.

IPOs in 2011 were well diversified by industry, with the most IPOs in the technology industry which had 38 IPOs

which raised \$8.6 billion. Energy IPOs followed with 19 IPOs raising \$6.4 billion.

Financial sponsor-backed IPOs, which encompass deals backed by private-equity and venture-capital firms, contributed 65% of volume and 77% of proceeds for the year. These transactions accounted for 87 of the 134 IPOs for the year, raising \$27.4 billion compared with 128 such IPOs raising \$17.6 billion during 2010.

Figure 2: Volume of IPOs by range of offering values (proceeds in U.S.\$ billions)



2011 saw six billion-dollar plus IPOs, which helped drive increased deal size.

Top 10 IPOs

Proceeds from the top 10 U.S. IPOs of 2011 totaled \$15.2 billion, compared to \$20.5 billion raised by the top 10 deals of 2010. Absent the GM IPO, proceeds from the remaining top 10 deals of 2010 would have reached only \$4.8 billion. Contributions of the top 10 IPOs represented 43% of total proceeds in 2011, the lowest since 2007. Six of the top 10 IPOs in 2011 raised more than \$1 billion while the average deal size of the top 10 IPOs reached \$1.5 billion, compared with \$2.1 billion in 2010. But if we exclude the GM deal, the average top 10 IPO deal size for 2010 would have reached

only \$477 million, significantly lower than the average deal size in 2011.

U.S.-based issuers accounted for seven of the top 10 and 77% of top 10 proceeds, compared to the three non-U.S. issuers that raised \$3.5 billion, 23% of top 10 proceeds. In 2010, seven U.S.-based issuers accounted for 92% of the top 10 proceeds. The largest non-U.S. issuer in 2011, Netherlands based Yandex, operates a popular search engine in Russia, raising \$1.3 billion in proceeds.

Figure 3: Top 10 IPOs 2011 (proceeds in U.S.\$ millions)

HCA Holdings, Inc. ¹	\$3,786.0	NYSE	Healthcare
Kinder Morgan, Inc. ¹	2,864.0	NYSE	Energy
Nielsen Holdings N.V. ¹	1,642.9	NYSE	Services
Yandex N.V. ^{1,2}	1,304.4	NASDAQ	Technology
Arcos Dorados Holdings Inc. ^{1,2}	1,249.2	NYSE	Consumer
Zynga Inc. ¹	1,000.0	NASDAQ	Technology
Michael Kors Holdings Limited ^{1,2}	944.0	NYSE	Consumer
Air Lease Corp. ¹	802.5	NYSE	Services
BankUnited, Inc. ¹	783.0	NYSE	Financial Services
Freescale Semiconductor Holdings I, Ltd. ¹	783.0	NYSE	Technology
Total	\$15,159.0		

¹ Financial sponsors \$15,159.0

% Financial sponsors 100.0%

² Non-U.S. issuers \$3,497.6

% Non-U.S. issuers 23.1%

Figure 4: Top 10 IPOs 2010 (proceeds in U.S.\$ millions)

General Motors Company	\$15,774.0	NYSE	Consumer
Swift Transportation Co.	806.3	NYSE	Transportation
Smart Technologies Inc. ^{1,2}	660.1	NASDAQ	Technology
Oasis Petroleum Inc. ¹	588.0	NYSE	Energy
Sensata Technologies Holding N.V. ^{1,2}	568.8	NYSE	Industrial
Nxp Semiconductors N.V. ^{1,2}	476.0	NASDAQ	Technology
LPL Investment Holdings Inc. ¹	469.7	NASDAQ	Financial Services
Chesapeake Midstream Partners, L.P.	446.3	NYSE	Energy
Molycorp, Inc. ¹	393.8	NYSE	Industrial
Symetra Financial Corp ¹	364.8	NYSE	Financial Services
Total	\$20,547.8		

¹ Financial sponsors \$3,521.2

% Financial sponsors 17.1%; **ex-GM 73.8%**

² Non-U.S. issuers \$1,704.9

% Non-U.S. issuers 8.3%; **ex-GM 35.7%**

During 2011, six top 10 deals raised more than \$1 billion, and the remaining four raised between \$500 million and \$1 billion, contrasted to 2010 when only one top 10 IPO exceeded \$1 billion.

The technology sector contributed three of the top 10 IPOs in 2011, with consumer and business services contributing

two each. In 2010, the top 10 IPOs were evenly represented by the financial services, technology, energy, and industrial sectors.

All of the 2011 top 10 IPOs were financial sponsor-backed compared to seven in 2010.

Figure 5: Value and contribution of top 10 vs. other IPOs (proceeds in U.S.\$ millions)

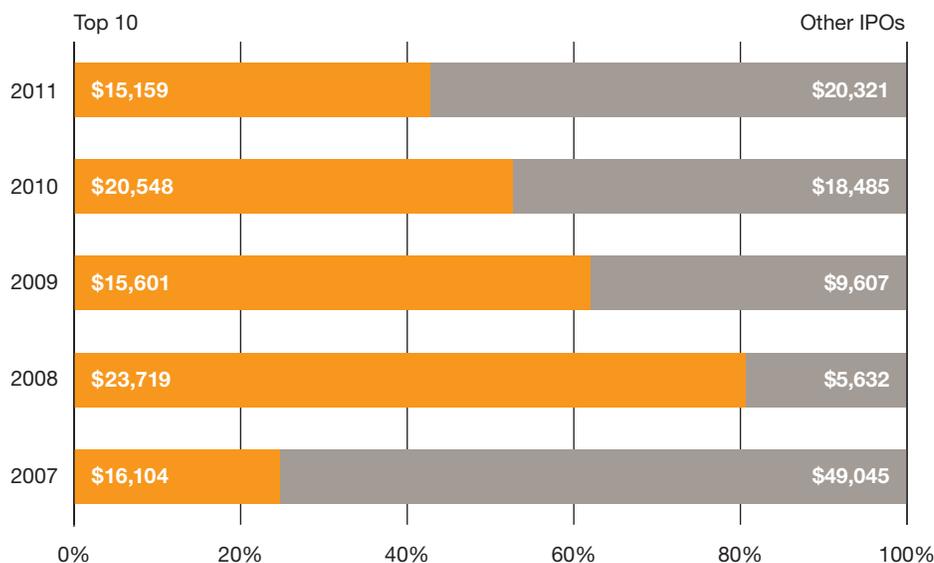


Figure 6: Average IPO proceeds (U.S.\$ millions)

Top 10	All IPOs	Other
\$1,515.9	\$264.8	\$163.9
\$2,054.8	\$232.3	\$117.0
\$1,560.1	\$365.3	\$162.8
\$2,371.9	\$514.9	\$119.8
\$1,610.4	\$220.1	\$171.5

The U.S. IPO market continues to demonstrate broad industry diversification.

Quarterly analysis

When we look back on 2011, the first half showed a strong flow of companies pricing offerings, with a second half impacted by significant market volatility and continued global macroeconomic challenges.

The first quarter of 2011 was one of the most robust quarters seen by the IPO markets in years, driven by a number of billion-dollar deals and strong presence of financial sponsors. Momentum continued strongly in the second quarter with IPO proceeds surpassing \$10 billion for the third consecutive quarter. Despite strong activity in July, IPO activity came to an abrupt halt when market volatility spiked dramatically in the second week of August.

Despite the slowdown in offerings, 74 companies continued to enter the registration process in the third quarter. Although this was down from the 94 companies that filed registration statements in the second quarter, it remained more than the 60 companies that filed in the first quarter.

The fourth quarter of 2011 witnessed a spark in IPO activity due to a few open market windows throughout the quarter, with 28 IPOs raising \$6.5 billion. But even when we exclude GM's \$15.8 billion IPO, fourth-quarter 2010 proceeds of \$9 billion still outpaced fourth quarter 2011 results. Despite the decrease in IPO activity in the fourth quarter when compared to the same period of 2010, the number of bellwether IPOs in the last few weeks of 2011 provide a positive outlook for the U.S. IPO market heading into 2012.

Figure 7: Offering value and volume of IPOs by quarter (proceeds in U.S.\$ billions)

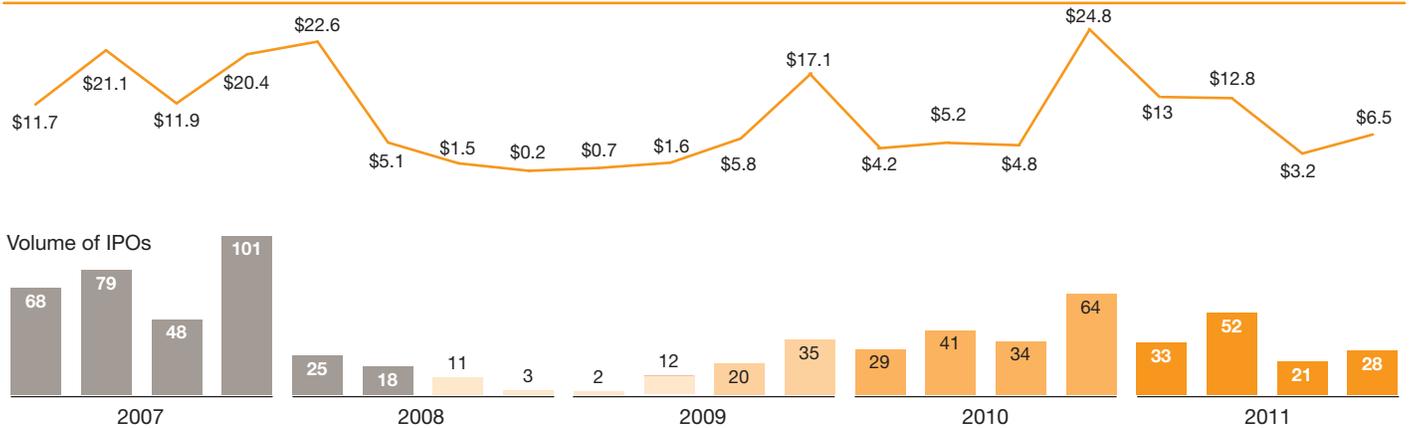
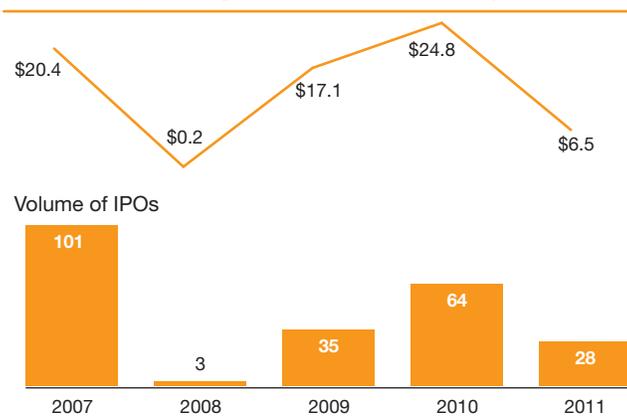


Figure 8: Q4 comparison—offering value and volume of IPOs by quarter (proceeds in U.S.\$ billions)



Industry analysis

IPO activity during 2011 was led by the technology sector, with 38 deals contributing 28% of total IPO volume. The financial services and energy sectors followed with 25 and 19 IPOs, respectively. The technology and energy sectors have shown the consistent growth in new offerings, year on year over the past 3 years. In terms of value, the technology sector also led at \$8.6 billion, representing 24% of total capital raised. Energy, financial services and healthcare were also strong contributors raising \$6.4 billion, \$5.2 billion and \$4.6 billion, respectively.

The technology sector maintained a high profile in 2011 including some of the year's most highly-anticipated offerings, including LinkedIn, Groupon and Zynga.

The technology sector also contributed three of the top 10 IPOs of the year, with this sector's highest proceeds being raised by Yandex at \$1.3 billion.

Compared with 2010, the sectors that lead IPO volume during 2011 remained largely consistent. However, in terms of value, industry sector leadership varied. In 2010, the consumer sector led in value, raising \$18.4 billion, largely attributable to the GM IPO of \$15.8 billion, but it was not one of the leading sectors in 2011.

Heading into 2012, the deal pipeline is dominated by the technology, financial services and industrial sectors, followed by consumer and healthcare. Further, renewable energy and green technology companies did not price in the volume anticipated, however they continue to have a solid presence in the pipeline.

Figure 9: IPO proceeds across industry sectors

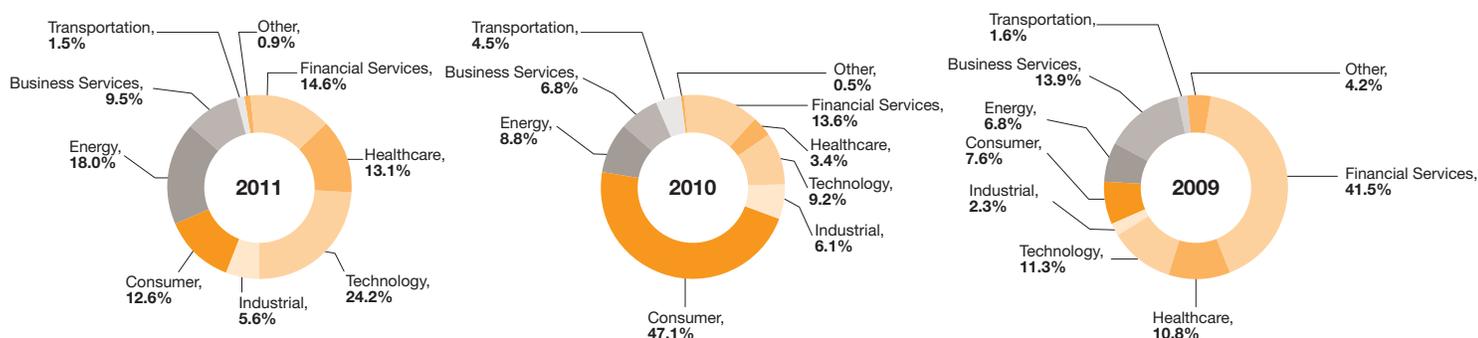


Figure 10: Value and volume of IPOs by industry sector

	Value (U.S.\$ millions)			Volume		
	2011	2010	2009	2011	2010	2009
Technology	\$8,584.5	\$3,601.0	\$2,845.1	38	27	11
Energy	6,377.7	3,420.1	1,711.6	19	15	5
Financial Services	5,165.4	5,307.1	10,459.2	25	34	13
Healthcare	4,648.3	1,337.1	2,713.2	15	21	10
Consumer	4,477.0	18,380.8	1,918.4	16	22	8
Business Services	3,352.9	2,649.6	3,504.8	8	26	11
Industrial	1,970.3	2,365.3	584.8	9	15	7
Transportation	589.2	1,761.5	409.8	3	6	2
Other	314.3	210.0	1,061.1	1	2	2
Total	\$35,479.6	\$39,032.5	\$25,208.0	134	168	69

Financial sponsor-backed IPOs

Financial sponsors again proved to be a key player in the IPO market in 2011. Of the 134 IPOs in 2011, 87 were backed by financial sponsors, raising \$27.4 billion. The 87 deals represented 65% of total volume and 77% of total proceeds.

In 2010, there were 128 IPOs that raised \$17.6 billion. The increase in proceeds of 56% when compared to 2010, shows that the average deal size is increasing in the financial sponsor-backed space, despite a smaller population of IPOs.

All of the top 10 IPOs were backed by financial sponsors in 2011, six of which raised over \$1 billion. Despite volatility

in the markets and an overall decline in IPO activity, private equity and venture capital firms have been able to capture higher average exit proceeds than the prior year.

As was the case in 2010, companies that were originally acquired in “club deals,” where a group of private equity and/or venture capital firms combine their capital to make an acquisition, were prominent in the 2011 IPO market. Financial sponsors continue to actively invest in portfolio companies and provide leadership and sophistication in the IPO markets. Financial sponsors have a strong presence in the pipeline, representing 56% of current pipeline volume.

Figure 11: Volume of financial sponsor-backed IPOs vs. other IPOs

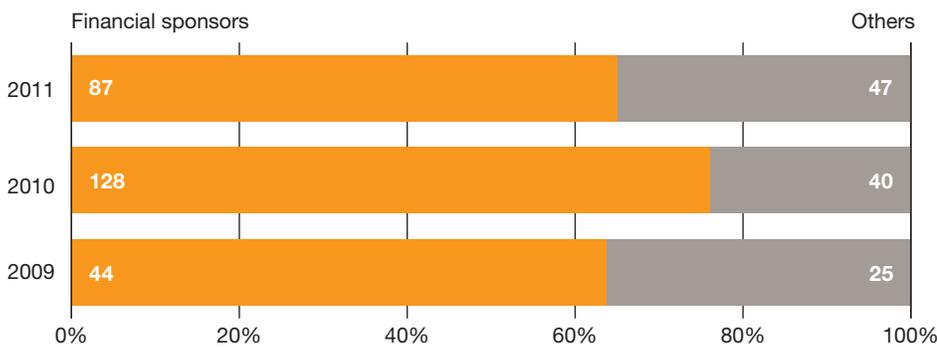


Figure 12: Value of financial sponsor-backed IPOs vs. other IPOs
(proceeds in U.S.\$ millions)

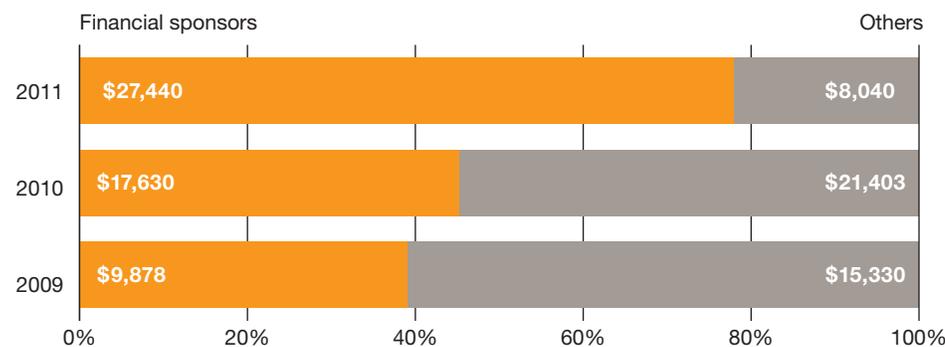
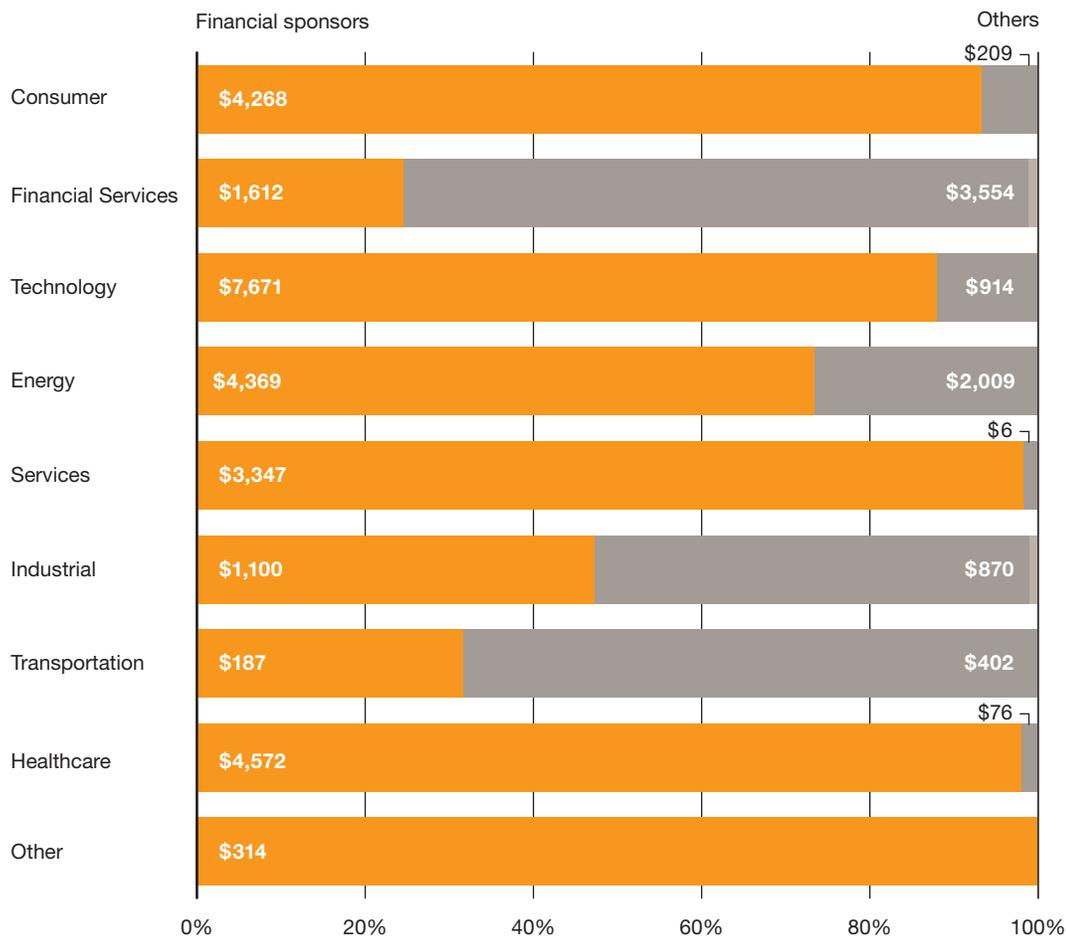


Figure 13: Mean and median values of financial sponsor-backed IPOs vs. other IPOs
(proceeds in U.S.\$ millions)

	2011		2010		2009	
	Mean	Median	Mean	Median	Mean	Median
Financial sponsors	\$315.4	\$145.6	\$137.7	\$97.9	\$224.5	\$135.5
Other	\$171.1	\$138.9	\$535.1	\$100.6	\$613.2	\$200.0

Figure 14: 2011 value of financial sponsor-backed IPOs by industry (proceeds in U.S.\$ millions)



Non-U.S. issuers

Non-U.S. issuers composed 32 of the 134 IPOs and raised \$7.9 billion in 2011. This activity represented 24% of the total volume and 22% of the total proceeds for the year compared to 2010 when foreign issuers represented 35% of the annual volume and 18% of the total proceeds, raising \$7.1 billion during the year.

Foreign issuers contributed three of the largest IPOs of the year, including Yandex, Arcos Dorados and Michael Kors which raised \$1.3 billion, \$1.2 billion, and \$944 million, respectively. These sizable IPOs resulted in an increased average deal size of \$246.8 million compared to \$122.7 million in 2010, as it relates to non-U.S. issuers.

Even though Chinese companies (including those based in Hong Kong) continue to lead among non-U.S. issuers during 2011, they completed 16 IPOs during the year raising \$2.9 billion which represents a decrease in volume and value of 62% and 26%, respectively, when compared to 2010. Companies from 12 countries executed IPOs in the United States during 2011, consistent with the number in 2010.

The steady decline in offerings from foreign issuers in 2011, combined with growth in listings on emerging market exchanges, could lead to the continued decrease in IPO activity from non-U.S. issuers.

Figure 15: Volume of IPOs by U.S. and non-U.S. companies

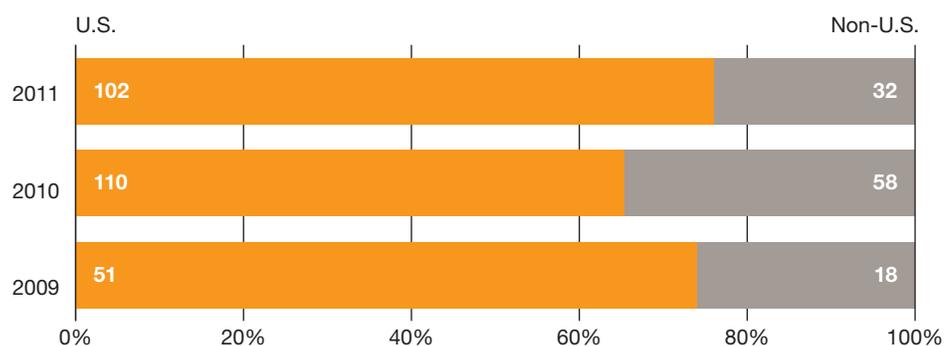
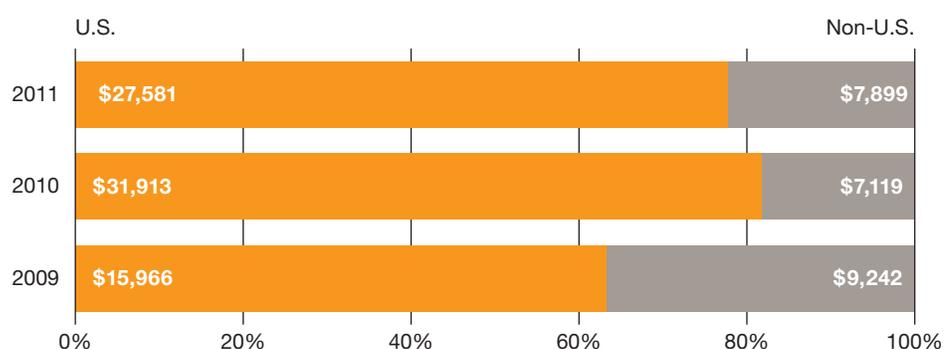


Figure 16: Value of IPOs by U.S. and non-U.S. companies (proceeds in U.S.\$ millions)

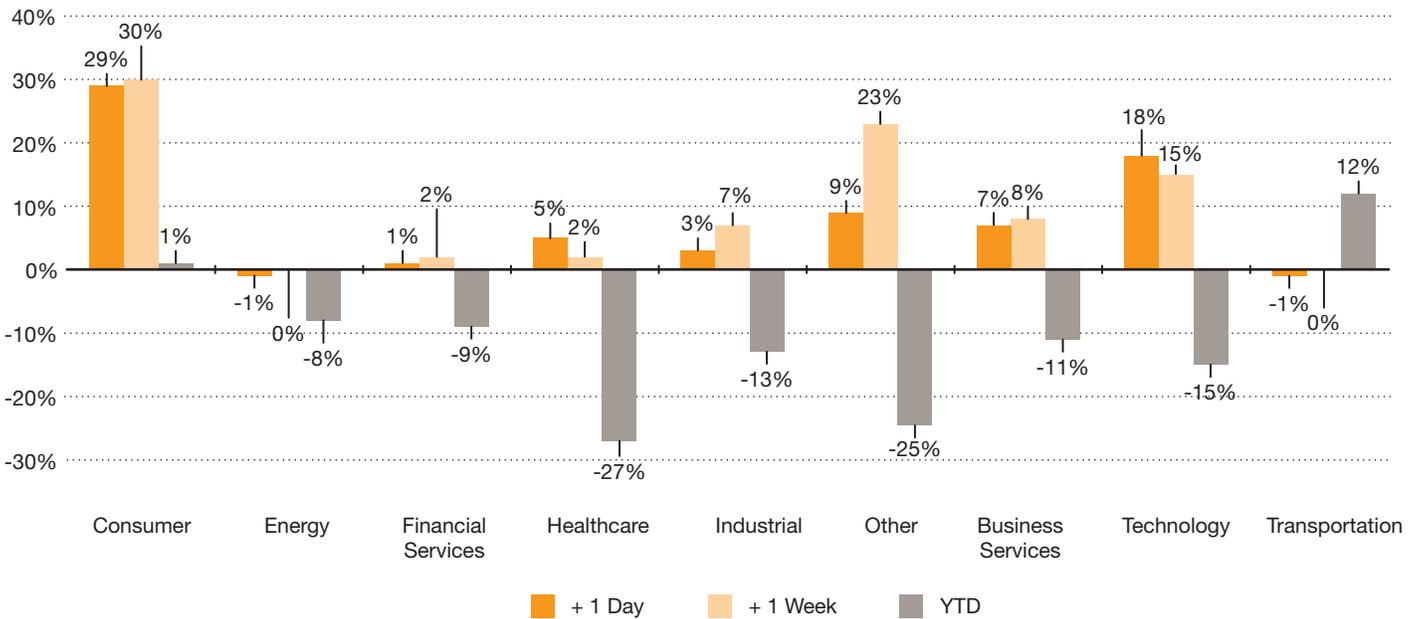


IPO performance

As a result of increased market volatility and macroeconomic challenges, U.S. stock prices were exposed to significant pressure throughout the year. Although a year-end rally helped the S&P 500 index close flat on the year, after being down over 12%, IPO pricing remains a challenge.

On average, 2011 pricings increased 9.7% one day after pricing and 9.5% one week following their IPO. However, as of year-end, total IPOs produced a combined average loss of 11.2%. Forty-one percent of the IPOs generated a positive return as of year-end, whilst the remaining 59% closed at a price below their initial offering value.

Figure 17: IPO performance by industry sector



a) The year-to-date performance percentages represent the average return of companies' stock prices between their IPO date and December 31, 2011.

IPO performance (continued)

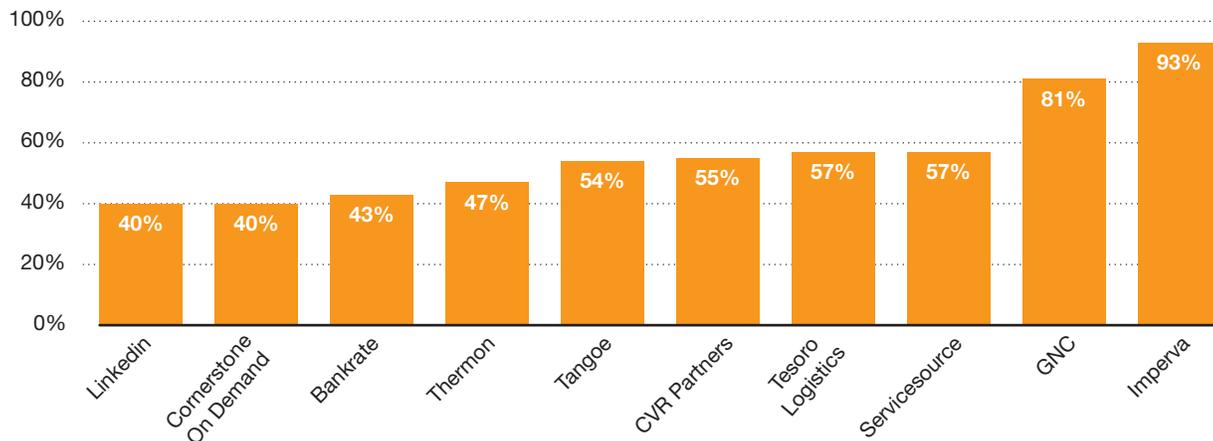
The top performing industries as it relates to the day one “pop” were in the consumer sector, which produced an average return of 29%, followed by the technology sector with an average return of 18%. LinkedIn, which was a strong contributor in the technology industry’s day one performance, remained one of the top ten performers of the year.

The highest average one week return of 30% was generated by the consumer industry, followed by the “other”

industry category with 23%, driven by a leading South American agricultural company, which was backed by a financial sponsor.

The challenging market environment contributed to most industries witnessing losses when considering the average return of their stock prices between the IPO date and year-end. Two bright spots, the transportation and consumer industries had positive average returns on the year, with 12% and 1.2%, respectively.

Figure 18: Top 10 performing IPOs



a) The year-to-date performance percentages represent the average return of companies’ stock prices between their IPO date and December 31, 2011.

Pipeline

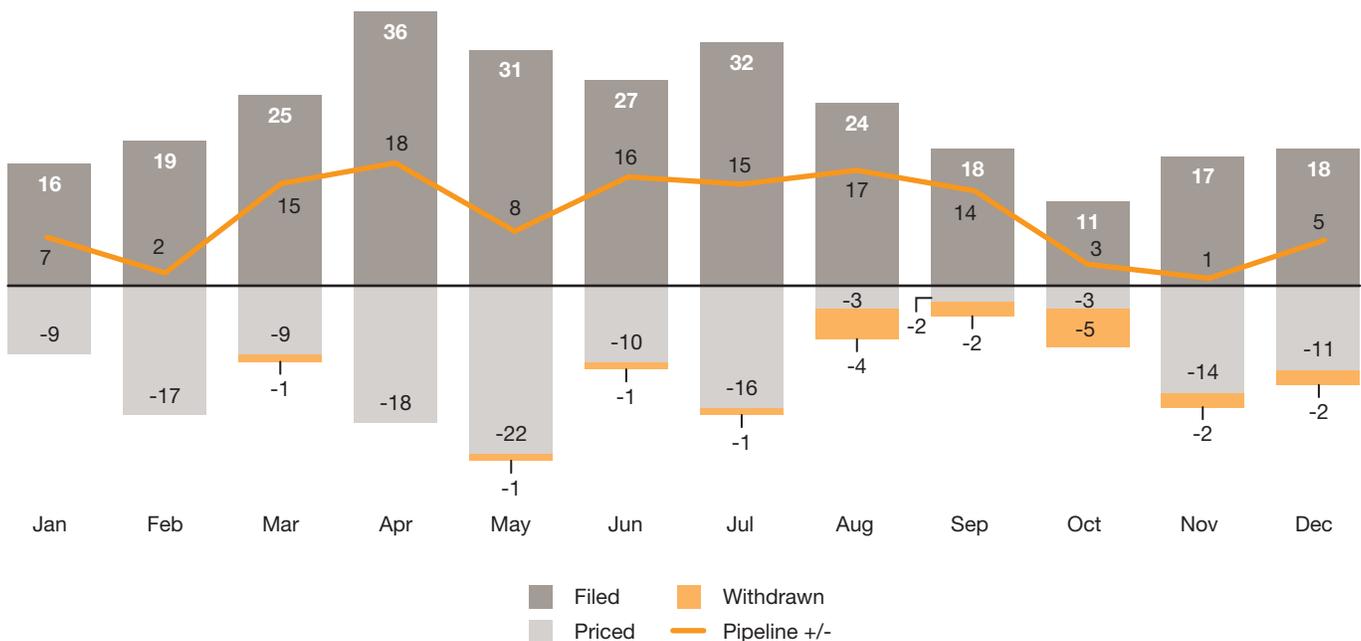
The IPO pipeline of companies that filed initial registration statements in 2011 and have not yet priced as at December 31, 2011 comprised 171 companies seeking a total of \$30.2 billion. This is amongst the most robust pipelines experienced over the past decade.

New filing activity peaked between April and July, and dropped off during the remainder of the year before a strong recovery in November and December. The positive effect of large bellwether IPOs was reflected in these months.

The pipeline going forward into 2012 is well diversified among industries, with the majority of unpriced filings being in the technology, financial services and industrial sectors. Consumer, energy and healthcare were the next most prolific sectors in the pipeline. The average length of time an issuer was in the pipeline, as measured by the time elapsed between filing and pricing, was five months.

Despite the challenges of 2011, a relatively low number of 19 formal withdrawals were filed with the SEC, and generally cited trade sales or unfavorable market conditions as a result of market volatility and macroeconomic challenges as the reason for the withdrawal.

Figure 19: Net movement in 2011 IPO pipeline



a) For purpose of this report we define pipeline as all companies that entered the registration process in calendar year 2011, but not yet priced or filed a formal withdrawal with the SEC prior to December 31, 2011.

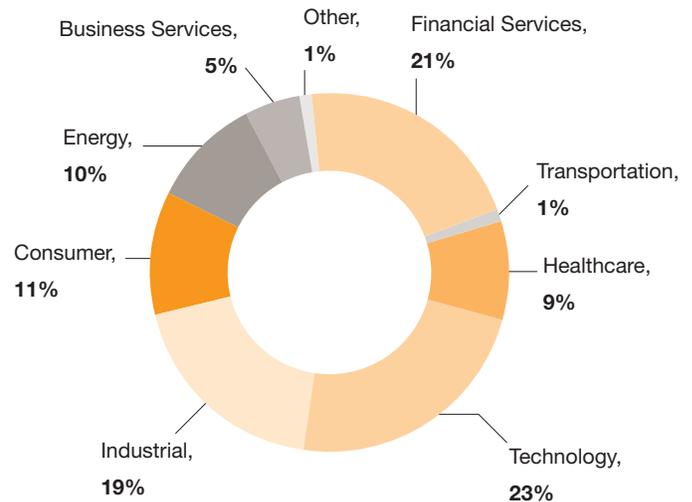
Pipeline (continued)

In the current pipeline, 56% of the companies are backed by financial sponsors, which is less than the percentage of priced companies that were backed by financial sponsors. Although financial sponsors are less prominent in the pipeline, they continue to demonstrate their support and willingness to pursue an IPO as a financial exit.

Considering the number of completed IPOs in 2011 versus those in the pipeline, the industrial and financial services sectors show a significant excess of companies still in the pipeline when compared to the number that have priced. For the other industry sectors, the number of companies in the pipeline approximately equate to the number of companies that priced in 2011.

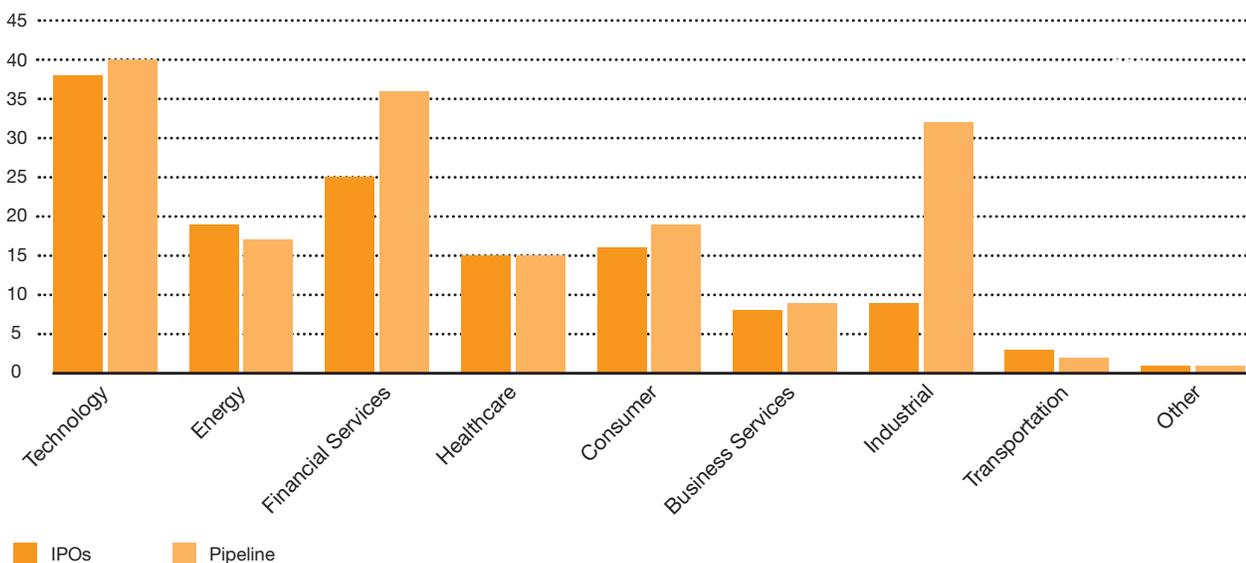
The strong pipeline of companies seeking a 2012 IPO is high by historic standards. This could lead to a race for capital as 2012 progresses and companies compete for capital, placing further emphasis on readiness to take advantage of timing the IPO windows of opportunity when they occur. An issuer with strong fundamentals should compete effectively in the IPO market in 2012.

Figure 20: IPO pipeline volume by industry sector



a) For purpose of this report we define pipeline as all companies that entered the registration process in calendar year 2011, but not yet priced or filed a formal withdrawal with the SEC prior to December 31, 2011.

Figure 21: 2011 comparison: volume of IPOs and pipeline by industry sector



Europe

“In 2011, the markets failed to ignite after the summer as people had hoped, due to the continuing economic uncertainty in Europe and especially in the Eurozone. Looking at the year as a whole, London continued to lead the European IPO landscape with international and natural resources IPOs making up for the weakness of the domestic IPO market.”

- Mark Hughes, Partner, PwC

The IPO markets in 2011 witnessed a significant number of delays and postponements because of the troubled market conditions, particularly in the second half of the year.

The year was dominated by a few large transactions with the top six European deals raising €16bn, 60% of total IPO value across Europe, compared to 37% in 2010. Listings of Glencore, the commodities trader, and Vallares, the oil and gas venture, accounted for more than €8bn, or 57% of proceeds raised in London, whilst the privatisations

of government-owned assets in Spain and Poland in the summer of 2011 raised over €5bn. The Iberian discount supermarket retail, Dia, added a further €2.4bn to the total proceeds raised in Europe in 2011.

The 430 IPOs across Europe in 2011 raised €26.5bn, a 13% increase in volumes and just a 1% rise in values when compared to 2010 resulting in a 10% drop in average transaction values from €86m in 2010 to €77m in 2011.

Figure 22: Volume and value by market (proceeds in € millions)

Stock exchange	2011		2010	
	Number of IPOs	Offering value	Number of IPOs	Offering value
EU-regulated				
London (Main)	39	13,371	52	9,034
BME (Spanish Exchanges)	4	6,070	2	1,514
WSE (Main)	31	2,067	26	3,770
Deutsche Börse	13	1,445	10	2,297
Oslo Børs	4	551	9	2,362
Borsa Italiana (Main)	3	494	2	2,099
Wiener Börse	2	366	-	-
NASDAQ OMX (Main)	13	288	15	2,007
NYSE Euronext (Euronext)	8	43	11	344
SIX Swiss Exchange	2	-	4	163
EU regulated sub-total ⁽¹⁾	118	24,695	130	23,590
Exchange regulated sub-total ⁽¹⁾	312	1,796	250	2,696
Europe total ⁽¹⁾	430	26,491	380	26,286

(1) IPOs by market are shown gross of dual listings. However these are netted off in the Europe total number and offering values.

Europe (continued)

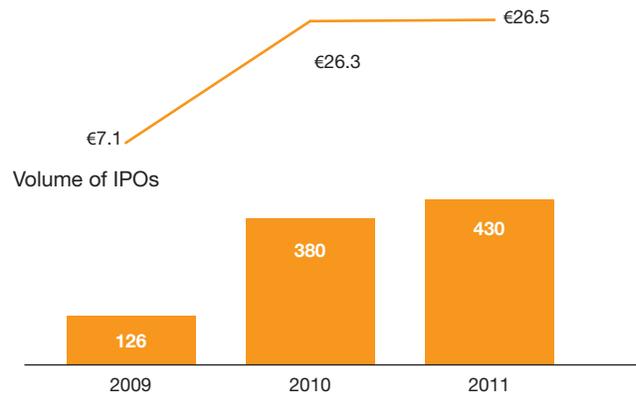
“Companies considering an IPO in 2012 should prepare and position themselves to be ‘ready to go’ when the market window opens, given the uncertainty as to when markets will pick up. Companies will have to ensure that their groundwork is completed well in advance.”

- Richard Weaver, Partner, PwC

The London Stock Exchange generated €14.1bn, more than half of the proceeds raised in Europe, despite only hosting a quarter of the IPO deals across Europe. London listings were dominated by companies in the natural resource sector, which in total raised €8.2bn and accounted for 56% of transactions.

Looking forward, we anticipate there will be a modest recovery for European exchanges in 2012 but it is likely to take until the second half of the year before we see the market volatility that has plagued 2011 showing real improvement leading to a return in investor confidence. Any such resurgence will be fuelled by the substantial pipeline of companies ready to proceed with IPOs if the window of opportunity were to open.

Figure 23: Offering value and volume of IPOs by year
(proceeds in € billions)



Greater China

“Global companies and luxury brands are increasingly looking to expand in the Asia Pacific region, especially China. To do so, these companies need additional funds. And where better to tap the market for capital than Asia. Listing in the region is also a good way for these international companies to enhance their brand and image in markets where they’re not as well known. The uniqueness of Hong Kong’s position makes the city an ideal platform for these global companies to meet with investors from China.”

- Kennedy Liu, Partner, PwC

Hong Kong maintained its position as the largest capital market in Greater China during 2011 in terms of IPO funds raised. However, the total funds raised from Hong Kong IPOs in 2011 was U.S.\$35.1 billion, 39% less than in 2010. The number of IPOs totaled 90 (excluding transfers from GEM to the Main Board), down 12% compared to the prior year.

The Greater China IPO market was affected by external factors in 2011. The volatility in the global equity markets dragged indices in Greater China down by as much as 20% throughout the year with a consequential negative impact on the P/E ratios of IPOs.

Despite the reduction in IPO volumes and funds raised in 2011, the Hong Kong IPO market is still expected to be vibrant due to sufficient liquidity and the continuous growth

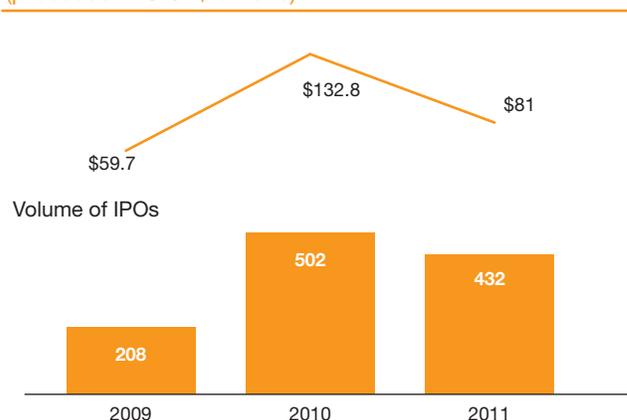
of China’s economy. Although a few companies suspended their listing plans last year, as a whole, Hong Kong remains one of the hotspots for IPOs, drawing attention from global investors. Nine foreign companies sought to raise funds in Hong Kong in 2011, illustrating the territory’s increasing importance and popularity as a listing destination of choice for multinational corporations across a variety of sectors.

In Mainland China total IPO volumes were also reduced, however domestic small and medium sized enterprises remained the main driving force in the IPO market. A total of U.S.\$16.7 billion was raised through IPOs in Shanghai, a decline of 42% compared to 2010. A total of U.S.\$28.7 billion was raised on the Shenzhen Stock Exchange, a decrease of 37% from 2010.

Figure 24: Volume and value by market
(proceeds in U.S. \$ billions)

Stock Exchange	2011		2010		2009	
	Number of IPOs	Offering value	Number of IPOs	Offering value	Number of IPOs	Offering value
Hong Kong	102	35.1	114	57.8	73	32.0
Shanghai	39	16.7	28	28.7	9	18.3
Shenzhen	243	28.7	321	45.4	90	9.2
Taiwan	48	0.5	39	0.9	36	0.2
Total	432	81.0	502	132.8	208	59.7

Figure 25: Offering value and volume of IPOs by year
(proceeds in U.S. \$ billions)



What this means for your business

Start preparing now to be ready when the IPO market is right for you.

The analyses of the 2011 IPO market trends demonstrate that the IPO market activity continues to remain strong and the pump is primed for 2012. Although the trend today does not come close to the IPO boom years of the past, solid economics, strong fundamentals, and a well-prepared story to market can provide a great foundation for a successful IPO.

Achieving that success, requires connecting many pieces of a complex puzzle, some of which are outside of the control of company management and its stakeholders. One thing companies can control is their own IPO preparation process, and a thorough assessment of the company's readiness is the best way to ensure a successfully planned, monitored, and executed IPO.

Preparing for an IPO requires companies to focus on two separate, yet integrated work streams. First, they must form the Going Public team and start the process toward the registration and marketing of their securities. Second, companies must prepare their management teams and business units for Being Public—to be able to operate as a public company both internally and externally. These efforts must be staged to prevent doing some tasks too early in the process.

Despite market volatility and macro-economic challenges, companies that envision an IPO in their future can start now and give themselves the best possible chance for success when the markets are open.

Going public is a period of exceptional change for any company. It forever transforms how a company goes about doing business.

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