



EXCERPTS OF RECENT MEDIA COVERAGE

# CAPITAL MARKETS PRACTICE

## A SAMPLING OF SELECTED MEDIA COVERAGE OF THE 2018 BDO IPO OUTLOOK

### REUTERS INTERNATIONAL FINANCING REVIEW

#### Optimism Prevails

January 9, 2018

Unsurprisingly in light of the market backdrop, investment bankers have entered 2018 feeling pretty optimistic about the IPO market. Already there are six IPOs on the road (not including SPACs) in a spirited restart to proceedings, and there are some big deals like PagSeguro Digital and Gates Industrial that are not far away from being launched.

According to a survey by accounting firm **BDO USA** whose results were released today, nearly three-quarters of bankers (72%) expect an increase in the number of US IPOs this year, though only 18% say it will be a substantial one.

Performance may not be an indicator of future results but it is typically a sign of future deal flow. Nearly 40% of those surveyed say positive returns from new offerings is the main driver of greater deal flow. Other factors include tax reform (23%), the pricing of a "name" offering (18%) and regulatory rollbacks under the Trump administration (15%).

The survey also confirms what many may have already suspected, even as the reform push continues. Only 24% of those surveyed blamed SEC regulations for the drop-off in IPOs in the past decade or so, whereas the wide availability of private financing, M&A and more discerning investors all ranked higher as factors constraining the number of new issues.

Looking back, most bankers (58%) believe the "Trump Bump" had a positive impact on the US IPO market last year. Only 9% felt it had a negative impact.

For all the fever about bitcoin/cryptocurrency, few bankers are treating ICOs as a mainstream issue for ECM. Only 19% of bankers said they saw ICOs as a future threat to traditional IPOs.

In other findings, a majority of bankers (64%) see Regulation A+ offerings as on the rise and an alternative to traditional IPOs.



#### BDO CAPITAL MARKETS PRACTICE

BDO is a valued advisor to businesses making public securities offerings. The firm works with a wide variety of clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, on a myriad of accounting, tax and other financial issues.

The *BDO IPO Outlook* is a national telephone survey conducted by Market Measurement, Inc., an independent market research consulting firm, on behalf of BDO USA. Executive interviewers spoke directly to capital markets executives within a scientifically developed, pure random sample of the nation's leading investment banks.

## IE INVESTMENT EXECUTIVE

### Investment bankers forecast 30% jump in U.S. IPO proceeds in 2018

January 9, 2018

U.S. investment bankers are forecasting significant growth in initial public offering (IPO) activity in the year ahead, according to survey results published on Tuesday by accounting firm **BDO USA, LLP**.

Investment banking executives project that total IPO proceeds on U.S. exchanges will reach US\$46 billion in 2018, up by 30% from 2017, with the number of deals rising by 11%.

"In 2017, the U.S. IPO market bounced back from two consecutive years of dwindling offerings and proceeds raised. Capital markets executives clearly feel that the positive growth of the past year will continue in 2018 as they project significant increases in both the number of IPOs and in total proceeds raised," says **Christopher Tower, partner at BDO**.



"Given the strong performance of last year's offerings, the overall strength of the economy and low volatility in the greater stock market, many factors appear to be in place for increased offering activity in the coming year," he adds.

By sector, executives surveyed expect more deals in technology, biotech, and healthcare.

According to the survey, bankers view global political and economic instability and inflated private company valuations that will not be supported in public markets as the biggest threats to the IPO pipeline. Private equity and venture capital portfolios are the "most often mentioned" sources of IPOs for the coming year.

While initial coin offerings (ICOs) were increasingly common in 2017, just 19% of executives view ICOs as a future threat to traditional IPOs.

## MARKETWATCH

### I-Bankers Forecast Growth in IPOs for 2018

January 9, 2018

According to a survey by **BDO USA, LLP**, one of the nation's leading accounting and advisory firms, capital markets executives at leading investment banks are projecting significant growth in the number of initial public offerings (IPOs) on U.S. exchanges in 2018. Close to three-quarters (72%) predict an increase in the number of U.S. IPOs in the coming year. One-fifth (20%) forecast activity staying about the same as 2017, while just 8 percent are projecting a decrease in offerings. Overall, bankers predict an 11 percent increase in the number of U.S. IPOs in 2018. They anticipate these offerings will average \$260 million, which projects to \$46 billion in total IPO proceeds on U.S. exchanges. This would represent an increase of 30 percent from 2017 proceeds...

When asked for the most likely factor to spur increased IPO activity in 2018, 38 percent of the bankers cite continued positive returns from new offerings. Other potential drivers identified by the executives are the promise of meaningful tax reform (23%), the pricing of a major "name" offering (18%), continued regulatory rollbacks under the Trump administration (15%) and less favorable private valuations forcing businesses to the public markets (6%)...

#### 2018 Industry Outlook

For the fifth consecutive year, the healthcare industry was the bellwether of the U.S. IPO market and most capital markets executives believe the healthcare sector will have even more IPOs in 2018. Overall, a majority of bankers are forecasting an increase in IPOs from the technology (89%), biotech (71%) and healthcare (60%) industries. In addition, close to half of the executives also project an increase in offerings in the financial (45%) sector. (see chart below).

INDUSTRY	INCREASE	STABLE	DECREASE
<b>Technology</b>	<b>89%</b>	10%	1%
<b>Biotech</b>	<b>71%</b>	24%	5%
<b>Healthcare</b>	<b>60%</b>	29%	11%
<b>Financial</b>	<b>45%</b>	36%	19%
<b>Energy/ Natural Resources</b>	38%	39%	23%
<b>Media/Telecom</b>	38%	34%	28%
<b>Industrial/ Manufacturing</b>	36%	42%	22%
<b>Real Estate</b>	28%	48%	24%
<b>Consumer/Retail</b>	20%	20%	<b>60%</b>

(Proportions of Capital Markets Executives expecting IPO activity to increase, remain stable or decrease in specific industries.)

When asked to comment upon the greatest threat to a healthy U.S. IPO market in 2018, almost one-third (33%) of I-bankers cite global political and economic instability, while just over one-fifth (22%) identify inflated private valuations that will not be supported in public markets. Smaller percentages focused on domestic political instability (18%), a failure of the Trump administration to deliver on deregulation (14%) and Federal Reserve rate hikes (13%)....

## THE DEAL

### I-Bankers Project 30 Percent Increase in IPO Proceeds in 2018

January 9, 2018

According to a study by **BDO USA, LLP**, capital markets executives at leading investment banks are projecting significant growth in the number of initial public offerings (IPOs) on U.S. exchanges in 2018. Close to three-quarters (72%) predict an increase in the number of U.S. IPOs in the coming year, with eighteen percent describing the increase as substantial. One-fifth (20%) forecast activity staying about the same as 2017, while just 8 percent are projecting a decrease in offerings.

Overall, bankers predict an 11 percent increase in the number of U.S. IPOs in 2018. They anticipate these offerings will average \$260 million, which projects to \$46 billion in total IPO proceeds on U.S. exchanges. This would represent an increase of 30 percent from 2017 proceeds.

"In 2017, the U.S. IPO market bounced back from two consecutive years of dwindling offerings and proceeds raised. Capital markets executives clearly feel that the positive growth of the past year will continue in 2018 as they project significant increases in both the number of IPOs and in total proceeds raised," said **Christopher Tower, a Partner in the Capital Markets Practice of BDO USA**. "Given the strong performance of last year's offerings, the overall strength of the economy and low volatility in the greater stock market, many factors appear to be in place for increased offering activity in the coming year."

Despite the increase in IPOs on U.S. exchanges in 2017, offerings remain well below the all-time highs of the late 1990s. Some blame excessive SEC disclosure requirements for the drop-off in offerings. In contrast, others contend that there have been numerous changes to ease SEC regulations in recent years - such as the JOBS Act, allowing confidential filings and reducing disclosure requirements - to make it easier to navigate the IPO process. When asked whether they view SEC regulations as the reason for the historical drop in IPOs from the 1990s, just 24 percent agreed. The vast majority (76%) cited the wide availability of private financing at attractive valuations, high M&A activity, more discerning investors or other factors as playing a larger role than the SEC....

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