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THE GLOBAL AND REGIONAL IPO MARKETS: CURRENT SITUATION AND PROSPECTS

This article analyzes the current situation of key international markets for initial public offerings as a financial source of multinational corporations' business. Special attention been made for the BRICS' role in global IPO market. Outlines the future prospects in this area.

Key words: initial public offering, stock exchange, global IPO market, regional IPO markets.

Statement of the problem. Company is going on the markets of initial public offering (IPO) signaling to the environment, that the company has achieved a special kind of success and can be converted into a joint stock company with a lot of owners, and its shares can be readily purchased or sold by or through stock exchanges or over the counter market [1, c.2]. In terms of financial support of the company, resulting in change of its status to the public is a significant growth opportunities for funding its future development.

The strategic objectives of the IPO process are: (1) the declaration and implementation of the company's intention to be public, which includes the registration and marketing of securities of the company and the successful completion of the IPO; (2) Preparation to the company as public, which includes the preparation of the company's management team, specialists and business units to address the unique challenges, which facing to the company.

Understanding the IPO market and effective training are helping companies achieve their goals.

In the early twenty-first century global IPO market peaked in the history of its existence, the initial public offering were play more important role in the investment process, but the crisis has made it difficult to access companies around the Resource IPO market and caused decrease in their activity.

According to the latter, the 16th annual survey of the largest companies in the world, prepared by PwC, only 36 % of managers in the world are confident in the growth prospects of their companies over the next 12 months. It is less compared to 40 % in 2012 and 48 % in 2011, which were firmly convinced of the short-term growth, but above 31% and 21% in 2010 and 2009 [2]. Under these conditions, IPO market dynamics and trends of its post-crisis development are focus on scientists, investors and governments.

Analysis of recent research and publications. The theoretical basis of raising funds on IPO market is part of the theory of corporate finance and is an important area of research due to the complexity of this mechanism and its role in the system of financing business corporations. I. Blank, D. Bradley, R. Breuil, J. Booth, A. Williamson, J. Galbraith, J. Dunning, M. Jensen, D.

Lukyanenko, A. Lukashov, Z. Lutsyshyn, T. Mayorov, Makogon Yu, E. Miller, J. Mirkin, V. Ovchinnikov, E. Panchenko, J. Ritter, A. Stag, M. Roney, S. Jakubowski explore different aspects of initial public offerings, many of their works today are classic. But the permanent transformation of the global economic processes updating the problems of the financial sector and lead to corresponding changes in the distribution and redistribution of capital, particularly at the level of cross-border transactions that are not fully investigated now.

The purpose of the article - analysis of the key current and potential structural changes in the mechanism of global and regional markets, initial public offerings as a source of business finance of multinational corporations.

The main material of the study. Analysis of the quantitative parameters of the global market IPO, since 2000, shows that since 2004 it started to grow and the number of IPO transactions against lowering the refinancing rate in the United States to combat the downturn of the economy. According to Ernst & Young, in 2005 the amount of borrowed funds totaled 180 billion dollars, the number of transactions - 1552. In 2007, the number of transactions compared to 2005 increased by 2014, ensuring attract 295 billion [4]. For these indicators 2007 was a record year. The world financial crisis led to decline in the IPO market in 2008-2009 while worsening the dynamics of secondary markets. In the first half of 2009 the market was very inactive and gradually began to recover only in the second half of 2009, and in 2010 significantly increased (Fig.1). In terms involved in the 2010, the capital market close to pre-crisis levels.

Development of the IPO in 2011 - 2012 characterized by the influence of external factors such as political, regulatory and macro-economic conditions and internal, such as the mega IPO of Facebook. Overall, the number of IPO market dynamics has been decreasing, the number of IPO transactions falling since 2010, when the quarterly conducted 300 initial public offerings.

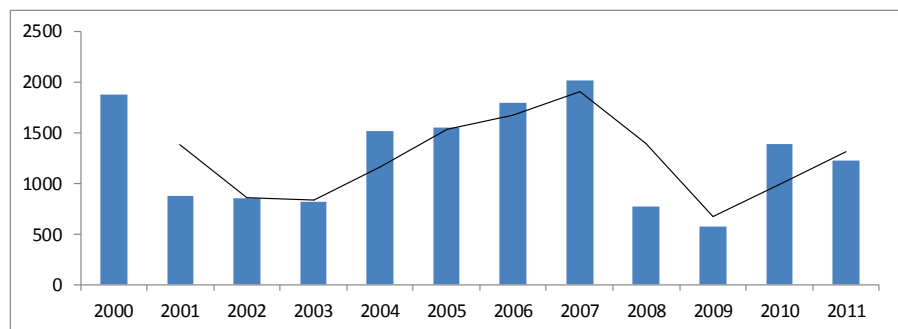


Figure. 1. Dynamics of IPO deals for 2000 - 2011 [compiled by the author constructed according to [2, 3]

Despite the encouraging results of the fourth quarter of 2012, the number of IPOs decreased by 31.7% and the cost of capital by 35% (Table 1).

Table 1

Dynamics of basic indicators of regional markets IPO for the 2011-2012

| Name of region | 2011 | | 2012 | | The growth rate, % | |
|---------------------|------------|--------------------|------------|--------------------|--------------------|--------------------|
| | Number IPO | Value IPO, billion | Number IPO | Value IPO, billion | Number IPO | Value IPO, billion |
| USA | 134 | 35,5 | 146 | 42,9 | 109,0 | 120,9 |
| China | 432 | 81,0 | 239 | 29,5 | 55,3 | 68,3 |
| Europa | 430 | 36,9 | 263 | 14,1 | 61,2 | 38,2 |
| Japan | 36 | 2,1 | 46 | 9,3 | 127,8 | 442,9 |
| Malaysia | 22 | 2,3 | 16 | 6,8 | 72,7 | 295,7 |
| Latin America | 21 | 8,5 | 15 | 6,4 | 71,4 | 75,3 |
| Canada | 64 | 2,0 | 62 | 1,8 | 96,9 | 90,00 |
| Australia | 105 | 1,7 | 54 | 1,7 | 51,4 | 100,00 |
| Singapore | 23 | 7,5 | 21 | 1,7 | 91,3 | 22,7 |
| Council of the Gulf | 9 | 0,8 | 9 | 1,7 | 100,0 | 212,5 |
| | 1276 | 178,3 | 871 | 115,9 | 68,3 | 65,00 |

Source: compiled by the author according to [2,3,4]

The report of the auditing company Ernst & Young says that in the first quarter of 2013 after a successful final 2012, the activity in the global IPO market decreased markedly. Thus, the number of IPO reduced - to 118, which is less than in the first quarter 2012 (200), and it is the lowest result since 2009. However, the number of IPO reduce did not affect the extent of attraction - in the first quarter of 2013 they amounted 18.2 billion dollars, even above results a year ago (18 billion dollars). Thus, the average value of the transaction (approximately 150 million dollars) is quite comparable to the average result of the previous year (154 million dollars) [5].

The best results have demonstrated the world's largest stock exchanges. Four first place in terms of IPO transactions took New York Stock Exchange (New York Stock Exchange, NYSE), Tokyo Stock Exchange (Tokyo Stock Exchange, TSE), operator of the Frankfurt Stock Exchange Deutsche Borsen, Stock Exchange NASDAQ (National Association of Securities Dealers Automated Quotation, NASDAQ) [5].

According to Bloomberg, the second quarter of 2013 volume of IPO in the world increase more than two times compared to the first quarter. During April -June total IPO volume totaled 42 billion dollars to 20 billion dollars in January- March. The number of IPOs in the last quarter dropped to 239 [6]. The most important role in the redistribution of the world's financial resources play Exchange USA, China and Europe (see Table 1).

The most succinct in 2011-2012 were USA markets, there were 146 IPOs totaling 42.6 billion dollars there. During the first two months of 2011, USA stock markets have attracted 9 billion dollars during the 26 agreements. The largest deal in the history of the USA IPO - IPO energy company Kinder Morgan, whose amount is 3.3 billion dollars [4].

In difficult economic and political situation in Europe was only 253 IPOs with a total value amounted 61.2 % from the level of 2011. There was no really big IPO, compared to 2011 similar to the IPO of Glencore of 6.9 billion

dollars. Key European markets in 2012 is London, which provided under half of the total European revenue. However, London shows a significant decrease - 73 IPO amounting 5.1 billion euros against 101 IPO amounting 14.1 billion euros in 2011, 42% of the total revenues of London accounted for CIS companies, which looking for offshore capital markets. Most of the 10 largest IPO in London in 2012 were foreign, which helped to strengthen the status of London as a leading international IPO markets. During the first two months in 2011, the European stock markets have attracted 1.8 billion dollars of 26 transactions [7, p.18-19].

Further growth is expected IPO transactions as budget deficits in Eastern Europe, forcing governments to seek the funds necessary for the settlement of the economy. One solution to this problem is to conduct a large-scale privatizations.

In China's stock markets in 2012, the number of IPO transactions fell by almost half compared to 2011, the total amount of borrowed funds decreased by over 60% to 29.5 billion dollars due to the negative impact of the global economic uncertainty and high volatility in stock markets in investing activities (Table 2).

Table 2

**The number and value of transactions for the IPO offer price
in China in 2011-2012**

| Name of exchange | 2011 | | | 2012 | | |
|------------------------------|------------|----------------|---------------------------|------------|----------------|---------------------------|
| | Number IPO | Value, billion | Average cost IPO, billion | Number IPO | Value, billion | Average cost IPO, billion |
| Hong Kong Stock Exchange | 102 | 35,1 | 0,34 | 82 | 11,6 | 0,14 |
| Shenzhen Stock Exchange | 243 | 28,7 | 0,12 | 26 | 6,1 | 0,23 |
| Shanghai Stock Exchange | 39 | 16,7 | 0,43 | 129 | 11,3 | 0,09 |
| The Taiwan Stock Exchange | 48 | 0,5 | 0,01 | 22 | 0,5 | 0,02 |
| Greater China, in all | 432 | 81,0 | 0,19 | 239 | 29,5 | 0,12 |

Source: compiled by the author according to [4, 7]

Hong Kong Stock Exchange, which accounts for an average more than 40 % of placements, retains its leading position among the Stock Exchanges in China.

However, in 2012 revenue in Hong Kong declined by 67% due to the lack of large IPO and reduce the number of successful listing of both international and Chinese companies. Shanghai and Shenzhen Stock Exchanges have also suffered because of declining investor confidence during 2012, leading to a reduction in costs compared to 2011 There is also a significant decrease in the average cost of placement [7].

However, more than 830 enterprises in China are awaiting listing on the Shanghai and Shenzhen Stock Exchanges to indicate the high potential of business activity [6, c. 20].

The dynamics of the IPO market significantly affected issuers on emerging markets. In 2005 the number of issuers on emerging markets attracted about 35% of total capital raised (63 billion dollars), in 2010, their share increased two-fold - up to 70 % (195 billion dollars) [3].

In 2009-2010, against the backdrop of a significant drop in the European IPO market, the share of Asian markets rose from 31% (average for 2005-2008) to 61% in 2009 and 65% in 2010 [3]. It is worth noting the role of subsidiaries of large corporations that have already public status. Thus, one of the largest IPOs in history - offering AIA Group (22,1 bln. dollars) Asian subsidiary of AIG Group. Other great location in 2010 had Samsung Life Insurance (4,4 bln. dollars), Enel Green Power (3,4 billion) [8, p. 115].

Investment potential of the BRICS countries, especially China, provide leadership in their markets IPO in 2011. The Shenzhen Stock Exchange in the first two months of 2011 raised 6.5 billion dollars by holding 51 of IPO, 22 of them - with small and medium enterprises and 29 - with innovative enterprises in China. Shanghai Stock Exchange, completing eight agreements IPO raised 4 billion dollars during the same period. In addition, the special place occupied Hong Kong Stock Exchange activities, which are fully open to foreign investors [3].

Analysts Ernst & Young ascertain slump placement issuers BRICS countries. In 2012, the markets of Hong Kong, Shanghai and Shenchzhenya experienced a significant decrease compared to 2011. In the first quarter of 2013, they raised 1 billion dollars; a half of that amount came in the only Russian IPO - Moscow Stock Exchange. Worse were only the results in the fourth quarter of 2008 and the first quarter of 2009 when the financial crisis has been no placement companies from BRICS countries. After this failure, IPO volume never fell below 6 billion dollars per quarter. A decrease in placements primarily connected with the termination of the privatization of companies and banks in China, which provide high volumes of BRICS countries. In addition, activity in the IPO in Asia continues to influence ban on new listings exchanges mainland China (since November 2012) [9].

Assessing the prospects of the Chinese market IPO should be noted that it has large reserves, especially for companies producing industries. Applicants for public offering has several large public companies, as well as numerical small and medium enterprises from the sectors of consumer goods, infrastructure, pharmaceuticals, and clean technologies.

In the third quarter of 2013, Ernst & Young analysts predict to increase in global activity in the IPO and increase the number of transactions and the total amount involved, which approaches the result of the second quarter last year (40 billion dollars). First, the increase IPO in Europe, then the USA market, and lesser extent - on the emerging markets. BRICS countries continue to lag behind other regions [5].

However, the potential of the global IPO market in the medium term to 2020 is determined, above all, cooperation mechanisms by developed and developing countries. The positive impact of privatization programs should provide governments of BRICS : India's planned investment - 10 billion dollars, Russia - about 50 billion dollars in 2011-2017.

An important area is developing of alternative energy, waste management, transport and infrastructure. Thus, in times of crisis, China launched its program of financing major infrastructure and transport projects (586 billion dollars). In 2010, the Chinese government announced the launch of a program of alternative energy investment amount was 735 billion. India has adopted an investment program in infrastructure development, which expected to invest 1 trillion dollars. Indian IPO markets remain high growth rates while GDP growth, accounting for 8%. The government privatization program with a budget of 10 billion dollars and a plan to develop the infrastructure amount 1 trillion dollars. USD will enhance IPO [10].

Markets in Latin America in the early 2012 showed positive signs, however, in line with global trends, these expectations were not fulfill, the number of IPOs was much smaller, and their aggregate value, calculated at the offer price has increased (Table 4). These developments reflect concerns about business prospects to reduce global economic growth, reducing the growth of Brazil's GDP growth, euro zone crisis.

Table 4

**The number and value of transactions for the IPO by offer price
in Latin America in 2011-2012**

| Name of exchange | 2012 | | | 2011 | | |
|--|------------|----------------|---------------------------|------------|----------------|---------------------------|
| | Number IPO | Value, billion | Average cost IPO, billion | Number IPO | Value, billion | Average cost IPO, billion |
| Brazilian Stock, Mercantile and Futures Exchange | 3 | 2,1 | 0,7 | 11 | 4,2 | 0,38 |
| Colombian Stock Exchange | 3 | 1,2 | 0,4 | 4 | 2,8 | 0,7 |
| Santiago Stock Exchange | 4 | 0,6 | 0,15 | 4 | 1,0 | 0,25 |
| Mexican Stock Exchange | 5 | 2,5 | 0,5 | 2 | 0,5 | 0,25 |
| Latin America, in all | 15 | 6,4 | 0,4266 | 21 | 8,5 | 0,4048 |

Source: compiled by the author according to [7].

In Brazil IPO transactions occur mainly in the mining, oil and gas industries, retail trade, but the volume of transactions Brazilian IPO market inferior Chinese.

Findings from the study. Developing fastest, play an important role in the mechanism of raising capital through initial public offerings around the world. Co-developed countries and developing countries determine the potential of the global IPO market in the medium term to 2020. Key growth drivers of the business activity in the IPO market is the privatization of state property, the activities of companies engaged in industries such as mining (including oil and gas), industrial production, infrastructure and technology.

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СВІТОВИЙ ТА РЕГІОНАЛЬНІ РИНКИ ІРО: СУЧАСНИЙ СТАН І ПЕРСПЕКТИВИ РОЗВИТКУ

Резюме

У статті аналізується сучасний стан ключових міжнародних ринків первинних публічних розміщень як джерела фінансування бізнесу транснаціональних корпорацій. Особливу увагу приділено ролі країн БРІКС у розвитку світового ринку ІРО. Окреслено подальші перспективи у цій сфері.

Ключові слова: первинне публічне розміщення, світовий ринок ІРО, фондова біржа, регіональні ринки ІРО.

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**МИРОВОЙ И РЕГИОНАЛЬНЫЙ РЫНКИ IPO:
СОВРЕМЕННОЕ СОСТОЯНИЕ И ПЕРСПЕКТИВЫ РАЗВИТИЯ**

Резюме

В статье анализируется современное состояние ключевых международных рынков первичных публичных размещений как источников финансирования бизнеса транснациональных корпораций. Особое внимание уделено роли стран БРИКС в развитии мирового рынка IPO. Определены дальнейшие перспективы в этой сфере.

Ключевые слова: первичное публичное размещение, мировой рынок IPO, фондовая биржа, региональные рынки IPO.