FINANCIAL TIMES

June 11, 2012 7:13 pm

Cash raised in IPOs hits three-year low

178

By Alexandra Stevenson

The amount of money raised through initial public offerings this year has fallen to a three-year low, underscoring the fragility of equity markets.

Companies have raised $53.5bn for the year to date compared with $99.2bn in the same period last year. The number coming to market has nearly halved, according to data from Dealogic.

Adam Young, co-head of equity capital markets at Rothschild, said: "Everyone's perception is that the risk alarm bells are ringing louder than they were at the beginning of the year."

With no end to the eurozone crisis in sight, investors have pulled back from risky assets and instead poured money into cash and bonds.

Oliver Holbourn, head of the European equity markets syndicate at BofA-Merrill Lynch, said: "You're in an environment at the moment where corporates are very long in cash and debt is for the most part very cheap.

"Those two facts by themselves mean that you need a compelling reason to issue equity."

Europe has been the region worst hit by investor jitters. A total of 49 companies have listed on European exchanges this year, raising $5.4bn, compared with 147 raising $20.1bn in the same period last year.

In Asia, where volumes were at a high in 2011, the number of companies coming to market has fallen 36 per cent to 165, with the amount raised down almost three quarters to $14.5bn.

Slowing risk appetite in Asia has been largely due to China's economic slowdown, says Mouhammed Choukeir, chief investment officer of Kleinwort Benson.

"Broadly speaking, everyone was talking about the eurozone crisis at the beginning of the year but now what is emerging is a concern about global growth," Mr Choukeir said.

Even the US market is beginning to show signs of weakness. While the value of deals has risen 3 per cent from the same period last year to $29.1bn, the number in the US is flattered by Facebook's $16bn IPO last month.

Since its listing, its share price has fallen by more than a quarter.

Mr Young said: “The Facebook IPO has completely killed the tech thing dead. The sorts of capital losses borne from Facebook’s IPO have to take a lot of the firepower out of markets.”

Most bankers doubt that conditions for IPOs will improve soon.

Mr Holbourn said: “Without being too downbeat it’s not a situation anyone is overjoyed with. It’s a bit like the English weather – you wake up every morning expecting the sun to shine but it rarely does.”

Robert Buckland, chief equity strategist at Citi, said a bigger concern could be looming. “Maybe if we have already faced the death of equity saving then we are starting to see signs of death of equity financing,” he said.

You may be interested in

Berlin is ignoring the lessons of the 1930s

Cameron to urge Merkel to act on eurozone

Spanish government no longer in denial

A Eurobond medicine Ms Merkel could swallow

Bundesbank: Germany walks fine line in euro crisis