

The background features a stylized world map in shades of orange and brown, overlaid with a white line graph showing market fluctuations. In the bottom right, there is a wireframe illustration of a modern skyscraper. The entire scene is framed by large, semi-transparent red diamond shapes in the corners.

# 1H2020 US Equity and IPO market update

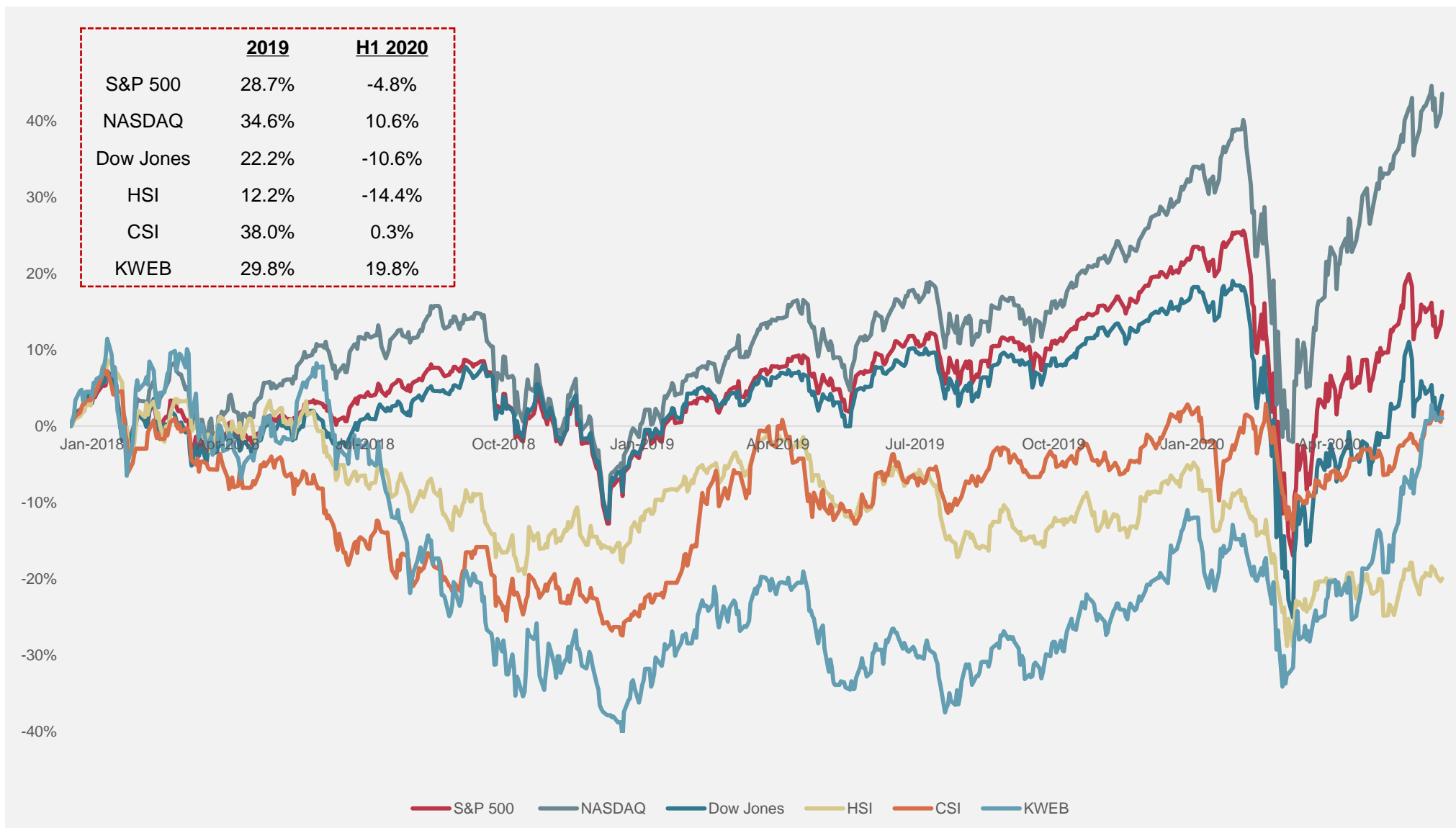
**Jason Eisenhauer**

Managing Director, Head of US Equity Capital  
Markets and TMT Investment Banking

July 2020

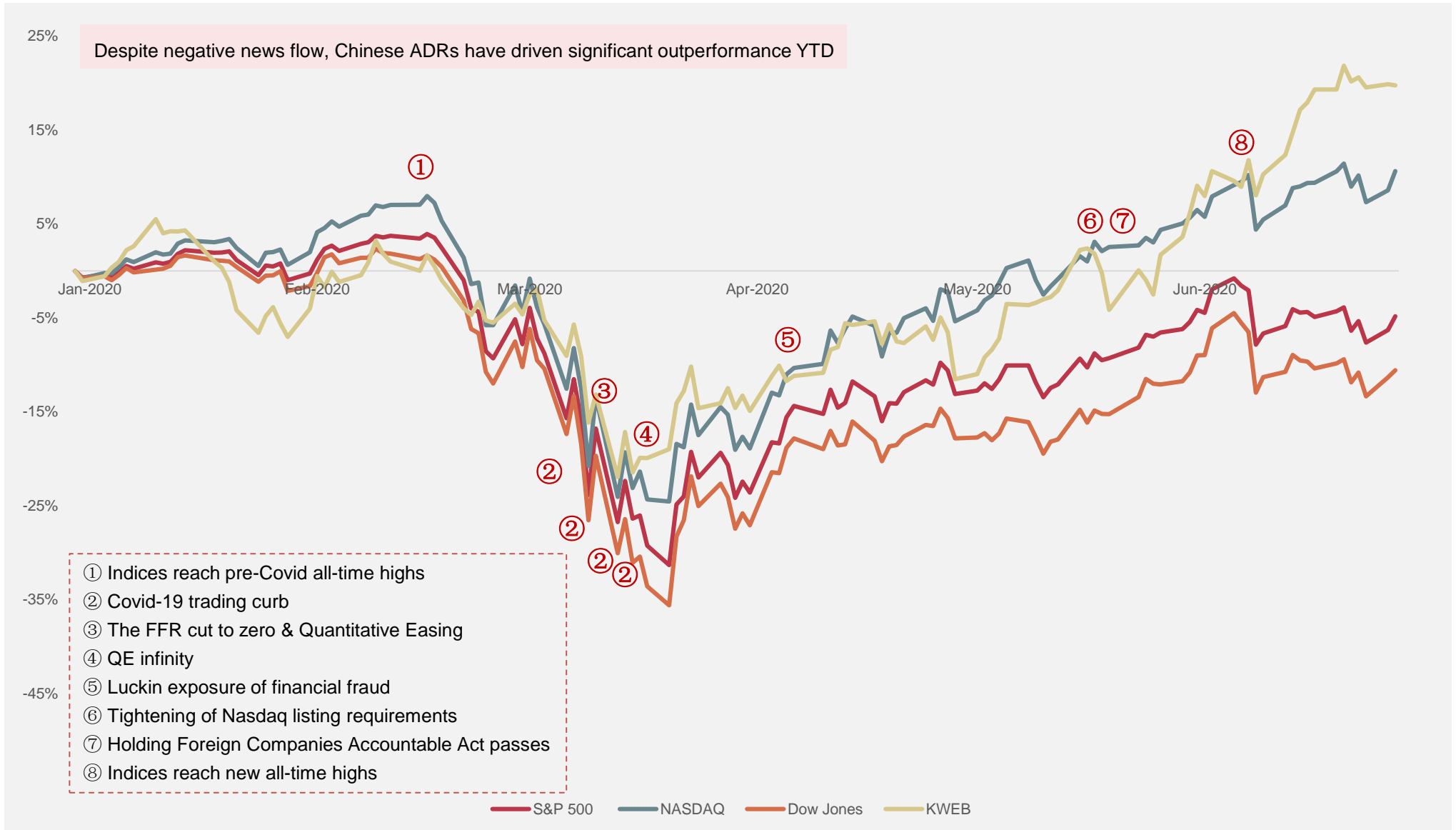
# US equity markets have delivered a robust V-shaped recovery

## Key index performance since 2018



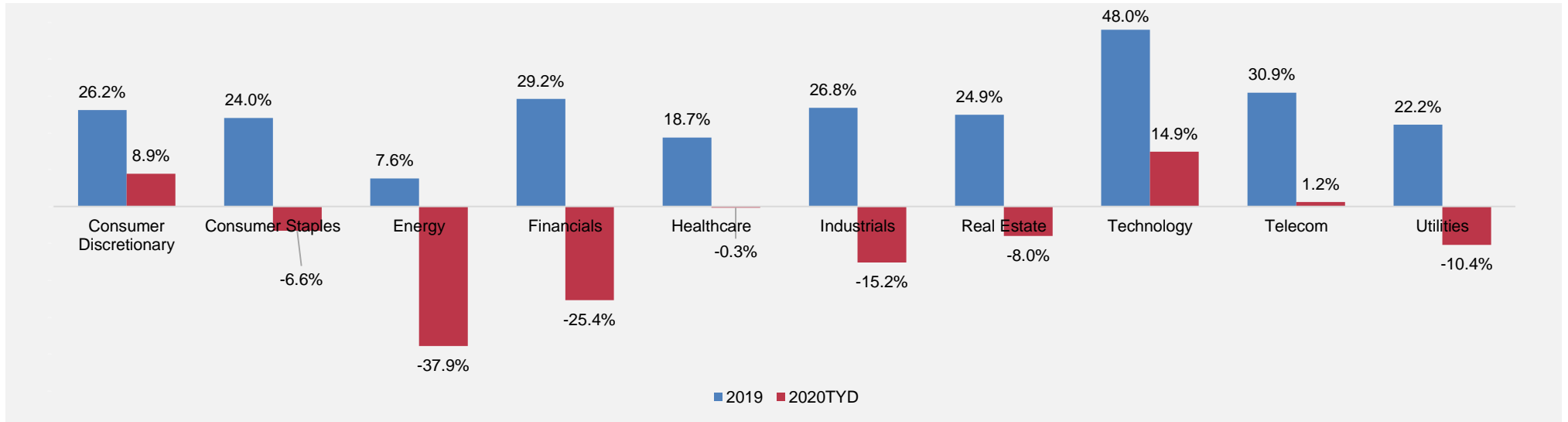
# US-listed Chinese equities have faced significant perceived headwinds in H1 2020

## YTD timeline of key events in addition to Sino/US geopolitical tensions



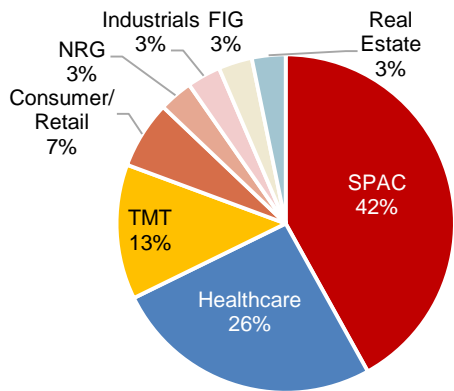
# US Index outperformance H1 2020 has been concentrated in specific sectors

## Sector index performance

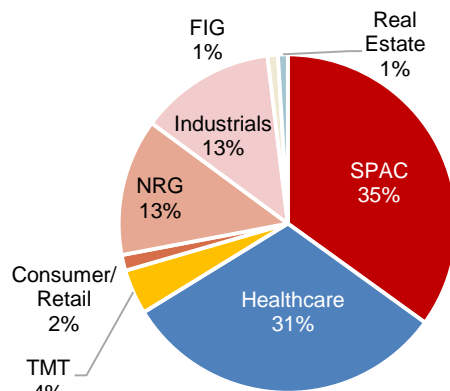


## # of IPOs on US exchanges by sector

Deals pricing prior to March 11 (N=31)

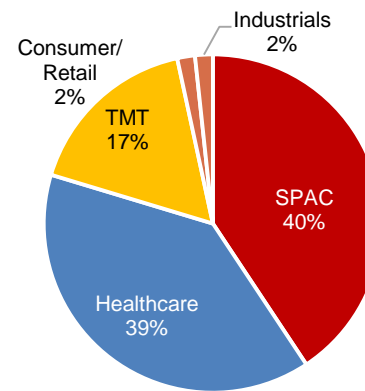


By deal #

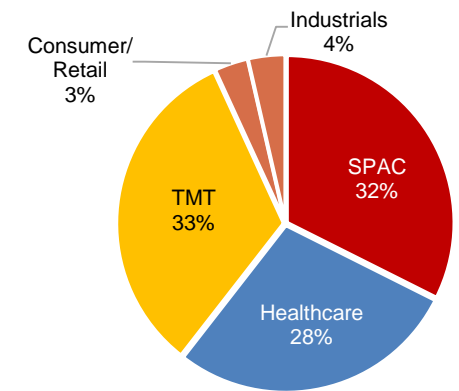


By deal value

Deals pricing since March 11 (N=59)



By deal #



By deal value

# Key themes and observations for the US IPO market H1 2020

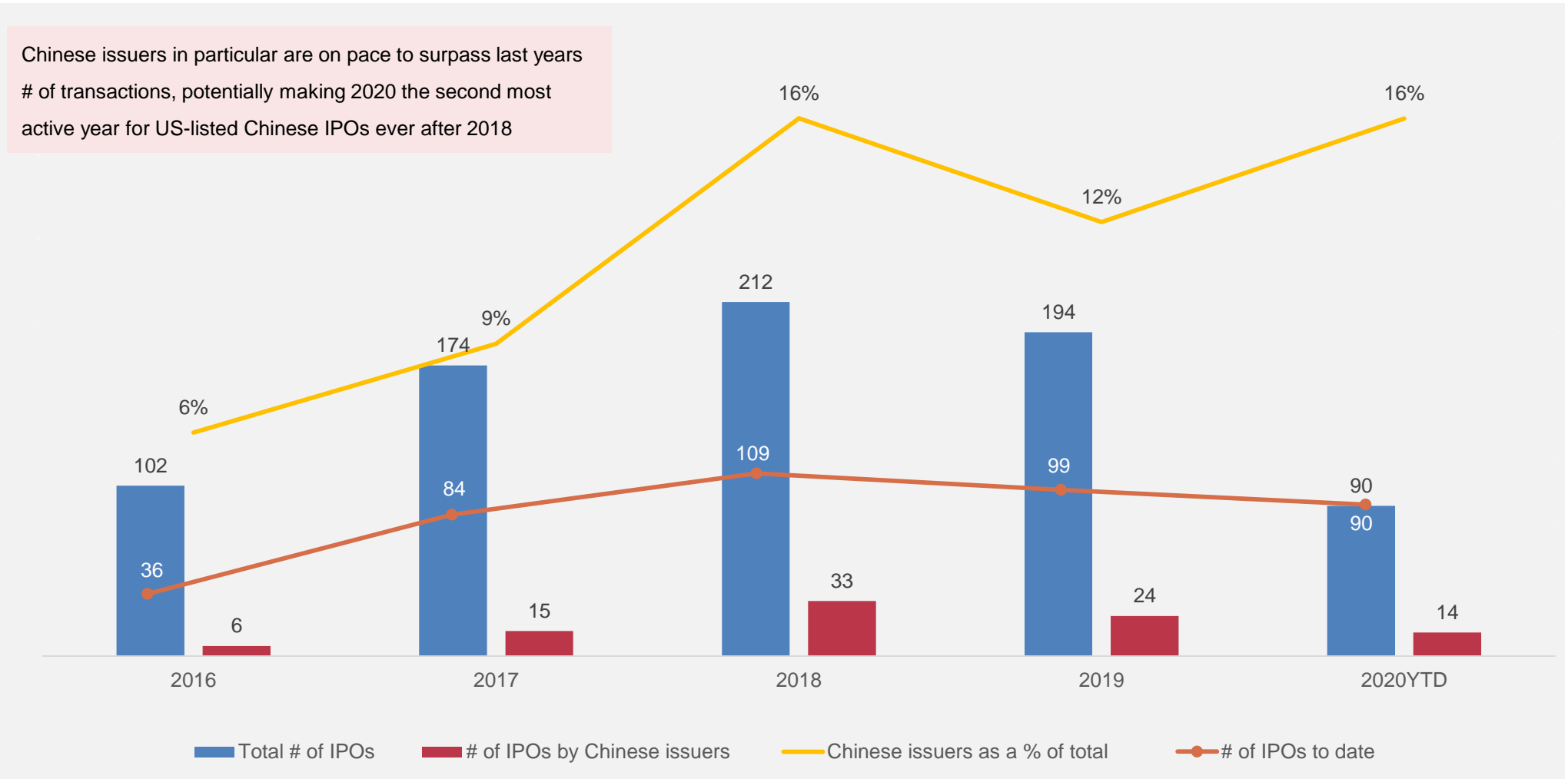
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- ◆ The year began with an active IPO calendar for both domestic and Chinese issuers
  - Wide participation across a number of sectors
- ◆ Once the Covid-19 outbreak established itself in the US, there was an almost immediate impact on IPO issuance
  - The intensity of the virus in New York City no doubt played a role in the aggressive sell-off which started in March
  - However, the true impact on the IPO calendar was somewhat muted as the start coincided with a seasonally light period of activity due to FY audit availability
- ◆ Once investors became comfortable with virtual roadshows, SPACs and Biotech issuers dominated the re-opening of the IPO window
  - Heavy reliance on insights and marketing gained through numerous “testing the waters” exercises
  - First non-SPAC/Healthcare IPO post Covid-19 was for a Chinese issuer
- ◆ As the market continues to improve, investors remain very eager to put \$ to work in the new issue calendar
  - May 2020 was the MOST active month in history for broader equity issuance in the US markets
- ◆ The initial market recovery off the Covid-19 lows was driven by a few large-cap technology/“pandemic plays”
  - While this trend continues, the scope of participation has widened to other sectors
- ◆ IPO issuance will be relatively quiet for the first 2-3 weeks of Q3 as companies prepare to use Q2 2020 financials for marketing



# Despite headwinds, activity levels remain normalized

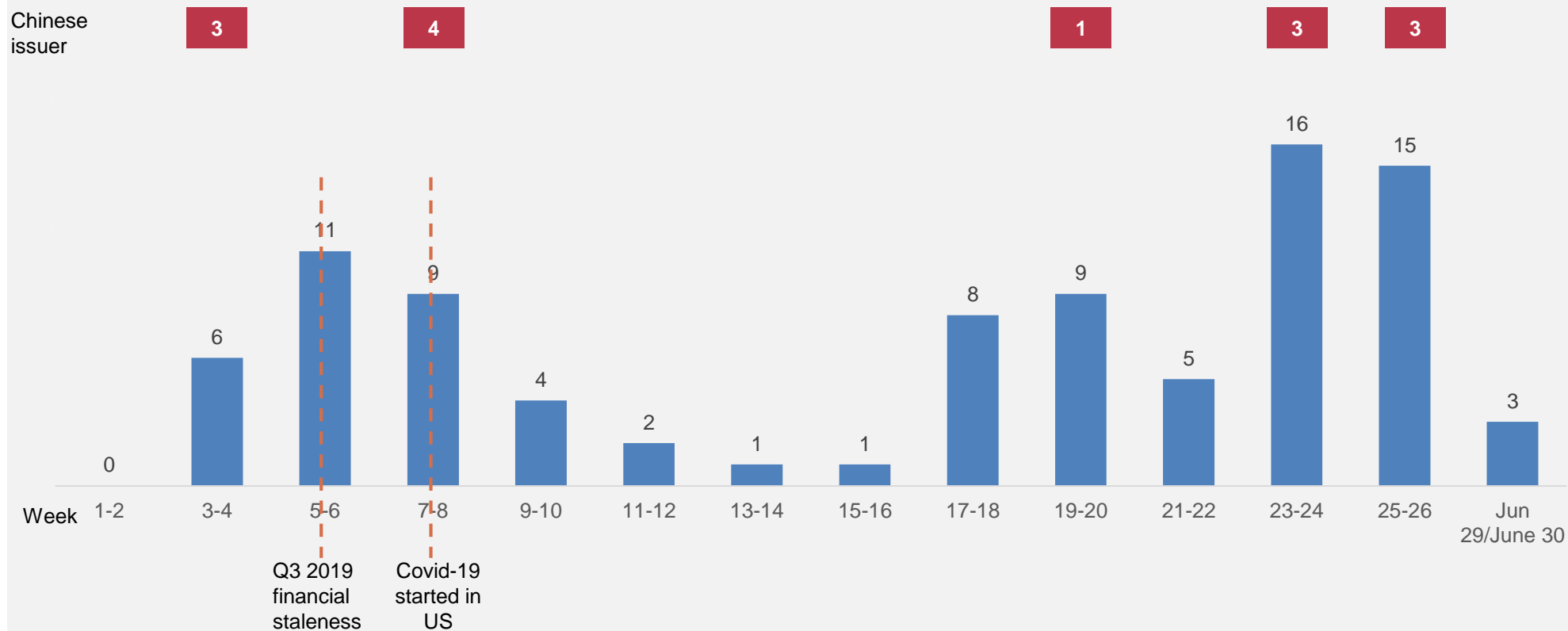
## # of IPOs on US exchanges by year



# Issuance has recovered quickly to surpass pre-outbreak levels

## Fortnightly US listed IPO activity – H1 2020

Activity levels picked up significantly post the initial closing of the IPO market window. Post Covid-19 issuance has been heavily concentrated in SPAC, Healthcare and TMT sectors



# Investors remain fully engaged in the deal calendar despite logistical challenges

## Top months for US-Listed ECM Volume

Month	IPO(\$bn)	Follow-on(\$bn)	Convertible (\$bn)	Total
2020 May	\$4.8	\$45.9	\$21.0	\$71.7
2009 Dec	2.2	57.5	4.8	64.5
1999 Oct	25.7 	28.5	3.3	57.5
2014 Sep	30.9 	20.1	5.8	56.8
1999 Nov	20.0 	29.6	6.5	56.1

Despite market volatility and restrictions on in person roadshow meetings, May 2020 marked the most abundant month for equity capital raising in history



# Investor feedback on key themes perceived to impact Chinese issuers

①



luckin coffee | 瑞幸咖啡

## **Luckin Coffee fraud and delisting – impact on appetite for China IPOs listed in US**

- ◆ As with most frauds, investors have tended to view this in isolation – not a broader China issue
- ◆ While the scope and profile of Luckin impropriety is the largest in recent memory, it does not mean that all Chinese issuers are fraudulent
- ◆ Ultimately these kinds of fraud are hard to catch/anticipate from any company anywhere in the world – it is not China specific (e.g. Wirecard)
- ◆ Investors remain eager to invest in Chinese issuers
  - Limited number of global macro growth opportunities with relatively limited downside risk, particularly with financial reforms and other tailwinds taking place in China
- ◆ Will increase focus on underwriter/investor due diligence, investor education and valuation rationalization
  - Similar to prior Chinese IPO cycles, the tail end tends to see momentum investing and deal chasing as a significant contributor to IPO execution and aftermarket trading

②



## **Nasdaq listing requirements tightening for non-US IPOs**

- ◆ The new rules target all non-US issuers, though will have an outsized impact on Chinese issuance as China is by far the largest contributor of foreign IPOs
  - 59% of non-US IPOs listing in the US were from China in 2019 and 70% in 2020YTD
- ◆ Overall view that new requirements will not preclude the listings of good companies of size (e.g. minimum \$25m float)
- ◆ Nasdaq has said that their intention is not to preclude high quality companies from listing on their exchange
- ◆ Targeted at marginal issuers maybe better suited to list on their domestic exchanges, or not to list at all
  - e.g. friends and family IPOs
- ◆ Other rule changes will increase accountability to shareholders which is viewed as a net positive
- ◆ Competition from other listing exchange venues acts as a good market check

# Investor feedback on key themes perceived to impact Chinese issuers

③














## Passing of Holding Foreign Companies Accountable Act – May 20, 2020

- ◆ Similarly targets all non-US issuer though some components directly target Chinese issuers
- ◆ Exceptionally challenging to delist companies for non financial event purposes (e.g. bankruptcy or fraud) particularly with secondary securities tied to underlying equity
- ◆ Political signaling?
- ◆ Timing of signing into law and implementation remains distant
- ◆ Many interested parties do not want to see Chinese firms excluded from listing on US exchanges – lobbying power
  - Including public investors, exchanges, brokerages/investment banks, venture capital/private equity
- ◆ Few listing venues can compare to US exchanges as a source of global investor interest

Investors are unanimous in their view that in the medium term and beyond, all three of these developments will be positive not just for Chinese issuers, but for the US capital markets in general

## Recent IPOs by Chinese issuers on US exchanges

Pricing Date	Company	Ticker Symbol	Exchange	Sector	Base Deal		Offer Price	vs. Filing Range	% change price vs.				
					Size (\$m)	% of market cap			Mid-point	T+1	T+7	T+30	T+current
26-Jun-20	 EBANG	EBON	NASDAQ	TMT	\$101	15%	5.23	In Range	(4.9%)	(4.4%)	(16.4%)	-	(9.6%)
25-Jun-20	 agora	API	NASDAQ	TMT	\$403	20%	20.00	Above	17.7%	152.5%	182.5%	-	120.9%
18-Jun-20	 GENETRON 泛生子	GTH	NASDAQ	Healthcare	\$256	18%	16.00	Above	28.0%	0.0%	(16.0%)	-	(24.6%)
12-Jun-20	 燃石医学 Burning Rock Dx	BNR	NASDAQ	Healthcare	\$223	13%	16.50	Above	13.8%	49.3%	61.2%	-	63.7%
05-Jun-20	 达达集团	DADA	NASDAQ	TMT	\$320	9%	16.00	In Range	0.0%	(0.1%)	(7.8%)	-	39.4%
05-Jun-20	 LEGEND BIOTECH	LEGN	NASDAQ	Healthcare	\$487	16%	23.00	Above	21.1%	60.9%	57.6%	-	85.0%
07-May-20	 金山云	KC	NASDAQ	TMT	\$587	16%	17.00	In Range	0.0%	40.2%	32.3%	18.8%	85.4%
12-Feb-20	 慧择 huize.com	HUIZ	NASDAQ	TMT	\$56	10%	10.50	In Range	1.0%	(4.8%)	0.0%	(9.1%)	(26.6%)
16-Jan-20	 荔枝	LIZI	NASDAQ	TMT	\$45	9%	11.00	In Range	(8.3%)	5.7%	0.5%	(7.0%)	(51.3%)
16-Jan-20	 蛋壳公寓	DNK	NYSE	TMT	\$134	6%	13.50	Below	(12.9%)	0.0%	(1.7%)	0.0%	(31.5%)
16-Jan-20	 天境生物 I-MAB BIOPHARMA	IMAB	NASDAQ	Healthcare	\$114	14%	14.00	In Range	3.7%	(10.7%)	8.3%	(22.8%)	113.8%
<b>Averages for the 2020 Chinese IPOs</b>					<b>\$254</b>	<b>14%</b>	<b>14.79</b>		<b>5.4%</b>	<b>26.2%</b>	<b>27.3%</b>	<b>(4.0%)</b>	<b>33.2%</b>
<b>Averages for the 2019 Chinese IPOs</b>					<b>\$182</b>	<b>10%</b>	<b>11.33</b>		<b>(3.4%)</b>	<b>6.3%</b>	<b>5.2%</b>	<b>1.6%</b>	<b>(7.7%)</b>

Robust pricing and aftermarket performance have seen investors rewarded for investing in quality issuers of size in 2020

# Foreign issuer views on going public in the US – dispelling the myths



- ◆ The US continues to be the destination of choice for most non-US issuers
  - Superior liquidity and trading activity
  - Deep pool of sophisticated investors with sub-sector expertise and global focus
  - Highly institutionalized investor community
- ◆ Will remain the #1 choice for listing of high profile businesses looking to list outside their domestic exchanges
- ◆ Many foreign issuers continue to have an antiquated view that listing in the US is overly challenging, expensive and burdensome
- ◆ The SEC has made significant legal/registration and reporting accommodations to “Foreign Private Issuers”
  - Confidential filings
  - Reduced disclosure
  - Ability to use home country corporate governance practices
  - Flexibility around use of IFRS vs. US GAAP financials
  - Ability to execute a technical or direct listing
  - Aim to harmonize with local laws and requirements
- ◆ The SEC is on record saying that they want to continue to attract a greater share of global listings to the US by making the process simpler and more transparent
- ◆ The trend of secondary listings in home markets (as we have seen a pickup recently in China) will continue as a way to engage with a domestic institution/retail/user base and hedge against an unlikely delisting scenario
  - Currently limited to high profile/large brand name companies, though this will likely change over time

Huatai is best positioned as an integrated crossborder banking team serving all three relevant jurisdictions to help issuers and investors navigate these trends