

## Strategic Perspectives

# 2023 IPO market is weakest since 2016

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The IPO market struggled to build momentum in 2023 and ended with 150 completed offerings, 25 fewer than were seen in 2022. It was the smallest number of new issues since 2016 when 117 companies went public in the U.S. Despite the lower number of deals, the aggregate proceeds raised were \$22.76 billion, a nearly \$3 billion improvement on 2022's \$19.88 billion.

Inflation and global political unrest, as well as the continued availability of private financing, kept larger issuers on the sidelines in 2023. Smaller companies that did go public were hampered by low valuations and poor aftermarket performance. Many new issuers saw their stock prices sink below the IPO price once they began public trading, which further dampened investor sentiment already impacted by inflation and other worrisome macro issues.

**Tech stays quiet.** One trend that carried over from 2022 was the relative scarcity of tech companies in the IPO market. Many private tech companies are well funded and do not need an IPO cash infusion. In the usually-active prepackaged software industry (SIC 7372), for example, six companies went public in 2023 after just two deals the year before. The computer programming services industry (SIC 7370) produced two IPOs in each of 2022 and 2023.

Market watchers do not expect tech deals to return until the second half of 2024 at the earliest, but this year will bring its own set of issues that could impact that

prediction. Most notably, the uncertainty surrounding the U.S. presidential election will likely weigh on the market with both investors and potential issuers taking a cautious approach for much of the year.

While technology companies remained mostly on the sidelines in 2023, blank checks (SIC 6770) continued their run as the market's most consistent producer of IPOs. With 31 new issues and a 21 percent market share, SIC 6770 finished as the top performing industry for the seventh straight year. Pharmaceutical preparations (SIC 2834) was the next closest industry with 16 offerings (11 percent). No other SIC Code made it into double digits.

Biological products (SIC 2836) matched its 2022 output with six new issues and finished as the third busiest industry for the second consecutive year. SIC 7372 (Prepackaged Software) also saw six IPOs, but those deals raised nearly \$400 million less than the SIC 2836 new issues. Food and kindred products (SIC 2000) rounded out the 2023 top five with four completed offerings.

The year's largest offering was completed by U.K.-based developer of CPU products and related technology Arm Holdings. Its \$4.87 billion debut was one of only three deals that surpassed the \$1 billion mark in IPO proceeds. Only two issuers reached that threshold in 2022. The other 2023 new issuers to generate more than \$1 billion in proceeds were consumer health products company Kenvue, which was spun off from Johnson & Johnson, and footwear maker Birkenstock Holding. Kenvue raised \$3.8 billion in its May

debut, while Birkenstock netted \$1.48 billion from its October 10th offering.

**Foreign company deals.** Offerings by non-U.S. companies accounted for 45.3 percent of 2023's IPO market, up from 30.9 percent in 2022. The 68 non-U.S. IPOs last year were 14 more than were seen in 2022. China was once again home to most of the non-U.S. IPO companies with 29 during the year, more than twice its 2022 tally of 13. In 2023, 17 different countries were home to offshore new issuers, compared to 13 in the prior year.

After China, Singapore produced the most IPO companies with seven, followed by Japan with six. Malaysia and Israel were home to four IPO companies each last year, and Canada and Bermuda each produced three. Spain, which had not seen any of its companies go public in the U.S. since 2013, produced one new issuer in 2023. Turbo Energy, a Valencia-headquartered designer of photovoltaic energy storage products, raised \$5 million in a September offering. Macau, which had not produced a new issuer in the U.S. since at least 1998, saw the debut of tree harvesting services company Nature Wood Group in September.

Market performance was weighted toward the first quarter with March finishing as the busiest month of the year with 20 IPOs. The first quarter produced 45 new issuers, but activity tapered off after that with 32 IPOs in the second quarter. July, the year's second busiest month with 17 new issues, accounted for a substantial portion of the third quarter's 40 deals. The year closed with 33 IPOs in the final three months.

The top first-day trading performance of 2023 was turned in by U Power. Shares of the Chinese provider of vehicle sourcing services rose 619.7 percent in their April 19th debut. Asset manager Prestige Wealth was second at +281.8 percent in its first trading day. Singapore-based Multi Ways Holdings, a provider of heavy construction equipment and services, posted the third best debut with a +254.8 percent April offering.

**Law firm rankings.** With only 25 fewer IPOs in 2023 than the year before, the amount of work for IPO-focused law firms, underwriters, and auditors was a little slower than in 2022. The number of IPO-active law firms was 153, one more than the 152 in 2022. In 2022, seven firms reached double digits in number of assignments, with three topping 25 IPOs, while in 2023 12 firms reached double digits, but none worked on more than 24 assignments.

For the first time, Hunter Taubman Fischer & Li topped the [IPO law firm rankings](#). Its rapid ascent in the rankings began last year when it climbed to 7th place after finishing 30th in 2021. Hunter Taubman claimed 16 percent of the year's IPO with 24, but they were smaller offerings as the firm's aggregate proceeds only accounted for 1.1 percent of the market during the year.

Hunter Taubman finished four assignments ahead of Ogier and Loeb and Loeb. Ogier claimed the number two ranking using the aggregate proceeds tie-breaker, rising three spots from its 2022 finish. Like Hunter Taubman, Ogier continued improving its ranking significantly from its 23rd place finish in 2021. Loeb and Loeb dropped from second in 2022 when it worked on 28 IPOs to third in 2023 with 20 new issues.

Latham & Watkins ranked fourth in 2023, just one representation behind Ogier and Loeb and Loeb. The firm rose 13 spots from its 2022 annual ranking. Rounding out the top five was one of

2023's biggest movers, Ortoli Rosenstadt. The firm climbed into 5th place after finishing 26th last year. Its work was split nearly evenly between issuer's counsel and underwriters counsel for companies across many different industries.

Ortoli's 2023 performance was almost matched by Sichenzia Ross Ference. The firms worked on 16 and 15 IPOs, respectively, with Sichenzia's aggregate proceeds actually exceeding Ortoli's by \$144,607. Sichenzia's 6th place finish matched its 2022 ranking, an excellent showing for a firm that finished 2021 in 43rd place.

After a three-year run atop the year-end leaderboard thanks to the SPAC bubble, Maples and Calder dropped to 7th place in 2023. Its 14 deals were half as many as its 2022 total, and its aggregate proceeds fell from \$4.5 billion to \$1.3 billion year over year.

The next firm in the 2023 rankings is blank check specialist Ellenoff Grossman & Schole. Ellenoff, which worked on more than 164 deals during the SPAC explosion in 2021, assisted with 14 new issues in 2023 and finished in 8th place. The ranking represents a drop of five spots from where it finished in 2022.

Conyers Dill & Pearman, with 13 representations and Cooley with 12 are the final two firms in the top 10 for 2023. Conyers worked on 10 more offerings than it did in 2022 and climbed from 48th to 9th in the year-end rankings. Cooley also took a large step up to finish 10th, having ended 2022 in 31st place with four IPOs.

Crone Law was the largest year-over-year mover in the law firm rankings, jumping into 19th place from 64th in 2022. The firm's six assignments were four more than its 2022 total. Another firm that saw a significant rise in its ranking between 2022 and 2023 was Bevilacqua, which moved from 27th to 16th place.

By aggregate IPO proceeds generated in 2023, Davis Polk & Wardwell claimed the top spot with \$10.8 billion, almost doubling Latham's \$5.7 billion. Those were the only two firms whose IPO assignments netted more than \$5 billion in 2023 as 3rd place finisher Morrison & Foerster tallied \$4.8 billion due to its work on Arm Holdings' IPO. Cravath, Swaine & Moore and Cooley rounded out the top five as measured by aggregate IPO proceeds. Like Morrison & Foerster, Cravath's total came from just one offering—Kenvue's \$3.8 billion deal.

**Lead manager rankings.** The number of investment banks acting as lead manager rose to 78 in 2023 from 71 the year before. The number still fell short of the 130 active lead managers in 2021 and 93 in 2020. The number of lead managers with total IPOs in the double-digits was six, three more than in 2022.

Measured by number of IPOs, EF Hutton claimed the top spot in the [IPO lead manager rankings](#) for the second straight year with 20 deals brought to market. It was seven fewer IPOs than the bank's 2022 total but still enough to put it comfortably ahead of closest competitor JPMorgan. The 15 assignments for JPMorgan were six more than in 2022 as the firm moved from 5th place to 2nd in the annual rankings.

Third place was claimed by Goldman Sachs, the top firm in 2020 and 2021, with 12 completed IPO assignments. That total was matched by Boustead Securities, but Goldman's aggregate proceeds substantially outpaced Boustead's (\$13.3 billion versus \$97 million). Boustead worked on four more deals in 2023 than in 2022 as its year-end ranking improved from 11th to 4th year over year.

Bank of America served as underwriter of 10 new issues in 2023, improving its ranking from 6th place in 2022 to 5th. R.F. Lafferty also worked on 10 deals, but Bank

of America handily claimed the aggregate proceeds tie-breaker. The 6th place finish for R.F. Lafferty made the firm the largest mover in the 2023 rankings as it rose from a 46th place finish in 2022. Seven of the firm's 10 assignments were for non-U.S. issuers, five from China and two from Australia.

Citigroup placed 7th for the second year in a row, leading nine companies to market in 2023. Jefferies worked on nine IPOs in 2023 as well, and improved its ranking from 13th place to 8th place. Barclays, the number nine-ranked firm in 2023, also moved up year-over-year having finished 2022 in 23rd place. Morgan Stanley served as underwriter on eight new issues in 2023, three fewer than its 2022 total. As a result of the slight drop, the bank slipped from 2nd place to 10th in the year-end rankings.

The five banks that hold spots 11 through 15 in the rankings improved on their 2022 performance, sometimes significantly. Revere jumped from 71st to 12th place, and Spartan Capital rose to 13th place after finishing 47th in 2022.

The year's largest deal—Arm Holdings' IPO—was spread among 27 different underwriters. The company enlisted Barclays, Goldman Sachs, JPMorgan, and Mizuho Securities as lead managers, along with a variety of co-managers. Goldman Sachs and JPMorgan also co-led, with Bank

of America, the year's only other \$2 billion+ deal—Kenvue's May 3rd offering.

**Auditor rankings.** The number of accounting firms acting as IPO auditor in 2023 was 40, one fewer than in 2022. Marcum claimed the top spot in the annual [IPO auditor leaderboard](#) for the third year in a row and has now finished as one of the top two auditors for five straight years.

Marcum's industry-leading IPO total was 25, compared to 58 in 2022. The firm's total more than doubled its closest competitor, WWC (12 IPOs). WWC worked on 11 more deals in 2023 than in 2022 and improved its ranking from 34th to 2nd place. Ten of the 12 IPOs on which it worked were by non-U.S. companies.

2023's 3rd place auditor was Deloitte Touche with 11 IPOs, one more than Ernst & Young. That was enough to raise Deloitte four places from its 2022 finish in the rankings. Deloitte served as auditor on five deals in 2022. Ernst & Young moved up from 8th place in 2022 to 4th in 2023. PricewaterhouseCoopers slipped two places from its 2022 seat but still claimed the last spot in the 2023 top five with nine representations.

BF Borgers worked on eight IPOs in 2023, two more than the prior year, and held onto the sixth spot in the year-end rankings. It narrowly outpaced WithumSmith, UHY, and MaloneBailey, each of which served as auditor on seven deals during the year.

These three fell from top-five rankings in 2022 to finish 7th, 8th, and 9th, respectively, in 2023. The final auditor in the 2023 top ten was KPMG, which improved one spot from its 2022 ranking.

Measured by aggregate proceeds, Deloitte Touche was the top audit firm in 2023. The \$7.4 billion brought in by its IPO clients represented a 32.5 percent market share. PwC, whose IPOS raised \$5.8 billion, was second, followed by Ernst & Young at \$3.7 billion. WithumSmith and KPMG each ranked ahead of Marcum in the aggregate proceeds ranking despite the fact that Marcum worked on many more offerings. Marcum accounted for 16.7 percent of 2023's IPOs, but only 4.8 percent of the aggregate proceeds.

In 2023, eight of the top ten auditors remained the same from 2022. New entrants WWC and KPMG replaced BDO International and Friedman, which merged with Marcum in September of 2022. BDO worked on two IPOs in 2023, good for a 17th place finish.

The information reported here was gathered using IPO Vital Signs, a Wolters Kluwer Law & Business database that includes all SEC registered IPOs, including REITs and those non-U.S. IPO filers seeking to list in the U.S. markets. IPO Vital Signs does not track closed-end funds, best efforts or non-underwritten deals, or IPO offerings for amounts less than \$5 million.