

Strategic Perspectives

2022 IPO market plummets from 2021's lofty heights

By *John Filar Atwood*

The record-breaking euphoria of the 2021 IPO market gave way to grim reality in 2022 as rising interest rates, the war in Ukraine and other geopolitical unrest, and a retreating stock market sent IPO-hopeful companies and dealmakers into hiding. Year over year the number of IPOs fell 83 percent, from 1017 to 175, and the aggregate amount of money raised by new issues dropped an astonishing 93 percent, from \$283.3 billion to \$19.9 billion. The total proceeds were the lowest in 20 years (since 2003's \$17.7 billion) and the deal total had not been that small since 2016 (117 IPOs).

No matter how you approach it—by industry, by amount of work for law firms and underwriters, by number of \$1 billion+ deals, or by number of offerings by non-U.S. companies—2022 was a tough year for IPOs. Even trying to name a high-profile deal from the year, not a problem in recent years that saw Airbnb, DoorDash, Zoom, and Warner Music go public, is a challenge for 2022.

SPACs still the story. As in 2021, much of the narrative for the IPO market centered on SPACs and blank checks in 2022. Coming off a year when SPACs came to market with ease—611 completed IPOs in 2021—many SIC 6770 registrants headed for the exits in 2022. A total of 122 blank check companies withdrew in 2022, accounting for 70 percent of the record-high 174 Forms RW that were filed during the year. Led by SPACs, the number of withdrawals more than tripled the annual IPO market average (50) over the prior decade.

In addition to changing market dynamics, enthusiasm for SPACs also took a hit in late March when the SEC proposed new rules aimed at extending traditional IPO investor protections to SPACs. The proposals included increased disclosure requirements, new standards for marketing practices, and enhanced gatekeeper and issuer obligations. The agency also proposed to change the financial reporting requirements for all business combinations between a shell company and a private operating company. Although the rules were not yet adopted at year end, the prospect of increased regulatory requirements was enough to further dent the appeal of SPAC IPOs.

Even against these headwinds, however, blank checks still managed to complete 86 new issues in 2022, accounting for 49 percent of the year's deals. SPACs generated 60 percent (\$12 billion) of aggregate proceeds raised by IPO companies during the year. The 86 blank check offerings represented a decline from the 60 percent market share the group claimed in 2021, but still was by far the largest contribution of any industry to the 2022 IPO total. The next closest industry, pharmaceutical preparations, produced 16 new issuers (9 percent), and no other SIC Code made it into double digits.

2022 was the sixth consecutive year that SIC 6770 finished as the top performing industry and pharmaceutical preparations (SIC 2834) finished second. Despite dropping from 35

deals in 2021 to just six in 2022, biological products (SIC 2836) was the third busiest industry for the year. SIC 8200 (Educational Services) was next with four IPOs, all by non-U.S. companies. Another indicator of the weakness of the 2022 IPO market was that only two prepackaged software (SIC 7372) companies went public, with the first coming October 25, nearly 11 months into the year. Software is annually among the busiest industry segments for IPOs, including 50 offerings in 2021 and 20 the year before that.

The year's largest offering was completed by retirement and insurance product provider Corebridge Financial. Its \$1.68 billion debut was one of only two deals that surpassed the \$1 billion mark in IPO proceeds. By comparison, 30 new issuers reached that threshold in 2021, and 25 did so in 2020. The other 2022 new issuer to generate more than \$1 billion in proceeds was alternative asset manager TPG. Its January 12 offering barely made the cut, surpassing the \$1 billion mark by only \$50,000.

Foreign company deals. Offerings by non-U.S. companies accounted for 30.9 percent of 2022's IPO market, up from 24.4 percent in 2021. The 54 non-U.S. IPOs last year were only about one-third of the 170 seen in 2021. China was once again the primary producer of IPO companies with 13 during the year, down from 53 China-headquartered new issuers in 2021 and 41 in 2020. In 2022, 13 different countries were home to U.S. IPO companies, compared to 27 in the prior year.

After China, Singapore and Israel produced the most IPO companies with seven each, followed by Canada with six and the Cayman Islands with five. Malaysia and the U.K. each were home to four IPO companies last year, and Japan and Mexico each produced two. India, which had not been home to a new issuer in the U.S. since 2016, saw one company complete an IPO in 2022. Lytus Technologies, a content streaming and telemedicine services provider that operates out of Mumbai, raised \$12.4 million in its June offering. The Channel Islands produced only its third new issuer in the U.S. since the start of 2015 when OKYO Pharma debuted in May.

Market performance was weighted heavily toward the first quarter as the market carried some of 2021's momentum into the year. January and February were the two busiest months for IPOs in 2022 with 34 and 30 deals, respectively. The first quarter produced 79 new issuers, and activity tapered off after that with 40 IPOs in the second quarter, 37 in the third quarter, and 19 in the fourth quarter. Most of the third quarter's activity came in August when 20 deals made it the third busiest month of the year.

The top first-day trading performance of 2022 was turned in by Ostin Technology Group. Shares of the Chinese maker of display modules and polarizers gained 891 percent in their April 26th debut. Japanese beauty and health products company Yoshitsu was second at +700 percent in its first trading day. Ohio-based Blue Water Vaccines, a producer of vaccines for influenza and other infectious diseases, posted the third best debut with the 538 percent jump in its February offering.

Law firm rankings. The significant drop in work in 2022 made for a lean year for IPO-focused law firms, underwriters, and auditors, with most of them posting deal totals that were dramatically lower than the year before. The number of IPO-active law

firms fell to 152 from 222 in 2021. In 2021, 37 firms reached double digits in number of assignments, with six topping 100 IPOs, while in 2022 only seven firms reached double digits. The busiest two firms worked on just 28 assignments each.

For the third straight year, Maples and Calder topped the [IPO law firm rankings](#). Although its 28 deals were a far cry from its 2021 tally of 217 assignments, they were enough to match Loeb & Loeb's IPO work for the year. Maples and Calder claimed the number one ranking based on the \$4.5 billion in aggregate proceeds generated by its offerings, about \$2.4 billion more than Loeb & Loeb.

The second-place finish was an excellent showing for Loeb & Loeb, which finished tenth in the 2021 rankings and 12th the year before that. Seventeen of the firm's assignments were as issuer's counsel, with 13 of those being for blank check companies. Seven of its 11 underwriter's counsel representations were within SIC 6770.

Ellenoff Grossman & Schole ranked third in 2022, just one representation behind the top two firms. Ellenoff improved one spot over its 2021 placement. Davis Polk & Wardwell also repeated its top five ranking from the year before, although it slipped one spot from third to fourth. Its 16 assignments were matched by Ogier, but Davis Polk's deals raised \$3.3 billion more than Ogier's IPOs. Ogier managed a top-five finish in 2022 after ending 2021 in 23rd place.

The next five firms in the top ten include some surprises such as Sichenzia Ross Ference, Hunter Taubman Fischer & Li, Winston & Strawn, and McDermott Will & Emery. Each of those firms accomplished a top ten ranking after ending 2021 outside of the top 25 firms. Skadden, Arps, Slate, Meagher & Flom was the lone repeat top ten finisher among the firms that placed sixth through tenth in the rankings,

although Skadden fell to 8th place with nine assignments after finishing sixth in 2021 with 118 representations.

Robinson Cole was the largest year-over-year mover in the law firm rankings, jumping into 14th place from 207th in 2021. The firm accomplished the feat with seven assignments, six more than its 2021 total. Other firms that saw a significant rise in their rankings between 2021 and 2022 were Kaufman Canoles (from 134th to 11th), Carmel, Milazzo & Feil (from 113th to 16th) and Sullivan & Worcester (from 58th to 15th).

Some perennial leaders among IPO law firms dropped in the 2022 rankings, most notably Latham & Watkins, which found itself in 17th place after finishing second in 2021. The firm's assignments fell from 171 in 2021 to 6 in 2022. Latham held the top spot in the annual rankings every year from 2011 through 2018. Kirkland & Ellis slipped from 5th to 12th, and Ropes & Gray occupied 19th place after finishing 9th in 2021.

By aggregate IPO proceeds generated in 2022, Maples and Calder also claimed the top spot with \$4.51 billion, narrowly outdistancing David Polk's \$4.5 billion. Those were the only two firms whose IPO assignments netted more than \$4 billion in 2022 as third place finisher Ellenoff Grossman's deals tallied \$3.1 billion. Skadden Arps and Loeb & Loeb rounded out the top five as measured by aggregate proceeds. Overall, the proceeds raised in 2022 paled in comparison to the year before—while 14 law firms reached \$10+ billion in IPO proceeds in 2021, no firms even reached \$5 billion in 2022.

Lead manager rankings. The number of investment banks acting as lead manager fell for the first time in four years. In 2022, there were 71 active lead managers, compared to 130 in 2021, 93 in 2020, and 81 in 2019. The number of lead managers with total IPOs in the double-digits was only

three in 2022 after 34 reached that level in 2021 up from 23 in 2020.

Measured by number of IPOs, EF Hutton unseated Goldman Sachs in the top spot in the [IPO lead manager rankings](#) with 27 deals brought to market, more than double the 13 IPOs of closest competitor Maxim. Both banks climbed from outside of the top ten in 2021—EF Hutton from 13th and Maxim from 17th—to finish at the top of the 2022 rankings. Third place was claimed by Morgan Stanley with 11 completed IPO assignments. The ranking matched Morgan Stanley's 2021 year-end placement even though its annual total dropped by 160 deals.

Goldman Sachs, the top firm in both 2020 and 2021, fell to fourth place by serving as underwriter of nine new issues. JPMorgan and Bank of America also worked on nine deals apiece in 2022, but Goldman's aggregate proceeds (\$6 billion) exceeded both JPMorgan (\$4.3 billion) and Bank of America (\$3.7 billion). Citigroup, the number four bank in 2021, finished 2022 just behind Bank of America in seventh place.

The relatively small number of IPOs in 2022 provided the opportunity for some banks to rise in the rankings and claim spots in the top 10. Chardan Capital Markets, ThinkEquity, and Aegis Capital claimed the 8, 9, and 10 spots, respectively, in the year-end list. Each bank worked on eight deals, with aggregate proceeds determining their placement in the rankings. Chardan (21) and ThinkEquity (14) worked on more deals in 2021 but found themselves in 26th and 30th place, respectively, in that year's rankings. Aegis doubled its year-over-year output from four to eight while improving its ranking from 59th to 10th in 2022.

The year's largest deal—Corebridge Financial's IPO—was spread among 42 different underwriters. The company enlisted JPMorgan, Morgan Stanley, Piper Sandler, Bank of America, Citigroup, and Goldman Sachs as lead managers, along with a variety of co-managers. Goldman Sachs, JPMorgan, Morgan Stanley, and Bank of America also co-led the year's only other \$1 billion+ deal, TPG's January 12th offering.

Auditor rankings. The number of accounting firms acting as IPO auditor in 2022 was 42, down from 60 in 2021. Marcum easily claimed the top spot on the annual [IPO auditor leaderboard](#) for the second year in a row, and has now finished as one of the top two auditors for four straight years.

Marcum's industry-leading IPO total was 40, compared to 322 in 2021. The firm's total more than doubled its closest competitor, Friedman (18 IPOs). Friedman worked on six fewer deals in 2022 than in 2021, but its ranking improved from ninth to second. Half of the completed IPOs on which it worked were by blank check companies.

The third place auditor was WithumSmith with 12 IPOs, one more than each of PricewaterhouseCoopers, MaloneBailey and UHY. That represents a drop of one place in the rankings for WithumSmith, which served as auditor on 193 deals in 2021. PwC moved up from fifth place in 2021 to fourth in 2022.

By finishing among the top six IPO auditors, MaloneBailey and UHY improved on their 2021 rankings in which they ranked 11th and 10th, respectively. Similarly, BF Borgers, the seventh ranked auditor for 2022, took a big jump forward having finished 18th in 2021.

Its six IPOs in 2022 were two more than its 2021 total.

Deloitte Touche dropped from fourth place in 2021 to eighth in 2022 with five representations and a 2.9 percent market share. The totals matched Ernst & Young for 2022, but Deloitte's aggregate proceeds exceeded E&Y's by about \$900 million. E&Y found itself in ninth place in 2022 after finishing third the year before. Its 2.9 percent share of the market was less than the 9.5 percent it claimed in 2021.

Marcum accounted for 22.9 percent of 2022's IPOs, and 25.8 percent of the aggregate proceeds. Second place finisher Friedman came in more than \$4 billion behind Marcum. The third-place auditor by aggregate proceeds was PwC, which tallied \$4.03 billion in 2022. WithumSmith and Deloitte Touche also exceeded \$1 billion in IPO proceeds, finishing the year with totals of \$2.9 billion and \$1.7 billion, respectively.

In 2022, eight of the top ten auditors remained the same from 2021 to 2021. New entrants MaloneBailey and BF Borgers replaced Grant Thornton and KPMG. Both KPMG and Grant Thornton worked on four IPOs in 2022, finishing just outside of the top ten in the final rankings.

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.