

Global ipos slump

Business



It is unfortunate that the world has not fully healed from the impact of the global financial crisis, which began in 2008. Firstly, this is evident by the significant drop in Initial Public Offerings (IPO) and major withdrawals from planned by various companies across the globe. For instance, the Western Europe companies raised only \$385 million last quarter through IPOs, the least amount ever raised since 2009 first quarter (McCracken, 2012). Initial public offer (IPO) refers to the first issue of stocks by a private company in a stock exchange market for public subscription. IPO is one of the common forms of raising capital that companies across the globe has always used to get capital from public either for expansion or restructuring focus. The article seeks to analyze the extent, to which IPOs have slumped since the financial crunch.

Studies indicate that the \$21.3 billion raised globally through IPOs over the past three months, beginning from July to September, indicate a 48 percent drop from the figure posted last financial year over the same period (McCracken, 2012). A number of companies have been forced to put to halt their plans for IPO owing to the fact they cannot meet the prices they intend to charge on the shares. In other words, the investors are highly risk averse and are not willing to pay high nominal value on the newly listed stocks. Instead, the investors are asking for a large discount on share prices for IPOs, some even demanding for up to 20%.

For instance, Talanx AG, German third biggest insurer, was forced to suspend its IPO worth \$0.7 billion temporarily owing to high demand for price discounts (McCracken, 2012). A few companies that have initiated their IPOs have ended up losing significantly on the value of their stocks. A clear

example is the giant social networking site, Facebook, which has seen its stocks slump by 53 percent in the recent period even after highly valuing their stock.

According to McCracken (2012), the same case of slumped IPOs is not only affecting Europe and US but also Asia, considering that China and Hong Kong raised \$14.9 and \$3 billion respective last quarter, which is far much less compared to other years in the past. Such a significant drop of IPOs and risk averseness of the investors implies that the global market has not yet fully healed from the effects of the financial crisis that rocked the world in 2008 last quarter.