

## Liquidity Returns as US IPO Market to Grow 25% in 2010

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According to a new study by BDO Seidman, capital markets executives at leading investment banks are bullish on the US initial public offering market for 2010. When asked what will be the greatest source of IPOs in 2010, thirty-nine percent of capital market executives cite private equity portfolios. Spinoffs and divestitures (22%), venture capital portfolios (21%) and owner-managed, privately-held businesses (17%) are the other sources identified by the bankers.

More than two-thirds (68%) believe IPO activity will increase this year compared to 2009, with almost a quarter (24%) describing the increase as substantial. Only 5 percent of the survey participants expect a decrease in IPOs in 2010, while 27 percent forecast activity as flat with 2009. Overall, bankers predict a 25 percent increase in the number of U.S. IPOs in 2010. They expect these offerings to average just over \$400 million (\$409M) in size.

"Though still well below "pre-crisis" levels of 2007, in predicting an increase of 25 percent for U.S. IPOs in 2010, this inaugural survey reveals broad-based optimism among the capital markets community that offering activity in the new year will build on the momentum established this past fall, " said Christopher Tower, a Partner in the BDO Capital Markets Practice.

Of the 68 percent forecasting an increase in IPO activity in 2010, almost half (46%) expect activity to peak in the third quarter of 2010, while a third (33%) feel the second quarter of the year would set the high water mark for activity. Q1 (6%) and Q4 (15%) are less likely to see a peak in activity.

In terms of which industries are likely to experience an increase in initial offerings in 2010, the investment bankers clearly expect the technology (83%), energy (78%), biotech (72%) and healthcare (62%) verticals to be the likely winners in the coming year. No other industry is predicted to achieve an increase in IPOs by a majority of the survey participants.

"Overall, the bankers' outlook for IPOs is very positive, but some industry sectors are clearly seen as stronger than others. When you consider the buzz surrounding rumored offerings of online networking businesses like Facebook, Twitter and LinkedIn, and the emphasis the current administration has placed on developing alternative energy it makes sense that bankers expect the technology and energy sectors to lead the way in IPOs in the coming year," said Jay Duke, a Partner in the BDO Capital Markets Practice.

Other major findings of The BDO IPO Outlook Survey include: (1) On average, the bankers feel IPOs will need to achieve a 12 percent one-day and 20 percent six-month, after-market return to be considered successful in 2010 and (2) On average, bankers think businesses will need to offer 38 percent ownership to achieve a successful IPO this year.

The 2010 BDO IPO Outlook survey examines the opinions of 100 capital markets executives at leading investment banks regarding the market for initial public offerings in the United States in the coming year. The survey was conducted in December 2009.

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