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The IPO market has slowed considerably because of the COVID pandemic. Do you think things will pick up later this year?

While I don't think anyone is ready to say we'll have a robust IPO market compared to previous years, there will certainly be an IPO market. I expect to see existing public companies coming back to the market to access capital, and I believe we'll also see an influx of companies that qualify as quarantine-friendly or economically resilient launch first-time offerings. The IPO calendar will continue to be heavily weighted toward life-sciences and SPACs, but there's no question there are some very high-quality companies in tech, consumer, and other growth areas that are actively watching the market and are preparing to launch if conditions are favorable.

What needs to happen for the market to get back on track?

One of the keys to restarting the IPO market, outside of biotech, is getting investors comfortable with longer term investing again. Many IPOs, especially small and SMID-cap, are relatively liquid in the weeks following the IPO and need core long-term shareholders to really work and stick. Investors need to be assured that companies coming to market with an IPO have sustainable businesses that are not only attractive for this year and next, but are also well-capitalized and able to get through any potentially difficult periods along the way. Companies that can prove they have the capital, vision, and ability to navigate through volatile market environments will find an appetite from investors.

What changes should we expect in the IPO process?

Since most of us are still working from home, marketing and testing the waters have become even more important. To launch an IPO, you need to be confident there is sufficient demand and have clarity on what investors are willing to pay to own shares. Roadshows are becoming much more efficient now that they're virtual. By eliminating travel, you can get IPOs marketed and priced in 4 or 5 days as opposed to 8 or 9 days, which allows you to remove some of the volatility surrounding a launch date.

How are you seeing financial sponsors behave and what we should expect from them going forward?

Sponsors are approaching the market in a highly targeted fashion, looking for opportunities to put capital to work where they have an edge and can effect change. We are seeing more public investments into private equity (PIPEs) and structured deals executed privately by sponsors who see more value than in the private market right now. Liquidity and access to capital is worth more than ever. That said, sponsors are competing with a very attractive convert market that has continued to be very active.

To learn more about IPO Outlook, contact ibinfo@stifel.com.

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