



Sense of the Markets: IPOs on Ice Amid Volatility

After January 2018 racked up the most deal volume by dollar amount ever, February could see a bit of a respite as firms looking to list wait for enormous market swings to settle

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By Kinsey Grant

In a market rife with volatility, going public doesn't scream "logical" and after a January that saw almost 80% more volume than the previous year, February's volatility may have put the IPO hot streak on ice.

The Dow, S&P 500 and Nasdaq have endured wild swings in value over the past week that have led the Cboe Volatility Index to rally 80% in the past five days. While that enormous volatility has quieted some Wednesday, Feb. 7, the market has yet to return to the ultra-low volatility nature it maintained throughout 2017 and into January.

Because of that, the IPO landscape could simmer down some as firms looking to list wait for a more even-keeled environment in which to do so. February's quiet spell comes after January 2018 won the title of the biggest start to a year on record in terms of dollar IPO value. Last month, there were 20 IPOs in the U.S. valued at \$9.266 billion total, according to data from Dealogic. There have been three IPOs in the month of February so far, valued at a total of \$908 million.



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-JAMES CASSEL, CASSEL SALPETER & CO.

IPO action was especially slow last year, Cassel noted. Deal value in January 2018 topped the same month a year earlier by 79%. In January 2017, there were about half the number of IPOs listed in the U.S. For the whole of February 2017, there were six listings total valued at \$710 million.

"Obviously when people are doing IPOs volatility is not something they like, especially the underwriters," said James Cassel of Miami-based independent investment banking firm Cassel Salpeter & Co.

"People who were probably ready to go might have held off," Cassel said of February's swings that have seen the Dow open lower 500 points only to finish the session in the black.

"[Volatility] is not great for IPOs because nobody knows where anything is going," said Heidi Mayon, partner at the Silicon Valley office of Gunderson Dettmer. But if the process was by and large complete, the IPO show must go on, Mayon said.

"People will wait," Cassel added. "And then they'll come back out. You have a lot of pent up demand."

Some market watchers have called for sustained volatility throughout the rest of 2018, but that likely won't impact IPO action for the next 10 months. Cassel said IPOs won't be held off much by 100-point swings in the market. It's really only the 1,000-point swings like the market endured this week that are enough to delay an IPO.

As for this spate of swings, it was a long-time coming, Mayon said. "Everyone kind of expected some kind of downturn." But all in all, the market is healthy, Mayon said. "We're seeing really strong interest in IPOs as a whole."