



The Canadian IPO Market Looks Dire in the 1st Half of 2016, but...

Description

In the first six months of last year, 13 companies came public via IPO in Canada, generating \$1.4 billion. The companies hailed from a range of industries, including **Hydro One Ltd.** ([TSX:H](#)), one of the largest IPOs in Canada in 15 years, and **Dundee Acquisition Ltd.** (TSX:DAQ.A), one of the “special purpose acquisition companies” debuts of the year. Thus far in 2016, however, for the first half of 2016, there were only two new issues raising a little over \$1 million, according to a PwC Canada [IPO Survey](#).

What’s more, the two paltry IPOs of 2016 took place on the Canadian Securities Exchange (CSE), one of the smallest stock exchanges in the country—no companies on the TSX or Venture have IPO’d yet this year.

Some reasons why

It has been a challenging first half of the year for the global market. The economic slowdown caused by China continued, and more recently, the Brexit added fuel to the fire.

The Canadian equity market was on a “solid upward swing” before Brexit, but it has been affected by the vote, especially with its potential disruption in the ratification of Canada-EU Comprehensive Economic and Trade Agreement (CETA).

According to the PwC Canada report, every country around the world is clearly cautious about its economic outlook now, and it is the same for Canada. This is one of the reasons behind the lack of activity in the Canadian IPO market.

Additionally, the IPO Survey report states that the main drivers among Canada’s past IPOs—the mining sector, income trusts, and acquisition companies—are no longer driving a growth in listings, and no new sub-industry has emerged to fill the void.

When I spoke with Dean Braunsteiner, leader of PwC IPO Services Group in Canada, he told me that the two IPOs—both insignificant in terms of proceeds raised—may not be indicative of the next driver. But even though the technology industry has decided to remain private for now, it may change over the next couple of years.

At first glance, the lack of IPOs may look ominous for the Canadian economy, but Braunsteiner clarifies that the situation is not as bad as it may seem. “This is not a Canadian-specific issue. [The lack of IPOs] is felt across the globe due to the lower activity in the market compared to the previous years.” This at least shows that Canada is not under the threat of losing out to other markets.

This too shall pass

Braunsteiner adds that the economic implications are minimal right now. As long as companies with proven track records and solid operating histories tap the market to raise capital for expansions, acquisitions, and the like in the future, there should be no adverse impact in the economy.

Overall, the Canadian IPO market is sleepy. But this is not the worst news of the year as it does not indicate any threat in the long term. The market may not be optimistic for the short term, but this too, shall pass—perhaps with the help of the technology industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

Category

1. Investing

Date

2025/09/10

Date Created

2016/07/19

Author

mlamisa

default watermark