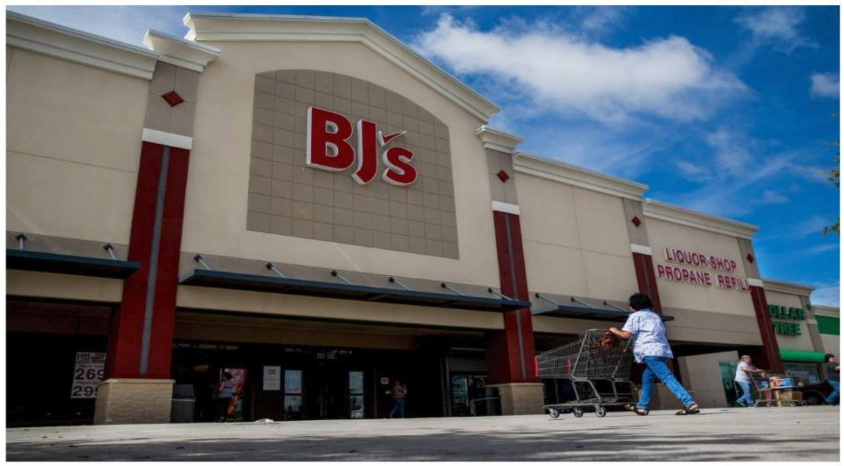
THE WALL STREET JOURNAL.

IPO Market Posts Blistering First Half

U.S., global IPO fundraising is on pace for one of the best years on record!

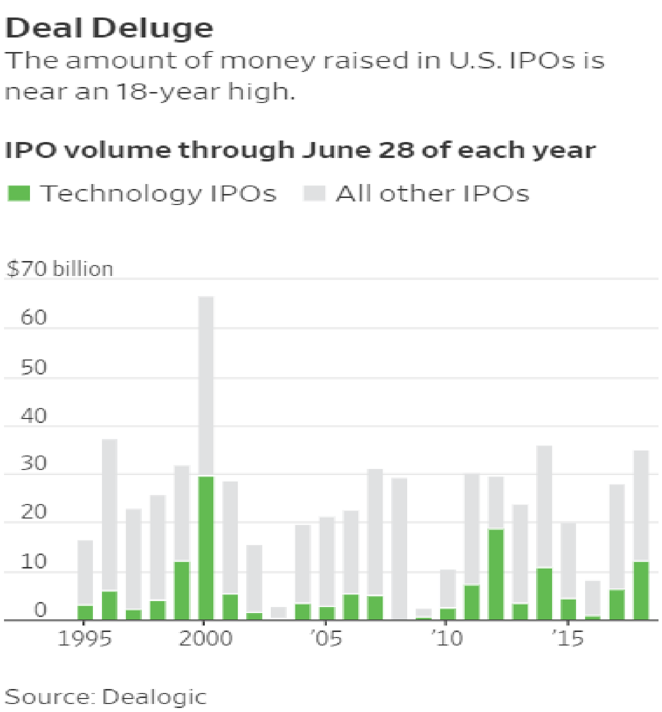
Updated July 2, 2018 8:26 p.m. ET

An IPO market that was left for dead just two years ago has come roaring back in 2018, with companies raising public capital at a pace rarely seen in the past two decades. So far this year, 120 companies have used initial public offerings to raise $35.2 billion on U.S. exchanges. That is the highest volume since 2014 and the fourth-busiest year-to-date on record, according to Dealogic, whose data go back to 1995.



BJ's Wholesale Club Holdings Inc. is one of the companies that has recently raised money through an initial public offering. PHOTO: SCOTT MCINTYRE/BLOOMBERG NEWS

Bankers say no single catalyst is pushing companies to tap the public markets for capital. Instead, the surge has been caused by a convergence of favorable business conditions, strong stock markets and investors’ hunger for high-growth companies.



Those factors have led to offerings by an array of firms varied by size, industry and age—ranging from the web-storage and collaboration company Dropbox Inc. to home-alarm company ADT Inc. to big-box retailer BJ’s Wholesale Club Holdings Inc.

The total amount raised doesn’t count one of the largest and most high-profile companies to go public in the U.S. this year. Swedish music-sharing company Spotify Technology SA went public without raising any money through a so-called direct listing.

IPO issuance began to pick up pace last year after a moribund 2016. Helping along this year's rush: Companies are no longer worried they may have to go public at valuations below those they had achieved in the private markets, as a disconnect has largely been erased between public and private-market valuations.

Bankers and lawyers expect the rapid IPO pace to continue for the rest of the year. "Our global IPO pipeline is stronger now than it's been since the financial crisis," said Evan Damast, global head of equity and fixed income syndicate at Morgan Stanley .

"This year we're finding the investor demand for technology IPOs is literally the highest we've ever seen both in terms of the quantity and quality of interest," said Madhu Namburi,JPMorgan Chase & Co.'s head of technology investment banking.

Not that this has dented private-market activity. Many companies continue to raise vast sums there. That companies are tapping both private and public markets defy expectations that companies would largely turn to IPOs once private funding tightened. Activity so far this year has made it clear both markets can thrive in tandem.

"Private markets primarily facilitate companies to raise capital. A public IPO is a landmark event for a company that goes far beyond just raising capital," said Mr. Namburi. Employees of public companies, he said, have a clear sense of the wealth they've earned, and public companies have a currency to use for acquisitions and for future capital-raising.

The largest private companies, including Airbnb Inc., Uber Technologies Inc. and WeWork Cos., which have raised vast amounts of private capital, are expected to hold off on going public until at least 2019, according to people familiar with the companies' plans.

Another closely watched IPO candidate, ride-hailing firm Lyft Inc., recently raised $600 million from mutual fund and hedge-fund investors including Fidelity Investments.

And SoftBank Group Corp. continues to pour money into private companies through its $92 billion tech-focused Vision Fund, extending the IPO timelines of its portfolio companies—and pushing up their private valuations.

Bankers expect to see a steady pace of multibillion-dollar technology companies going public in the U.S. the rest of this year. Among them: Sonos Inc.; Upwork; SurveyMonkey; and Eventbrite Inc.

While 2018 could be a near-record year, bankers and lawyers are betting activity could continue to accelerate from there.

"There's a real chance that 2019 could be even stronger than 2018," said JPMorgan Chase's Mr. Namburi.

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