

Arm listing may boost return to IPOs

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Arm will soon get its moment in the IPO spotlight.

The initial public offering of British chip designing giant Arm, announced on Monday, could signal a rebound in companies introducing their shares on stock markets after a year of relatively few such listings.

Arm is a world leader in designing chips that are used in smartphones

across the world and aims to be a major player in artificial intelligence (AI).

In documents filed on Monday, Arm said it planned to list on the Nasdaq, seven years after quitting London's stock exchange after being purchased by Japan's SoftBank.

The partial listing for an as yet undetermined number of shares could happen as soon as next month, according to financial media, possibly raising some \$10 billion for SoftBank and valuing Arm at more than \$60 billion.

That would be the largest listing on the tech-oriented Nasdaq since electric vehicle manufacturer Rivian went public in 2021 with a market value of \$68 billion.

Arm's IPO "is going to have ramifications across global tech," Dan Ives, senior equity research analyst for the technology sector at Wedbush Securities, told AFP.

"It speaks to more of a risk appetite toward growth equities after what has been a very choppy few years in the market," he added.

The IPO market is very sensitive to the sentiment of investors for taking on risk, and the market has been running hot and cold since the COVID pandemic led to a halt in operations.

Central bank easy money policies fueled a sharp rebound in IPOs in 2021 with \$450 billion raised in nearly 2,400 listings across the world, according to a study by consulting firm EY.

This was brought to a swift end in 2022 as rising interest rates and the Russian invasion of Ukraine caused havoc on markets and dampened

risk sentiment. The amount raised sank 45 percent and the number of listings plummeted by more than 60 percent.

'New tech bull market'

As of the beginning of 2023 few firms were hazarding a listing.

"Whilst there are signs of life in the IPO market and some issuers will be able to get their IPOs done, we do not expect things to materially change until early 2024," said Stuart Newman, a specialist on stock market introductions at PwC consultancy.

Investors don't see central banks letting up on interest rate hikes until next year.

If the number of listing in the first half of the year was down just five percent compared to the same period in 2022, the amount of funds raised slumped by 36 percent, according to EY.

The only exception is the United States, which thanks to the \$4.4 billion listing in May of consumer health group Kenvue, spun off from pharma Johnson & Johnson.

The Asia-Pacific region remained in the lead with \$42.4 billion raised in 2023 and six of the 10 largest operations, far ahead of North America at \$11.1 billion and Europe and the Middle East at \$9.6 billion, according to PwC.

One encouraging sign for a turnaround is that of the top 10 IPOs in the first half of the year, seven saw the share prices increase in the first month after their listing, indicating sustained appetite among investors.

Wedbush's Ives said that Arm listing could tap into the red-hot interest

among investors for artificial intelligence (AI), and encourage other firms to follow.

"I think it's a very good sign for the global tech market, especially with this AI gold rush," he said.

"It's the start of a new tech bull market."

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