

Houlihan Lokey

Equity Capital Markets Update

Full-Year 2025

Introduction



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We are pleased to present our U.S.-focused Equity Capital Markets Update and review of the equity capital markets (ECM) activity for 2025.

ECM activity accelerated in 2025, marking a return toward historical conditions. U.S. equity markets reached new record highs as anticipated Federal Reserve rate cuts, easing inflation, and "battle-tested" corporate earnings provided a solid foundation. Despite pockets of discrete volatility from geopolitical and domestic factors, underlying market conditions remained constructive for equity issuance throughout the year.

The rebound in ECM issuance was most pronounced in the IPO market, which saw a notable recovery in deal volume and proceeds and represented a considerable step-up from the prior year. The IPO market showed a distinct preference for established, large-scale, and profitable businesses. This focus, combined with more rational pricing, supported positive aftermarket performance. Sponsor-backed IPOs also exceeded the prior year, while the convertible market saw record issuance, exceeding its 2021 peak.

For the upcoming year, the 2026 backdrop is constructive for continued capital markets issuance by owners, including sponsors. Continued GDP growth, additional monetary authority policy easing, and declining inflation provide meaningful tailwinds.

Sector Highlights

ECM activity accelerated significantly in 2025, generating $312 billion in total proceeds across 568 transactions. This represented a 14% and 8%+ increase in proceeds and deal volume (respectively) from the prior year and marked the highest volume and proceeds since 2021. Momentum was strong through year-end, with a robust fourth quarter contributing $80 billion across 165 deals, and underscored a return to more regular-way and constructive market conditions.

The IPO market's rebound was a key driver of 2025's track record. The fourth quarter maintained a steady cadence, with an average of five IPOs pricing each month. December was particularly active, generating approximately $9 billion in proceeds—a figure that nearly matched September's high and was largely supported by the $7.2 billion offering for Medline. The year was also marked by several high-profile technology IPOs from companies such as Figma, CoreWeave, Klarna, Circle, and Bullish. For the year, newly public companies delivered an average return of 13%—which was a solid performance, although less than the S&P 500's return for 2025. Sponsor-backed offerings were also a significant feature. Twenty-two PE-backed IPOs raised more than $18 billion—more than double 2024 figures in both deal count and proceeds—and were accompanied by strong pricing and aftermarket performance.

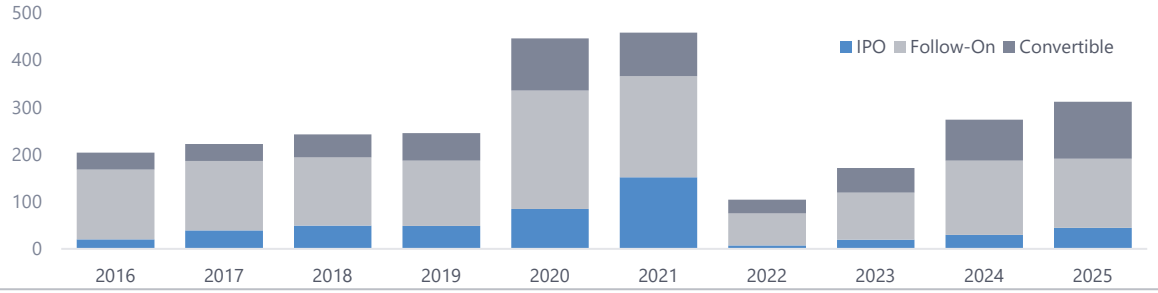
Follow-on issuance was robust, with the fourth quarter delivering nearly $33 billion across 111 deals as issuers and sponsors continued to capitalize on favorable windows to raise primary and secondary proceeds. The convertible market had its largest year on record with $121 billion in total proceeds, surpassing the previous peak set in 2021. The fourth quarter was highly active, as the convertible market priced more than $34 billion in issuance. This activity solidified this milestone and confirmed the product's continued appeal to issuers.

Source: Dealogic.
Note: U.S. IPOs, follow-ons, and convertibles above $50 million as of December 31, 2025, excluding SPACs and closed-end funds.

U.S. ECM Activity

Issuance by Product 2025 vs. Prior Years

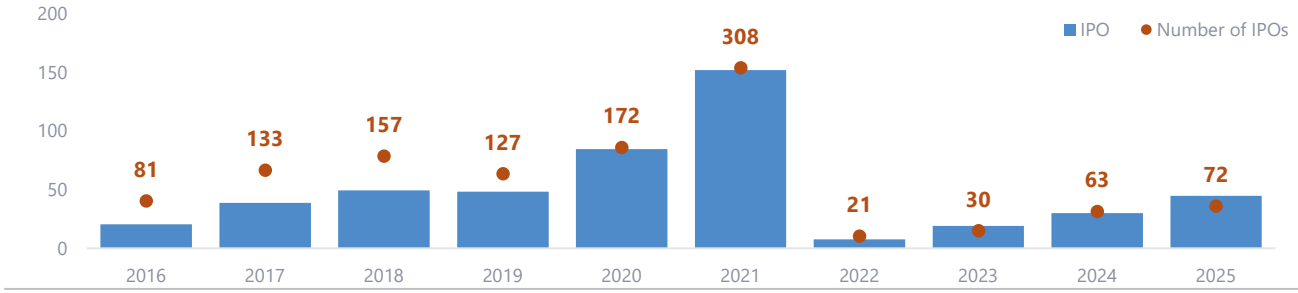
Proceeds Raised ($B)



- ECM volume for 2025 totaled over $312 billion (surpassing the 2024 level), propelled by a robust second half to the year that contributed $164 billion and saw strength across all products.
- Amid the government shutdown, the issuance window remained strong with $80 billion in fourth-quarter proceeds. Full-year issuance was led by follow-ons (47%), followed by a record year for convertibles (39%), with a rebounding IPO market comprising the remaining 14%.

U.S. IPOs 2025 vs. Prior Years

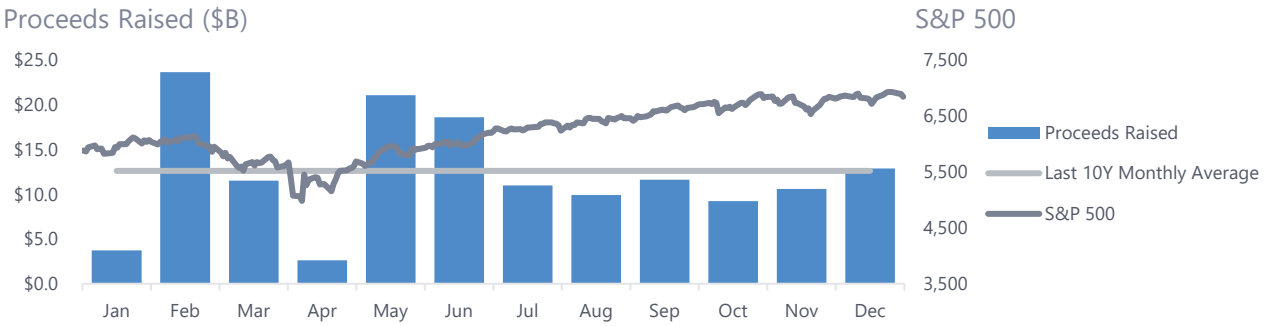
Proceeds Raised ($B)



- IPO activity rebounded significantly in 2025, with 72 deals raising approximately $45 billion. The number and volume of proceeds noticeably outpaced 2024. Median deal size increased by ~41% compared to the prior year.
- The market favored high-quality companies, as evidenced by successful sponsor-backed deals and several high-profile IPOs.
- A healthy backlog of rumored high-profile offerings signals continued momentum heading into 2026.

U.S. Follow-Ons 2025

Proceeds Raised ($B)



- Follow-on activity was consistently prominent through 2025, finishing the year with its most active quarter by deal volume in Q4. The focus for issuers remained squarely on raising primary proceeds, taking advantage of constructive market windows throughout the year to build capital buffers.
- In keeping with the strong rebound in sponsor-backed IPOs, the follow-on market remains a critical avenue for sponsor monetization. The persistent need to provide liquidity to LPs and recycle capital is expected to continue driving secondary selling activity in 2026.

Key Takeaways

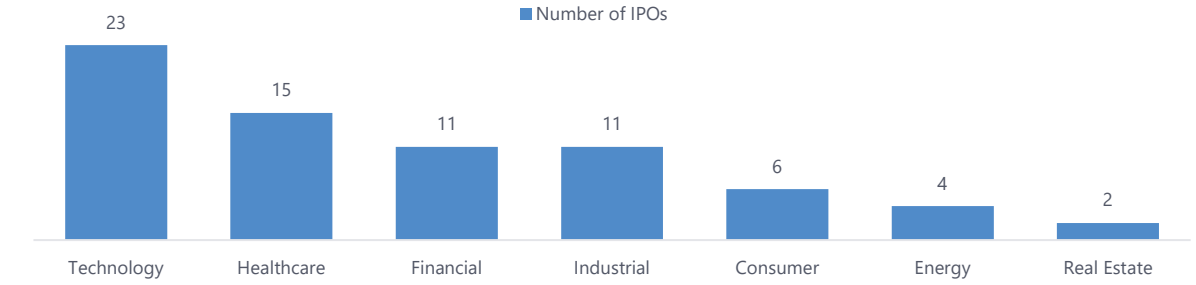
U.S. ECM markets rebounded significantly in 2025, with total proceeds surpassing the prior year. Activity was robust across products, led by strong follow-on issuance and a record-breaking year for convertibles. The market demonstrated resilience, with a strong fourth quarter that ensued despite macro uncertainty, which reflected significant investor appetite and a sturdy issuance window.

The IPO market also saw a notable rebound. Investor appetite for larger-scale issuers returned and remained disciplined without the typical FOMO that is associated with the IPO market. Investors favored larger-scale, high-quality companies with clear paths to profitability. The success of these offerings, including several high-profile IPOs and strong performance from sponsor-backed deals, improved investor confidence. These factors, combined with a healthy backlog of companies and the persistent need for sponsor monetization, support a constructive outlook for IPO issuance in 2026, albeit based on continued market stability and a lack of exogenous events.

Sources: Dealogic, S&P Capital IQ.
Note: 2025 U.S. ECM transactions above $50 million as of December 31, 2025, excluding SPACs and closed-end funds.

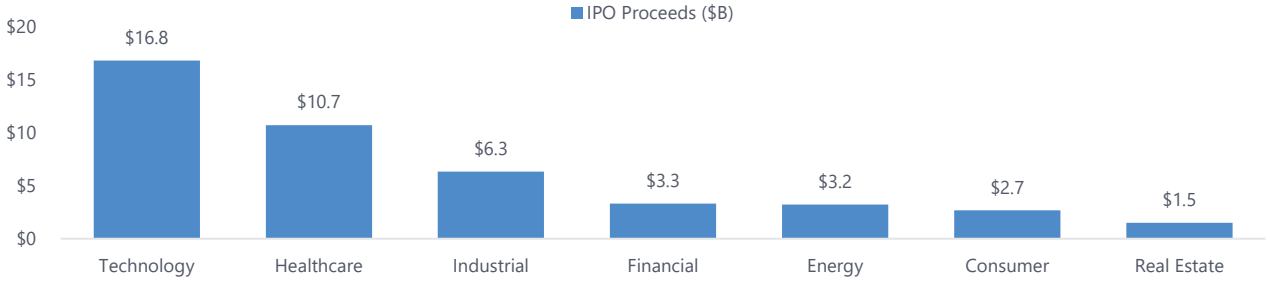
U.S. ECM Activity (cont.)

IPOs by Sector 2025



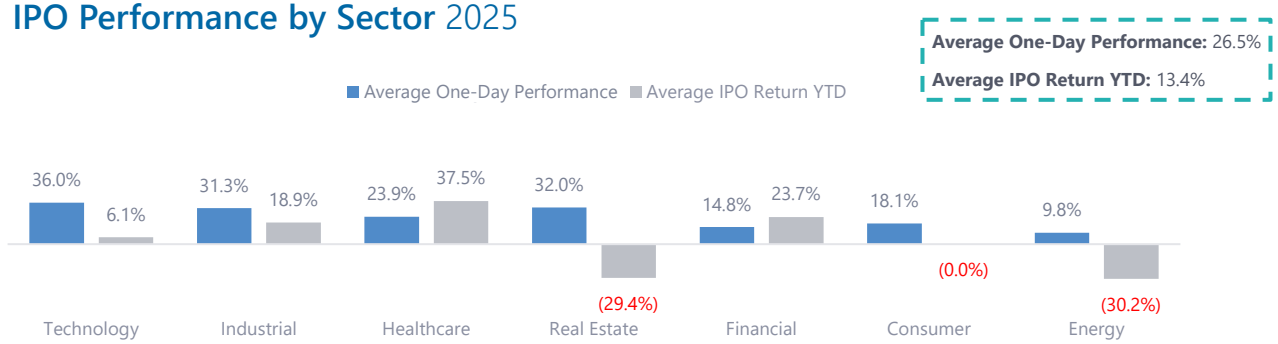
- The technology sector was the most active IPO sector in 2025 by both deal count and proceeds. Healthcare followed closely and accounted for the majority of Q4 activity, driven by five offerings as the biotech space rebounded.
- Financial and industrials also contributed meaningfully to deal flow, reflecting continued investor interest in established business models beyond traditional growth sectors, while issuance from consumer and energy remained more muted.

IPO Proceeds by Sector 2025



- Large IPOs in the technology and healthcare sectors led to an outsized share of proceeds raised in 2025 compared to other sectors.
- The technology sector was the largest contributor, driven by several high-profile, billion-dollar-plus offerings in the cryptocurrency and digital asset spaces.
- Proceeds from the healthcare sector were heavily weighted by fourth-quarter activity, anchored by the year's largest offering, the $7.2 billion Medline IPO.

IPO Performance by Sector 2025



- In terms of pricing performance, IPOs averaged a first-day return of 26.5%, closing at nearly double the 13.9% average for FY 2024.
- The technology sector delivered the strongest one-day returns, heavily skewed by Figma's Q3 debut, while healthcare was the top-performing sector on a full-year basis.
- In contrast, energy and real estate IPOs underperformed in 2025, reflecting sector-specific headwinds from commodity price volatility and sensitivity to the interest rate environment.

Sources: Dealogic, S&P Capital IQ.
Note: 2025 U.S. IPOs above $50 million as of December 31, 2025, excluding SPACs and closed-end funds.

Key Takeaways

The IPO market delivered significantly greater deal volume and proceeds in 2025 compared to the prior year, supported by favorable equity market conditions. Issuance by sector leaned heavily toward technology companies, where strong investor demand for growth was met by several large, high-profile offerings, particularly in the digital asset and cryptocurrency spaces. The healthcare sector also finished the year strongly, delivering consistent and outsized performance year-round, with Q4 anchored by the year's largest offering, the $7.2 billion Medline IPO.

In contrast, the energy, real estate, and consumer sectors faced headwinds from commodity price volatility and interest rate sensitivity, which resulted in muted activity. While the mid-Q4 government shutdown pushed many offerings to 2026, this further bolstered the IPO pipeline and sets the stage for a strong start to 2026, where equity markets are expected to remain constructive.

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