

Houlihan Lokey

Equity Capital Markets Update

Q3 2026

Introduction



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We are pleased to present you with our U.S.-focused Equity Capital Markets Update and review of the equity capital markets (ECM) activity for Q3 2026.

ECM activity through the third quarter built on the momentum of a historic first half, with year-to-date proceeds reaching their highest level in more than a decade. Follow-on issuance was the largest driver of the quarter, as large-capitalization issuers associated with digital infrastructure took advantage of open financing windows. Convertibles remained a solid source of capital while setting a new annual record.

The IPO market moved at a more measured pace following the landmark SpaceX offering in Q2 2026. As Q3 progressed, a combination of rising interest rates, macro volatility, and uncertainty (oil prices, inflation, GDP growth) weighed on buyside appetite, prompting several issuers to postpone their IPO offerings.

Looking ahead, expected strong earnings from public companies should provide a foundation for continued follow-on offerings and continued sponsor monetization capital market activities into year-end. A healthy backlog of IPO candidates, including a handful of rumored high-profile offerings, supports a constructive outlook, though IPO activity is likely to remain selective until equity market conditions stabilize and valuation gaps are bridged.

Source: Dealogic.
Note: U.S. IPOs above $50 million as of September 30, 2026, excluding SPACs and closed-end funds.

Key Takeaways

U.S. equity capital markets generated $126.1 billion in total proceeds across 123 transactions in Q3 2026, up 49% from Q3 2025. Year-to-date proceeds reached $423.4 billion, the strongest year-to-date total in more than a decade and already surpassing the full-year 2025 total. Follow-on offerings comprised 62% of Q3 proceeds, followed by convertibles at 33% and IPOs at 5%.

IPO activity moderated to 18 offerings raising $6.3 billion, compared with 42 raising $119.0 billion in Q2. The Q3 decline in proceeds was primarily due to SpaceX's mega-IPO in Q2 2026. Healthcare led with eight transactions, while Csquare and Jersey Mike's were the quarter's largest offerings at more than ~$1.0 billion each. Pricing grew more challenging as the Federal Reserve raised interest rates for the first time since 2023. Geopolitical tensions and the approaching midterms weighed on investor sentiment, with 28% of Q3 IPOs pricing below range versus 12% in Q2. Even so, the 81 IPOs priced year-to-date have already surpassed full-year 2025 in deal count and proceeds.

Follow-on proceeds increased 134% from Q2 to Q3 to $78.0 billion, despite 45% fewer deals. SK Hynix's $26.5 billion and Intel's $23.0 billion offerings accounted for 63% of Q3 proceeds. Activity was primarily driven by primary capital raises, with secondary selling falling to ~9% of proceeds in Q3 from ~53% in Q2.

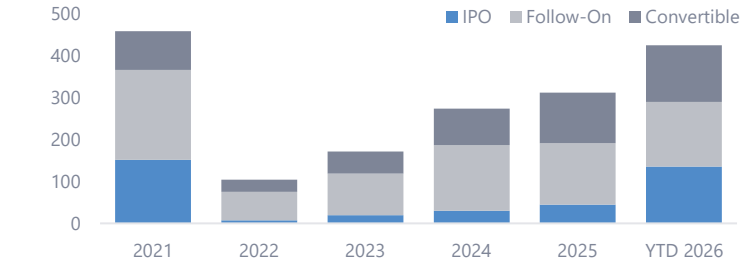
Convertible issuance totaled $41.8 billion in Q3, pushing year-to-date volume to $135.0 billion and surpassing 2025's full-year record.

IPO performance was mixed, with an average year-to-date return of (2.0%) masking significant dispersion among individual company names. Healthcare remained the standout performer, while technology and energy materially lagged. Investors remain highly focused on valuation and quality of earnings, all with an eye toward the macroeconomic environment.

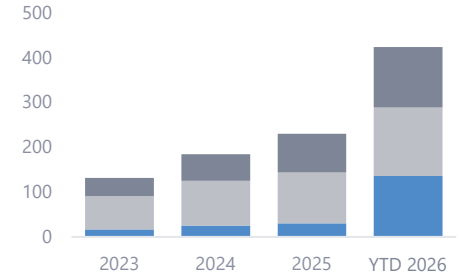
U.S. ECM Activity

Issuance by Product 2026 YTD vs. Prior Years

Proceeds Raised ($B)



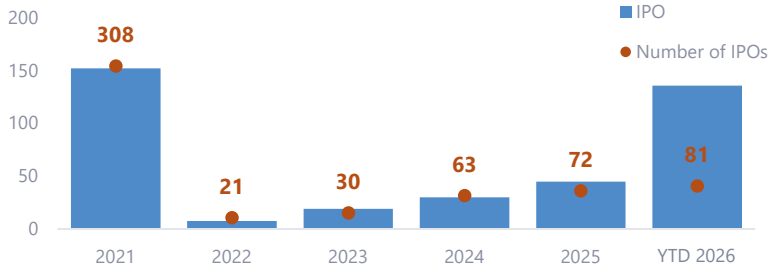
YTD Comparison



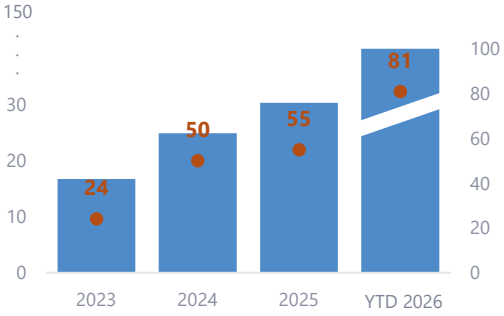
- ECM volume for Q3 2026 totaled $126.1 billion across 123 transactions, up 49% from Q3 2025. Year-to-date proceeds of $423.4 billion are up 84% from year-to-date Q3 2025 and already exceed full-year 2025's $312.2 billion.
- Year-to-date issuance was evenly balanced across products: follow-ons at 36%, IPOs at 32%, and convertibles at 32%.
- Convertibles set a new annual record with a quarter remaining, with YTD issuance of $135.0 billion after $41.8 billion of issuance in Q3.

U.S. IPOs 2026 YTD vs. Prior Years

Proceeds Raised ($B)



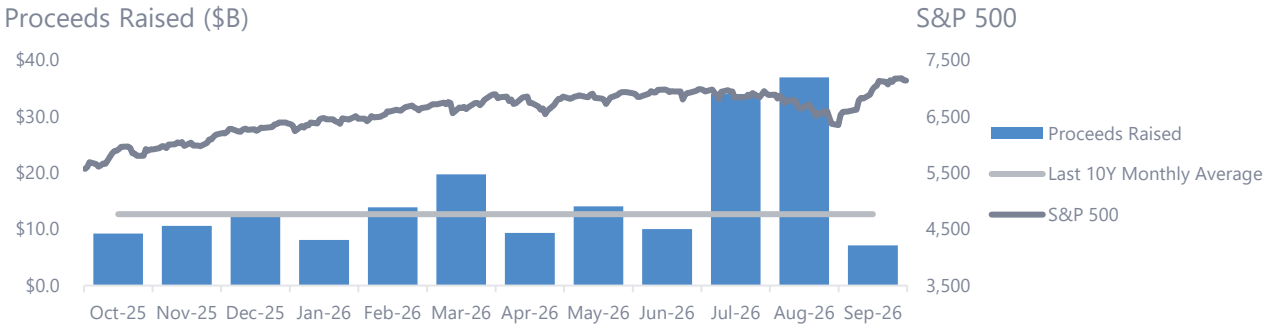
YTD Comparison



- Q3 2026 saw 18 IPOs raising $6.3 billion, the lowest quarterly proceeds since Q4 2024, as activity in Q3 2026 normalized following the record second quarter.
- The market grew more selective as the quarter progressed, with 28% of Q3 IPOs pricing below range compared with 12% in Q2.
- Several launched offerings, including Bamboo Insurance, Holtec Nuclear, and Oura, were postponed as rising rates widened the valuation gap.

U.S. Follow-Ons 2025–2026 YTD

Proceeds Raised ($B)



- Q3 follow-on proceeds of $78.0 billion were up 134% quarter over quarter and 139% year over year.
- SK Hynix's $26.5 billion and Intel's $23.0 billion offerings accounted for 63% of Q3 follow-on proceeds. Together with Celestica's $3.5 billion raise, technology made up 68% of quarterly volume.
- Secondary selling moderated to ~9% of follow-on proceeds. Sponsors completed 14 sell-downs, raising $6.3 billion.

Sources: Dealogic and S&P Capital IQ as of September 30, 2026.
Note: U.S. ECM transactions above $50 million excluding SPACs and closed-end funds. Follow-ons issuance data as of September 30, 2026.

Key Takeaways

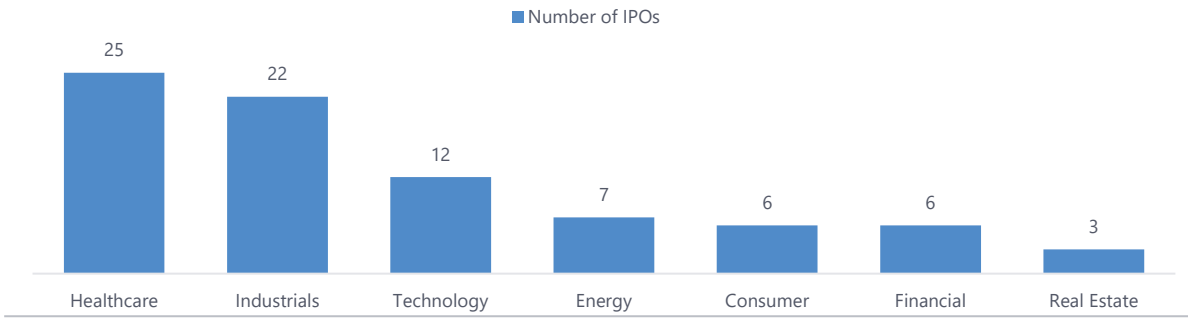
U.S. ECM activity delivered its strongest year-to-date total in over a decade, with proceeds of $423.4 billion already surpassing the full-year 2025 total. Follow-on issuance was the dominant driver of Q3 activity, with large-cap issuers associated with AI infrastructure taking advantage of favorable capital-markets windows, led by SK Hynix and Intel's combined ~$50 billion raise. Investors in the IPO market grew increasingly selective following a record first-half for proceeds raised.

A more cautious tone emerged as the quarter progressed, as the Federal Reserve's first rate hike since 2023 and a 10-year Treasury yield above 5% weighed on buyside appetite. Several launched IPOs were postponed, and September follow-on volume fell to its lowest level since April 2025.

Despite late-quarter volatility, convertibles have already set a new annual record. The post-Q3 earnings window should support continued follow-on activity and sponsor monetization, while IPOs are likely to favor established, well-prepared issuers.

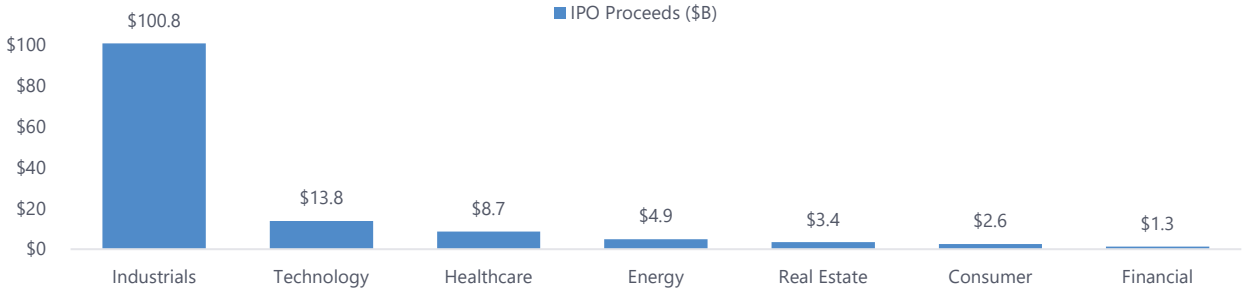
U.S. ECM Activity (cont.)

IPOs by Sector YTD 2026



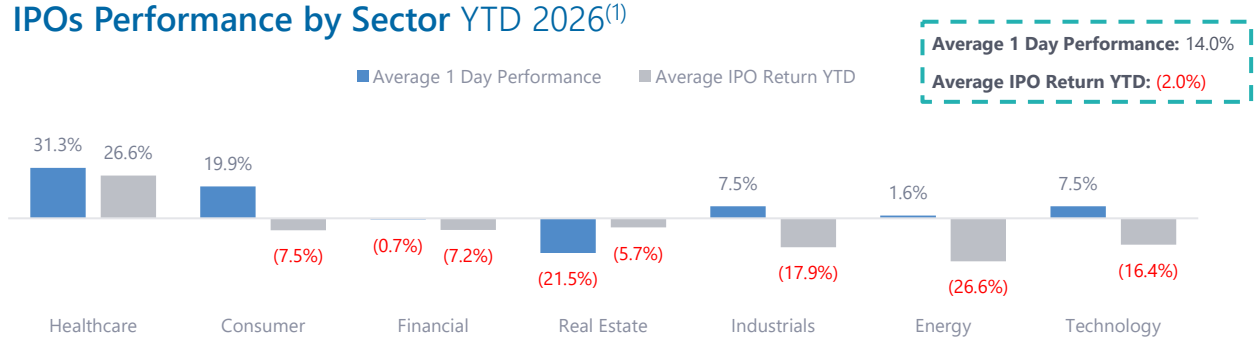
- Healthcare remained the most active IPO sector year to date with 25 transactions, adding eight in Q3 and continuing its streak as the most consistently active ECM sector.
- Industrials followed with 22 IPOs and technology with 12. Technology added only one offering in Q3, reflecting continued investor caution toward growth-oriented names.
- Financials were more active in Q3 with three IPOs, bringing the year-to-date total to six.

IPO Proceeds by Sector YTD 2026



- Year-to-date IPO proceeds of $135.5 billion were led by industrials at $100.8 billion, driven by SpaceX's ~$86 billion offering. Technology and healthcare followed.
- In Q3, healthcare led proceeds at $2.4 billion, or 38% of the quarter's total. Industrials followed with $1.3 billion across five deals.
- Larger sponsor-backed candidates tended to wait rather than accept wider discounts, while a handful of rumored high-profile IPO candidates remain in the pipeline.

IPOs Performance by Sector YTD 2026(1)



- IPO performance softened in the third quarter. The average YTD return of (2.0%) fell from 13.1% at mid-year, and Q3 IPOs averaged a first-day return of 14.0%.
- Healthcare remained the standout at 26.6% YTD. Q3 healthcare IPOs averaged a 17.8% first-day return, compared with (3.2%) for the rest of the Q3 class.
- Energy and technology lagged on a YTD basis, weighed down by AI- and rate-related volatility.

Sources: Dealogic and S&P Capital IQ.
Note: 2026 U.S. IPOs above $50 million as of September 30, 2026, excluding SPACs and closed-end funds.
(1) Performance data as of October 16, 2026.

Key Takeaways

Healthcare continued to lead in IPO deal count, accounting for nearly half of all IPOs in Q3. In addition, healthcare was the only sector to avoid a below-range IPO pricing in Q3. Outside of healthcare, half of the quarter's IPOs priced below range, reflecting investors' heightened valuation sensitivity as rates moved higher.

Aftermarket performance softened across the 2026 class. Several technology and power offerings priced above range in the first half now trade below issue, as investors reassess valuations tied to the AI build-out. Healthcare has been the clear exception, rewarding buyside investors with strong day-one and year-to-date returns.

Looking ahead, the IPO window is likely to remain open primarily for well-prepared issuers that go to market with valuation discipline. With macro uncertainty potentially persisting into year-end, a number of candidates may defer launches to 2027, while those with differentiated growth profiles should continue to find receptive investors.

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