Houlihan Lokey

Equity Capital Markets Update

Q2 2025

Introduction

Daniel Klausner
Managing Director
Daniel.Klausner@HL.com
+1 212.331.8168

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 Q2 2025.

Following 2024, which was the most active year for equity new issuance since 2021, equity capital markets during the first half of 2025 demonstrated remarkable resilience in sustaining this momentum despite challenging global market conditions. Heading into Q2 2025, market sentiment was generally skeptical around the "hoped-for" recovery that was on market participants' minds for full-year 2025.

The much-anticipated Liberation Day events did occur with a market correction that deflated capital markets sentiment and activity. However, after some mid-course U.S. policy corrections and the passing of time, capital markets quickly sprung back as the calendar turned to the months of May and June. This momentum appears to be carrying over to Q3, which is constructive for the capital markets.

As geopolitical tensions subsided and complex global trade negotiations yielded some more certainty, the S&P 500 sharply recovered from the lows of April 8. As of the end of July, the S&P 500 was up ~28% from these April lows.

Sector Highlights

Despite a sharp slowdown in equity capital markets deal flow toward the end of Q1, ECM activity for YTD 2025 generated $159 billion in total proceeds across 262 deals (36 IPOs, 162 follow-ons, and 64 convertibles). These proceeds were more than 2024 YTD levels, and it still outpaced the previous two years.

Building on strong 2024 momentum, the IPO market saw a meaningful resurgence with $18 billion in issuance, driven by high-profile large-cap tech debuts that priced at the top of their ranges and typically performed well post-listing. Despite this rebound, investor selectivity still remains elevated, with buyside demand concentrated on profitable companies with compelling growth narratives and strong margins. Both the success of several long-anticipated larger-scale IPOs along with an IPO pipeline of additional names gives investors a more optimistic outlook for the rest of 2025.

Follow-on issuance remained the most active deal type in the first half of the year, though challenging market conditions led to a modest pullback from prior periods. Year-to-date, follow-ons raised $89 billion—up from the same period in 2024, as April volatility temporarily disrupted activity. However, following a swift recovery, volumes stabilized, with 162 deals priced YTD.

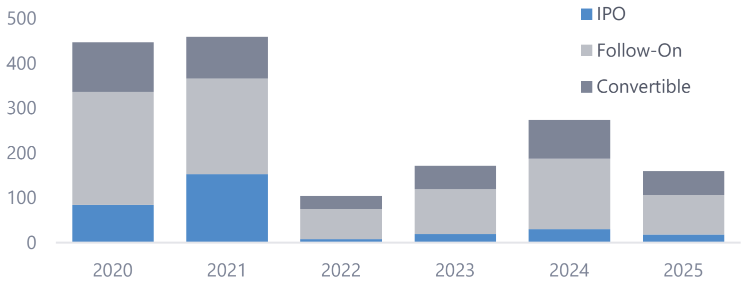
Convertibles remain a popular capital-raising tool in 2025, with $53 billion in issuance YTD 2025, which exceeds 2024 YTD levels. The product continues to offer a viable funding avenue amid elevated "higher for longer" interest rates and persistent market volatility. Looking ahead, if interest rate expectations turn more accommodative in 2H 2025—as some investors anticipate—the convertible market could experience a broader resurgence, particularly among issuers seeking lower cost of capital with delayed equity dilution.

Source: Dealogic.
Note: U.S. IPOs, follow-ons, and convertibles above $50 million as of July 25, 2025, excluding SPACs and closed-end funds.

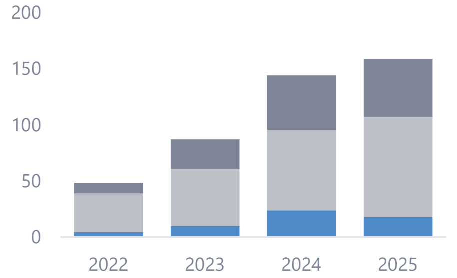
U.S. ECM Activity

Issuance by Product 2025 YTD vs. Prior Years

Proceeds Raised ($B)



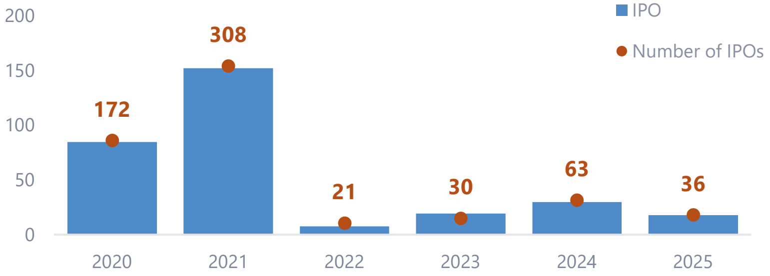
YTD Comparison



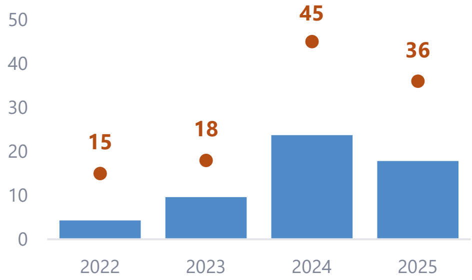
- ECM volume for 2025 YTD totaled $159 million. Strong follow-activity pushed the total proceeds to exceed the 2024 YTD level of $144 billion. IPOs in the technology sector contributed to 2025 YTD outpacing 2024 YTD.
- After three years of YoY growth in the IPO market, IPO offerings cooled off throughout the first half of 2025, with issuance declining by ~$6 billion on a YTD basis compared to 2024 YTD.

U.S. IPOs 2025 YTD vs. Prior Years

Proceeds Raised ($B)



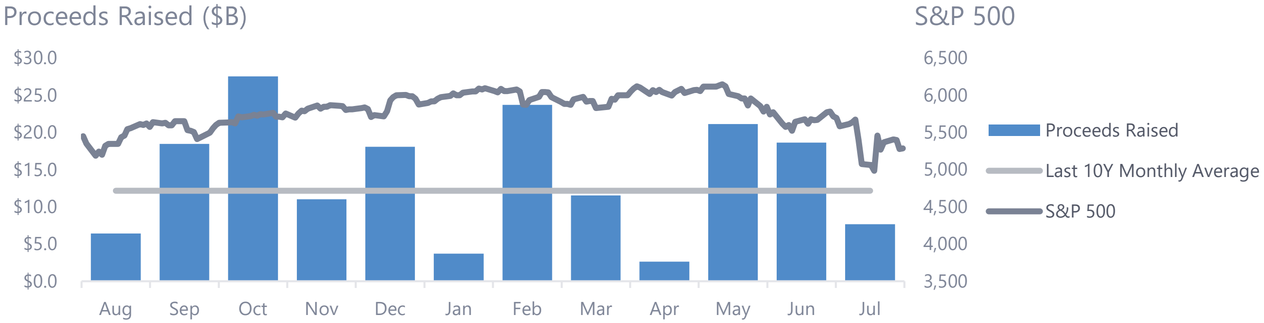
YTD Comparison



- Despite April's surge in volatility due to shifting U.S. tariff policies and recession concerns, the IPO market ended Q2 with more momentum than when it started the quarter.
- In the past three years, financial sponsors have delayed exits and IPOs because of higher rates and borrowing costs and lower public valuations. However, sponsors returned to the IPO market in Q2, albeit at a slower pace than market participants had hoped.

U.S. Follow-Ons 2024–2025 YTD

Proceeds Raised ($B)



- Companies and sponsors will continue to utilize follow-on offerings to both fund growth and monetize investments while navigating the complexities of the economic landscape and market environment.
- While follow-on activity slowed throughout July, YTD proceeds raised was up ~$17 billion from the same period in 2024.
- The top three sectors by proceeds—healthcare, technology, and industrials—accounted for 65% of follow-on offerings in 2025 YTD, continuing the trend established in 2024.

Sources: Dealogic, S&P Capital IQ.
Note: U.S. ECM transactions above $50 million as of July 25, 2025, excluding SPACs and closed-end funds.

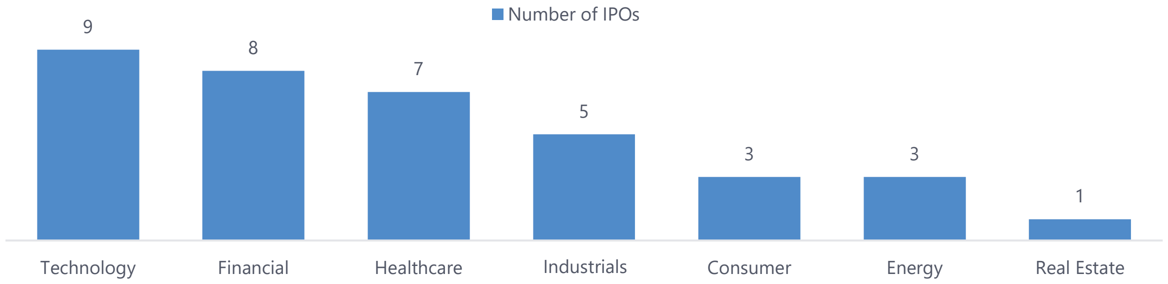
Key Takeaways

The U.S. IPO market in Q2 2025 unfolded in several distinct phases. The early part of Q2 was marked by challenges stemming from tariffs and broader market volatility, effectively bringing equity issuance to a standstill. As these headwinds eased, market conditions improved, leading to a notable rebound in equity capital markets activity by quarter-end, highlighting the underlying resilience of the IPO market. Heading into Q3, companies and investors will continue to monitor the activity level from sponsor exits, as this sentiment tends to lead to more corporates going public and strong demand for other equity financing activities.

Follow-on issuance continued to be the most prevalent type of offering during the first half of the year, although challenging market conditions led to a slight regression compared to previous months and quarters.

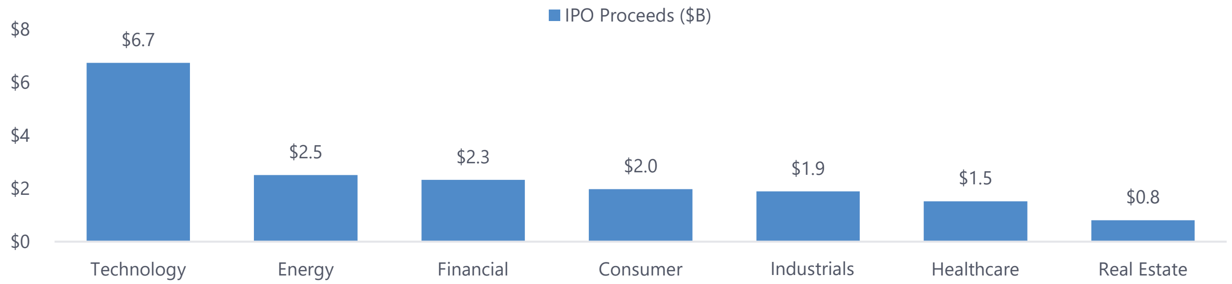
U.S. ECM Activity (cont.)

IPOs by Sector 2025 YTD



- Technology has been the most active IPO sector in 2025 YTD, with nine transactions so far this year accounting for a quarter of deals and approximately 40% of total proceeds.
- Traditionally, healthcare is the most active sector by number of IPOs.
- While the financials, healthcare, and industrials sectors contributed to IPO deal flow, consumer, energy, and real estate faced ongoing challenges.

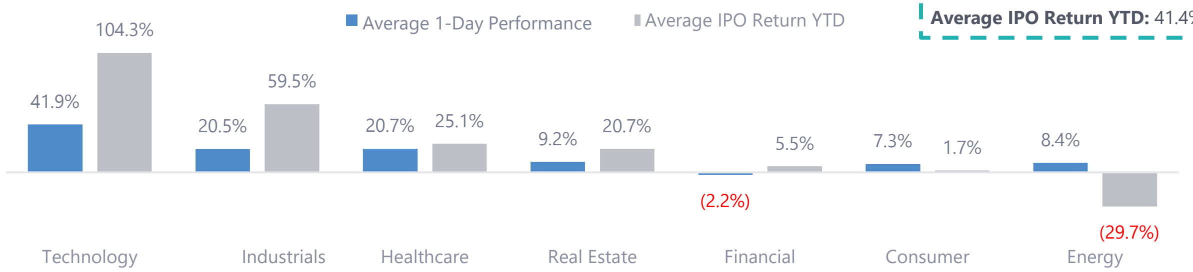
IPO Proceeds by Sector 2025 YTD



- Large IPOs in the technology and energy sectors led to outsized proceeds raised compared to other sectors. Several of these technology IPOs were long anticipated by investors.
- Despite having the second and third highest number of deals in 2025, financial and healthcare proceeds ranked lower than expected. Healthcare in particular still faces regulatory and government policy challenges that impacted IPO volumes.

IPO Performance by Sector 2025 YTD

Average 1-Day Performance: 20.8%
Average IPO Return YTD: 41.4%



- IPO performance rebounded from the start of 2025 alongside market conditions, which resulted in more favorable returns for buyside investors.
- The strong finish to Q2 renewed optimism in the IPO market, though the trajectory could continue to be impacted by trade policy, geopolitical events, and recession fears.
- Technology, industrials, healthcare, and real estate are bright spots, as these sectors show increased positive short- and long-term gains when compared with other sectors.

Sources: Dealogic, S&P Capital IQ.
Note: 2025 U.S. IPOs above $50 million as of July 25, 2025, excluding SPACs and closed-end funds.

Key Takeaways

The shift in 2024 to less traditional IPO sectors continued to normalize in 2025, with technology ranking as the top sector in terms of deal activity. Aside from Venture Global, Inc., raising $1.8 billion, marking the largest IPO of the first half of the year, three other issuers surpassed the $1 billion gross proceeds raised in the technology sector: CoreWeave raised $1.5 billion, SailPoint raised $1.4 billion, and Circle Internet Group raised $1.2 billion.

In terms of pricing performance, IPOs averaged a first-day return of 20.8%, exceeding the 13.9% average throughout 2024. Financials and energy were the only sectors to post negative returns on either the first day or YTD, resulting in mixed overall IPO performance in 2025. While fewer sectors delivered sharp gains, investor interest remained concentrated in businesses with sustainable, profitable growth models.

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