

# IPO Market Forecast – February 2025 Update

## IPO Research Note

*By*

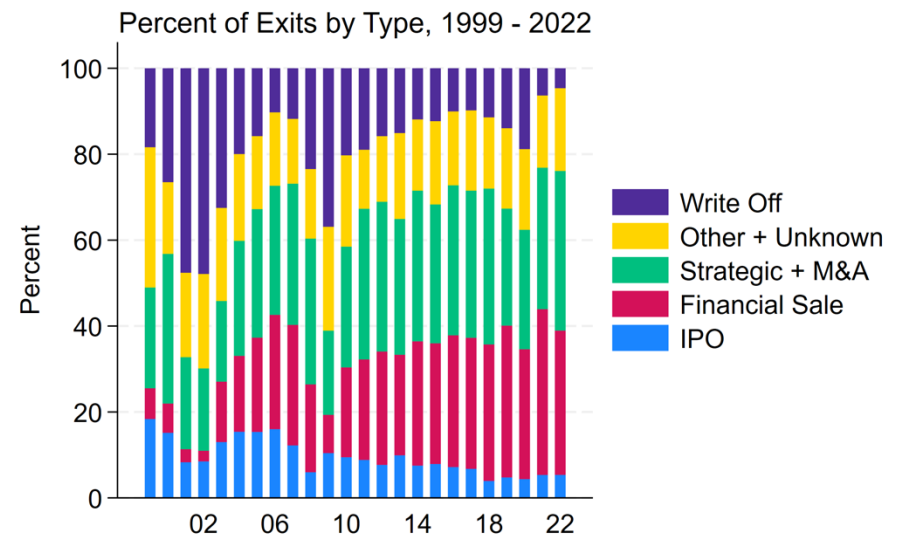
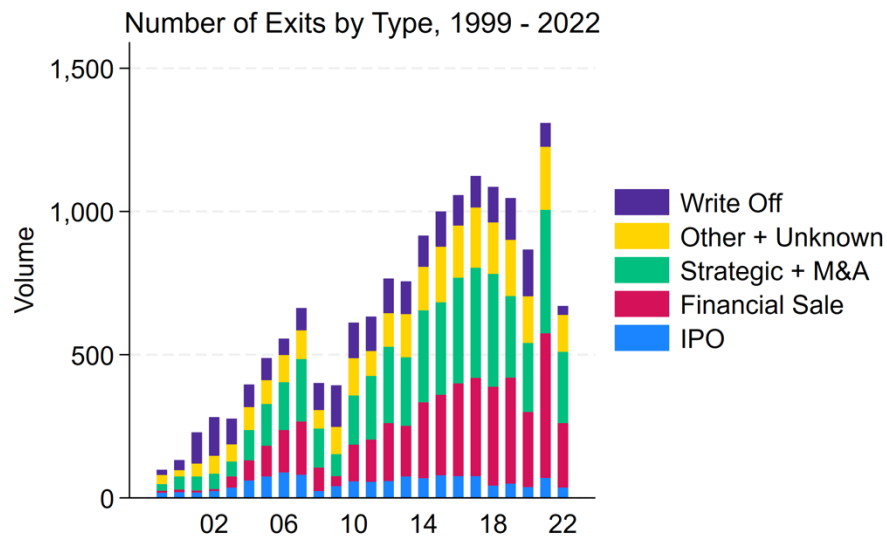
*Prof. Greg Brown, IPC & Kenan-Flagler Business School*

*William Volckmann, IPC*

**March 2025**

# PE by Exit Type

- The volume of PE exits by IPO hasn't changed much in the long run.
- However, IPOs have become less common relative to other types of exit, especially relative to financial sales. Yet, IPOs remain an important indicator for the health of the PE exit market.



# IPO Cold Market History

- At 27 months, the IPO cold-market episode of 2022 through mid-2024 was the second longest cold market since the 1970s.<sup>1</sup>
- The IPO market is now back in another prolonged cold streak after a 1-month tick barely back into a normal range (see figure on slide 6)

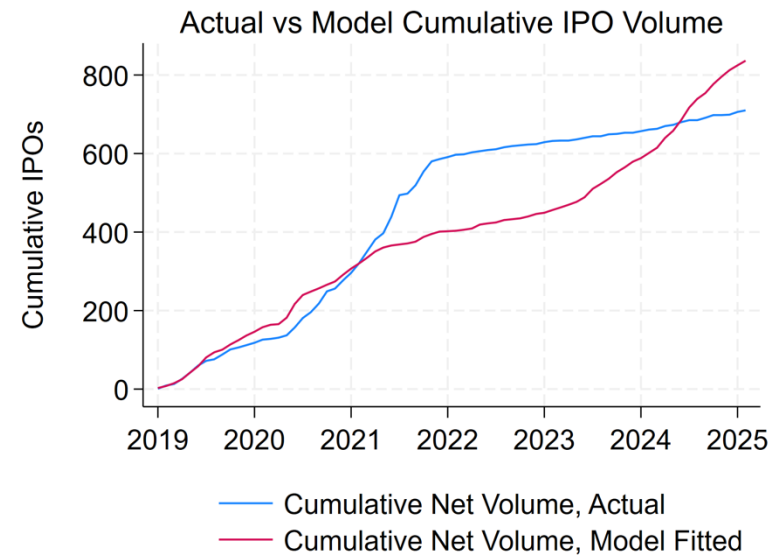
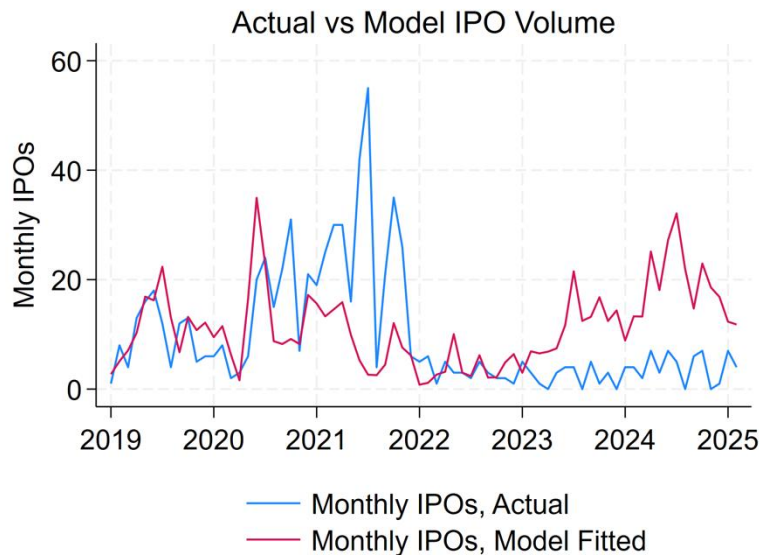
Start Month	End Month	Duration	Rank	Statistic	
Feb-1975	May-1980	64	1	Number of Spells	21
<b>Feb-2022</b>	<b>Apr-2024</b>	<b>27</b>	<b>2</b>	Mean Duration	7.9
Feb-2008	Aug-2009	19	3	Shortest Duration	1
<b>Jun-2024</b>	<b>Feb-2025</b>	<b>9</b>	<b>4</b>	25%	2
Dec-2002	Jul-2003	8	5	Median Duration	3
Dec-1988	Mar-1989	4	6	75%	4
Oct-1990	Jan-1991	4	6	Longest Duration	64
Apr-1982	Jul-1982	4	6		
Jul-2002	Oct-2002	4	6		
Dec-2015	Mar-2016	4	6		
Aug-2011	Oct-2011	3	11		
Dec-2018	Feb-2019	3	11		

Data source: Jay Ritter IPO data library / IPOscoop.com.

<sup>1</sup>Details are provided in the white paper, but a cold market is when the 3-month centered moving average.

# Actual Data Versus Model Prediction

- Our model utilizes variables identified in the academic literature shown to forecast IPO activity (e.g., market returns, interest rates, inflation, and 1-day IPO returns).
- The model fits historical IPO activity well until the surge in 2020-2021.
- ***The cold market “hangover” has run its course, and our model-fitted cumulative IPO volume now substantially exceeds actual cumulative IPO volume.***

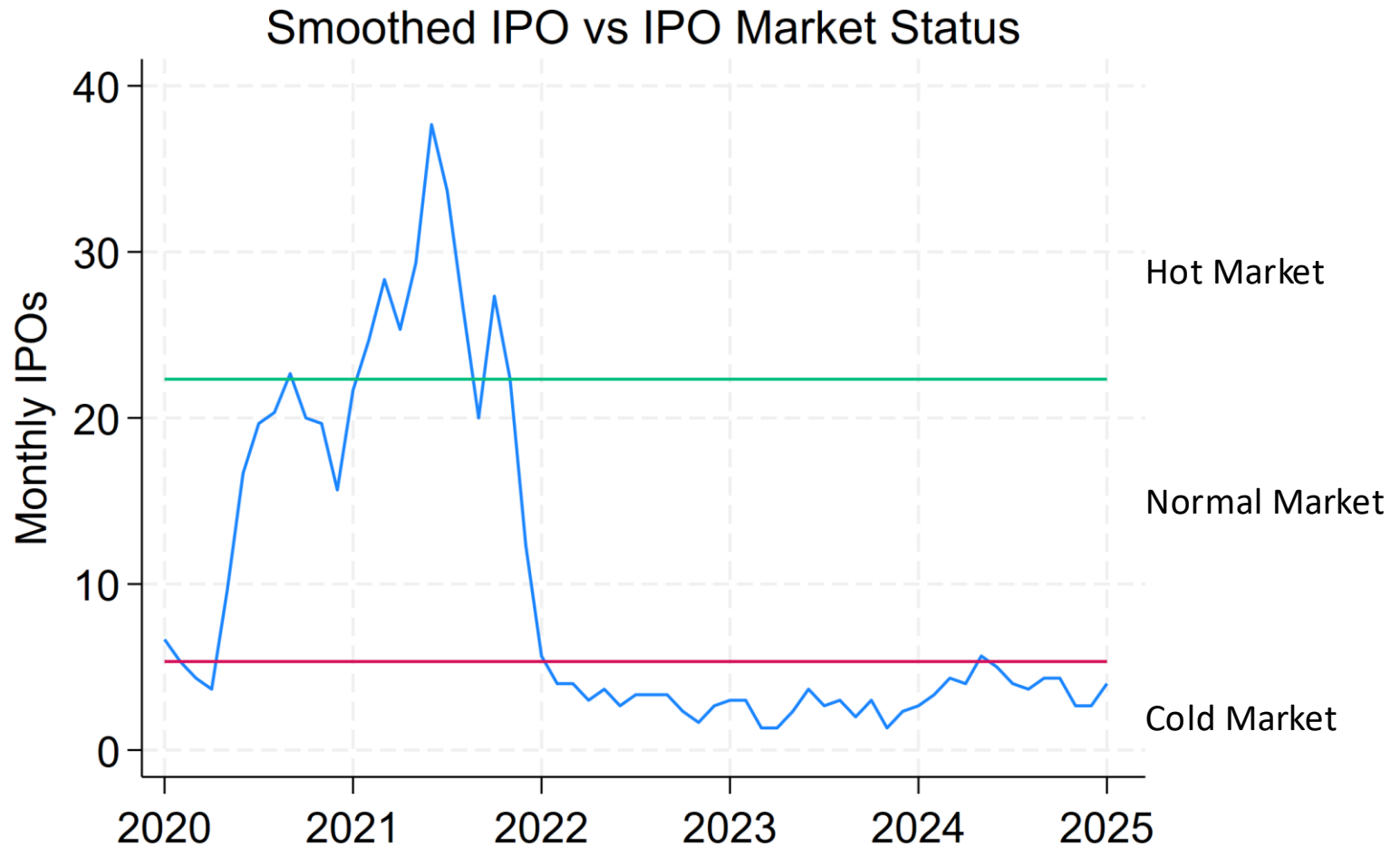


# New IPOs and Sentiment

- February average day 1 return: 21.7%
- January average day 1 return: 12.6%

Company	Industry	Offer Date	Offer Price	1 <sup>st</sup> Day Close	1 <sup>st</sup> Day Return
<b>February 2025</b>					
Northpointe Bancshares Inc.	Financials	2/14/2025	\$14.50	\$14.50	0.0%
Aardvark Therapeutics	Health Care	2/13/2025	\$16.00	\$14.31	-10.6%
Karman Holdings	Industrials	2/13/2025	\$22.00	\$30.05	36.6%
SailPoint Parent, LP	Technology	2/13/2025	\$23.00	\$22.00	-4.3%
<b>January 2025</b>					
Infinity Natural Resources	Oil & Gas	1/31/2025	\$20.00	\$21.07	5.4%
Maze Therapeutics	Health Care	1/31/2025	\$16.00	\$15.95	-0.3%
Metsera Inc.	Health Care	1/31/2025	\$18.00	\$26.50	47.2%
Beta Bionics, Inc.	Health Care	1/30/2025	\$17.00	\$23.63	39.0%
Smithfield Foods Inc.	Consumer Goods	1/28/2025	\$20.00	\$19.75	-1.3%
Venture Global, Inc.	Oil & Gas	1/24/2025	\$25.00	\$24.00	-4.0%
<b>December 2024</b>					
ServiceTitan	Technology	12/12/2024	\$71.00	\$101.00	42.3%

# New Developments – Little sign of IPO activity gaining traction in recent months



# Recent Drivers of IPO Market

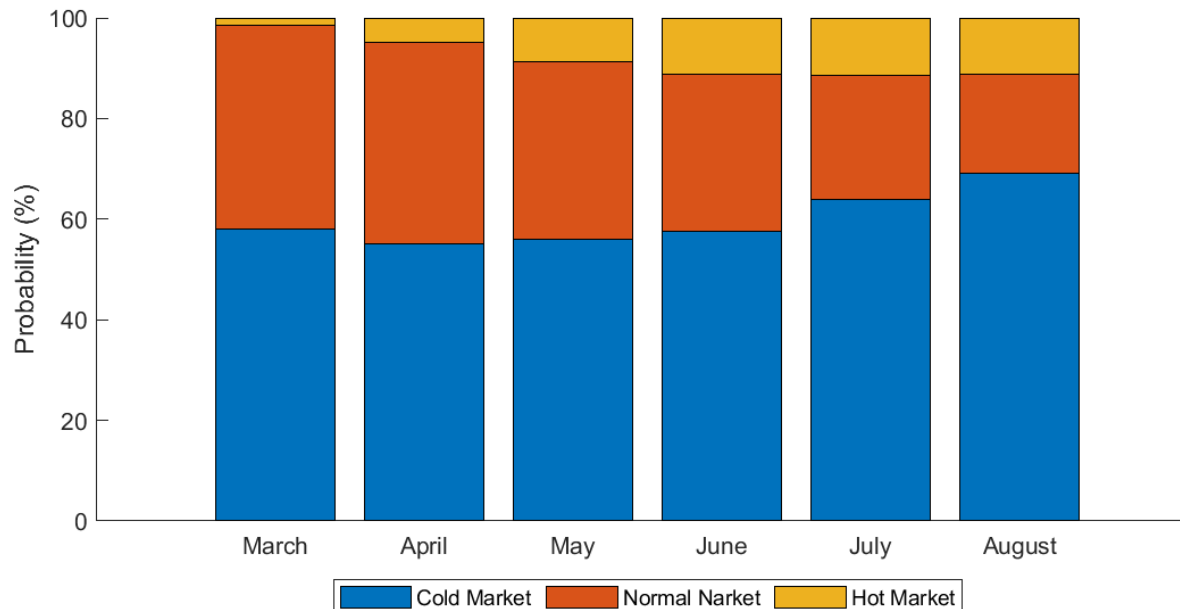
- Variables predicting the IPO market:

Variable	February Observation	Influence on IPO Market
Excess Returns	1.9%	Neutral
Inflation	3.9%	Neutral
Real Rate	0.4%	Neutral
Credit Spread	1.6%	Positive
Day 1 Returns	21.7%	Neutral

Very Positive → exceeds mean by 1.5 standard deviations in pro-IPO direction  
Positive → exceeds mean by 0.5-1.5 standard deviations in pro-IPO direction  
Neutral → Low deviation from mean (between -0.5 and 0.5 standard deviations)  
Negative → exceeds mean by 0.5-1.5 standard deviations in anti-IPO direction  
Very Negative → exceeds mean by 1.5 standard deviations in anti-IPO direction

# Probability of Escaping Cold Market

- Similar to our last update, we still predict that the most likely scenario for the next two quarters is to remain in a cold market (blue bars). However, there is a roughly 40% chance of entering either a normal or even a hot market in the very near-term.
- Our forecasting variables have been improving, albeit slowly. The strong historical stock returns in 2024 are the biggest driver of the potential to transition into a normal or hot market. However, our methodology assumes a reversion to average stock returns in future periods, so the effect of last year's strong market returns fades over the next 3 months (and returns over the last month have been low).







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For more information contact:

IPC Research Director, Prog. Greg Brown, [gregwbrown@unc.edu](mailto:gregwbrown@unc.edu)

IPC Executive Director, Sarah Franks, [sarah\\_franks@kenan-flagler.unc.edu](mailto:sarah_franks@kenan-flagler.unc.edu)