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[Interview with Mr. Bernstein, Co-Chairman of Marcum Asia Accounting Firm: The IPO market is in sight, and Chinese companies should have a global perspective](#)

Under the influence of vigorous interest rate hikes in Europe and the United States, the lagging effect of tightening gradually emerged. The battle against inflation has not been successful, the banking crisis in Europe and the United States has sounded the clarion call of economic recession, and China has become a key engine to promote global economic growth.

Will China's 5% economic growth target be achieved this year? How does China promote economic development? What was the impact of the collapse of Silicon Valley Bank? In the face of multiple challenges such as interest rate hikes, sluggish stock markets, concerns about stagflation, and unexpected turmoil in the global banking industry, how should companies respond? Will the global IPO market turn around later this year? How do you view Chinese companies growing into world-class enterprises? Will more Chinese companies prepare to go public in the US in the future? With these hot issues in mind, the 21st Century Business Herald interviewed Drew Bernstein, co-chairman of Marcum Asia Accounting Firm.



Drew Bernstein, co-chairman of McKay Asia CPA

After China optimized the epidemic prevention and control measures, many foreign company executives came to China one after another. For this trip to China, Bernstein has deep feelings. Foreign business leaders are gradually regaining confidence in the business environment. After the new crown epidemic, the Chinese economy will maintain a good momentum in 2023. According to Bertstein, due to the size of the Chinese economy and the country's policy support, China may have an easier time achieving its GDP growth target than any other country in the world. On the other hand, the biggest headwind for the Chinese economy is a possible recession in the US and Europe, which will further curb exports.

Facing the impact of tightening policies in Europe and the United States, Bernstein said that enterprises can adjust the scale and priority of investment to meet the market's demand for profitability and positive cash flow. He would like to see how quickly major companies can Adapt to the new environment of high interest rates. He believes that the pace of technological innovation will not slow down, and that meaningful business models are still being funded.

While the IPO market is still subdued at the moment, the dawn may not be far away. Bernstein expects a number of larger private companies from China and Southeast Asia to appear interested in listing in the fourth quarter of this year if market

sentiment improves. Two determinants are crucial: on the corporate side, the need for more compliant, profit-oriented business models, and on the investor side, a rebalance toward growth stocks. When that happens, the IPO market will be hot again.

For Chinese companies such as TikTok and Shein, which have grown into world-class companies, Bernstein praised: TikTok and Shein, two Chinese brands that have really risen globally in recent years, have been warmly welcomed by "Generation Z". Compared with traditional American technology companies, the new generation of technology companies from China is one step ahead in connecting with young users. Both companies have made a conscious effort to position themselves as global players. It is difficult to build globally trusted brands without in-depth engagement with the world outside of China.

Confidence recovery "in progress"

21st Century: After China optimized the epidemic prevention and control measures, you came to China. How do you feel different this time? What are the benefits of this trip?

Bernstein: The main purpose of my trip was to build connections with our executives in China, most of whom I haven't met in three years. My feeling during this trip is that foreign business leaders are gradually regaining confidence in the business environment, and the Chinese economy will maintain a good momentum in 2023 after the new crown epidemic.

21st Century: Judging from various signs, China's economic growth is bound to accelerate this year, with both opportunities and challenges. How do you feel? How does China promote economic development? What suggestions do you have?

Bernstein: For several years, China's leadership has been talking about the need to transition to high-quality and sustainable growth, rather than relying on real estate development and infrastructure projects. In some areas, such as equity capital market reform, China has made substantial progress. Recently, the relevant departments of the Chinese government have worked together, and China has "opened the door" to foreign companies and investors. A more stable model would also need to be supported by domestic consumption, dependent on stronger health and social safety nets to gradually reduce excess savings and encourage fertility, which would require some bold policy moves and trade-offs on the scale of China's New Deal.

21st Century: As the saying goes, confidence is more important than gold. What do you think of China's economic growth target of 5% this year? What impact will China's economic recovery have on the world?

Bernstein: Due to the size of the Chinese economy and the country's policy support, it may be easier for China to achieve its GDP growth target than any other country in the world. The biggest unfavorable factor for China is the possible economic recession in the United States and Europe, which will further curb exports, and the "decoupling" of technology also requires vigilance, which will damage the innovative industry. China has a strong ability to meet the standards. In order for the world to benefit from China's economic recovery, countries also need a pragmatic new model of cooperation.

The pace of technological innovation will not slow down

In the 21st century: Faced with multiple challenges such as interest rate hikes, sluggish stock markets, concerns about stagflation, and unexpected turmoil in the global banking industry, it seems that global corporate financing still faces many difficulties? How to deal with these challenges?

Bernstein: In response to the new crown epidemic, we have experienced a continuous period of extremely loose monetary policy, which may have lasted for too long. In that environment, many speculative business models were financed. Interest rate shocks remind markets that financing often has a cost. Businesses can scale and prioritize investments to meet the market's need for profitability and positive cash flow, and I'm interested to see how quickly companies can adapt to this new environment of high interest rates. I don't think the pace of technological innovation will slow down, and meaningful business models are still being funded.

21st Century: The recent European and American banking turmoil has become the focus of the world. What impact did the collapse of Silicon Valley Bank cause? How might the future hold?

Bernstein: The speed at which Silicon Valley Bank fell apart once caused panic in the venture capital community, followed by Swiss officials' emergency rescue of Credit Suisse.

The Chinese banking system is somewhat independent of the US banking system. As China optimizes measures to contain the outbreak, the banking system is trying to boost the economy with lower interest rates. Interest rates in China are relatively low at the moment, and people want the highest rate of return. Chinese investors do want to

enter the United States, but not necessarily through Silicon Valley Bank, but more through big banks that do ADR business. More cooperation with the United States will help Chinese companies go public.

The dawn of the IPO market is in sight

21st Century: In the first quarter of 2023, the number of global IPO transactions decreased by 8% year-on-year, and the amount of funds raised decreased by 61% year-on-year. Will the global IPO market turn around later this year? How does the situation differ across regions of the world?

Bernstein: Our main focus is helping Asian companies go public in the US, and the number of listings in the first quarter of this year increased from 18 in the first quarter of 2022 to 29, even though the funds raised were only \$2.3 billion. It is worth noting that 10 IPOs (about 34%) in the first quarter came from China. Based on my discussions with company management and investment bankers, a number of larger private companies from China and Southeast Asia appear interested in listing in the fourth quarter of this year if market sentiment improves. Two determinants are crucial: on the corporate side, the need for more compliant, profit-oriented business models, and on the investor side, a rebalance toward growth stocks. When that happens, the IPO market will be hot again.

21st Century: The good news is that after the elimination of regulatory uncertainty, the Chinese concept stock market seems to be gradually recovering recently? What are your feelings?

Bernstein: The progress in cross-border listing regulation is amazing. In the fall of 2022, for the first time, the Public Company Accounting Oversight Board (PCAOB) conducted a review of the branches of the Big Four accounting firms in mainland China and Hong Kong, China. China's Cyberspace Administration has been reviewing and approving filings from companies that collect consumer data and seek overseas listings, provided they don't pose a clear threat to national security and comply with Chinese law. The China Securities Regulatory Commission has now published procedures for reviewing and approving overseas listings, including for companies using the VIE structure. The ability of Chinese and American regulators to resolve intractable conflicts gives me optimism that progress in cooperation is possible on issues more important to our shared future.

21st Century: On February 17 this year, the China Securities Regulatory Commission issued the relevant system rules for the full implementation of the stock issuance registration system, which will come into effect on the date of publication.

What do you think of the full implementation of the stock issuance registration system in China?

Bernstein: The shift to the registration system shows that China's capital market is becoming more and more mature. A vibrant private market depends on the ability of investors to allocate capital to the companies that are likely to generate the highest returns. Of course, investors are not always right, but that is part of the beauty of the market.

Chinese companies should have a global vision

21st century: In recent years, many Chinese companies have grown into world-class companies, such as TikTok and Shein, which have become popular. What are the advantages and disadvantages of Chinese companies in global competition? How to develop better?

Bernstein: It is very interesting that TikTok and Shein, two Chinese brands that have really risen globally in recent years, have been warmly welcomed by "Generation Z". Compared with traditional American technology companies, the new generation of technology companies from China is one step ahead in connecting with young users. Perhaps it also shows that "Generation Z" is less ideologically rigid. Both companies have made a conscious effort to position themselves as global companies, and we are seeing more and more hybrid models: a company may choose to base its headquarters and leadership in a location considered "neutral", such as Singapore, even though much of the engineering or research talent is in China, and the marketing reach is global. It is difficult to build globally trusted brands without in-depth engagement with the world outside of China.

21st Century: Looking into the future, will more Chinese companies prepare to go public in the US? What opportunities and challenges do you see?

Bernstein: Every company needs to evaluate the listing location that best matches its strategic goals and capital needs. In recent years, as China's domestic market has become more active, it may be the best choice for enterprises in government-focused industries or those involved in sensitive industries. The advantage of the US market is that it can raise multiple rounds of funding over time, provide liquidity to early investors, and build a global brand. The biggest challenge is meeting global investor expectations for transparency and maturity in accounting and internal controls. Many companies are trying to go public, but will they be able to hold on for long? The companies left behind by the big waves will create income for investors.