

September 8, 2015

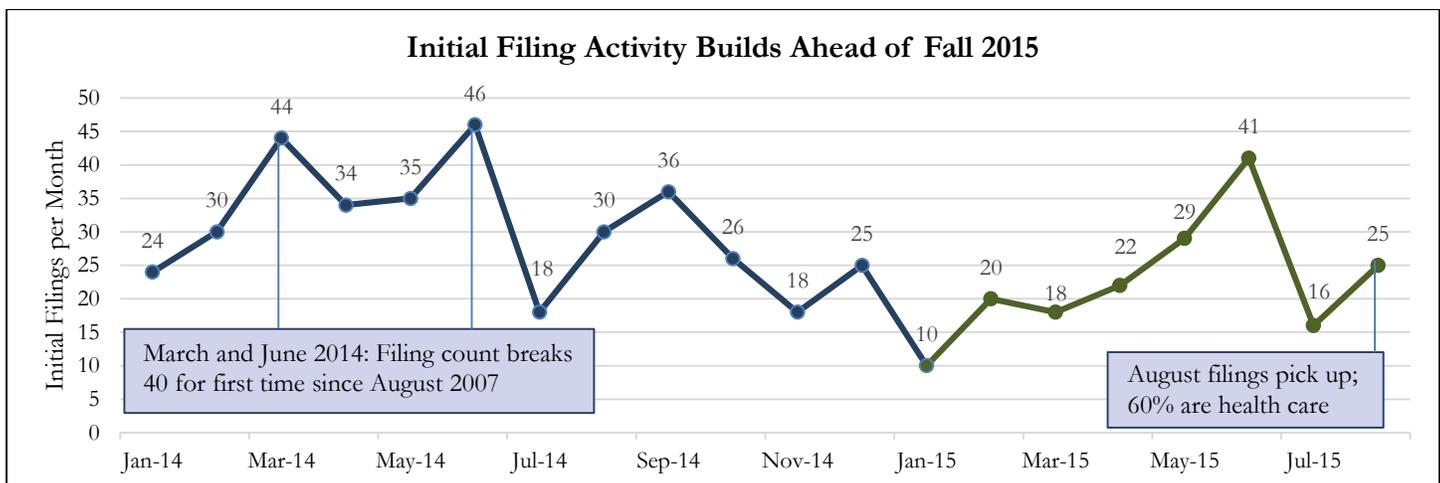
### Can IPO Issuance Exceed 200 Deals for 2015?

Year-to-date, 131 IPOs have raised \$22 billion, 31% fewer offerings than last year but exactly in line with 2013, which ultimately saw 222 deals. Matching that level of activity now appears unrealistic due to the recent selloff in equities, a still-weak energy sector, uncertainty over US interest rates, trouble in emerging markets and high volatility heading into September. The VIX volatility index has reached levels not seen since September 2011, a month where no IPOs priced. However, 2011 had moderate IPO issuance in the fourth quarter even as the VIX ranged from 20 to 40. For the IPOs that come, returns should improve as investors demand greater valuation discounts. An uptick in August filings suggests that we could see 60-70+ IPOs through the rest of the year, but elevated volatility could drag the range down to about 30-40. Biotechs continue to represent a large share of IPOs; 60% of new IPO filings in August were from health care companies. The end of the year could also see as many as eight IPOs raise at least \$1 billion, led by mega LBOs including **First Data**, **Neiman Marcus** and **Univision**, some of the last major holdovers from the 2005-2007 buyout binge. **Soul Cycle** and **Pure Storage** are among the few high-growth tech and consumer IPOs on file; these sectors remain wildcards in determining whether the IPO market reaches 200 offerings for the third year in a row, a streak last seen in 1998-2000.

As of September 8, there are 122 companies publicly on file for US IPOs looking to raise a combined \$32 billion. The active pipeline – companies that have submitted new or amended filings since July 1 – includes 68 companies seeking an estimated \$23 billion. However, we note that 61% of IPOs in the fourth quarter last year had not been on file before Labor Day, suggesting that a meaningful portion of potential 4Q15 deal flow is sitting outside the active pipeline.

#### Key Takeaways:

- Five Mega LBOs Could Each Raise Over \$1 Billion
- Few Growth IPOs Have Submitted Public Filings; Technology on Pace for Lowest Level Since 2009
- Health Care Sector Will Continue to Drive IPO Activity Through Year-End
- Shadow IPO Backlog Should Contribute Meaningfully to 4Q15 Issuance
- 2015 IPO Issuance Could Still Exceed 200 for the Third Straight Year



Source: RenaissanceCapital.com

Note: Monthly filings include all initial S-1s, F-1s or S-11s from companies that lack significant public trading and are raising at least \$5 million. Excludes SPACs.

### Five Mega LBOs Could Each Raise Over \$1 Billion

Private equity-backed IPOs represent 49% of the active pipeline, compared to 36% at this point last year. The group includes 21 leveraged buyouts and 12 companies backed by growth equity. Ten LBOs have gone public in 2015 but none have raised over \$800 million. A surge of LBOs filed in July and August as PE firms attempt to exit their positions and pay down debt ahead of the start of an interest rate hike cycle. Just one LBO last year raised over \$1 billion, but five have geared up for potential billion-dollar IPOs in the final four months of 2015. First Data, which could be the year's largest IPO, Univision and Albertsons (Safeway) are among the last remaining LBOs from the 2005-2007 buyout boom. Neiman Marcus and Performance Food are also known names seeking to return to the public markets. With 2015 M&A activity on pace to exceed 2007, some PE-backed companies may opt for a sale instead of an IPO, motivated by the certainty of liquidity. Large LBO SunGard went this route in August, and Petco is reportedly in a dual track process.

### Featured Private Equity-Backed IPOs

File Date	Company	Industry	Primary Backer	Est. Deal Size (\$mm)	LTM Sales (\$mm)	GAAP EBIT%
7/20/2015	First Data	Financial Services	KKR	\$5,000*	\$11,242	13%
8/04/2015	Neiman Marcus	Consumer	Ares Management/CPPIB	\$1,000*	\$5,041	6%
7/08/2015	Albertsons Companies	Consumer	Cerberus Capital	\$1,000*	\$57,884	0.5%
7/02/2015	Univision	Media	Madison Dearborn/TPG	\$1,000*	\$2,778	13%
8/26/2015	Acelity Holdings	Health Care	Apax Partners	\$1,000*	\$1,870	17%
6/08/2015	Patheon	Health Care	JLL Partners/DSM	\$700*	\$2,007	5%
8/17/2015	Petco Holdings	Consumer	TPG/Leonard Green	\$500*	\$4,223	7%
6/26/2015	Multi Packaging Solutions Int'l	Materials	Carlyle/Madison Dearborn	\$500*	\$1,559	4%
9/09/2014	Performance Food Group	Consumer	Blackstone/Wellspring	\$500*	\$15,270	1%
8/17/2015	Surgery Partners	Health Care	H.I.G. Capital	\$431	\$713	13%
2/02/2015	IASIS Healthcare	Health Care	TPG/JLL Partners	\$300*	\$2,699	5%

Source: RenaissanceCapital.com \*RC estimate

**First Data:** A provider of electronic commerce and payment processing for financial institutions, First Data was LBO'd in 2007 for \$29 billion by a consortium of PE firms led by KKR, marking KKR's largest single investment ever. With a deal size estimated around \$5 billion, First Data could be the largest IPO of 2015 and only the fifth IPO in the last decade to raise more than \$5 billion.

**Neiman Marcus:** LBO'd in 2005 for \$5.1 billion, Neiman Marcus is a luxury department store retailer that operates 43 full-line stores in the US. After attempting an IPO in June 2013, it withdrew the following September when it was sold to Ares Management and the CPPIB for \$6 billion. The highly-levered company has had positive comparable store sales growth for 23 consecutive quarters.

**Albertsons Companies:** Cerberus Capital-backed Albertsons is the second-largest US grocer behind Kroger. The company operates 2,281 stores across 33 states under 18 brands. Albertsons, which generated \$58 billion in sales during the last twelve months, was carved out of SUPERVALU in 2013 for \$3.3 billion before it acquired Safeway the next year for \$9.2 billion.

**Univision:** Leading Hispanic-American media provider Univision originally went public in 1996, and in 2007 the company was acquired in a highly leveraged buyout for \$13.7 billion by a private equity consortium led by TPG. Univision Network is the most-watched US Spanish-language broadcast television network. The company reaches over 49 million media consumers on a monthly basis.

**Petco Holdings:** Following an IPO in 2001 and an LBO by TPG Capital and Leonard Green Partners for \$1.8 billion in 2006, Petco is reportedly on a dual track process that could value the company at \$4-\$5 billion. It operates more than 1,400 pet superstores in the US, Mexico and Puerto Rico. In March, close competitor PetSmart was acquired for \$8.7 billion by a PE consortium led by BC Partners.

### Few Growth IPOs Have Submitted Public Filings

Ferrari's initial public offering could raise \$1 billion in one of the year's most highly-recognized deals. Caribbean wireless provider Digicel and Freeport-McMoRan's deepwater Gulf of Mexico E&P are also large enough to raise \$1 billion. The **technology** sector accounts for just 11% of IPOs year-to-date, the lowest since 2008. The 15 tech IPOs have declined more than any other sector after their first day, and the group averages a total return of -4%, which combined with ample funding and generous valuations in the private markets may be causing many to sit on the sidelines. There are only six tech companies in the active IPO backlog, putting the year on track to see about 50% fewer tech IPOs than 2013 and 2014. The Pure Storage IPO will test investors' appetite for breakneck growth (200%) paired with extremely steep losses (\$199 million LTM operating loss). The **consumer** sector has an average return of 17% but is plagued by poor aftermarket trading and a recent flop from Amplify Snack Brands, which boasted high growth and strong cash flow. The eight consumer IPOs in the active backlog are skewed to larger, more mature companies; only SoulCycle and At Home Group have meaningful growth. The **energy** and **financial** sectors have eight and nine active filers, respectively, about half of which are dividend-producing MLPs and REITs. Weak energy prices and poor performance for oil, gas and solar IPOs will likely keep energy activity depressed outside of select situations. There have been more REITs in 2015 than last year and regional banks continue to price IPOs; both trends appear likely to continue through year-end.

### Featured Technology/Consumer/Other IPOs

File Date	Company	Industry	Est. Deal Size (\$mm)	LTM Sales (\$mm)	MRQ Sales Growth	GAAP EBIT%
7/23/2015	Ferrari	Capital Goods	\$1,000*	\$2,763	0%	15%
6/26/2015	Digicel Group	Telecom	\$1,000*	\$2,785	-1%	19%
6/23/2015	Freeport-McMoRan Oil & Gas	Energy	\$1,000*	\$3,281	-57%	-347%
8/12/2015	Pure Storage	Technology	\$300	\$224	201%	-89%
7/24/2015	Vizio	Consumer	\$173	\$3,231	7%	2%
7/30/2015	SoulCycle	Consumer	\$100	\$137	53%	22%
9/03/2015	PointClickCare	Technology	\$100	\$113	22%	-4%
8/07/2015	CPI Card Group	Financial	\$100	\$296	82%	15%
6/18/2015	InnoLight Technology	Technology	\$100	\$152	39%	15%
2/19/2015	eASIC	Technology	\$75	\$76	48%	6%

Source: RenaissanceCapital.com \*RC estimate

**Ferrari:** Known for building exceptional exotic sports and luxury cars, Ferrari will be spun out of Fiat Chrysler, which has owned a stake since 1969. The spinoff will sell 10% of Ferrari to the public. The company recorded €2.8 billion in revenue and €265 million in net income in 2014 on sales of just 7,255 cars, plus a high-margin branding business.

**Pure Storage:** Flash memory-based enterprise storage provider Pure Storage is one of the only "unicorn" IPO filers of 2015. The company has raised over \$500 million in private funding, including a \$225 million Series F round in April 2014 valuing the company at over \$3 billion. It has had triple-digit revenue growth since 2013, but as of April 30, 2015, the company had an accumulated deficit of \$391 million.

**Vizio:** Vizio is a producer of low-cost televisions and sound bars, holding the #1 unit share position in the US sound bar industry and the #2 unit share position in the US smart HDTV industry in 2014 (7 million TVs sold in 2014). The company relies almost entirely on third-party design and manufacturing for its products. Vizio has been profitable for the last nine years with minimal external funding.

**SoulCycle:** Equinox-backed upscale indoor cycling fitness chain SoulCycle claims to provide an inspirational, meditative fitness experience for the body, mind and soul. The company operates 44 studios across eight metropolitan areas that boast a community of over 300,000 "riders" including celebrities such as Oprah, Kelly Ripa and Lady Gaga.

### Health Care Sector Will Continue to Drive IPO Activity Through Year-End

Health care has been an increasingly dominant force in the IPO market, driven by record biotech issuance. The sector represents 44% of 2015 IPOs (32% were biotech), compared to 38% at this point in 2014 (27% biotech) and 25% in 2013 (18% biotech). There are more health care IPOs actively on file than the next two sectors combined, representing one third of the active backlog, and 60% of new filings in August were health care. Eight of the top ten IPOs this year are biotechs, which should continue to represent the majority of health care offerings. We expect activity from diagnostics IPOs to remain challenged; the six this year have traded down 36% on average. Private equity is behind 39% of active health care IPOs on file, including three care providers. Since virtually all biotechs qualify under the JOBS Act, a large number of venture-backed names are waiting in the shadow backlog. Below, we highlight various biotechs with strong backers and noticeably larger deal sizes, along with two high-growth medical device companies. The average biotech IPO in 2015 has raised 40% more capital than last year, and more often traditional life sciences venture investors are joined by large crossover funds prior to IPO. Four biotechs are on file to raise \$100 million or more.

#### Featured Health Care IPOs

File Date	Company	Clinical Trial Stage	Lead Indication	Backers	Est. Deal Size (\$mm)
8/31/2015	NovoCure	Approved device/therapy	Brain cancer (GBM)	WFD Ventures	\$300
8/14/2015	Penumbra*	Approved device	Vascular diseases	Fidelity	\$101
8/14/2015	Edge Therapeutics	Phase 2 complete	Brain aneurysms	Sofinnova, Janus	\$115
8/28/2015	CytomX	Preclinical	Cancer	Third Rock, Canaan	\$100
8/17/2015	REGENXBIO*	Preclinical	Rare genetic diseases	FoxKiser, Venrock, Fidelity	\$100
7/07/2015	GenSight Biologics	Phase 1/2 complete	Retinal diseases	Novartis, Abingworth	\$100
6/18/2015	Nabriva*	Phase 2 complete	Bacterial pneumonia	HBM Health, Vivo	\$96
8/28/2015	Cortendo	Phase 3	Endocrine disorders	TVM Capital, HealthCap	\$86
8/17/2015	Aclaris Therapeutics	Phase 2 complete	Skin lesions	Vivo, Fidelity, Sofinnova	\$86
8/24/2015	Mirna Therapeutics	Phase 1	Cancer	Sofinnova, NEA	\$75

Source: RenaissanceCapital.com \*Filed terms on 9/8: set to price during the week of 9/14

**NovoCure:** NovoCure sells portable electric field generators for the treatment of solid tumor cancers designed to allow patients to go about their daily activities while receiving continuous treatment. It booked \$20 million of sales in the last twelve months and has an accumulated deficit of more than \$325 million. The company is expecting to raise \$300 million in its offering.

**Penumbra:** Fidelity-backed Penumbra manufactures and markets surgical access devices for use in endovascular procedures. The company addresses a \$1.3 billion market for neuro and peripheral vascular products in the US and Europe. Since 2007, it has successfully launched 14 product brands for access, thrombectomy and embolization. Revenue grew 41% in the 1H15 to \$81 million with a 0.2% operating margin.

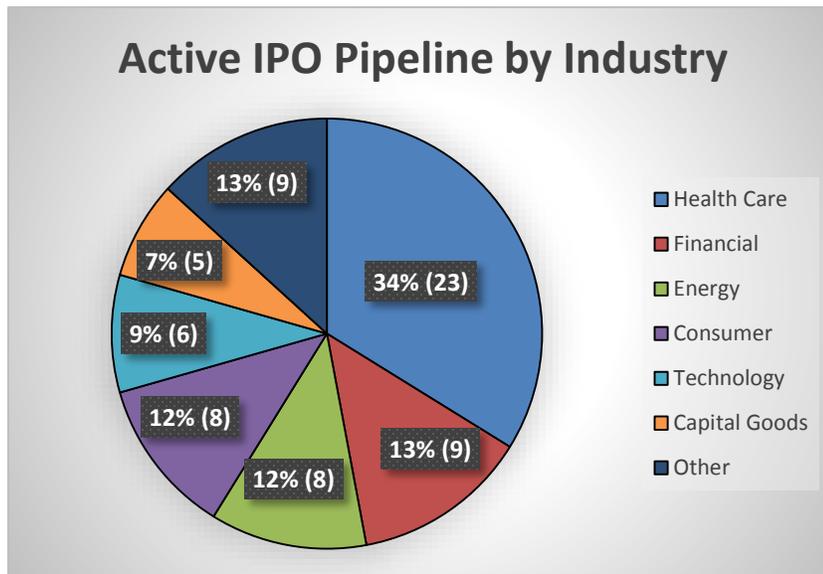
**Edge Therapeutics:** Edge Therapeutics is developing a sustained-release formulation of an existing therapy for ruptured brain aneurysms. In May 2015, the FDA granted its lead candidate orphan drug designation. With a deal size of \$115 million, Edge is the largest biotech on file. The company expects to initiate a Phase 3 trial in mid-2016.

**REGENXBIO:** Biotech REGENXBIO has received over \$110 million in private funding from backers including Vivo Capital and crossover funds. The biotech's gene delivery platform is being used to develop 23 product candidates (21 preclinical), 18 of which are licensed to partners. Its two most advanced candidates are expected to enter Phase 1/2 trials in the 1H16.

**GenSight:** Novartis-backed GenSight Biologics is developing gene therapies for rare retinal diseases, initially targeting Leber hereditary optical neuropathy (LHON), an orphan mitochondrial disease leading to irreversible and sudden sight loss in teens and young adults. LHON has no FDA-approved treatment. The year's other retinal gene therapy biotech, Spark Therapeutics, is up 92% from its offer price.

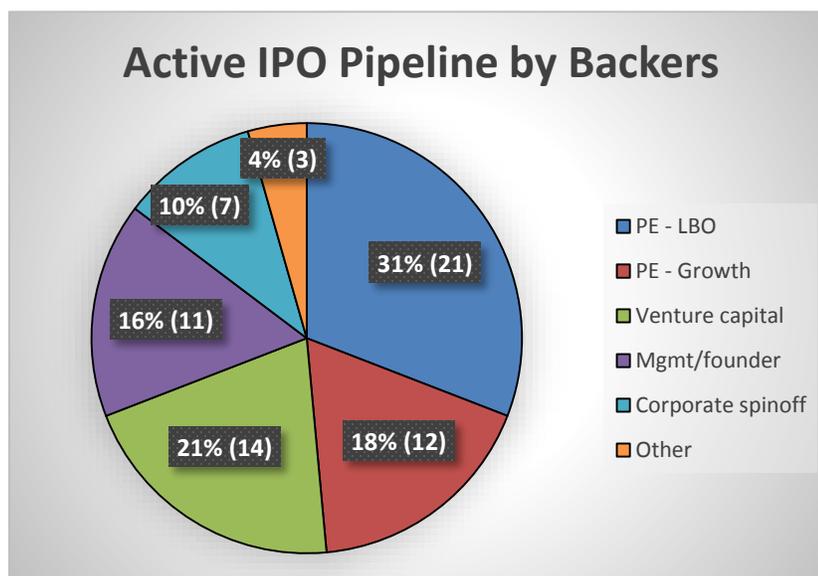
### Supplemental Charts: IPO Pipeline by Industry and Deal Type

Health care remains the heavyweight in the pipeline, representing 34% of all active filers. The actual IPO count could be higher as small biotechs and device companies can both file and go public in the 4Q. Technology companies have accounted for 11% of IPOs in 2015 and make up just 9% of the pipeline, compared to a historical average of about 20-25% of a year's deal flow. The year has seen several fast casual restaurants and other high unit growth stories, but five of the eight consumer IPOs in the pipeline have over \$3 billion in annual sales.



\*Includes IPOs that have initially filed or updated since July 1, 2015. Excludes SPACs.

Almost half of all companies that have submitted an initial or amended IPO filing since July 1 are backed by private equity. IPOs backed by venture capital make up only 21% of IPOs in the active pipeline, compared to 47% of deals year-to-date. Again, this is partly a function of smaller VC-backed companies qualifying for the confidential filing process; many could still launch and price in the 4Q.



\*Includes IPOs that have initially filed or updated since July 1, 2015. Excludes SPACs.

### Shadow IPO Backlog Should Contribute Meaningfully to 4Q15 Issuance

Last year, 36 of the 59 4Q IPOs (61%) filed their initial registration after Labor Day, a trend that would suggest the majority of companies that could go public in the 4Q15 have yet to publicly file their S-1s. Our Private Company Watchlist (PCW) consists of several IPO-ready companies that could file and launch before year-end, including 40+ companies that are known confidential filers or have already selected banks. In addition to the names highlighted below, there are also more than 15 biotechs that have completed late-stage crossover funding rounds and are positioned to complete an IPO in the 4Q15.

#### Potential 2015 IPOs Yet to File Publicly

Company	Description	Notable Backers	Est. Sales (\$mm) <sup>^</sup>	Est. Valuation (\$mm)
Square*	Mobile payment service.	Sequoia Capital, KPCB	\$250	\$6,000
McGraw-Hill Education†	Academic publisher spun out of McGraw-Hill Financial.	Apollo Global	\$1,847	\$5,000
Cloudera	Cloud-based Apache Hadoop data analytics platform.	Accel Partners, Intel	\$100	\$4,100
Nutanix	Software-defined storage appliance provider.	Lightspeed Venture, Fidelity	\$300	\$2,500
Jimmy John's	US sandwich chain with more than 2,100 locations.	Weston Presidio	n/a	\$2,000
At Home Group**	Operates 88 home decor stores in the South and Midwest.	AEA Investors	\$531	\$1,000
Oportun**	Hispanic-focused consumer lender in CA, TX and IL.	DAG Ventures, Fidelity	n/a	\$1,000
Veracode*	Cloud-based application security testing platform.	In-Q-Tel, Meritech Capital	\$55	\$700
Instructure*	Operates learning management system Canvas.	Bessemer Venture Partners	n/a	\$650
Sweetwater	Craft brewery with brands including 420 Extra Pale Ale.	TSG Consumer Partners	n/a	\$500

Source: RenaissanceCapital.com <sup>^</sup>Represents a 2013, 2014 or 2015 estimate. \*Confirmed confidential filer. \*\*Selected banks. †Filed publicly on 9/4

**McGraw-Hill Education:** Taken private by Apollo Global for \$2.5 billion in 2012, McGraw-Hill Education is one of the largest US educational publishers. In addition to textbooks, the company emphasizes its digital efforts for pre-K through postgraduate courses. McGraw-Hill Education has \$1.5 billion in debt, largely due to hefty dividends Apollo has received. In April 2015, Apollo reportedly held talks with investment banks to take McGraw-Hill Education public by the end of 2015 and, five months later, Apollo tapped Credit Suisse and Morgan Stanley to lead the offering. It filed publicly on Friday, September 4, for an IPO that we estimate could raise over \$500 million.

**Cloudera:** Backed with over \$1 billion, including a \$740 million investment from Intel, this open source software company offers solutions based on Apache Hadoop that power the data processing engines of large-scale businesses. For the fiscal year ended January 2015, revenue topped \$100 million, with subscription revenue growth accelerating to over 100%. Paid enterprise customers, which include eBay, CBS Interactive and Monsanto, grew 85% to over 500. Close competitor Hortonworks (Nasdaq: HDP), which went public in December 2014, is up 43% from its IPO. Cloudera was rumored earlier this year to be targeting an IPO as early as the 2Q15.

**Jimmy John's Franchise:** This US-based sandwich chain has more than 2,100 locations, most of which are franchised (98%). The company currently generates \$2+ billion in system-wide sales and \$150 million in EBITDA. Weston Presidio acquired a 33% stake in Jimmy John's in 2007 and the private equity firm has since completed two recapitalizations. In late May 2015, it was reported Jimmy John's was interviewing banks for a potential IPO, which could come in late 2015 and value the company at more than \$2 billion including debt.

**Veracode:** One of several cybersecurity IPOs possible for the 4Q, Veracode provides a cloud-based security testing platform to large enterprises, enabling them to identify and fix security vulnerabilities in their applications. It has more than 600 customers, including at least 28 Fortune 100 companies like Experian, Delta Air Lines and Cisco, and several government agencies like the FAA and the USDA. After a \$40 million late-stage funding round in September 2014, the company's CEO said Veracode began exploring a public offering. It has since been reported that Veracode tapped JP Morgan and UBS and filed confidentially for an IPO that could value it at \$600-\$800 million.

**Instructure:** Focused on displacing Blackboard, Instructure operates a next generation learning management system. It has closed about \$92 million in contracts within the last two years, and its systems are used by more than 18 million students and 1,400 educational institutions today. Following a June 2013 funding round, the CEO said the goal of the company is to be a permanent, standalone company listed on the Nasdaq. In August, the company reportedly filed confidentially and tapped banks for an IPO that could value it at \$500-\$800 million.

### 2015 IPO Issuance Could Still Exceed 200 for the Third Straight Year

It is difficult to definitively assess the impact the recent spike in volatility will have on fourth quarter IPO activity since the IPO market traditionally shuts down from mid-August through Labor Day. However, we do know that outside of the health care sector, particularly biotech, new filings have slowed and year-to-date IPO performance has weakened considerably since late June with nearly half of all 2015 IPOs trading below issue. Poor returns typically produce a more cautious investor appetite and larger IPO pricing discounts. The renewed uncertainty over the Fed's interest rate decision and concerns about a slowdown in China could force some companies to delay IPO launches past mid-September once the window reopens.

Ultimately, for US IPOs to reach the 200 deal milestone for the third consecutive year, a few things need to happen to improve the overall health of the IPO market. The VIX must be comfortably below the mid-20s. Secondly, IPO returns need to improve, which can be accomplished through valuation discounts. The 200 deal threshold will also need to see renewed activity from technology offerings, which have seen their deal activity fall way below historic averages.

### **About Renaissance Capital**

Founded in 1991 and headquartered in Greenwich, CT, Renaissance Capital is a global IPO investment advisor providing institutional research, investment management and indexing services. The Firm's IPO Intelligence research services provide pre-IPO fundamental analysis and global IPO market analytics to the top institutional buyers of IPOs. Renaissance Capital manages portfolios of unseasoned equities through the Global IPO Fund (symbol: IPOSX), the Renaissance IPO ETF (symbol: IPO), the Renaissance International IPO ETF (symbol: IPOS) and separately managed institutional accounts. The Firm maintains the FTSE Renaissance Global IPO Index Series (symbols: IPOUSA, IPOXUS), which serve as benchmarks of IPO performance and are used as the basis for investment products. For more information, visit [www.renaissancecapital.com](http://www.renaissancecapital.com).

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