

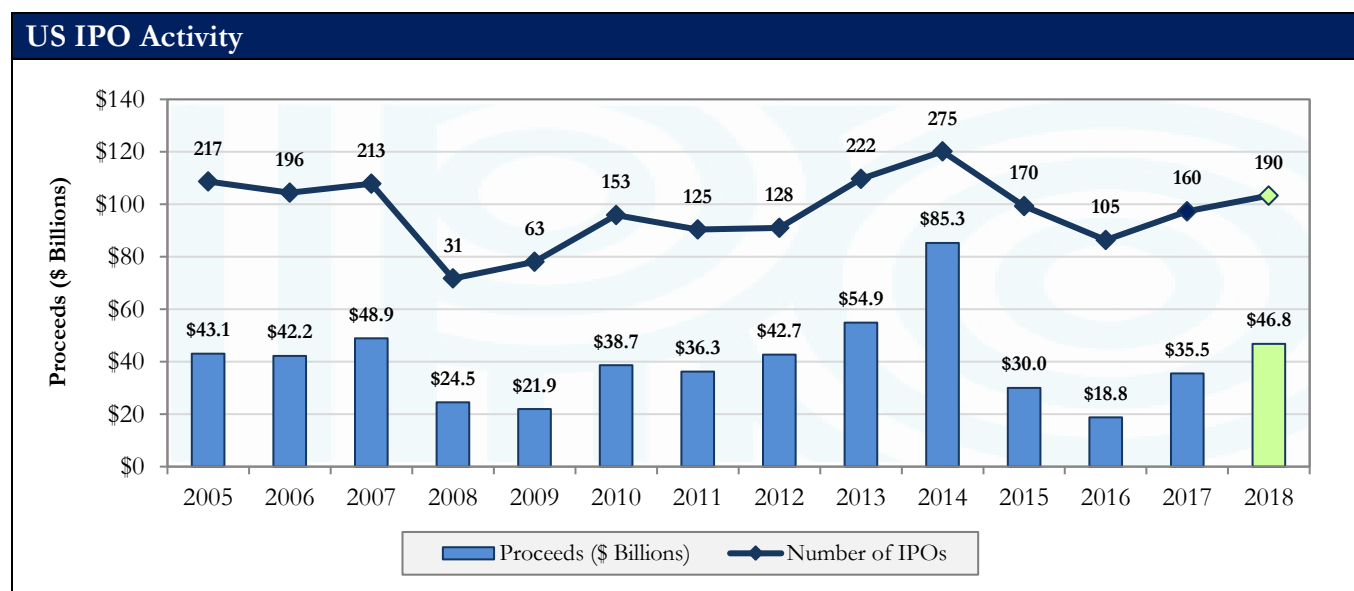
January 2, 2018

2018 IPO Market Hits a 4-Year High Despite Bad 4Q

2018 went down as a good year for the IPO market, even if it ended on a sour note. 190 companies went public, 30 more than 2017, and proceeds increased 32% to \$47 billion. Biotechs raised more IPO proceeds than ever, capped with a record-setting offering from Moderna. Chinese issuers flocked to US capital markets with deal flow hitting an 8-year high, including multiple billion-dollar offerings such as Tencent Music. The year featured ten billion-dollar IPOs, led by AXA Equitable, though the would-be headliner of 2018, Spotify, went public with an unusual direct listing. Other well-known names included ADT, Dropbox, and Eventbrite. Issuance and returns were very strong until the fourth quarter, when a global selloff caused the average IPO return to plummet to -2%, with aftermarket returns of -17%. As a result, we enter 2019 on uncertain footing. On the one hand, this type of market shock normally puts a significant dent in IPO activity. On the other hand, after years of IPO rumors, Uber, Lyft and a large backlog of other unicorns are firmly indicating plans to complete some of the largest-ever IPOs. As long as the broader markets do not sink further, 2019 could still be a big year for proceeds if not for deal count.

Key Takeaways:

- US IPO Count Rises 19% to 190 Deals, Proceeds Up 32%
- IPOs Average a -2% Loss; Strong First-Day Pop but Negative Aftermarket
- 10 IPOs Raise \$1 Billion or More
- Healthcare, Tech, and China Drive Issuance
- 2019 Could be The Year of the Mega IPO



Data set includes IPOs with a market cap above \$50 million, and excludes closed-end funds, unit offerings and SPACs. IPO data does not include Spotify, which completed a direct listing. Proceeds totals do not include the exercise of underwriter over-allotments. Source: Renaissance Capital.

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US IPO Count Rises 19% to 190 Deals, Proceeds Up 32%

Key US IPO Statistics – Activity									
IPO Volume	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Deals	154	125	128	222	275	170	105	160	190
Proceeds Raised (US\$ in bil)	\$38.7	\$36.3	\$42.7	\$54.9	\$85.3	\$30.0	\$18.8	\$35.5	\$46.8
Median Deal Size (US\$ in mil)	\$108	\$160	\$124	\$126	\$100	\$94	\$95	\$120	\$108
PE-Backed Deals	38	35	45	68	71	39	30	46	44
PE-Backed Proceeds (US\$ in bil)	\$9.6	\$20.4	\$10.3	\$24.5	\$25.0	\$11.3	\$8.8	\$13.4	\$16.0
VC-Backed Deals	61	51	46	82	126	85	42	61	87
VC-Backed Proceeds (US\$ in bil)	\$6.0	\$7.9	\$20.7	\$9.7	\$35.3	\$8.9	\$3.5	\$11.3	\$15.0

Source: Renaissance Capital.

The US IPO market continued to climb in 2018 as 190 IPOs raised \$47 billion, 32% more capital than 2017 and a four-year high. By deal count and proceeds, 2018 was the third most active year in the past decade, behind 2013 and 2014. A surge of biotechs and foreign tech companies drove the increase over 2017; two-thirds of IPOs were either tech or healthcare. Foreign issuers made up 28% of US IPOs, the highest since 2010 and 7 points above the 10-year average.

The IPO market had been well on track to hit the 200-IPO mark until November, when the drop in the stock market and spike in volatility caused deals to push to 2019. Activity in the final two months fell by 66% compared to last year, after a 42% year-over-year increase in the first ten months. Additionally, the availability of large amounts of private capital likely continued to be a drag on IPOs, and fewer US tech companies went public than last year.

Venture capital and private equity each comprised about one-third of proceeds raised. Even with an uptick in billion-dollar IPOs, the median deal size fell to \$108 million due to the flood of small biotechs.

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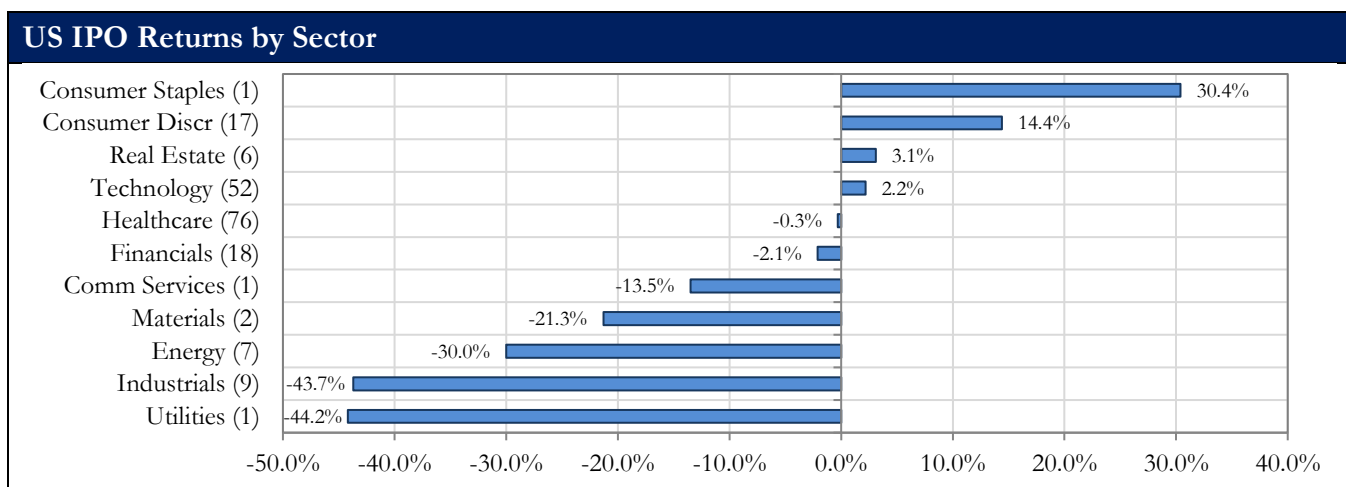
IPOs Average a -2% Loss; Strong First-Day Pop but Negative Aftermarket

Key US IPO Statistics - Performance					
	2014	2015	2016	2017	2018
Avg. Total Return	21.0%	-2.1%	25.5%	25.9%	-1.9%
Avg. First-Day Return	13.5%	14.3%	11.4%	11.8%	15.7%
Avg. Aftermarket Return*	19.8%	-13.9%	14.3%	13.2%	-16.7%
Renaissance IPO Index	7.2%	-8.0%	-0.5%	35.8%	-17.1%
S&P 500	11.4%	-0.7%	9.5%	19.4%	-4.4%
Russell 3000	10.5%	-1.5%	10.4%	18.9%	-5.2%
% Trading Above Issue at Year-End	59.3%	42.9%	69.5%	63.8%	38.9%
% Deals with Negative First-Day Return	27.3%	27.1%	25.7%	23.8%	24.2%
% Deals Priced Below the Range	40.0%	32.9%	32.4%	25.6%	18.4%

*Return from the first-day close to year-end. Data through 12/31/18. Source: Renaissance Capital.

IPOs were generally well-received initially. Very few postponed, only 18% priced below the range (the lowest in over 10 years) and three-quarters traded up on day one. The average first-day pop rose to 16%, the highest since 2013. However, market weakness at the end of the year caused aftermarket returns to decline to a multi-year low of -17%. The average total return of -2% narrowly beat the S&P 500 but was well below the five-year average of about 20%. The market's 4Q sell-off impacted every sector, but energy, industrials, and China were particularly affected.

Returns by sector varied widely. The sole Consumer Staples company, BJ's Wholesale Club, posted a strong 30% return. After that, Consumer Discretionary IPOs averaged 14%, entirely driven by cannabis grower Tilray; excluding it, the sector averaged a -4% loss as brands like Sonos and Yeti disappointed. The Healthcare sector averaged 0% as a number of high-flyers were offset by the roughly one-third of IPOs in the sector that returned -40% or less. Tech averaged 2%, weighed down by China and a few micro-caps; US tech companies raising over \$20 million traded up 24%. Energy underperformed for the fourth year in a row. Industrials, which had been the best sector in 2017, were at the bottom in 2018, along with the sole utility, Argentina's Central Puerto.



Data through 12/31/18. Source: Renaissance Capital.

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Healthcare and Tech Continue to Drive Issuance

Healthcare again topped IPO activity as the biotech boom stretched into its sixth year. The year's 58 biotechs included a handful of billion-dollar companies and raised a record-setting \$6.3 billion. The tech sector jumped to 52 IPOs raising \$18 billion, the highest amount since 2014, boosted by five billion-dollar IPOs from China and Brazil. One-half of the tech IPOs were foreign issuers, including many Chinese fintech and online media and services companies, while the number of US-based tech companies going public actually declined slightly. That said, the year saw a pickup in "unicorns" like Dropbox and DocuSign: 38 tech companies went public at valuations of \$1 billion or more, almost double last year and a six-fold increase over 2016. Like last year, energy started strong early in the year but then petered out as oil prices softened. The Financials sector included the year's largest offering and a dozen regional banks. Consumer Discretionary featured several connected device makers and foreign education companies, along with one large retailer, airport shop Hudson.

IPOs and Proceeds by Sector (US\$ Billion)															
Sector	2014			2015			2016			2017			2018		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Healthcare	102	\$8.7	38%	78	\$6.7	46%	42	\$3.4	40%	47	\$4.2	30%	76	\$9.1	40%
Technology	59	\$34.1	22%	29	\$7.9	17%	21	\$2.9	20%	39	\$10.1	25%	52	\$18.3	27%
Financials	27	\$13.9	10%	16	\$1.3	10%	11	\$2.8	10%	21	\$3.1	13%	18	\$4.3	9%
Consumer Discr	17	\$3.7	6%	12	\$3.1	7%	5	\$1.5	5%	12	\$2.2	8%	17	\$4.1	9%
Industrials	14	\$4.2	5%	7	\$1.5	4%	10	\$3.5	10%	10	\$3.8	6%	9	\$4.1	5%
Energy	29	\$11.6	11%	10	\$4.4	6%	4	\$1.4	4%	14	\$4.4	9%	7	\$1.5	4%
Real Estate	9	\$3.3	3%	5	\$1.1	3%	4	\$1.5	4%	7	\$2.6	4%	6	\$3.7	3%
Materials	7	\$2.3	3%	5	\$1.5	3%	2	\$0.1	2%	6	\$2.7	4%	2	\$0.9	1%
Consumer Staples	2	\$0.3	1%	3	\$1.2	2%	4	\$1.6	4%	1	\$0.0	1%	1	\$0.6	1%
Utilities	6	\$2.1	2%	3	\$1.3	2%	2	\$0.1	2%	-	-	-	1	\$0.3	1%
Comm. Services	1	\$0.4	0%	1	\$0.1	1%	-	-	-	3	\$2.5	2%	1	\$0.0	1%

Data through 12/31/18. Source: Renaissance Capital.

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10 IPOs Raise \$1 Billion or More

The year's 10 largest offerings raised \$16.4 billion, 35% of 2018 proceeds. 10 IPOs raised more than \$1 billion, the same as the past three years combined. In the past decade, only 2014 had as many billion-dollar IPOs. The 10 averaged a first-day gain of 15%, in line with the 2018 total; while muted initial returns are typical for large deals, 2018 surprisingly saw four deals pop more than 30% and two deals drop more than 10% in first-day trading. By year-end the largest IPOs had a -8% average return.

French insurer AXA spun out its US operations in the year's largest IPO. Foreign issuers represented six of the 10 largest, including all five technology companies; the other five each represented a different sector. Chinese streaming giants iQIYI and Tencent Music were spun out of Baidu and Tencent, respectively. Venture capital made a showing thanks to two China-based companies, marketplace app Pinduoduo and electric vehicle developer NIO. Two large and fast-growing Brazilian payment processors listed, PagSeguro and StoneCo. Spun out of Eli Lilly, top-performer Elanco initially popped 50%, the best first-day return for a billion-dollar IPO since Twitter in 2013. Just one LBO made the list, ADT, which was also the group's worst-performing deal with a -57% loss at year-end.

The largest US listing by market cap was not an IPO: music streaming giant Spotify completed a direct listing on the NYSE, valuing the company at about \$25 billion. It finished the year 24% below its first-day close due to a sell-off in streaming stocks, but its relatively low volatility meant that this non-traditional listing was generally seen as a success.

Largest US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
AXA Equitable Holdings	EQH	9-May	\$2,745	Financials	1.7%	-16.9%
PagSeguro Digital	PAGS	23-Jan	\$2,266	Technology	35.8%	-12.9%
iQIYI	IQ	28-Mar	\$2,250	Technology	-13.6%	-17.4%
Pinduoduo	PDD	25-Jul	\$1,626	Technology	40.5%	18.1%
Elanco Animal Health	ELAN	19-Sep	\$1,510	Healthcare	50.0%	31.4%
ADT	ADT	18-Jan	\$1,470	Industrials	-11.5%	-57.1%
StoneCo	STNE	24-Oct	\$1,217	Technology	30.6%	-23.2%
VICI Properties	VICI	31-Jan	\$1,210	Real Estate	4.5%	-6.1%
Tencent Music Entertainment	TME	11-Dec	\$1,066	Technology	7.7%	1.7%
NIO	NIO	11-Sep	\$1,002	Consumer Discr	5.4%	1.8%

Data through 12/31/18. Source: Renaissance Capital.

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Tilray and Healthcare Top List of Best-Performing IPOs

The best-performing IPOs of 2018 were mostly healthcare, with four biotechs and two medical device companies. Tilray had by far the highest return, up 315%, as the only US-listed play on Canada's legalization of cannabis. The top-performing IPOs also included two enterprise SaaS unicorns with best-in-class growth, Zscaler and Elastic. With the exception of Liquidia Technologies, all 10 had superb first-day returns (63% average) and all 10 traded up in the aftermarket (73% average). Eight of the 10 priced above the midpoint, and six priced above the range; Goosehead Insurance was unusual in slashing its price by 33% before taking flight.

Best-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Tilray	TLRY	18-Jul	\$153	Consumer Discr	31.7%	314.9%
ARMO BioSciences	ARMO	25-Jan	\$128	Healthcare	74.9%	194.0%*
Allakos	ALLK	18-Jul	\$128	Healthcare	73.6%	190.4%
Inspire Medical Systems	INSP	2-May	\$108	Healthcare	56.1%	164.1%
Goosehead Insurance	GSHD	26-Apr	\$85	Financials	57.5%	162.9%
Zscaler	ZS	15-Mar	\$192	Technology	106.3%	145.1%
Elastic	ESTC	27-Sep	\$100	Technology	94.4%	98.6%
Guardant Health	GH	3-Oct	\$238	Healthcare	69.5%	97.8%
Liquidia Technologies	LQDA	25-Jul	\$50	Healthcare	0.9%	96.9%
Autolus Therapeutics	AUTL	21-Jun	\$150	Healthcare	47.1%	93.2%

Data through 12/31/18. Source: Renaissance Capital. *Return from Jan IPO to May acquisition at \$50 per share.

The healthcare sector also dominated the year's worst-performing IPOs, which included seven biotechs and a device company. Menlo Therapeutics priced above the range and had the strongest initial trading of the group, but plummeted 77% in a single day after disappointing trial results. Fast-growing auto insurance site EverQuote also priced up, but never saw a meaningful return. Chinese education stocks like Sunlands were hit particularly hard by new regulations.

Worst-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Genprex	GNPX	28-Mar	\$6	Healthcare	-6.0%	-78.0%
EverQuote	EVER	27-Jun	\$84	Technology	0.1%	-76.8%
Menlo Therapeutics	MNLO	24-Jan	\$119	Healthcare	68.9%	-75.8%
Sunlands Online Education	STG	22-Mar	\$150	Technology	-3.5%	-73.6%
Constellation Pharmaceuticals	CNST	18-Jul	\$60	Healthcare	-23.3%	-73.3%
Entasis Therapeutics	ETIX	25-Sep	\$75	Healthcare	-28.9%	-72.9%
Surface Oncology	SURF	18-Apr	\$108	Healthcare	-11.1%	-71.7%
Eyenovia	EYEN	24-Jan	\$27	Healthcare	-0.8%	-71.5%
Hancock Jaffe Laboratories	HJLI	30-May	\$8	Healthcare	4.8%	-70.5%
Vaccinex	VCNX	9-Aug	\$40	Healthcare	-5.2%	-69.6%

Data through 12/31/18. Source: Renaissance Capital.

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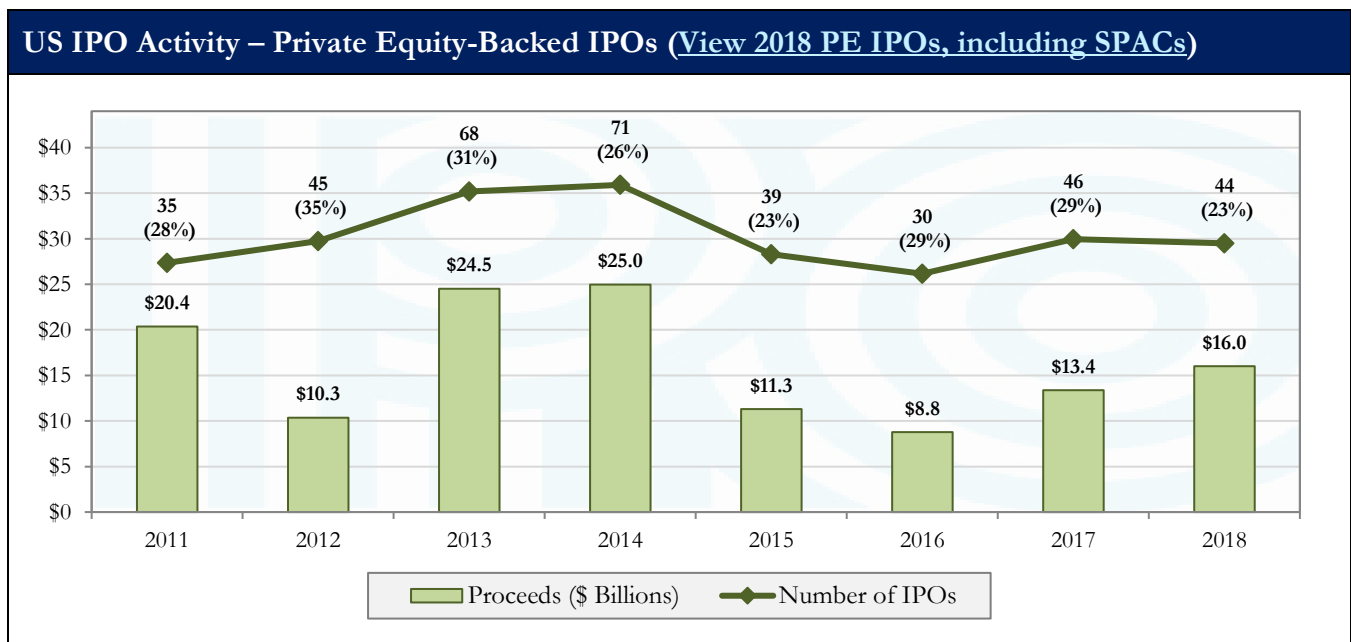
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Private Equity IPOs Climb to a Four-Year High by Proceeds

Private equity was behind 44 IPOs raising \$16.0 billion. While proceeds reached a four-year high in 2018, PE-backed deal count declined slightly from the prior year. The group included 18 LBOs and 26 backed by growth or other private equity. Deal flow would have been higher if energy had not dropped off after the first quarter. The decline was also partly cyclical, stemming from low buyout activity during 2009-2012. PE-backed deals averaged a loss of -2%. Excluding Tilray, however, they averaged a -9% loss, dragged down by energy, industrials, and Chinese issuers.

Private equity was behind three billion-dollar IPOs: foreign issuers Pinduoduo and StoneCo, and Apollo’s ADT. Privateer Holdings-backed cannabis grower Tilray was the top performer (+315%), followed by payment processor i3 Verticals (+85%), Yucaipa-backed cold storage REIT Americold (+60%), and THL Partners’ HR software provider Ceridian HCM (+57%). Apollo and KKR were the joint-most active PE firms as the lead investors on two IPO exits each.



Source: Renaissance Capital.

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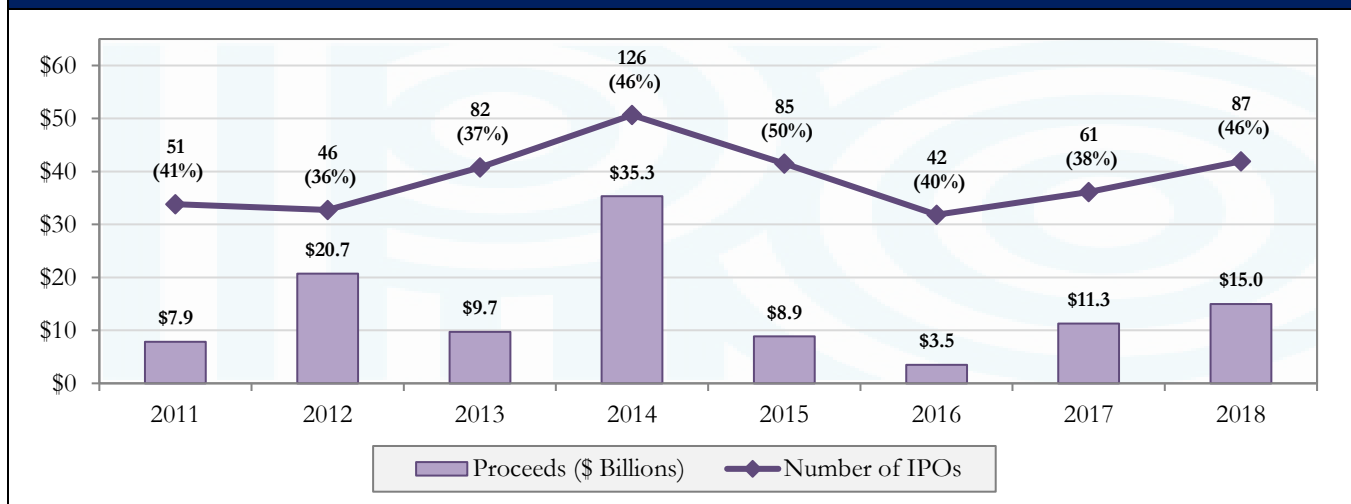
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Venture Capital Picks Up from Biotech Boom and Foreign Tech

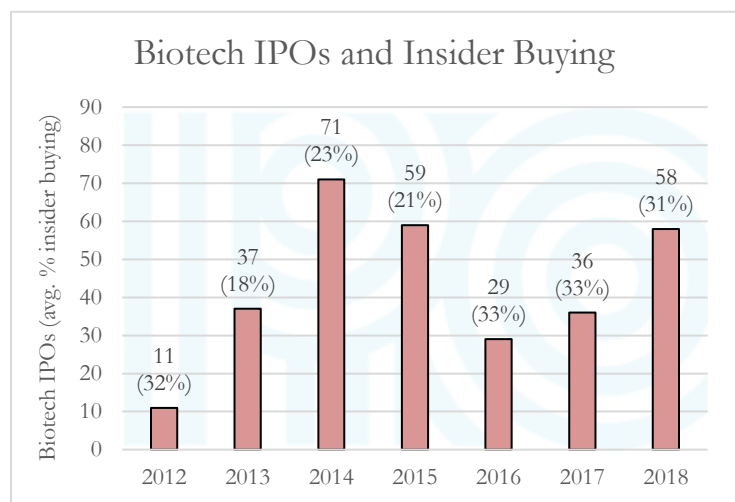
Venture capital backed 87 IPOs, 46% of the year's total, and a 43% increase over last year thanks to a pickup in the already-active biotech space. Even without last year's mega IPO Snap, VC-backed proceeds rose more than 30% in 2018 to \$15.0 billion, helped by large foreign tech issuers and bigger biotechs. The largest VC exits came from China-based Pinduoduo and NIO, followed by UK fashion site Farfetch. After doubling in 2017 to \$100 million, the average biotech deal size further increased to \$108 million, led by a record-setting \$604 million IPO by Moderna. US tech declined slightly. Two VC-backed US software companies, Qualtrics and Adaptive Insights, were acquired at \$1+ billion valuations days before their scheduled IPOs. Venture outperformed in 2018 with an 10% average return, including 23% gain on the first day and -12% in the aftermarket. Several home runs in biotech increased the average, along with strong returns from US tech companies.

US IPO Activity – Venture Capital-Backed IPOs (View 2018 VC IPOs)



Source: Renaissance Capital.

Biotechs made up half of all VC exits, while the broader healthcare sector accounted for two-thirds of deals. Biotech activity increased sharply in 2018, due to a high number of pre-IPO funding rounds in 2015-2017, more early-stage drug developers going public, and substantial support from insiders on the IPO. Insiders bought on 84% of VC-backed biotechs, representing one-third of the deal size on average. VC-backed healthcare traded up 11% on average, and the group included many of the year's best and worst performers.



Source: Renaissance Capital. Includes biotechs without VC backing.

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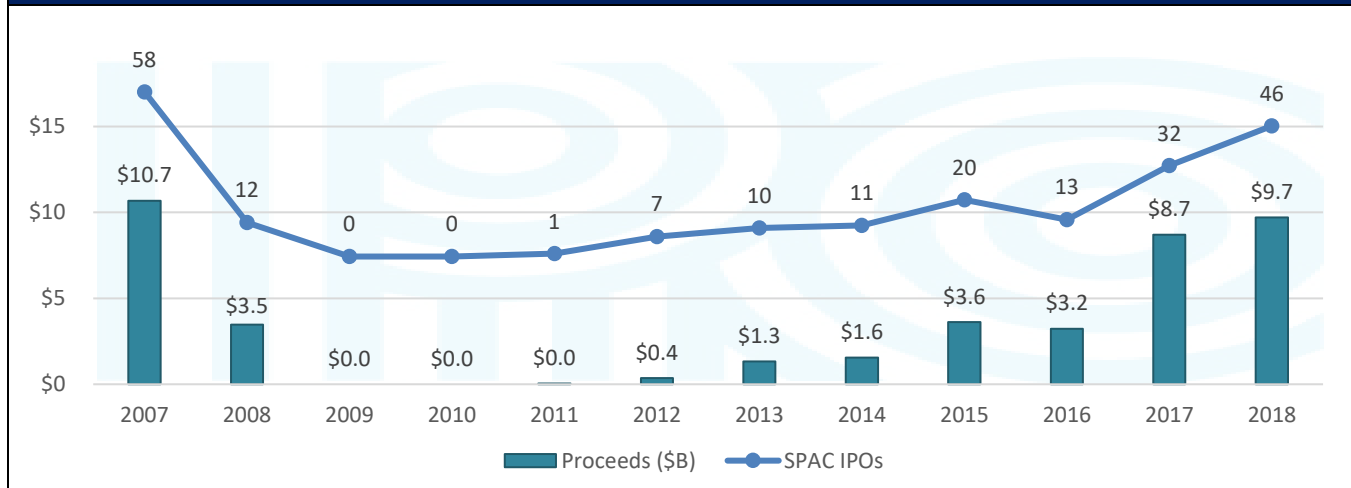
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Blank Check IPOs Hit an 11-Year High: 46 Deals Raise \$9.7 Billion

46 blank check companies raised \$9.7 billion during 2018, the most since 2007. Driving SPAC issuance were large deals from high-profile management teams. Like last year, three raised over \$500 million. The average SPAC gained 0.5% on its first day and traded up 1.3% from there, with year-end returns ranging from -0.7% to 7.5%. SPACs are not included in our total IPO statistics.

SPAC IPOs Have Biggest Year Since 2007 (View 2018 SPAC IPOs)



Includes blank check companies listing on the Nasdaq/NYSE/AmEx with a market value above \$50 million. Source: Renaissance Capital.

Technology was the most targeted sector with nine SPACs raising \$2.5 billion, including two of the three largest. Churchill Capital raised \$600 million, led by Jerre Stead, former CEO of IHS Markit, and veteran dealmaker Michael Klein. Goldman Sachs-backed GS Acquisition also raised \$600 million for former Honeywell CEO David Cote to find an industrials business.

2018's Largest Blank Check IPOs

Company	Ticker	Target Sector	Sponsor	Offer Date	Deal Size (\$mm)	Return from IPO
Churchill Capital	CCC.U	Technology	M. Klein, J. Stead	6-Sep	\$600	1.1%
GS Acquisition Holdings	GSAH.U	Industrials	Goldman, D. Cote	7-Jun	\$600	2.5%
Far Point Acquisition	FPAC.U	Technology	Far Point, T. Farley	11-Jun	\$550	0.9%
Spartan Energy Acquisition	SPAQ.U	Energy	Apollo	9-Aug	\$480	0.0%
Collier Creek Holdings	CCH.U	Consumer Stap.	C. Chu, R. Deromedi	4-Oct	\$400	0.5%
Gores Holdings III	GRSHU	Misc.	The Gores Group	6-Sep	\$375	0.5%
Pure Acquisition	PACQU	Energy	HighPeak Energy	13-Apr	\$360	5.0%
FinTech Acquisition III	FTACU	Technology	The Bancorp mgmt.	15-Nov	\$300	0.0%
Trinity Merger	TMCXU	Real Estate	Trinity Investments	15-May	\$300	3.2%
Platinum Eagle Acquisition	EAGLU	Comm. Services.	J. Sagansky, E. Baker	11-Jan	\$300	5.9%
One Madison Corp	OMAD.U	Consumer Disc.	One Madison Group	18-Jan	\$300	4.0%

Data through 12/31/18. Source: Renaissance Capital.

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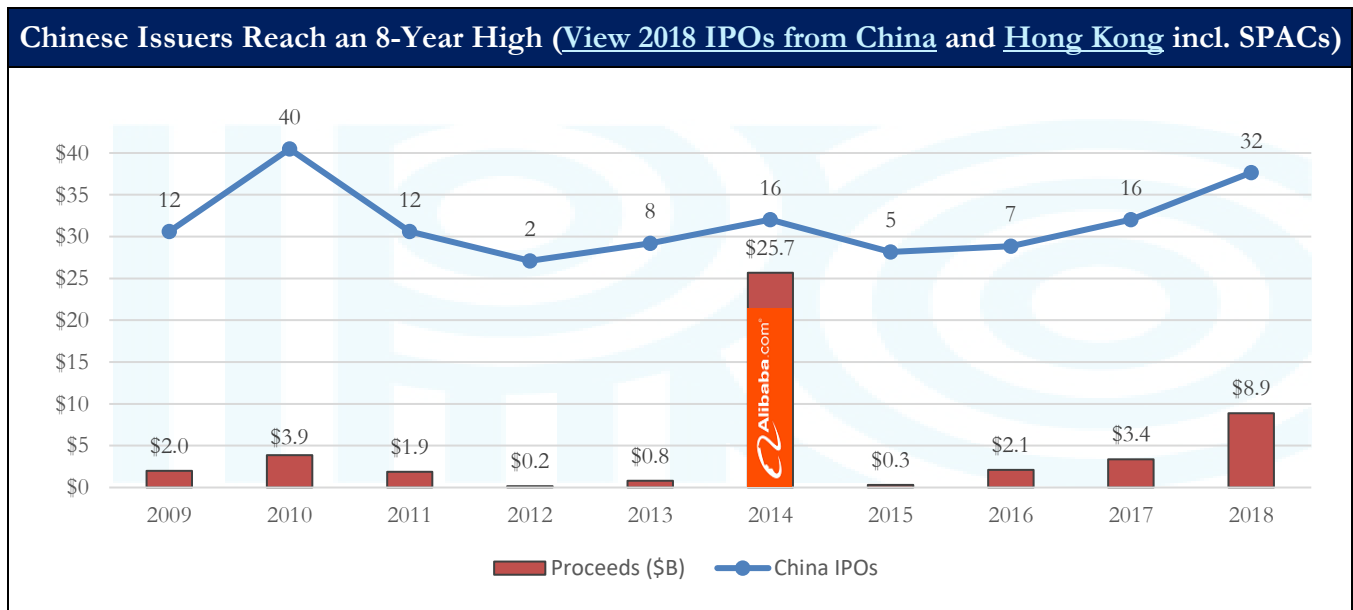
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China IPO Activity Reaches an 8-Year High

32 Chinese firms raised a combined \$8.9 billion on US exchanges, double the number from last year and the highest level since 2010. Chinese issuers accounted for 17% of US IPOs and 19% of total proceeds. In the past 25 years, only the years 2000 and 2014 had higher proceeds. Four IPOs raised \$1 billion or more, and 18 companies went public with market caps of \$1 billion or more. Like last year, education and fintech companies continued to come to market. Other trends included electric vehicles, online media streaming, e-commerce, and internet-connected devices. The 32 Chinese issuers finished 2018 down 12% on average, with 23 trading below issue. These IPOs generally had below-average first-day returns (10% average) and traded off heavily in the aftermarket (-18%).

The boom of Chinese companies listing in the US coincided with a 26% decline for the Shanghai Composite index. We believe that companies sought out the relative stability of US capital markets in response to domestic volatility and a tightening credit environment in China.

Chinese insider buying became larger and more frequent in 2018. Half of all IPOs disclosed pre-IPO indications of interest at the outset, with seven accounting for more than 80% of the IPO, including four that initially disclosed indications of interest totaling more than 100%. These quasi-IPOs had days with virtually no trading volume.



Excludes SPACs, best-efforts IPOs, deals that raise <\$5mm or have a market cap <\$50mm. Includes Hong Kong-based companies. Source: Renaissance Capital.

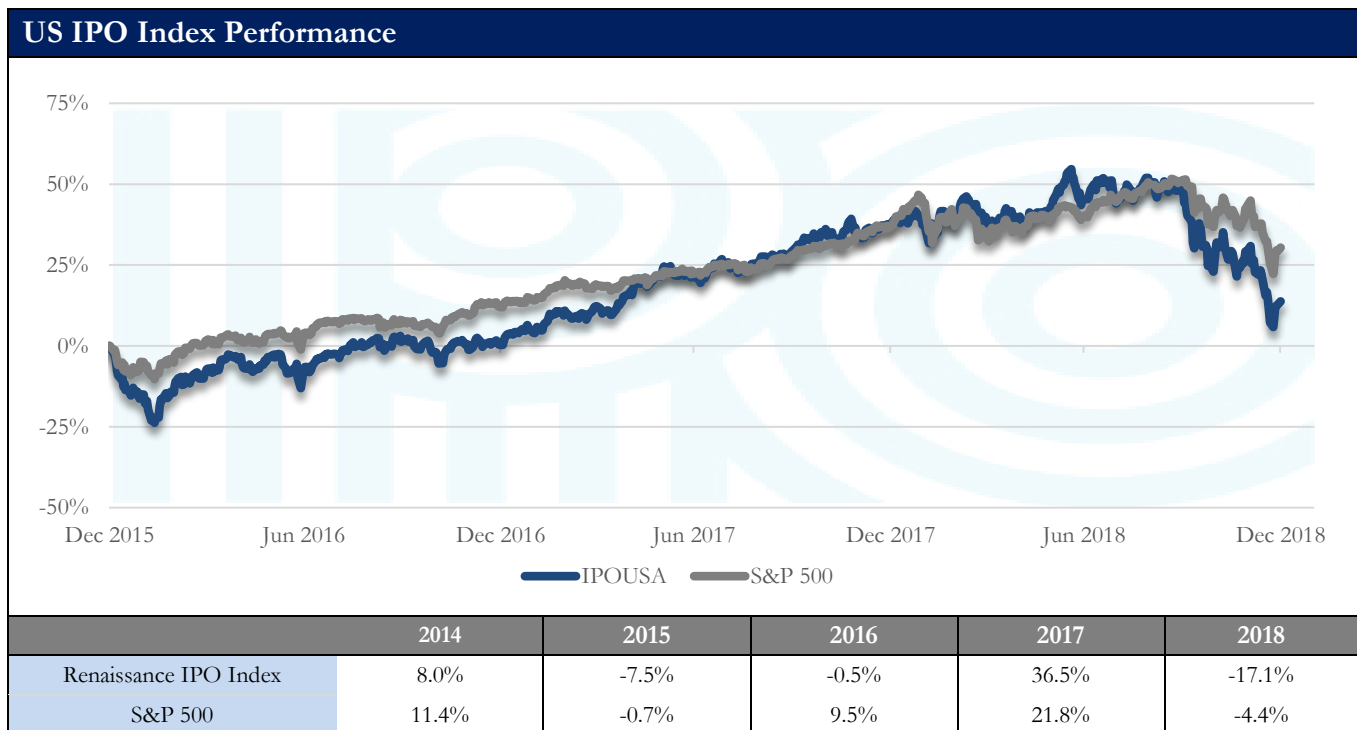
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Renaissance IPO Index Underperforms Major Indexes after 4Q Selloff

The [Renaissance IPO Index \(IPOUSA\)](#), the underlying index for the [Renaissance IPO ETF \(NYSE Ticker: IPO\)](#) underperformed domestic equity benchmarks with a -17.1% annual return compared to the S&P 500's -4.4%. Leading sectors Information Technology and Healthcare were offset by underperformance in Industrials and Communication Services. Contributors on the positive side included API provider Twilio (TWLO; +278%) and Chinese cancer biotech Beigene (BGNE; +44%). Notable underperformers were ephemeral messaging provider Snap (SNAP; -62%), fixed annuities provider Athene Holding (ATH; -23%) and global door and window manufacturer JELD-WEN Holding (JELD; -64%). In its fourth quarterly rebalance of the year, the index added 10 new companies, including online luxury fashion marketplace Farfetch, Brazilian payment processor StoneCo, and live event online ticketing platform Eventbrite.



Note: The Renaissance IPO Index Series represents a rolling two-year population of newly public companies weighted by float adjusted market cap. Data as of December 31, 2018.

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Pipeline and PCW: Notable Upcoming Technology IPOs

223 companies filed for IPOs in 2018, up 14% from 2017 and on par with the 10-year average of 226 filings. There are 70 IPOs publicly on file looking to raise a combined \$10 billion, down from 73 at year-end 2017 and 69 the year before that. The pipeline's "active backlog" of companies that have submitted filings within the past 90 days stands at 31 deals targeting \$3.3 billion, and is mostly healthcare, followed by financials and energy.

Our Private Company Watchlist (PCW) contains 234 companies, over 50 of which have reportedly selected banks or filed confidentially. Technology companies account for approximately 60% of the list and include some familiar names like Uber and Lyft, which have both filed confidentially and expect to go public in 2019. Several other large private tech firms have been the subject of 2019 IPO speculation, including Palantir, Pinterest, and Slack. Online women's fashion retailer Revolve initially filed back in September, and could potentially set terms this coming year. Beyond these names, 2019 is likely to see more enterprise software IPOs, as these deals were still able to perform well in the last few months of 2018 despite broader market weakness.

Notable Upcoming Technology IPOs ([View Full IPO Pipeline](#))

Company	Business	Est. Sales	Est. Funding	Deal Status	Industry
Uber	On-demand personal transportation service.	\$12,000	\$13,100	Conf. Filing	Technology
Lyft	On-demand personal transportation service.	\$2,000	\$5,100	Conf. Filing	Technology
Palantir	Government-focused data analytics platform.	\$750	\$2,440	PCW	Technology
Pinterest	Pinboard-style social photo sharing website.	\$1,000	\$1,470	PCW	Technology
Slack	Workplace messaging application.	\$150	\$1,270	PCW	Technology
Postmates	Online food and goods delivery service.	\$1,200	\$578	Selected Banks	Technology
CrowdStrike	Cloud-native endpoint security software.	\$100	\$481	Selected Banks	Technology
CloudFlare	Web security and web content optimization.	\$100	\$182	Selected Banks	Technology
Big Switch Networks	Hybrid data center networking solutions.	n/a	\$120	PCW	Technology
Fiverr	Online marketplace for hiring freelancers.	n/a	\$110	PCW	Technology
Vertiv	Provides fail-safe systems for data centers.	\$3,900	n/a	Selected Banks	Technology
Change Healthcare	Healthcare revenue management software.	\$3,400	n/a	Selected Banks	Technology
Rackspace	Leading cloud hosting services provider.	n/a	n/a	PCW	Technology

All \$ in million. Source: Renaissance Capital.

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Pipeline and PCW: Notable Upcoming Consumer IPOs

While 2018 saw some IPOs from well-known consumer companies, including YETI, Sonos, Hudson, and BJ's, performance was decidedly mixed. That said, several consumer names could be gearing up for 2019 offerings. The strong performance by electronic gaming machine supplier PlayAGS and Macau-based resort and casino Studio City may have encouraged Canadian casino operator Gateway Casinos to file late in the year. 165-year-old jean maker Levi Strauss is also reportedly planning a potential 2019 IPO that could raise up to \$800 million.

Notable Upcoming Consumer IPOs

Company	Business	Est. Sales	Est. Funding	Deal Status	Industry
Peloton Interactive	Stationary bikes with spin class subscriptions.	\$700	\$995	PCW	Consumer Disc.
Casper	Online mattress retailer.	\$300	\$240	PCW	Consumer Disc.
Beyond Meat	Sells plant-based meat products.	\$68	\$175	Filed	Consumer Staples
Cibus	Developing gene-edited seeds.	\$3	\$127	Filed	Consumer Staples
Revolve	Online women's fashion retailer.	\$473	\$15	Filed	Consumer Disc.
Levi Strauss	Sells jeans, jackets, and other apparel.	\$5,449	n/a	PCW	Consumer Disc.
Post Active Nutrition	Post's protein supplement spinoff.	\$828	n/a	PCW	Consumer Staples
Gateway Casinos	Canadian casino operator.	\$470	n/a	Filed	Consumer Disc.
PDC Brands	Sells branded beauty and wellness products.	n/a	n/a	Selected Banks	Consumer Staples
Focus Brands	Multi-branded franchisor of 4,500 eateries.	n/a	n/a	Selected Banks	Consumer Disc.
Joe & the Juice	Health-food chain with 283 global locations.	n/a	n/a	PCW	Consumer Disc.

All \$ in million. Source: Renaissance Capital.

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Pipeline and PCW: Other Notable Upcoming IPOs

There are a large number of financial companies poised to come public in 2019 including zero-fee stock and cryptocurrency trading app Robinhood, which was most recently valued at \$5.6 billion. Financials are the third most represented sector on our PCW, behind Healthcare, which has experienced strong performance this year. GE reportedly submitted a confidential filing for its healthcare unit, which could fetch a value of more than \$60 billion. Grail, which was formed by Illumina and is backed by Jeff Bezos and Bill Gates, is developing a “pan-cancer” screening tests to diagnose people with very early stage cancer, and could come public during 2019. Biotech IPOs have also been getting bigger, and 2019 could see more well-funded biotechs like Gossamer Bio come public if the poor trading of high-profile Moderna does not dissuade them.

Other Notable Upcoming IPOs

Company	Business	Est. Sales	Est. Funding	Deal Status	Industry
Robinhood	Zero-fee stock trading app.	n/a	\$539	PCW	Financials
Futu Holdings	Largest China-based online brokerage.	\$92	\$215	Filed	Financials
Tiger Brokers	Online brokerage for Chinese investors.	n/a	\$139	PCW	Financials
TNG FinTech	Offers an electronic wallet service in Asia.	n/a	\$115	PCW	Financials
XP Investimentos	Brazil’s third-largest brokerage firm.	n/a	n/a	PCW	Financials
Perella Weinberg Partners	Financial services firm and investment bank.	n/a	n/a	Selected Banks	Financials
Caliburn International	Provides security services to the US government.	\$704	n/a	Filed	Industrials
Virgin Trains USA	Owns a passenger rail system in Florida.	\$5	n/a	Filed	Industrials
Change Healthcare	Healthcare revenue management software.	\$3,400	n/a	Selected Banks	Industrials
GE Healthcare	GE’s healthcare imaging and diagnostics unit.	\$19,116	n/a	Conf. Filing	Healthcare
Ardent Health	LBO’d operator of 31 acute care hospitals.	\$3,919	n/a	Filed	Healthcare
Gossamer Bio	Immunotherapies for multiple indications.	\$0	\$310	Filed	Healthcare
Grail	Developing cancer screening tests.	n/a	n/a	PCW	Healthcare
EnVen Energy	E&P focused on deepwater oil projects.	\$524	\$145	Filed	Energy
Atotech	Carlyle-backed specialty chemicals company.	\$1,100	n/a	PCW	Materials
Home Partners of America	Rent-to-own homeownership programs.	n/a	n/a	PCW	Real Estate

All \$ in million. Source: Renaissance Capital.

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Outlook

A year ago, we thought that the momentum built up in 2017 could sustain as many as 200 IPOs in 2018, with a range of 160 to 210, propelled by technology startups and older unicorns. We nailed the tech and biotech-driven activity and overall number of IPOs, but were overly optimistic about the number of unicorns flipping the switch.

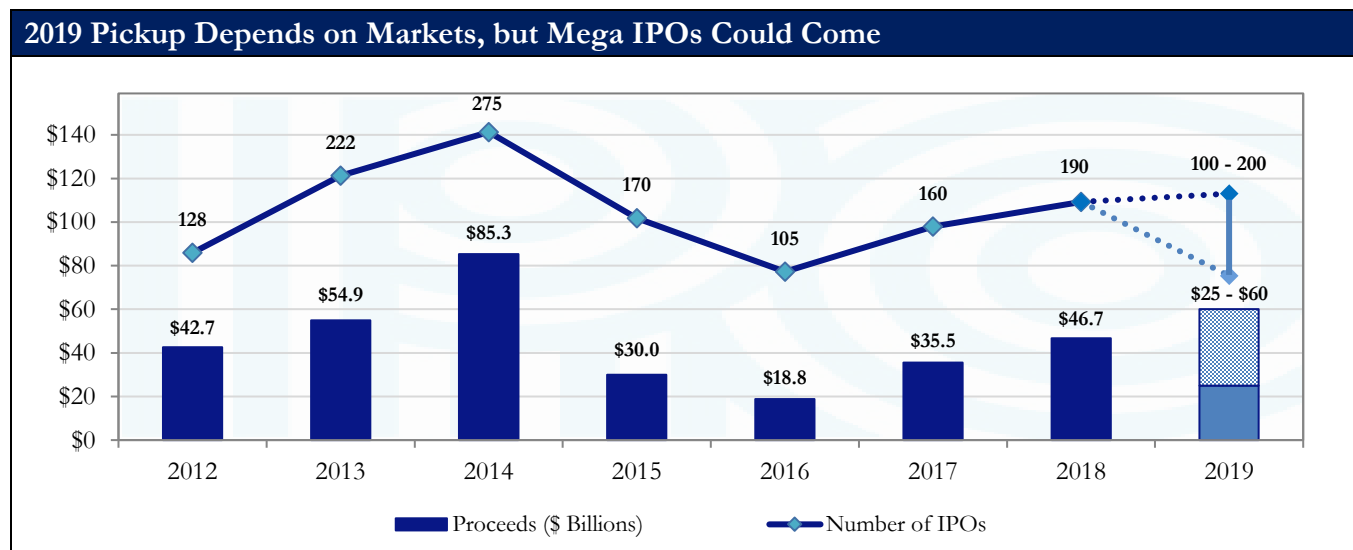
The IPO market for 2019 is more difficult to predict due to increased volatility caused by domestic concerns about Fed policy, a government shutdown, and the sustainability of economic growth, as well as the fate of Brexit, broader European political instability, and trade relations with China. As a result, 2019 IPO activity has a wider range of possible outcomes, from as few as 100 IPOs on the downside to 200 IPOs if the current uncertainties are resolved constructively and the broader market resumes an upward trend. Due to the negative returns for IPOs and the broader equity markets in the 4Q, 2019 IPO activity is far more likely to be below 2018. However, proceeds could very well be higher in 2019, because many of the prominent unicorns that were expected to debut in 2018 have announced plans to go public in 2019, including Lyft, Uber, and Pinterest.

Thematically, the pipeline of filings and private companies prepping for public offerings is again heavily populated with tech and biotech, particularly those engaged in cyber security, cloud-based data solutions, gene editing, and gene replacement.

The new development for 2019 may be a broadening of the IPO market to include fintech, consumer discretionary and next generation consumer staples. Examples of these are Robinhood, Casper, and Beyond Meat.

Regarding valuation, the negative aftermarket returns for 2018's IPOs caused by the 4Q correction and heightened volatility will likely result in a broad-based valuation reset. This occurred most recently in 2016, when a -14% average aftermarket return in 2015 resulted in positive total and aftermarket returns of +26% and +14%. The strong returns extended into 2017, with positive total and aftermarket returns of +26% and +13%. Accordingly, 2019 could be a profitable year for IPO investing.

For the full 2018 IPO Deal List (pages 16-25), log on to our premium platform, IPO Pro.



Source: Renaissance Capital.

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