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SPECIAL REPORT: The Coming IPO Renaissance

Key takeaways from past IPO recovery cycles

- Learn what smart Institutional Investors are doing now
- Insights from the Most Trusted Resource on IPOs
- Discover companies expected to go public in 2021



Renaissance
Capital
The IPO Expert

SPECIAL REPORT:
The Coming
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— The New Renaissance

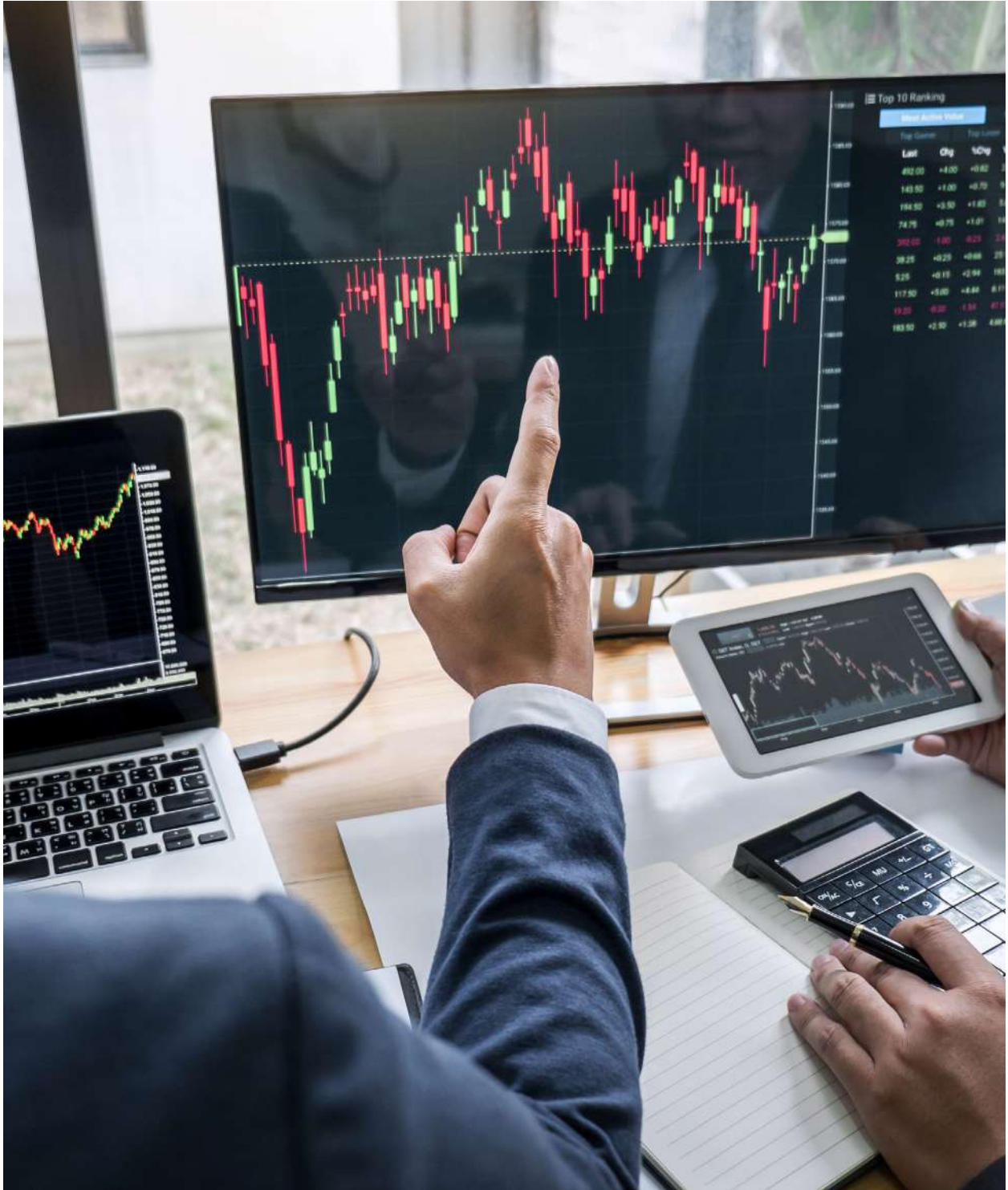
It's a great historical irony that the Black Plague set the stage for the Renaissance period.

The plague savaged all of Europe and halved the population of Florence, Italy. And yet Florence emerged as the birthplace and heart of the Renaissance.

The Renaissance was a period of cultural, artistic, and economic "rebirth." Expansions in trade and banking helped shape today's models. Science and technology advanced at an unprecedented rate. The word "Renaissance" literally comes from the French word for "rebirth."

An IPO Renaissance has begun, prompted by the global health crisis. In financial markets, we see this same IPO cycle repeat:

- During a big market collapse, most investors sell out at the bottom and head to cash for safety.
- Initially, IPOs suffer the most due to the fact that they have few high conviction investors because the IPOs are new, untested, and have no trading history.
- This dynamic creates an opportunity when the early IPO investors overreact by dumping their new company shares – often to irrationally low levels.
- Newly public companies (IPOs) deliver products and services best attuned to the current and future economy.




Don't miss the IPO Renaissance. [Start your risk-free & 7-day trial of IPO PRO here.](#)

Message from the CEO



Bill Smith

Co-Founder, CEO
Renaissance Capital LLC

 IPO professionals know that now is the time to consider IPOs because they perform best right after slow periods of deal-making inactivity.

Hello, my name is Bill Smith.

I am the co-founder and CEO of Renaissance Capital LLC. For over 30 years, Renaissance Capital has been the leader in IPO research advising the world's largest and most active institutional IPO Investors. Our **buy-side** clients invest \$100's of millions in IPOs each year.

Our Wall Street **sell-side** clients use our IPO information to underwrite deals that total over 96% of the US IPO dollars raised each year.

We also manage the **Renaissance IPO ETF (NYSE: "IPO")**.

A co-author of the book *IPOs for Everyone* (John Wiley & Sons), I have appeared in all the major financial press: CNBC, Wall Street Journal, Barron's, Bloomberg TV, The Financial Times, Forbes, etc. That's me on the cover of Worth Magazine, where they called me "The IPO King."

We are known around Wall Street and, indeed, around the world as "The IPO Expert."

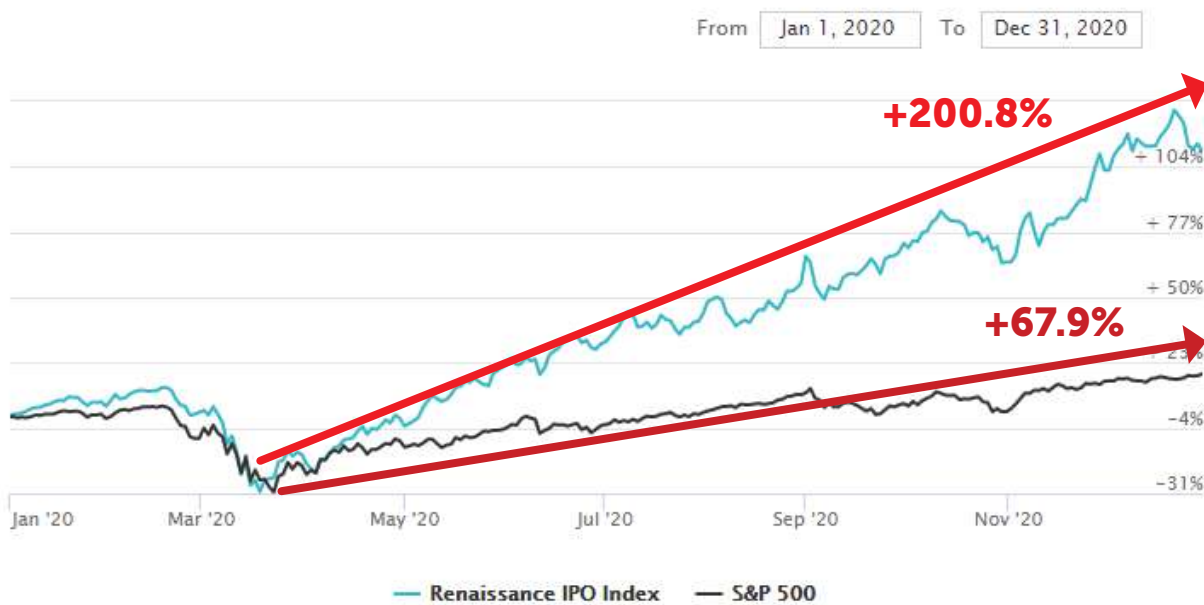
Six hundred years after the Black Plague, as the global coronavirus pandemic recedes, the green shoots of human ingenuity and animal spirits are springing forth. Entrepreneurs are developing innovative technologies. Businesspeople are adapting to new sets of challenges.

IPO professionals know that **now is the time** to consider IPOs because they perform best right after slow periods of deal-making inactivity.

Two decades of experience with previous crises confirms that past post-crisis IPOs produced significant outperformance!

The One Stat that Every IPO Professional Needs to Know about Sell-Offs

IPOs Outperform After Market Washouts



[Renaissance IPO ETF \(NYSE symbol: IPO\) tracks the Renaissance IPO Index.](#)

IPOs follow a “first down, first up” trading pattern when the market crashes.

The COVID-19 cycle was no different. The IPO market followed the same tried and true pattern of market sell-offs, **bouncing 201% off its bottom**. We’ve done studies to back it up:

The IPO market outperforms the S&P 500 by 24.7 points (on average) after sell-offs.

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Past IPO crises demonstrate that IPOs produce significant outperformance post-crisis.

Over the last two decades, there have been 11 times when the IPO market shut down entirely for more than a month.



Here is what we learned:

- Four years ago, the IPO market closed for 42 days from December 18, 2015, until March 2, 2016, due to concerns about slowing US GDP, economic growth in China, global monetary policies, and Brexit. Volatility spiked, and oil prices hit a low of just \$36 in February 2016.
- During the 2008/09 financial crisis, the IPO market shut down four times, the longest of which was for 104 days.

If all of this sounds familiar, it should. The only thing that's missing from the prior crises is a pandemic.

The average three-month return for these IPOs was powerful on both an absolute and a relative basis.

Below we show all periods of IPO inactivity that lasted more than 31 days (excluding typical seasonality) since 2000, and the number of companies to come public in the first three months after the market's reopening.

Across the 170 deals in this data set spanning two decades, the average IPO gained 30% in its first 90 days of trading, outperforming the S&P 500 by **24.7 percentage points**.

IPOs outperform following a shutdown of more than 31 days

Cause of shutdown	Start of shutdown	# of days	IPOs in next 3 months	Avg IPO return 3-mo.	Avg S&P 500 return [†] 3-mo.	IPO Outperformance [‡] 3-mo.
Global growth anxiety	Dec. 2015	47	16	24%	6%	18 pts
Facebook IPO	May 2015	40	27	28%	3%	25 pts
Euro debt crisis	Aug. 2011	58	29	34%	12%	22 pts
US Financial crisis	Feb. 2009	50	13	37%	12%	25 pts
US Financial crisis	Nov. 2008	83	4	65%	9%	56 pts
US Financial crisis	Aug. 2008	104	2	37%	4%	33 pts
US Financial crisis	Mar. 2008	34	14	-6%	-9%	3 pts
Dot-com fallout	Mar. 2003	69	12	34%	5%	29 pts
Dot-com fallout	Dec. 2002	56	5	41%	13%	28 pts
Dot-com fallout	Jul. 2002	77	20	9%	-3%	12 pts
September 11	Aug. 2001	51	28	23%	2%	21 pts
Average		61	15	30%	5%	24.7 pts

The IPOs that Lead a Recovery

After every prior IPO market shutdown we observed the types of companies that came public represented diverse industries but had discernable characteristics. There was an emphasis on growth, particularly stable growth, innovation, and defensible business models.

After the early 2016 crisis, Editas, a biotech developing the novel CRISPR gene-editing technique, and Bats Global, the consistently growing equities and options exchange operator, debuted.

The post-Facebook class of 2012 saw ServiceNow, Palo Alto Networks, and KAYAK Software, all fast-growing disruptive tech companies. Other themes include companies offering attractive dividend yields, such as REITs and MLPs.

While investors did not require profitability for all, the majority of these (70% in the 2008-2016 periods) were solidly profitable.

Notable high-quality growth IPOs within 3 months of a market shutdown

Company	IPO Date	Sales	EBIT Margin	Growth	Mkt Cap at IPO	Current Mkt Cap
Post US financial crisis:						
SolarWinds	5/19/09	\$93	45%	51%	\$906	\$5,071
OpenTable	5/20/09	\$59	2%	36%	\$463	\$2,378
Medidata Solutions	6/24/09	\$118	-5%	68%	\$327	\$2,157
LogMeIn	6/30/09	\$59	1%	92%	\$380	\$4,163
Post Euro debt crisis:						
Ubiquiti	10/13/11	\$198	31%	44%	\$1,442	\$15,746
Imperva	11/8/11	\$72	-16%	41%	\$439	\$1,359
Capri Holdings (Kors)	12/14/11	\$1,011	19%	58%	\$4,106	\$6,499
Post Facebook IPO:						
ServiceNow	6/28/12	\$150	2%	114%	\$2,723	\$103,825
Five Below	7/18/12	\$322	11%	51%	\$928	\$10,648
KAYAK Software	7/19/12	\$245	19%	32%	\$1,141	\$1,660
Palo Alto Networks	7/19/12	\$220	5%	143%	\$3,281	\$35,766
Post global growth anxiety:						
BeiGene	2/2/16	\$6	-484%	17%	\$831	\$31,460
Editas Medicine	2/2/16	\$1	n/a	n/a	\$588	\$4,760
AveXis	2/10/16	\$0	n/a	n/a	\$458	\$8,018
Bats Global	4/14/16	\$1,779	12%	22%	\$1,850	\$3,421
MGM Growth	4/19/16	\$600	58%	n/a	\$4,370	\$4,041

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What Will the IPO Rebound Look Like?

The historical data does not provide a clear answer. Usually, the rebound in IPO activity depends on the magnitude of the bubble or the severity of the crisis.

But the COVID-19 pandemic is different. It wasn't a bubble. While it's impossible to predict the long-term course of the virus, we know this:

1. The post-pandemic rally in the Renaissance IPO Index means that investors are making money on IPOs again. With that backdrop, buyers are now willing to explore new deals.
2. There is a large backlog of companies that want to raise money to grow their businesses like Beyond Meat competitor Impossible Foods.
3. There will also be investment bargains with large unprofitable unicorns that need money to survive.

The new "IPO Renaissance" includes companies offering remote work tools, online entertainment, e-commerce, cloud-based services, telehealth, life-saving drugs, and basic essentials.

The IPO Renaissance is here.

These Private Companies Are Preparing to Ignite the IPO Renaissance

Notable Private Companies Expected to Seek IPOs			
Company	Business Description	Est. Sales (\$mm)	Est. Valuation (\$mm) †
Flipkart	India's largest online retailer being spun out of Walmart.	\$2,300	\$50,000
Stripe	Payment solutions for online and mobile apps.	\$3,500	\$36,000
Instacart	Grocery delivery platform.	\$5,000	\$17,700
Chime	Mobile app for personal finance and banking.	n/a	\$14,500
Robinhood Markets	Fast-growing no-fee stock trading app.	\$600	\$11,700
Klarna	Payment plan platform for merchants and customers.	\$945	\$10,560
UiPath	Software for robotic process automation.	\$400	\$10,200
Tokopedia	Indonesia's largest e-commerce platform.	n/a	\$10,000
Coupang	Korean e-commerce website that sells third-party merchandise.	\$3,810	\$9,000
Coinbase	Operates a cryptocurrency exchange and digital currency wallets.	n/a	\$8,000
Compass	Online discount residential real estate brokerage.	\$1,000	\$6,400
GitLab	Software development and collaboration tool for programmers.	\$100	\$6,000
DoubleVerify	Platform that tracks the effectiveness of digital advertising.	n/a	\$5,000
Squarespace	Platform for building websites.	\$500	\$4,500
Impossible Foods	Makes plant-based meat products for groceries and restaurants.	n/a	\$4,000
Oscar Health	Provides health insurance products and services.	n/a	\$3,750
KnowBe4	Provides enterprises with an employee cybersecurity training platform.	\$100	\$2,000
Oatly	Swedish vegan food company is known for its oat milk.	\$200	\$2,000
CommerceHub	Cloud-based fulfillment and marketing solutions for retailers.	n/a	\$1,900
Alzamend Neuro	Early stage biotech developing therapies for Alzheimer's.	n/a	n/a

Source: Renaissance Capital.

†Last funding round or RC estimate.



Don't miss the IPO Renaissance.

Based on our 30-year experience issuing IPO research and managing two world-class IPO ETFs (NYSE: IPO, IPOS), we know that *the IPO Renaissance* is here.

Don't miss it.

Get alerts on every new IPO, see the full pipeline, screen for IPOs by industry, and access enhanced profiles, dashboards, and the Master Calendar.

IPO Pro is the gold standard for tracking the IPO market.

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