

August 30, 2019

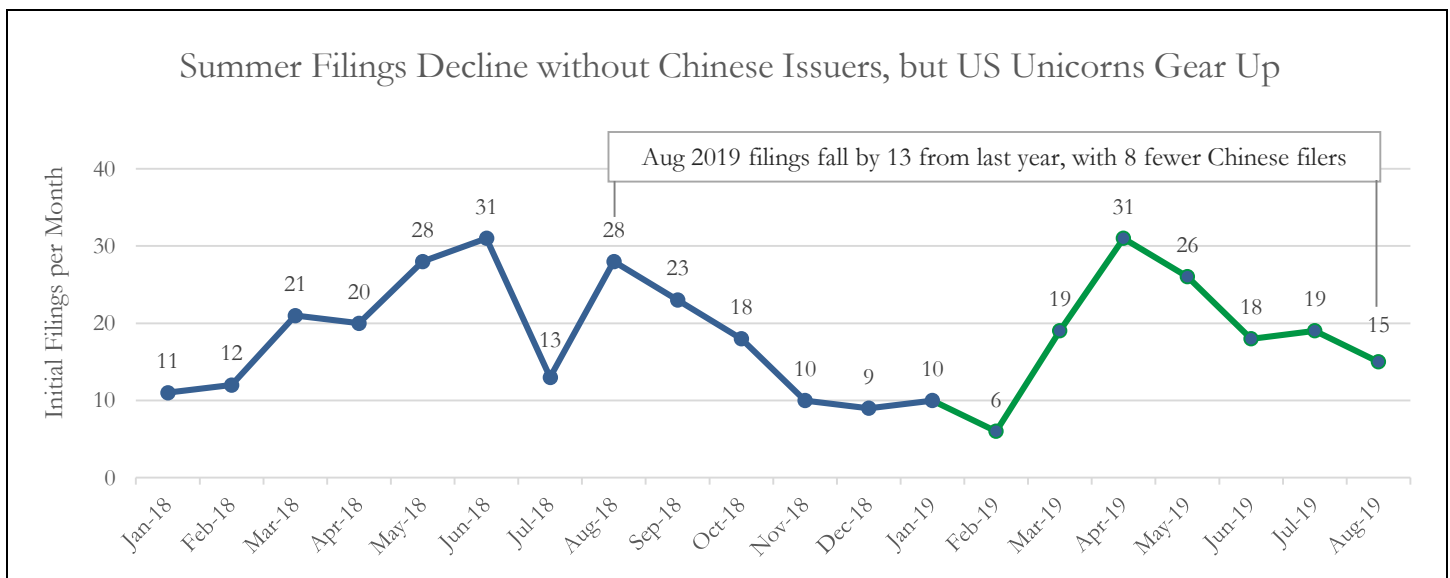
### Fall 2019 IPO Market: We Company Leads the Unicorn Stampede

The US IPO market is still on track for the biggest year by proceeds since 2014, with a number of large deals teed up after Labor Day. As of August 29, there were 68 US IPOs publicly on file, 38 of which have submitted a new or updated filing since June 1. Based on historical trends and both public and confidential IPO filings, we believe that 50-70 US IPOs could raise over \$15 billion between now and year end. New filings declined in August, mostly due to the absence of Chinese filers, deterred by the ongoing trade dispute and market volatility. Nevertheless, we enter Fall 2019 with a strong backlog of unicorns, large PE-backed deals, and biotechs publicly on file, with even more privately moving toward an IPO. The We Company leads the unicorn stampede, followed by Peloton and numerous other high-growth companies. Three PE-backed IPOs could each raise over \$1 billion: cybersecurity provider McAfee, waste management firm GFL Environmental, and fast-growing orthodontics provider SmileDirectClub. On our Private Company Watchlist, at least 20 candidates have filed confidentially, selected underwriters, or otherwise indicated that an offering is imminent.

[This version of the Preview is only available to the press. To provide a link to the Preview for you readers, please use the following:](https://www.renaissancecapital.com/review/US_Fall_Preview_2019_Public.pdf)  
[https://www.renaissancecapital.com/review/US\\_Fall\\_Preview\\_2019\\_Public.pdf](https://www.renaissancecapital.com/review/US_Fall_Preview_2019_Public.pdf)

#### Key Takeaways:

- 2019 IPO Market To Reach Five-Year High in Proceeds, with 50-70 More IPOs Expected by Year-End
- Summer Filings Down from 2018 Due to Lack of Chinese IPOs
- Post-Labor Day IPOs Feature The We Company, Software Unicorns, and Biotechs
- Despite Market Volatility, Large Shadow Backlog Further Supports an Active Fall
- 2019 On Track to Reach About 170 IPOs



Source: Renaissance Capital. Aug-19 as of 8/29/19.

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.

### We Company and VC-Backed Companies Target Billion-Plus Valuations

The 2019 IPO market is on track for a record number of billion-dollar exits from VC-backed companies, including the world's largest startups, a theme that should continue in the fall. The We Company is expected to fetch a valuation of more than \$20 billion on its IPO, as it aims to transform an industry while racking up billions in losses. Stationary bike maker Peloton is reportedly targeting an \$8 billion valuation, which would make it venture capital's largest-ever consumer IPO. Software IPOs have had strong returns in 2019, and a number of large, fast-growing, and unprofitable software makers have prepped offerings, such as Datadog, Ping Identity, and Cloudflare.

#### Featured VC-backed IPOs

File Date	Company	Business	Top Shareholders	Deal Size* (\$mm)	LTM Sales (\$mm)	GAAP EBIT%	MRQ Sales Growth†
08/14/19	We Company	Flexible shared work space	SoftBank, co-founders	\$4,000	\$2,593	-92%	91%
08/27/19	Peloton Interactive	Connected fitness equipment	Tiger Global	\$500	\$915	-22%	110%
07/12/19	CloudMinds	Chinese robotic systems	SoftBank, co-founders	\$500	\$101	-70%	-62%
08/23/19	Datadog	IT analytics platform	Index, OpenView	\$400	\$266	-9%	82%
08/23/19	Ping Identity	Identity access platform	Vista Equity Partners	\$100	\$215	3%	26%
08/16/19	Cloudflare	Web content/security platform	NEA, Pelion Venture	\$100	\$235	-39%	49%

Source: RenaissanceCapital.com \*Deal size from SEC filing or RC estimate. †Most recent period used if MRQ unavailable.

**The We Company:** Backed by SoftBank, founder-led We Company is the US's largest unicorn with a private valuation of \$47 billion. The parent of WeWork provides premium flexible office space and on-demand workstations to roughly 527,000 members. Since its 2010 founding, it has quickly scaled its global footprint to 604,000 available workstations across 528 locations in 111 cities, driving 100%+ annual topline growth in each of the last two years. That said, the company is highly unprofitable and it is unclear how WeWork will fare during an economic downturn given it has just \$4 billion in committed revenue backlog (avg. membership agreement is 15 months) and \$47 billion in minimum lease obligations (avg. US lease term is 15 years). **Bookrunners:** J.P. Morgan, Goldman Sachs, BofA Merrill Lynch, and six others.

**Peloton Interactive:** A leader in connected at-home fitness equipment, Peloton sells proprietary stationary bikes (\$1,995) equipped with HD touchscreens used to stream spin classes, for which users pay \$39 per month. Peloton has rapidly grown to reach 511,000 subscribers (108% y/y), expanding its offering in 2018 to include connected treadmills. The company has raised almost \$1 billion to date and was most recently valued at just over \$4 billion. **Bookrunners:** Goldman Sachs, J.P. Morgan, BofA Merrill Lynch, and three others.

**CloudMinds:** Backed by SoftBank's Vision Fund, CloudMinds sells and leases cloud-based robots in China. Unlike traditional robots, these can handle a large amount of data and acquire new skills. Its connected robots have been used to welcome guests at hotels and retail shops, patrol and clean residential communities, and detect explosives and drugs. Although revenue grew 5x to \$121 million in 2018, sales slumped 62% in the 1Q19 due to delivery timing, and the company's cash burn remains high. **Bookrunners:** Citi, J.P. Morgan, UBS.

**Cloudflare:** This global cloud platform helps 75,000 paying customers and two million free users improve the security, performance, and reliability of their websites, APIs and apps. With its self-serve model and low pricing, Cloudflare has achieved widespread adoption, and increased traction among enterprise customers (now over 50% of revenue) like SAP, Thomson Reuters, Walmart, and the FBI helped the company accelerate revenue growth from 43% in 2018 to 48% in the 1H19. With near-80% gross margins, the company believes it can become highly profitable in the long-term. **Bookrunners:** Goldman Sachs, Morgan Stanley, J.P. Morgan, and three others.

### Large and PE-Backed Companies Are Teed Up

In addition to the unicorn IPOs, several large, slower-growing, and financial firms have filed to go public in the fall. BC Partners' waste management firm GFL Environmental and Danaher's dental supplies unit Envista could each raise more than \$1 billion to fuel acquisition strategies. Silver Lake-backed talent agency Endeavor and Goldman-backed boat retailer OneWater Marine have also been active acquirers. The financial sector features three smaller IPOs, including Hispanic-focused lender Oportun and crypto-focused bank Silvergate.

#### Featured Large and PE-Backed IPOs

File Date	Company	Business	Top Shareholders	Deal Size* (\$mm)	LTM Sales (\$mm)	GAAP EBIT%	MRQ Sales Growth†
07/19/19	GFL Environmental	Waste management services	BC Partners, OTPP	\$1,500	\$1,972	-4%	84%
05/23/19	Envista Holdings	Dental supplies spin-off	Danaher Corp	\$1,000	\$4,161	1%	-3%
10/03/18	Endeavor Group	Entertainment & talent co.	Silver Lake, CPPIB	\$500	\$623	34%	33%
07/12/19	OneWater Marine	Recreational boat retailer	Management, Goldman	\$100	\$666	7%	29%
08/16/19	Alerus Financial	Banking and financial services	ESOP, management	\$75	\$183	20%	6%
07/17/19	Oportun Financial	Non-prime consumer lending	Madrone, Greyclock	\$50	\$494	21%	20%
11/16/18	Silvergate Capital	Cryptocurrency-focused bank	BankCap Partners	\$50	\$90	44%	37%

Source: RenaissanceCapital.com \*Deal size from SEC filing or RC estimate. †Most recent period used if MRQ unavailable.

**GFL Environmental:** North America's fourth-largest diversified waste management firm, GFL serves over 4 million households and more than 145,000 commercial and industrial customers across Canada and 23 states in the US. Bought by BC Partners in 2018, the company has completed over 100 acquisitions to date, including Waste Industries in November 2018 for \$2.9 billion, which nearly doubled revenue. The highly leveraged at 7.5x net debt/PF LTM adjusted EBITDA and has significant capex requirements that have led to negative free cash flow.

**Bookrunners:** BMO, Goldman Sachs, J.P. Morgan, RBC, Scotia Capital.

**Envista Holdings:** Being carved out of Danaher, Envista sells dental equipment, products, and services to over one million dental clinicians across 150 countries. Formed by more than 25 acquisitions over the last 15 years, Envista failed to grow revenue in the 1H19 (\$1.4 billion), but its experienced management team sees this spinoff as an opportunity to begin improving operational efficiencies and driving growth, focusing on key products, emerging markets, and M&A. **Bookrunners:** J.P. Morgan, Goldman Sachs, Morgan Stanley, and three others.

**Endeavor Group:** A global entertainment company and talent agency, Endeavor boasts unique assets like Ultimate Fighting Championship (UFC) and partnerships with Wimbledon, FIFA, and NFL. Endeavor saw 17% organic growth in 2018, and has further expanded through numerous acquisitions. Backed by Silver Lake, the company is highly levered with \$4.6 billion in debt, which it will partially pay down on the IPO. **Bookrunners:** Goldman Sachs, KKR, J.P. Morgan, and two others.

**OneWater Marine:** Formed in 2014 by the merger of two boat dealerships, OneWater Marine sells premium new and used recreational boats and accessories at 60 stores, mostly in the Southeast and Gulf Coast. Its brands include Malibu, Everglades, SeaFox and 61 other well-known names, with an average selling price of \$91,000 for a new boat, compared to the industry average of \$48,000. OneWater booked strong comp store sales of 10% in the 1QFY19 and 22% in FY18. The company also plans to add four to eight new dealerships over the next 24 months. **Bookrunners:** Goldman Sachs, Raymond James.

### High-Growth Healthcare Expected to Drive Deal Flow in the Fall

Biotechs account for almost one-third of 2019 IPOs, and recent filings indicate high activity in the remainder of the year. Three are developing oncology therapies, including Pfizer-backed late-stage small molecule developer SpringWorks Therapeutics, and early-stage antibody developers IGM Biosciences and Inhibrx. Selling direct-to-consumer teeth aligners at a breakneck pace, SmileDirectClub could raise as much as \$1 billion. 10x Genomics should be the latest in a string of fast-growing genetic diagnostics companies.

#### Featured IPOs

File Date	Company	Phase, Product, Indication	Top Shareholders	Deal Size* (\$mm)
08/15/19	SmileDirectClub	Approved; direct-to-consumer orthopedics	CD&R, co-founders	\$1,000
08/29/19	Vieela Bio	Phase 3 complete; antibodies for autoimmune	AstraZeneca	\$150
08/16/19	SpringWorks Therapeutics	Phase 3; small molecules for rare cancers	Pfizer, Bain, OrbiMed	\$115
08/19/19	10x Genomics	Approved; genomic analysis for drug development	Foresite Capital, Venrock	\$100
08/19/19	IGM Biosciences	Preclinical; T cell-engaging antibodies for cancer	Haldor Topsøe, Baker Bros.	\$100
08/16/19	Satsuma Pharmaceuticals	Phase 3; drug-device therapy for migraines	RA Capital, TPG Biotech	\$86
06/03/19	Inhibrx	Phase 1; single domain antibodies for cancer	Management, Lilly Asia, RA Capital	\$75

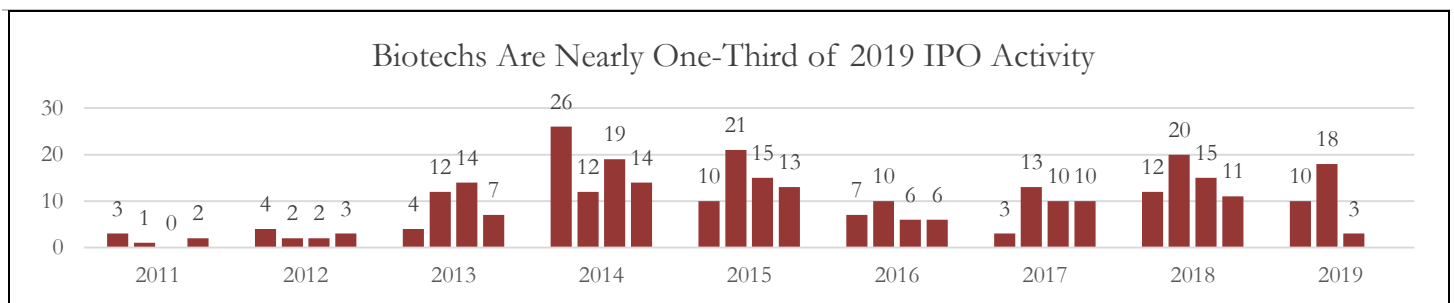
Source: RenaissanceCapital.com \*Deal size from SEC filing or RC estimate.

**SmileDirectClub:** An alternative to traditional orthodontics, SmileDirectClub provides convenient and affordable teeth-straightening kits, featuring home-delivered tools and remote guidance. The company has served over 700,000 members since its 2014 inception and launched in three international markets in the last 12 months. SmileDirectClub is growing fast (+113% y/y) with \$622 million in trailing sales, strong gross margins (75%) and newly-positive EBITDA. **Bookrunners:** J.P. Morgan, Citi, BofA Merrill Lynch, and three others.

**SpringWorks Therapeutics:** SpringWorks is in pivotal trials for rare cancers with two small molecule drugs licensed from Pfizer. Its gamma secretase inhibitor is in a Phase 3 trial for desmoid tumors, while its MEK inhibitor is in a Phase 2b trial for neurofibromatosis type 1-associated plexiform neurofibromas. Data for both trials is expected in 2021. SpringWorks is also developing combination therapies for both drugs with BeiGene and Glaxo. **Bookrunners:** J.P. Morgan, Goldman Sachs, Cowen.

**IGM Biosciences:** Founded in 1993 to study naturally-occurring immunoglobulin M (IgM) antibodies, IGM Biosciences refocused on engineered IgM antibodies in 2010 after an investment from Danish chemicals leader Haldor Topsøe. Since then, Baker Bros., Redmile and Janus have invested. The biotech is about to launch a Phase 1 trial for lead candidate IGM-2323, a bispecific T cell engager targeting CD20 and CD3 proteins, for relapsed/refractory B cell Non-Hodgkin's lymphoma. **Bookrunners:** Jefferies, Piper Jaffray, Stifel, Guggenheim.

**Satsuma Pharmaceuticals:** To address the unmet needs of the 39 million Americans who suffer from migraines, Satsuma is developing a drug-device to deliver a proprietary dry powder formulation of dihydroergotamine mesylate (DHE). DHE products have long been a first-line treatment for acute migraines, but existing drugs are often inconvenient or inconsistent. Satsuma recently completed a Phase 1 trial showing quick relief and began a 1,140-patient Phase 3 trial with data expected in 2020. **Bookrunners:** Credit Suisse, SVB Leerink, Evercore.



### Strength of Shadow Backlog Suggests Robust Post-Labor Day Issuance

Our Private Company Watchlist (PCW) contains IPO-ready companies from a variety of industries that we believe could file publicly and launch within 18-24 months, including more than 20 that have filed confidentially or begun discussions with banks this year. Below is a selection of tech names that we believe could tap public markets before the end of the year, followed by a similar list of companies from other industries. The tech sector's outperformance should encourage more private names to launch in the fall.

#### Potential 4Q19 Tech IPOs

Company	Business	Notable Backers	Est. Sales (\$mm)	Est. Valuation (\$mm)†
Bitmain Technologies	Leading maker of cryptocurrency mining equipment	Sequoia, IDG	\$10,000	\$15,000
McAfee	Leading provider of antivirus and security software	TPG Capital, Thoma Bravo	-	\$8,000
Postmates	Online food and goods delivery service	Tiger Global, Spark Capital	\$400	\$1,850
Velodyne Lidar	LIDAR sensors for autonomous vehicles	Baidu, Ford	-	\$1,800
Bill.com	Payment processing software	American Express, BofA	-	\$1,000

Source: Renaissance Capital. †Last funding round or RC estimate.

**McAfee:** A leading provider of antivirus and computer security software and once a public company, McAfee is one of the most well-known names in cybersecurity. The company went public in 1999, was acquired by Intel in 2010, and was spun back out in 2017 by current PE owners TPG and Thoma Bravo, who are seeking a 2H19 IPO that could raise over \$1 billion and would value the company at over \$5 billion.

**Postmates:** One of the top online delivery services in the US, Postmates makes over five million deliveries per month from more than 500,000 merchants across 3,500 cities, processing over \$1 billion annually in orders. Customers pay per delivery, or can sign up for Postmates Unlimited for \$9.99 per month. Postmates' anticipated IPO follows that of competitor Uber (UberEats), and comes ahead of a potential 2020 public debut from DoorDash. Postmates has raised \$678 million to date, and was most recently valued at \$1.9 billion in January 2019. The company filed confidentially in February 2019 and hired J.P. Morgan and BofA to lead its IPO, which is expected as early as September.

**Bill.com:** This online payment processing platform serves various small businesses, accounting firms, and banks, including four top 10 banks and 60 of the top 100 accounting firms. More than \$60 billion is processed through its platform on an annual basis for more than 3 million members. In June, the company selected banks to lead an IPO that we expect to come in the fall.

### Broad Range of Other Companies in the Shadow Backlog

Company	Business	Notable Backers	Est. Sales (\$mm)	Est. Valuation (\$mm)†
The Lycra Co.	Makes elastic lycra material used in sportswear	Shandong Ruyi	-	\$2,000
Casper	Online mattress and sleep-related goods retailer	Norwest VP, NEA	\$400	\$1,100
Axiom Global	Technology-enabled outsourced legal services	Benchmark, JP Morgan	\$300	\$1,000
Madewell	Women-focused apparel brand owned by J.Crew	J.Crew (TPG, LGP)	-	-
Post Active Nutrition	Post Holding's nutritional supplements unit	Post Holdings	\$828	-

Source: Renaissance Capital. \*Filed confidentially or selected banks. †Last funding round or RC estimate.

**Casper:** A leader in direct-to-consumer memory foam mattresses, Casper has expanded beyond its online store to other websites (e.g. Amazon) and brick-and-mortar retailers (West Elm, Target). Mattresses range from \$395 for its basic twin mattress to up to \$2,900 for its most advanced hybrid mattress. In 2018, it made close to \$400 million in sales and opened its first brick and mortar store as part of its plan to roll out more than 200 nationwide. The company has raised over \$340 million to date, and was most recently valued at \$1.1 billion in March.

**Madewell:** J. Crew's denim-focused sister brand primarily targets young women by offering simplified styles and classic pieces. Launched by former J.Crew CEO Mickey Drexler in 2006, Madewell apparel is now sold through 131 Madewell stores, online, and through partnerships with retailers like Nordstrom and Net-A-Porter. FY18 sales rose 26% to \$529 million and same-store-sales growth increased 25%, following an increase of 14% in FY17. In July 2019, PE-backed J. Crew hired several banks to lead an IPO that is expected to come in the 3Q19.

**Post Active Nutrition:** The health food segment of Post Holdings, Post Active Nutrition markets and distributes ready-to-drink protein beverages, protein powders, nutrition bars and other nutritional supplements under the Premier Protein, Dymatize, PowerBar, Supreme Protein, and Joint Juice Brands. In the MRQ, Post Active Nutrition grew net sales 10%, and parent Post believes the company has a path to high-teens to low-20s EBITDA margins. On the earnings call for the quarter, representatives for Post said that they expect to spin out the Active Nutrition segment in early Fall 2019.



### 2019 On Track to Raise \$60 billion in IPO Capital

We expect anywhere from 50 to 70 IPOs in the remainder of the year, putting 2019 on track for about 170 deals raising roughly \$60 billion. The year will easily set a five-year record by IPO proceeds, but likely fail to surpass last year by deal count. That said, public and private filings provide a sizable backlog of large IPO candidates after Labor Day. At least five billion-dollar deals are on the horizon, with WeWork first out of the gate. Like last year, we believe the visible IPO pipeline tells only half the story. Looking at the 200+ names on our PCW, we see over 20 that appear ready to file. Tech and biotech should remain the top sectors, but consumer discretionary and industrials appear poised to pick up. While recent market volatility has slightly dampened our forecasts and shut the door on Chinese issuers, Silicon Valley's most highly-valued companies will continue to tap the IPO market in the fall.

To see [the full US IPO Pipeline](#), sign up for a free trial of [IPO Pro](#).

