

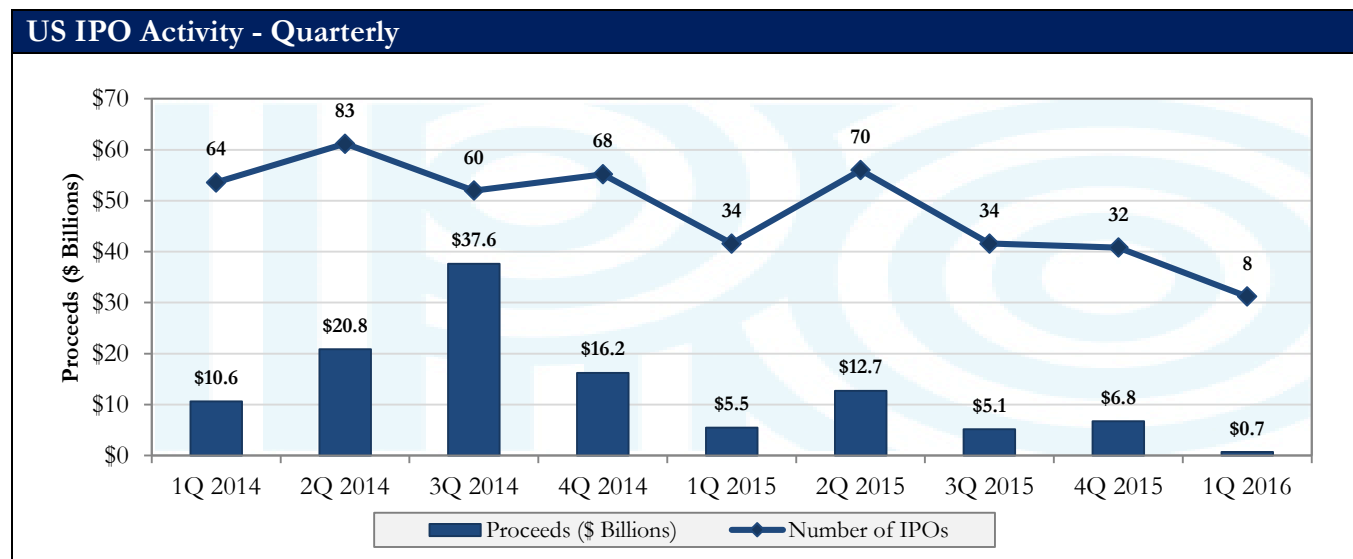
March 31, 2016

## 2016 US IPO Market Has Slowest Start Since Great Recession

The US IPO market in the 1Q16 hit its lowest levels since the depths of the financial crisis in 2008/2009. Not a single deal priced outside of the health care sector, where eight deals managed to raise \$0.7 billion thanks to substantial buying by their existing shareholders. The resulting low tradable float also helped to prop up performance, and IPOs averaged a return of 25%, even as the broader health care sector vastly underperformed major indices. Nine companies hoping to raise a combined \$1.4 billion postponed their IPOs due to severe valuation pushback. Despite low filing activity in the first quarter, a large backlog of pre-IPO companies sits in the pipeline. The market's rally and lower volatility during the second half of the quarter is an encouraging sign for IPO issuance, but the real test lies with the IPO icebreakers that launch in the coming months. While these icebreakers may emerge from the long list of growth companies known to be contemplating a money raise, some of the most likely candidates in the active pipeline include national food distributor US Foods, exchange operator Bats Global Markets and Las Vegas REIT MGM Growth Properties. The ultimate pace of the 2016 IPO market remains tough to call at this point, but even in a low-issuance environment we expect a number of important IPOs to launch, which, if past IPO cycles are any guide, should deliver attractive returns to IPO investors.

### Key Takeaways:

- US IPO Market Had the Slowest Quarter Since 2009
- Average IPO Gained 25%, Helped by Low Tradable Float
- Health Care Was the Only Sector with IPOs Thanks to Insider Buying
- New IPO Filings Reached a Post-JOBS Act Low but Private Company Pipeline Remains Robust
- IPO Market Still Awaiting Icebreakers, But Activity Should Pick Up in the Second Quarter



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

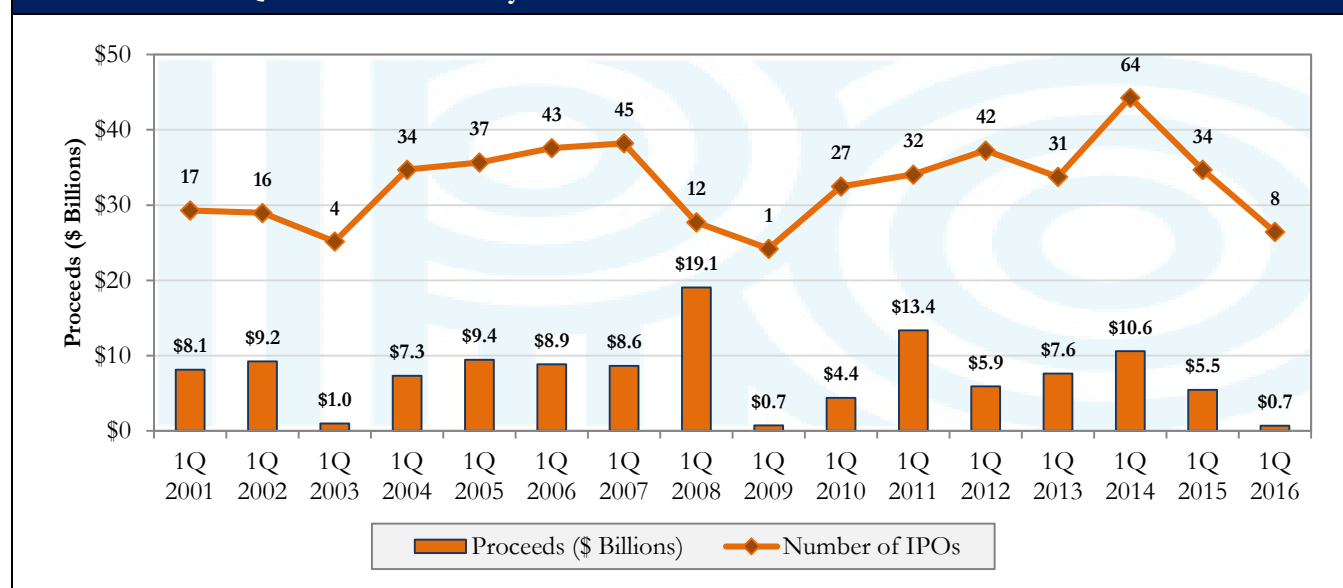
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### US IPO Market Had the Slowest Quarter Since 2009

IPO activity dropped to less than a quarter of the 1Q15, both in terms of the number of IPOs (-76%) and proceeds raised (-87%). The quarter marked the slowest start to a year since 2009, when just one deal priced, and the lowest amount of proceeds raised in a 1Q in at least 20 years. Nine IPOs officially postponed, on par with last year, though many more deferred launching. IPO issuance has been slow since the 2H15, particularly when biotechs are excluded. In addition to the significant valuation reductions occurring in Silicon Valley, heightened global market volatility, low energy prices, a broad multiple contraction in tech stocks, a sell-off in financials and weak retail sales have all contributed to the slowdown. Not a single VC-backed tech or PE-backed company came public.

### Historical First Quarter IPO Activity



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

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## Average IPO Gained 25%, Helped by Low Tradable Float

In a market where indices traded flat and the IPO Index underperformed (down 7%), the average IPO this quarter finished up 25% from its offer price. The eight IPOs have had highly volatile trading, and each broke issue at one point. Six of the eight (75%) ended their first day down or flat. With an average first-day return of -0.1%, the 1Q16 was the worst quarter for first-day returns since the 4Q08 (where one IPO fell 1%). However, because the deals were mainly biotechs with low floats, we do not place much weight on their performance metrics as indicators for future issuance.

Key US IPO Statistics					
IPO Volume	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016
Number of Deals	34	70	34	32	8
Proceeds Raised (US\$)	\$5.5b	\$12.7b	\$5.1b	\$6.8b	\$0.7b
Median Deal Size (US\$)	\$82.3m	\$100.1m	\$110.2m	\$71.0m	\$82.5m
PE-Backed Deals	5	18	12	4	0
PE-Backed Proceeds (US\$)	\$1.2b	\$4.7b	\$2.3b	\$3.0b	\$0b
VC-Backed Deals	18	34	15	18	7
VC-Backed Proceeds (US\$)	\$1.3b	\$3.9b	\$1.6b	\$2.1b	\$0.6b
IPO Performance					
Average US IPO Return*	16.0%	13.6%	-3.4%	16.5%	25.1%
Average First-Day Return	11.2%	17.9%	16.5%	7.3%	-0.1%
Average Aftermarket Return**	3.0%	-1.8%	-17.5%	8.2%	25.1%
Renaissance IPO Index	5.0%	0.4%	-18.1%	10.3%	-7.4%
S&P 500	0.4%	-0.2%	-6.9%	6.5%	0.8%
Russell 3000	1.3%	-0.3%	-7.7%	5.7%	0.4%
IPO Deal Dynamics					
% Deals Priced <b>Below</b> the Range	32.4%	25.7%	29.4%	53.1%	37.5%
% Deals with <b>Negative</b> First-Day Return	29.4%	24.3%	26.5%	31.3%	50.0%
% Trading Above Issue at Quarter Close	74.5%	65.2%	46.7%	62.5%	75.0%

\*Calculated as average return from offer price to 3/31 close. \*\*Calculated as average return from first-day close to 3/31 close.

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2016.

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### Health Care Was the Only Sector with IPOs Thanks to Insider Buying

The eight IPOs this quarter were all early-stage health care companies, most of which could not have gotten done without significant insider buying. As the table below shows, the IPO market narrowed to a handful of sectors in the past few quarters, but the 1Q16's near absence of activity may be a turning point before the window opens wider.

Proceeds by Sector (US\$ Billion)															
Sector	1Q 2015			2Q 2015			3Q 2015			4Q 2015			1Q 2016		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Health Care	16	\$1.2	47%	30	\$2.7	43%	18	\$1.9	53%	14	\$0.9	44%	8	\$0.7	100%
Technology	4	\$1.3	12%	10	\$1.2	14%	1	\$0.1	3%	9	\$1.7	28%	-	-	-
Financial	9	\$1.1	26%	4	\$0.7	6%	4	\$0.4	12%	6	\$3.0	19%	-	-	-
Consumer	1	\$0.1	3%	6	\$1.5	9%	7	\$1.7	21%	1	\$0.1	3%	-	-	-
Capital Goods	1	\$0.4	3%	5	\$0.5	7%	-	-	-	1	\$0.9	3%	-	-	-
Materials	-	-	-	2	\$0.8	3%	1	\$0.0	3%	1	\$0.2	3%	-	-	-
Energy	2	\$1.2	6%	8	\$3.3	11%	2	\$0.9	6%	-	-	-	-	-	-
Transportation	1	\$0.2	3%	2	\$0.6	3%	-	-	-	-	-	-	-	-	-
Business Services	-	-	-	3	\$1.3	4%	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	1	\$0.1	3%	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

Biotech IPOs have increasingly relied on existing shareholders; average insider support reached over 22% in 2015, but that number leapt to more than 40% for IPOs in the 1Q16. Of the eight deals, the one device company has no sales, two biotechs have not yet begun clinical trials, and three others are still in Phase 1. Three of the eight priced below their last private funding round. Only two deals (both China-based) raised more than \$100 million: Hutchison China MediTech, which was already listed in London, and BeiGene, China's first biotech to go public in the US in the past 10 years. Top-performing IPO Editas Medicine, a preclinical biotech developing potentially groundbreaking gene-editing therapies that had the highest known insider buying, ended the quarter up 116%, outperforming all but one of the 170 IPOs from 2015.

1Q 2016 US IPOs							
Company	Ticker	Business	Offer Date	Deal Size (\$mm)	Insider Buying*	First-day Pop	Return from IPO
Editas Medicine	EDIT	Preclinical; CRISPR gene editing	2-Feb	\$94	67%	13.8%	115.9%
AveXis	AVXS	P1; Gene therapy for SMA	10-Feb	\$95	18%	-9.8%	36.2%
BeiGene	BGNE	China-based cancer therapies	2-Feb	\$158	42%	18.0%	22.1%
Proteostasis Therapeutics	PTI	Preclinical; cystic fibrosis	10-Feb	\$50	41%	-17.0%	20.5%
Syndax Pharmaceuticals	SNDX	P1/2; checkpoint inhibitor enhancer	2-Mar	\$53	28%	0.1%	11.0%
Senseonics Holdings	SENS	Glucose monitor device	17-Mar	\$45	43%	0.0%	0.4%
Hutchison China MediTech	HCM	China-based cancer therapies	16-Mar	\$101	1%	-0.7%	-2.2%
Corvus Pharmaceuticals	CRVS	P1; cancer checkpoint inhibitor	22-Mar	\$71	48%	-5.0%	-3.3%

\*Includes publicly-disclosed insider buying as a percent of tradable shares, including the overallocation, if exercised.

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2016.

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### Three Blank Check IPOs Raise \$569 million

Three blank check companies raised \$569 million, nearly as much as the combined total from all other IPOs in the 1Q16. SPACs may have held appeal due to their low-risk nature, with just cash on the balance sheet until the acquisition. Silver Run Acquisition, led by renowned oil and gas executive Mark Papa, raised \$450 million in an upsized offering. With backing from Riverstone and Michael Dell, Papa is targeting distressed oil and gas E&Ps, based on his assertion that the industry will see “a lot of bankruptcies.” Led by the former CEO of EPL Oil & Gas, KLR Energy Acquisition raised \$80 million in a downsized IPO to pursue a similar strategy. Notably, a potential \$1 billion SPAC led by a former Blackstone executive may launch in the coming months.

#### 1Q 2016 US Blank Check IPOs

Company	Ticker	Offer Date	Deal Size (\$mm)	Focus	Return from IPO
Silver Run Acquisition	SRAQU	23-Feb	\$450	Oil & Gas E&Ps	3.5%
KLR Energy Acquisition	KLREU	10-Mar	\$80	Oil & Gas E&Ps	0.6%
Jensyn Acquisition	JSYNU	2-Mar	\$39	IT Consulting	0.1%

Source: Renaissance Capital. Includes SPAC IPOs with a market cap of at least \$50 million. Returns as of 3/31/2016.

### More Companies Postponed Than Went Public

Nine companies postponed IPOs in the first quarter, more than went public. That number is in line with nine postponements in the 1Q15. In aggregate, the postponed deals had attempted to raise \$1.4 billion, twice the amount of capital that was actually raised. The nine that postponed included six non-biotechs. We believe most of these companies could have completed IPOs had they been willing to take significant discounts (as much as 50% in some cases) to their proposed valuations. The two largest deals, OTG EXP and Advanced Disposal Services, targeted \$1 billion in combined proceeds and postponed due to significant valuation pushback. IPO withdrawals were consistent with the prior two years, over half of which were related to acquisitions.

#### 1Q 2016 Postponed IPOs

Company	Ticker	Business	Attempted Offer Date	Proposed Deal Size (\$mm)
OTG EXP	OTG	Airport concession operator	10-Feb	\$552
Advanced Disposal Services	ADSW	LBO'd provider of waste collection services	10-Feb	\$450
Elevate Credit	ELVT	Online sub-prime lender	21-Jan	\$76
Shimmick Construction	SCCI	Civil construction services in California	14-Jan	\$75
Nordic Realty Trust	NORT	Newly-formed Norway REIT	26-Jan	\$75
AmeriQuest	AMQ	Provider of financial process services	26-Jan	\$74
PLx Pharma*	PLXP	Commercializing delayed-release aspirin	3-Feb	\$68
Spring Bank Pharmaceuticals	SBPH	P1; Developing a treatment for hepatitis B	17-Mar	\$40
Sensus Healthcare	SRTS	X-ray systems for non-melanoma skin cancer.	29-Mar	\$20

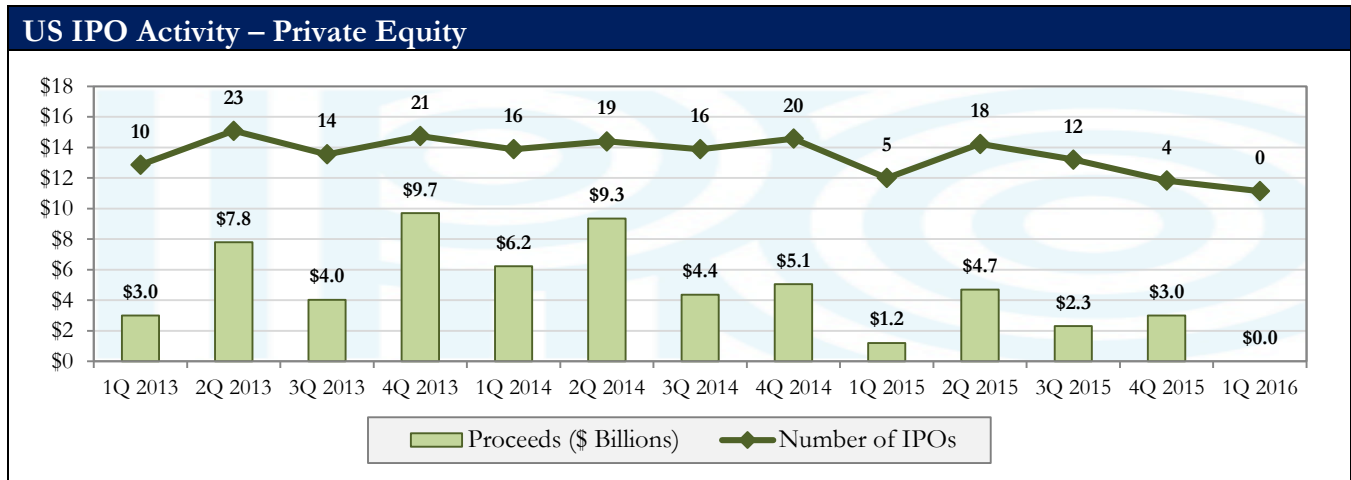
\* Withdrawn. Source: Renaissance Capital.

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### Private Equity Had No IPO Exits

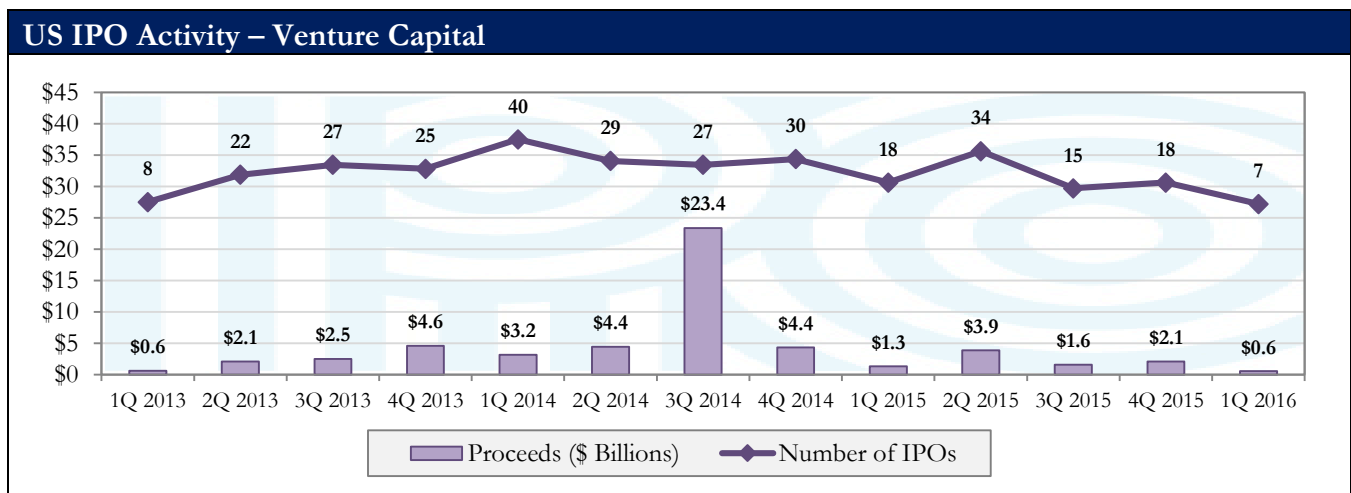
The 1Q16 was the first quarter without any private equity IPO activity since the 1Q09. Only Highstar-backed Advanced Disposal Services attempted an IPO. The last LBO to go public was KKR's payment processor First Data in October 2015; since then, it has vastly underperformed its peers. A spate of large PE-backed IPOs have waited in the pipeline since the 2H15, including Albertsons, Neiman Marcus, Univision and Laureate Education; their sponsors have taken a wait-and-see approach, balancing valuation with the eventual need to recapitalize their balance sheets.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

### Seven of the Eight IPOs were VC-backed

Without any technology IPOs, VC activity fell to its lowest level since the 4Q12. Every deal in the 1Q16 was backed by venture capital, except for one spinoff. Venture firms have increasingly teamed up with crossover investors prior to an IPO; Fidelity participated in pre-IPO rounds in four of the seven deals. Notable venture names were behind the quarter's IPOs, including Third Rock (Editas), New Enterprise Associates (Senseonics), OrbiMed (Corvus) and Domain Associates (Syndax).



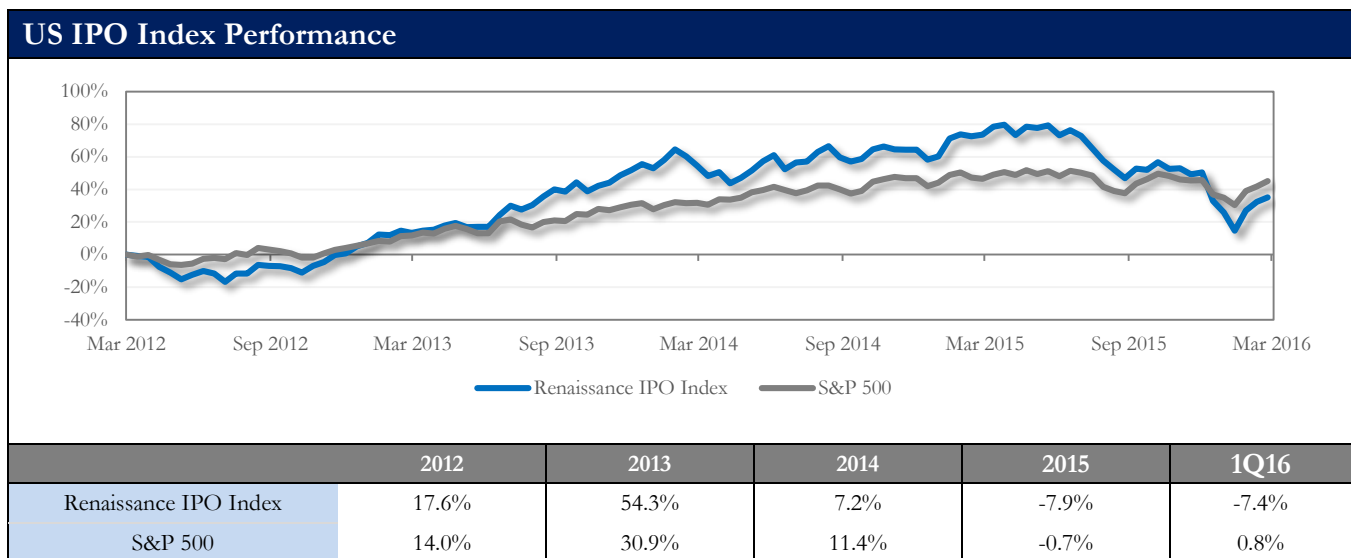
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### Renaissance IPO Index Underperforms in First Quarter

The Renaissance IPO Index (IPOUSA), the underlying index for the Renaissance IPO ETF (IPO), underperformed US equity benchmarks with a -7.4% return compared to the S&P 500's 0.8% return. The Information Technology and Financials sectors were the index's weakest sectors. Notable securities to drag on index performance in the 1Q16 included wearable fitness device retailer Fitbit (FIT; -49%), payment processing solution provider First Data Corp (FDC; -19%) and subprime auto loans provider Santander Consumer USA (SC; -34%). Partially offsetting the largest detractors were strong performances from all natural dog and cat food producer Blue Buffalo Pet Products (BUFF; +37%) and arts and crafts retailer The Michaels Companies (MIK; +27%).



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 March 31, 2016.

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### New IPO Filings Reached a Post-JOBS Act Low

There were 24 new filings in the 1Q16, down from 48 in the 1Q15 and 98 in the 1Q14. There were just seven total new filings in February and March. While filings dropped considerably, the pipeline remains robust with 118 companies looking to raise \$30 billion. Of these, 42 companies make up the “active pipeline,” having submitted new or updated filings since January 1. There are 18 health care companies in the active pipeline, including 11 biotechs that are similar in size and development phase to the deals that have gotten done this year. While the first quarter has been slow for all aspects of the IPO market, there is an ample supply of companies across a range of industries ready to go when the IPO window reopens.

The tables below show IPOs on file that we believe have the highest probability of launching in the coming months, broken out by deal size. The largest offerings in the pipeline represent a diverse group of mature companies, mainly LBOs that have been on file since 2015. Recent filers MGM Growth Properties and US Foods are both eligible to launch in late April and could raise \$1 billion apiece, while Albertsons Companies could again test the public markets if its owners are willing to lower their valuation expectations.

Highlighted IPOs with a deal size above \$500 million							
File Date	Company	Ticker	Industry	Deal Size (\$mm)	LTM Sales	FY Sales Growth	EBIT %
7/8/2015	Albertsons Companies	ABS	Consumer	\$1,600	\$58,543	2.4%**	0.4%
3/30/2015	United Guaranty	TBA	Financial	\$1,000*	\$923	-10.6%	59.3%
3/22/2016	MGM Growth Properties	MGP	Financial	\$1,000*	-	-	-
2/9/2016	US Foods Holding	USFD	Consumer	\$1,000*	\$23,128	0.5%	0.8%
10/2/2015	Laureate Education	LAUR	Business Services	\$1,000*	\$4,470	12.8%	7.4%
7/2/2015	Univision	UVN	Communications	\$1,000*	\$2,850	10.8%	15.2%
6/8/2015	Patheon	PTHN	Health Care	\$700*	\$1,774	6.2%	10.2%
9/4/2015	McGraw-Hill Education	MHED	Business Services	\$500*	\$1,846	2.0%	2.1%

\* Estimated. \*\*Pro forma most recent period. Source: Renaissance Capital, SEC filings.

**MGM Growth Properties:** Controlled by MGM Resorts, this gaming REIT was created to house an initial portfolio of 10 well-known properties containing 24,466 hotel rooms, which would put it among the five largest publicly-traded US REITs. In 2015, these properties, including Mandalay Bay, The Mirage and Luxor, boasted a 92% occupancy rate and generated \$3.8 billion in total net revenue and \$1.0 billion in adjusted EBITDA. The REIT plans to assume \$4 billion in parent debt.

**US Foods Holding:** LBO'd by CDR and KKR in 2007 for \$7.1 billion, US Foods is the second largest food distributor in the country. It is looking to raise money publicly after competitor Sysco's \$8.2 billion bid for the company fell through due to regulatory constraints. Rival distributor Performance Food Group went public in September 2015 and has produced a 22% return to date.

**Albertsons Companies:** Since postponing a \$1.6 billion IPO in October 2015, LBO'd grocery chain Albertsons has updated its financials ahead of an anticipated second attempt at going public. Across 33 states under 18 names, Albertsons operates over 2,200 stores, 1,698 of which have pharmacies and 378 of which have fuel centers. Albertsons plans to grow by expanding organic offerings and private labels, leveraging loyalty programs and making select acquisitions, while managing its large \$11 billion debt burden.

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The following mid-tier group of offerings we highlight offers a diverse range of companies. Some have high growth and large operating losses, such as Dell spinoff SecureWorks and storage provider Nutanix, while others have more mature businesses, like Goldman LBO PSAV, securities exchange operator Bats Global Markets and dialysis clinic operator American Renal Associates.

Highlighted IPOs with a deal size between \$150 and \$500 million							
File Date	Company	Ticker	Industry	Deal Size (\$mm)	LTM Sales	LTM Sales Growth	EBIT %
10/13/2015	Red Rock Resorts	RRR	Consumer	\$400*	\$1,352	4.7%	20.4%
3/4/2016	Atkore Int'l Group	TBA	Capital G&S	\$300*	\$1,661	1.5%	3.1%
12/17/2015	SecureWorks	SCWX	Technology	\$300*	\$340	30.0%	-31.2%
12/16/2015	Bats Global Markets	BATS	Financial	\$300*	\$1,779	22.0%	10.2%
9/10/2015	PSAV	PSAV	Business Services	\$300*	\$1,487	17.7%	3.6%
8/31/2015	American Renal Associates	ARA	Health Care	\$300*	\$658	16.7%	22.9%
8/7/2015	Mauser Group	MSR	Capital G&S	\$300*	\$1,459	8.5%	6.8%
12/22/2015	Nutanix	NTNX	Technology	\$200	\$283	89.9%	-45.7%
7/28/2015	Gypsum Mgmt & Supply	GMS	Capital G&S	\$200	\$1,673	16.0%	2.1%
11/12/2014	Intrepid Aviation	INTR	Transportation	\$150	\$191	304%	66.1%

\*Estimated. Source: Renaissance Capital, SEC filings.

**SecureWorks:** Acquired for \$612 million by Dell in 2011, this managed security services provider is being spun off ahead of Dell's \$67 billion EMC acquisition. The market for managed security services is expected to grow to \$12.8 billion globally in 2018, with \$3.3 billion in North America. In fiscal 2016, SecureWorks grew revenue 30% to \$340 million, increased monthly recurring revenue 26% to \$29 million and improved revenue retention five percentage points to 102%.

**PSAV:** LBO'd by Goldman Sachs and Olympus Partners in January 2014 for \$878 million, PSAV is the leading provider of outsourced event audiovisual services. PSAV has contracts with 46% of all luxury and upscale hotel properties in the United States and is the market leader in 19 of the top 20 US hotel markets. Since 2011, PSAV has increased the number of contracted venues by approximately 60% and averaged same venue revenue growth of 11%. In 2015, revenue grew 18% to \$1.5 billion.

**Bats Global Markets:** Low-cost exchange operator Bats has become a leading player in a consolidating industry through major acquisitions (Chi-X; Direct Edge; Hotspot) and lower pricing. Bats holds the #1 position for US ETFs and other ETPs (22% market share) and, more broadly, the #2 position in US-listed equity trading (21% market share). After postponing an IPO in 2012 (in connection with a botched trading debut), the company is once again planning to list on its own Bats BZX Exchange, and is reportedly targeting an April offer date.

**American Renal Associates:** Centerbridge Capital-backed American Renal Associates owns and operates 192 dialysis clinics through joint ventures with 347 nephrologist partners in 24 states and the District of Columbia. On average, the company holds a 54% interest in the clinics and the nephrologist partners hold 46%. The need for kidney dialysis has grown rapidly as the number of patients with end stage renal disease (ESRD) has grown approximately 77% to 700,000 between 2000 and 2014.

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The smallest group of offerings we highlight is dominated by biotechs, mostly under \$100 million, similar to the deals that we have seen get done this year. In this group, medical device maker Tactile Systems, OrbiMed-backed gene therapy biotech Audentes Therapeutics and high-end cycling fitness chain SoulCycle stand out.

Highlighted IPOs with a deal size below \$150 million							
File Date	Company	Ticker	Industry	Deal Size (\$mm)	LTM Sales	LTM Sales Growth	EBIT%
12/21/2015	Acacia Communications	ACIA	Technology	\$125	\$239	63.5%	17.5%
1/15/2016	Oncobiologics	ONS	Health Care	\$115	\$5	-	-
1/4/2016	Tabula Rasa Health Care	TRHC	Technology	\$115	\$64	92.6%	6.2%
7/30/2015	SoulCycle	SLCY	Consumer	\$100	\$151	48.7%	18.8%
12/16/2015	Azure Power Global	AZRE	Energy	\$100	\$33	22.5%	36.0%
1/6/2016	Grupo Supervielle	TBA	Financial	\$100	\$347	24.3%	12.4%
1/25/2016	Tactile Systems Technology	TCMD	Health Care	\$86	\$63	31.7%	5.5%
6/16/2015	Aeglea BioTherapeutics*	AGLE	Health Care	\$86	\$6	-	-
1/4/2016	Audentes Therapeutics	BOLD	Health Care	\$86	-	-	-
1/4/2016	Bavarian Nordic	BAVN	Health Care	\$86	\$149	-87.7%	0.2%
9/9/2015	AnaptysBio	ANAB	Health Care	\$86	\$18	-	-
8/31/2015	Sancilio Pharmaceuticals	SPCI	Health Care	\$86	\$25	63.2%	-15.9%
1/4/2016	Reata Pharmaceuticals	RETA	Health Care	\$80	\$50	-	-
1/5/2016	Visterra	VIST	Health Care	\$69	-	-	-
9/19/2014	Exagen Diagnostics	EXDX	Health Care	\$69	\$18	53.9%	-57.9%
10/16/2015	Merus	MRUS	Health Care	\$60	\$2	-	-
1/8/2016	Clearside Biomedical	CLSD	Health Care	\$58	-	-	-

\*Aeglea BioTherapeutics set terms to price its IPO in April. Source: Renaissance Capital, SEC filings.

**Tactile Systems Technology:** Backed by Galen Partners and Radius Ventures, Tactile sells at-home medical devices for patients with venous leg ulcers and lymphedema. The company grew sales by 32% to \$63 million in 2015, with a 73% gross margin. Its products are approved for insurance reimbursement and address what the company estimates is an over \$4 billion market.

**Audentes Therapeutics:** OrbiMed-backed Audentes Therapeutics is developing gene therapies for rare diseases caused by monogenic defects. Audentes targets diseases ranging in rarity from one in 40,000 to one in 1,000,000, with life expectancies as short as one year.

**SoulCycle:** Profitable, high-growth SoulCycle is an upscale cycling fitness studio chain with 58 locations, 10 of which were added since its July 2015 initial filing. Its studios generate \$4 million in revenue on average with a 54% contribution margin; the company sees opportunity for 250 locations in the US. Classes open for booking on Mondays at noon and are 30% booked within 15 minutes. For the nine months ended September 30, 2015, revenue grew 50% to \$118 million.

#### About Renaissance Capital

Renaissance Capital is a global IPO investment adviser providing pre-IPO institutional research and management of the [Renaissance IPO ETF](#) (NYSE symbol: IPO) and the [Renaissance International IPO ETF](#) (NYSE symbol: IPOS). For more information, visit [www.renaissancecapital.com](http://www.renaissancecapital.com).

### Private Company Pipeline Remains Robust

Along with the public pipeline, there are numerous companies in our Private Company Watchlist that we believe could tap the public markets in 2016, despite a choppy market and a dearth of IPOs in the first quarter. However, as with recent private funding rounds, the IPO window may only be open to some of the largest and best-run companies, which may still face valuation pushback as weak public valuations and overheated private valuations converge. Our PCW contains 285 companies, more than 50 of which have either filed confidentially or selected banks. Notable names include Japanese messaging app Line, which has indicated plans to dual-list in Tokyo and New York in the second half of 2016; Jessica Alba's The Honest Company, which reportedly hired banks in February 2016; and Blue Coat Systems, the Bain Capital-backed network security provider. All of those are expected to go public with valuations greater than \$1 billion. Due to the uncertainty in public equity markets, some private companies have delayed IPOs, citing timing and valuation concerns. Others have chosen to pursue other avenues, including strategic and private equity acquisitions.

#### Notable Private Companies Expected to Seek IPOs

Company	Business	Sector	Est. Sales (\$mm)	Est. Valuation (\$mm)**
Line*	Japanese application for instant messaging on smartphones and PCs.	Technology	\$800	\$8,100
AdvancePierre	Oaktree Capital-backed food manufacturer and supplier.	Consumer	\$1,600	\$2,500
Blue Coat Systems	Bain Capital-backed network security provider.	Technology	\$650	\$2,400
InVentiv Health	One of the largest global contract research organizations.	Health Care	\$2,321	\$2,000
Frontier Airlines	Low-cost US-based airline carrier that serves more than 40 cities.	Transportation	\$1,570	\$2,000
The Honest Company	Non-toxic lifestyle brand of baby and cleaning products.	Consumer	\$170	\$1,700
Okta*	On-demand identity and access management for enterprises.	Technology	\$100	\$1,175
Twilio*	Cloud-based APIs for text messages, VoIP and voice.	Technology	\$100	\$1,100
Appian	Suit of business process management software.	Technology	\$100	\$1,000
Coupa*	On-demand software that helps enterprises manage spending.	Technology	\$47	\$1,000
HotChalk	Online education technology and services for universities.	Technology	\$70	\$700
Aquantia*	Manufactures 10 Gigabit Ethernet ICs.	Technology	<\$100	\$400
Kadmon*	Biotech developing therapies for Hepatitis C and other diseases.	Health Care	>\$40	<\$1,000
Kaltura	Leading provider of software for video platforms.	Technology	>\$50	<\$1,000
Talend	Provides an open source data integration platform.	Technology	>\$60	<\$1,000
Yeti Coolers	Manufactures and sells durable, high-end coolers and outdoor gear.	Consumer	\$250	<\$1,000

Source: Renaissance Capital. \*Indicates company has filed confidentially. \*\*Reflects last funding round and/or RC estimate based on public peers.

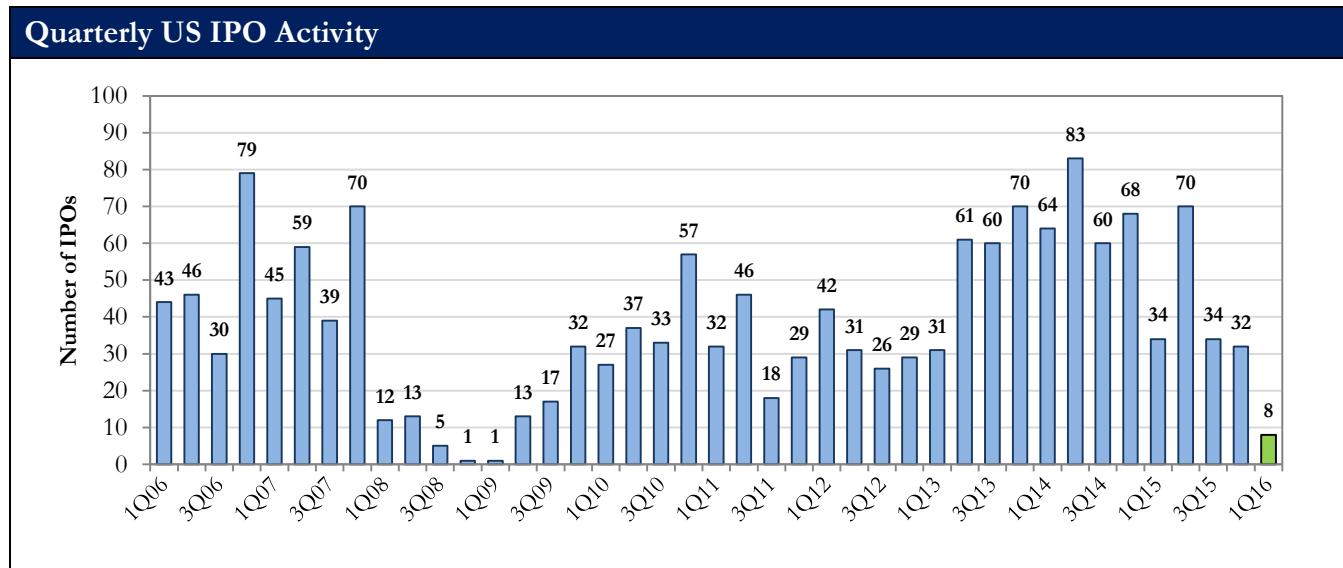
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### Outlook

Despite the lack of 1Q activity, we do not think the IPO market will remain closed much longer. Since mid-February, markets have rallied, volatility has been reined in and, importantly, our IPO index (a basket of the most liquid IPOs over the last 2 years) has outperformed by seven percentage points (22% vs. 13% for the S&P). So the backdrop has clearly improved. The IPO market will likely proceed carefully at first, as it did in 2009, but we are already seeing body language that the first icebreaker IPOs could hit in April or May, possibly Bats Global Markets, MGM Properties and US Foods. The reception and follow through performance of this first batch of IPOs will be critical in setting the tone for activity over the next few months. Our private company pipeline also remains active with many companies prepping to move later this year, including Frontier Airlines, HotChalk, Blue Coat Systems and AdvancePierre.

We expect the first wave of IPOs to be fundamentally strong companies with very strong cash flows and/or attractive secular growth angles; our data has shown that the first group of IPOs following a period of slow issuance has produced outsized returns. A broadening of activity to the high growth tech sector will take time to play out and will need to be accompanied by realistic valuation expectations. While we have heard anecdotally that the 1Q16 was active in terms of new listing applications and IPO bake-offs, we have also heard of secondary private rounds being shopped at 50% below the last private round. Our best guess is that the pace of second quarter activity will be moderate, with the potential for more momentum in the 2H, absent another sustained bout of market volatility.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

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