

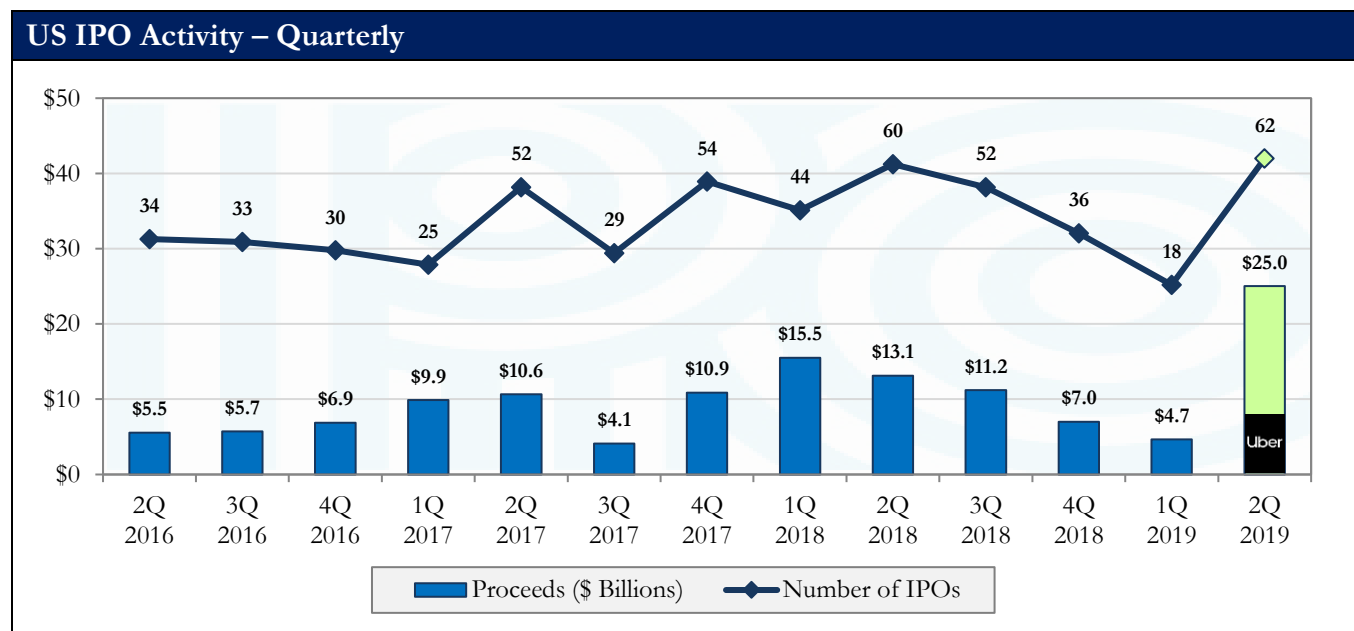
June 27, 2019

The IPO Market Has an Uber Second Quarter

During the second quarter, 62 IPOs raised \$25.0 billion, the most active quarter by deal count in four years and the most capital raised in five years. Helped by Uber's \$8.1 billion IPO, quarterly proceeds made the 2Q 2019 the biggest second quarter since 2000. While the year's most highly-anticipated IPO stumbled on its public debut as Uber finished the quarter below issue, the quarter's average return was 30%, driven by a strong tech sector, which also featured other high-profile names like Pinterest, Chewy, Zoom Video, as well as a direct listing for Slack. Plant-based foods maker Beyond Meat was the best performer, soaring 542% above its offer price as investors sought out innovative growth stocks. Tech and healthcare made up two-thirds of all activity, continuing a multi-year trend. The year-to-date recovery in public markets and the torrent of activity in the second quarter means that 2019 is shaping up to be a banner year for the IPO market, and a pipeline full of large pre-IPO companies suggests an active second half.

Key Takeaways:

- 62 IPOs Raise \$25 Billion, a Five-Year Record
- Broad Sector Activity Led by Tech IPOs and Biotechs
- Uber, Pinterest, and Chewy Among Five Billion-Dollar IPOs
- Average IPO Returns 30% as Beyond Meat and the Tech Sector Take Off
- 2019 Shaping Up to Be a Banner Year; Endeavor, WeWork, Peloton, and Others Coming Up



Source: Renaissance Capital. Data includes IPOs with a market cap of at least \$50mm and excludes direct listings, closed-end funds and SPACs. Assumes that the remaining IPOs scheduled for the week of June 24 price at the midpoint.

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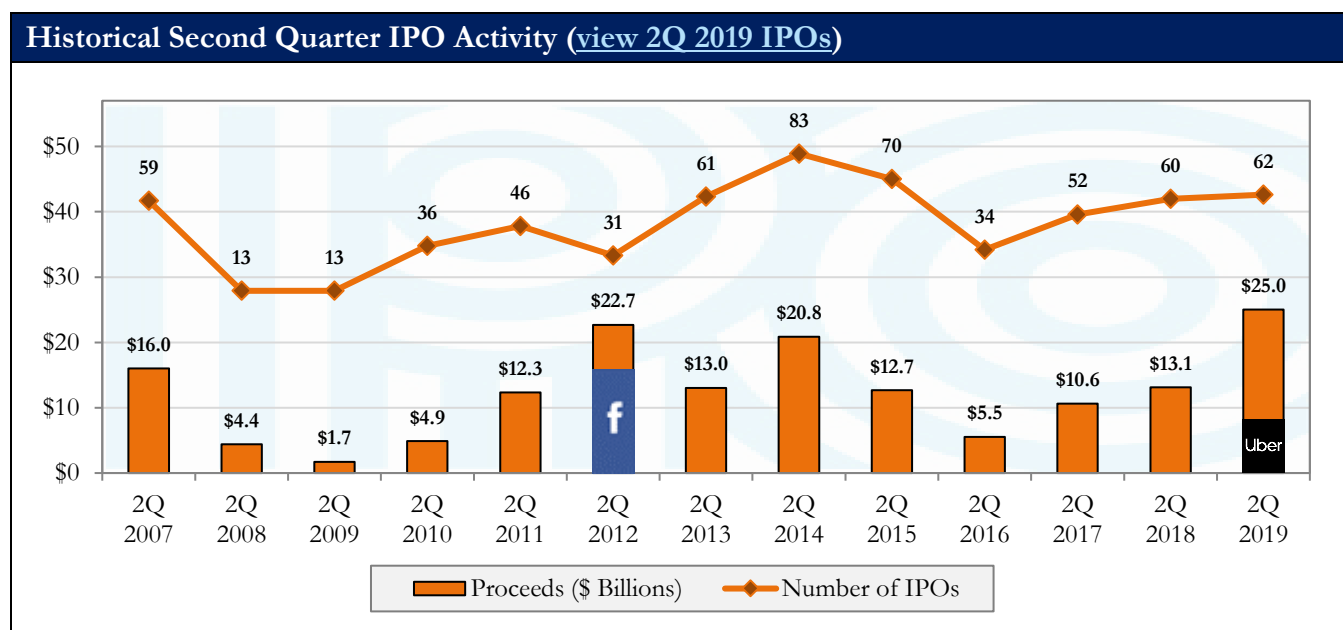
62 IPOs Raise \$25 Billion, a Five-Year Record

Key US IPO Statistics - Activity					
	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019
Number of Deals	60	52	36	18	62
Proceeds Raised (US\$ in mil)	\$13,134	\$11,198	\$7,011	\$4,684	\$25,034
Median Deal Size (US\$ in mil)	\$107	\$102	\$70	\$93	\$125
PE-Backed Deals	14	11	7	1	10
PE-Backed Proceeds (US\$ in mil)	\$4,301	\$2,406	\$3,360	\$280	\$5,880
VC-Backed Deals	29	27	20	12	39
VC-Backed Proceeds (US\$ in mil)	\$4,083	\$6,119	\$2,966	\$3,509	\$15,865

Source: Renaissance Capital.

The quarter's 62 offerings raised \$25.0 billion, about double the proceeds of the prior year period and the highest quarterly level since the 3Q 2014. Deal count was the highest since the 2Q 2015. Five IPOs raised 58% of proceeds, including the largest VC and PE deals since 2014 and 2011, respectively. VC IPOs more than tripled from the first quarter thanks to a surge of biotechs and an uptick in tech. With more PE and highly-valued tech, the median deal size rose to \$125 million.

The quarter's IPOs raised more proceeds than any second quarter since 2000. IPO activity was well above the second quarter's 10-year average of 49 IPOs. However, with markets hitting all-time highs, deal flow could have reached 2014's recent high watermark of 83 deals, were it not for below-average activity in the energy and financial sectors.



Source: Renaissance Capital.

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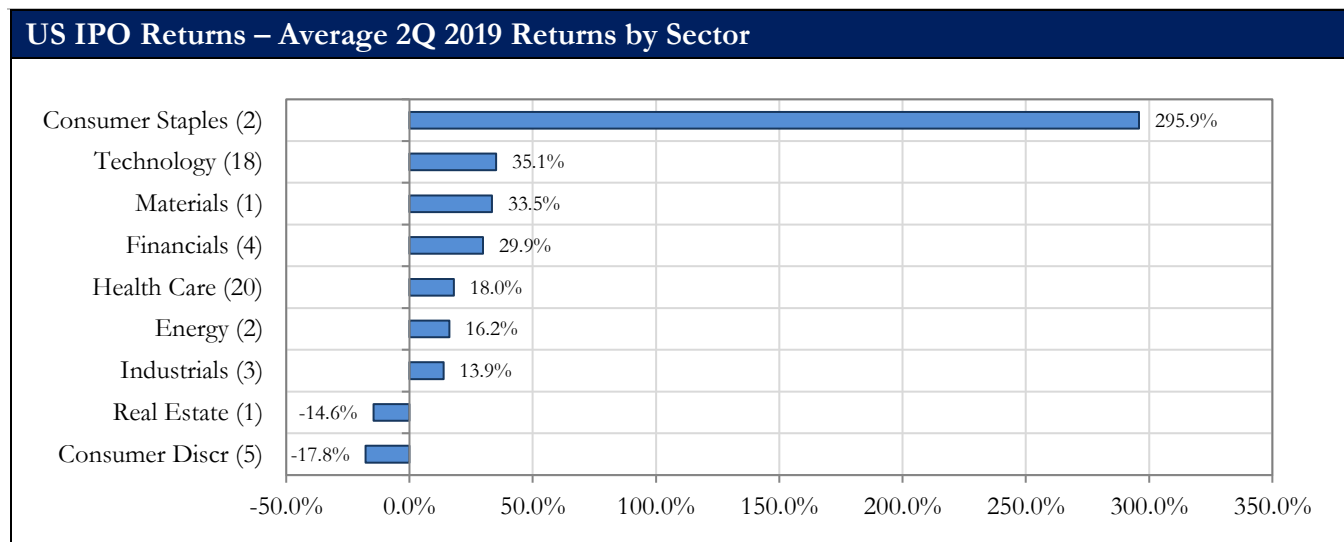
Average IPO Returns Jump to 30% as Beyond Meat and the Tech Sector Take Off

Key US IPO Statistics – Performance					
IPO Performance	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019
Avg. US IPO Return	30.2%	33.8%	10.3%	11.5%	30.5%
Avg. First-Day Return	18.0%	18.3%	13.4%	11.4%	24.5%
Avg. Aftermarket Return	9.6%	12.7%	-2.5%	-0.4%	0.0%
Renaissance IPO Index	3.6%	2.0%	-23.5%	31.5%	1.5%
S&P 500	2.9%	7.2%	-14.0%	13.5%	2.8%
Russell 3000	3.4%	6.6%	-14.7%	14.0%	2.8%
% Deals Priced Below the Range	16.7%	13.5%	27.8%	11.1%	16.7%
% Deals with Negative First-Day Return	21.7%	19.2%	16.7%	44.4%	26.8%
% Trading Above Issue at Quarter Close	70.0%	67.3%	52.8%	55.6%	57.1%

Source: Renaissance Capital. Current quarter returns as of 6/26/2019. Aftermarket shows return from end-of-day trading on IPO to 6/26 close.

IPOs averaged a very strong return of 30.5% in the first quarter. Top-performer Beyond Meat brought up the average, which would have been a still strong 21.2% without it. Average returns were driven by first-day performance, which reached a more than five-year high at 24.5%. The Renaissance IPO Index traded up 1.5% in the second quarter, compared to a 2.8% gain for the S&P 500; both indices hit new all-time highs in June.

Most sectors traded positive. Consumer staples averaged a 296% return thanks to vegan burger maker Beyond Meat, which finished the quarter more than 500% above issue, joined by fast-growing grocer Grocery Outlet. Technology IPOs soared, averaging a 35% return led by US-based software and e-commerce, while a few Chinese online retailers lagged. The most active sector, healthcare, averaged an 18% return, as well-performing biotechs and medical device companies outweighed the laggards. While growth names outperformed, consumer discretionary averaged -18%; none of the IPOs fit the traditional profile of a high-growth play on US consumer spending.



Source: Renaissance Capital. Based on offer price to 6/26/2019 closing price.

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Broad Sector Activity Led by Tech IPOs and Biotechs

Most sectors were represented, though two-thirds of all IPOs were tech or healthcare. The healthcare sector had 24 deals, in line with the prior year period but double the first quarter (12 IPOs), entirely driven by the quarter's 18 biotechs. Medical device makers and genetic testing companies made up the rest. The tech sector surged to 20 offerings raising \$14.8 billion. In the last five years, only two other quarters have seen 20 or more tech IPOs (2Q 2014, 4Q 2017), and the sector has raised more than \$10 billion in only one other quarter (3Q 2014). Led by Uber, some of the largest private US tech names finally went public, including five US companies that raised more than \$500 million. The consumer discretionary sector featured a variety of IPOs, including a large, fast-growing Chinese coffee company and a casino app maker. The financials sector included billion-dollar trading platform Tradeweb, along with three micro-caps. The energy sector is still largely on hold, though Rattler Midstream completed the largest energy offering since 2017.

While not counted below, 14 blank check companies raised \$3.3 billion. SPACs are again on track to hit a 10-year record in 2019.

IPOs and Proceeds by Sector (US\$ Billion)															
Sector	2Q 2018			3Q 2018			4Q 2018			1Q 2019			2Q 2019		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Healthcare	25	\$2.5	42%	20	\$3.2	38%	17	\$2.3	49%	12	\$1.2	67%	24	\$2.5	39%
Technology	18	\$4.6	30%	14	\$3.9	27%	10	\$3.6	29%	2	\$2.4	11%	20	\$14.8	32%
Consumer Discr	3	\$0.2	5%	6	\$1.8	12%	3	\$0.7	9%	1	\$0.6	6%	5	\$1.3	8%
Financials	6	\$3.1	10%	8	\$0.9	15%	1	\$0.0	3%	2	\$0.2	11%	4	\$1.3	6%
Industrials	4	\$1.0	7%	2	\$0.4	4%	1	\$0.0	3%	-	-	-	3	\$0.8	5%
Energy	1	\$0.1	2%	1	\$0.2	2%	-	-	-	1	\$0.3	6%	2	\$0.9	3%
Consumer Staples	1	\$0.6	2%	-	-	-	-	-	-	-	-	-	2	\$0.6	3%
Materials	1	\$0.5	2%	-	-	-	1	\$0.3	3%	-	-	-	1	\$2.9	2%
Real Estate	1	\$0.5	2%	1	\$0.8	2%	1	\$0.0	3%	-	-	-	1	\$0.1	2%
Comm. Services	-	-	-	-	-	-	1	\$0.0	3%	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Renaissance Capital. 2Q 2019 excludes Slack.

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Uber, Pinterest, and Chewy Among Five Billion-Dollar IPOs

The 10 largest IPOs raised a combined \$17.9 billion, and half were tech companies. Five IPOs raised more than \$1 billion, the most in a quarter in over 10 years. The quarter's largest IPOs mostly delivered strong returns, with the 10 averaging a gain of 54%. After years of speculation, Uber raised \$8.1 billion in the largest IPO since Alibaba (2014), and the largest IPO of a US company since Facebook (2012). However, like Lyft, Uber disappointed from the start, pricing at a valuation below its last private financing round and dropping 8% on day one, and had the distinction of having lost more cash than any IPO ever. Image sharing platform Pinterest also priced at a discount to its last round, but translated that into strong gains. Another growth IPO with millions of users, online pet supplies giant Chewy, was spun out of PetSmart. Enterprise software makers Zoom Video and CrowdStrike upped their deal sizes significantly, with CrowdStrike pricing its IPO at a larger premium to the midpoint than any IPO in the last seven years.

Slack went public via direct listing, the second major company to do so following Spotify in the 2Q 2018. Its market cap at listing was over \$23 billion, larger than any IPO in the 2Q 2019 except Uber, and it opened for trading significantly above its valuation in pre-listing private trading. Had it chosen an IPO, Slack easily could have raised more than \$2 billion.

Largest US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Uber Technologies	UBER	9-May	\$8,100	Technology	-7.6%	-5.6%
Avantor	AVTR	16-May	\$2,898	Materials	3.6%	33.5%
Pinterest	PINS	17-Apr	\$1,425	Technology	28.4%	38.1%
Tradeweb Markets	TW	3-Apr	\$1,080	Financials	32.6%	53.8%
Chewy	CHWY	13-Jun	\$1,023	Technology	59.0%	47.1%
Zoom Video Communications	ZM	17-Apr	\$751	Technology	72.2%	139.8%
Rattler Midstream LP	RTLRL	22-May	\$665	Energy	9.9%	13.2%
CrowdStrike Holdings	CRWD	11-Jun	\$612	Technology	70.6%	84.3%
Luckin Coffee	LK	16-May	\$561	Consumer Discr	19.9%	6.2%
Change Healthcare	CHNG	26-Jun	\$557	Technology	-	-
Slack Technologies	WORK	20-Jun	*	Technology	48.5%†	43.0%†

Source: Renaissance Capital. Returns as of 6/26/2019. *Direct listing; no shares offered. †Based on the \$26 NYSE reference price.

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Five IPOs Trade Up 100% with Beyond Meat Soaring 542%

Tech and healthcare made up most of the ten best-performers, but the winner was Beyond Meat, a top player in the fast-growing market for meat alternatives. Zoom Video offered a rare combination of blazing-fast growth and profitability. Each of the top 10 had a strong first-day pop before continuing higher in the aftermarket.

Best-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Beyond Meat	BYND	1-May	\$241	Consumer Staples	163.0%	541.9%
Zoom Video Communications	ZM	17-Apr	\$751	Technology	72.2%	139.8%
Silk Road Medical	SILK	3-Apr	\$120	Healthcare	80.9%	129.0%
Cortexyme	CRTX	8-May	\$75	Healthcare	93.5%	127.1%
Turning Point Therapeutics	TPTX	16-Apr	\$167	Healthcare	60.6%	117.1%
PagerDuty	PD	10-Apr	\$218	Technology	59.4%	93.7%
Tufin Software	TUFN	10-Apr	\$108	Technology	36.4%	88.1%
Revolve Group	RVLV	6-Jun	\$212	Consumer Discr	88.9%	86.4%
CrowdStrike Holdings	CRWD	11-Jun	\$612	Technology	70.6%	84.3%
Jumia Technologies	JMIA	11-Apr	\$196	Technology	75.6%	80.1%

Source: Renaissance Capital. Returns as of 6/26/2019.

The worst-performing IPOs were mainly small biotechs and medical device makers. Chinese e-commerce site Ruhnn plummeted 37% on its debut, the worst for a tech IPO in over 20 years, and slid to the bottom of the pack. With its exposure to vaping and cannabis, distributor Greenlane initially traded up, but then quickly declined.

Worst-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Ruhnn Holding	RUHN	2-Apr	\$125	Technology	-37.2%	-75.0%
Guardion Health Sciences	GHSI	4-Apr	\$5	Healthcare	-8.0%	-65.7%
Axcella Health	AXLA	8-May	\$71	Healthcare	-31.0%	-57.5%
Hookipa Pharma	HOKK	17-Apr	\$84	Healthcare	0.0%	-56.0%
Greenlane Holdings	GNLN	17-Apr	\$102	Consumer Discr	24.1%	-46.7%
Bicycle Therapeutics	BCYC	22-May	\$125	Healthcare	-14.3%	-25.1%
Mohawk Group Holdings	MWK	12-Jun	\$36	Consumer Discr	0.0%	-23.9%
Trevi Therapeutics	TRVI	7-May	\$55	Healthcare	-21.1%	-20.7%
Cambium Networks	CMBM	25-Jun	\$70	Technology	-19.2%	-19.2%
Applied Therapeutics	APLT	13-May	\$40	Healthcare	-6.0%	-19.0%

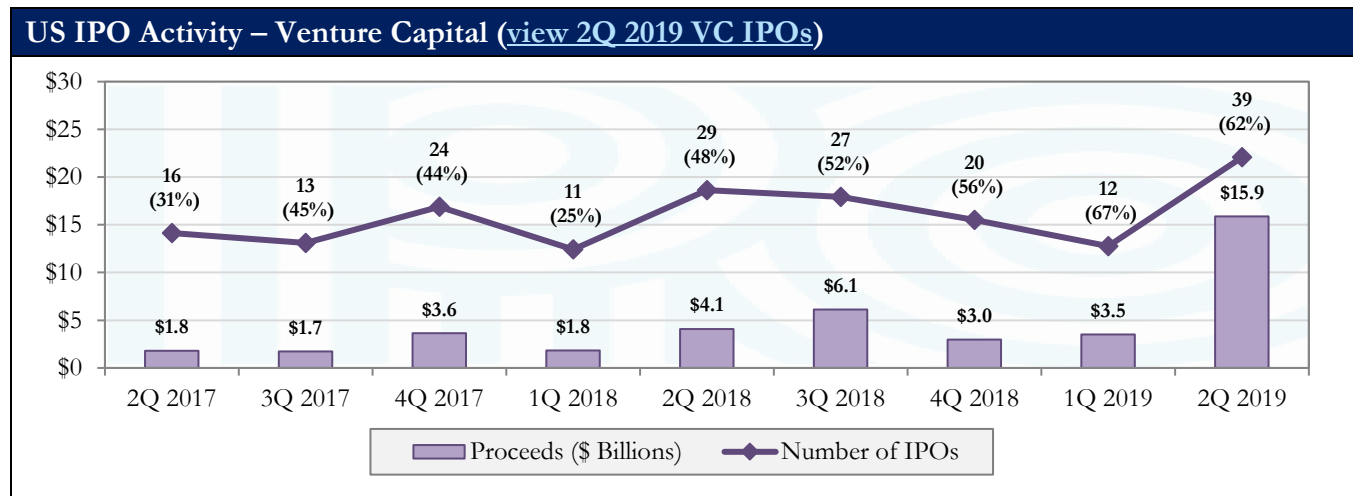
Source: Renaissance Capital. Returns as of 6/26/2019.

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Venture Capital Surges to Five-Year High on a Wave of Tech Unicorns and Biotechs

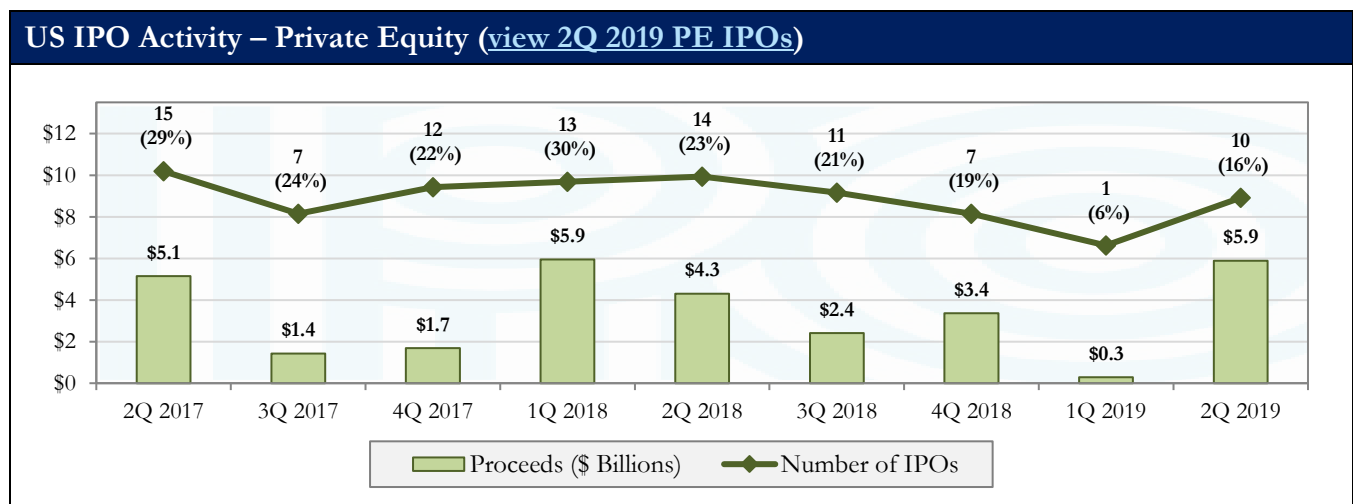
Venture capital was behind 39 IPOs that raised \$15.9 billion. Uber raised 51% of quarterly VC proceeds, despite coming \$40 billion below its originally rumored valuation. Even without it, the 2Q 2019 was the biggest quarter for VC by deal count and proceeds since 2014. Not counting Slack, three VC-backed companies came public at \$10+ billion valuations, and 14 were valued at \$1+ billion at IPO. Kleiner Perkins-backed Beyond Meat was the top performer. Biotech made an especially strong showing with 18 of the VC deals. China was also well-represented with five IPOs, including Starbucks rival Luckin Coffee.



Source: Renaissance Capital. 2Q 2019 excludes Slack and 2Q 2018 excludes Spotify.

Private Equity Upticks to 10 IPOs

After being nearly absent in first quarter, private equity rebounded to 10 IPOs across a variety of sectors raising \$5.9 billion, a five-year high by capital raised. One of four LBOs, New Mountain Capital’s laboratory supplier Avantor raised roughly half of quarterly PE proceeds in the largest LBO by deal size in eight years. PE-backed IPOs had extremely strong returns; at quarter-end, all but one were trading above issue with an average return of 48%, led by Warburg-backed device maker Silk Road Medical.



Source: Renaissance Capital. Excludes Chewy, which was spun out of BC Partners’ portfolio company PetSmart.

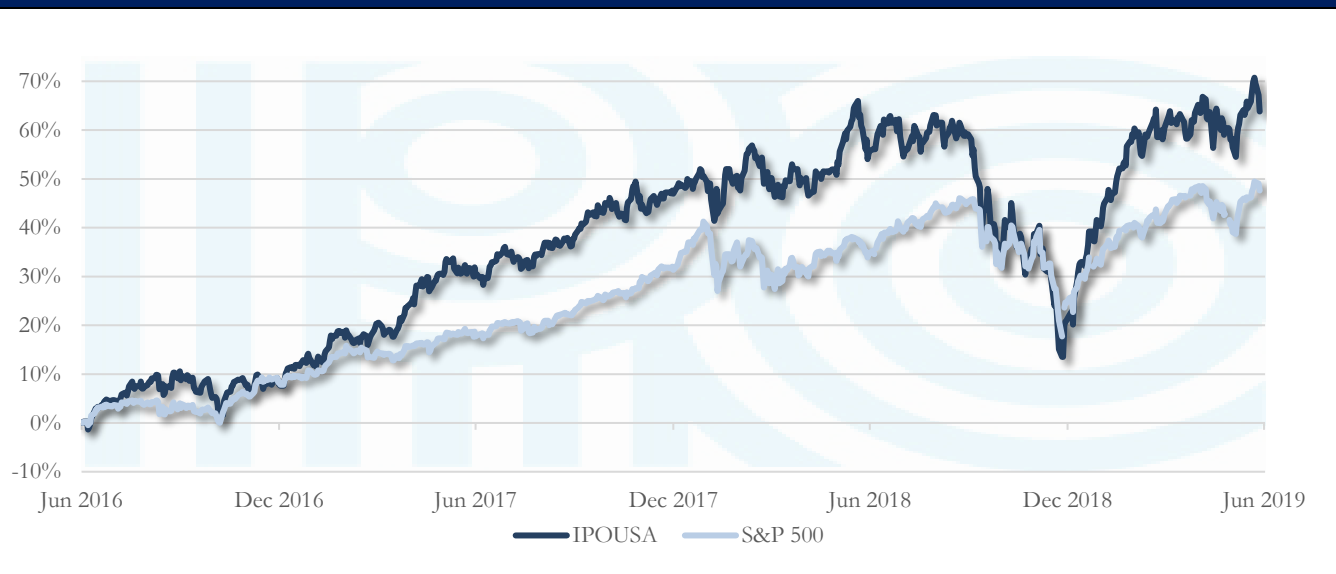
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US IPO Index Slightly Underperforms in the 2Q 2019

After gaining 31.5% in the 1Q 2019, the [Renaissance IPO Index \(IPOUSA\)](#), the underlying index for the [Renaissance IPO ETF \(NYSE Ticker: IPO\)](#), slightly underperformed in the second quarter, returning 1.5% compared to the S&P 500's 2.8% quarterly return. The quarter's best-performing sectors were Information Technology (+6.2%), Industrials (+3.7%), and Healthcare (+2.9%) with top contributors including identity and access management platform Okta (OKTA; +46.3%), TV streaming platform Roku (ROKU; +44.6%), and Brazilian payment services company PagSeguro Digital (PAGS; +24.2%). The worst-performing sectors were Materials (-32.5%), Energy (-13.9%), and Communication Services (-1.6%). Notable underperformers included data management platform Cloudera (-49.5%), Brazilian payment processor StoneCo (STNE; -31.4%), and FMC's lithium compound producer Livent (LTHM; -44.6%). In its second quarterly rebalance of the year, the index added eight companies, including high-flying meat alternative producer Beyond Meat (BYND), leading e-commerce pet products retailer Chewy (CHWY), and iconic denim maker Levi Strauss & Co. (LEVI).

US IPO Index Performance



	2015	2016	2017	2018	YTD19
Renaissance IPO Index	-7.5%	0.3%	36.5%	-17.1%	33.2%
S&P 500	1.4%	12.0%	21.8%	-4.4%	17.0%

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 June 26, 2019.

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New IPO Filings Indicate Continued Activity in the 3Q 2019

There were 69 new filings in the 2Q 2019, roughly in line with the quarter's 63 pricings and 10 withdrawals, but lower than the number of new filings in the prior year period (77). The IPO pipeline now contains 60 companies looking to raise about \$11 billion, roughly half of which have filed or updated in the past 90 days. By sector, this "active pipeline" is led by healthcare (10), technology (6), and financials (5). Over one third are foreign filers, mostly from China.

Most of the quarter's filings came in April, but the pick-up at the end of June indicates an active start to the 3Q 2019. One potential billion-dollar IPO is on deck, the restructured radio operator iHeartMedia. Biotech and tech companies continue to pad the pipeline, such as Denmark-based antibody biotech Genmab, expected to raise \$500 million, as well as healthcare software platform Phreesia and enterprise customer experience platform Medallia. Also in the pipeline are sizable sports media and marketing competitors Endeavor Group and Wanda Sports Group. In addition to Wanda, notable Chinese companies on file include e-sports streaming platform DouYu International, investment bank AMTD International, and English language education provider Meten International.

Below we highlight twelve companies on file that are poised for 3Q19 IPOs.

Notable Upcoming IPOs (view pipeline)							
File Date	Company	Ticker	Industry	Est. Deal Size (\$mm)	LTM Sales (\$mm)	YoY Sales Growth %	EBIT %
04/03/19	iHeartMedia	IHRT	Communications	\$1,500	\$3,634	1%	11%
05/23/19	Endeavor Group	EDR	Industrials	\$500	\$3,903	20%	-5%
06/07/19	Wanda Sports Group	WSG	Communications	\$500	\$1,291	18%	6%
05/28/19	Genmab	GMAB	Healthcare	\$500	\$445	28%	35%
04/22/19	DouYu International	DOYU	Technology	\$500	\$532	94%	-24%
06/20/19	AMTD International	TBA	Financials	\$200	\$156	-30%	89%
06/21/19	Phreesia	PHR	Technology	\$125	\$104	25%	-11%
06/21/19	Medallia	MDLA	Technology	\$100	\$337	20%	-17%
05/22/19	Meten International	MEDU	Consumer Disc	\$100	\$205	24%	-2%
06/25/19	AssetMark Financial	AMK	Financials	\$100	\$371	23%	14%
06/25/19	Afya	AFYA	Technology	\$100	\$109	33%	55%
06/21/19	Fulcrum Therapeutics	FULC	Healthcare	\$86	\$0	n/a	n/a

Source: Renaissance Capital.

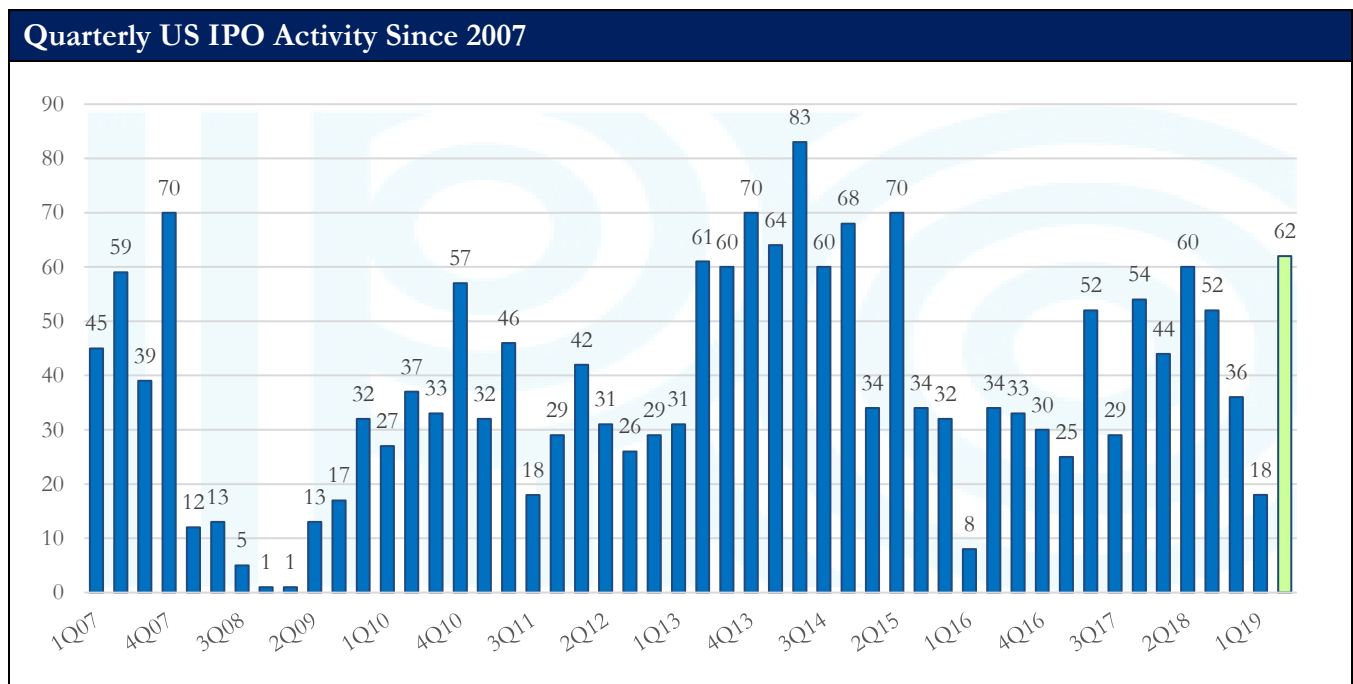
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Outlook

The US IPO market is well-positioned for an active 3Q 2019 due to the underpinnings of good IPO returns and a large backlog of growth companies. The weak reception of Uber shows that investors want to see a clear path to profitability, but strong performance by other tech IPOs and growth stocks from other industries demonstrates that investors are willing to handsomely reward fast-growing companies that have such a path. Poor performance by Uber and Lyft could paradoxically encourage increased IPO activity from the estimated backlog of 300 unicorns, which may feel that there is a danger in waiting too long to come public. In the near term, entertainment giants Endeavor Group and Wanda Sports could come as soon as July, and confidential filings indicate that several highly-valued startups should soon follow. As has been the case for several years, technology and biotechs should be the major contributor to deal flow. The IPO market’s current momentum suggests that 2019 is on track for 160 – 200 IPOs raising more than \$50 billion.

[To see the full 2Q19 Deal List and 14 potential IPOs from our Private Company Watchlist, sign up for IPO Pro](#)



Source: Renaissance Capital.

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