

September 30, 2016

Global IPOs Continue Recovery

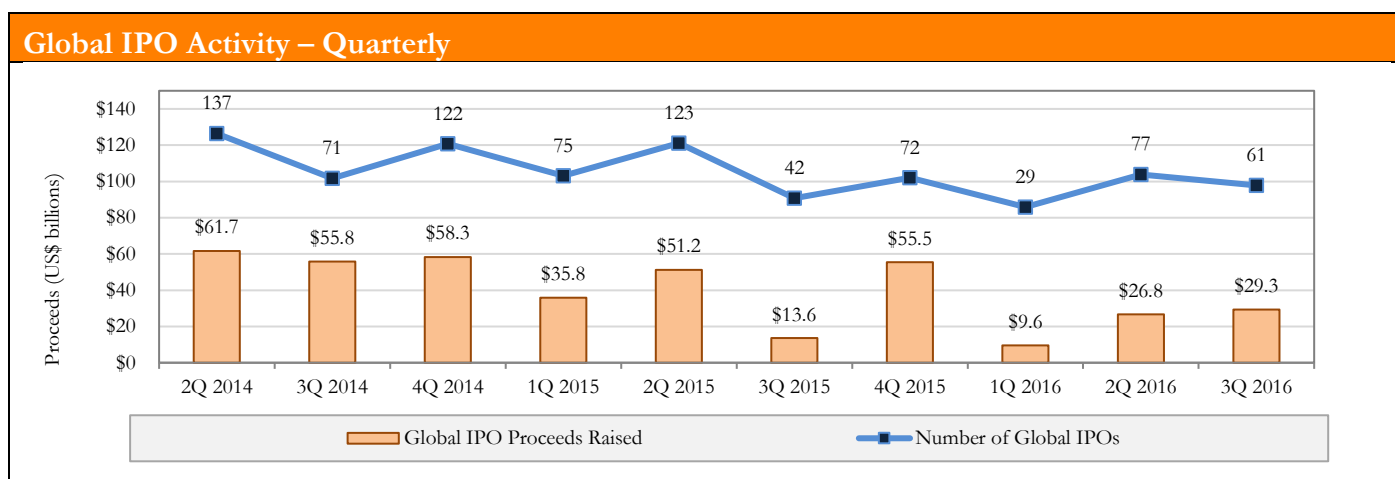
After weathering the Brexit storm that concluded in 2Q16, the global IPO market continued its recovery from the start of the year, with issuance totaling \$29.3 billion in the 3Q16. Asia Pacific took back the IPO issuance crown from Europe, raising \$19.9 billion, or 68% of total proceeds, including the year's largest offering, a \$7.4 billion IPO from Postal Savings Bank of China. While IPO activity in Europe was nearly silent following Brexit, activity began to pick up in September with a billion-dollar IPO from Danish payments processor Nets Holding. Although the recurring themes of monetary policy, the U.S. presidential election, and China's slowing economy remained largely unresolved, investor sentiment steadily improved as demonstrated by lower volatility and positive broad market returns. Overall IPO returns remained positive at 11.7%, excluding high-flying China A-shares, which benefited from the positive performance of several US listings. As global market conditions continue to remain stable, we expect a strong improvement IPO issuance as a number of large deals may find market conditions more conducive to a public listing.

Key Takeaways:

- Asia Pacific issuance rebounds, retaking IPO crown from Europe
- Financial sector dominate largest IPOs
- Ex-China, global IPO performance bolstered by North America
- Top performing sectors ex-China were Health Care and Consumer
- China A-shares continue to outperform, propelled by government-controlled valuations
- International IPO Index sharply rebounds in the 3Q16

Global IPO Activity – Quarterly						
	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	ΔYoY
Proceeds Raised (US\$)	\$13.6B	\$55.5B	\$9.6B	\$26.8B	\$29.3B	115.3%
Number of Deals	42	72	29	77	61	45.2%
Median Deal Size (US\$)	\$217mm	\$344mm	\$178mm	\$187mm	\$199mm	-8.0%

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Data as of September 29, 2016.



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Asia Pacific dominates as Europe sees post-Brexit slowdown

Asia Pacific dominated in the 3Q16, representing 68% of proceeds. Proceeds in Asia were bolstered by several large financial IPOs, including the lending arm of China's state-owned postal service Postal Savings Bank of China (1658.HK; \$7.4 billion), Chinese brokerage firm Everbright Securities (6178.HK; \$1.1 billion), and Indian life insurance joint venture ICICI Prudential Life Insurance (IPRU.IN; \$908 million). With 19% of proceeds, North America was the second highest grossing sector as the region continues to recover from a sluggish start to 2016. After being the top grossing sector last quarter, Europe was largely quiet in the 3Q16 with only 4 deals as European markets digested the UK's decision to leave the European Union.

Regional Breakdown – (US\$ Billions)									
Region	3Q 2015			2Q 2016			3Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Asia Pacific	13	\$4.7	34.4%	31	\$10.5	39.3%	42	\$19.9	68.2%
Europe	6	\$3.7	27.0%	26	\$10.8	40.3%	4	\$3.8	13.0%
Latin America	2	\$0.5	3.4%	1	\$0.2	0.7%	0	\$0.0	0.0%
Middle East and Africa	0	\$0.0	0.0%	3	\$0.5	1.8%	0	\$0.0	0.0%
North America	21	\$4.8	35.2%	16	\$4.8	17.9%	15	\$5.5	18.8%

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Data as of September 29, 2016.

Exchange Breakdown – (US\$ Billions)									
Exchange	3Q 2015			2Q 2016			3Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Hong Kong Exchange	4	\$2.2	16.4%	4	\$3.1	11.6%	8	\$10.9	37.4%
Shanghai Stock Exchange	0	\$0.0	0.0%	5	\$2.0	7.5%	15	\$4.2	14.4%
NYSE	5	\$1.1	8.1%	10	\$3.6	13.4%	10	\$4.0	13.6%
OMX Copenhagen	0	\$0.0	0.0%	1	\$2.6	9.7%	1	\$2.4	8.1%
NSE of India	0	\$0.0	0.0%	4	\$0.6	2.3%	4	\$1.4	4.8%
Australian Exchange	4	\$0.8	6.1%	4	\$1.2	4.4%	3	\$1.0	3.5%
Borsa Italiana	14	\$3.3	24.2%	5	\$1.0	3.6%	4	\$1.0	3.4%
Tokyo Stock Exchange	0	\$0.0	0.0%	2	\$0.4	1.6%	1	\$0.8	2.9%
NASDAQ	1	\$0.6	4.7%	3	\$0.8	3.1%	2	\$0.8	2.7%
Shenzhen Stock Exchange	0	\$0.0	0.0%	3	\$0.6	2.1%	5	\$0.6	2.2%

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Data as of September 29, 2016.

Bolstered by several large listings, Financial sector dominate largest IPOs

Skewed by the quarter's largest IPO, Financial firms dominated IPO issuance in the third quarter, accounting for 63% of proceeds raised. In addition to the Asian-listed financial firms previously listed, notable financials to go public in 3Q16 included Bain and Advent-backed Nordic payments processor Nets Holding (NETS.DC), owner of Australian petrol stations Viva Energy REIT (VVR.AU) and Chinese regional bank Bank of Guiyang (601997.CH). While far behind the Financial sector, the Consumer, Technology, and Materials sectors each raised at least \$1 billion in proceeds.

Notable large deals from other sectors included the well-received listing of leading Japanese mobile messaging application LINE (LN), Italian air traffic controller ENAV (ENAV.IM), and manufacturer of automotive lubricants and quick lube chain Valvoline (VVV).

Proceeds by Sector – (US\$ Billions)									
Sector	3Q 2015			2Q 2016			3Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Financial	6	\$3.0	22.1%	25	\$9.5	35.4%	22	\$18.4	62.9%
Consumer	9	\$2.6	19.4%	16	\$5.6	20.8%	12	\$2.5	8.6%
Technology	4	\$1.8	13.4%	5	\$1.3	5.0%	8	\$2.5	8.4%
Materials	1	\$0.6	4.7%	1	\$0.1	0.5%	3	\$1.2	4.0%
Transportation	1	\$1.4	10.5%	3	\$2.1	7.9%	2	\$1.0	3.3%
Capital Goods	2	\$0.3	2.5%	12	\$3.3	12.2%	3	\$0.9	3.0%
Communications	1	\$0.2	1.1%	1	\$0.1	0.5%	2	\$0.8	2.9%
Health Care	14	\$2.1	15.5%	4	\$0.5	1.9%	2	\$0.8	2.7%
Energy	3	\$1.2	8.6%	2	\$0.4	1.5%	4	\$0.7	2.6%
Business Services	1	\$0.3	2.2%	6	\$1.0	3.9%	3	\$0.5	1.7%
Utilities	0	\$0.0	0.0%	2	\$2.8	10.3%	0	\$0.0	0.0%

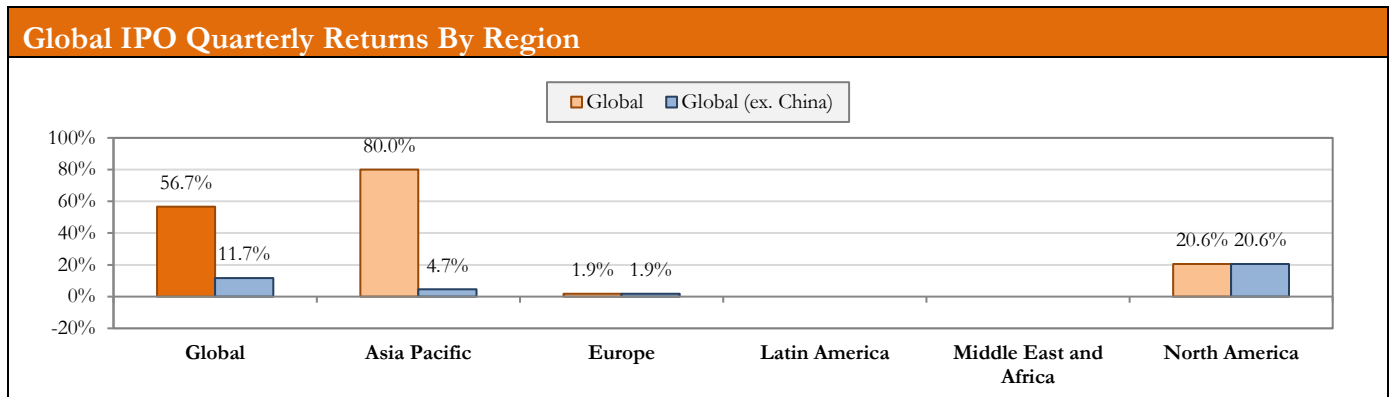
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Largest Global IPOs – 2Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Postal Savings Bank of China	1658.HK	Hong Kong Exchange	21-Sep	\$7,426	Financial	0.2%
Nets Holding	NETS.DC	OMX Copenhagen	23-Sep	\$2,372	Financial	-5.2%
China Merchants Securities	6099.HK	Hong Kong Exchange	29-Sep	\$1,380	Financial	--
LINE	LN	NYSE	11-Jul	\$1,149	Technology	49.3%
Everbright Securities	6178.HK	Hong Kong Exchange	11-Aug	\$1,111	Financial	-6.9%
ICICI Prudential Life	IPRU.IN	NSE of India	21-Sep	\$908	Financial	-10.9%
ENAV	ENAV.IM	Borsa Italiana	21-Jul	\$837	Transportation	7.6%
Viva Energy REIT	VVR.AU	Australian Exchange	3-Aug	\$690	Financial	11.4%
Triangle Tyre	601163.CH	Shanghai Stock Exchange	26-Aug	\$661	Capital Goods	77.8%
Valvoline	VVV	NYSE	22-Sep	\$660	Materials	6.8%

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Returns as of September 29, 2016.

Ex-China, Global IPO performance bolstered by North America

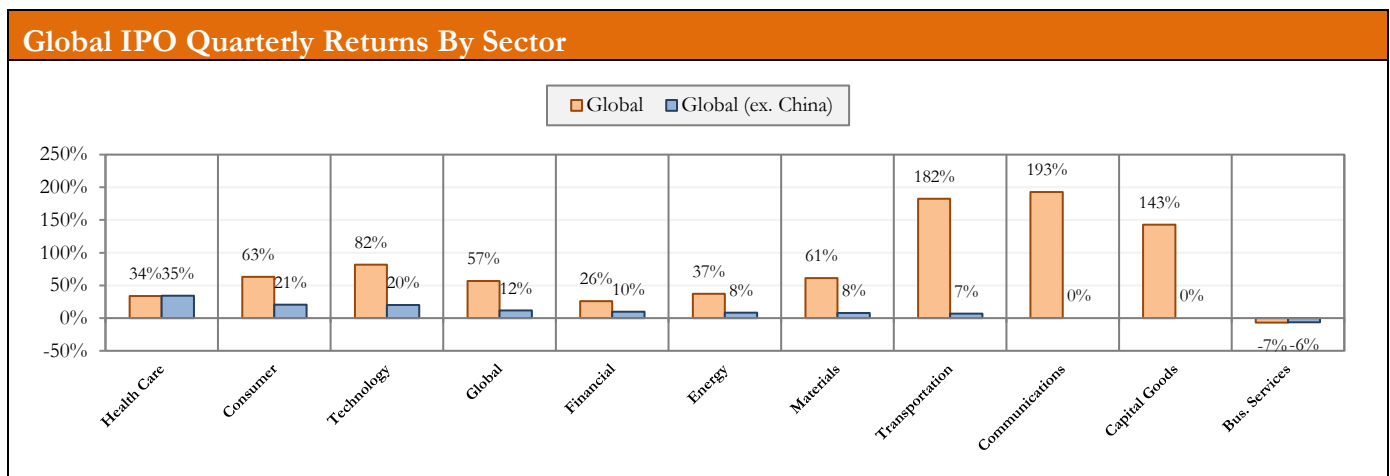
IPO returns were surprisingly strong in the 3Q16, up 56.7% on average. Excluding China A-shares, which averaged a government-aided 181% return, global IPOs posted a respectable 11.7% average return. On this basis, North America led all regions with a 22.9% average return thanks to several well-received offerings, including low-cost retailer e.l.f. Beauty (ELF; +57.9%), leading Japanese mobile messaging application LINE (LN; +49.3%) and global provider of contract drug manufacturing and development services Patheon (PTHN; +41.1%).



Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Returns as of September 29, 2016.

Top performing sectors ex-China were Health Care and Consumer

Most sectors produced positive returns for the quarter, led by the Communications and Transportation sectors, which generated average returns of 193% and 182%, respectively, due to a heavy presence of high flying A-share listings. Excluding A-shares, the top performing sectors were Health Care at 35%, which benefited from global provider of contract drug manufacturing and development services Patheon (PTHN; +41.1%) and global full-service CRO Medpace Holdings (MEDP; +26.0%), and Consumer at 21%, which was helped by cosmetics retailer e.l.f. Beauty (ELF; +57.9%) and US supplier of ready-to-eat food to restaurants AdvancePierre Foods Holdings (APFH; +27.2%).



Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Returns as of September 29, 2016.

A-share companies continue to outperform, propelled by government-controlled valuations

Once again, China A-share IPOs outperformed, thanks to artificially low valuations mandated by the government. The top ten best performing global IPOs this quarter were all China A-share listings.

The remaining Asian markets fared relatively poorly this quarter as the Asia Pacific region accounts for 7 of the 10 worst performing IPOs of the quarter. Among the worst performers were Japanese consulting firm BayCurrent Consulting (6532.JP; -26%), leading Australian real estate funds manager Propertylink (PLG.AU; -19%) and IT services unit of Indian conglomerate Larsen & Toubro L&T Infotech (LTI.IN; -10%).

Best Performing Global IPOs – 2Q 2016

Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
China Harzone Industry	300527.CH	Shenzhen Stock Exchange	21-Jul	\$116	Transportation	355.7%
Shenzhen Bingchuan Network	300533.CH	Shenzhen Stock Exchange	5-Aug	\$139	Technology	291.7%
Shanghai Film	601595.CH	Shanghai Stock Exchange	3-Aug	\$143	Consumer	272.3%
China Film Co	600977.CH	Shanghai Stock Exchange	26-Jul	\$625	Communications	200.1%
Jiangsu Jiangyin Rural	002807.CH	Shenzhen Stock Exchange	1-Aug	\$147	Financial	182.1%
Jiangsu General Science	601500.CH	Shanghai Stock Exchange	1-Sep	\$129	Capital Goods	180.7%
Guangxi Radio and Television	600936.CH	Shanghai Stock Exchange	1-Aug	\$217	Communications	178.8%
Yunnan Chuangxin New	002812.CH	Shenzhen Stock Exchange	29-Aug	\$117	Materials	176.5%
Oppl Lighting	603515.CH	Shanghai Stock Exchange	5-Aug	\$130	Technology	157.2%
Xinjiang Xintai Natural Gas	603393.CH	Shanghai Stock Exchange	29-Aug	\$160	Energy	109.8%

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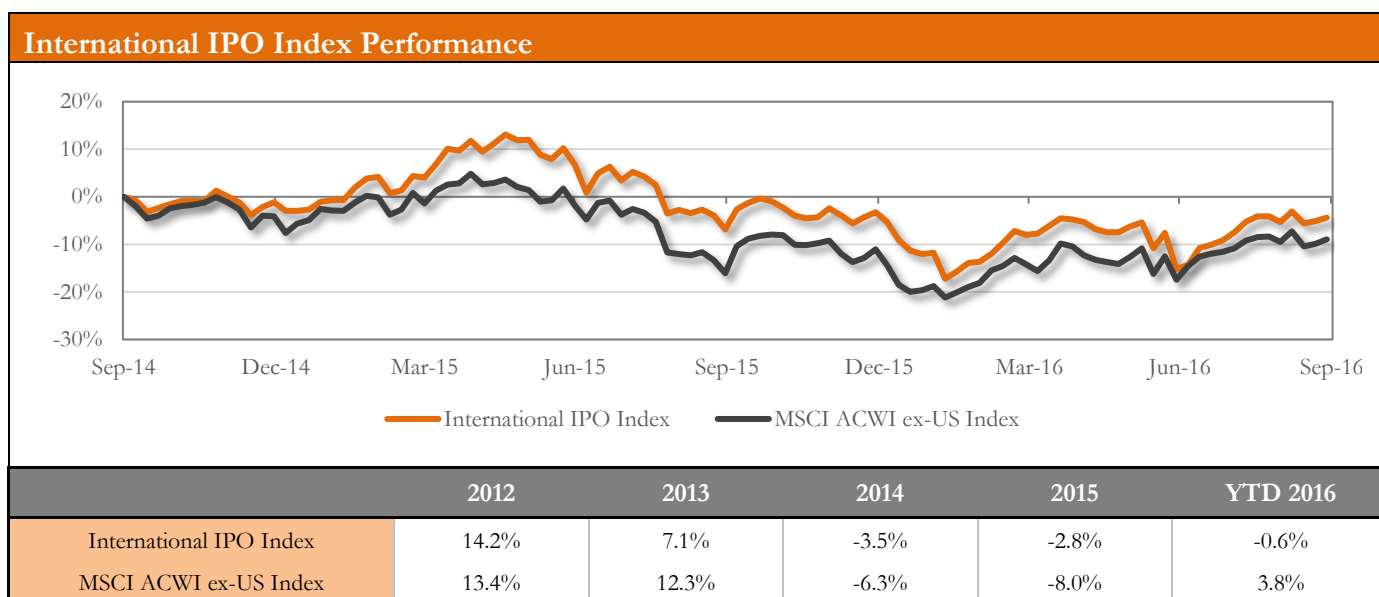
Worst Performing Global IPOs – 2Q 2016

Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
BayCurrent Consulting	6532.JP	Tokyo Stock Exchange	23-Aug	\$246	Business Services	-26.0%
Propertylink	PLG.AU	Australian Exchange	3-Aug	\$229	Financial	-18.5%
L&T Infotech	LTI.IN	NSE of India	16-Jul	\$185	Technology	-10.1%
Everbright Securities	6178.HK	Hong Kong Exchange	11-Aug	\$1,111	Financial	-7.9%
Jinjiang Environmental	CJE.SP	Singapore Exchange	25-Jul	\$136	Energy	-6.1%
Nets Holding	NETS.DC	OMX Copenhagen	23-Sep	\$2,372	Financial	-3.3%
At Home Group	HOME	NYSE	3-Aug	\$130	Consumer	-1.4%
ICICI Prudential Life	IPRU.IN	NSE of India	21-Sep	\$908	Financial	0.0%
MedEquities Realty Trust	MRT	NYSE	28-Sep	\$239	Financial	0.0%
Postal Savings Bank of China	1658.HK	Hong Kong Exchange	21-Sep	\$7,426	Financial	0.2%

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Returns as of September 29, 2016.

International IPO Index sharply rebounds in the 3Q16

The [Renaissance International IPO Index \(IPOXUS\)](#), the underlying index for the [Renaissance International IPO ETF \(NYSE Ticker: IPOS\)](#), outperformed international equity benchmarks with a +10.2% quarterly return compared to the MSCI ACWI ex-US Index's +6.8% gain. The Industrials and Consumer Discretionary sectors were the index's strongest sectors. Notable contributors to outperformance included business support and resort operation unit spin-off Samsung C&T Corp (028260.KS; +26.6%), Japanese human resources support firm Recruit Holdings (6098.JP. +11.5%), and German online fashion retailer Zalando (ZAL.GR; +55.5%).



Note: The FTSE Renaissance Global IPO Index Series represents a rolling two-year population of newly public companies included after the first day of trading and weighted by float adjusted market cap. Returns as of September 29, 2016.

Large IPO candidates continue to wait in the wings

While the unexpected Brexit vote resulted in a slower start for 2H16 IPO activity, the IPO pipeline remains robust and positive returns for IPOs year-to-date should encourage some larger candidates to step out of the wings. European IPOs began to re-emerge in September, setting up for an active start to the 4Q, including RWE's renewable energy unit innogy and IVG's office property unit OfficeFirst. In Asia, mega-deals are expected from Doosan Bobcat and Samsung BioLogics in Korea, as well as the privatization of state-owned railway operator JR Kyushu in Japan.

Notable Upcoming Global IPOs			
Company	Business	Exchange	Est. Deal Size (\$ mm)
innogy	RWE's renewable energy unit.	Frankfurt	\$3,850
JR Kyushu	State-owned railway operator.	Tokyo	\$3,830
Doosan Bobcat	Parent of US construction machinery maker Bobcat.	Korea	\$2,000
Samsung BioLogics	Samsung Group's drug manufacturing arm.	Korea	\$1,245
CR Pharma	Leading pharmaceutical company in China.	Hong Kong	\$1,000
TT Fluid Systems	Makes fuel tanks, pipes and pumps for light vehicles.	London	\$675
Pure Gym	Operates a chain of no-frills fitness clubs.	London	\$275

Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Data as of September 29, 2016.

Renaissance Capital is a global IPO investment adviser providing pre-IPO fundamental research and IPO market analytics to institutional investors. Renaissance Capital manages portfolios of unseasoned equities through IPO-focused exchanged traded funds (ETFs) and separately managed institutional accounts. For more information, visit www.renaissancecapital.com.