

September 30, 2019

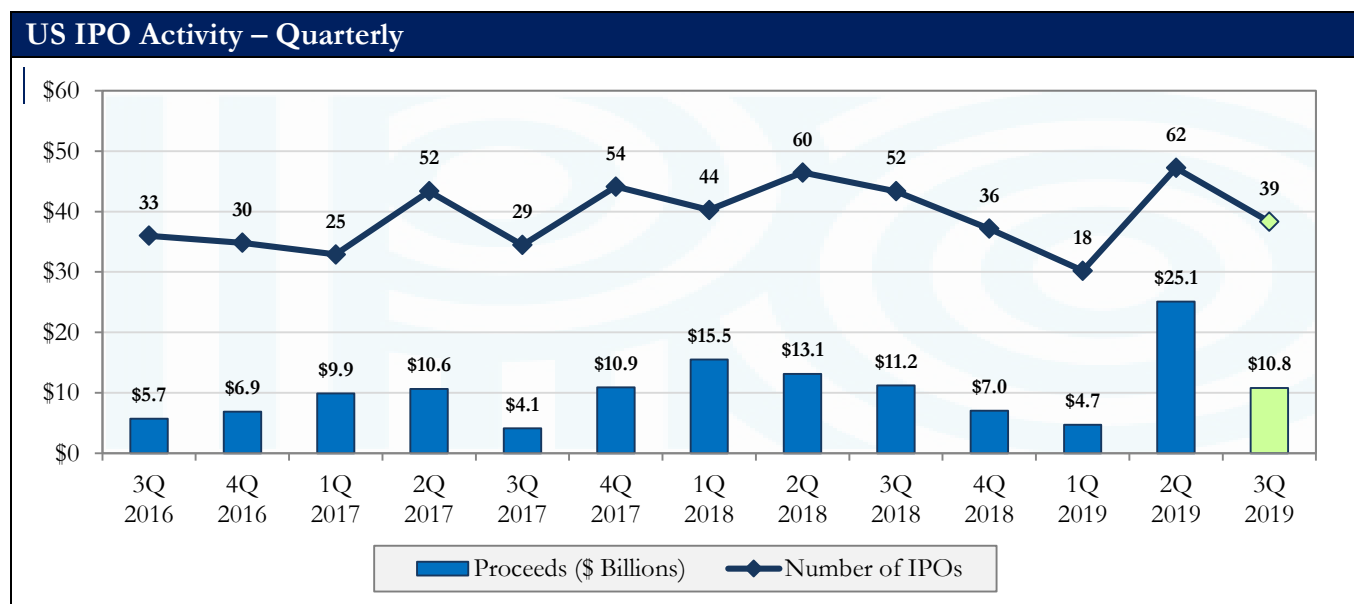
The IPO Party Is Cut Short

The third quarter started off in high spirits but ended with a hangover. During the quarter, 39 deals raised \$10.8 billion, down slightly from last year, but above the historical average. Healthcare and tech companies again dominated IPO issuance, making up 62% of all IPOs due to biotechs and large US tech unicorns. Software unicorns Medallia and Cloudflare confirmed that there is still demand for high-growth tech stocks. On the other hand, the two largest offerings were both high-growth, high-profile disappointments, with SmileDirectClub and Peloton raising more than \$1 billion but falling on their debuts. WeWork’s planned IPO turned into a highly publicized debacle that suggested public investors may finally be done overpaying for blazing-fast growth. First-day pops were relatively strong, but IPOs fell 12% on average from there to end the quarter with a 1% average return.

The IPO Index slid 11%, and the combination of poor aftermarket returns and a dip in initial filings suggest that IPO activity will finish the year at a slower pace than previously thought, with greater price concessions on the part of issuers. We now enter the 4Q19 with several biotechs queued up and a few notable offerings on file, including jeans brand Madewell, waste management firm GFL, and Chinese education platform Youdao, but the vast majority of likely IPOs sit in our shadow backlog.

Key Takeaways:

- 39 IPOs Raise \$10.8 Billion in a Fairly Active 3Q 2019
- Activity Again Led by Tech IPOs and Biotechs, with Tech the Best-Performing Sector
- Average IPO Ends Flat as Stocks Fall in Aftermarket Trading
- SmileDirectClub and Peloton Trade Down After Billion-Dollar IPOs
- Biotechs and Defensive Companies on File; Large Shadow Backlog Waits for Market to Re-Open



Source: Renaissance Capital. Data includes IPOs with a market cap of at least \$50mm and excludes direct listings, closed-end funds and SPACs.

***Exclusively for IPO Pro Users**

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.

To read the full 3Q19 IPO Market Review, sign up for a [free 7-day trial of IPO Pro](#), the platform that gives you all of the tools you need to track the IPO market.

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