March 31, 2015

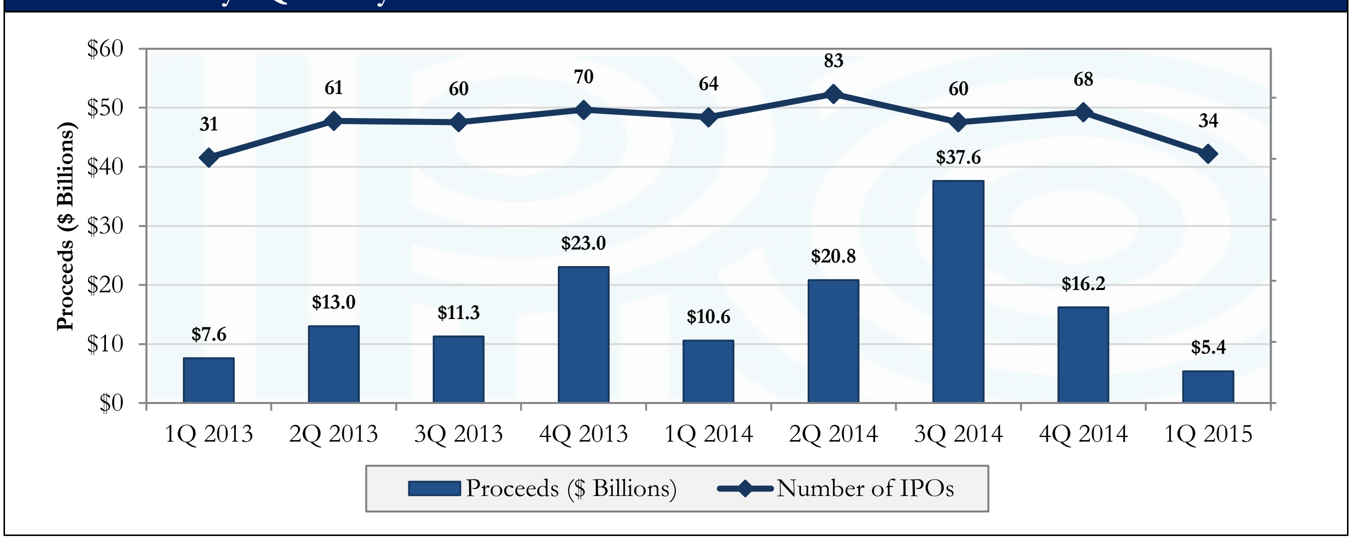
2015 US IPO Market Off to a Slow Start

After a record year in 2014, the IPO market slowed dramatically in the first quarter of 2015. The 34 IPOs raised $5.4 billion, making it the least active quarter by IPO count since the 1Q 2013 and the smallest by proceeds raised since the 3Q 2011. Led by biotechs, the health care sector stayed active, accounting for half of all IPOs. While recognizable brands like Box, GoDaddy and Shake Shack became publicly listed, technology, consumer and energy offerings fell below their historical averages and unlike recent years there were few large LBO exits. Technology IPO issuance was likely dampened by the widespread availability of private funding at very high valuations, which produced little urgency for companies to seek IPO capital. Volatile currency markets, global interest rate movements and heightened follow-on activity also competed for the attention of institutional investors. However, the solid performance of recent IPOs combined with a large active pipeline should support a more active second quarter.

Key Takeaways:

- Slowest Quarter in Two Years Despite Equity Indices Hitting All-Time Highs
- Half of All IPOs Are Health Care; Technology and Energy Drop Off
- Absence of Large Deals Pushes Down Average Deal Size
- Average IPO Performance Remain Solid at 17%, Most Sectors Positive
- Shake Shack and Spark Therapeutics Lift IPO Returns; Non-biotech Health Care Underperforms
- Lack of PE Drives Down IPO Proceeds; Tech Decline Leads to Fewer VC Exits
- New IPO Filings Decline but Private Company Pipeline Is Robust

US IPO Activity - Quarterly



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

Key US IPO Statistics

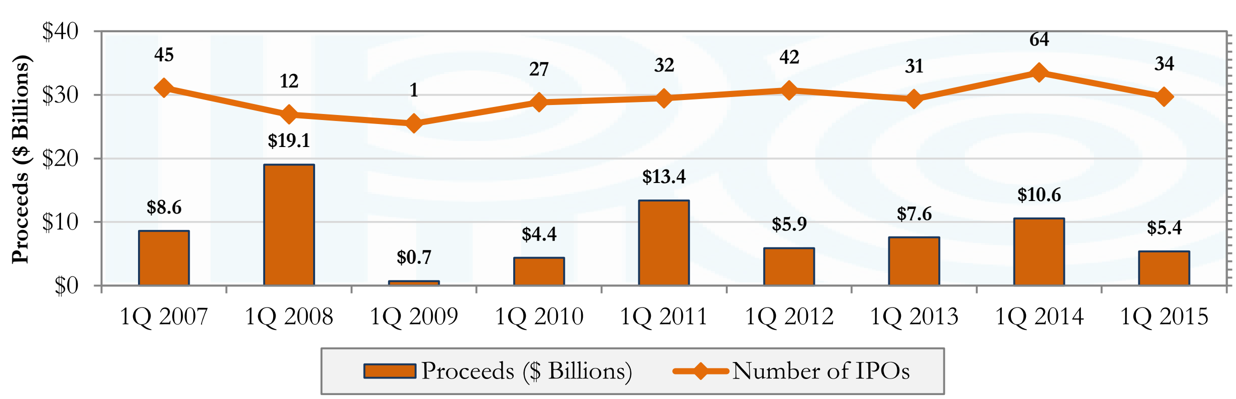
	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Number of Deals	64	83	60	68	34
Proceeds Raised (US$)	$10.6B	$20.8B	$37.6B	$16.2B	$5.4B
Median Deal Size (US$)	$90.5m	$100.0m	$91.6m	$132.8m	$82.3m
PE-Backed Deals	16	19	16	20	5
PE-Backed Proceeds (US$)	$6.2B	$9.3B	$4.4B	$5.1B	$1.2B
VC-Backed Deals	40	29	27	30	17
VC-Backed Proceeds (US$)	$3.2B	$4.4B	$23.4B	$4.4B	$1.3B
Performance					
Average US IPO Return	25.2%	21.2%	19.9%	24.5%	16.8%
Avg. First-Day Return	20.3%	9.0%	13.5%	12.4%	10.6%
Avg. Aftermarket Return	6.6%	11.0%	4.8%	11.1%	4.1%
Renaissance IPO Index	3.9%	5.4%	-1.5%	1.6%	7.1%
S&P 500	1.3%	4.7%	0.6%	4.4%	0.4%
Russell 3000	1.5%	4.4%	-0.5%	4.7%	1.3%

Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2015.

Slowest Quarter in Two Years Despite Equity Indices Hitting All-Time Highs

While the S&P 500 reached an all-time high in March, IPO activity – in terms of both the number of IPOs and proceeds raised – dropped to half the level seen in the same period last year. The broad decline occurred across most sectors, particularly technology, energy, and from both private equity and venture capital-backed companies. The high percentages of small biotechs, medical devices and regional banks led to a median deal size of $82 million – the lowest since 2008 – and resulted in a sharp drop-off in proceeds raised. Investors continued to challenge proposed valuations with more than a third of IPOs pricing below the range, and eight IPOs postponing. Average US IPO returns fell to their lowest level since the 2Q 2012, though a healthy gain of 17% should be supportive of an open IPO market. While the year-over-year drop is stark, 1Q 2015 deal flow was in line with historic seasonal trends, and the larger IPO pipeline coupled with a substantial private company backlog should support a strong rest of the year.

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.

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.

Half of All IPOs are Health Care; Technology and Energy Drop Off

Every sector had lower issuance in the 1Q 2015 compared to the 4Q 2014, and most saw a decline in issuance from the 1Q 2014. Health care accounted for 47% of all IPOs, mostly biotechs and small medical device companies. The 16 health care IPOs represents about double the 10-year historical average, but still half of what we saw during an elevated first quarter last year. Technology lagged to only four deals, which is particularly unusual given the high investor risk tolerance demonstrated by robust demand for biotechnology. However, because recent high-profile tech deals like Box, Hortonworks and New Relic came public at valuations below their most recent private financing rounds, some pending VC-backed technology companies may have chosen to delay their IPOs. Despite the drop-off in VC-backed tech, large offerings from high cash flow generators GoDaddy and Inovalon brought the sector to the top by capital raised. Once-hot demand for energy E&Ps and midstream MLPs went up in flames due to low oil and gas prices. Financial IPOs were the only sector to outpace the 1Q 2014 thanks to an increase in REITs and regional banks. Four REITs went public, compared to five during all of 2014.

Proceeds by Sector (US$ Billion)

	1Q 2014			2Q 2014			3Q 2014			4Q 2014			1Q 2015		
Sector	**#**	**$**	**% of IPOs**	**#**	**$**	**% of IPOs**	**#**	**$**	**% of IPOs**	**#**	**$**	**% of IPOs**	**#**	**$**	**% of IPOs**
Technology	14	$1.9	22%	23	$4.7	28%	7	$23.4	12%	11	$2.2	16%	4	$1.3	12%
Health Care	30	$1.9	47%	22	$1.7	27%	27	$2.5	46%	23	$3.0	34%	16	$1.2	47%
Energy	6	$2.3	9%	11	$5.2	13%	6	$2.1	10%	7	$3.2	10%	2	$1.2	6%
Financial	5	$2.4	8%	11	$4.5	13%	8	$7.4	14%	12	$4.3	18%	9	$1.1	26%
Capital Goods	3	$0.3	5%	4	$0.8	5%	0	$0.0	0%	3	$1.3	4%	1	$0.4	3%
Transportation	1	$0.3	2%	2	$0.3	2%	1	$0.2	2%	4	$0.8	6%	1	$0.2	3%
Consumer	2	$0.3	3%	7	$1.9	8%	2	$0.3	3%	5	$0.5	7%	1	$0.1	3%
Materials	0	$0.0	0%	1	$0.2	1%	5	$1.4	8%	1	$0.4	1%	0	$0.0	0%
Business Services	3	$1.1	5%	2	$1.4	2%	2	$0.2	3%	1	$0.2	1%	0	$0.0	0%
Utilities	0	$0.0	0%	0	$0.0	0%	1	$0.1	2%	0	$0.0	0%	0	$0.0	0%
Communications	0	$0.0	0%	0	$0.0	0%	1	$0.1	2%	1	$0.4	1%	0	$0.0	0%

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

Absence of Large Deals Pushes Down Average Deal Size

The ten largest IPOs this quarter raised $3.9 billion, or 34% less than the top ten from the prior year period. These large deals saw high initial demand; none priced below the proposed midpoint and the group averaged a 12% premium above it. The top four (excluding GoDaddy, which priced the last day of the quarter) continued to trade up, posting double-digit returns. Columbia Pipeline Partners LP, which owns natural gas transportation assets, was the only oil and gas IPO and the only MLP. Its $1.1 billion offering accounted for 20% of all IPO proceeds, and its solid performance suggests that the IPO market is still receptive to energy deals as long as they do not have direct commodity price exposure.

Largest US IPOs

Company	Ticker	Offer Date	Deal Size ($mm)	Sector	Return from IPO
Columbia Pipeline Partners LP	CPPL	5-Feb	$1,077	Energy	20.4%
Inovalon Holdings	INOV	11-Feb	$600	Technology	11.9%
InfraREIT	HIFR	29-Jan	$460	Financial	24.3%
GoDaddy	GDDY	31-Mar	$440	Technology	n/a
Summit Materials	SUM	11-Mar	$400	Capital Goods	23.1%
Cellectis	CLLS	24-Mar	$228	Health Care	-16.7%
Euronav	EURN	22-Jan	$199	Transportation	-1.6%
Easterly Government Properties	DEA	5-Feb	$180	Financial	7.0%
Box	BOX	22-Jan	$175	Technology	41.1%
Spark Therapeutics	ONCE	29-Jan	$161	Health Care	237.0%

Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2015.

Average IPO Performance Remains Solid at 17%

Buoyed by top performers Spark Therapeutics and Shake Shack, the average IPO traded up 17% during the first quarter, most of it from the first-day pop. Both the first-day and total average returns were a few percentage points below the five-year average, but still attractive enough to keep IPO investors interested. The proportion of IPOs with negative first-day returns remained above 30% for the second quarter in a row, which could impact issuance if it continues. Pricing discipline appeared intact, as one-third of IPOs priced below their proposed range and eight more were forced to postpone.

Return Statistics

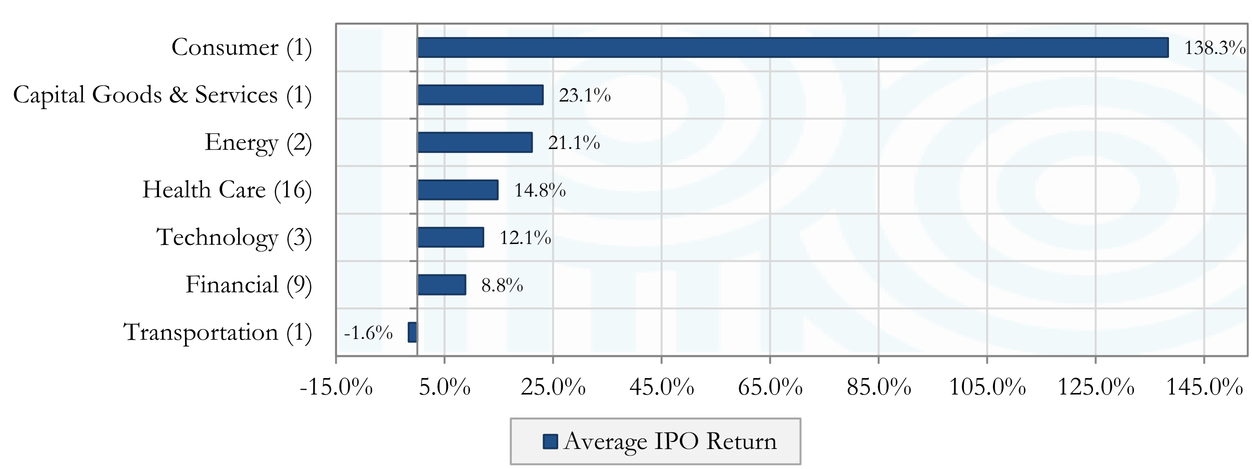
	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Avg. Total Return	25.2%	21.2%	19.9%	24.5%	16.8%
Avg. First-Day Return	20.3%	9.0%	13.5%	12.4%	10.6%
Avg. Aftermarket Return	6.6%	11.0%	4.8%	11.1%	4.1%
% Trading Above Issue at Quarter Close	71.4%	72.2%	63.6%	74.5%	60.6%
% Deals with **Negative** First-Day Return	23.4%	27.7%	26.7%	30.9%	30.3%
% Deals Priced **Below** the Range	26.6%	39.8%	50.0%	41.2%	32.3%

Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2015.

Most Sectors Have Positive Average Returns

The consumer sector saw just one IPO, fast casual burger chain Shake Shack, which gained 119% on its first day and finished the quarter even higher. Health care, the most active sector, averaged +15% from the offer price thanks to Spark Therapeutics. Without the gene therapy biotech, health care would have averaged 0% as nearly two-thirds of the deals trade at or below their IPO price. The financial sector was up 9%, driven by small banks from improving regions. The tech sector's below-average numbers were matched by below-average returns, brought down by digital advertising provider MaxPoint Interactive. Box shot up 66% right out of the box, but gave up much of its gain by quarter-end.

US IPO 1Q 2015 Returns by Sector



Source: Renaissance Capital. Based on offer price to 3/31/2015 closing price. Excludes GoDaddy, which prices March 31 but trades April 1.

Shake Shack and Spark Therapeutics Lift IPO Returns; Non-biotech Health Care Underperforms

Top performers Spark Therapeutics and Shake Shack both spiked over 100% on the same day and continued to trade up, noteworthy given that six of 2014's seven IPOs that popped 100% on the first day now trade below their first-day close. Eight of the top ten traded up after their debut. Two top-performing biotechs had negative first-day performances, only to produce solid returns by the end of the quarter.

Best-Performing US IPOs

Company	Ticker	Offer Date	Deal Size ($mm)	Sector	First-Day Pop	Return from IPO
Spark Therapeutics	ONCE	29-Jan	$161	Health Care	117.4%	237.0%
Shake Shack	SHAK	29-Jan	$105	Consumer	118.6%	138.3%
Box	BOX	22-Jan	$175	Technology	65.9%	41.1%
TRACON Pharmaceuticals	TCON	29-Jan	$36	Health Care	-6.0%	40.4%
Entellus Medical	ENTL	28-Jan	$78	Health Care	29.4%	28.8%
Summit Therapeutics	SMMT	5-Mar	$34	Health Care	2.9%	25.2%
County Bancorp	ICBK	15-Jan	$19	Financial	7.9%	25.0%
InfraREIT	HIFR	29-Jan	$460	Financial	15.7%	24.3%
Summit Materials	SUM	11-Mar	$400	Capital Goods	16.5%	23.1%
Flex Pharma	FLKS	28-Jan	$86	Health Care	-6.6%	22.5%

Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2015.

Health care made up eight of the ten worst-performing IPOs of the first quarter, including the bottom three. The worst performer, Presbia, was one of two medical device companies in the bottom ten. In general, non-biotech healthcare deals struggled, as two device companies and three diagnostics companies postponed. High-growth "ad-tech" company MaxPoint Interactive notably dropped 15% on its debut and fell lower by the end of the quarter.

Worst-Performing US IPOs

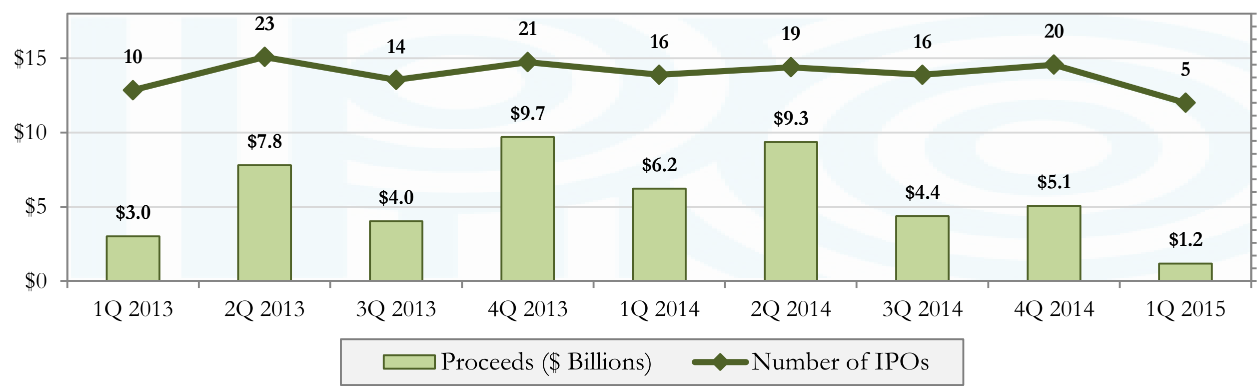
Company	Ticker	Offer Date	Deal Size ($mm)	Sector	First-Day Pop	Return from IPO
Presbia	LENS	28-Jan	$42	Health Care	-18.5%	-26.1%
Bellerophon Therapeutics	BLPH	13-Feb	$60	Health Care	-25.3%	-23.5%
Nexvet Biopharma	NVET	4-Feb	$40	Health Care	-11.2%	-19.7%
MaxPoint Interactive	MXPT	5-Mar	$75	Technology	-15.1%	-16.7%
Cellectis	CLLS	24-Mar	$228	Health Care	-5.3%	-16.7%
Avinger	AVGR	29-Jan	$65	Health Care	3.8%	-14.7%
Inotek Pharmaceuticals	ITEK	17-Feb	$40	Health Care	0.0%	-9.7%
Patriot National	PN	15-Jan	$116	Financial	-3.6%	-9.3%
Zosano Pharma	ZSAN	26-Jan	$50	Health Care	0.1%	-8.1%
Ascendis Pharma	ASND	27-Jan	$108	Health Care	4.6%	-3.6%

Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2015.

Lack of Private Equity Drives Down IPO Proceeds

Only five private equity-backed IPOs went public in the first quarter, making it the least active quarter in the IPO market for PE exits since 2009 and causing total 1Q 2015 IPO proceeds to plummet compared to 2014. The IPO market has largely cycled through the companies bought during the boom years of 2005-2008, and now we are seeing the effects of the subsequent pause in buyout activity. Instead of an IPO, firms have also taken advantage of alternative options through sponsor-to-sponsor exits (in the case of ATD) and corporate sales (Arysta LifeScience and Prestige Cruises). The first quarter's only LBO, GoDaddy, raised $440 million, nine months after it first filed and four years after it was bought by a KKR-led consortium. The other large PE offering was Blackstone's building supplies consolidator Summit Materials, which it formed in 2009 with the help of the CEO. Shake Shack was the latest in a string of growth equity-backed fast casual restaurant chains, following last year's Zoe's Kitchen, El Pollo Loco and The Habit Restaurants.

US IPO Activity – Private Equity

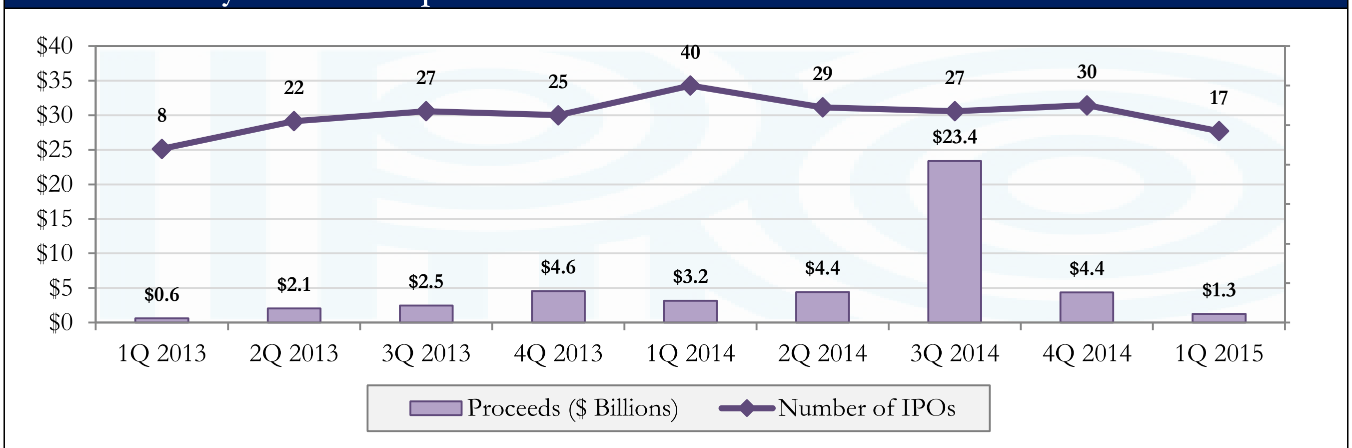


Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs.

Technology Decline Leads to Fewer Venture Exits

Venture capital-backed activity was the lowest since the 1Q 2013, about two-thirds the average of the prior four quarters. Health care deals represented 82% of all VC exits. The lack of technology IPOs may be the result of a higher number of private venture rounds at elevated valuations, which has been caused in part by increasing participation from traditional IPO buyers such as major mutual funds and growth-focused hedge funds. The $1.2 billion that tech companies raised by going public in the 1Q 2015 pales in comparison to the estimated $10 billion raised in private rounds during the same period. Nevertheless, venture outpaced private equity IPOs by number of deals for the seventh quarter in a row. Spark Therapeutics propped up the group's average returns to 19%.

US IPO Activity – Venture Capital

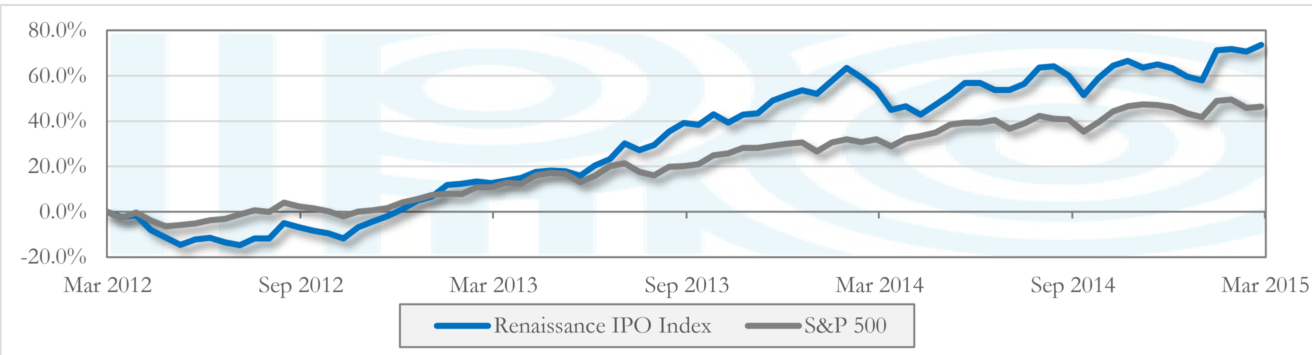


Source: Renaissance Capital. Includes IPOs with a market cap of at least $50 million and excludes closed-end funds and SPACs.

Renaissance IPO Index Outpaces Benchmark Index in First Quarter

The Renaissance IPO Index (IPOUSA), the underlying index for the Renaissance IPO ETF (IPO), raced ahead of US equity benchmarks with a 7.1% return (S&P 500; 0.4%). The Consumer Discretionary and Information Technology sectors were the index's strongest sectors, contributing 2.9% and 2.6% to overall index returns respectively. Leading Chinese online retailer JD.com (JD; +29.9%), world's largest hotel chain Hilton Worldwide (HLT; +14.0%) and online social networking and microblogging service Twitter (TWTR; +39.4%) were among the index's top contributing holdings.

US IPO Index Performance



	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Renaissance IPO Index	2.1%	2.9%	0.5%	1.6%	7.1%
S&P 500	1.3%	4.7%	0.6%	4.4%	0.4%

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 27, 2015.

New IPO Filings Decline

Only 49 companies submitted initial filings in the 1Q 2015, down from 98 in the 1Q 2014. The total IPO pipeline now contains 122 IPOs looking to raise $22 billion, about the same number of deals as one year ago but 33% lower in terms of proceeds. Of these, 53 have filed initial or updated S-1s in the past 60 days, indicating plans to move forward with an IPO in the upcoming quarter. 40% of this “active pipeline” is health care. Energy IPOs, mostly GPs and MLPs, account for 15% of active filers, or 19% when combined with two oil tankers. GoDaddy’s end-of-quarter offering is an encouraging sign for tech IPOs, as is the launch of e-commerce site Etsy – scheduled for mid-April – and the filing of software maker Apigee. However, there are just five up-to-date technology filers and three consumer deals, indicating the slow pace for these sectors could carry on through April.

Notable Upcoming IPOs

Company	Business	Sector	LTM Sales ($mm)	Deal Size ($mm)
Etsy	Operates an online marketplace for handmade or vintage items.	Technology	$196	$250
Virtu Financial	High-frequency electronic trading firm and market maker.	Financial	$723	$500*
Black Knight Financial Services	Spinoff of FNFV’s mortgage data and origination solutions.	Business Srvcs	$880	$400*
Par Pharmaceuticals	Manufactures and distributes generic and branded drugs in the US.	Health Care	$1,309	$500*
Party City	Vertically integrated party supplies retailer with about 900 locations.	Consumer	$2,271	$500
Blueprint Medicines	Developing kinase inhibitors for cancer and genetic diseases.	Health Care	$0	$100
Aduro Biotech	Developing an immunotherapy for pancreatic cancer.	Health Care	$13	$86
Apigee	Provides an enterprise SaaS to design, deploy and scale APIs.	Technology	$62	$86
Good Technology	Provides mobile device management and security to enterprises.	Technology	$212	$100
Hess Midstream Partners LP	MLP formed by Hess to own pipeline and storage assets.	Energy	$255	$250

Source: Renaissance Capital. *RC estimate.

Private Company Pipeline Is Robust

In addition to the visible pipeline, there are many companies on our Private Company Watchlist that we believe are poised to tap the public markets in 2015, despite not yet publicly filing. Our PCW contains more than 285 companies, including over 50 companies that have either filed confidentially or selected banks. Notable names include Fiat Chrysler spinoff Ferrari and peer-to-peer lending platform SoFi. Veracode is one of several enterprise security companies (i.e. Rapid7, LogRythm) that are expected to go public this year with potential $1+ billion valuations. Uber, one of the largest startups eyeing an IPO, removed its CFO after a recent $2.8 billion Series E round, likely pushing any announcement of IPO plans back to the second half of the year or later.

Notable Private Companies Expected to Seek IPOs

Company	Business	Sector	Est. Valuation ($mm)
JBS USA Holdings	Leading processor of beef, pork and lamb in the US and Canada.	Consumer	$18,000
Relativity Media	Global media company engaged in movie and television production.	Consumer	$8,000
Ferrari	Italian luxury sports car manufacturer spun out of Fiat Chrysler.	Capital Goods & Services	$6,000
SoFi*	Peer-to-peer lending platform primarily for student loan financing.	Financial	$3,500
Atlassian	Business enterprise software targeted for software developers.	Technology	$3,300
Strauss Coffee*	One of the largest global coffee producers.	Consumer	$2,000
MongoDB	Develops and provides support for open source database MongoDB.	Technology	$1,600
Houlihan Lokey*	Global independent investment bank.	Financial	$1,500
SunRun*	The fourth-largest residential solar company in the US.	Energy	$1,300
Veracode*	Cloud-based application security testing platform.	Technology	$700

Source: Renaissance Capital. * Indicates company has filed confidentially or selected banks.

Outlook

Expectations of continued elevated activity in the US IPO market failed to materialize during the first quarter of 2015, but we expect activity to pick up. The health care and financial sectors represented three-quarters of first quarter deal flow and health care will likely continue to make up over one-third of issuance thanks to biotech activity. That said, based on public filings and our PCW, we expect activity to broaden across sectors, and particularly increase in consumer and technology. Even energy won't be absent, given the number of recent filings from large GPs and midstream MLPs. The VIX volatility index has also settled down to safe territory for new IPOs after beginning the quarter at elevated levels. While IPO activity should increase in the 2Q 2015, nothing leads us to believe that median deal size will rise significantly. The number of large PE-backed IPOs should recover from a slow 1Q 2015, but fewer mega LBOs remain in the pipeline compared to last year, and the prospect of rising interest rates and regulatory lending limits on banks that fund LBO transactions may dampen activity. Depending on whether the sizable backlog of pre-IPO tech companies decide to go public, 2015 could still be a year with over 200 initial public offerings. The IPO market is already off to a stronger start than 2013, a year that ultimately had 222.