

March 28, 2016

Not So Happy New Year: Global IPOs Slow to a Trickle

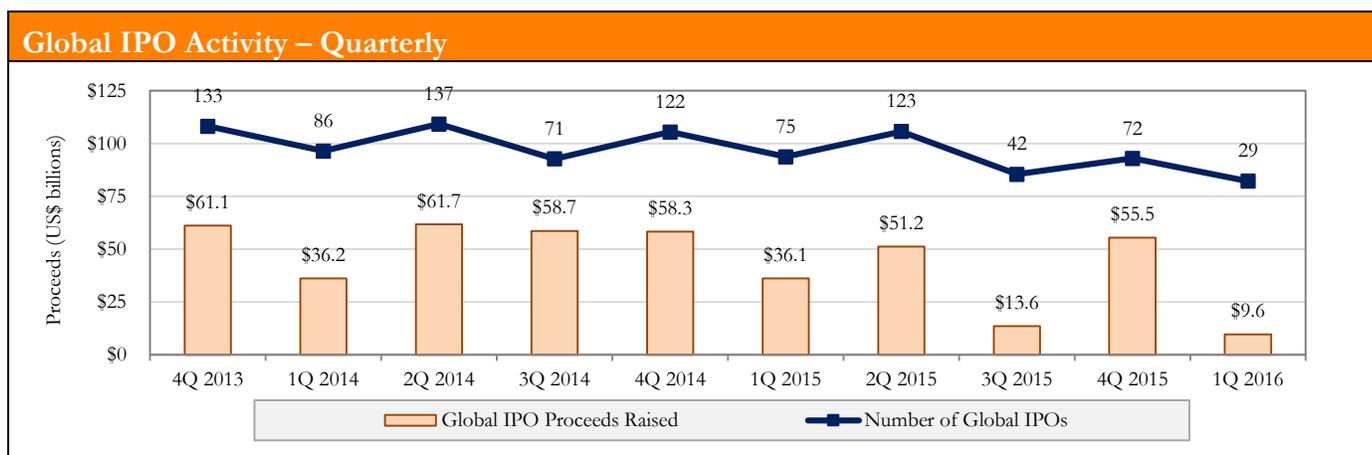
With investors continuing to be cautious, global IPO issuance slowed to a trickle in the first quarter of 2016. Issuance in the quarter totaled only \$9.6 billion, a 73% drop from the 1Q15. This marks the slowest quarter since the 2Q09, when global IPOs raised \$10 billion. The 1Q16 slowdown affected all regions, especially North America, where only two IPOs raised over \$100 million. Median deal size for the quarter fell 12% to \$178 million, with only one billion-dollar IPO (China Zheshang Bank) compared with seven in the year-ago period. Despite the massive drop-off in issuance, global IPO performance held up, averaging a 9.4% return excluding China A-shares. While factors such as low oil prices and fears of a global recession continue to weigh on investor sentiment, decent performance from IPOs year-to-date and lower market volatility exiting the quarter should encourage more companies to step forward.

Key Takeaways:

- IPO slowdown hits every region, marking slowest quarter since 2Q09
- Financial IPOs dominate, producing the only billion-dollar IPO of the quarter
- Despite low issuance, global IPO performance holds up, especially China A-shares
- All sectors produce positive returns; most prolific Financial sector among the bottom performers
- Chinese companies continue to outperform, propelled by government-controlled valuations
- Global IPO Index underperforms in the 1Q16

Global IPO Activity - Quarterly						
	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	ΔYoY
Proceeds Raised (US\$)	\$36.1B	\$51.2B	\$13.6B	\$55.5B	\$9.6B	-73.3%
Number of Deals	75	123	42	72	29	-61.3%
Median Deal Size (US\$)	\$204mm	\$215mm	\$217mm	\$344mm	\$178mm	-12.4%

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 Mar. 28, 2016.



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IPO slowdown hits every region, marking slowest quarter since 2Q09

The IPO slowdown was felt across all regions this quarter, marking the slowest quarter since the 2Q09. In the 1Q16, Asia Pacific proceeds fell 62% to \$5.2 billion, Europe proceeds fell 80% to \$3.5 billion and North America proceeds fell 94% to \$0.3 billion. Asia Pacific accounted for 54% of the quarter's proceeds, thanks to large offerings from two Chinese city commercial banks, China Zheshang Bank (1578.HK) and Bank of Tianjin (2016.HK). The US market has been particularly dormant this year, producing exclusively healthcare deals with only two raising over \$100 million. Both US IPOs, BeiGene and Hutchison China MediTech, operate in China.

Second only to the Hong Kong Exchange, the London Stock Exchange was the most active European exchange in the 1Q, accounting for 24% of total proceeds. London issuance was led by challenger bank Metro Bank (MTRO.LN) and National Australia Bank spin-off CYBG Group (CYBG.LN).

Regional Breakdown - (US\$ Billions)									
Region	1Q 2015			4Q 2015			1Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Asia Pacific	29	\$13.7	37.8%	35	\$27.8	50.0%	14	\$5.2	53.6%
Europe	27	\$17.2	47.8%	24	\$20.6	37.2%	10	\$3.5	36.4%
Latin America	0	\$0.0	0.0%	1	\$0.1	0.2%	1	\$0.1	1.1%
Middle East and Africa	2	\$0.4	1.2%	1	\$0.1	0.2%	2	\$0.6	6.2%
North America	17	\$4.8	13.2%	11	\$6.9	12.4%	2	\$0.3	2.7%

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Exchange Breakdown - (US\$ Billions)									
Exchange	1Q 2015			4Q 2015			1Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Hong Kong Exchange	4	\$5.4	15.0%	15	\$11.4	20.5%	5	\$3.2	33.7%
LSE Main	9	\$4.2	11.6%	9	\$5.9	10.6%	5	\$2.3	23.7%
Tokyo Stock Exchange	2	\$0.6	1.7%	5	\$12.6	22.7%	1	\$0.9	9.3%
Copenhagen Exchange	1	\$0.2	0.5%	0	\$0.0	0.0%	1	\$0.5	5.6%
Shanghai Stock Exchange	12	\$4.0	11.1%	1	\$0.2	0.4%	4	\$0.5	5.2%
Tadawul	0	\$0.0	0.0%	1	\$0.1	0.2%	1	\$0.5	4.9%
Shenzhen Stock Exchange	6	\$1.1	3.0%	1	\$0.1	0.2%	3	\$0.4	4.3%
Frankfurt Stock Exchange	2	\$0.7	1.8%	5	\$3.3	6.0%	1	\$0.3	3.0%
NASDAQ	5	\$1.2	3.4%	5	\$1.3	2.3%	2	\$0.3	2.7%
Stockholm Exchange	4	\$0.9	2.5%	4	\$1.6	2.9%	2	\$0.2	2.2%

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Financial IPOs dominate, producing the only billion-dollar IPO of the quarter

First quarter issuance was dominated by the financial sector, representing 57% of proceeds. In particular, banks raised \$3.7 billion, or 38% of total proceeds, including four of the ten largest IPOs of the quarter and the only billion-dollar IPO, China Zheshang Bank (2016.HK). Banks have been especially active in recent periods in an effort to boost capital ratios in light of new regulations. Property developers and homebuilders raised \$2.0 billion, or 21% of total proceeds, and included two of the ten largest IPOs. No other sector reached the \$1 billion mark.

Proceeds by Sector - (US\$ Billions)									
Sector	1Q 2015			4Q 2015			1Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Financial	13	\$8.6	23.7%	22	\$27.5	49.6%	9	\$5.5	56.8%
Consumer	18	\$4.8	13.3%	8	\$3.0	5.4%	4	\$0.9	9.2%
Energy	5	\$2.0	5.6%	3	\$0.7	1.2%	3	\$0.7	7.6%
Health Care	8	\$1.5	4.2%	7	\$1.3	2.4%	1	\$0.3	3.0%
Technology	9	\$4.0	11.1%	8	\$2.4	4.3%	2	\$0.2	2.5%
Other	22	\$15.2	42.1%	24	\$20.6	37.1%	10	\$2.0	20.9%

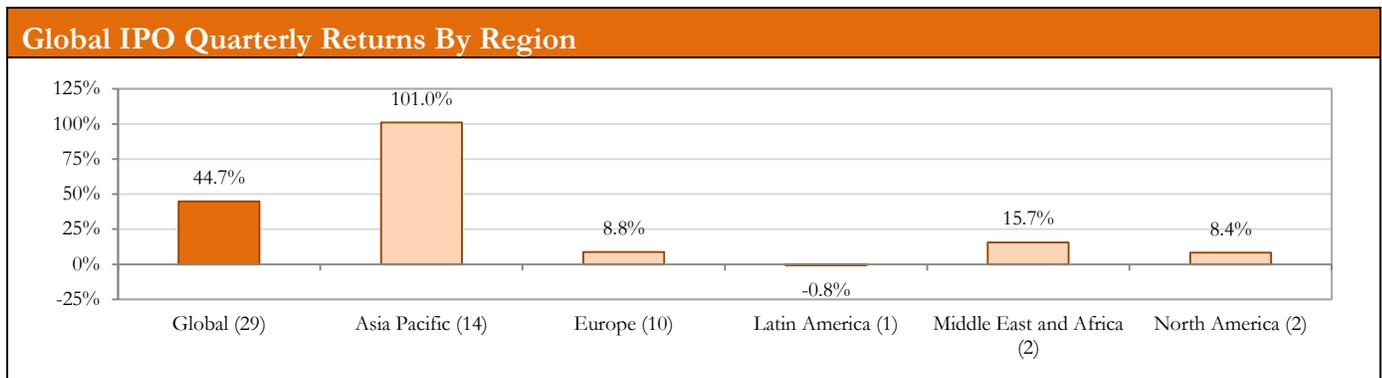
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Largest Global IPOs – 1Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
China Zheshang Bank	2016.HK	Hong Kong Exchange	21-Mar	\$1,684	Financial	n/a
Bank of Tianjin	1578.HK	Hong Kong Exchange	21-Mar	\$948	Financial	n/a
LaSalle Logiport REIT	3466.JP	Tokyo Stock Exchange	4-Feb	\$897	Financial	8.6%
Metro Bank	MTRO.LN	LSE Main	4-Mar	\$571	Financial	-5.0%
STG	STG.DC	Copenhagen Exchange	10-Feb	\$536	Consumer	3.2%
CYBG Group	CYBG.LN	LSE Main	3-Feb	\$496	Financial	15.7%
Middle East Healthcare Co.	MEH.AB	Tadawul	1-Mar	\$471	Health Care	n/a
Ascential	ASCL.LN	LSE Main	9-Feb	\$464	Communications	17.0%
Countryside	CSP.LN	LSE Main	12-Feb	\$440	Capital Goods	4.6%
CMC Markets	CMCX.LN	LSE Main	5-Feb	\$315	Financial	4.6%

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 Mar. 25, 2016.

Despite low issuance, global IPO performance holds up, especially China A-shares

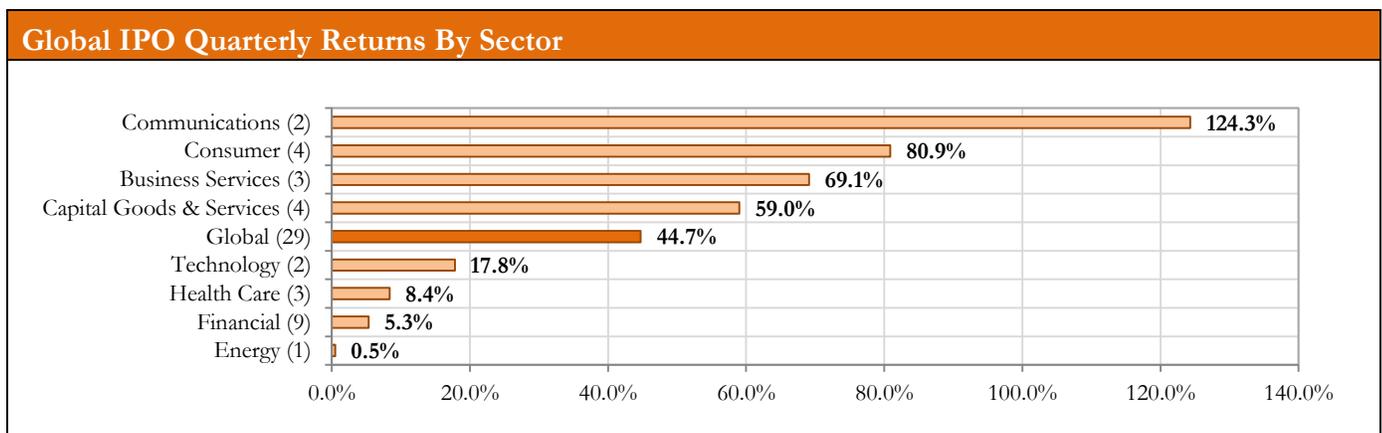
Despite the dramatically lower issuance, global IPO performance averaged 44.7% for the quarter, thanks to high-flying China A-shares that continue to benefit from government-controlled valuations. Seven A-share IPOs have traded up an average of 172%, and no offering has generated less than a 149% return (two have yet to trade). Excluding A-shares, global performance still averaged a respectable 9.4% return, partially thanks to lower valuations at IPO. In Asia Pacific, returns averaged 12.5% excluding A-shares, led by Virscend Education (1565.HK; +29%). In Europe, returns were led by Nordic IPOs, including online casino lead generator Catena Media (CTM.SS; +29%) and mobile casino gaming company LeoVegas (LEO.SS; +18%).



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All sectors produce positive returns; most prolific Financial sector among the bottom performers

All represented sectors produced positive returns for the quarter, led by Communications and Consumer IPOs, which generated average returns of 124% and 81%, respectively. These outsized returns were boosted by China A-shares, including Chinese publisher Southern Publishing & Media (601900.CH; +232%) in Communications and shoe retailer TopScore Fashion Shoes (603608.CH; +152%) and alcoholic beverage producer Jinhui Liquor (603919.CH; +153%) in Consumer. Excluding A-shares, the best performing sector was Business Services with a 29% average return, thanks to Catena Media (CTM.SS; +29%) and Virscend Education (1565.HK; +29%). The most prolific sector, Financial, was among the bottom performers, with a 5% return.



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 Mar. 25, 2016.

Chinese 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 is headed by the five China A-share IPOs (two have yet to trade). Additionally, two of the other five operate in China: Virscend Education (1565.HK) provides K-12 private education in Southwest China and BeiGene (BGNE) is developing cancer therapies in China.

Only three IPOs in the 1Q16 finished the quarter below their IPO price, including UK challenger bank Metro Bank (MTRO.LN), which was primarily sold to existing shareholders, and Mexican homebuilder Javer (JAVR.MX), which came back to the markets after postponing in December.

Best Performing Global IPOs - 1Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Southern Publishing	601900.CH	Shanghai Stock Exchange	2-Feb	\$159	Communications	231.6%
Xiamen R&T Plumbing	002790.CH	Shenzhen Stock Exchange	6-Mar	\$101	Capital Goods	173.2%
Jinhui Liquor	603919.CH	Shanghai Stock Exchange	28-Feb	\$117	Consumer	152.7%
TopScore Fashion Shoes	603608.CH	Shanghai Stock Exchange	4-Feb	\$104	Consumer	151.8%
Eastern Pioneer Driving	603377.CH	Shanghai Stock Exchange	5-Feb	\$125	Business Services	149.4%
Virscend Education	1565.HK	Hong Kong Exchange	8-Jan	\$232	Business Services	29.2%
Catena Media	CTM.SS	Stockholm Exchange	11-Feb	\$101	Business Services	28.8%
LeoVegas	LEO.SS	Stockholm Exchange	17-Mar	\$111	Technology	17.8%
Ascential	ASCL.LN	LSE Main	9-Feb	\$464	Communications	17.0%
BeiGene	BGNE	Nasdaq	2-Feb	\$158	Health Care	16.8%

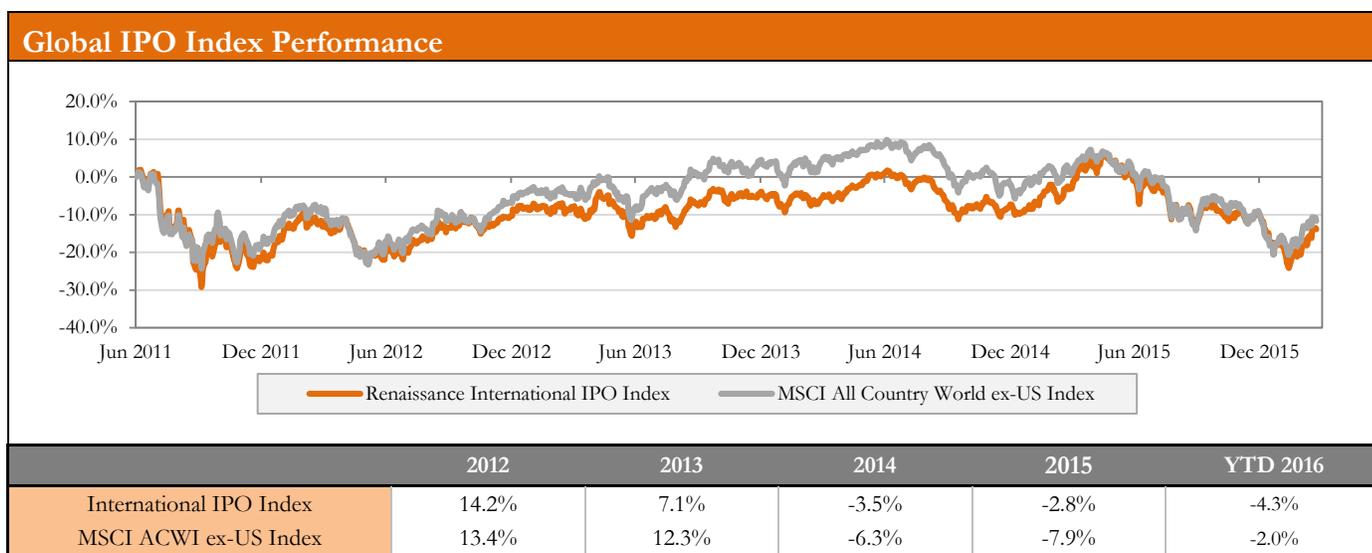
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Worst Performing Global IPOs - 1Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Metro Bank	MTRO.LN	LSE Main	4-Mar	\$571	Financial	-5.0%
Javer	JAVR.MX	Mexican Stock Exchange	13-Jan	\$101	Capital Goods	-0.8%
Hutchison China MediTech	HCM	Nasdaq	16-Mar	\$101	Health Care	-0.1%
Senvion	SEN.GR	Frankfurt Stock Exchange	22-Mar	\$288	Energy	0.5%
Watkin Jones	WJG.LN	AIM	23-Mar	\$185	Financial	1.3%
STG	STG.DC	Copenhagen Exchange	10-Feb	\$536	Consumer	3.2%
Jiayuan International Group	2768.HK	Hong Kong Exchange	3-Mar	\$144	Financial	3.2%
Countryside	CSP.LN	LSE Main	12-Feb	\$440	Capital Goods	4.6%
CMC Markets	CMCX.LN	LSE Main	5-Feb	\$315	Financial	4.6%
LaSalle Logiport REIT	3466.JP	Tokyo Stock Exchange	4-Feb	\$897	Financial	8.6%

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Global IPO Index underperforms in the 1Q16

The Renaissance International IPO Index (IPOXUS), the underlying index for the Renaissance International IPO ETF (NYSE Ticker: IPOS), underperformed international equity benchmarks with a -4.3% return compared to the MSCI ACWI ex-US Index's -2.0% return. The Information Technology and Financial sectors were the index's weakest sectors. Notable detractors included Japanese state-owned provider of postal and financial services Japan Post Holdings (6178.JP; -13.1%), British digital automotive marketplace operator Auto Trader Group (AUTO.LN; -16.6%), and Korean IT infrastructure consulting firm Samsung SDS (018260.KS; -25.1%).



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 Mar. 25, 2016.

Large IPO candidates continue to wait in the wings

Positive returns for IPOs year-to-date and lower volatility in the global equity markets may encourage some larger IPO candidates to step out of the wings. Notable potential billion dollar offerings that could launch in 2016 include the Postal Savings Bank of China, Chinese peer-to-peer lender Lufax, South Korean hotel chain Hotel Lotte, food distributor US Foods and MGM Resorts' gaming property REIT spinoff MGM Growth Properties.

Notable Upcoming Global IPOs			
Company	Business	Exchange	Est. Deal Size (\$ mm)
PSBC	Lending arm of state-owned postal service China Post Group.	Hong Kong	\$10,000
Lufax	Chinese peer-to-peer lender backed by Ping An Insurance.	Shanghai	\$5,000
Hotel Lotte	South Korean hotel arm of Japanese conglomerate Lotte Group.	Korea	\$5,000
Banca Popolare di Vicenza	Italian multi-regional bank.	Borsa Italia	\$1,700
US Foods	Second-largest US foodservice distributor.	NYSE	\$1,000
MGM Growth Properties	MGM Resorts' gaming properties.	NYSE	\$1,000

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