

June 26, 2015

## China A-Share Mania Powers IPO Proceeds and Returns

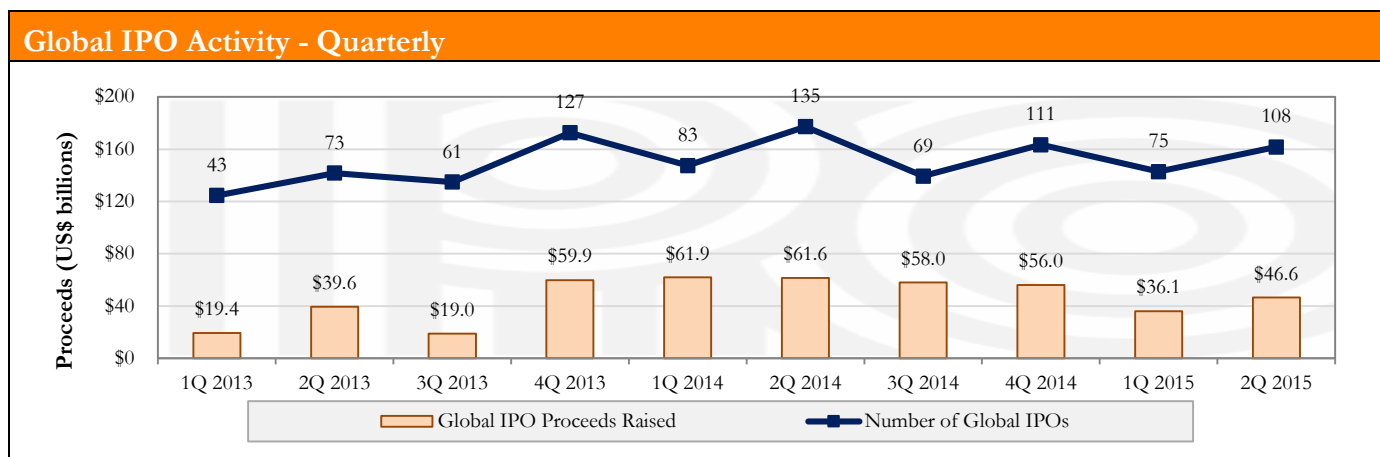
Following a seasonally calm start to the year, global IPO issuance improved in the second quarter of 2015. Quarterly proceeds increased 29% from the first quarter to \$46.6 billion, but still remained down 24% from last year's levels. IPO proceeds in the 2Q15 were dominated by the Asia Pacific region, which accounted for 47% of quarterly proceeds. Asian proceeds were boosted by the listings of large, multi-billion-dollar Chinese brokerage firm IPOs. Europe and North America struggled to reach even half of the IPO proceeds raised last year as Greek debt-related market volatility in the Eurozone and an absence of large Technology and Energy IPOs in the United States weighed on the regions' totals. Global IPOs generated an unusually high 54% average return and again benefited from the dramatic outperformance of mainland China IPOs - up 230% on average - resulting from the government mandating low valuation multiples at listing. Respectable broad market returns should provide the fuel necessary for an active remainder of 2015.

### Key Takeaways:

- With \$22 billion raised, Asia Pacific matches Europe and North America proceeds combined
- Bolstered by large Chinese brokerage IPOs, Financials dominate sector proceeds
- A-Share IPOs generate outsized (and arguably manufactured) returns at 230%
- Led by Communications, four sectors generate average returns exceeding 100%
- A-Share IPOs account for all best performers
- Global IPO Index returns 4.3%, outperforms global equity benchmarks

Global IPO Activity - Quarterly						
	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	ΔYoY
Proceeds Raised (US\$)	\$61.6b	\$58.0b	\$56.0b	\$36.1b	\$46.6b	-24.4%
Number of Deals	135	69	111	75	108	-20.0%
Median Deal Size (US\$)	\$296m	\$240m	\$218m	\$204m	\$219m	-26.1%

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 June 25, 2015.



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## Asia Pacific proceeds matches Europe and North America combined

The Asia Pacific region accounted for nearly half of IPO proceeds in the 2Q15. In addition to significant IPO issuance on the Shanghai Stock Exchange, the Hong Kong Exchange listed two multi-billion-dollar IPOs this quarter with the \$4.5 billion listing of mid-sized Chinese brokerage firm Huatai Securities (6886.HK) and the \$2.0 billion listing of Lenovo Group's Chinese investment holding company Legend Holdings (3396.HK). Although the European region raised the second most IPO proceeds this quarter, issuance in the region significantly slowed down from its 1Q15 pace as mounting uncertainty regarding Greece's capacity to repay its debt obligations and its ability to remain in the Eurozone led to volatile equity markets throughout the region during the second quarter.

The North American IPO market raised the third most regional proceeds with \$10.5 billion in the 2Q15. US issuance slowed this quarter from the year ago period as proceeds from the historically active Energy and Technology sectors fell due to the significant volatility in oil prices and the increased availability of private funding, respectively.

Regional Breakdown - (US\$ Billions)									
Region	2Q 2014			1Q 2015			2Q 2015		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Asia Pacific	41	\$12.2	19.8%	29	\$13.7	37.8%	34	\$21.7	46.6%
Europe	47	\$28.8	46.8%	27	\$17.2	47.8%	31	\$12.2	26.2%
Latin America	1	\$0.5	0.9%	0	\$0.0	0.0%	3	\$0.7	1.5%
Middle East and Africa	2	\$0.2	0.3%	2	\$0.4	1.2%	5	\$1.5	3.1%
North America	44	\$19.9	32.3%	17	\$4.8	13.2%	35	\$10.5	22.6%

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 June 25, 2015.

Exchange Breakdown - (US\$ Billions)									
Exchange	2Q 2014			1Q 2015			2Q 2015		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Shanghai Stock Exchange	0	\$0.0	0.0%	13	\$4.2	11.7%	16	\$9.5	20.5%
Hong Kong Exchange	19	\$5.0	8.2%	4	\$5.4	15.0%	7	\$8.9	19.1%
NYSE	24	\$10.5	17.0%	11	\$3.4	9.3%	19	\$7.6	16.3%
Bolsa de Madrid	3	\$3.8	6.1%	2	\$5.3	14.8%	2	\$2.8	6.1%
NASDAQ	17	\$7.6	12.4%	5	\$1.2	3.4%	15	\$2.8	6.0%
Euronext/Paris	3	\$2.1	3.5%	1	\$0.9	2.4%	3	\$2.2	4.6%
LSE Main	18	\$10.2	16.6%	9	\$4.2	11.6%	6	\$2.0	4.3%
OMX Nordic Exchange	3	\$2.4	3.9%	4	\$0.9	2.5%	5	\$1.8	3.8%
Australian Exchange	9	\$3.6	5.9%	1	\$0.2	0.5%	3	\$1.1	2.4%
Borsa Italiana	5	\$3.4	5.5%	2	\$0.5	1.5%	2	\$1.0	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 June 25, 2015.

## Bolstered by large Chinese brokerage IPOs, Financials dominate sector proceeds

Second quarter issuance was dominated by the Financial sector, which accounted for 33.5% of total 2Q15 proceeds. The Financial sector benefited from two multi-billion-dollar brokerage firm IPOs – Shanghai-listed Guotai Junan Securities (601211.CH; \$4.9 billion) and Hong Kong-listed Huatai Securities (6886.HK; \$4.5 billion). At 9.7% of IPO proceeds, the Capital Goods & Services sector raised the second largest amount this quarter, largely thanks to the \$2.1 billion Shanghai IPO of China National Nuclear Power (601985.CH). Rounding out the five highest grossing sectors were Health Care (\$4.0 billion), Energy (\$3.9 billion), and Consumer (\$3.8 billion).

Proceeds by Sector - (US\$ Billions)									
Sector	2Q 2014			1Q 2015			2Q 2015		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Financial	34	\$18.1	29.5%	13	\$8.6	23.7%	18	\$15.6	33.5%
Capital Goods	13	\$4.8	7.8%	10	\$7.5	20.8%	10	\$4.5	9.7%
Health Care	11	\$2.7	4.4%	8	\$1.5	4.2%	19	\$4.0	8.5%
Energy	16	\$7.9	12.9%	5	\$2.0	5.6%	10	\$3.9	8.5%
Consumer	21	\$10.1	16.5%	18	\$4.8	13.3%	14	\$3.8	8.1%
Technology	18	\$6.4	10.4%	9	\$4.0	11.1%	11	\$3.6	7.7%
Transportation	5	\$2.2	3.5%	3	\$0.9	2.5%	8	\$2.9	6.3%
Business Services	10	\$5.5	9.0%	4	\$1.5	4.3%	6	\$2.8	5.9%
Communications	1	\$0.9	1.4%	4	\$5.1	14.2%	2	\$2.7	5.9%
Materials	4	\$2.1	3.4%	1	\$0.1	0.3%	6	\$1.6	3.3%
Utilities	2	\$0.8	1.3%	0	\$0.0	0.0%	4	\$1.2	2.6%

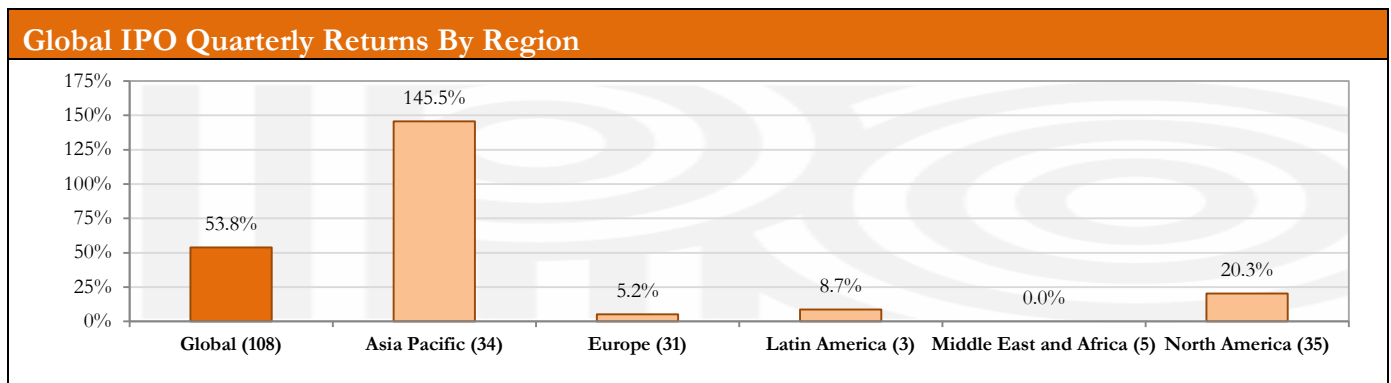
Source: Renaissance Capital. Global statistics include IPOs with a deal size of at least \$100 million and exclude closed-end funds and SPACs. Data as of June 25, 2015.

Largest Global IPOs – 2Q 2015						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Guotai Junan Securities	601211.CH	Shanghai Stock Exchange	22-Jun	\$4,851	Financial	--
Huatai Securities	6886.HK	Hong Kong Exchange	22-May	\$4,480	Financial	-5.4%
Cellnex	CLNX.SM	Bolsa de Madrid	6-May	\$2,205	Communications	7.9%
China National Nuclear	601985.CH	Shanghai Stock Exchange	4-Jun	\$2,127	Capital Goods	274.0%
Legend Holdings	3396.HK	Hong Kong Exchange	22-Jun	\$1,957	Financial	--
Tallgrass Energy GP LP	TEGP	NYSE	6-May	\$1,204	Energy	10.8%
Spie	SPIE.FP	Euronext/Paris	9-Jun	\$1,055	Bus. Services	12.7%
Europcar	EUCAR.FP	Euronext/Paris	25-Jun	\$988	Transportation	--
Red Star Macalline Group	1528.HK	Hong Kong Exchange	19-Jun	\$931	Financial	--
INWIT	INW.IM	Borsa Italiana	17-Jun	\$904	Technology	9.0%

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 June 25, 2015.

### A-Share IPOs generate stellar returns

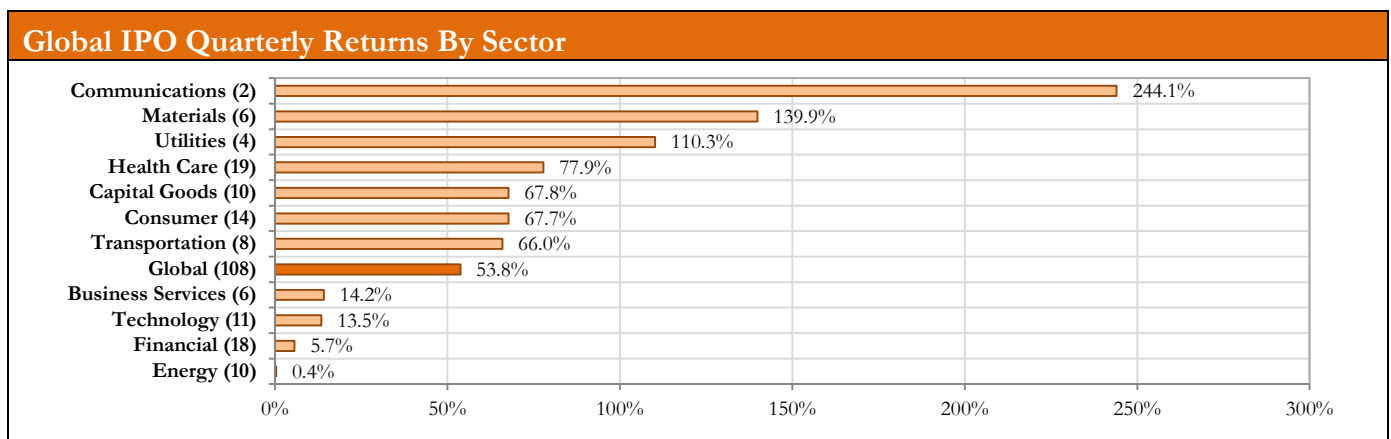
IPO returns were exceptionally strong in the 2Q15, up 53.8% on average. Returns were led by the Asia Pacific region, where IPOs rose 145.5% on average thanks to high-flying China A-share offerings. The 21 mainland China-listed IPOs materially skewed Asia's performance as the average IPO rose 230% from its offer price with no offering generating less than a 156% return. Excluding China A-shares, the average global IPO generated a still-respectable 13.1% return while the average Asia Pacific IPO declined an average of 3.9% as capital in the region shifted out of non-Chinese exchanges and into the A-share market. North America was the second best performing region as hot IPOs from immunotherapy biotech Aduro Biotech (ADRO; +98.8%) and cloud-based online store platform Shopify (SHOP; +104.9%) bolstered regional IPO performance.



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 June 25, 2015.

### Led by Communications, four sectors generate average returns exceeding 100%

The Communications sector generated astronomical returns of 244.1% in the 2Q15, on account of two high-flying A-share listings, including the quarter's second best performer Jiangsu Broadcasting (600959.CH), which quintupled from its IPO price. In addition to the Communications sector, the Materials and Utilities sectors also demonstrated exceptional performance as each sector generated average returns exceeding 100%. Despite their large share of proceeds, the Technology and Financials sectors were notable laggards.



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 June 25, 2015.

## A-Share IPOs generate outsized (and arguably manufactured) returns at 230%

The China A-share market accounted for all ten of the best performing global IPOs this quarter, including digital television provider Jiangsu Broadcasting (600959.CH), Shanghai-based regional airline Juneyao Airlines (603885.CH), EQT Partners-backed pharmacy chain Laobaixing Pharmacy (603883.CH), and in vitro diagnostics reagents developer Sichuan Biotechnology (300463.CH).

The worst performing IPO of 2Q15 was German baby products e-commerce company windeln.de (WDL.GR) which struggled to convince investors that its management team could take the company to profitability. The remainder of the worst performing list is crowded with companies that were not yet profitable at the time of their listing.

Best Performing Global IPOs - 2Q 2015						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Juneyao Airlines	603885.CH	Shanghai Stock Exchange	19-May	\$123	Transportation	506.0%
Jiangsu Broadcasting	600959.CH	Shanghai Stock Exchange	14-Apr	\$526	Communications	480.3%
Laobaixing Pharmacy	603883.CH	Shanghai Stock Exchange	23-Apr	\$177	Health Care	401.8%
Sichuan Biotechnology	300463.CH	Shenzhen Stock Exchange	19-May	\$210	Health Care	276.9%
China National Nuclear	601985.CH	Shanghai Stock Exchange	4-Jun	\$2,127	Capital Goods	274.0%
Shenzhen Huijie Group	002763.CH	Shenzhen Stock Exchange	10-Apr	\$114	Consumer	273.5%
Shanghai Baosteel Packaging	601968.CH	Shanghai Stock Exchange	27-Apr	\$103	Materials	240.3%
Lionco Pharmaceutical	603669.CH	Shanghai Stock Exchange	19-May	\$123	Health Care	232.7%
Anhui Guangxin	603599.CH	Shanghai Stock Exchange	4-May	\$122	Materials	211.7%
Guangxi Nanning	601368.CH	Shanghai Stock Exchange	23-Apr	\$153	Utilities	208.9%

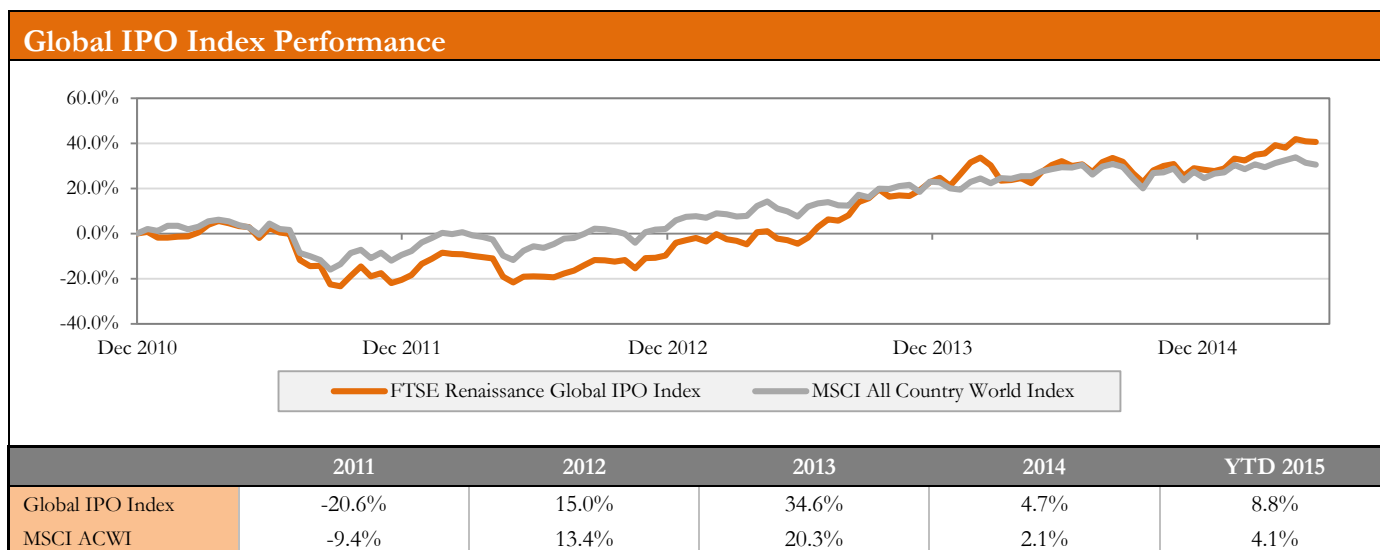
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Worst Performing Global IPOs - 2Q 2015						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
windeln.de	WDL.GR	Frankfurt Stock Exchange	5-May	\$206	Technology	-36.3%
Celyad	CYAD	NASDAQ	18-Jun	\$100	Health Care	-22.1%
Patentes Talgo	TLGO.SM	Bolsa de Madrid	6-May	\$640	Capital Goods	-16.6%
LAG Energy	2686.HK	Hong Kong Exchange	17-Jun	\$295	Energy	-12.3%
Shanghai Haohai Biological	6826.HK	Hong Kong Exchange	23-Apr	\$305	Health Care	-11.9%
Enviva Partners LP	EVA	NYSE	28-Apr	\$200	Energy	-9.8%
Nobina	NOBINA.SS	OMX Nordic Exchange	18-Jun	\$231	Transportation	-7.9%
MYOB	MYO.AU	Australian Exchange	30-Apr	\$650	Technology	-7.4%
Black Stone Minerals LP	BSM	NYSE	30-Apr	\$428	Energy	-7.3%
Etsy	ETSY	NASDAQ	15-Apr	\$267	Technology	-6.9%

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 June 25, 2015.

## Global IPO Index returns 4.3%, outperforms global equity benchmarks

The Global IPO Index outperformed global equity benchmarks with a quarterly return of 4.3%, compared to the 2.2% return of the MSCI All Country World Index. The Consumer Discretionary and Industrials sectors were crucial in the index's outperformance this quarter. Strong Consumer Discretionary contributors during the period included French cable TV providers Altice (ATC.NA; +34.2%) and Numericable (NUM.FP; +11.8%), while contribution from the Industrials sector was led by United Kingdom state-backed postal service Royal Mail (RMG.LN; +23.1%) and Samsung Group's Korean amusement park subsidiary Cheil Industries (028260.KS; 22.0%).



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 June 25, 2015.

## Global IPO pipeline growing steadily

As long as IPOs continue to generate positive returns we expect global IPO issuance to remain active for the remainder of 2015. The Global IPO Pipeline has expanded to nearly \$330 billion in expected proceeds as an increasing number of global companies are announcing their intentions to pursue an IPO. Notable potential billion dollar international offerings that we expect to launch in 2015 include Japanese state-owned postal system Japan Post, China's largest reinsurance firm China Reinsurance, and Grupo Mexico's railroad unit ITM.

Notable Upcoming Global IPOs			
Company	Business	Listing Country	Est. Deal Size (\$ mm)
Japan Post	State-owned operator of postal stations and banks.	Japan	\$20,000
China Merchants Securities	China's sixth largest brokerage by assets.	Hong Kong	\$5,000
Hydro One	Ontario-based electricity transmission service operator.	Canada	\$2,250
China Reinsurance	China's largest reinsurance firm.	Hong Kong	\$2,000
ITM	Grupo Mexico's railroad unit.	Mexico	\$1,300
Covestro	Bayer's plastics and chemicals business.	Germany	\$1,000

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 June 25, 2015.