

June 28, 2016

Global IPOs Pick Up, Hit by Quarter-end Brexit Turmoil

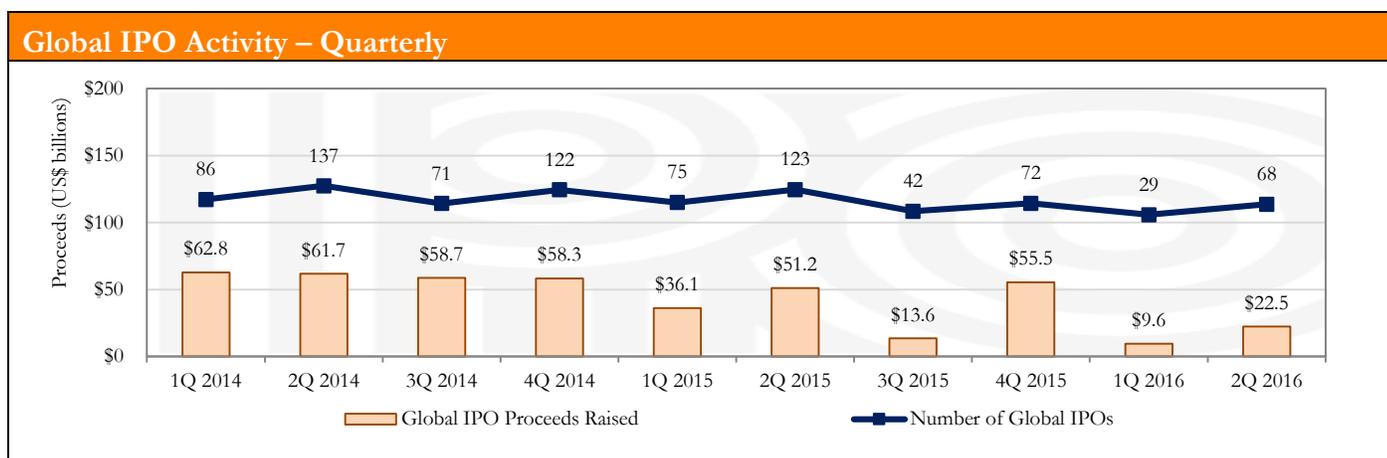
Global IPO activity experienced a modest recovery from the first quarter of 2016, with issuance totaling \$22.5 billion in the 2Q16, more than double the 1Q16 total but a 56% drop year-over-year. Investors continued to be cautious as they weighed uncertainties over possible US interest rate hikes, the Brexit vote and China's slowing economy. Despite European IPOs taking a quarter-end battering following Britain's unexpected decision to leave the EU, overall IPO returns stayed positive at 7.9%, excluding high-flying China A-shares. Europe took the IPO crown from Asia Pacific, raising \$10.6 billion, or 47% of total proceeds, as poor returns derailed the normally active Hong Kong market. Notably, IPO activity picked up in New York after a 1Q shutdown as a wider range of companies accepted lower valuations and braved the markets to raise \$4.7 billion. As global markets now reel from the Brexit vote, we expect a pause in the tentative IPO market recovery. However, a number of large deals wait in the wings, and the solid performance of IPOs to date should encourage companies anxious for liquidity step forward.

Key Takeaways:

- Europe shines as market uncertainty continues to weigh on global issuance
- Spin-offs and European privatizations dominate largest IPOs
- Global IPO performance propped up by strong Asia Pacific and US returns
- Top performing sectors ex-China were Health Care and Technology
- China A-shares continue to outperform, propelled by government-controlled valuations
- International IPO Index underperforms in the 2Q16

Global IPO Activity – Quarterly						
	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	ΔYoY
Proceeds Raised (US\$)	\$51.2B	\$13.6B	\$55.5B	\$9.6B	\$22.5B	-56.0%
Number of Deals	123	42	72	29	68	-44.7%
Median Deal Size (US\$)	\$215mm	\$217mm	\$344mm	\$178mm	\$182mm	-15.5%

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 27, 2016.



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Europe shines as market uncertainty continues to weigh on global issuance

Europe dominated in the 2Q16, representing 49% of proceeds and taking the crown from Asia Pacific, where the normally active Hong Kong market was dampened by poor IPO returns. Only two Hong Kong IPOs raised more than \$100 million in the 2Q16, both of which now trade below issue price. European deals were dominated by privatizations and spin-offs, including Danish owned offshore wind power utility DONG Energy (\$2.6 billion), Netherlands state-owned insurance group ASR Nederland (\$1.2 billion) and Dutch lighting business spin-off Philips Lighting (\$842 million). Notably, activity in North America picked up significantly from the first quarter as companies accepted valuation discounts in exchange for needed liquidity.

Regional Breakdown – (US\$ Billions)									
	2Q 2015			1Q 2016			2Q 2016		
Region	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Asia Pacific	41	\$23.7	46.3%	14	\$5.2	53.6%	26	\$6.9	30.8%
Europe	35	\$13.7	26.8%	10	\$3.5	36.4%	25	\$10.6	47.3%
Latin America	4	\$1.4	2.7%	1	\$0.1	1.1%	0	\$0.0	0.0%
Middle East and Africa	5	\$1.5	2.8%	2	\$0.6	6.2%	2	\$0.3	1.2%
North America	38	\$10.9	21.3%	2	\$0.3	2.7%	15	\$4.7	20.7%

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 27, 2016.

Exchange Breakdown – (US\$ Billions)									
	2Q 2015			1Q 2016			2Q 2016		
Exchange	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
NYSE	20	\$7.8	15.2%	0	\$0.0	0.0%	9	\$3.5	15.3%
OMX Copenhagen	0	\$0.0	0.0%	1	\$0.5	5.6%	1	\$2.6	11.6%
Euronext/Amsterdam	0	\$0.0	0.0%	0	\$0.0	0.0%	4	\$2.6	11.5%
Bolsa de Madrid	3	\$3.7	7.2%	0	\$0.0	0.0%	3	\$1.5	6.5%
Hong Kong Exchange	10	\$9.7	18.9%	5	\$3.2	33.7%	2	\$1.3	5.7%
Australian Exchange	4	\$1.4	2.7%	0	\$0.0	0.0%	4	\$1.2	5.3%
NASDAQ	16	\$2.9	5.8%	2	\$0.3	2.7%	5	\$1.0	4.2%
Shanghai Stock Exchange	16	\$9.5	18.7%	4	\$0.5	5.2%	4	\$0.9	4.1%
Tokyo Stock Exchange	0	\$0.0	0.0%	1	\$0.9	9.3%	3	\$0.8	3.7%
Singapore Exchange	0	\$0.0	0.0%	0	\$0.0	0.0%	2	\$0.8	3.6%

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 27, 2016.

Spin-offs and European privatizations dominate largest IPOs

Spin-offs and European privatizations dominated IPO activity in the second quarter, including the quarter's four largest IPOs. The financial sector was once again the highest grossing, representing 30% of total proceeds, thanks to large issuances from Netherlands state-owned insurance group ASR Nederland (\$1.2 billion), MGM Resorts-backed gaming property REIT MGM Growth Properties (\$1.1 billion) and GE Capital's Czech Republic operations MONETA Money Bank (\$750 million). Boosted by US Foods Holdings (\$1 billion) and Parques Reunidos (\$680 million), the consumer sector had the second highest proceeds level in 2Q16 and accounted for 25% of global proceeds. However, bigger was not better as the world's 10 largest IPOs averaged a lackluster -0.9% return, well below the 2Q16 average of 39% (6.6% ex-China).

Proceeds by Sector – (US\$ Billions)									
Sector	2Q 2015			1Q 2016			2Q 2016		
	#	\$	% of \$	#	\$	% of \$	#	\$	% of \$
Financial	22	\$16.6	32.4%	9	\$5.5	56.8%	19	\$6.7	29.7%
Consumer	15	\$4.1	7.9%	4	\$0.9	9.2%	16	\$5.6	24.8%
Capital Goods	11	\$5.2	10.2%	4	\$0.7	7.8%	11	\$2.8	12.5%
Utilities	4	\$1.2	2.3%	0	\$0.0	0.0%	2	\$2.8	12.3%
Technology	11	\$3.6	7.0%	2	\$0.2	2.5%	5	\$1.3	5.9%
Transportation	8	\$2.9	5.7%	0	\$0.0	0.0%	1	\$1.1	5.0%
Business Services	6	\$2.8	5.4%	3	\$0.5	4.8%	6	\$1.0	4.7%
Health Care	24	\$4.9	9.5%	3	\$0.7	7.6%	4	\$0.5	2.3%
Energy	12	\$4.7	9.2%	1	\$0.3	3.0%	2	\$0.4	1.7%
Materials	7	\$1.7	3.2%	1	\$0.2	1.9%	1	\$0.1	0.7%
Communications	3	\$3.6	7.0%	2	\$0.6	6.5%	1	\$0.1	0.6%

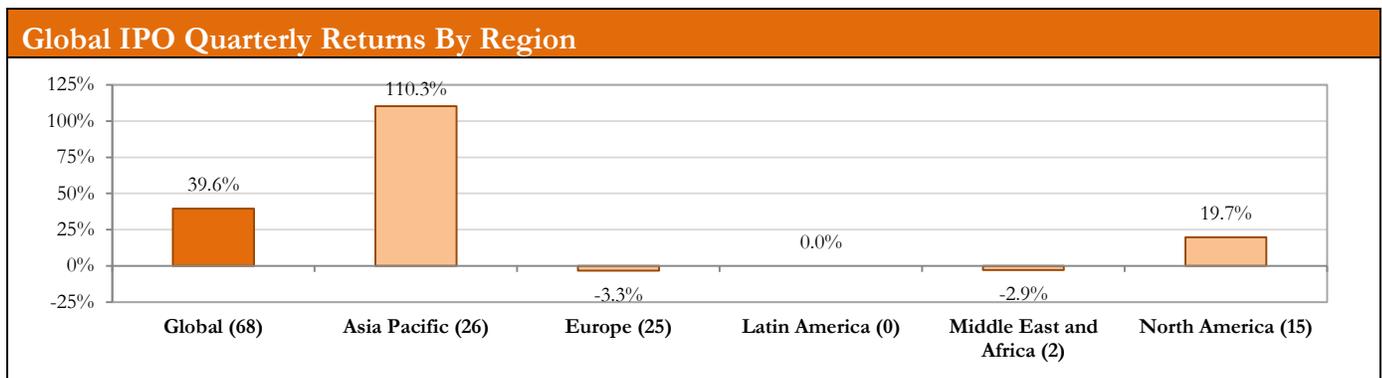
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Largest Global IPOs – 2Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
DONG Energy	DENERG.DC	OMX Nordic Copenhagen	9-Jun	\$2,605	Utilities	0.4%
ASR Nederland	ASRNL.NA	Euronext/Amsterdam	9-Jun	\$1,157	Financial	-6.4%
BOC Aviation	2588.HK	Hong Kong Exchange	25-May	\$1,126	Transportation	-7.0%
MGM Growth Properties	MGP	NYSE	19-Apr	\$1,050	Financial	17.4%
US Foods Holding	USFD	NYSE	25-May	\$1,022	Consumer	3.1%
Philips Lighting	LIGHT.NA	Euronext/Amsterdam	26-May	\$843	Technology	3.1%
MONETA Money Bank	MONET.CP	Prague Stock Exchange	5-May	\$749	Financial	2.2%
Reliance Worldwide	RWC.AU	Australian Exchange	28-Apr	\$701	Capital Goods	23.6%
Parques Reunidos	PQR.SM	Bolsa de Madrid	28-Apr	\$681	Consumer	-17.7%
Telepizza	TPZ.SM	Bolsa de Madrid	25-Apr	\$617	Consumer	-27.6%

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 June 27, 2016.

Global IPO performance propped up by strong Asia and US returns

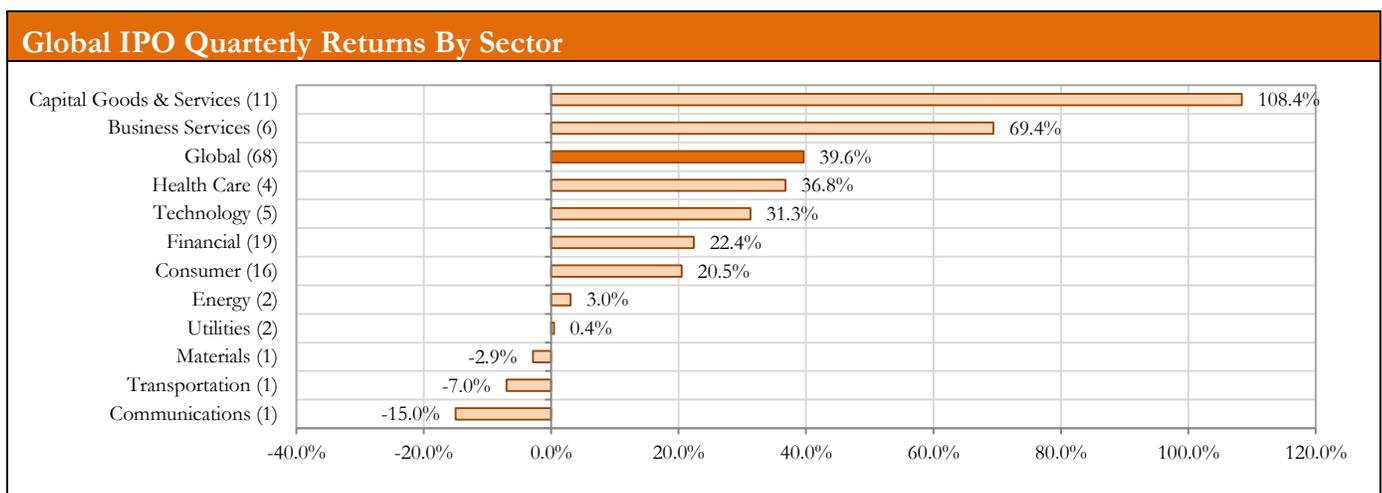
Despite a still dampened level of issuance, IPO returns were surprisingly strong in the 2Q16, up 40% on average. Excluding China A-shares, which averaged a government aided 330% return, global IPOs posted a 7.9% average return. Even without A-shares, Asia Pacific led the pack with a 16% average return thanks to well-received Indian (Ujivan Financial and Parag Milk Foods) and Korean (ST Pharma) deals. US IPOs had a strong showing, averaging a 16% return, led by communications API provider Twilio (TWLO; +84%) and optical networking company Acacia Communications (ACIA; +44%). While great in number, IPOs from Europe averaged a -3% return due to underperforming Spanish and Italian listings and, more broadly, repercussions from the unexpected Brexit vote.



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 27, 2016.

Top performing sectors ex-China were Health Care and Technology

Most sectors produced positive returns for the quarter, led by the Capital Goods and Business Services sectors, which generated average returns of 108% and 69%, respectively, due to a heavy presence of high flying A-share listings. These outsized returns were boosted by plastic machinery producer Hangzhou Zhongya Machinery (300512.CH; +384%) and infrared imaging device manufacturer Hubei Jiuzhiyang Infrared System (300516.CH; +501%). Excluding A-shares, the top performing sectors were Health Care at 37% and Technology at 31%, helped by several strong venture-backed listings.



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 27, 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 headed by the five China A-share IPOs. The United States was the next best represented country, accounting for four of the ten best performers this quarter.

Mainly due to the Brexit sell-off, 41% of 2Q16 IPOs now trade below their IPO prices. Among the worst performers were Spanish pizza chain Telepizza (TPZ.SM; -28%), Hong Kong electric scooter manufacturer Yadea Group (1585.HK; -27%) and Italian commercial REIT Coima Res (CRSE.IM; -22%).

Best Performing Global IPOs – 2Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Hubei Jiuzhiyang Infrared	300516.CH	Shenzhen Stock Exchange	20-May	\$103	Capital Goods	501.4%
CNEC	601611.CH	Shanghai Stock Exchange	23-May	\$278	Business Services	398.3%
Hangzhou Zhongya	300512.CH	Shenzhen Stock Exchange	6-May	\$108	Capital Goods	384.4%
First Capital Securities	002797.CH	Shenzhen Stock Exchange	27-Apr	\$359	Financial	256.5%
Shanghai Flyco Electrical	603868.CH	Shanghai Stock Exchange	1-Apr	\$121	Consumer	231.4%
Chongqing Sokon Industrial	601127.CH	Shanghai Stock Exchange	13-Jun	\$126	Capital Goods	208.8%
Twilio	TWLO	NYSE	22-Jun	\$150	Technology	83.9%
Ujjivan Financial	UJJIVAN.IN	NSE of India	3-May	\$133	Financial	80.4%
SiteOne Landscape Supply	SITE	NYSE	11-May	\$210	Consumer	57.4%
Equitas Holdings	EQUITAS.IN	NSE of India	7-Apr	\$219	Financial	56.5%

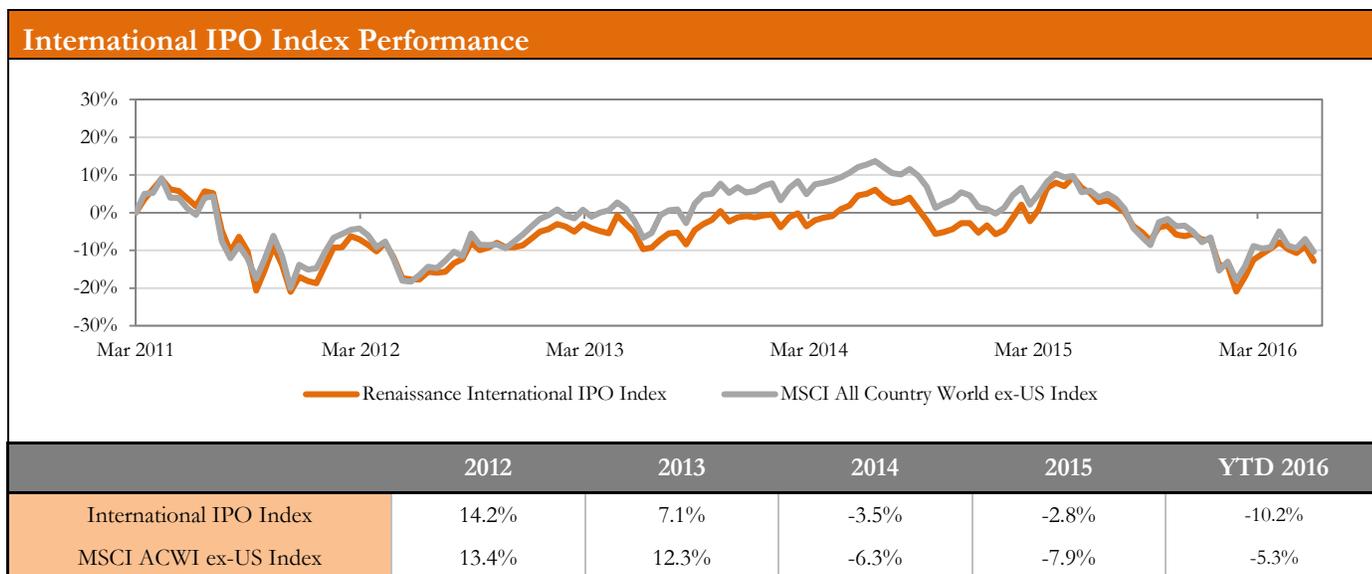
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Worst Performing Global IPOs – 2Q 2016						
Company	Ticker	Exchange	Offer Date	Deal Size (\$ mm)	Industry	Return from IPO
Telepizza	TPZ.SM	Bolsa de Madrid	25-Apr	\$617	Consumer	-27.6%
Yadea Group	1585.HK	Hong Kong Exchange	13-May	\$166	Capital Goods	-27.3%
Coima Res	CRES.IM	Borsa Italiana	11-May	\$244	Financial	-22.4%
Forterra	FORT.LN	LSE Main	21-Apr	\$182	Capital Goods	-20.7%
Global Dominion Access	DOM.SM	Bolsa de Madrid	26-Apr	\$170	Business Services	-20.1%
Parques Reunidos	PQR.SM	Bolsa de Madrid	28-Apr	\$681	Consumer	-17.7%
Time Out Group	TMO.LN	AIM	9-Jun	\$130	Communications	-15.0%
Resurs Holding	RESURS.SS	OMX Stockholm	29-Apr	\$445	Financial	-14.4%
Star Asia Investment	3468.JP	Tokyo Stock Exchange	11-Apr	\$218	Financial	-13.3%
Motorpoint Group	MOTR.LN	LSE Main	13-May	\$143	Consumer	-13.0%

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 27, 2016.

International IPO Index underperforms in the 2Q16

The [Renaissance International IPO Index \(IPOXUS\)](#), the underlying index for the [Renaissance International IPO ETF \(NYSE Ticker: IPOS\)](#), underperformed international equity benchmarks with a -8.1% quarterly return compared to the MSCI ACWI ex-US Index's -4.3% loss. The Financial and Health Care sectors were the index's weakest sectors. Notable detractors included mid-sized Chinese brokerage firm Huatai Securities (6886.HK; -13.9%), ING's European insurance unit NN Group (NN.NA; -5.3%), and leading Chinese biotech with drugs for anemia and low blood platelets 3SBio (1530.HK; -33.4%).



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 27, 2016.

Large IPO candidates continue to wait in the wings

While the unexpected Brexit vote may result 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. With mainland China continuing to delay IPO reforms and listings, Hong Kong should benefit from a steady stream of mainland companies looking to raise capital, including state-backed Postal Savings Bank of China. Other notable deals in the pipeline include Korea's Hotel Lotte, which was delayed from the 2Q16 due to a bribery probe, Telefonica's infrastructure unit Telxius and Italian owned air traffic controller Enav.

Notable Upcoming Global IPOs				
Company	Business	Exchange	Est. Deal Size (\$ mm)	
PSBC	Lending arm of state-owned postal service China Post Group.	Hong Kong	\$8,000	
Hotel Lotte	South Korean hotel arm of Japanese conglomerate Lotte Group.	Korea	\$5,000	
Telxius	Tower and submarine cable unit of Spanish telecom Telefonica.	Madrid	\$5,000	
Samsung BioLogics	Drug manufacturing arm of Samsung Group.	Korea	\$2,600	
Enav	State-owned Italian air traffic controller	Italy	\$1,400	
Line Corp	Leading Japanese mobile messaging application.	NYSE/Tokyo	\$1,000	
Doosan Bobcat	Parent of US construction machinery maker Bobcat.	Korea	\$1,000	

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