

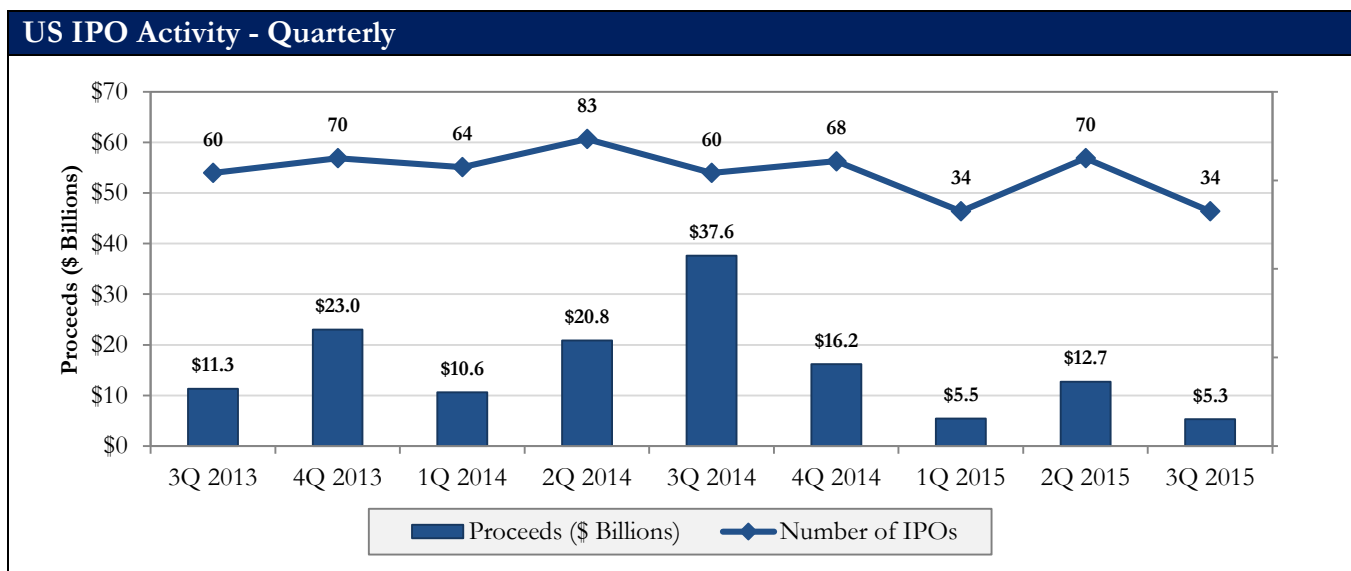
September 30, 2015

## US IPO Market Contracts as Returns Slump in the Third Quarter

The IPO market slowed in the 3Q 2015 to 34 deals, down 43% year-over-year, hurt by the broad market sell-off and specific sector conditions, including a near absence of tech and energy issuance. In addition, a significant number of IPOs were pulled or delayed due to market conditions or acquisitions. For the first time since 2011, average IPO returns were negative (-4%) and more IPOs ended the quarter below their offer price than above it. Health care companies again dominated IPO issuance thanks to biotechs, and for the first time in over 15 years the sector made up over half of the quarter's deals, a trend that could be stymied by the sharp biotech correction at quarter-end. The technology sector, typically a cornerstone of the IPO market, had just one offering – the lowest level in over six years. Oil and gas IPOs evaporated amid low energy prices. The end of the quarter saw volatility at a new high, IPO returns at a new low, a dip in initial filings and a rate hike on the horizon, all of which suggest that IPO activity will continue at a slower pace than 2014 and will require greater price concessions on the part of issuers. We now enter the 4Q 2015 with several large offerings in the queue including Ferrari and Pure Storage, which should set the tone for a packed IPO pipeline.

### Key Takeaways:

- Quarterly Proceeds Falls to a Four-Year Low, But IPO Count Stays Above 2009-2012
- Three-Quarters of IPOs were Health Care and Consumer; Tech had Just One Deal
- Consumer Sector Produces Three of the Five Largest Deals; Other Large IPOs Pulled
- Over Half of IPOs Have Negative Returns, Exacerbated by Broader Market Plunge
- Biotechs Make Up Best and Worst IPOs
- LBOs Dry Up But Private Equity Remains Active; Venture Capital Held Up by Health Care
- IPO Pipeline Swells with Several Large High-Profile Names



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

All charts and stats include SGRY, PFGC, EDGE and MIRN, which priced on September 30 to begin trading on October 1, except for returns data.

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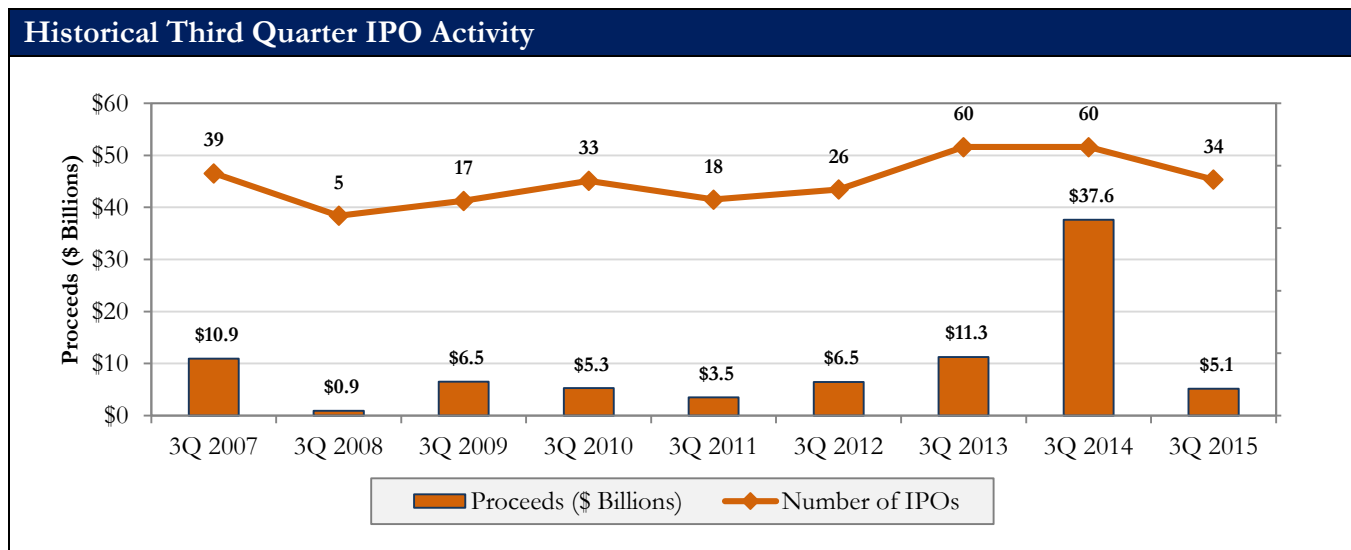
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Key US IPO Statistics					
	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Number of Deals	60	68	34	70	34
Proceeds Raised (US\$)	\$37.6b	\$16.2b	\$5.5b	\$12.7b	\$5.1b
Median Deal Size (US\$)	\$94m	\$133m	\$82m	\$100m	\$110m
PE-Backed Deals	16	20	5	18	12
PE-Backed Proceeds (US\$)	\$4.4b	\$5.1b	\$1.2b	\$4.7b	\$2.3b
VC-Backed Deals	27	30	17	34	15
VC-Backed Proceeds (US\$)	\$23.4b	\$4.4b	\$1.3b	\$3.9b	\$1.6b
Performance					
Average US IPO Return	19.9%	24.5%	16.8%	14.5%	-3.9%
Avg. First-Day Return	13.5%	12.4%	10.6%	17.1%	18.2%
Avg. Aftermarket Return	4.8%	11.1%	4.1%	-0.6%	-19.5%
Renaissance IPO Index	-1.5%	1.6%	7.1%	-2.1%	-17.2%
S&P 500	0.6%	4.4%	0.4%	-0.2%	-6.9%
Russell 3000	-0.5%	4.7%	1.3%	-0.3%	-7.7%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 9/30/2015.

### Quarterly Proceeds Falls to a Four-Year Low, But IPO Count Stays Above 2009-2012

IPO activity fell 43% compared to the prior year period, tying the 1Q 2015 for the slowest quarter in over two years. IPOs raised less capital than any other quarter since the 3Q 2011, the last time volatility was this high and quarterly IPO returns were negative. Even without Alibaba's \$22 billion IPO in 2014, quarterly proceeds would have been down 68% year-over-year. Despite the relative slowdown, IPO activity remained above the post-recession levels seen in the third quarters of 2009-2012. The average IPO produced a better return from the offer price (-3.9%) than the S&P 500 (-7.0%), entirely attributable to above-average first-day pops, as aftermarket returns meaningfully trailed all major benchmarks.



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

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### Three-Quarters of IPOs were Health Care and Consumer; Tech had Just One Deal

The health care sector has dominated IPO issuance since 2013 due to a two-year biotech binge. For the first time in at least 15 years, health care IPOs accounted for over half of the quarter's offerings. During the quarter, 15 of the 18 health care IPOs were biotechs, a trend that appears threatened after the end-of-quarter correction. Consumer IPOs made a strong showing, with several high-growth names such as Planet Fitness, Blue Buffalo Pet Products and Amplify Snack Brands. The technology sector saw just one software company go public, cybersecurity software vendor Rapid7, making it the least active quarter for tech since the 1Q 2009. During the third quarter there were no oil and gas IPOs. The two energy deals, both in the solar space, are among the quarter's ten worst-performing deals. One Chinese company – a wealth manager – managed to go public, along with an investment bank (Houlihan Lokey), an online lender (Live Oak) and an insurer (Conifer). There were no dividend-producing REITs or MLPs. While we do not track blank check companies as IPOs, it is worth noting that nine such companies became listed in the third quarter and raised a combined \$2.2 billion, more than any sector.

IPOs and Proceeds by Sector (US\$ Billion)															
Sector	3Q 2014			4Q 2014			1Q 2015			2Q 2015			3Q 2015		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Health Care	27	\$2.5	45%	23	\$3.0	34%	16	\$1.2	47%	30	\$2.7	43%	18	\$1.9	53%
Consumer	2	\$0.3	3%	5	\$0.5	7%	1	\$0.1	3%	6	\$1.5	9%	7	\$1.7	21%
Energy	6	\$2.1	10%	7	\$3.2	10%	2	\$1.2	6%	8	\$3.3	11%	2	\$0.9	6%
Financial	8	\$7.4	13%	12	\$4.3	18%	9	\$1.1	26%	4	\$0.7	6%	4	\$0.4	12%
Technology	7	\$23.4	12%	11	\$2.2	16%	4	\$1.3	12%	10	\$1.2	14%	1	\$0.1	3%
Communications	1	\$0.1	2%	1	\$0.4	1%	0	\$0.0	0%	0	\$0.0	0%	1	\$0.1	3%
Materials	5	\$1.4	8%	1	\$0.4	1%	0	\$0.0	0%	2	\$0.8	3%	1	\$0.0	3%
Capital Goods	0	\$0.0	0%	3	\$1.3	4%	1	\$0.4	3%	5	\$0.5	7%	0	\$0.0	0%
Transportation	1	\$0.2	2%	4	\$0.8	6%	1	\$0.2	3%	2	\$0.6	3%	0	\$0.0	0%
Utilities	1	\$0.1	2%	0	\$0.0	0%	0	\$0.0	0%	0	\$0.0	0%	0	\$0.0	0%
Business Services	2	\$0.2	3%	1	\$0.2	1%	0	\$0.0	0%	3	\$1.3	4%	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.

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### Consumer Sector Produces Three of the Five Largest Deals; Other Large IPOs Pulled

The ten largest deals raised a combined \$3.2 billion, including just two with a deal size of more than \$300 million. A lack of large LBOs led to an average IPO deal size of about \$150 million in the third quarter. Larger IPOs are generally more insulated from wide swings, but the top ten ended the quarter with an average return of -27%, much worse than the overall group. Only two closed the quarter above issue, and the 7% return from Planet Fitness made it the group's top-performer. Three private equity-backed consumer goods companies made it in the top five. These included Blue Buffalo, Performance Food Group and Amplify Snack Brands. NantKwest was notable for achieving the largest-ever valuation at IPO (\$2.6 billion) for a development-stage biotech, though it lost over half of its value by quarter-end. The energy sector typically produces more large IPOs, but the impact of low oil and gas prices appears to have spilled over to MLP issuance (an active segment of the IPO market in recent quarters) and, based on the performance of TerraForm and Sunrun, renewable energy as well. Energy & Exploration Partners withdrew a \$400 million IPO and Freeport-McMoRan Oil & Gas delayed its estimated \$1 billion offering. Acquisitions took SunGard, Par Pharmaceutical and SRA Companies out of the IPO pipeline, each of which would have been in the top five.

Largest US IPOs					
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO
Blue Buffalo Pet Products	BUFF	21-Jul	\$677	Consumer	-10%
TerraForm Global	GLBL	31-Jul	\$675	Energy	-56%
Performance Food Group	PFGC	30-Sep	\$276	Consumer	n/a
Surgery Partners	SGRY	30-Sep	\$271	Health Care	n/a
Amplify Snack Brands	BETR	4-Aug	\$270	Consumer	-41%
Sunrun	RUN	4-Aug	\$251	Energy	-26%
Houlihan Lokey	HLI	12-Aug	\$221	Financial	4%
Planet Fitness	PLNT	5-Aug	\$216	Consumer	7%
NantKwest	NK	27-Jul	\$207	Health Care	-54%
Natera	NTRA	1-Jul	\$180	Health Care	-40%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 9/30/2015.

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### Over Half of IPOs Have Negative Returns, Exacerbated by Broader Market Plunge

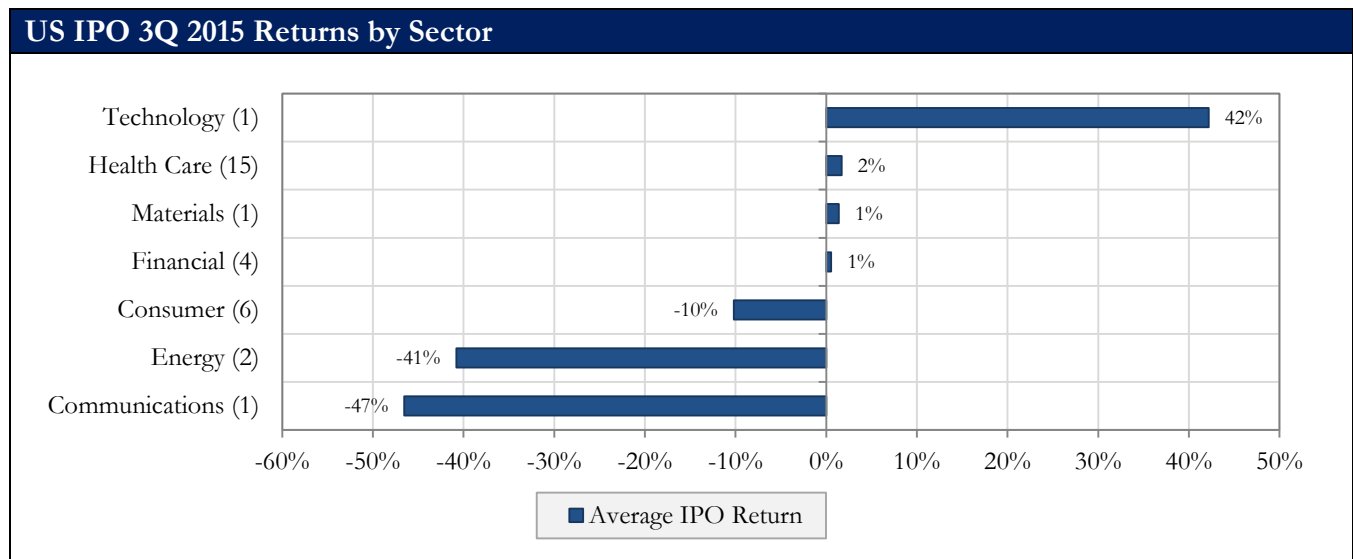
Investors unable to get in at the IPO price would have been better off avoiding IPOs. The average first-day return was surprisingly strong at 18%, the highest level since the 1Q 2014. Prior to September, valuations generally went unchallenged; ten deals (29%) in the 3Q 2015 came in below the range, including the four that priced on the last day of the quarter. High initial valuations and plummeting equity markets led to dismal aftermarket performance – the average return for IPOs after the first day was -19%, and 26 companies (87%) traded down from the first-day close. Altogether, IPOs averaged a loss of 4%, the lowest since the 3Q 2011.

Return Statistics	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Avg. Total Return	19.9%	24.5%	16.8%	14.5%	-3.9%
Avg. First-Day Return	13.5%	12.4%	10.6%	17.1%	18.2%
Avg. Aftermarket Return	4.8%	11.1%	4.1%	-0.6%	-19.5%
% Trading Above Issue at Quarter Close	72.2%	63.6%	74.5%	65.2%	46.7%
% Deals with <b>Negative</b> First-Day Return	26.7%	30.9%	30.9%	25.8%	26.7%
% Deals Priced <b>Below</b> the Range	52.6%	41.2%	32.4%	25.8%	29.4%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 9/30/2015.

### IPO Returns Fall Across Most Sectors

Digging into the data shows that technology was the only sector with meaningful returns in the third quarter, due to the 42% gain from its only IPO, Rapid7. Six health care IPOs produced double-digit positive returns, including one up over 100%, while five others had double-digit losses. Consumer was the top-performing sector in both the first and second quarters, but the six deals in the 3Q 2015 finished with an average return of -10%, dragged down by a disappointing debut from high-growth popcorn maker Amplify. Two energy IPOs, residential solar provider Sunrun and renewables yieldco TerraForm Global, both broke issue on day one and continued to slide.



Source: Renaissance Capital. Based on offer price to 9/30/2015 closing price. Excludes SGRY, PFGC, EDGE and MIRN.

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### Biotechs Make Up Best and Worst IPOs

Only 14 IPOs (47%) finished the quarter above the offer price, down from the 60-70% levels seen in prior quarters. Biotechs represented three of the top five IPOs during the 3Q 2015, even after the sector sold-off at quarter end. Top-performer Global Blood Therapeutics became the year's fifth IPO to double on its first day of trading. Cybersecurity software provider Rapid7, the quarter's only tech IPO, finished as third-best. The top ten's gains were all fueled by first-day trading; they averaged -3% in the aftermarket (better than the broader group's -19% average).

Best-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Global Blood Therapeutics	GBT	11-Aug	\$120	Health Care	116%	111%
Aimmune Therapeutics	AIMT	5-Aug	\$160	Health Care	51%	58%
Rapid7	RPD	16-Jul	\$103	Technology	58%	42%
Neos Therapeutics	NEOS	22-Jul	\$72	Health Care	30%	40%
Penumbra	PEN	17-Sep	\$120	Health Care	38%	34%
Chiasma	CHMA	15-Jul	\$102	Health Care	25%	24%
ProNAi Therapeutics	DNAI	15-Jul	\$138	Health Care	81%	21%
Live Oak Bancshares	LOB	23-Jul	\$82	Financial	12%	16%
Planet Fitness	PLNT	6-Aug	\$216	Consumer	0%	7%
Houlihan Lokey	HLI	12-Aug	\$221	Financial	7%	4%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 9/30/2015.

Biotechs also made up three of the quarter's five worst-performing IPOs. Large early-stage biotech NantKwest priced well above its range and jumped 39% on its first day (the quarter's fifth-best), but ended the quarter down 54%. Of the eight companies that began trading at \$1+ billion valuations in the 3Q 2015, five are on this list. Consumer IPO Amplify Snack Brands is notable for pricing above the range and then breaking issue on its first day, which has happened just nine times in the past ten years.

Worst-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
EyeGate Pharmaceuticals	EYEG	30-Jul	\$10	Health Care	-16%	-66%
vTv Therapeutics	VTVT	29-Jul	\$117	Health Care	-27%	-57%
TerraForm Global	GLBL	31-Jul	\$675	Energy	-16%	-56%
NantKwest	NK	27-Jul	\$207	Health Care	39%	-54%
Ooma	OOMA	16-Jul	\$65	Communications	-7%	-47%
Amplify Snack Brands	BETR	4-Aug	\$270	Consumer	-10%	-41%
Natera	NTRA	1-Jul	\$180	Health Care	26%	-40%
Benitec Biopharma	BNTC	18-Aug	\$14	Health Care	-13%	-33%
Sunrun	RUN	4-Aug	\$251	Energy	-23%	-26%
MasterCraft	MCFT	16-Jul	\$91	Consumer	6%	-14%

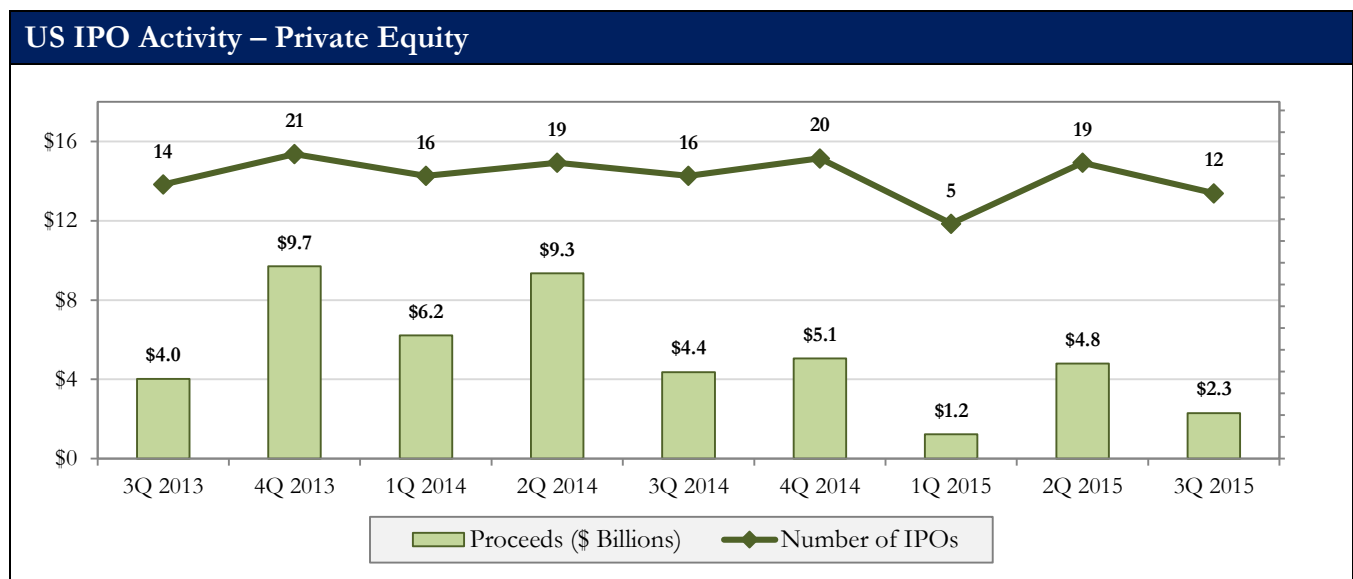
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## LBOs Dry Up But Private Equity Remains Active

IPO activity from private equity firms slowed from the second quarter, but represented over one-third of overall issuance and almost half of proceeds. Over half of all PE-backed IPOs raised less than \$150 million due to a shift toward growth equity. However, several LBOs with billion-dollar deal sizes have prepared to go public in the 4Q 2015. Private equity firm Invus was behind the quarter's largest IPO, as all-natural dog food producer Blue Buffalo raised \$677 million. It gained 36% on its first day, but ended the quarter with a 10% loss. There were three LBOs in the 3Q 2015, including two that priced on the last day of the quarter; Surgery Partners and Performance Food Group. The third, discount retailer Ollie's Bargain Outlet, gained 32% on its first day, but ended the quarter just above its offer price. Gym franchisor Planet Fitness had the quarter's second-best aftermarket performance; it ended its first day flat but traded up 7% from there. Amplify Snack Brands and vTv Therapeutics, the year's two worst-performing PE-backed IPOs, helped bring down the average return of 3Q 2015 PE deals to -8%.



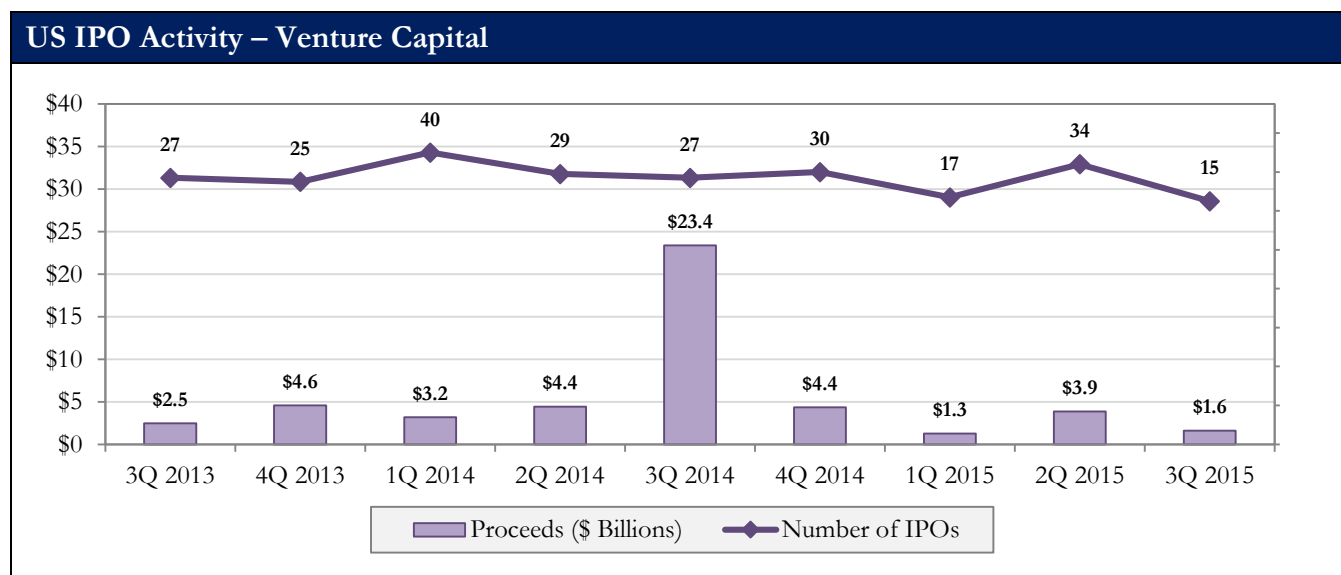
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## Venture Capital Held Up by Health Care

Venture capital was behind 15 IPOs during the third quarter, dropping to the lowest level since the 1Q 2013, reflecting a new absence of tech issuance in the face of mediocre tech IPO performance and ample private funding capacity at generous valuations. Yet it was still enough for VC to outpace PE issuance for the ninth straight quarter. Venture activity was supported by 11 biotech IPOs. Led by Global Blood Therapeutics' 111% return, VC-backed deals averaged a gain of 6%, far better than private equity. Biotech has represented about 30-60% of VC issuance in each quarter during the past two years. However, that trend could change heading into the fourth quarter as the Nasdaq Biotechnology Index finished September down 23% from its July peak. Sunrun was the quarter's largest VC-backed IPO with a \$250 million capital raise, but it also had the group's worst debut, falling 23% on the first day. Of the thirteen VC-backed IPOs that have begun trading, nine gained 25% or more on their first day and the remaining four had double-digit declines, resulting in an average first day pop of 30%.



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

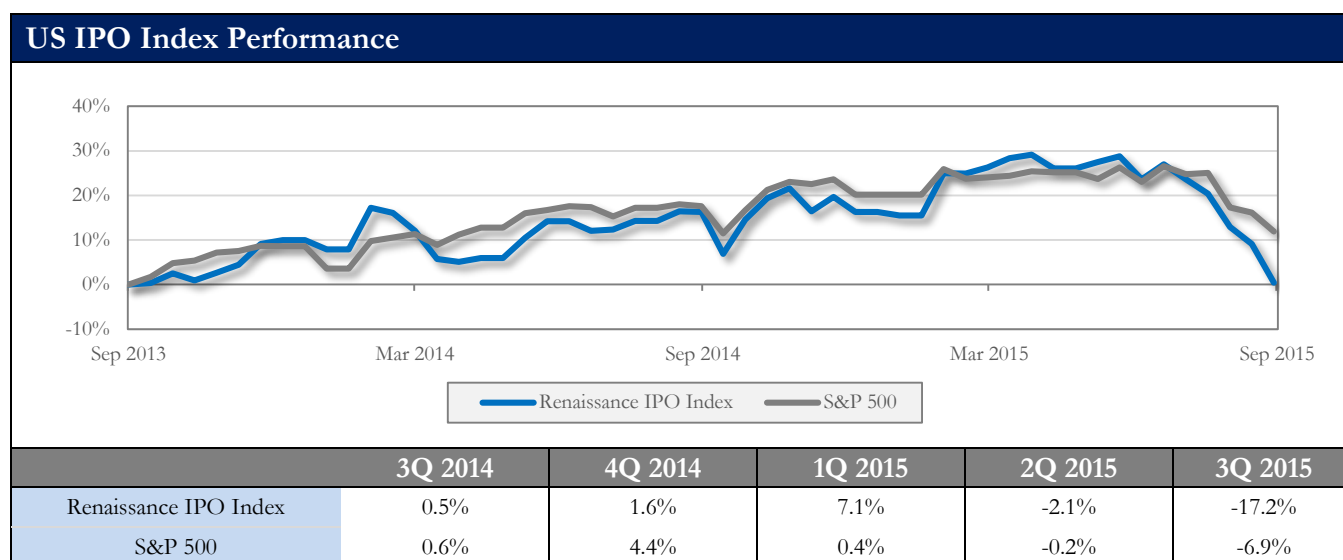
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### Dragged Lower by Technology and Consumer Sectors, IPO Index Underperforms

The Renaissance IPO Index (IPOUSA), the underlying index for the Renaissance IPO ETF (IPO), significantly underperformed US equity benchmarks with a -17.2% return (S&P 500; -6.9%). The Information Technology and Consumer Discretionary sectors detracted 7.8% and 5.1% from overall index returns, respectively. China's largest e-commerce firm Alibaba Group Holding (BABA; -28%), online social networking and microblogging service Twitter (TWTR; -26%), and the world's largest hotel chain Hilton Worldwide (HLT; -17%) were among the index's most significant detractors. Alibaba and Twitter both broke below their issue price during the quarter.



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 September 30, 2015.

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### IPO Pipeline Swells with Several Large High-Profile Names

The full IPO pipeline contains 118 companies estimated to raise \$31 billion. Of these, 63 deals looking to raise \$21 billion have filed initial or updated registration documents in the past 60 days, signaling plans to go public in the coming months. Overall filing activity fell 39% to 52 – enough to replace the 34 that went public and 13 that withdrew – but a noticeable pullback in filings during September (11 vs. 30-36 in the prior two Septembers) serves as yet another headwind for the 4Q 2015. The “active” backlog now includes eight IPOs that we estimate could raise over \$1 billion, including First Data, Ferrari and Albertsons Companies. The market’s heightened volatility seen in the final weeks of September likely has likely caused many to push back timing (reportedly Neiman Marcus and First Data). By sector, the pipeline is primarily health care (30%), consumer (13%), financial (11%), technology (10%) and capital goods (10%). The large LBOs and value plays should be able to price their deals to meet investor demand, but growth companies may find that the IPO window is only open to best-in-class deals. The first mega IPO should be Caribbean wireless provider Digicel, which is scheduled to raise \$1.8 billion, while Ferrari is reportedly revving up to launch its roadshow late this week. High-growth tech IPO Pure Storage is also on the calendar for early October.

Notable Upcoming IPOs				
Company	Business	Sector	LTM Sales (\$mm)	Deal Size (\$mm)
First Data	Electronic commerce and payment processing.	Financial	\$11,242	\$3,000*
Albertsons Companies	Second-largest US grocer operating Safeway and other chains.	Consumer	\$57,884	\$1,840
Digicel**	Leading provider of mobile services in the Caribbean.	Media	\$2,785	\$1,800*
Ferrari	Italian luxury sports car manufacturer spun out of Fiat Chrysler.	Capital Goods	\$2,801	\$1,000*
Neiman Marcus	Leading luxury department retailer.	Consumer	\$5,095	\$1,000*
Univision	Leading American Spanish-language media company.	Media	\$2,778	\$1,000*
Patheon	Provides outsourced drug manufacturing and development.	Health care	\$2,007	\$700*
Petco Holdings	Operates more than 1,400 pet superstores.	Consumer	\$4,223	\$500*
McGraw-Hill Education	Apollo-backed academic publisher.	Business Services	\$1,847	\$500*
Pure Storage**	Provides flash memory-based enterprise storage hardware.	Technology	\$274	\$425
Vizio	Low-cost manufacturer of TVs and soundbars.	Consumer	\$3,231	\$173
SoulCycle	Indoor cycling fitness chain spun out of Equinox.	Consumer	\$137	\$100

Source: Renaissance Capital. \*RC estimate. \*\*On the IPO calendar for October.

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### Private Company Pipeline

In the 3Q 2015, 37% of the 52 filings came from our Private Company Watchlist, including the unicorn Pure Storage. With Pure Storage on the calendar for the first week of the new quarter, we note there are a few other tech unicorns (companies that have received private funding at a greater than \$1 billion valuation) in our PCW that are expected to file and go public in the 4Q 2015. Atlassian, an Australia-based enterprise software company that received private funding at a \$3.3 billion valuation in April 2014, reportedly filed confidentially last week for a US IPO. Electronic payments firm Square, which is led by Twitter's CEO Jack Dorsey and was valued at \$6 billion in a September 2014 funding round, is expected to publicly file its S-1 within the next few weeks.

Notable Private Companies Expected to Seek IPOs			
Company	Business	Sector	Est. Valuation (\$mm)
Square*	Mobile payment service.	Financial	\$6,000
Cloudera	Cloud-based Apache Hadoop data analytics platform.	Technology	\$4,100
Atlassian*	Software development and collaboration tools for developers.	Technology	\$3,300
Nutanix	Software-defined storage appliance provider.	Technology	\$2,500
Jimmy John's	US sandwich chain with more than 2,100 locations.	Consumer	\$2,000
Oportun**	Hispanic-focused consumer lender in CA, TX and IL.	Financial	\$1,000
Veracode*	Cloud-based application security testing platform.	Technology	\$700
Instructure*	Operates learning management system Canvas.	Technology	\$650
Aquantia	Manufactures 10 Gigabit Ethernet ICs.	Technology	n/a
Sweetwater	Craft brewery with brands including 420 Extra Pale Ale.	Consumer	n/a

Source: Renaissance Capital. \*Confirmed confidential filer. \*\*Selected banks.

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### Market Turmoil Clouds Fourth Quarter Outlook

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The IPO market enters the fourth quarter of 2015 with the poorest returns since the third quarter of 2011. Across most sectors, investors will demand greater discounts than before, likely causing some deals to delay issuance. In addition to most 2015 IPOs trading below issue, the VIX Volatility Index reached its highest point since 2011 and should continue to dampen IPO activity if it stays above 25. Concerns over China's growth will make it difficult for Chinese companies to successfully list in the US. The energy sector has run out of gas, including dim prospects for solar. Barring a flood of tech filings over the next month, tech issuance is likely to remain below trend, but the sector will see its first high-profile unicorn to price since Box, with Pure Storage scheduled for next week. It and a diverse set of others on the IPO calendar should serve as an early barometer for the rest of the quarter. Pre-revenue biotechs have been a reliably dominant force in the IPO market since 2013, but the Nasdaq Biotechnology Index's 25% decline from its peak could finally turn off the biotech spigot. The Fed appears to have decided that a rate hike will arrive in the fourth quarter and it is uncertain how markets will react. Even with these hurdles, the IPO pipeline suggests that fourth quarter proceeds should rise due to billion-dollar deals like First Data, Albertsons and Ferrari. A high number of companies are actively on file to go public, but the decline in September filings serves as another sign that market conditions have disrupted fourth quarter activity. In our September Fall Preview report, we indicated that 2015 could still reach 200 IPOs for the third year in a row if markets cooperated. They didn't, and now an IPO total closer to 180 seems more plausible.

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#### 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](http://www.renaissancecapital.com).