

September 3, 2014

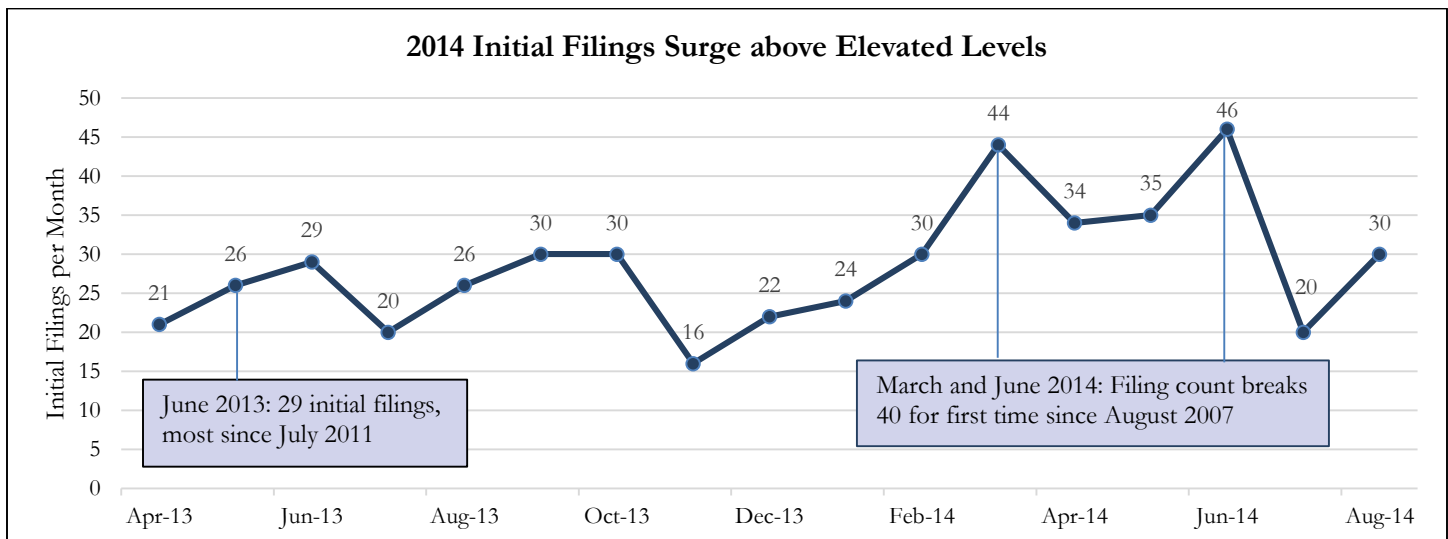
The US IPO Market Prepares for a Fall Surge

The US IPO market has seen 188 companies raise \$40 billion in 2014, a 44% increase in deal count year-over-year. This high level of activity looks set to continue as a growing backlog suggests that up to 100 more IPOs could raise as much as \$40 billion. That would bring 2014's total proceeds to \$80 billion, up 46% over 2013 and the most proceeds raised since 2000. Alibaba's potentially \$20 billion offering has attracted more attention than any other IPO this year, but there are many other significant companies in the pipeline. Private equity is behind 47 IPOs that could raise \$15 billion, including two we expect to be billion-dollar deals. A number of tech companies have delayed offerings but now head into a receptive IPO market. Biotech IPOs made up over a quarter of all deals this year and show no sign of slowing down; health care companies account for 30% of the pipeline.

So far this year, 263 companies have submitted initial IPO filings, surpassing the full-year 2013 total of 256. Positive performance in broader indices along with strong gains from the Renaissance IPO ETF (up 14% since May) set the stage for a robust autumn in the US IPO market with an uptick of heavyweights, most notably the Chinese e-commerce behemoth Alibaba.

Key Takeaways:

- More Mega Leveraged Buyouts Prepare to Go Public
- Alibaba Should Lead a Technology Rebound
- Record Biotech Issuance Likely to Continue Through Year-End
- Financial and Energy Sectors Positioned to Stay Busy
- 2014 IPO Issuance Should Comfortably Set a Post-Bubble Record



Source: RenaissanceCapital.com

Note: Monthly filings include all initial S-1s, F-1s or S-11s from companies that lack significant public trading and are raising at least \$5 million.

*Includes companies that have submitted initial or updated filings within the last two years, and excludes those that have priced, been acquired or withdrawn their filings.

Renaissance Capital is a global IPO investment adviser providing pre-IPO fundamental research and IPO market analytics to institutional investors. Renaissance Capital manages portfolios of unseasoned equities through the Renaissance IPO ETF (symbol: IPO), the Global IPO Fund (symbol: IPOSX) and separately managed accounts. For more information, visit www.renaissancecapital.com.

More Mega Leveraged Buyouts Prepare to Go Public

Private equity-backed IPOs make up 36% of our active pipeline, and are set to rebound after representing just 26% of 2014 IPOs to date. Leveraged buyout activity has been outweighed by growth-equity backed IPOs so far but is poised to pick up, with LBOs accounting for all but one of the 12 deals we highlight below. More than half of PE-backed deals in the pipeline generate over \$1 billion in annual sales. We believe at least two could raise \$1 billion or more.

Featured Private Equity-Backed IPOs

File Date	Company	Industry	Primary Backer	Est. Deal Size (\$mm)	LTM Sales (\$mm)	GAAP EBIT%
8/22/2014	Fairmount Santrol (FMSA)	Energy	American Securities†	\$1,000*	\$1,169	21%
6/27/2014	Univar	Materials	CVC/CD&R†	\$1,000*	\$10,417	3%
6/04/2014	Travelport Worldwide	Technology	Angelo Gordon/Q/Blackstone†	\$800*	\$2,114	15%
6/24/2014	VWR	Materials	Madison Dearborn†	\$750*	\$4,274	6%
6/09/2014	GoDaddy	Technology	KKR†/Silver Lake†	\$750*	\$1,251	-11%
6/16/2014	ATD	Capital Goods	TPG†	\$500*	\$4,387	0%
1/21/2014	Party City	Consumer	Thomas H. Lee†	\$500	\$2,077	8%
7/01/2014	Expro Oilfield Services	Energy	Arl/Goldman†/AlpInvest	\$400*	\$1,385	13%
6/20/2014	Smart & Final Stores	Consumer	Ares Management	\$300*	\$3,255	3%
5/01/2014	Atento	Business Services	Bain†	\$300	\$2,328	4%
5/27/2014	Civitas Solutions	Health Care	Vestar	\$250	\$1,244	5%
7/30/2014	TransFirst	Financial Services	WCAS†	\$200*	\$1,100	8%

Source: RenaissanceCapital.com *RC estimate †IPO'd a company in 2014

Fairmount Santrol (FMSA): American Securities took a 51% stake in Fairmount Santrol in 2010. Since then, the shale boom has caused a spike in demand for energy support services. Fairmount provides sand to oilfield service companies, mainly Halliburton and FTSI. Aside from its revenue, the company boasts strong growth (40% MRQ) and profitability. The offering will be comprised entirely of insider shares.

Travelport Worldwide: Bought by Blackstone in 2006, Travelport operates the world's third-largest Global Distribution System for the travel industry. The company first launched a \$2 billion IPO on the London Stock Exchange in 2010, but later withdrew its offering. Since then, Travelport lost its once-leading market position to Amadeus and April IPO Sabre, an LBO taken public by TPG and Silver Lake. In 2013, Blackstone sold the majority of its stake in Travelport to Angelo Gordon and Q Investments.

Univar: LBO'd by CVC Capital, Goldman Sachs and Parcom for \$2.1 billion in 2007, Univar is the leading global chemical distributor with the #1 market share in North America and #2 in Europe. Goldman sold its stake to PE firm Clayton, Dubilier & Rice in 2010, and, in 2012, the company brought in the former president of Ecolab as CEO.

GoDaddy: Known for its bawdy ads, GoDaddy has established itself as the world's largest domain registrar with 58 million managed domains. In 2011, founder Bob Parsons sold two-thirds of the company to a group of PE firms including KKR and Silver Lake for about \$2.3 billion. GoDaddy plans to expand further into web hosting and website building, which have higher margins. The highly levered company (6.1x debt/EBITDA) grew revenue 22% in the first half of 2014, with the help of a few acquisitions.

Alibaba Should Lead a Technology Rebound

Alibaba is the elephant in the pipeline with an estimated deal size of \$20 billion, or 40% of projected total pipeline proceeds. Chinese online retail IPOs JD.com and Jumei have gained 64% and 40%, respectively, indicating that investor interest in e-commerce is already hot. Two other large and high-growth e-commerce companies, Cnova and Wayfair, are expected to come public in the 4Q.

The market selloff in March and April prompted several tech companies to delay IPO launches, with Box the most noteworthy example. Others have likely filed confidentially but held off on making their first public filings; some will undoubtedly look to complete deals by year-end if market conditions appear favorable. Box is one of a number of enterprise software IPOs that appear ready to launch, likely encouraged by the year's best-performing IPO, Zendesk (up 208%). Areas that should see software IPOs include security (Cyber-Ark and Good Technology) and marketing (HubSpot and Yodle).

Featured Technology IPOs

File Date	Company	Est. Deal Size (\$mm)	LTM Sales (\$mm)	MRQ Sales Growth	GAAP EBIT%
5/06/2014	Alibaba	\$20,000*	\$9,268	46%	46%
6/04/2014	Cnova	\$1,000*	\$4,292	18%	1%
8/15/2014	Wayfair	\$350	\$1,107	50%	-5%
3/24/2014	Box	\$150	\$146	94%	-112%
8/25/2014	HubSpot	\$100	\$94	46%	-38%
5/14/2014	Good Technology	\$100	\$174	39%	-61%
6/24/2014	Cyber-Ark Software	\$75	\$76	33%	12%
7/08/2014	Yodle	\$75	\$172	30%	-8%
6/30/2014	Yodlee	\$75	\$79	29%	3%

Source: RenaissanceCapital.com

Alibaba: Undoubtedly the most highly-anticipated IPO of 2014, this e-commerce juggernaut is a play on China's shift to a more consumer-driven economy characterized by widespread internet consumption. With nearly \$300 billion of merchandise transacted through its sites in the past year, Alibaba represents about 80% of all online shopping in China. Founded in 1999 by Jack Ma, Alibaba could be the largest IPO ever, and is expected to go public in late September.

Cnova: Formed when the French retail giant Casino combined its online business with Brazil's Nova Pontocom, this e-commerce company offers investors a play on both an emerging market and a developed one. Cnova is now the largest online retailer in France and the second-largest in Brazil.

Box: Aaron Levie's cloud-based storage platform has remained the enterprise software IPO to watch out for since it filed in March, immediately prior to a market correction in tech valuations. Box delayed its public offering, and proved that it does not need public funds when it took a \$150 million investment from TPG in July. The company has over 27 million registered users and supports over 240,000 organizations. A successful IPO would also serve as a bellwether for IPO candidates like DropBox and Accellion.

Yodle: Founded in 2005, Yodle's cloud-based solutions provide local businesses (<99 employees) with an online, mobile and social presence and automated marketing activities. The company, which prices its flagship product at <\$300 per month, counts more than 44,800 businesses as customers and has grown to nearly \$162 million in revenue (36% 2-year CAGR).

Record Biotech Issuance Likely to Continue Through Year-End

Year to date there have been 51 biotech IPOs, up 113% over the same period in 2013. The elevated number of biotech offerings is likely to continue into the fourth quarter due to positive clinical trial results and recent M&A activity. The large anticipated pipeline will also allow investors to be increasingly picky. Several biotechs we list below boast collaborative funding agreements, well-known backers and multiple drug candidates with large addressable markets. Forward Pharma will receive attention due to its size alone; only one biotech in the past ten years has raised \$200 million.

Featured Health Care IPOs

File Date	Company	Clinical Trial Stage	Lead Indication	Est. Deal Size (\$mm)
8/11/2014	Forward Pharma	Phase 2/3	Multiple sclerosis	\$200
8/26/2014	Civitas Therapeutics	Phase 2/3	Parkinson's	\$86
8/27/2014	Rhythm Pharmaceuticals	Phase 2	Gastrointestinal diseases	\$86
8/25/2014	Calithera Biosciences	Phase 1	Cancer	\$80
8/14/2014	ProQR Therapeutics	Phase 1	Cystic fibrosis	\$75
6/27/2014	Affimed Therapeutics	Phase 1/2	Cancer	\$75
8/13/2014	Foamix Pharmaceuticals	Phase 2/3	Acne	\$75
8/11/2014	Tokai Pharmaceuticals	Phase 2	Prostate cancer	\$75
6/25/2014	rEVO Biologics	Approved	Blood clotting disorder	\$75
8/12/2014	Vitae Pharmaceuticals	Phase 1/2	Diabetes, Alzheimer's	\$55
7/10/2014	ReWalk Robotics	Approved	Paraplegia	\$50
8/12/2014	Second Sight Medical	Approved	Blindness	\$32

Source: RenaissanceCapital.com

Forward Pharma: Owned by Nordic Biotech and based in Denmark, Forward Pharma targets the \$2 billion market controlled by Biogen's Tecfidera treatment for multiple sclerosis. It is preparing to enter Phase 3 trials for a delayed and slow release oral dose that erodes in the small intestine instead of the stomach to produce fewer side effects. It also intends to enter pivotal-stage trials for a treatment of psoriasis.

Rhythm Pharmaceuticals: Backed by New Enterprise Associates, Third Rock, MPM Capital and Pfizer, Rhythm is developing peptide therapeutics for gastrointestinal diseases. Its lead candidate, which is in Phase 2 trials, has been granted Fast Track designation by the FDA for diabetic gastroparesis, with an NDA filing expected by 2018.

Civitas Therapeutics: Venture-backed Civitas Therapeutics is developing inhalable treatments for the symptoms of Parkinson's disease using its ARCUS technology. It plans to begin a pivotal Phase 3 trial in early 2015 and expects to qualify for 505(b)(2) approval.

ReWalk Robotics: Based in Israel, ReWalk has developed an exoskeleton that allows paraplegics to stand and walk. In June 2014, the company's device became the first exoskeleton cleared by the FDA for personal use. ReWalk has sold 81 units to date and has raised \$33 million from a number of Israeli VCs and Japanese robotics manufacturer Yaskawa Electric. The company has set its IPO for the second week of September.

Financial and Energy Sectors Positioned to Stay Busy

Other noteworthy deals in the pipeline include several large finance and energy companies. The financial sector has been active in the IPO market this year despite relatively poor performance (the group averages only a 5% return). Financial IPOs represent 18% of the pipeline and Citizens Financial Group and Paramount Group, the second and third-largest deals in the pipeline, could bring the number of billion-dollar financial IPOs in 2014 to six, up from just one in 2013. Energy offerings, in contrast to financials, have outperformed the broader US IPO market. The strong reception seen by midstream MLPs should help the six in the pipeline including spinoffs from Shell and Dominion. Blackstone-backed spinoff Vivint Solar should also see interest after the success of 2012 IPO SolarCity.

Other Featured IPOs

File date	Company	Industry	Est. Deal Size (\$mm)	LTM Sales (\$mm)	GAAP EBIT%
5/12/2014	Citizens Financial Group	Financial Services	\$3,000*	\$4,950	23%
8/27/2014	Paramount Group	Financial Services	\$2,500*	\$374	76%
8/27/2014	LendingClub	Financial Services	\$500	\$148	-7%
6/17/2014	Ironshore	Financial Services	\$300*	\$1,395	9%
6/30/2014	OM Asset Management	Financial Services	\$250*	\$568	30%
6/18/2014	Shell Midstream Partners LP	Energy	\$750	\$101	42%
7/07/2014	Vantage Energy	Energy	\$400	\$48	-4%
3/28/2014	Dominion Midstream Partners LP	Energy	\$400	\$254	65%
8/26/2014	Vivint Solar	Energy	\$200	\$14	-658%
7/28/2014	Virgin America	Transportation	\$300*	\$1,437	6%
7/02/2014	Zayo Group	Industrial Goods	\$500*	\$1,088	8%

Source: RenaissanceCapital.com *RC estimate.

Citizens Financial Group: The US commercial banking arm of RBS, Citizens Financial could be the second-largest IPO of 2014. With \$130 billion in assets and 1,230 branches across 11 states in the Northeast and Midwest, it is the 13th-largest retail bank in the US.

Paramount Group: Looking to raise \$2.5 billion or more, Paramount is expected to be the largest REIT ever to go public. It owns 12 office buildings with premier locations in New York, Washington, DC and San Francisco. With 10 million rentable square feet, its 253 tenants include corporate offices of Bank of America, Barclays, Deloitte, Showtime and TD Bank.

Lending Club: This VC-backed company operates LendingClub.com, a website that facilitates peer-to-peer lending in the US. Since inception, it has originated more than \$5 billion in loans, including \$2 billion in 2013 alone, with most loans ranging from \$1,000 to \$35,000. The company could raise \$500 million to become the first public peer-to-peer lending company.

Vivint Solar: A spinoff of home security provider Vivint, which was acquired by Blackstone for over \$2 billion in 2012, Vivint Solar is the second-largest installer of residential solar panels in the US with an 8% market share, behind SolarCity (SCTY; +750% from December 2012 IPO). The company operates across seven states and its solar energy systems produce 130 megawatts for over 21,900 homes.

Virgin America: Richard Branson's low-cost American airline may be best known for the modified lighting and free Wi-Fi on its 53 aircraft, which mainly fly out of San Francisco and Los Angeles. Controlled by Cyrus Capital, the company first achieved profitability last year with \$10 million of net income.

2014 IPO Issuance Should Comfortably Set a Post-Bubble Record

Only 34 more offerings are needed for 2014 to surpass 2013 as the busiest year for IPOs since the tech bubble, a milestone we expect to reach by the end of October. The last four months could see as many as 100 IPOs raise \$40 billion or more, bringing the fiscal year total to nearly 300 and over \$80 billion. With the help of Alibaba, 2014 could even approach 2000's all-time record of \$97 billion in proceeds raised.

With a low VIX volatility index, record filing activity and strong performance from the Renaissance IPO ETF, we expect deal flow to remain high going into autumn. Potentially the largest IPO ever, Alibaba is poised to be the defining deal of 2014, and will no doubt receive the media coverage that goes with it. However, the large backlog of potential IPOs, including many that are yet to file publicly, makes it well worth looking beyond Alibaba.

About Renaissance Capital

Founded in 1991 and headquartered in Greenwich, CT, Renaissance Capital is a global IPO investment adviser providing institutional research, investment management and indexing services. The Firm's research services consist of providing pre-IPO fundamental analysis and global IPO market analytics to the top institutional buyers of IPOs. Renaissance Capital also provides IPO-focused investment management services through the Global IPO Fund (symbol: IPOSX), the Renaissance IPO ETF (NYSE: IPO) and separately managed institutional accounts. The Firm maintains the FTSE Renaissance IPO Index Series (Bloomberg symbols: IPOS, IPOSG), which serve as a benchmark of IPO performance and are used as the basis for investment products. For more information, visit our website www.renaissancecapital.com.

Copyright 2014 by Renaissance Capital LLC, all rights reserved. The information and opinions in this commentary were prepared by Renaissance Capital analysts. The report does not constitute an offer to buy or sell any security. Renaissance Capital and its IPO funds may have investments in securities of companies mentioned in this report. The contents of this report may not be reproduced, stored in a retrieval system, or transmitted in any form without prior written consent.