

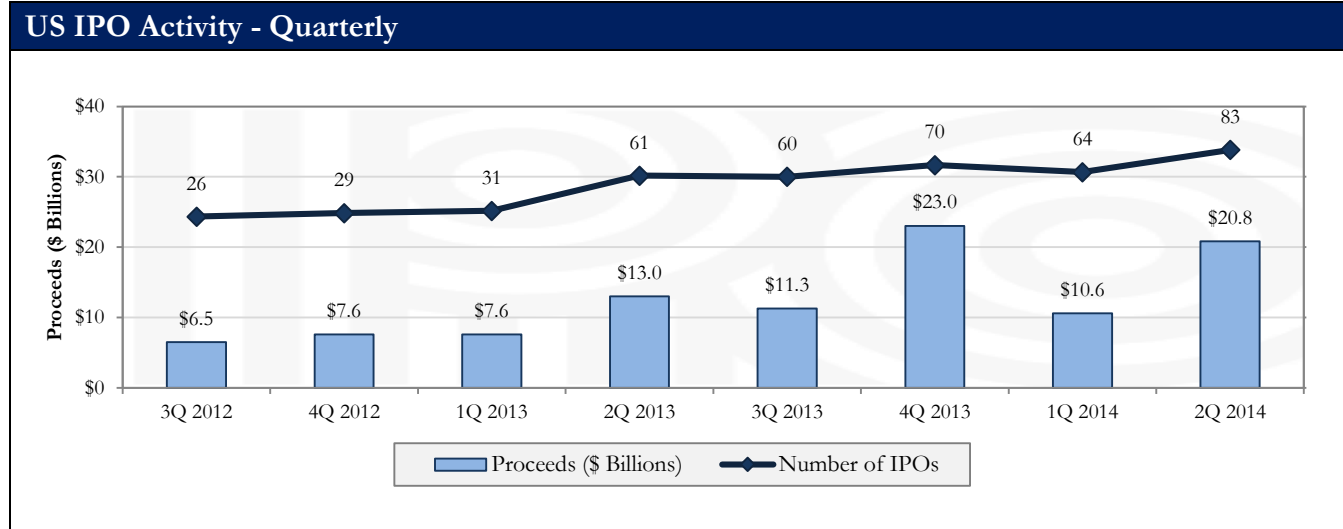
July 1, 2014

## US IPO Market Hits 14-Year Record in the 2Q 2014

After the most active first quarter since 2000, the 2Q14 trumped it with the highest number of IPOs in any quarter since the heyday of the tech bubble. With 83 IPOs priced, issuance was up 30% sequentially and 36% year-over-year. While biotechs dominated the IPO market in the 1Q14, second quarter activity broadened significantly with increases from tech, energy, financial and consumer. IPOs gained an average of 9% in first-day trading and 11% in the aftermarket, a healthier balance than recent quarters. The sell-off of high-growth, high-multiple stocks in March and April threatened to derail IPO activity as the market was forced to find a clearing price for new issues. Large LBOs like La Quinta, Sabre and ServiceMaster had to be priced appropriately before returning to the public markets. Growth IPOs also faced headwinds but managed to deliver successes in GoPro, GrubHub, Zoe's Kitchen and Zendesk. Ten Chinese companies went public in the 2Q14, the highest tally since the 4Q10, including a \$1.8 billion IPO from JD.com, setting the stage for Alibaba's expected record-setting IPO. The second quarter saw 117 companies file for IPOs, 19% more than last quarter and 54% more than the 2Q13.

### Key Takeaways:

- Most Active IPO Quarter in 14 Years with 83 IPOs and \$21 Billion Raised
- Sector Issuance Broadens
- Balanced First-Day and Aftermarket Performance Signals a Healthier IPO Market
- Performance Is Strong Across Most Sectors, But Financials Lag
- 50% of Top Performers Price Below the Midpoint
- Large LBOs Continue to Tap the Market; VC Activity Falls Quarter-over-Quarter but Remains Solid
- Chinese IPOs Have Most Active Quarter in Four Years and Deliver Strong Returns
- US IPO Index Bounces Back from Mid-Quarter Lows
- 117 IPO Filings Hit 10-Year Record, Set Stage for Active 3Q14



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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Key US IPO Statistics					
	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Number of Deals	61	60	70	64	83
Proceeds Raised (US\$)	\$13.0b	\$11.3b	\$23.0b	\$10.6b	\$20.8b
Median Deal Size (US\$)	\$101.0m	\$116.1m	\$177.5m	\$90.5m	\$100.0m
PE-Backed Deals	23	14	21	16	20
PE-Backed Proceeds (US\$)	\$7.8b	\$4.0b	\$9.7b	\$6.2b	\$9.4b
VC-Backed Deals	22	27	25	40	28
VC-Backed Proceeds (US\$)	\$2.1b	\$2.5b	\$4.6b	\$3.2b	\$4.4b
Performance					
Average US IPO Return	20.7%	26.5%	46.4%	25.3%	21.7%
FTSE Renaissance US IPO Index	3.1%	29.9%	9.5%	3.9%	4.7%
S&P 500	2.4%	4.7%	9.9%	1.3%	5.5%
Russell 3000	2.2%	5.8%	9.6%	1.5%	5.4%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 06/30/14.

### Most Active IPO Quarter in 14 Years with 83 IPOs and \$21 Billion Raised

With 83 initial public offerings, new IPO issuance reached its highest level since the third quarter of 2000. The median deal size increased to \$100 million due to 54% fewer biotechs, double the number of LBOs and 91% more energy and financial companies, which tend to raise more capital. More IPOs and larger average deal sizes led to the 2Q14 raising 96% greater proceeds than the 1Q14 and 60% more than the year-ago period. The overall average return of 22% was below the levels seen in the prior three quarters due to smaller first-day pops. However, it still comfortably outperformed broader equity indices.

### Sector Issuance Broadens

IPO activity broadened in the 2Q14, with the energy, technology, consumer and financial sectors all showing greater deal flow and proceeds. Health care activity remained high despite a pullback in biotech issuance following a record 1Q14. Technology took the top spot with 23 IPOs, the most since the third quarter of 2004. The increase in tech deals was largely attributable to eight Chinese tech IPOs that raised \$2.8 billion, following none in the first quarter. Energy and financial proceeds each benefited from several large deals.

IPOs by Sector (US\$ Billion)															
Sector	2Q 2013			3Q 2013			4Q 2013			1Q 2014			2Q 2014		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Energy	2	\$0.4	3%	9	\$3.1	15%	8	\$6.4	12%	6	\$2.3	9%	11	\$5.2	13%
Technology	12	\$1.4	20%	14	\$1.5	23%	15	\$4.6	22%	14	\$1.9	22%	23	\$4.7	28%
Financial	15	\$3.6	25%	6	\$1.4	10%	14	\$3.8	21%	5	\$2.4	8%	11	\$4.5	13%
Consumer	4	\$2.0	7%	4	\$0.9	7%	9	\$4.3	13%	2	\$0.3	3%	7	\$1.9	8%
Health Care	17	\$2.1	29%	19	\$3.0	32%	12	\$1.1	18%	30	\$1.9	47%	22	\$1.7	27%
Business Services	0	\$0.0	0%	0	\$0.0	0%	1	\$0.7	1%	3	\$1.1	5%	2	\$1.4	2%
Capital Goods	4	\$2.1	7%	4	\$0.7	7%	3	\$0.3	4%	3	\$0.3	5%	4	\$0.8	5%
Transportation	1	\$0.2	2%	2	\$0.5	3%	4	\$1.2	6%	1	\$0.3	2%	2	\$0.3	2%
Materials	4	\$0.7	7%	2	\$0.2	3%	2	\$0.4	3%	0	\$0.0	0%	1	\$0.2	1%

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

The second quarter featured four of the year's five \$1+ billion IPOs, including financial firms Ally Financial and Markit. Four of the top ten were energy companies, three of which were fast-growing oil and gas E&Ps. The best-performing large deal, JD.com, was the biggest China-based IPO in a decade. The top ten averaged a 10% gain on the first day and then traded up 10% in the aftermarket, similar to the broader IPO market.

Largest US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO	
Ally Financial	ALLY	9-Apr	\$2,375	Financial	-4.4%	
JD.com	JD	21-May	\$1,780	Technology	50.1%	
IMS Health	IMS	3-Apr	\$1,300	Business Services	28.4%	
Markit	MRKT	18-Jun	\$1,283	Financial	12.4%	
Parsley Energy	PE	22-May	\$925	Energy	30.1%	
Eclipse Resources	ECR	19-Jun	\$818	Energy	-6.9%	
Memorial Resource Development	MRD	12-Jun	\$813	Energy	28.2%	
Abengoa Yield	ABY	12-Jun	\$721	Energy	30.4%	
La Quinta Holdings	LQ	8-Apr	\$650	Consumer	12.6%	
Sabre	SABR	16-Apr	\$627	Technology	25.3%	

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 06/30/14.

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### Balanced First-Day and Aftermarket Performance Signals a Healthier IPO Market

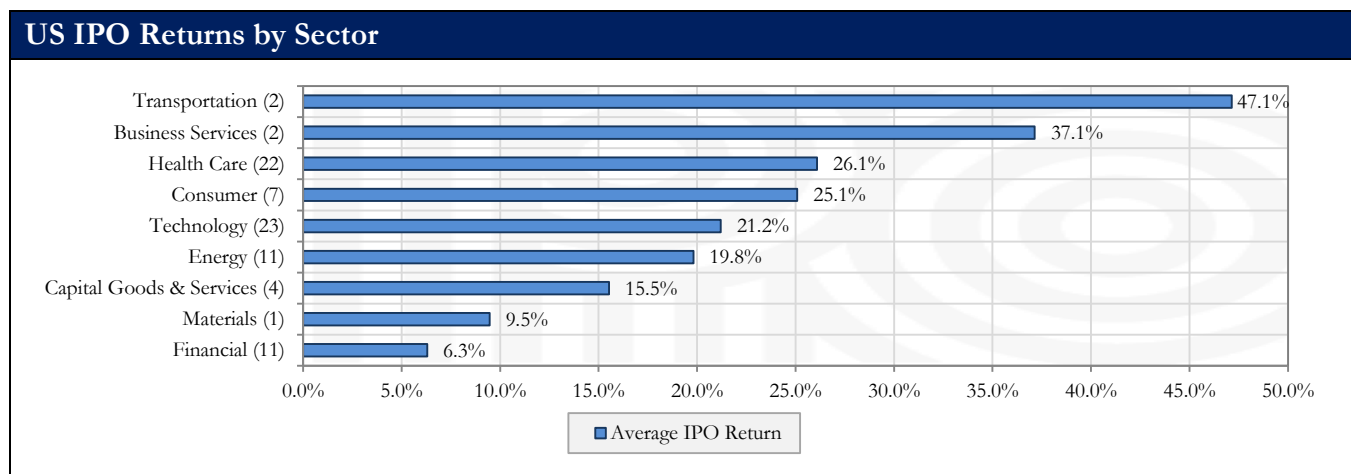
For the first time in six quarters, IPO aftermarket performance was stronger than first-day trading. Average first-day performance had been unusually strong in the prior three quarters (about 20%), but multiple contraction for high-growth stocks in March and April forced issuers to scale back on valuations expectations in order to drum up sufficient demand. Furthermore, first-day performance was relatively muted: One-third of IPOs ended the first day below issue, even as 40% priced below the range. None spiked 100% or more on their first day, compared to four in the 1Q. However, the pickup in the broader indices toward the end of the quarter helped drive strong aftermarket trading, especially benefiting tech, China-based issuers and biotech. The average total return therefore ended up in-line with most recent quarters, but the balance between first-day and aftermarket performance reflects a healthier, more stable IPO market.

Return Statistics					
	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Avg. Total Return	20.7%	26.0%	46.4%	25.3%	21.7%
Avg. First-Day Return	12.7%	19.0%	21.8%	20.3%	9.2%
Avg. Aftermarket Return	6.7%	6.8%	20.3%	6.8%	11.3%
% Deals with <b>Negative</b> First-Day Return	26.2%	30.0%	22.9%	23.4%	28.4%
% Deals Priced <b>Below</b> the Range	34.4%	25.0%	30.0%	26.6%	38.6%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 06/30/14.

### Performance Is Strong Across Most Sectors, But Financials Lag

All sectors showed positive performance with transportation leading the way thanks to two liquefied gas shippers. Health care companies, mostly early-stage biotechs and money-losing device makers, slashed their IPO prices, resulting in an average return of 26%. Technology also provided notable returns, due to strong aftermarket trading of Chinese companies, enterprise software developer Zendesk and online car pricing platform TrueCar. Another fast-grower, Zoe's Kitchen, propped up the consumer sector with a 130% return, while three of the seven trade below their IPO price. The financial sector benefited from M&A advisory firm Moelis' 38% gain but was dragged down by low returns from three regional commercial banks and two REITs.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 06/30/14.

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## 50% of Top Performers Price below the Midpoint

Unlike in the first quarter, IPOs with the highest returns in the second quarter were fueled by aftermarket performance. On average, the top ten priced 6% below the midpoint. They traded up 28% on their first day but another 53% thereon. Three of the ten were biotechs benefiting from large addressable markets. Zoe's Kitchen and Zendesk both came to market with fast growth and attractive valuations, while GoPro benefited from a well-known brand. Tech deals Tuniu and TrueCar had almost all their gains in aftermarket trading, as did two of the three biotechs.

Best-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Zoe's Kitchen	ZOES	10-Apr	\$87	Consumer	64.8%	129.2%
Vital Therapies	VTL	16-Apr	\$54	Health Care	0.0%	127.0%
Alder BioPharmaceuticals	ALDR	7-May	\$80	Health Care	0.3%	100.7%
Tuniu	TOUR	8-May	\$72	Technology	11.9%	95.9%
Zendesk	ZEN	14-May	\$100	Technology	49.2%	93.1%
GasLog Partners	GLOP	6-May	\$176	Transportation	24.3%	73.3%
Kite Pharma	KITE	19-Jun	\$128	Health Care	70.6%	70.1%
GoPro	GPRO	25-Jun	\$427	Consumer	30.6%	69.0%
TrueCar	TRUE	15-May	\$70	Technology	11.8%	64.2%
Superior Drilling Products	SDPI	22-May	\$27	Capital Goods	12.3%	62.8%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 6/30/2014.

All but two of the ten worst-performing deals were microcap companies, raising less than \$65 million. Digital ad exchange The Rubicon Project, the first IPO of the quarter, stands out as having the quarter's worst aftermarket return, demonstrating the headwinds faced by many growth companies through early May.

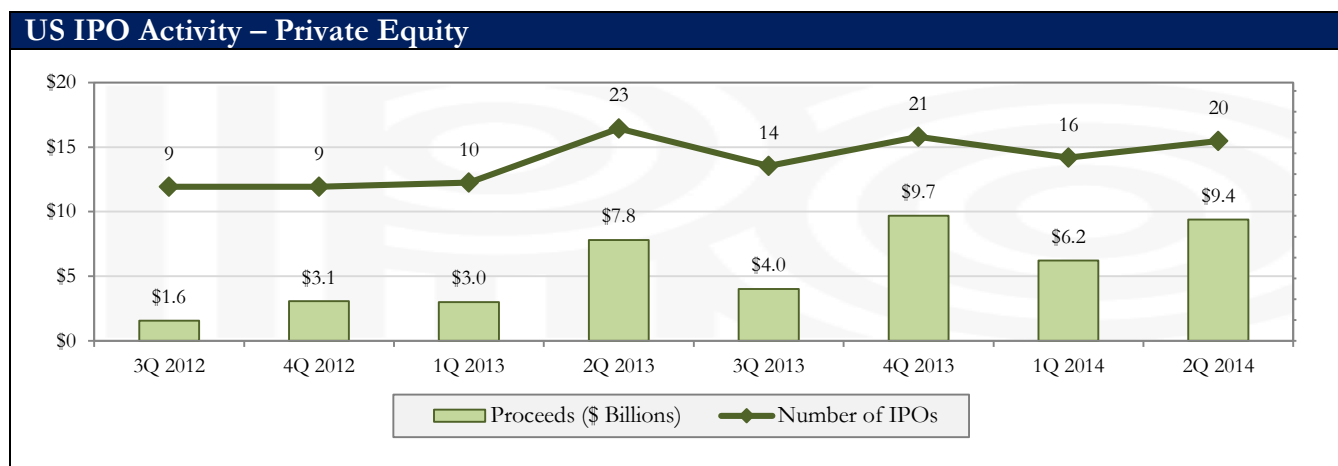
Worst-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Viggle	VGGL	24-Apr	\$35	Technology	-28.1%	-45.9%
Sysorex Global Holdings	SYRX	9-Apr	\$20	Technology	-2.0%	-35.3%
Lombard Medical	EVAR	24-Apr	\$55	Health Care	-9.1%	-34.5%
Parnell Pharmaceuticals	PARN	18-Jun	\$50	Health Care	-19.5%	-31.0%
SCYNEXIS	SCYX	1-May	\$62	Health Care	-10.0%	-19.8%
Cerulean Pharma	CERU	9-Apr	\$60	Health Care	-2.1%	-17.1%
Sportsman's Warehouse	SPWH	16-Apr	\$119	Consumer	2.6%	-15.8%
The Rubicon Project	RUBI	1-Apr	\$102	Technology	33.9%	-14.4%
Papa Murphy's	FRSH	1-May	\$64	Consumer	0.5%	-12.9%
MOKO Social Media	MOKO	26-Jun	\$8	Technology	2.7%	-10.0%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 6/30/2014.

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### Private Equity Accounts for Nearly Half of IPO Proceeds

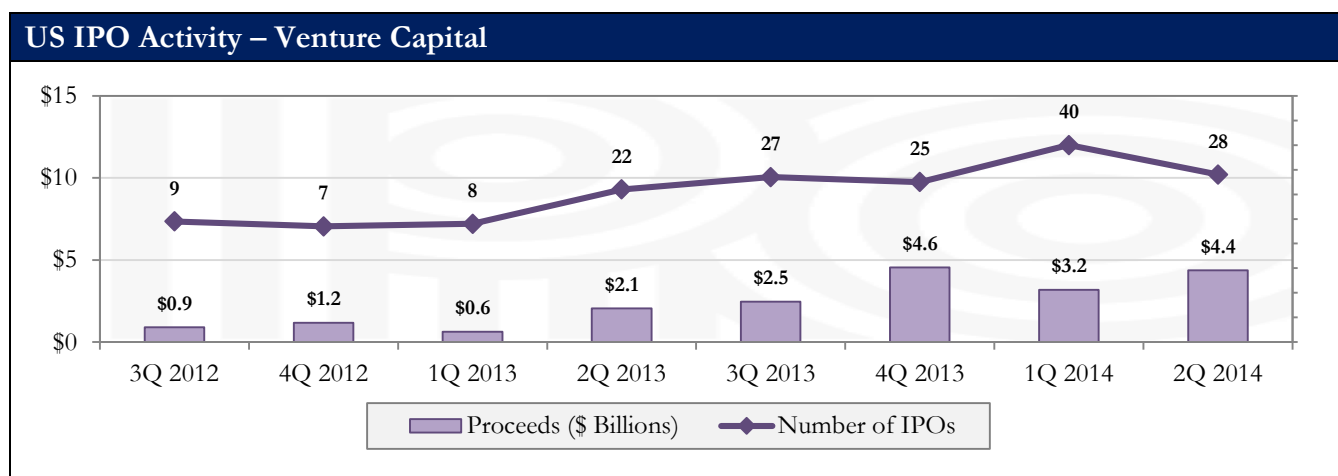
Twenty private equity-backed companies went public in the second quarter, including 10 LBOs, 9 of which returned to the public markets after being taken private. The largest was TPG's IMS Health, raising \$1.3 billion. Other large recognizable PE deals included La Quinta (Blackstone), Terminix owner ServiceMaster (CD&R) and craft store Michaels (Bain/Blackstone). The entire group produced an 18% average return, led by growth equity plays like Zoe's Kitchen, while LBO performance lagged behind.



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

### Venture Capital Falls Quarter-over-Quarter but Remains Solid

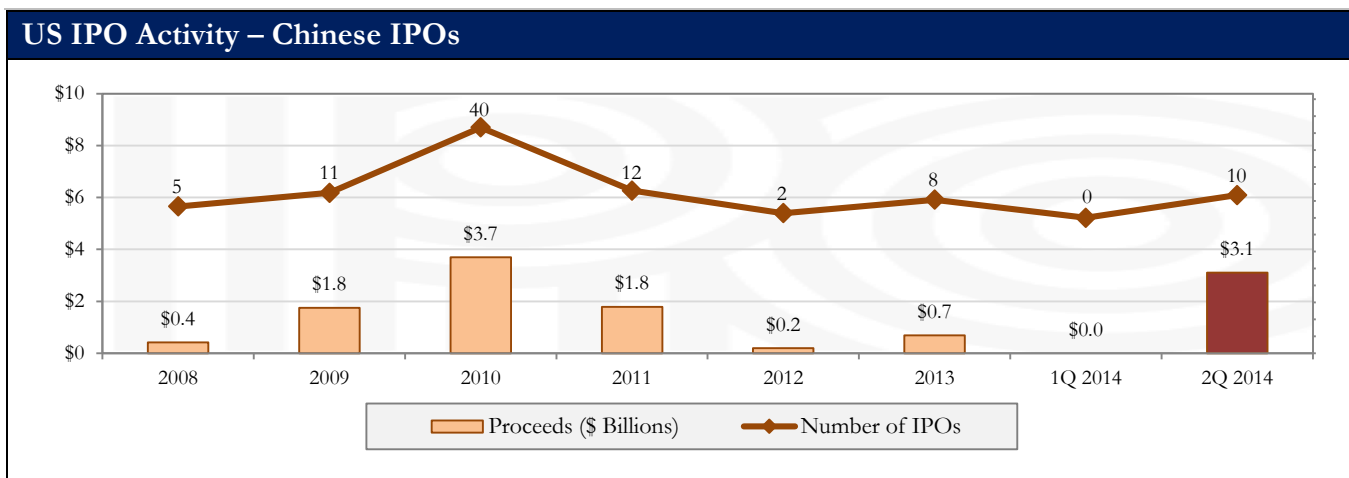
Venture capital activity outpaced private equity for the fourth consecutive quarter, but fell from the high 1Q14 level because of lower biotech issuance. VCs faced an uphill battle marketing pre-profitable companies after the market sell-off in high-growth stocks, demonstrated by delays from Box and Chukong Technologies. Nevertheless, just over one-third of the quarter's IPOs had venture capital behind them and non-biotech VC IPOs even picked up from the prior quarter. Helped by Chinese IPOs and successful biotech, the group averaged a 28% total return, over half from aftermarket trading.



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

### Chinese IPOs Have Most Active Quarter in Four Years and Deliver Strong Returns

Ten Chinese companies raised \$3.1 billion, the largest group of US IPOs to come out of China since the fourth quarter of 2010 (21 IPOs), after which a wave of accounting scandals decimated valuations and drove investors to turn their back on Chinese IPOs. The comeback was driven by tech (8 of the 10), primarily internet, with high-profile debuts from direct online retailer JD.com and Twitter analog Weibo. The ten gained 33% on average, mostly in aftermarket trading, with top performers including packaged tours site Tuniu (+96% from IPO) and JD.com (+50%). Only two more Chinese companies remain in the official pipeline, mobile game-maker Chukong Technologies and e-commerce behemoth Alibaba, though we suspect a much larger number are currently preparing for IPOs or have filed confidentially. Chukong's delay is not surprising, given the performance of the first quarter's mobile game maker, King Digital, which is still trading 9% below its IPO price.

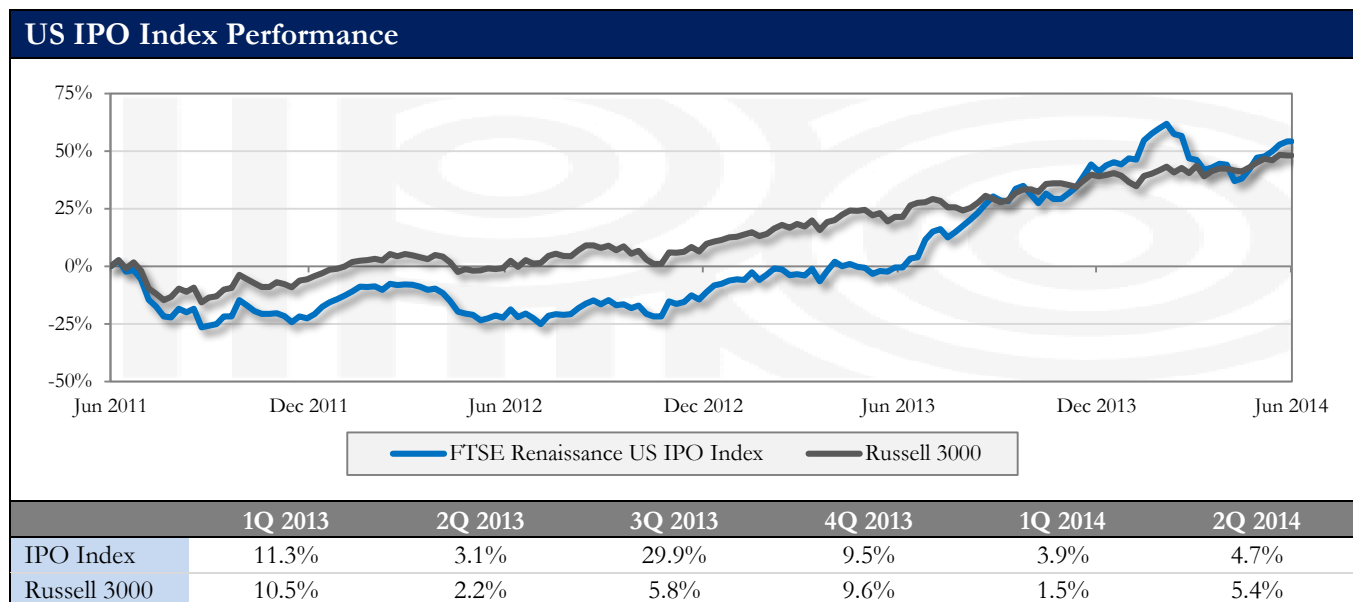


Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.



### US IPO Index Bounces Back from Mid-Quarter Lows

With a quarterly return of 4.7%, the FTSE Renaissance US IPO Index slightly underperformed US equity benchmarks. Returns were led by the strong contributions of energy and health care companies. Energy contributors included independent oil and natural gas company Diamondback Energy (FANG, +32%), midstream natural gas asset operator EQT Midstream Partners (EQM, +38%) and oil and natural gas exploration and production company Athlon Energy (ATHL, +35%). Outperformance in the health care sector was led by animal health medicine and vaccination company Zoetis (ZTS, +12%), cancer biopharmaceutical company Karyopharm Therapeutics (KPTI, +51%) and ambulatory and ER service provider Envision Healthcare (EVHC, +6%).



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. Data as of June 30, 2014.



## 117 IPO Filings Hit 10-Year Record, Set Stage for Active 3Q14

The US IPO pipeline expanded to 136 companies looking to raise an estimated \$51 billion, compared with 122 expected to raise \$32 billion at the end of the 1Q. The second quarter had 117 initial IPO filings, the most in any quarter since 2004 and only the third time there has been 100 or more filings in a quarter since 2000. Companies seem increasingly eager to take advantage of a receptive IPO market, helped by improving IPO returns, low market volatility and record highs for broader equity indices. Expected to arrive in early August, Alibaba represents an estimated 40% of IPO proceeds in the pipeline, based on a potential deal size of \$20 billion. The third quarter may also feature a number of multi-billion dollar spinoffs, including Synchrony Financial, GE's retail banking company; Citizen's Financial, RBS's northeastern bank; and Cnova, the e-commerce business of French retailer Casino.

### Large Notable Upcoming IPOs

Company	Business	Sector	LTM Sales (\$mm)	Deal Size (\$mm)
Alibaba Group Holding	China's largest e-commerce firm.	Technology	\$8,446	\$20,000*
Synchrony Financial	Consumer lending arm of conglomerate General Electric.	Financial	\$10,571	\$4,000*
Citizens Financial Group	US banking arm of RBS.	Financial	\$4,663	\$3,000*
Cnova	E-commerce business of French retail giant Casino.	Technology	\$3,944	\$1,000*
Travelpport Worldwide	Third-largest Global Distribution System for the airline industry.	Technology	\$2,100	\$800*
VWR	Lab chemicals and equipment supplier LBO'd by Madison Dearborn.	Materials	\$4,220	\$750*
Shell Midstream Partners	MLP spinoff of crude oil and refined products pipelines.	Energy	\$100	\$750
GoDaddy	Leading provider of web registration and domain hosting services.	Technology	\$1,188	\$750*
Catalent	Global provider of delivery technologies to pharmaceuticals.	Health Care	\$1,807	\$500*
ATD	North America's largest replacement tire distributor.	Capital Goods	\$3,604	\$500*

Source: Renaissance Capital. \*RC estimate.

In addition to the visible pipeline, there are many companies on our Private Company Watchlist that we believe are primed to tap the public markets in 2014. Our watchlist now contains roughly 250 companies, a number of which have selected banks to lead IPOs. Recognizable companies like Bojangles' Restaurants, Lending Club, and Freshpet appear poised to submit public filings in the 2H14.

### Notable Private Companies Expected to Seek IPOs

Company	Business	Sector	Est. Sales (\$mm)	Est. Valuation (\$mm)
Bojangles' Restaurants	Fast-food restaurant known for its chicken and biscuits.	Consumer	\$1,000	n/a
Arysta LifeScience	Provides agricultural chemical solutions.	Materials	\$1,200	\$4,000
Datalogix	Provides online advertisers with offline transaction data.	Technology	\$100	n/a
Comdata	Electronic payment services provider.	Technology	n/a	\$3,000
Lending Club	Operates a website that facilitates peer-to-peer lending.	Technology	\$98	\$3,750
Freshpet	Manufacturer of refrigerated pet food.	Consumer	\$100	n/a
Strauss Coffee	One of the largest global coffee producers.	Consumer	\$1,150	\$2,000
Zayo Group	Provides fiber optic infrastructure solutions.	Technology	\$1,049	\$7,000
Triton Container	Largest owner-lessor of marine intermodal cargo containers.	Transportation	n/a	\$6,000
Automattic	Owens Wordpress.com, a freemium web publishing platform.	Technology	\$45	\$1,160

Source: Renaissance Capital.

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### Outlook

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After performance bottomed in early May, returns improved amid a torrent of IPOs in June which, combined with record equity prices and low volatility, sets the stage for continued healthy activity into the second half of 2014. Recent trends include positive first-day trading and strong aftermarket follow-through, as well as a swelling pipeline.

Initial IPO filings reached a 10-year high with 117 filings, leading us to predict that record levels of post-2000 IPO activity will continue at least into the third quarter. The technology sector has recovered from its April slowdown and Chinese deals have soared ahead of Alibaba's much-anticipated debut, which could be the world's largest IPO ever and potentially raise more proceeds than all 83 offerings this quarter combined. Aside from Alibaba, high-growth deals such as Box and Mobileye and well-known brands like GoDaddy and El Pollo Loco should also attract attention. Health care shows no sign of slowing its record pace: The sector has 43 deals in the pipeline compared to 22 financial and 20 tech. Of the 117 filings, 35% were health care companies (44% of June's filings), indicating that the sector should remain active in the next quarter.

147 companies have gone public in the first half of 2014, 60% higher than the 1H13 and already more than the total number of IPOs during fiscal years 2011 and 2012. The 2014 IPO market is well on track to be the busiest year for IPOs since the dot-com bubble. However, with investors showing discernment and valuation sensitivity in new issues, the market appears to be in a much healthier state than it was in the dot-com years.