Q2 2015
IPO Market Springs to Life in 2Q

In This Report
While IPO Activity Increases Across Sectors, Healthcare Continues to Lead the Charge

2Q IPOs See Strong Pricing, First-Day Pops

Lack of Mega-Offerings Leads to Year-Over-Year Decrease in IPO Proceeds
The IPO market saw strong activity and performance in the second quarter of 2015. Throughout much of the second quarter, U.S. markets were plagued by uncertainty over the impact of the Fed’s plans to increase interest rates, weak corporate earnings, a stronger dollar, and conflict in the Middle East. The uncertainty intensified in the last week of June as investors and policymakers wrestled with questions about Greece’s future in the eurozone.

These factors caused major U.S. indices to retreat from May’s all-time highs and end the quarter relatively flat. Between April 1 and June 30, the S&P 500 fell 0.2%, the Nasdaq gained 1.8%, and the Dow Jones Industrial Average fell 0.9%. Market volatility, as measured by the VIX, surged in the final days of the quarter to close at 18.23, the highest level since early February.

Lackluster market returns and heightened global uncertainty, however, did not derail IPO activity or performance in the second quarter. Fifty-three IPOs priced in the second quarter, raising a total of $9.4 billion in proceeds, up from 25 IPOs and $3.4 billion in the first quarter. The performance of second-quarter IPOs was exceptionally strong. About 74% of second-quarter IPOs priced in or above their filing ranges, and investors enjoyed an average first-day pop of 22.9% across all second-quarter offerings. Collectively, all IPOs in 2015 have recorded average post-offering gains of 25.2% through June 30, 2015.

Sector Activity: While IPO Activity Increases Across Sectors, Healthcare Continues to Lead the Charge

IPO activity increased across almost every sector from the first quarter to the second quarter, and once again, healthcare—driven largely by the strength of life sciences—was the most active sector. Healthcare also accounted for one of the best-performing IPOs of the second quarter. Microbiome biotech Seres Therapeutics (NASDAQ: MCRB) priced its upsized offering above its initial filing range and skyrocketed 185.6% on its late-June debut. This marked the biggest first-day pop for an IPO since January 2014.

The consumer sector was the strongest performer among second-quarter IPOs. The seven consumer IPOs were up an average of 30.8% through quarter end. Standouts were chicken wing franchisor Wingstop (NASDAQ: WING) and fitness-tracking-device leader Fitbit (NYSE: FIT), both of which increased their filing ranges and then priced above their revised ranges. Wingstop’s and Fitbit’s IPOs went on to deliver 50.1% and 111.2% post-IPO returns, respectively, through...
June 30. The list of the 10 best-performing IPOs of the second quarter includes only one technology company, e-commerce company Shopify (NYSE: SHOP), which closed the quarter up 84.2%.

2Q 2015 marked the fourth consecutive quarter that the healthcare sector has accounted for at least one-third of all IPOs.

Pipeline Builds With Surge in New Filings

After a slow first quarter which saw only 37 companies register to go public, filing activity surged in the second quarter with 71 companies entering the registration pipeline. (This second-quarter activity, however, was a significant drop-off from the second quarter of 2014 when 104 companies filed.) The current backlog (defined as U.S. IPOs initially filed or revised within the past 180 days) now stands at 49 companies that are looking to raise nearly $5.3 billion collectively. Healthcare, which accounts for 28.6% of the IPOs in the backlog, continues to be the most heavily represented sector in the pipeline.

Notable companies that joined the backlog in the second quarter include outsourced drug manufacturer Patheon, budget fitness chain franchisor and operator Planet Fitness, pet food manufacturer Blue Buffalo, and enterprise security firm Rapid7. There also is a large “shadow” backlog of recognizable private companies that are expected to pursue IPOs in the coming months, including sports car manufacturer Ferrari, investment bank Houlihan Lokey, and coffee producer Strauss Coffee. In addition, the recent trend of companies such as Uber, Airbnb, and WeWork receiving multibillion dollar valuations in private investment rounds continues to shape the equity-capital-raising environment.

Looking Ahead: Earnings, Greece, and Fed to Shape Summer Markets

Despite the renewed volatility stemming from the Greek crisis, the IPO market has strong momentum heading into the second half of 2015. Beginning in July, investors will have another chance to assess the strength of the U.S. economy when the corporate earnings season gets underway and investors digest a first readout of 2Q15 gross domestic product. Strong corporate performance could propel equity markets through the traditionally slower summer months while GDP results shed light on the direction of near-term monetary policy action (or lack thereof). Furthermore, with many expecting the Fed to begin its long-anticipated interest rate hike in September, some companies may look to price their offerings earlier in the third quarter.

Index Performance – First Half of 2015

An increase in geopolitical and macroeconomic uncertainty caused equity markets to pull back from all-time highs this spring. This uncertainty, however, has not stopped IPOs and follow-on offerings from delivering strong returns for investors.

Index Performance – First Half of 2015

<table>
<thead>
<tr>
<th>Index</th>
<th>% Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nasdaq</td>
<td>5.3%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>4.1%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>0.2%</td>
</tr>
<tr>
<td>DJIA</td>
<td>8.7%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>2.0%</td>
</tr>
<tr>
<td>Consumer</td>
<td>0.3%</td>
</tr>
<tr>
<td>Tech</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Financial</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Industrial</td>
<td>(9.2%)</td>
</tr>
<tr>
<td>Energy</td>
<td>11.6%</td>
</tr>
<tr>
<td>Crude Oil</td>
<td>8.6%</td>
</tr>
<tr>
<td>Euro per Dollar</td>
<td>8.4%</td>
</tr>
<tr>
<td>U.S. 10YR T-Note</td>
<td>13.3%</td>
</tr>
<tr>
<td>IPOs</td>
<td>25.2%</td>
</tr>
<tr>
<td>FOs</td>
<td></td>
</tr>
</tbody>
</table>

Source: Dealogic and FactSet Research Systems; data through 6/30/15
2Q 2015 IPOs Enjoy Strong Pricing and First-Day Pops

74% of the 53 IPOs that priced in 2Q 2015 priced at or above the filing range, the highest such percentage over the past 10 quarters. The average first-day pop of 22.9% was the highest since 4Q 2013.

IPO Pipeline Grows in 2Q 2015

After 71 companies filed to go public in 2Q 2015, the current IPO backlog (defined as U.S. IPOs initially filed or revised within the past 180 days) now stands at 49 companies that are looking to raise nearly $5.3 billion collectively.
2Q 2014 vs. 2Q 2015: Lack of Mega-Offerings Leads to Year-Over-Year Decrease in IPO Proceeds

Compared with 2014’s record-setting second quarter, 2Q 2015 saw a significant decline in total IPO proceeds. This decrease is largely attributable to the fact that while there were five $1 billion+ offerings in 2Q 2014, the largest offering in 2Q 2015 was $886 million. The 10 largest IPOs of 2Q 2014 generated $12.7 billion of proceeds collectively and had an average market cap of $6.8 billion. The 10 largest IPOs of 2Q 2015, by contrast, generated $5.1 billion of proceeds and had an average market cap of $2.6 billion.

2Q 2015 - Largest IPOs by Deal Value

<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Issuer</th>
<th>Deal Value (mm)</th>
<th>Market Cap (mm)</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/17/15</td>
<td>Univar</td>
<td>$885.5</td>
<td>$3,034.6</td>
<td>Industrial</td>
</tr>
<tr>
<td>6/17/15</td>
<td>Fitbit</td>
<td>$841.2</td>
<td>$4,114.4</td>
<td>Technology</td>
</tr>
<tr>
<td>6/24/15</td>
<td>TransUnion</td>
<td>$764.5</td>
<td>$4,099.9</td>
<td>Services</td>
</tr>
<tr>
<td>5/19/15</td>
<td>Black Knight Financial Services</td>
<td>$507.2</td>
<td>$3,744.3</td>
<td>Financial</td>
</tr>
<tr>
<td>4/15/15</td>
<td>Party City Holdco</td>
<td>$427.7</td>
<td>$2,027.3</td>
<td>Consumer</td>
</tr>
<tr>
<td>5/14/15</td>
<td>Fortress Transportation &amp; Infrastructure</td>
<td>$377.7</td>
<td>$1,287.2</td>
<td>Industrial</td>
</tr>
<tr>
<td>6/10/15</td>
<td>Axovant Sciences</td>
<td>$362.3</td>
<td>$1,487.3</td>
<td>Healthcare</td>
</tr>
<tr>
<td>4/15/15</td>
<td>Virtu Financial</td>
<td>$361.2</td>
<td>$2,708.4</td>
<td>Financial</td>
</tr>
<tr>
<td>4/15/15</td>
<td>Etsy</td>
<td>$306.67</td>
<td>$1,775.4</td>
<td>Consumer</td>
</tr>
<tr>
<td>6/24/15</td>
<td>Milacron Holdings</td>
<td>$285.7</td>
<td>$1,331.7</td>
<td>Industrial</td>
</tr>
</tbody>
</table>

Source: Dealogic
Drawing on our deep sector expertise and the strength of our relationships, William Blair has built a leading equity capital markets franchise. Business owners turn to us for outstanding execution for their capital-raising objectives.

Recent transactions include:

- **$182,160,000**
  - NNN
  - Follow-on Offering
  - June 2015

- **$841,225,000**
  - fitbit
  - Initial Public Offering
  - June 2015

- **$103,515,812**
  - HealthStream
  - Follow-on Offering
  - May 2015

- **$255,875,000**
  - Press Ganey
  - Initial Public Offering
  - May 2015

- **$79,695,000**
  - agenus
  - Confidently Marketed Follow-on Offering
  - May 2015

- **$169,337,500**
  - 505(c) Brands
  - Initial Public Offering
  - May 2015

William Blair
By the Numbers

100+
Completed public equity transactions in 2014

$24 billion
Total value of public equity transactions in 2014

20%
IPO market share

25%+
of equity capital markets activity is bookrun
Top Rankings in 2015 Greenwich Associates Survey

William Blair’s institutional equity research, sales, and trading groups received top honors in the 2015 Greenwich Associates survey. Small- and mid-cap portfolio managers ranked William Blair as No. 1, No. 2, or No. 3 in nine categories in the Greenwich survey, which is the preeminent survey in the institutional investor community.

No. 1 Rankings
- Sales
- Corporate access quality
- Providing intensive service
- Best coordinate access to analysts

No. 2 Rankings
- Greatest knowledge of companies and industries
- Providing information and insights that generate “alpha”
- Best tailoring of research calls and services to client-specific needs

No. 3 Rankings
- Most useful conferences and seminars
- Most calls and visits

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William Blair is committed to providing the equity capital markets community with access to leading industry investors and corporations around the globe. To learn more about attending our upcoming conferences, please contact Gary Morabito at gmorabito@williamblair.com.

Private Equity Conference – September 16-17, 2015, Chicago

One of the largest private equity conferences in North America, featuring presentations by 60+ privately held companies and attended by 300+ private equity investors.

With more than 150 senior bankers around the world, William Blair has completed more than 800 advisory and financing transactions totaling more than $190 billion in value for our clients*

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*In the past five years as of July 1, 2015
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