

Equity Capital Markets Update

Q4 2019

ECM Quarterly

**2019 IPO Activity Headlined by
Unicorns and Alternative Listings**

In This Report

IPO volume falls, total proceeds hold steady for the year

Investors refocus on profitability after several disappointing high-profile debuts

Multiple next-generation consumer companies poised to join pipeline in 2020

Convertible debt offerings surge to highest level in more than a decade

2020 outlook: U.S. presidential election to influence IPO timelines



2019 IPO Activity Headlined by Unicorns and Alternative Listings

The number of IPOs in 2019 fell as private companies continue to assess alternative means to public listings and investors scrutinize unicorns' path to profitability.

U.S. equity markets posted strong gains in the fourth quarter with multiple indexes reaching record highs to end the year. This capped one of the strongest years for stocks in the past decade. Several factors helped boost stock prices throughout 2019, including accommodative monetary policy globally, easing trade tensions between the United States and China, greater certainty around Brexit following a Conservative majority victory in December's general election, and encouraging economic data related to consumer confidence and employment.

The S&P 500 (up 28.9% for the year and 8.5% for the fourth quarter) and Nasdaq (up 35.2% for the year and 12.2% for the quarter) both logged their strongest yearly performance since 2013. Information Technology was the best-performing S&P sector, up 48.0% for the year, followed by Communication Services up 30.9%. Energy was the worst-performing sector, up 7.6%, followed by healthcare up 18.7%. The Dow Jones Industrial Average gained 22.3% for the year and 6.0% for the quarter, and the Russell 2000 small-cap index gained 23.7% for the year and 9.5% for the quarter.

These gains came despite a sharp decline in corporate buybacks and continued outflows from equity funds.

More than \$135 billion was withdrawn from U.S. equity funds in 2019, the largest withdrawal on record, as investors seeking safe havens from volatility shifted to bond and money-market funds. More than \$220 billion was pulled from actively managed funds in 2019, continuing a multi-year shift toward passive management. In September, assets in passive equity funds overtook active funds for the first time on record.

Investors Refocus on Profitability after Several Disappointing High-Profile Debuts

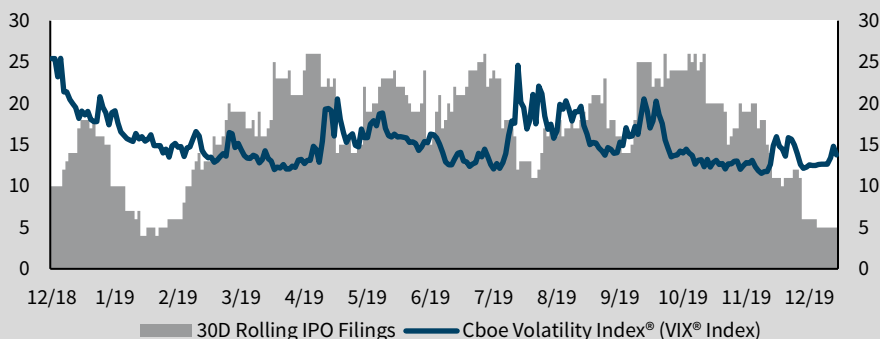
In 2019, the total number of IPOs priced fell 16%, slowed in part by the U.S. government shutdown at the beginning of the year. Total IPO proceeds raised, however, remained flat versus 2018. The 39 IPOs that priced during the fourth quarter raised \$6.1 billion, bringing 2019's annual total to 148 IPOs and \$47.7 billion of capital raised. Foreign issuers seeking the stability of U.S. capital markets, primarily from China, represented more than 27% of U.S. IPOs, the highest amount since 2010.

Healthcare and technology accounted for a combined 77% of 2019 activity.

Uber's long-anticipated debut was one of nine IPOs that raised more than \$1 billion in 2019. The ride-sharing platform raised \$8.1 billion in what was the largest listing since Alibaba in 2014. Rival ride-sharing platform Lyft was 2019's third-largest IPO, raising \$2.6 billion. Uber and Lyft were also among several high-profile IPOs that sparked disappointment among investors, joined by SmileDirectClub and the We Company's pulled offering. Increasingly, public market investors pushed back on valuations for high-growth but high-loss companies, signaling that path-to-profitability will be a key focus for investors assessing the backlog of unicorns preparing to go public. In light of these recent high-profile IPO struggles, private companies continue to assess alternative means of achieving public listings, including direct listings and special purpose acquisition company (SPAC) mergers. In 2019, there were 59 SPAC IPOs, the most since 2007.

Volatility and IPO Volume

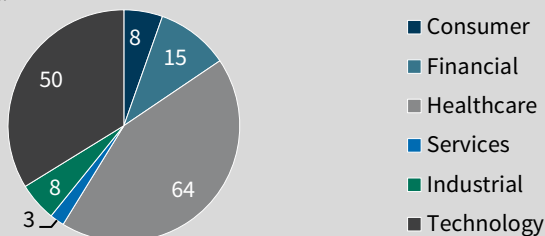
The VIX® Index closed 2019 at 13.8, well below the volatility index's long-term average. Despite this backdrop, investors withdrew a record \$135 billion from U.S. equity funds and reallocated into bond and money-market funds.



Sources: Provided as a courtesy by Cboe Exchange, Inc. (Cboe), Dealogic, and FactSet

2019 IPOs by Sector

Healthcare and technology continued to lead all sectors in IPO activity, combining to account for nearly 80% of all 2019 activity. Biotech Karuna Therapeutics led all IPOs in aftermarket performance, gaining 371% from its June debut.



Source: Dealogic

The year's best-performing IPOs included several healthcare companies, led by biotech Karuna Therapeutics, which gained 371% from its June debut, and biotech NextCure, which gained 276% since its May debut. Insurance provider Palomar Holdings, which gained 237%, was the year's best-performing non-healthcare IPO.

Collectively, 2019's IPOs delivered first-day returns of more than 18%, the highest since 2013. Fourth-quarter IPOs averaged first-day returns of 6% and finished the quarter up 27%, outpacing broader equity indexes. Pricing remained strong in the fourth quarter as 74% of IPOs priced in or above the range; for the entire year, 83% of IPOs priced in or above the range, in-line with 2018's pricing trends.

Multiple Next-Generation Consumer Companies Poised to Join Pipeline in 2020

During the fourth quarter, 36 companies filed to go public, bringing 2019's total to 195, down from 208 filings in 2018. New filings in the fourth quarter included house and

kitchen product provider Reynolds Consumer, waste management firm GFL Environmental, and several Chinese companies. The active backlog now totals 44 companies looking to raise \$2.2 billion.

Visibility into the full pipeline remains reduced as companies increasingly take advantage of the SEC rule that allows companies of all sizes to file confidentially. The shadow backlog of companies expected to move forward with plans to go public remains robust. Airbnb, which is expected to go public in 2020 through a direct listing, headlines the list of companies in the shadow backlog. A slew of next-generation consumer-facing companies are positioned to broaden the IPO market beyond healthcare and technology; these include online food and grocery delivery platforms DoorDash, PostMates, and Instacart; and golf and restaurant operator Topgolf.

Convertible Debt Offerings Surge to Highest Annual Proceeds in More Than a Decade

In the fourth quarter, 149 follow-on offerings were completed, bringing the

annual total to 552, down about 10% from 2018. Healthcare continued to be the most active sector, accounting for 54% of the year's follow-on volume, followed by technology and industrials. More than 35% of 2019's follow-ons were confidentially marketed/overnight deals, an increase from 30% in 2018.

The surge of convertible debt offerings continued in 2019 as 122 pricings raised \$55 billion. It was the most active year in terms of pricings since 2013 and for proceeds since 2008. Technology companies accounted for 43% of the year's total activity, followed by healthcare and industrials.

2020 Outlook: U.S. Presidential Election to Influence IPO Timelines

Investors should expect most activity to be concentrated in the first half of 2020 as issuers will look to avoid any market disruption from the U.S. presidential election. Other macro events that will take center stage in 2020 and likely affect IPO activity include Brexit and the ongoing U.S.-China trade negotiations. Markets were already rattled in 2020 by the threat of escalating tensions between the United States and Iran. Most of these issues, however, have been subject to public debate for several years, which should minimize their impact on new issuance activity.

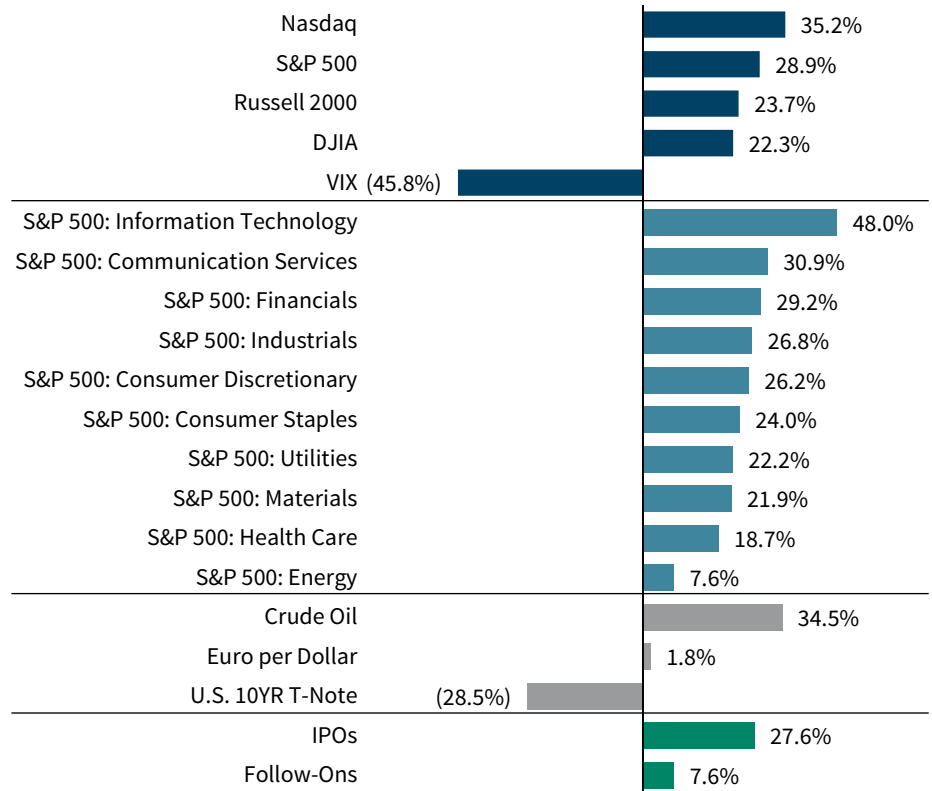
Technology and healthcare will continue to fuel the IPO market. Direct listings may draw several tech unicorns away from traditional IPOs, but the lackluster performance of both Spotify and Slack could temper interest in these alternative methods.

ECM Quarterly Market Analysis

Each quarter we look behind the numbers to examine the trends and dynamics that are driving activity in equity capital markets.

Index, Sector, and Asset Class Performance – 2019

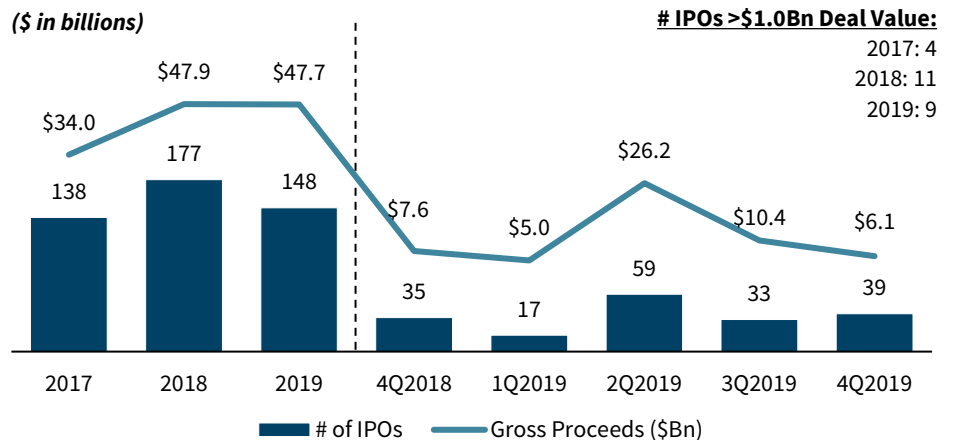
All major indexes posted strong gains in the fourth quarter and finished the year in positive territory. IPOs in 2019 delivered average aftermarket performance of 27.6%, and nearly 60% of IPOs finished the year above their offer price, in-line with the long-term average.



Sources: Dealogic and FactSet; data through 12/31/19

IPO Volume by Year and Quarter

The 148 U.S.-listed IPOs in 2019 represented a 16% decline from 2018. Total proceeds, however, remained flat at about \$48 billion. There were nine IPOs in 2019 that raised \$1 billion at least.



Sources: Dealogic and FactSet

Note: All IPO and follow-on data excludes offerings for yield products (BDCs, CLEFs, MLPs, SPACs and REITs)

IPO Overview – 2019

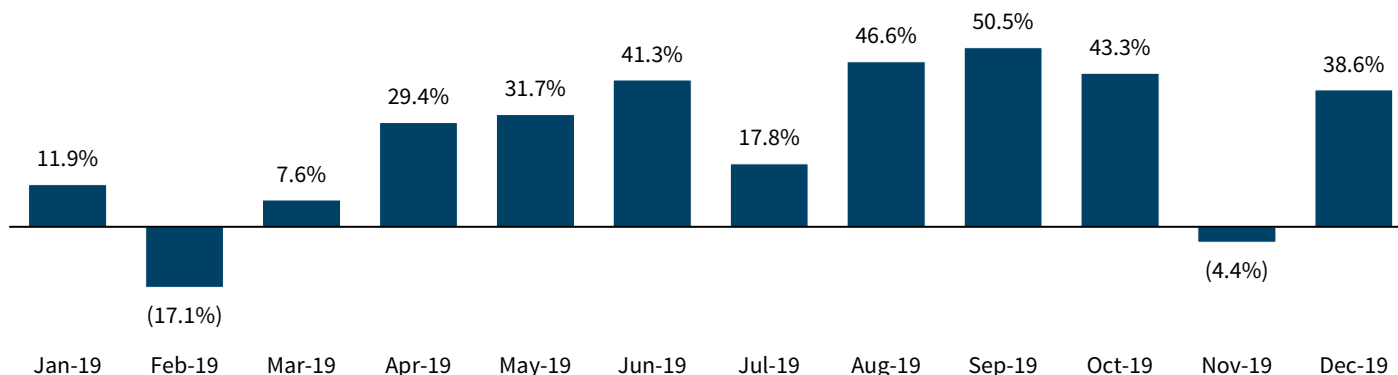
Uber Technologies, which raised \$8.1 billion in May, was 2019’s largest offering by a wide margin. While Uber and rival Lyft were among the three-largest offerings of the year, public market investors pushed back on valuations for high-growth but high-loss companies. This scrutiny contributed to the We Company’s pulled offering.

Largest IPOs (\$ in millions)

Pricing Date	Issuer	Deal Value	Market Value	Sector
5/9/19	Uber Technologies Inc	\$8,100.0	\$75,463.2	Technology
5/16/19	Avantor Inc	\$3,332.7	\$7,914.8	Healthcare
3/28/19	Lyft Inc	\$2,555.8	\$20,798.9	Technology
12/10/19	XP Inc	\$2,251.5	\$14,898.6	Financial
4/17/19	Pinterest Inc	\$1,638.8	\$10,271.8	Technology
9/11/19	SmileDirectClub Inc	\$1,346.4	\$8,851.8	Healthcare
4/3/19	Tradeweb Markets Inc	\$1,242.0	\$6,162.0	Technology
6/13/19	Chewy Inc	\$1,176.5	\$8,769.2	Technology
9/25/19	Peloton Interactive Inc	\$1,160.0	\$8,102.3	Consumer
4/17/19	Zoom Video Communications Inc	\$864.0	\$9,342.7	Technology

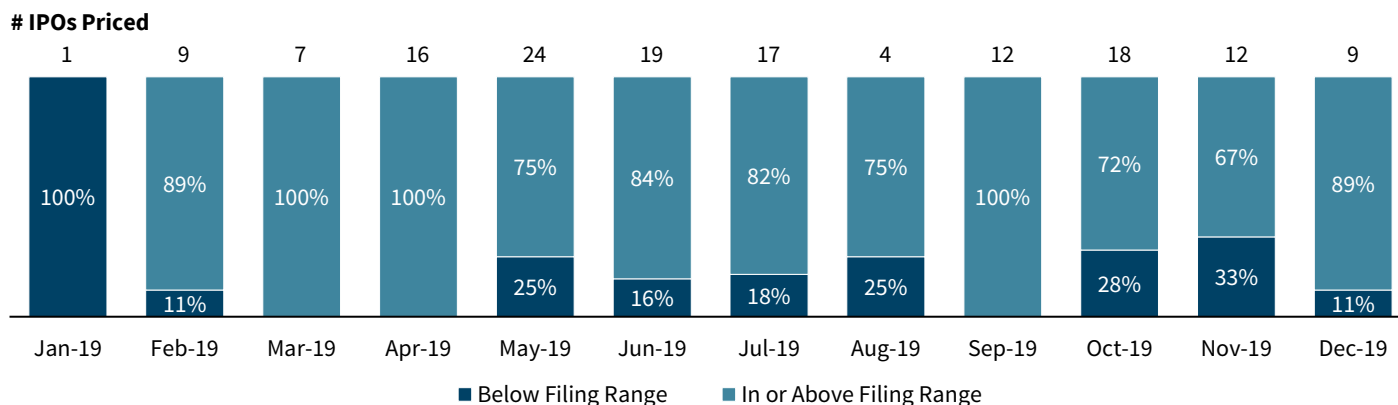
Source: Dealogic

Average Aftermarket Performance of Each Month’s IPOs through 12/31/19



Source: Dealogic

Pricing vs. Filing Range

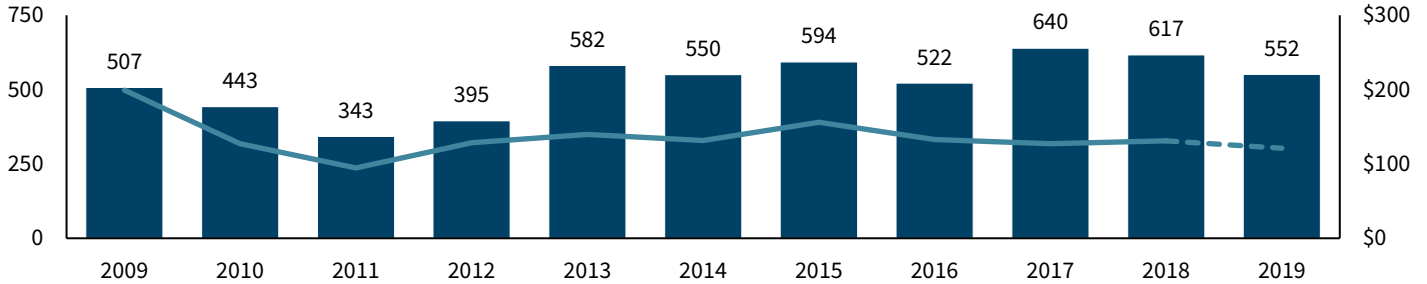


Source: Dealogic

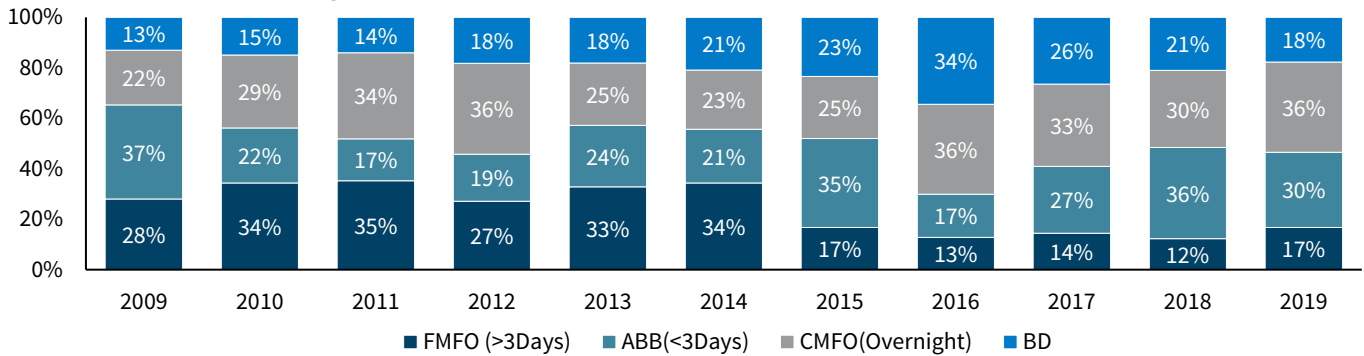
Follow-on Offering Overview – 2019

The total number of follow-ons in 2019 fell approximately 10% to 552. Confidentially marketed/overnight deals accounted for 36% of 2019’s follow-ons, up from 30% in 2018, as bouts of market volatility encouraged users to opportunistically assess the public markets.

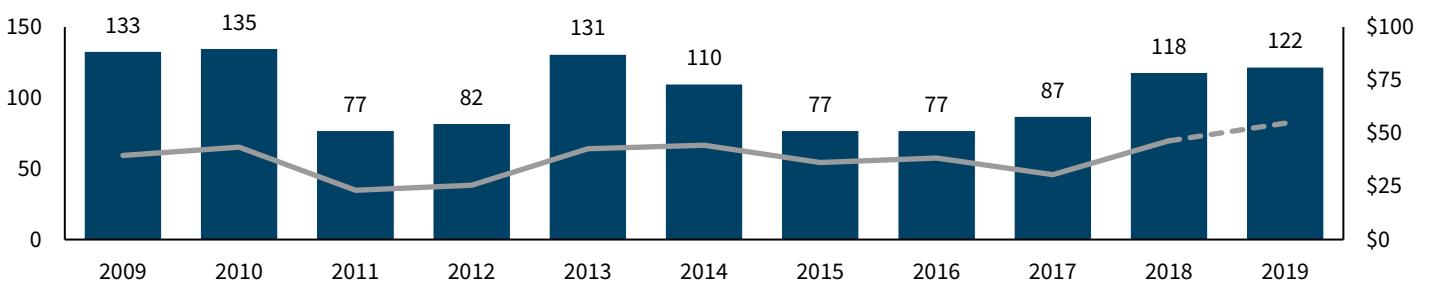
Annual Follow-On Activity (\$ in billions)



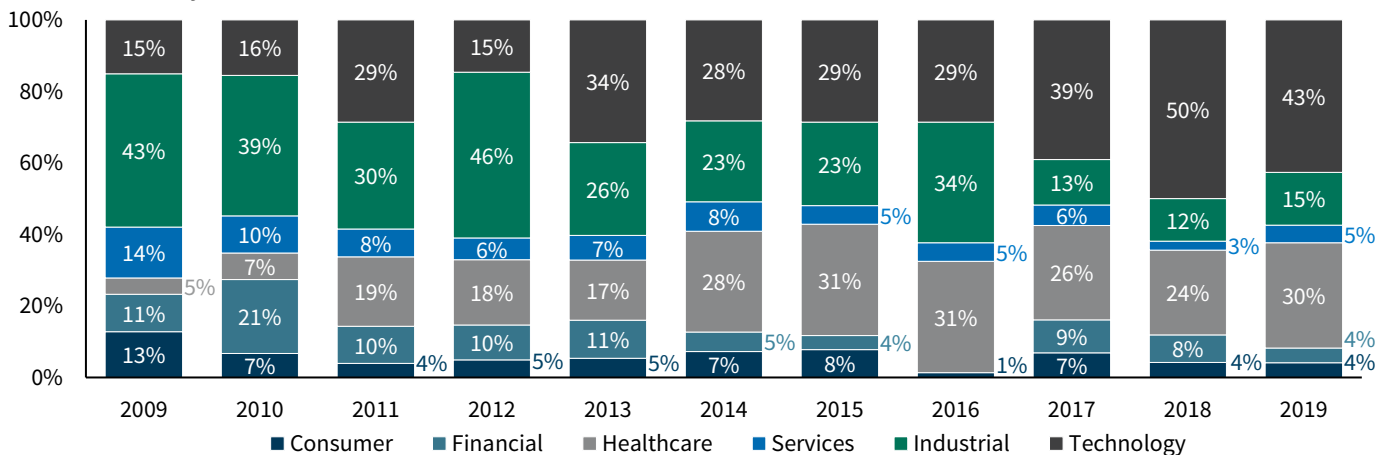
Follow-Ons Priced by Marketing Type



Annual Convertible Debt Activity (\$ billions)



Converts Priced by Sector



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 and financial sponsors turn to us for outstanding execution for their capital-raising objectives.

Recent transactions include:

<p>\$200,100,000</p> <p>AXSOME THERAPEUTICS</p> <p>Follow-on Offering</p> <p>December 2019</p>	<p>\$143,749,980</p> <p> assemblybio</p> <p>Follow-on Offering</p> <p>December 2019</p>	<p>\$201,825,000</p> <p> Phreesia</p> <p>Follow-on Offering</p> <p>December 2019</p>
<p>\$150,000,010</p> <p> sproutsocial</p> <p>Initial Public Offering</p> <p>December 2019</p>	<p>\$248,535,276</p> <p>Billcom</p> <p>Initial Public Offering</p> <p>December 2019</p>	<p>\$125,925,000</p> <p>ttec</p> <p>Follow-on Offering</p> <p>December 2019</p>
<p>\$575,000,000</p> <p> CYBERARK</p> <p>Convertible Senior Notes</p> <p>November 2019</p>	<p>\$333,500,000</p> <p>YETI</p> <p>Follow-on Offering</p> <p>November 2019</p>	<p>\$35,875,000</p> <p>ovid THERAPEUTICS</p> <p>Follow-on Offering</p> <p>October 2019</p>

Bookrun / Lead-Managed

**William Blair
By the Numbers***

390
equity offerings

\$108+
billion raised

18%
IPO market share

33%
of ECM activity is bookrun

* Equity Capital Markets activity for the period January 1, 2015 through December 31, 2019

Top Rankings in 2019 Greenwich Associates Survey

William Blair's institutional equity research, sales, and trading groups received multiple top rankings in the 2019 Greenwich Associates survey. Small- and midcap portfolio managers ranked William Blair No. 1 or No. 2, in over ten categories in the Greenwich survey, which is the preeminent survey in the institutional investor community.

No. 1 rankings

- Provide information and insights to generate alpha
- IT application software
- Healthcare equipment & supplies
- Healthcare providers & services
- Healthcare
- Technology
- First firm relationships

No. 2 rankings

- Quality of research / advisory services
- Lead research / advisory firm
- Most knowledge of companies and industries
- Quality of equity analyst service
- Diversified commercial & consumer services
- Capability of equity sales
- Best tailor research calls and services
- Provide intensive coverage

Access to Industry Leaders

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

With more than 170 senior bankers around the world, William Blair has completed more than 1,050 advisory and financing transactions totaling more than \$365 billion in value for our clients*

Equity Capital Markets

Brett Paschke
Head of Equity Capital Markets
+1 312 364 8657
bpaschke@williamblair.com

Steve Maletzky
+1 312 364 8258
smaletzky@williamblair.com

Carl Chiou
+1 415 796 6889
cchiou@williamblair.com

Rakhee Bhagat
+1 212 237 2777
rbhagat@williamblair.com

Lindsay Carlson
+1 312 364 8298
lcarlson@williamblair.com

Gary Morabito
+1 312 364 8472
gmorabito@williamblair.com

Kevin Eisele
+1 312 364 5282
keisele@williamblair.com

* In the past five years as of December 31, 2019

Disclosure

“William Blair” is a trade name for William Blair & Company, L.L.C., William Blair Investment Management, LLC and William Blair International, Ltd. William Blair & Company, L.L.C. and William Blair Investment Management, LLC are each a Delaware company and regulated by the Securities and Exchange Commission. William Blair & Company, L.L.C. is also regulated by The Financial Industry Regulatory Authority and other principal exchanges. William Blair International, Ltd is authorized and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. William Blair only offers products and services where it is permitted to do so. Some of these products and services are only offered to persons or institutions situated in the United States and are not offered to persons or institutions outside the United States.

This material has been approved for distribution in the United Kingdom by William Blair International, Ltd. Regulated by the Financial Conduct Authority (FCA), and is directed only at, and is only made available to, persons falling within COB 3.5 and 3.6 of the FCA Handbook (being “Eligible Counterparties” and Professional Clients). This Document is not to be distributed or passed on at any “Retail Clients.” No persons other than persons to whom this document is directed should rely on it or its contents or use it as the basis to make an investment decision.

William Blair’s investment banking group enables corporations, financial sponsors, and owner/entrepreneurs around the world to achieve their growth, liquidity, and financing objectives.

Drawing on the collective intellectual capital and deep sector expertise of a global team that reaches 20 cities on four continents, the investment banking group brings a rigorous and innovative approach to corporate board advisory projects, mergers and acquisitions, and equity and debt financing. From 2015 to 2019, the team advised on more than \$365 billion in completed transaction volume.