

IPO ANALYSIS

Research on upcoming IPOs for selected
candidate companies.

Eventbrite

Gritstone Oncology

Farfetch

September 2018

VentureDeal

Eventbrite Files For \$200 Million U.S. IPO



Quick Take

[Eventbrite \(EB\)](#) intends to raise gross proceeds of \$200 million from a U.S. IPO, according to an [S-1 registration statement](#).

The firm provides event discovery and management software for individuals and businesses worldwide.

EB is growing topline revenues quickly but is producing operating losses at the same level as in prior years, making no headway toward operational profitability.

Company & Technology

San Francisco, California-based Eventbrite was founded in 2006 to develop and maintain a platform for users to discover, plan, promote and produce live events, thereby allowing creators to reduce friction and costs, increase reach and drive ticket sales.

Management is headed by Co-Founder and CEO [Julia Hartz](#), who was previously Manager of Current Series at Fox Networks Group.

The Eventbrite platform supports events ranging from fundraisers, seminars, wellness activities and music festivals to classes and cultural celebrations all over the world. Anyone can create or discover events on Eventbrite.

Investors in Eventbrite have included Tiger Global Management, Sequoia Capital, T. Rowe Price, 137 Ventures and Tenaya Capital, among others. (Source: [CrunchBase](#))

Customer Acquisition

The company acquires customers through a sales team that focuses on acquiring creators with events in specific categories or countries.

Sales, marketing and support expenses as a percentage of net revenue have been dropping as revenues have increased sharply, as the figures below indicate:

- Q2 2018: 25.1%

- 2017: 27.4%
- 2016: 36.2%

Market & Competition

According to a [2017 market research report](#) by MarketsandMarkets, the total event management software market was valued at \$6.4 billion in 2017 and is projected to grow to \$11.1 billion by 2022, representing a CAGR of 11.6% during the forecast period.

The main factors driving market growth are the need for effective event management and increasing adoption of event planning software and event registration software by Small and Medium-sized Enterprises [SMEs].

Major competitors that provide event management or discovery software include:

- Live Nation ([LYV](#))
- Cvent
- XING Events
- ACTIVE Network
- etouches
- EMS Software
- Ungerboeck Software International
- SignUpGenius

Financial Performance

EB's recent financial results can be summarized as follows:

- Increasing topline revenue at an accelerating rate
- Sharply increased gross profit
- Uneven but upward trending gross margin
- Sharp growth in cash flow from operations

Below are the company's financial results for the past two and ½ years (Audited PCAOB for full years):

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
(in thousands, except percentages and per share data)				
Consolidated Statements of Operations				
Net revenue	\$133,499	\$201,597	\$88,153	\$142,068
Cost of net revenue ⁽¹⁾	55,689	81,667	35,302	57,947
Gross profit	77,810	119,930	52,851	84,121
Operating expenses ⁽¹⁾ :				
Product development	22,723	30,608	11,481	19,815
Sales, marketing and support	48,391	55,170	23,171	35,623
General and administrative	41,749	67,559	26,546	44,994
Total operating expenses	112,863	153,337	61,198	100,432
Loss from operations	(35,053)	(33,407)	(8,347)	(16,311)
Interest expense	(3,513)	(6,462)	(1,958)	(5,562)
Change in fair value of redeemable convertible preferred stock warrant liability	—	(2,200)	—	(6,071)
Gain on extinguishment of promissory note	—	—	—	16,340
Other income (expense), net	(1,695)	3,509	1,904	(3,176)
Loss before provision for (benefit from) income taxes	(40,261)	(38,560)	(8,401)	(14,780)
Income tax provision (benefit)	131	(13)	(55)	800
Net loss attributable to common stockholders	<u>\$ (40,392)</u>	<u>\$ (38,547)</u>	<u>\$ (8,346)</u>	<u>\$ (15,580)</u>
Net loss per share attributable to common stockholders, basic and diluted ⁽²⁾	<u>\$ (2.48)</u>	<u>\$ (1.98)</u>	<u>\$ (0.44)</u>	<u>\$ (0.73)</u>

(Source: [Eventbrite S-1](#))

Total Revenue

- Q2 2018: \$142.1 million, 61.1% increase vs. prior
- 2017: \$201.6 million, 51.0% increase vs. prior
- 2016: \$133.5 million

Gross Profit

- Q2 2018: \$84.1 million
- 2017: \$119.9 million
- 2016: \$77.8 million

Gross Margin

- Q2 2018: 59.2%
- 2017: 59.5%
- 2016: 58.3%

Cash Flow from Operations

- Q2 2018: \$48.8 million
- 2017: \$29.8 million
- 2016: \$2.8 million

As of June 30, 2018, the company had \$258.7 million in cash and \$454.8 million in total liabilities.

Free cash flow during the six months ended June 30, 2018, was \$46.1 million

IPO Details

Eventbrite intends to raise \$200 million in gross proceeds from an IPO of its Class A shares.

Class A shareholders will be entitled to one vote per share vs. ten votes per share for Class B shareholders.

Multiple classes of shares are a way for management and major existing shareholders to retain voting control of the firm after losing economic control. The S&P 500 Index no longer admits firms with multiple classes of stock to its index.

Management says it will use the net proceeds from the IPO as follows:

We currently intend to use the net proceeds of this offering [i] to repay our outstanding indebtedness under our term loan facilities [...], which, had we completed this offering and repaid the term loans on June 30, 2018, the amount of such repayment would equal \$83.1 million including prepayment penalties and [ii] for working capital and other general corporate purposes.

Management's presentation of the company roadshow isn't available.

Listed bookrunners of the IPO are Goldman Sachs, J.P. Morgan, Allen & Company, RBC Capital Markets, SunTrust Robinson Humphrey and Stifel.

Expected IPO Pricing Date: Not on the calendar.

Gritstone Oncology Begins Effort For IPO



Quick Take

[Gritstone Oncology \(GRTS\)](#) intends to raise gross proceeds of \$80 million from a U.S. IPO, according to an [S-1 registration statement](#).

The firm provides personalized immunotherapy treatments for cancer patients.

GRTS has an interesting approach but hasn't entered trials for its lead candidate, so is at an ultra-high-risk stage.

I'll provide a final opinion when we learn IPO pricing and valuation assumptions from management.

Company & Technology

Emeryville, California-based Gritstone Oncology was founded in 2015 to develop and provide personalized immunotherapies to fight multiple cancer types by focusing on the individual nature of each patient's tumor using AI.

Management is headed by Co-Founder, President and CEO [Andrew Allen](#), who was previously Chief Medical Officer at Pharmion Corporation.

Gritstone Oncology has developed an immunotherapy approach that harnesses the natural power of a patient's own immune system to recognize short tumor-specific peptide sequences presented on cancer cells, referred to as tumor-specific neoantigens (or TSNA) in order to destroy tumor cells.

The company's lead drug, GRANITE-001, is manufactured individually for each patient's case and works by combining the predictive capabilities of the company's AI platform, Gritstone EDGE, and utilizing patients' TSNA to empower their immune system to attack and destroy tumors.

Gritstone EDGE relies on AI algorithms in order to identify the correct neoantigens for an immunotherapy of each patient and predict, from a routine tumor biopsy, the TSNA that are presented on a patient's tumor cells.

The company intends to initiate Phase 1/2 trials for GRANITE-001 in 2H 2018 and Phase 2 trials for SLATE-001 in 2H 2019.

Below is the current status of the company's drug development pipeline:



(Source: [Gritstone](#))

Investors in Gritstone Oncology have included Trinitas Capital, Alexandria Venture Investments, Versant Ventures and Lilly Asia Ventures, among others.

Market & Competition

According to a [2018 market research report](#) by Mordor Intelligence, the global solid tumor therapeutics market is projected to grow at a CAGR of 15% between 2018 and 2023.

The main factor driving market growth is the increasing incidence of cancer in aging populations.

Major competitors that provide or are developing solid tumor therapeutics include:

- Abbott Laboratories ([ABT](#))
- Amgen ([AMGN](#))
- AstraZeneca ([AZN](#))
- Baxter International ([BAX](#))
- Biogen ([BIIB](#))
- Boehringer Ingelheim
- Bristol-Myers Squibb ([BMY](#))
- Eli Lilly and Company ([LLY](#))

Financial Performance

GRTS' recent financial results are typical of a clinical-stage biopharma firm in that they feature no revenues and significant G&A and R&D expenses associated with advancing a pipeline of treatment candidates through the regulatory process.

Below are the company's financial results for the past two and ½ years (Audited PCAOB for full years):

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(unaudited)			
	(in thousands, except share and per share data)			
Statements of Operations and Comprehensive Loss Data:				
Operating Expenses:				
Research and development	\$ 13,916	\$ 35,691	\$ 11,855	\$ 24,090
General and administrative	5,064	6,072	2,840	4,852
Total operating expenses	18,980	41,763	14,695	28,942
Loss from operations	(18,980)	(41,763)	(14,695)	(28,942)
Interest income, net	230	386	138	94
Net loss	(18,750)	(41,377)	(14,557)	(28,848)
Unrealized loss on marketable securities	(2)	(71)	(2)	(31)
Other comprehensive loss	\$ (18,752)	\$ (41,448)	\$ (14,559)	\$ (28,879)
Net loss per share, basic and diluted(1)	\$ (1.62)	\$ (3.00)	\$ (1.11)	\$ (1.83)

(Source: [Gritstone S-1](#))

As of June 30, 2018, the company had \$64.5 million in cash and \$17.3 million in total liabilities.

IPO Details

GRTS intends to raise \$80 million in gross proceeds from an IPO of its common stock.

Management says it will use the net proceeds from the IPO as follows:

to fund our planned Phase 1/2 clinical trial of GRANITE-001;

to fund the continued buildout of our manufacturing facility;

to fund internal research and development activities, including preclinical and IND-enabling activities for SLATE-001; and

the balance for working capital and general corporate purposes.

Management's presentation of the company roadshow isn't available yet.

Listed bookrunners of the IPO are Goldman Sachs, Cowen, Barclays, and BTIG.

Expected IPO Pricing Date: Not on the calendar.

Farfetch Aims For \$100 Million U.S. IPO



Quick Take

[Farfetch \(FTCH\)](#) intends to raise gross proceeds of \$100 million from a U.S. IPO, according to an [F-1 registration statement](#).

The firm operates an online marketplace that connects various independent luxury fashion boutiques, designers, and customers.

FTCH is growing top line revenue quickly but is losing money and burning cash just as quickly.

When we learn pricing and valuation assumptions from management, I'll provide an update.

Company And Technology

London, England-based Farfetch was founded in 2008 to connect luxury fashion creators, curators, and consumers in a single e-commerce website.

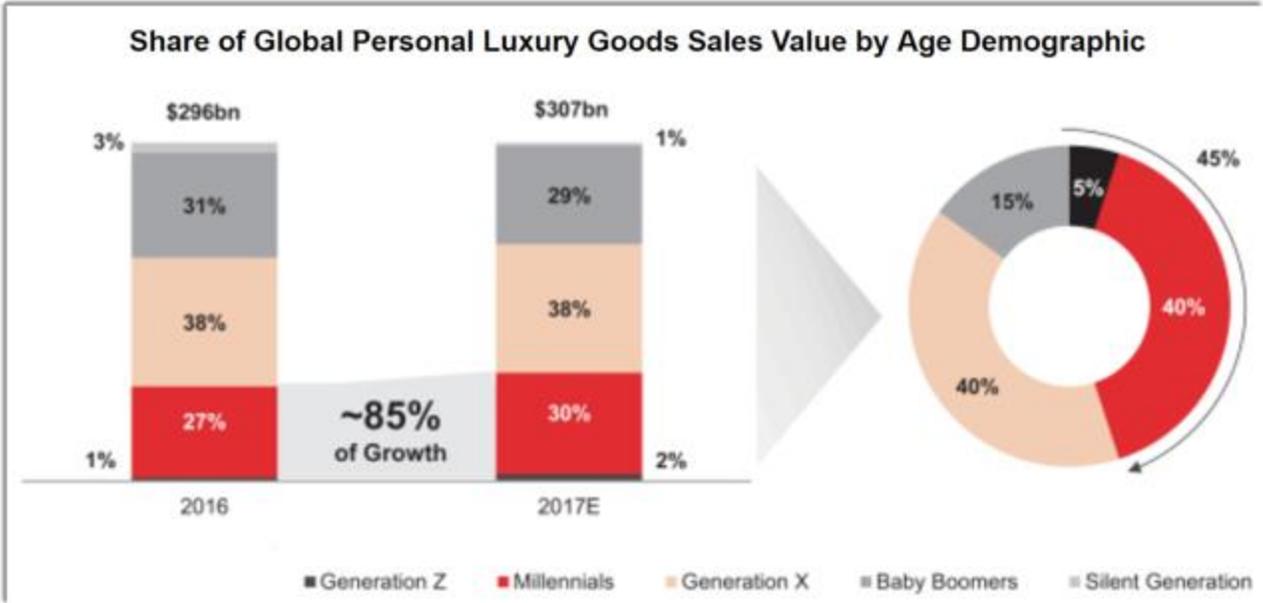
Management is headed by Founder and CEO [José Neves](#), who was the Founder of PLATFORME International and is currently the Non-Executive Director of the British Fashion Council.

Some of the main offerings on the Farfetch Marketplace include bags, coats, dresses, jackets, jewelry, swimwear, trousers, shoes, knitwear, suits, shorts, and accessories.

Investors in Farfetch include [JD.com](#) (NASDAQ:JD), Eurazeo ([OTCPK:EUZOF](#)), IDG Capital, DST Global, Vitruvian Partners, Condé Nast, Index Ventures and Advent Venture Partners, among others.

Customers And Market

Farfetch focuses its customer acquisition efforts on the global luxury segment. Within that segment, management is particularly interested in the Millennial, Gen X and Gen Z demographics, which while young in terms of age, shows the greatest growth trajectory as the graphic below indicates:



(Source: [Farfetch F-1](#))

Additionally, Farfetch is focusing on emerging markets, particularly China and the rest of Asia ex-Japan, which has seen its share of luxury purchase activity increase in recent years:



(Source: [Farfetch F-1](#))

SG&A expenses as a percentage of revenue have been uneven, although trending downward as revenues have increased, as the figures below indicate:

- Q2 2018: 78.1%
- 2017: 77.5%
- 2016: 84.9%
- 2015: 91.4%

According to the [16th edition of the Bain Luxury Study](#), published by Bain & Company for Fondazione Altagamma, the global luxury goods market has grown by 5%, to \$1.2 trillion in 2017. The e-commerce sector has grown by 24% and accounted for 9% of the whole market share in 2017.

The global personal luxury goods market is projected to grow to \$342–\$354 billion by 2020, representing a CAGR of about 4%-5% during the period between 2017 and 2020. Online sales are projected to account for an overall 25% of the total market by 2025.

Financial Performance

FTCH's recent financial results can be summarized as follows:

- Growing top line revenue but at a decelerating rate.
- Consistently increasing gross profit.
- Fluctuating gross margin.
- A sharp increase in cash used in operations.

Below are the company's financial results for the past 3½ years (Audited IFRS for full years):

	Six months ended June 30,		Year ended December 31,		
	2017	2018	2015	2016	2017
(in thousands except share and per share data)					
Consolidated Statement of Operations Data:					
Revenue	\$172,571	\$267,508	\$142,305	\$242,116	\$385,966
Cost of revenue	(78,223)	(130,643)	(69,702)	(125,238)	(181,200)
Gross profit	94,348	136,865	72,603	116,878	204,766
Selling, general and administrative expenses	(125,762)	(208,801)	(130,073)	(205,558)	(299,260)
Share of profits of associates	15	24	—	18	31
Operating loss	(31,399)	(71,912)	(57,470)	(88,662)	(94,463)
Net finance income/(costs)	1,690	4,218	(4,265)	7,402	(17,642)
Loss before tax	(29,709)	(67,694)	(61,735)	(81,260)	(112,105)
Income tax credit/(expense)	429	(714)	628	(199)	(170)
Loss after tax	\$(29,280)	\$(68,408)	\$(61,107)	\$(81,459)	\$(112,275)
Loss per share attributable to owners of the parent:					
Basic and diluted	\$(0.75)	\$(1.42)	\$(1.80)	\$(2.21)	\$(2.62)

(Source: [FTCH F-1](#))

Total Revenue

- Q2 2018: \$267.5 million, 55.0% increase vs. prior
- 2017: \$386.0 million, 59.4% increase vs. prior
- 2016: \$242.1 million, 70.1% increase vs. prior
- 2015: \$142.3 million

Gross Profit

- Q2 2018: \$136.9 million
- 2017: \$204.8 million
- 2016: \$116.9 million
- 2015: \$72.6 million

Gross Margin

- Q2 2018: 51.2%
- 2017: 53.1%
- 2016: 48.3%
- 2015: 51.0%

Cash Flow from Operations

- Q2 2018: (\$106.0 million) cash used in operations
- 2017: (\$59.3 million) cash used

- 2016: (\$47.1 million) cash used
- 2015: (\$37.3 million) cash used

As of June 30, 2018, the company had \$337.0 million in cash and \$168.0 million in total liabilities.

Free cash flow during the 6 months ended June 30, 2018, was a negative (\$31.3 million).

IPO Details

FTCH intends to raise \$100 million in gross proceeds from an IPO of its Class A ordinary shares from the company and from selling shareholders.

Class B shareholders will be entitled to 20 votes per share vs. one vote per share for Class A shareholders. This is a way for management to retain voting control of the firm after losing economic control.

Existing shareholder Kadi Group (JD.com affiliate) has indicated an interest to purchase Class A shares totaling $\frac{1}{3}$ of what it would need to maintain its existing share ownership percentage.

Management says it will use the net proceeds from the IPO as follows:

We intend to use the net proceeds from this offering and the concurrent private placement for working capital, to fund incremental growth and other general corporate purposes, including possible acquisitions.

Management's presentation of the company roadshow is not available.

Listed bookrunners of the IPO are Goldman Sachs, J.P. Morgan, Allen & Company, UBS Investment Bank, Credit Suisse, Deutsche Bank Securities, Wells Fargo Securities, Cowen and BNP Paribas.

Expected IPO Pricing Date: Not on the calendar.