

U.S. IPO Annual Review

2018

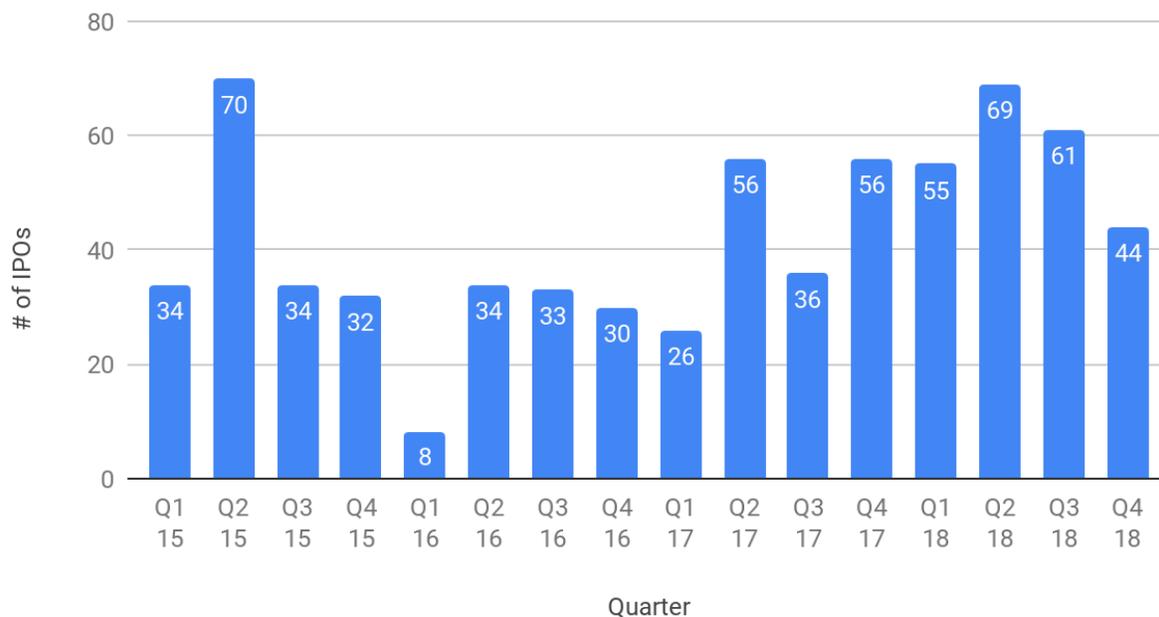
Total IPOs

The year 2018 concluded with a total of 229 U.S. IPOs raising \$60.98 billion in gross proceeds, excluding underwriter options and concurrent private placements.

Compared to 2017 results of 206 IPOs which raised \$45.8 billion, 2018 represented a *31.6% increase* in the number of IPOs and a *33% increase* in the amount raised.

The chart below shows the number of U.S. IPOs on a quarterly basis since Q2 2015.

U.S. IPOs by Quarter



Since Q2 of 2017, we have seen a significant 'step-up' in the number of IPOs vs. 2015 and 2016's relatively low activity levels.

IPO activity is typically seasonal, with the second quarter of the year usually being the busiest. At 44 IPOs, Q4 2018 was weaker than Q4 2017, likely due to overall stock market volatility impacting the IPO market environment in late 2018.

However, at the end of 2018, an increase in the number of registration statement filings for 2019 activity presages a hopeful start to the Q1 2019 IPO season.

A number of press reports have indicated a strong 2019 IPO market, with numerous technology startups having publicly filed their IPO registrations, or otherwise gearing up for public market debuts by picking bankers, hiring CFOs, or confidentially filing their IPO registration statements.

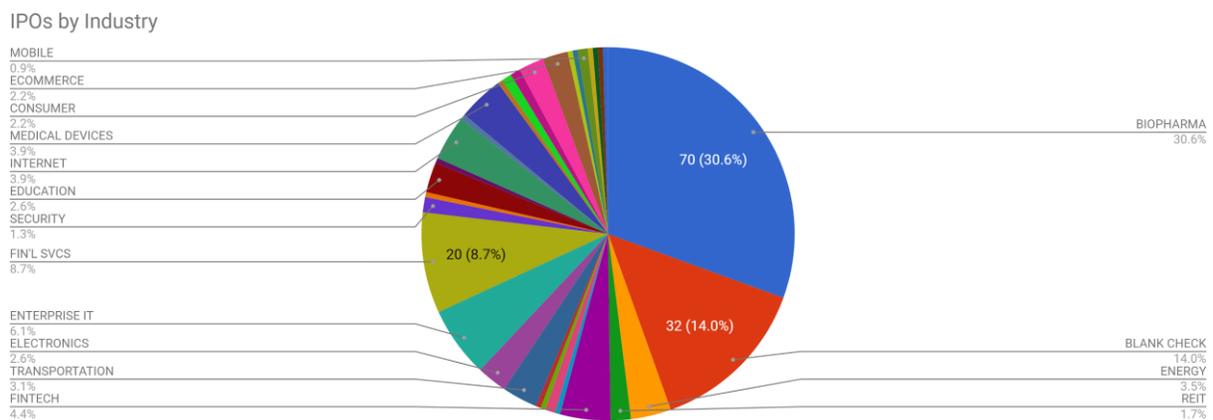
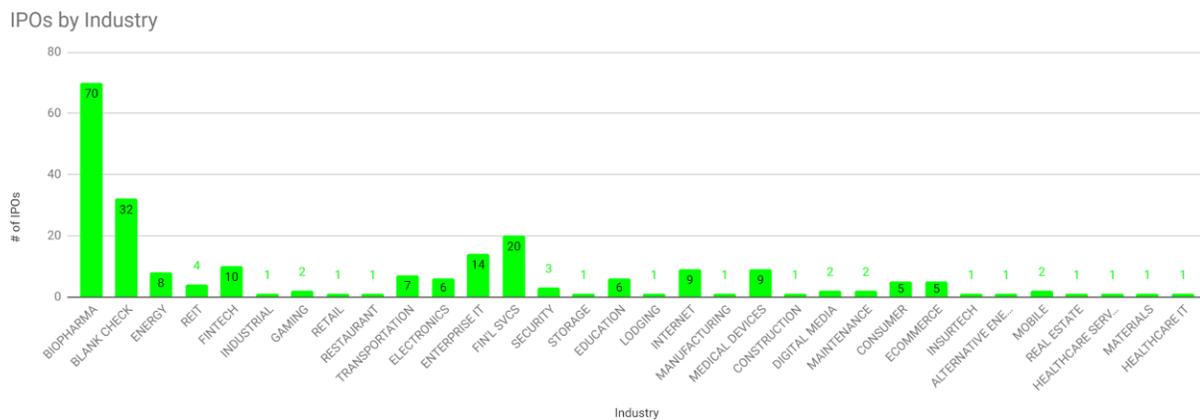
IPOs By Industry

During the year, many industries with companies that went public on U.S. markets only had one company per industry.

Below were the top five most active industries for U.S. IPOs in 2018:

1. Biopharma continued to lead all industries with 70 IPOs
2. Blank Check firms came in 2nd place with 32 IPOs
3. FinTech & Financial Services firms accounted for 30 IPOs
4. Enterprise IT companies were represented by 14 IPOs
5. Internet and Medical Devices tied for fifth place with 9 IPOs each

The charts below show the number of IPOs by industry during the year - presented as a bar chart or as a pie chart which includes percentages for each industry:

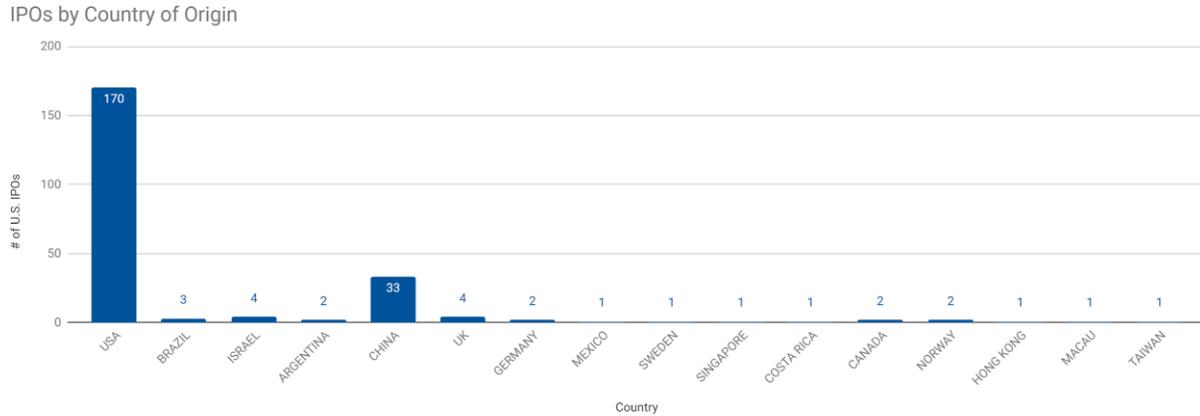


IPOs by Country of Origin

U.S.-based companies accounted for 170 of the 229 IPOs, or 74% of the total during the year.

- China came in second place with 33 IPOs or 14.4%
- Israel and the UK accounted for four IPOs each
- Brazil completed three IPO transactions during the year
- Canada, Germany, Argentina, and Norway each had two IPOs for the year

Below is a summary chart of IPOs by country of origin:



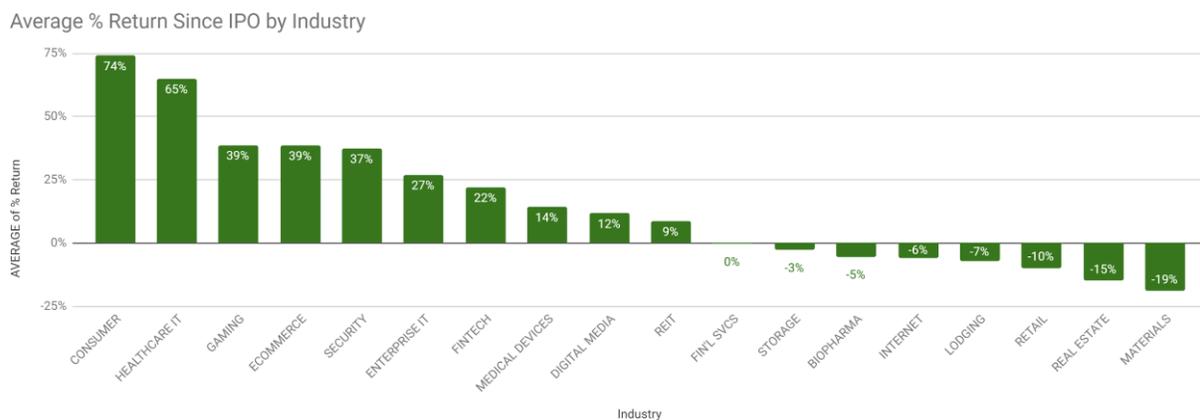
Average Percentage Return Since IPO by Industry

The Consumer industry recorded the highest average return, propelled by cannabis firm Tilray (TLRY), which accounted for the leading return post-IPO for all industries at 315%.

The less cyclical industries of Healthcare IT and Gaming provided IPO investors with strong results, returning 65% and 39%, respectively, since their IPOs.

The high returns from software-enabled industries of Ecommerce, Security, Enterprise IT, and Fintech indicated strong investor appetite for these industries, which increasingly feature predictable and understandable subscription-based revenue models.

The chart below shows Average Percentage Returns Since IPO by Industry,



Commentary

The 2018 U.S. IPO market performed well through the end of Q3. However, the beginning of Q4 saw the return of intense overall market volatility and a significant series of market selloffs.

This late-in-the-year change in the macro environment was likely the result of a number of factors including, the long economic expansion, rising interest rates, trade tensions, Brexit uncertainty, Euro area weakness, and increasing doubts about future economic growth assumptions.

This volatility and market selloff environment fell particularly hard on post-IPO performance as many IPO firms are growth-oriented technology companies.

During 2018, the overall market P/E multiple fell from 18x to 15x as investors lowered their belief in growth prospects in 2019. Since IPOs are essentially growth stories, stock price performance suffered for a high number of IPO companies.

In addition, the number of IPOs completed in Q4 2018 dropped as firm pulled their IPO plans and decided to wait until the new year.

Looking forward to 2019, I believe there will be a strong desire on the part of many technology firms to go public, but the IPO market will start the year off rather subdued until U.S. / China trade tensions have hopefully reduced and the uncertainty around Brexit has been removed.

Both of those positive outcomes may not materialize until late in Q1, or indeed may not be achieved at all. Such is the risk of these high stakes negotiations.

Assuming the markets gain some degree of clarity around major geopolitical and economic issues, volatility should be reduced, and the IPO market will once again regain a stronger footing, likely in Q2 to Q3 2019.

January 2, 2019