In Proskauer’s 2016 IPO Study, an analysis of market practices and trends for U.S.-listed initial public offerings in 2015, health care was the largest sector by deal count for the third year in a row. Below we will cover key findings from the study regarding the health care sector.

Overview
- Since 2013, our study has examined a total of 101 health care IPOs
- We analyzed 33 health care IPOs in 2015:
  - 27 (82%) biotech/biopharm
  - 5 (15%) medical devices/diagnostics
  - 1 (3%) hospitals/clinics
- 4 of 33 (12%) were FPIs, with headquarters in Austria, Denmark, France and the United Kingdom
- The U.S. health care issuers were headquartered in 12 states, with the most in California (9 of 29 (31%)) and Massachusetts (6 of 29 (21%))

Fewer SEC Comments and Shortest Time to Pricing
- In 2015, health care IPOs received fewer first-round comments compared to the average IPO in our overall study (24 vs. 31)
- Health care issuers were more likely to receive a cheap stock comment than issuers in any other sector (73%, compared to 51% across all sectors)
- Health Care issuers are also comparatively less likely to receive revenue recognition (33%, compared to 52% across all issuers) or segment reporting (3%, compared to 25% across all issuers) comments, both of which can lead to delays in the SEC process

No Secondary Sales*
- No health care IPO in our study had a secondary component, compared to 19% in our overall study

*In the base offering, there was one health care IPO in 2015 with selling stockholders in the shoe.

Testing the Waters
- All health care issuers in our 2015 study were EGCs, compared to 88% in 2014 and 94% in 2013, and compared to 91% across all sectors in 2015

Insider Participation
- Nearly two in three (64%) health care issuers and nearly three in four (74%) biotech and biopharm issuers disclosed insiders purchasing in the IPO, compared to 36% in our overall study

Financial Statement Issues (Usually) Are Not an Issue
- About one in three health care IPOs (36%) in our study had a going-concern qualification (compared to 18% for all IPOs)
- About one in three (36%) disclosed a material weakness (similar to 33% for all IPOs)
- 3 (9%) had restated financials (compared to 7% for all IPOs)
- Fourteen of the health care issuers (42%), including 52% of biotech/biopharm issuers, were pre-revenue, compared to just 16% across all issuers
Health Care Market Analysis

Deal Execution

- 11 of 33 (33%) health care IPOs priced below the range, the same as our overall study.

Deal Value & Over-Allotment*

- Virtually all health care IPOs were below $250 million.

*Deal value includes exercise of the over-allotment option where applicable.

Revenue, Net Income & EBITDA/Adjusted EBITDA

- 14 of 33 (42%) health care IPOs were pre-revenue, compared to 16% in our overall study.
- 14 of 27 (52%) biotech/biopharm IPOs were pre-revenue, and 23 of 27 (85%) had no product sales as of the pricing date.
- These 14 represent all the pre-revenue IPOs in our study.

Pricing vs. Range

- Health Care pre-revenue IPOs
  - Below range: 21%
  - In range: 29%
  - Above range: 50%
- All revenue generating IPOs
  - Below range: 32%
  - In range: 38%
  - Above range: 30%

Aftermarket Performance

- Health Care pre-revenue IPOs
  - Average Offer: 1 Day
    - Below range: 26%
    - Above range: 19%
- All revenue generating IPOs
  - Average Offer: 30 Days
    - Below range: 26%
    - Above range: 20%
  - Average Offer: 90 Days
    - Below range: 20%
    - Above range: 11%