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Executive Summary

Welcome to the second edition of Proskauer’s IPO Study, our analysis of market practice for U.S.-listed initial public offerings.

We examined 119 U.S.-listed IPOs with a minimum deal size of $50 million in 2014, representing about half of the overall market for deals meeting those criteria. Our study covered a range of industries and included foreign private issuers and master limited partnerships, but excluded certain uncommon deal structures. (See page 5 for a description of our methodology.)

This edition expands on last year’s in several important ways. Collectively, these enhancements widen our perspective and, in the process, deepen our analysis.

- We have two years of data, enabling us to identify trends and make year-over-year comparisons.
- We’ve added energy & power to the industries covered (i.e., health care; technology, media & telecom; consumer/retail; financial services; and industrials).
- We’ve added an appendix focusing on foreign private issuers, as 2014 experienced a meaningful return of IPO issuers from Europe and Asia.

The study draws from the proprietary IPO database that we created for the first edition and have subsequently expanded and enhanced. We believe the database is a valuable resource for companies considering an IPO as well as for IPO market participants and their advisors.

It was a good year

The IPO market was buoyant in 2014. The 275 total U.S. IPOs raised aggregate proceeds of $85.3 billion — numbers not seen since before the Great Recession. Sixteen IPOs raised at least $1 billion (including the long-awaited debut of Alibaba), the most in any year since 2001.

Investors gave IPOs a big boost by buying them in the aftermarket. IPOs’ average total return during the year was 21 percent, exceeding their 15 percent 10-year average and nearly doubling the Standard & Poor’s 500 Index’s 11.4 percent return.

In a possible harbinger of things to come, non-U.S. companies returned to U.S. exchanges for their IPOs. This reversed a long trend of non-U.S. companies generally avoiding U.S. listing because of perceived regulatory constraints.

Key takeaways

The study yielded a number of noteworthy observations about trends and practices among the IPOs in our database in 2014:

- A tale of two halves (page 7). In a reflection of investors' shifting risk appetite during the year, IPOs struggled to price in the range in the second half of the year vs. the first half. In our study, 45 percent of second-half deals priced below the range, compared to 25 percent of first-half deals. Second-half deals also generally underperformed first-half deals in the aftermarket.

- Appetite for both megadeals and smaller, growth stories (pages 8, 57). Led by Alibaba, the market was able to absorb large IPOs from several sectors, including financial services (notably Citizens Financial and Ally Financial). The market also saw significant deal count of IPOs raising under $100 million, led by growth-story IPOs in biotech/biopharm within the health care sector.

- Earnings not necessarily required (pages 16–17). Ten percent of IPOs were for pre-revenue companies, all of which were in health care. Fifty-five percent reported negative net income in their most recent audited fiscal year, primarily in health care and technology, media & telecom. While a majority of companies in each category priced below the range, pre-revenue issuers had significantly better aftermarket performance than those in the study with negative net income.

SEC process was more efficient (page 48). The average number of first round SEC comments in 2014 was 38, down from 42 in 2013, and the average time period between first submission/filing and pricing was 124 days in 2014, down from 135 in 2013.

Bigger deals meant higher average expenses (page 51). Average total IPO expenses (excluding underwriting fees) rose eight percent from 2013 to 2014. This was mainly due to the number of large, complex IPOs, which were considerably more expensive to execute than smaller IPOs. Although total legal, accounting and printing fees were significantly higher for larger IPOs, they were lower when measured as a percentage of the IPO base deal.

Better performance when insiders bought (pages 33, 35). Insiders (most frequently at health care issuers) bought shares in 24 percent of IPOs, of which about half priced below the range. Their instincts were good, as aftermarket performance for deals with insiders buying was much better than for those without insiders buying. The opposite was true when management sold shares in IPOs with a secondary component. Nearly 60 percent of such deals priced above the range, but aftermarket performance was meaningfully lower than when management didn’t sell.

Board composition unchanged (page 49). The composition of boards was virtually identical vs. 2013. Although there was variation across sectors, boards averaged between seven and eight directors in size, with a majority that were independent. The average overall number of directors was 7.6 in 2014 as compared to 7.8 in 2013, and the average percentage of board independence was 62 percent in 2014 as compared to 61 percent in 2013.

Most pre-IPO shares locked up (page 54). We found that on average, in IPOs where this data was quantified, nearly all (99 percent) of pre-IPO shares were locked up (essentially unchanged from 2013).

Jump in material weakness in internal controls (page 47). There was a significant increase in the percentage of issuers disclosing a material weakness in internal control over financial reporting from 2013 to 2014. In 2014, this group priced similarly to IPOs without a material weakness, unlike IPOs with other accounting issues (e.g., those with a going-concern qualification or restated financials), which priced mostly below the range.

Companies took advantage of the JOBS Act (page 45). Seventy-six percent of issuers were emerging growth companies (EGCs) under the Jumpstart Our Business Startups (JOBS) Act. While this percentage is consistent with last year’s study, EGCs appeared to be increasingly comfortable in taking advantage of the accommodations permitted by the JOBS Act. The percentage of EGCs electing to confidentially submit their registration statements increased from 2013, as did the percentage of EGCs electing to include two years of audited financials instead of the three years required for non-EGCs. In addition, approximately 80 percent of EGCs provided less than five years of selected financial information in 2014, instead of the five years required for non-EGCs.

Conclusion
As we write in early 2015, there is a large backlog of IPOs from 2014. We are cautiously optimistic about the U.S. IPO market given the continued strengthening of the U.S. economy and the general acceptance and ongoing positive impact of the JOBS Act.

We hope you enjoy the 2015 IPO Study and welcome your comments. Please feel free to contact any of our lawyers listed inside the front cover.
2014 Overview
Methodology

Population
» Our study covers 119 IPOs that priced in 2014: 100 U.S.-based and 19 foreign private issuers (FPIs).
  - The total population that met our criteria in 2014 was 241.
» Our year-over-year analysis section covers 184 IPOs: 86 2014 IPOs (excluding MLPs and FPIs) and 98 2013 IPOs.
» The criteria for our study include:
  - Listing on a U.S. exchange.
  - Minimum initial base deal of $50 million in first public filing.
» Our study excludes:
  - Blank check companies (BCCs), special-purpose acquisition companies (SPACs), trusts, real estate investment trusts (REITs) and business development companies (BDCs).
» Our study also includes an appendix for FPIs.

Sources and Analysis
» Data compiled from publicly available: (i) registration statements on Form S-1 and Form F-1 and final prospectuses, (ii) SEC comment letters and (iii) underwriting agreements.
» Financial information is based on results from the issuer’s most recent audited fiscal year as disclosed in the final prospectus.
» Market, sector, financial sponsors and performance information is sourced from Dealogic.
» The term “average offer” means the average percentage change from the IPO price to the closing price on 1 day, 30 days, 90 days or 180 days after the initial trading date and includes market data available since IPO pricing as of January 30, 2015 (our cut-off date).
» References to shares locked up refer to shares owned prior to the IPO.
» Analysis of first round SEC comment letters and time to pricing excludes 6 prior public reporting issuers and an issuer that underwent a recent SEC review of Form S-4 (collectively referred to as “prior SEC-reviewed issuers”).
» Analysis of corporate governance items excludes MLPs and FPIs, given their different corporate governance structures.
» All data was compiled, reviewed and analyzed by Proskauer capital markets attorneys, corporate finance analysts and a CFA charterholder.
Sector & Geographic Analysis

Sectors Represented*

» The number of IPOs per sector is proportional to the industry composition for all 241 IPOs in 2014 fitting our criteria.

Geographic Distribution

» We analyzed the geographic distribution of IPOs by surveying the location of issuers’ headquarters.

» In our study, there were issuers with headquarters in 21 states and 10 foreign countries.

» In the U.S market, California was home to the highest percentage of IPOs (29%), followed by Texas (15%) and Massachusetts (12%).

» California IPOs were dominated by health care and TMT issuers, together representing 21 of 29 (72%) of California IPOs.

» Texas IPOs included all sectors, with the most in E&P and consumer/retail.

» Health care IPOs represented 8 of the 12 (67%) Massachusetts IPOs.

6 of these 8 (75%) were biotech/biopharm.

Number of IPOs by Geography

*Our study does not cover the real estate sector due to its small sample size (6 IPOs).
**Our consumer/retail sector includes professional services and hospitality/lodging.
***Other includes RI, TN, OH, MI, FL, MS and Canada, with 1 IPO each.
****FPI issuers include issuers with headquarters in UK, China, Spain, Ireland, Israel, Norway, Belgium, Germany and Monaco.
Market Analysis

Deal Execution, Over-Allotment Option and Exchange Listing

» Out of 119 IPOs, 63 (53%) priced in the first half of 2014 and 56 (47%) priced in the second half.

» 47 of 63 (75%) IPOs priced in range or above range in the first half of the year as compared to 31 of 56 (55%) IPOs in the second half.

» The over-allotment option was partially or fully exercised in 83% of the IPOs in our study.

Pricing vs. Range

First half: 27% below range, 48% in range, 25% above range
Second half: 27% below range, 28% in range, 45% above range
Full year: 27% below range, 39% in range, 34% above range

Percentage of Over-Allotment Exercised by Sector

- Health Care: 86%
- TMT: 92%
- E&P: 88%
- Financial Services: 79%
- Industrials: 71%
- Consumer/Retail: 69%

Overall = 83%

» In our study, there were slightly more IPOs listed on the NYSE than NASDAQ.
Market Analysis

Deal Value*
- The average deal value (priced amount), excluding the Alibaba IPO, was approximately $386.0 million.
  - Average deal value increases to approximately $592.7 million when Alibaba is included.
- The median deal value was $150.0 million.
- Including Alibaba, there were 16 IPOs with deal value over $1.0 billion in the study.

Deal Types
- 56 of 119 (47%) IPOs were sponsor-backed.
- 16 of 119 (13%) IPOs were MLPs, mostly in the E&P sector.
- 6 of 119 (5%) IPOs were spin-offs.
  - Two of the largest spin-offs were Citizens Financial (spin-off from Royal Bank of Scotland) and Synchrony Financial (spin-off from GE Capital).

Aftermarket Performance
- Overall, IPOs performed strongly in the aftermarket, with an average 1-day offer of 19% and an average 30-day offer of 26%.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Overview

Emerging Growth Companies (EGCs)

» The Jumpstart Our Business Startups (JOBS) Act became effective April 5, 2012.
  ▪ The law created a new class of issuers called Emerging Growth Companies (EGCs), and provides flexibility for EGCs pursuing IPOs.

» EGCs are issuers with less than $1 billion of annual gross revenue during their most recent completed fiscal year.

» An issuer that is an EGC will remain an EGC until the earliest of:
  ▪ The last day of the fiscal year 5 years after its IPO;
  ▪ The last day of the fiscal year in which it has gross revenues of $1 billion or more;
  ▪ The date it has issued more than $1 billion in non-convertible debt during a 3-year period; and
  ▪ The date it becomes a “large accelerated filer” (generally an issuer with a public float of at least $700 million that has been publicly reporting for at least 1 year).

Sector Analysis

» 92 of 119 (77%) IPOs were EGCs.
JOBS Act: Financials & Confidential Submission

Years of Financials

» The JOBS Act provides scaled financial disclosure requirements for EGCs, including only 2 years of audited financials and 2 years of selected financial data.*

» A majority of EGCs included 2 years of audited financials and 2 years of selected financials.

Confidential Submission

» The JOBS Act permits an EGC to submit a draft registration statement for review by the SEC on a confidential basis, so long as the first submission and all amendments are publicly filed not later than 21 days before the issuer begins its roadshow.

» 88 of 92 (96%) EGCs elected to confidentially submit under the JOBS Act.

*Non EGCs are required to include 3 years of audited financials and 5 years of selected financials.
JOBS Act: Time to IPO

Time to IPO*

» On average, EGCs that first confidentially submitted made their first public filing 76 days after their first confidential submission and priced 49 days after the public filing.

» It took EGCs electing to confidentially submit slightly more time from first submission/filing to pricing than non-EGCs.

Average Number of Days From First Submission/Filing to Pricing

<table>
<thead>
<tr>
<th>Type of Issuer</th>
<th>Average Number of Days</th>
<th>Number of IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGCs electing to confidentially submit</td>
<td>126</td>
<td>87</td>
</tr>
<tr>
<td>EGCs electing not to confidentially submit</td>
<td>119</td>
<td>21</td>
</tr>
<tr>
<td>Non-EGCs</td>
<td>197</td>
<td>4</td>
</tr>
</tbody>
</table>

Average Number of Days From First Submission/Filing to Pricing by Sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Number of Days</th>
<th>Number of IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>116 (31 IPOs)</td>
<td>133 (3 IPOs)</td>
</tr>
<tr>
<td>TMT</td>
<td>107 (6 IPOs)</td>
<td>148 (13 IPOs)</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>122 (13 IPOs)</td>
<td>142 (7 IPOs)</td>
</tr>
<tr>
<td>Financial Services</td>
<td>105 (7 IPOs)</td>
<td>146 (4 IPOs)</td>
</tr>
<tr>
<td>Industrials</td>
<td>89 (2 IPOs)</td>
<td>143 (7 IPOs)</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>119 (10 IPOs)</td>
<td>145 (3 IPOs)</td>
</tr>
</tbody>
</table>

*Excludes prior SEC reviewed issuers.
**Excludes the 4 EGCs electing not to confidentially submit.
***All E&P issuers surveyed were EGCs.
JOBS Act: Pricing & Performance

Pricing vs. Range

» A greater percentage of EGCs priced above range than non-EGCs.

![Pricing vs. Range Chart]

<table>
<thead>
<tr>
<th></th>
<th>Below range</th>
<th>In range</th>
<th>Above range</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGCs</td>
<td>32%</td>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>Non-EGCs</td>
<td>44%</td>
<td>41%</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th># of IPOs</th>
<th>29</th>
<th>35</th>
<th>28</th>
<th>12</th>
<th>11</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGCs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-EGCs</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Aftermarket Performance

» EGCs generally outperformed non-EGCs in the aftermarket.

![Aftermarket Performance Chart]

<table>
<thead>
<tr>
<th>Industry</th>
<th>EGC IPOs</th>
<th>Non-EGC IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>TMT</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>25%</td>
<td>N/A*</td>
</tr>
<tr>
<td>Financial Services</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Industrials</td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>36%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

*All E&P issuers surveyed were EGCs.
JOBS Act: Testing-the-Waters

Testing-the-Waters*

» The JOBS Act permits EGCs to engage in testing-the-waters communications with institutional investors before or during the registration process to gauge investor interest in an IPO.

» Out of the 92 EGCs, 17 reported to the SEC that they engaged in testing-the-waters, 48 reported to the SEC that they did not and information was not available for the remaining 27.

» Of the 17 EGCs that confirmed using testing-the-waters communications in their SEC response letters, 12 were in health care, 4 in TMT and 1 in financial services.

Pricing vs. Range

<table>
<thead>
<tr>
<th># of IPOs</th>
<th>17</th>
<th>48</th>
<th>92</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below range</td>
<td>35%</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>In range</td>
<td>42%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Above range</td>
<td>27%</td>
<td>30%</td>
<td>38%</td>
</tr>
</tbody>
</table>

*Based on publicly available SEC comment and response letters. Issuer response letters addressing testing the waters comment not available on the SEC website (EDGAR) for 27 EGCs.
Accounting/Internal Controls

Overview
- Ernst & Young, PricewaterhouseCoopers, Deloitte and KPMG collectively audited 88% of the IPOs reviewed for this study.
- Other auditors included BDO, Grant Thornton, Crowe Horwath and McGladrey.

Analysis
- Of the 119 IPOs:
  - 8 (7%) had a going-concern qualification.
    - All 8 were health care issuers.
    - 3 of these 8 (38%) were also pre-revenue issuers.
  - 32 (27%) disclosed a material weakness in their internal control over financial reporting.
    - 3 of these 32 (9%) were also pre-revenue issuers.
  - 10 (8%) had restated financials.
    - Health care issuers had the highest number of restatements with 5 of the 10 (50%) restating.

Pricing vs. Range

- 12% of IPOs with a going-concern qualification were below range, 13% were in range, and 75% were above range.
- 25% of IPOs disclosing a material weakness in internal controls were below range, 38% were in range, and 37% were above range.
- 30% of IPOs with restated financials were below range, 20% were in range, and 50% were above range.
- 27% of all IPOs were below range, 39% were in range, and 34% were above range.
Flash Results

“Flash results” refers to estimated financial results for a recently completed fiscal period before complete financial statements are available. They are typically presented as ranges, and often only cover select financial line items or operating metrics. They are not required under accounting rules, but are often presented for marketing and/or disclosure reasons.

Overall, 21 of 119 (18%) IPOs showed flash results.

62 IPOs priced within 45 days after the end of the first, second or third fiscal quarter.
- 17 of these 62 (27%) showed flash results.
- 44 of these 62 (71%) priced within 30 days, and 9 of these 44 (20%) showed flash results.
- 18 of these 62 (29%) priced within 31-45 days, and 8 of these 18 (44%) showed flash results.

Sector Analysis

Flash results were more commonly presented in the financial services, industrials and consumer/retail sectors.

Percentage of Issuers Presenting Flash Results by Sector
12 of 119 (10%) IPOs were by pre-revenue issuers. All 12 of these pre-revenue IPOs were by biotech/biopharm issuers. These pre-revenue issuers more frequently priced below the range, but outperformed in the aftermarket compared to issuers with revenue.

![Pricing vs. Range](chart)

![Aftermarket Performance](chart)
Net Income

65 of 119 (55%) IPOs disclosed negative net income in their most recent audited fiscal year.
- 27 of these 65 (42%) were in health care and 14 of these 65 (22%) IPOs were in TMT.
- Issuers with negative net income generally outperformed in the aftermarket compared to those with positive net income.

Pricing vs. Range

<table>
<thead>
<tr>
<th></th>
<th>Below range</th>
<th>In range</th>
<th>Above range</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPOs with positive net income</td>
<td>24%</td>
<td>46%</td>
<td>30%</td>
</tr>
<tr>
<td>IPOs with negative net income</td>
<td>29%</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>All IPOs</td>
<td>27%</td>
<td>39%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Aftermarket Performance

- IPOs with positive net income
- IPOs with negative net income
- All IPOs

- Pricing vs. Range:
  - Below range: 12%, 25%, 14%
  - In range: 19%, 26%, 25%
  - Above range: 19%, 25%, 22%

- Average Offer: 1 Day: 12%
- Average Offer: 30 Days: 19%
- Average Offer: 90 Days: 26%
- Average Offer: 180 Days: 25%
EBITDA/Adjusted EBITDA

EBITDA/Adjusted EBITDA

- In addition to financial measures calculated in accordance with Generally Accepted Accounting Principles (GAAP), many issuers disclose non-GAAP financial measures, such as EBITDA and adjusted EBITDA.
  - 74 of 119 (62%) issuers disclosed EBITDA and/or adjusted EBITDA.
    - 65 of these 74 (88%) issuers reported positive EBITDA and/or adjusted EBITDA.
      - 26 of these 65 (40%) also reported negative net income.
    - 9 of these 74 (12%) reported negative EBITDA and/or adjusted EBITDA.

Sector Analysis

- The percentage of issuers that disclosed EBITDA and/or adjusted EBITDA in the IPO prospectus varied across sectors.

Percentage Disclosing EBITDA/Adjusted EBITDA by Sector

- Overall = 62%
- Health Care = 27%
- TMT = 72%
- E&P = 100%
- Financial Services = 36%
- Industrials = 93%
- Consumer/Retail = 92%
Operating Metrics & Pro Forma Financials

Operating Metrics

- Operating metrics are non-financial performance measures and vary by sector. Common examples include page views, production data, reserves, portfolio statistics, credit quality ratios, capital ratios, new orders, lots sold, units sold, backlog, store count and number of customers.

Pro Forma Financials

- 42 of 119 (35%) IPOs included pro forma financial statements in the IPO prospectus.
  - 14 of these 42 (33%) were E&P issuers, 10 of which were also MLPs.
  - These 14 E&P issuers represent 88% of the E&P IPOs in our study.

- Adjustments in pro forma financial statements gave effect to some or all of the IPO and application of the proceeds, acquisitions, recapitalizations, formation transactions, reorganizations and related debt financings.
**SEC Comments: Total First Round Comments**

**Total First Round SEC Comments**

The lowest number of SEC comments received in a first round comment letter was 14, the average was 39, the median was 36 and the highest was 89. The number of first round SEC comments was generally consistent across sectors.

**Financial & Accounting Comments**

Financial and accounting-related comments include those in the summary financials, selected financials, capitalization, management’s discussion & analysis (MD&A), historical financial statements (F-pages) and pro forma financial statements.

- The average number of first round financial and accounting-related comments was 15, the median was 12 and the highest was 50.

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.*
SEC Comments: Confidential Submission — Comments & Timing

**Total First Round SEC Comments**

- Issuers that first confidentially submitted or filed publicly both received an average of 39 first round SEC comments.

**Average Total First Round SEC Comments**

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.

**Timing**

- The average time from first submission or filing to pricing varied across sectors for issuers with confidential submission versus issuers that publicly filed.

**Average Number of Days From First Submission/Filing to Pricing**

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.
SEC Comments: A Closer Examination

Cheap Stock*

» Cheap stock comments relate to equity grants, typically in the form of compensation issued to officers or directors, awarded at exercise prices lower than the expected IPO price.

Percentage of IPOs with Cheap Stock Comment

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>50%</td>
</tr>
<tr>
<td>TMT</td>
<td>54%</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>8%</td>
</tr>
<tr>
<td>Financial</td>
<td>9%</td>
</tr>
<tr>
<td>Services</td>
<td>25%</td>
</tr>
<tr>
<td>Industrials</td>
<td>46%</td>
</tr>
</tbody>
</table>

Revenue Recognition*

» Revenue recognition comments relate to the accounting policies that govern when an issuer records revenue from its operations.

Percentage of IPOs with Revenue Recognition Comment

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>29%</td>
</tr>
<tr>
<td>TMT</td>
<td>88%</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>38%</td>
</tr>
<tr>
<td>Financial</td>
<td>27%</td>
</tr>
<tr>
<td>Services</td>
<td>50%</td>
</tr>
<tr>
<td>Industrials</td>
<td>31%</td>
</tr>
</tbody>
</table>

Segment Reporting*

» Segment reporting comments relate to an issuer’s identification of its operating segments – public issuer accounting rules require the issuer to provide more detailed financial reporting for each segment.

Percentage of IPOs with Segment Reporting Comment

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>6%</td>
</tr>
<tr>
<td>TMT</td>
<td>29%</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>23%</td>
</tr>
<tr>
<td>Financial</td>
<td>18%</td>
</tr>
<tr>
<td>Services</td>
<td>42%</td>
</tr>
<tr>
<td>Industrials</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.
SEC Comments: A Closer Examination

Market Positioning Claim*

Market positioning claim comments relate to requests that the issuer substantiate claims regarding its competitive position in its markets or sector and/or purported market share for its products and services.

Percentage of IPOs with Market Positioning Comment

Back-Up Support*

Back-up support comments relate to requests that the issuer provide third-party or internal analysis, documentation or reasoning for superlative statements and/or market share or other similar data in the prospectus.

Percentage of IPOs with Back-Up Support Comment

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.
SEC Comments: A Closer Examination

Non-GAAP Financial Measures*

- Non-GAAP financial measures comments relate to an issuer’s use and presentation of non-GAAP financial measures, the rationale for such measures and the appropriateness of adjustments taken.

Executive Compensation/Employment Agreements*

- Executive compensation/employment agreements comments relate to the compensation to the issuer’s officers, directors or consultants, and related employment matters.

*Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.
Corporate Governance: Controlled Company Exemption

Overview*

* 30 of 86 (35%) issuers in our corporate governance analysis were eligible for the controlled company exemption** and 26 of these 30 (87%) eligible issuers elected to take advantage of the exemption.
- 20 of 26 (77%) controlled companies were sponsor-backed.
- 6 of 26 (23%) had multiple classes of common stock.
- 4 of 26 (15%) had a majority of independent directors on their boards at pricing, despite being exempt from this requirement.

Eligibility & Election of Controlled Company Exemption

- Eligible & elected to take controlled company exemption (26 IPOs)
- Eligible & elected not to take controlled company exemption (4 IPOs)
- Not eligible for controlled company exemption (56 IPOs)

Controlled Companies by Sector***

** 30 of 86 (35%) issuers in our corporate governance analysis were eligible for the controlled company exemption, while most financial services, industrials and consumer/retail issuers were eligible.

Eligibility & Election of Controlled Company Exemption by Sector

*Excludes 16 MLPs and 19 FPIs (2 MLPs are FPIs). MLPs are excluded because they are generally exempt from NYSE and NASDAQ corporate governance requirements. FPIs are also excluded because they are permitted to rely on home jurisdiction governance rules.
**The listing standards of the NYSE and NASDAQ exempt controlled companies from certain corporate governance requirements, including to have a majority of independent directors on the board and fully independent nominating and compensation committees within one year of IPO pricing. A controlled company is a company in which more than 50% of the voting power for election of directors is held by an individual, a group or another company.
***Excludes 3 E&P IPOs due to small sample size after excluding MLPs.
Corporate Governance: Key Items

**Director Independence**
- The average number of directors on the board at pricing was 8 and the average number of independent directors was 5.
- 59 of 85* (69%) issuers had a majority of independent directors on the board at pricing.
  - Of the 59 issuers with a majority of independent directors, the average board independence was 77%.
  - Of the remaining 26 issuers, the average board independence was 29%.
- Of the 26 issuers that did not have a majority of independent directors:
  - 22 of 26 (85%) were eligible for, and elected to take, the controlled company exemption.
  - 4 of 26 (15%) used the transition period under applicable stock exchange rules.***

**Aftermarket Performance**

<table>
<thead>
<tr>
<th>Average Offer: 1 Day</th>
<th>Average Offer: 30 Days</th>
<th>Average Offer: 90 Days</th>
<th>Average Offer: 180 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority of independent directors</td>
<td>Not majority of independent directors</td>
<td>All IPOs</td>
<td></td>
</tr>
<tr>
<td>26%</td>
<td>10%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>34%</td>
<td>18%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>18%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>33%</td>
<td>23%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

**Separation of Chairman and CEO Roles**
- 54 of 85** (64%) issuers separated the Chairman and CEO roles.
- EGCs separated the Chairman and CEO roles less frequently than non-EGCs.

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
**Excludes an additional 1 IPO with insufficient information.
***The NYSE and NASDAQ require that a majority of the issuer’s board be independent. The transition period permits issuers up to one year to comply with this requirement.
Corporate Governance: Classes of Common Stock

Classes of Common Stock*

» 13 of 86 (15%) issuers had multiple classes of common stock.

» The 13 issuers with multiple classes of common stock included 2 in health care, 2 in TMT, 2 in E&P, 3 in financial services, 3 in industrials and 1 in consumer/retail.

- 7 of these 13 (54%) were eligible for the controlled company exemption.

Pricing vs. Range

Aftermarket Performance

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).

Overview

» Upon IPO, issuers often adopt the following takeover defenses in their governing documents:

- **Classified board**: Roughly a third of the directors are up for election each year for a three-year term, as opposed to annual elections for all directors.

- **Blank check preferred stock**: Allows the board of directors to issue preferred stock, without shareholder approval, that may have special voting, conversion or control rights.

- **Restrictions on shareholder action by written consent**: Limits the ability of shareholders to act other than at a meeting.

- **Supermajority voting**: More than a simple majority of the voting power of the issuer’s outstanding stock is required to take certain corporate actions, which could include amendments to the issuer’s governing documents.

- **Limitations on shareholders’ ability to call special meetings**: Limits the ability of shareholders to act other than at a meeting called by the board, CEO, Chairman or other person authorized by the issuer’s governing documents.

- **Shareholder rights plan or poison pill**: Allows an issuer’s existing shareholders, upon a hostile bidder’s acquisition of a specified percentage of shares, to purchase additional shares at a deeply discounted price in order to deter a potential hostile takeover bid.

» Certain takeover defenses are subject to triggers, meaning that the provisions do not take effect until the stock ownership level of a significant shareholder or group of shareholders goes below a certain percentage.

» Many issuers have also adopted exclusive forum provisions, which limit the courts in which certain types of internal-affairs shareholder litigation can be brought.
Corporate Governance: Classified Board

**Classified Board***

- 66 of 86 (77%) issuers had a classified board.

![Percentage with Classified Board](chart)

- Issuers with a classified board more frequently priced in or above the range and outperformed in the aftermarket compared to issuers that did not have a classified board.

**Pricing vs. Range**

![Pricing vs. Range](chart)

- *Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).*

**Aftermarket Performance**

![Aftermarket Performance](chart)

2014 Overview
Anti-Takeover Measures and Exclusive Forum Provisions*

- A majority of issuers adopted restrictions on shareholders’ ability to act by written consent or to call a special meeting, as well as supermajority voting requirements to take certain corporate actions, such as changes to an issuer’s governing documents.

<table>
<thead>
<tr>
<th>Percentage with Restrictions on Shareholder Actions by Written Consent</th>
<th>Percentage with Supermajority Voting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td><strong>Subject to trigger</strong></td>
<td><strong>Subject to trigger</strong></td>
</tr>
<tr>
<td><strong>No</strong></td>
<td><strong>No</strong></td>
</tr>
</tbody>
</table>

- 84 of 86 (98%) issuers had authorized blank check preferred stock.
  - The 2 issuers that did not have blank check preferred stock were not incorporated in the U.S.
- 0 of 86 (0%) issuers had a poison pill at the time of the IPO.
- 67 of 86 (78%) issuers had exclusive forum provisions.
  - All of these issuers elected the jurisdiction of incorporation as the exclusive forum.

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
IPO Fees and Expenses

IPO Fees and Expenses*

» Underwriting fees and total other IPO expenses (excluding underwriting fees) are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting</td>
<td>$2,800,000</td>
<td>$16,451,557</td>
<td>$9,108,600</td>
<td>$86,250,000</td>
</tr>
<tr>
<td>Fees**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total IPO</td>
<td>$1,549,000</td>
<td>$4,917,329</td>
<td>$3,339,517</td>
<td>$25,265,127</td>
</tr>
<tr>
<td>Expenses***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

» The most significant components of IPO expenses (excluding underwriting fees) are typically legal and accounting fees and printing costs.

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$750,000</td>
<td>$2,223,794</td>
<td>$1,540,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$60,000</td>
<td>$1,414,839</td>
<td>$960,000</td>
<td>$12,500,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$386,025</td>
<td>$315,000</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

*Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees. Also excludes 1 IPO with incomplete expense information, 1 that aggregated legal and accounting and 1 without any printing costs disclosed.

**Underwriting fees are the percentage of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

***Total IPO expenses excludes the underwriting fees.
IPO Fees and Expenses: EGCs vs. Non-EGCs

EGCs*

>> Underwriting fees and total other IPO expenses (excluding underwriting fees) for EGC IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low (in thousands)</th>
<th>Average (in thousands)</th>
<th>Median (in thousands)</th>
<th>High (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees**</td>
<td>$2,800,000</td>
<td>$12,504,484</td>
<td>$7,523,000</td>
<td>$51,333,459</td>
</tr>
<tr>
<td>Total IPO Expenses***</td>
<td>$1,549,000</td>
<td>$4,332,275</td>
<td>$3,001,215</td>
<td>$25,265,127</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low (in thousands)</th>
<th>Average (in thousands)</th>
<th>Median (in thousands)</th>
<th>High (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$750,000</td>
<td>$1,957,659</td>
<td>$1,500,000</td>
<td>$9,500,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$60,000</td>
<td>$1,278,168</td>
<td>$891,000</td>
<td>$12,500,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$338,411</td>
<td>$300,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

Non-EGCs*

>> Underwriting fees and total IPO expenses (excluding underwriting fees) for non-EGC IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low (in thousands)</th>
<th>Average (in thousands)</th>
<th>Median (in thousands)</th>
<th>High (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees**</td>
<td>$3,640,000</td>
<td>$30,418,120</td>
<td>$21,499,999</td>
<td>$86,250,000</td>
</tr>
<tr>
<td>Total IPO Expenses***</td>
<td>$1,595,000</td>
<td>$6,987,520</td>
<td>$6,069,225</td>
<td>$24,500,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low (in thousands)</th>
<th>Average (in thousands)</th>
<th>Median (in thousands)</th>
<th>High (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$1,000,000</td>
<td>$3,192,526</td>
<td>$2,925,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$210,000</td>
<td>$1,912,319</td>
<td>$1,340,000</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$110,000</td>
<td>$550,844</td>
<td>$450,000</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

IPO Expenses as a Percentage of Base Deal

*Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees. Also excludes 1 IPO with incomplete expense information, 1 that aggregated legal and accounting and 1 without any printing costs disclosed.

**Underwriting fees are the percentage of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

***Total IPO expenses excludes the underwriting fees.
Deal Structure: Secondary Component & Management Sales

Secondary Component*

- 33 of 119 (28%) IPOs had a secondary component. IPOs with a secondary component initially underperformed the all-primary IPOs, but performed in line with the all-primary IPOs by 90 days after pricing.

Management Sales

- Management participated as selling stockholders in 12 of 30** (40%) base offerings with a secondary component.
  - These 12 IPOs with management sales generally priced better than all other IPOs, but underperformed the other 104** IPOs in the aftermarket.

---

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (7 IPOs).

**Excludes 3 IPOs with insufficient information.
**Deal Structure: Directed Share Programs**

**Directed Share Programs**

» Directed share programs (DSPs) allow insiders, employees and other individuals with relationships with the issuer to purchase stock in the IPO. At the request of the issuer, the underwriters reserve a certain amount of the shares in the IPO for purchase by DSP participants.

» 57 of 119 (48%) IPOs included DSPs.

» The average disclosed DSP size for all IPOs was 5%, the lowest was 1% and the highest was 12.5%.
Deal Structure: Insiders Purchasing in IPO

Insiders Purchasing in IPO*

- 29 of 119 (24%) issuers disclosed insiders purchasing in the IPO.
  - 20 of 29 (69%) issuers were in health care; 18 of these 20 (90%) were in biotech/biopharm.
- On average, the insiders purchased 27%** of the total IPO size.

![Pricing vs. Range](chart)

- The 29 IPOs with insiders purchasing outperformed those without insider purchases.

![Aftermarket Performance](chart)

*Does not include purchases through a DSP.
**Excludes 1 IPO with insufficient information.
Lock-Ups

Overview

» The underwriters in an IPO typically require the issuer, as well as directors, officers and pre-IPO shareholders, to agree not to sell shares of the issuer for a period of time – typically 180 days – following pricing. The lock-up agreement typically contains limited exceptions.

» On average, 99.1% of pre-IPO shares were locked up.∗

» We did not identify a correlation between percentage of shares locked up and pricing versus range.**

Pricing vs. Range

Aftermarket Performance

∗This 99.1% average is based on a total of 81 IPOs that disclosed the percentage or number of shares locked up. When including 1 outlier with a 0.12% lock up, on average, 97.8% of pre-IPO shares were locked up.

**Refers to the 81 IPOs that disclosed the percentage or number of shares locked up.
Lock-Ups: Carve-Out for Issuances in Connection with Acquisitions or Joint Ventures

**Acquisition/JV Carve-Outs**

- 73 of 119 (61%) IPOs included a carve-out in the issuer’s lock-up agreement for stock issuance in connection with acquisitions/joint ventures (JVs).
- This carve-out frequently included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
  - 40 IPOs: cap = 5%
  - 24 IPOs: cap = 10%
  - 2 IPOs: cap = 7.5%
  - 1 IPO: cap = 8%
  - 1 IPO: cap = 15%
  - 5 IPOs: no cap

**Sector Analysis**

- Issuer lock-up carve-outs for acquisitions/JVs were most prevalent in health care, TMT and financial services IPOs.

**Percentage of IPOs with Lock-Up Carve-Out For Acquisitions/JVs by Sector**

- Health Care: 70%
- TMT: 80%
- E&P: 19%
- Financial Services: 93%
- Industrials: 43%
- Consumer/Retail: 38%

Overall = 61%
Lock-Ups: Unique Structures

Key Highlights of Unique Lock-Up Structures

- Longer than 180 days:
  - Alibaba: Yahoo, SoftBank, Jack Ma and Joe Tsai subject to a 1-year lock-up.

- Shorter than 180 days:
  - Ally Financial: U.S. Treasury subject to a 120-day lock-up (all other holders subject to 180 day lock-up).
  - Alibaba: One small shareholder subject to a 90-day lock-up.
  - Certain other IPO issuers in our study included shorter lock-up periods for certain specified non-management, non-selling stockholders.
Sponsor-Backed IPOs

Overview
- 56 of 119 (47%) IPOs were sponsor-backed.
  - 37 of these 56 (66%) were EGCs.

Performance
- Non-sponsor-backed IPOs priced in range or above range more frequently than sponsor-backed IPOs and consistently outperformed in the aftermarket.

Sponsor-Backed IPOs by Sector

Pricing vs. Range

Aftermarket Performance

- Average Offer: 1 Day
- Average Offer: 30 Days
- Average Offer: 90 Days
- Average Offer: 180 Days
Sponsor-Backed IPOs: Length of Investment & Management/Termination Fees

Length of Sponsor Investment

» The average length of sponsor investment to the IPO was 5.1 years.

```
<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Years of Sponsor Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>5.1</td>
</tr>
<tr>
<td>TMT</td>
<td>6.6</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>4.2</td>
</tr>
<tr>
<td>Financial Services</td>
<td>4.8</td>
</tr>
<tr>
<td>Industrials</td>
<td>5.5</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>5.2</td>
</tr>
</tbody>
</table>
```

Management/Termination Fees

» Management/termination fees are one-time fees paid in connection with an IPO to an issuer’s equity sponsor(s), typically pursuant to a pre-IPO management service agreement.

- 18 of 54* (33%) sponsor-backed issuers paid management/termination fees to the sponsor group in connection with the IPO.

```
<table>
<thead>
<tr>
<th>Sector</th>
<th>Management/Termination Fee as a Percentage of Base Deal by Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>4%</td>
</tr>
<tr>
<td>TMT</td>
<td>5%</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>1%</td>
</tr>
<tr>
<td>Industrials</td>
<td>8%</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>7%</td>
</tr>
</tbody>
</table>
```

Length of Sponsor Investment Relative to Fee Paid

» The average fee was approximately $20 million. There was one outlier of $72 million in an IPO with a base deal of $1.3 billion.

```
<table>
<thead>
<tr>
<th>Length of Sponsor Investment</th>
<th>($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2 Years</td>
<td>14</td>
</tr>
<tr>
<td>2-4 Years</td>
<td>10</td>
</tr>
<tr>
<td>4-6 Years</td>
<td>44</td>
</tr>
<tr>
<td>6-7 Years</td>
<td>25</td>
</tr>
<tr>
<td>&gt;7 Years</td>
<td>20</td>
</tr>
</tbody>
</table>
```

*Excludes 2 IPOs with insufficient information.
## Sponsor-Backed IPOs: Key Comparisons

### Key Comparisons

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of total IPOs</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Percentage of IPOs that are EGCs</td>
<td>66%</td>
<td>87%</td>
</tr>
<tr>
<td>Average market capitalization at pricing*</td>
<td>$2.0bn</td>
<td>$1.7bn</td>
</tr>
<tr>
<td>Average number of directors**</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Average number of independent directors**</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Percentage of issuers with majority-independent boards**</td>
<td>56%</td>
<td>83%</td>
</tr>
<tr>
<td>Average percentage of board independence**</td>
<td>78%</td>
<td>77%</td>
</tr>
<tr>
<td>Percentage of IPOs eligible for the controlled company exemption**</td>
<td>52%</td>
<td>17%</td>
</tr>
<tr>
<td>Average number of total first round SEC comments***</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing***</td>
<td>127</td>
<td>127</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)*</td>
<td>$5.4mm</td>
<td>$4.5mm</td>
</tr>
<tr>
<td>Median total IPO expenses (excluding underwriting fees)*</td>
<td>$4.5mm</td>
<td>$3.0mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up****</td>
<td>98.8%</td>
<td>97.1%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component****</td>
<td>38%</td>
<td>19%</td>
</tr>
<tr>
<td>Percentage of IPOs disclosing EBITDA and/or adjusted EBITDA</td>
<td>79%</td>
<td>48%</td>
</tr>
<tr>
<td>Percentage of IPOs with DSPs</td>
<td>45%</td>
<td>51%</td>
</tr>
<tr>
<td>Percentage of IPOs with insiders purchasing</td>
<td>14%</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Excludes Alibaba, which had a market cap at pricing of $167.6 billion and total IPO expenses of $49.7 million and underwriting fees of $261.2 million.

**Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).

***Excludes prior SEC reviewed issuers and 5 issuers for which SEC comment letters were not yet publicly available.

****Based on the 81 IPOs disclosing the percentage or number of shares locked up (38 sponsor backed and 43 non sponsor backed IPOs).

*****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (5 in sponsor backed; 2 in non-sponsor backed).
Year-Over-Year Analysis
Overview

Population

- In our year-over-year analysis, we examined 184 IPOs:
  - 86 IPOs that priced in 2014 and 98 that priced in 2013.
- This year-over-year analysis uses the same methodology as our overall study, except that for comparability purposes we excluded 19 FPIs and 14 MLPs (that are not also FPIs) in 2014 because we did not review FPIs and MLPs in 2013.
- For year-over-year sector analysis, we also excluded E&P IPOs because of the small population of E&Ps after excluding MLPs and FPIs.

Percentage of IPOs by Deal Value*

Percentage of IPOs by Market Cap at Pricing

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

Key takeaways:
- The health care sector maintained the highest number of IPOs from 2013 to 2014.

Sectors by Deal Count*

2013
- Health Care (31 IPOs)
- TMT (29 IPOs)
- E&P (3 IPOs)
- Financial Services (11 IPOs)
- Industrials (10 IPOs)
- Consumer/Retail (14 IPOs)

2014
- Health Care (33 IPOs)
- TMT (18 IPOs)
- E&P (3 IPOs)
- Financial Services (12 IPOs)
- Industrials (10 IPOs)
- Consumer/Retail (10 IPOs)

*Excludes MLPs and FPIs.
JOBS Act

Key takeaways:

- Percentage of IPOs that are EGCs remained virtually flat.
- Increase in the percentage of EGCs that confidentially submitted (14% increase).
- Significant increase in the percentage of EGCs that included 2 years vs. 3 years of audited financial statements (49% increase).

Sector Analysis

There was a decrease in the percentage of health care, TMT and financial services IPOs that were EGCs, offset by a meaningful increase in EGC IPOs from industrials and consumer/retail.

*Our overall study, which includes MLPs and FPIs, shows 96% of EGCs with confidential submission.
Key takeaways:

- Significant increase in the percentage of IPOs by pre-revenue issuers (225% increase).
- Increase in the percentage of issuers that had negative net income (10% increase).
- Increase in percentage of issuers reporting negative net income and positive EBITDA and/or adjusted EBITDA (41% increase).
Accounting/Internal Controls

Key takeaways:
- Decrease in the percentage of issuers that had a going-concern qualification (22% decrease).
- Significant increase in the percentage of issuers disclosing a material weakness in their internal control over financial reporting (76% increase).
- Decrease in the percentage of issuers that had restated financials (11% decrease).
**SEC Review**

**Total First Round SEC Comments**

» There was a decrease in the average number of first round SEC comments (10% decrease).

![Number of First Round SEC Comments](image)

*Excludes prior SEC reviewed issuers and issuers for which SEC comment letters were not yet publicly available (1 in 2013 and 1 in 2014).

**Timing**

» There was a decrease in the average time from first submission/filing to pricing (8% decrease).

![Number of Days From First Submission/Filing to Pricing](image)

*Excludes prior SEC reviewed issuers and also an additional 4 in 2013 with time from first submission/filing to pricing of greater than 18 months.
Corporate Governance: Director Independence

Director Independence
Composition of boards remained consistent in 2014 vs. 2013.

### Number of Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Low</th>
<th>Average</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.0</td>
<td>7.8</td>
<td>13.0</td>
</tr>
<tr>
<td>2014</td>
<td>5.0</td>
<td>7.6</td>
<td>13.0</td>
</tr>
</tbody>
</table>

### Number of Independent Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Low</th>
<th>Average</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.0</td>
<td>4.6</td>
<td>11.0</td>
</tr>
<tr>
<td>2014</td>
<td>1.0</td>
<td>4.7</td>
<td>11.0</td>
</tr>
</tbody>
</table>

### Percentage of Board Independence

- Average % of board independence: 61% (2013), 62% (2014)
- % of issuers with a majority independent directors: 68% (2013), 69% (2014)
- Average % of board independence for majority independent boards: 76% (2013), 77% (2014)
- Average % of board independence for non-majority independent boards: 29% (2013), 29% (2014)

Year-Over-Year Analysis: 49
Corporate Governance: Anti-Takeover Measures and Key Items

Anti-Takeover Measures
- IPOs with anti-takeover measures remained consistent in 2014 vs. 2013.

### Percentage of IPOs with Anti-Takeover Measures

- **% with classified board**: 84% (2013) vs. 79% (2014)
- **% with blank check preferred stock**: 100% (2013) vs. 98% (2014)
- **% with supermajority voting provisions**: 84% (2013) vs. 89% (2014)
- **% with restriction on stockholders’ ability to call a special meeting**: 90% (2013) vs. 89% (2014)

### Other Key Corporate Governance Items

- **% of issuers separating Chairman & CEO roles**: 59% (2013) vs. 62% (2014)
- **% of issuers with multiple classes of common stock**: 18% (2013) vs. 16% (2014)
- **% of issuers eligible for controlled company exemption**: 38% (2013) vs. 36% (2014)

*Excludes 1 IPO in 2014 with insufficient information.
### IPO Fees and Expenses*

**Key takeaways:**
- Increase in average total IPO expenses, excluding underwriting fees (8% increase).
  - Driven by increases in legal fees (5% increase) and accounting fees (7% increase) and slightly offset by decrease in printing costs (10% decrease).

#### Average IPO Expenses

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average legal fees**</td>
<td>1.91</td>
<td>2.01</td>
</tr>
<tr>
<td>Average accounting fees**</td>
<td>1.18</td>
<td>1.26</td>
</tr>
<tr>
<td>Average printing costs</td>
<td>0.41</td>
<td>0.37</td>
</tr>
<tr>
<td>Average total IPO expenses</td>
<td>4.11</td>
<td>4.43</td>
</tr>
</tbody>
</table>

#### Median (in $mm)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average IPO Expenses</td>
<td>$1.50</td>
<td>$1.50</td>
</tr>
</tbody>
</table>

#### Average IPO Expenses by Sector*

<table>
<thead>
<tr>
<th>Sector</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>3.33</td>
<td>3.11</td>
</tr>
<tr>
<td>TMT</td>
<td>3.85</td>
<td>4.03</td>
</tr>
<tr>
<td>Financial Services</td>
<td>3.56</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td>4.14</td>
<td>4.64</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>5.94</td>
<td>4.84</td>
</tr>
</tbody>
</table>

---

*Excludes underwriting fees.

**Excludes 1 IPO in 2014 with insufficient information.
IPO Fees and Expenses: EGCs vs. Non-EGCs

EGCs vs. Non-EGCs*

» Expenses for non-EGCs continue to be meaningfully higher than those for EGCs, but as a percentage of the base deal, expenses remain significantly lower for non-EGCs compared to EGCs.

» The average total expenses for EGCs increased by 1%, compared to a 20% increase for non-EGCs.

Average EGC Expenses

<table>
<thead>
<tr>
<th></th>
<th>Average legal fees</th>
<th>Average accounting fees</th>
<th>Average printing costs</th>
<th>Average total IPO expenses*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1.66</td>
<td>$1.05</td>
<td>$0.33</td>
<td>$3.56</td>
</tr>
<tr>
<td>2014</td>
<td>$1.59</td>
<td>$1.08</td>
<td>$0.30</td>
<td>$3.58</td>
</tr>
</tbody>
</table>

Median ($)mm

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average legal fees</td>
<td>$1.45</td>
<td>$1.44</td>
</tr>
<tr>
<td>Average accounting fees</td>
<td>$0.80</td>
<td>$0.90</td>
</tr>
<tr>
<td>Average printing costs</td>
<td>$0.30</td>
<td>$0.28</td>
</tr>
<tr>
<td>Average total IPO expenses*</td>
<td>$3.20</td>
<td>$3.00</td>
</tr>
</tbody>
</table>

Expenses as % of base deal

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average legal fees**</td>
<td>1.49%</td>
<td>1.55%</td>
</tr>
<tr>
<td>Average accounting fees**</td>
<td>0.94%</td>
<td>1.01%</td>
</tr>
<tr>
<td>Average printing costs</td>
<td>0.29%</td>
<td>0.30%</td>
</tr>
<tr>
<td>Average total IPO expenses*</td>
<td>3.16%</td>
<td>3.36%</td>
</tr>
</tbody>
</table>

Average Non-EGC Expenses

<table>
<thead>
<tr>
<th></th>
<th>Average legal fees**</th>
<th>Average accounting fees**</th>
<th>Average printing costs</th>
<th>Average total IPO expenses*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$2.74</td>
<td>$1.65</td>
<td>$0.66</td>
<td>$5.90</td>
</tr>
<tr>
<td>2014</td>
<td>$3.30</td>
<td>$1.84</td>
<td>$0.58</td>
<td>$7.06</td>
</tr>
</tbody>
</table>

Median ($)mm

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average legal fees**</td>
<td>$2.55</td>
<td>$2.85</td>
</tr>
<tr>
<td>Average accounting fees**</td>
<td>$1.41</td>
<td>$1.28</td>
</tr>
<tr>
<td>Average printing costs</td>
<td>$0.50</td>
<td>$0.43</td>
</tr>
<tr>
<td>Average total IPO expenses*</td>
<td>$5.20</td>
<td>$6.06</td>
</tr>
</tbody>
</table>

Expenses as % of base deal

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average legal fees**</td>
<td>0.62%</td>
<td>0.76%</td>
</tr>
<tr>
<td>Average accounting fees**</td>
<td>0.39%</td>
<td>0.32%</td>
</tr>
<tr>
<td>Average printing costs</td>
<td>0.15%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Average total IPO expenses*</td>
<td>1.32%</td>
<td>1.53%</td>
</tr>
</tbody>
</table>

*Excludes underwriting fees.
**Excludes 1 IPO in 2014 with insufficient information.
Deal Structure & DSPs

Deal Structure

Key takeaways:

- The percentage of IPOs with a secondary component was virtually flat.
- Significant decrease in the percentage of IPOs with management selling in the base offering, among IPOs with a secondary component (23% decrease).*
- Increase in the percentage of IPOs with insiders purchasing (excluding DSPs) (24% increase).

Directed Share Programs (DSPs)

In each of the past two years, only the financial services and consumer/retail sectors had a majority of IPOs with DSPs.

Percentage of IPOs with DSP by Sector

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (4 in 2014 and 6 in 2013).

**Excludes 2 IPOs in 2014 with insufficient information.
Lock-Ups

Our year-over-year analysis showed the average percentage of pre-IPO shares locked up flat at approximately 99%.*

Issuer Carve-out for Acquisitions/JVs

Key takeaways:
- Increase in the percentage of IPOs with acquisition/JV carve-outs in the issuer lock-up, from 64% to 72% (13% increase).
- Significant increase in financial services sector (411% increase).

Percentage of IPOs with Issuer Lock-Up Carve-out for Acquisitions/JVs by Sector

*Based on 88 IPOs in 2013 and 52 IPOs in 2014 that disclosed percentage or number of shares locked up. Excludes IPOs indicating that "substantially all" pre IPO shares were locked up, and 1 outlier in 2014 with 0.12% shares locked up.
Sponsor-Backed IPOs

Key takeaways:
- Decrease in percentage of sponsor-backed IPOs (11% decrease).
- Increase in the percentage of sponsor-backed IPOs with management/termination fees paid to the sponsor group in connection with the IPO (20% increase).

Key Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td><strong>2014</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td>Percentage of IPOs</td>
<td>57%</td>
<td>51%</td>
</tr>
<tr>
<td>Average market</td>
<td>$1.55bn</td>
<td>$1.85bn</td>
</tr>
<tr>
<td>capitalization at</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pricing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>independent directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of IPOs</td>
<td>59%</td>
<td>52%</td>
</tr>
<tr>
<td>with majority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>independent Boards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>total first round</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC comments*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of</td>
<td>130</td>
<td>113</td>
</tr>
<tr>
<td>days from first</td>
<td></td>
<td></td>
</tr>
<tr>
<td>submission/filing to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pricing date**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average total IPO</td>
<td>$4.46mm</td>
<td>$4.63mm</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(excluding underwriting fees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average percentage</td>
<td>99.1%</td>
<td>98.2%</td>
</tr>
<tr>
<td>of shares locked up***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of IPOs</td>
<td>32%</td>
<td>34%</td>
</tr>
<tr>
<td>with a secondary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>component****</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Excludes prior SEC reviewed issuers and issuers for which SEC comment letters were not yet publicly available (1 in 2013 and 1 in 2014).
**Excludes prior SEC reviewed issuers and also excludes an additional 4 IPOs in 2013 with time from first submission/filing to pricing of greater than 18 months.
***Based on 28 sponsor backed IPOs in 2014, 53 sponsor backed IPOs in 2013, 24 non sponsor backed IPOs in 2014 and 35 non sponsor backed IPOs in 2013, 2014 non sponsor backed excludes 1 outlier with 0.12% shares locked up (when included, on average, 95.7% was locked up).
****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (4 in sponsor backed; none in non sponsor backed).
Health Care
Health Care Market Analysis

Overview

» We analyzed 37 health care IPOs:
  - 27 (73%) biotech/biopharm.
  - 7 (19%) medical devices/diagnostics.
  - 3 (8%) hospitals/clinics.

» 4 of 37 (11%) were FPIs.

» The U.S. health care issuers were headquartered in 7 states, with the most in California (15 of 33 (45%)) and Massachusetts (8 of 33 (24%)).

Deal Execution

» 18 of 37 (49%) health care IPOs priced below the range, compared to 34% in our overall study.

Deal Value & Over-Allotment*

» The majority of health care IPOs were between $50 million and $100 million.

» The over-allotment option was partially or fully exercised in 32 of 37 (86%) health care IPOs, compared to 83% in our overall study.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission & Testing-the-Waters

Overview

- 32 of 37 (86%) health care IPOs were EGCs, compared to 77% in our overall study.
- 25 of 27 (93%) biotech/biopharm IPOs were EGCs.

Confidential Submission

- All 32 health care EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters

- We have testing-the-waters data on 23 of 32 (72%) health care EGCs.*
  - 12 of these 23 (52%) health care EGCs reported that they conducted testing-the-waters.
    - 11 of these 12 (92%) were biotech/biopharm.

*Based on publicly available SEC comment and response letters.
JOBS Act: Financials

Years of Financials: All Health Care EGCs
- 88% of health care EGCs included 2 years of audited financials (compared to 60% in our overall study) and 81% included 2 years of selected financials (compared to 52%).

Years of Audited Financials
- 88% included 2 years
- 12% included 3 years

Years of Selected Financials
- 81% included 2 years
- 3% included 3 years
- 16% included 5 years

Years of Financials: Biotech/Biopharm EGCs
- 92% of biotech/biopharm EGCs included 2 years of audited financials and 84% included 2 years of selected financials.

Years of Audited Financials
- 92% included 2 years
- 8% included 3 years

Years of Selected Financials
- 84% included 2 years
- 16% included 5 years

Years of Financials: Non-Biotech/Biopharm Health Care EGCs
- 72% of non-biotech/biopharm health care EGCs included 2 years of audited financials and 72% included 2 years of selected financials.

Years of Audited Financials
- 72% included 2 years
- 28% included 3 years

Years of Selected Financials
- 72% included 2 years
- 14% included 3 years
- 14% included 5 years
Accounting/Internal Controls & Flash Results

Accounting/Internal Controls: All Health Care IPOs
» Of the 37 health care IPOs:
  ▪ 8 (22%) had a going-concern qualification.
  ▪ 12 (32%) disclosed a material weakness in internal control over financial reporting.
  ▪ 5 (14%) had restated financials.

Accounting/Internal Controls: Biotech/Biopharm IPOs
» Of the 27 biotech/biopharm IPOs:
  ▪ 8 (30%) had a going-concern qualification.
  ▪ 7 (26%) disclosed a material weakness in internal control over financial reporting.
  ▪ 1 (4%) had restated financials.

Flash Results
» 19 of 37 (51%) health care IPOs priced within 45 days of the end of the quarter.
  ▪ 3 of these 19 (16%) showed flash results.
Revenue, Net Income & EBITDA/Adjusted EBITDA

Revenue
- 12 of 37 (32%) health care IPOs were pre-revenue, all were also biotech/biopharm.
  - These 12 also represent all of the pre-revenue IPOs in our overall study.

Net Income
- 27 of 37 (73%) health care IPOs had negative net income, compared to 55% in our overall study.
  - 23 of these 27 (85%) were in biotech/biopharm.

EBITDA/Adjusted EBITDA
- 10 of 37 (27%) health care IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
SEC Comments

Total First Round SEC Comments*

» On average, the total number of first round SEC comments for health care IPOs was lower than in our overall study.

Number of Total First Round SEC Comments

Percentage with Cheap Stock Comment

Percentage with Revenue Recognition Comment

Percentage with Segment Reporting Comment

*Excludes prior SEC reviewed issuers.
Timing

Timing*

» 32 of 37 (86%) health care IPOs were EGCs.
  ▪ All of these health care EGCs elected to confidentially submit.
    o On average, these health care EGCs received 30 total first round SEC comments.
  ▪ The remaining health care IPOs received an average of 33 total first round SEC comments.

Average Number of Days From First Submission/Filing to Pricing

- Health Care EGCs electing to confidentially submit: 116 days
- All EGCs electing to confidentially submit: 126 days
- Health Care IPOs initially publicly filed: 133 days
- All IPOs initially publicly filed: 131 days

Overall = 127 Days

*Excludes prior SEC reviewed issuers.
Corporate Governance: Key Items

Controlled Company Exemption*
- 5 of 33 (15%) health care issuers were eligible for the controlled company exemption, compared to 35% in our overall study.
  - All 5 elected to take advantage of the exemption.

Director Independence*
- 27 of 33 (82%) health care issuers had a majority of independent directors on their boards, compared to 69% in our overall study.
  - On average, these 27 had 78% independent boards.
  - On average, the remaining 6 issuers had 36% independent boards.

Separation of Chairman & CEO Roles*
- 26 of 33 (79%) health care issuers separated their Chairman and CEO roles, compared to 64% in our overall study.

Classes of Common Stock*
- 2 of 33 (6%) health care issuers had multiple classes of common stock, compared to 15% in our overall study.

*Excludes FPIs (subject to home jurisdiction governance rules).
### IPO Fees and Expenses

#### Underwriting fees and total other IPO expenses (excluding underwriting fees) for health care IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees*</td>
<td>$2,800,000</td>
<td>$7,922,220</td>
<td>$5,600,000</td>
<td>$43,562,500</td>
</tr>
<tr>
<td>Total IPO Expenses**</td>
<td>$1,595,000</td>
<td>$3,109,592</td>
<td>$2,850,000</td>
<td>$7,300,000</td>
</tr>
</tbody>
</table>

#### Legal fees, accounting fees and printing costs for health care IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$820,000</td>
<td>$1,484,783</td>
<td>$1,452,975</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$210,000</td>
<td>$778,814</td>
<td>$750,000</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Printing***</td>
<td>$100,000</td>
<td>$284,111</td>
<td>$272,500</td>
<td>$535,000</td>
</tr>
</tbody>
</table>

---

*Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.
**Total IPO expenses excludes underwriting fees.
***Excludes 1 IPO that had insufficient information for printing costs.
****Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.
Deal Structure: Secondary Component, Management Sales & DSPs

**Secondary Component**
- 3 of 37 (8%) health care IPOs had a secondary component, compared to 28% of IPOs in our overall study.

**Management Sales**
- Management sold shares in the base offering in 1 of 2 (50%) health care IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.**

**Directed Share Programs (DSPs)**
- 11 of 37 (30%) health care IPOs included DSPs, compared to 48% in our overall study.

---

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (1 in health care; 7 IPOs in overall study).

**Excludes 1 IPO with insufficient information.
Deal Structure: Insiders Purchasing

Insiders Purchasing in IPO

- 20 of 37 (54%) health care issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.
  - These 20 represent 69% of the 29 IPOs with insiders purchasing in our overall study.

Percentage of IPOs with Insiders Purchasing

![Chart showing percentage of IPOs with insiders purchasing]

Pricing vs. Range

- Above range: 20%
- In range: 60%
- Below range: 20%

Aftermarket Performance

<table>
<thead>
<tr>
<th>Average Offer: 1 Day</th>
<th>Average Offer: 30 Days</th>
<th>Average Offer: 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotech/biopharm IPOs with insiders purchasing</td>
<td>All health care IPOs with insiders purchasing</td>
<td>All IPOs with insider purchasing</td>
</tr>
<tr>
<td>23%</td>
<td>45%</td>
<td>32%</td>
</tr>
<tr>
<td>22%</td>
<td>41%</td>
<td>32%</td>
</tr>
<tr>
<td>24%</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td>18%</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>
**Lock-Ups & Carve-Outs**

**Lock-Ups**

» In health care IPOs, on average, 94.1% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.

» 20 of 37 (54%) health care IPOs required all bookrunners to release the lock-up, 14 of 37 (38%) required a subset of bookrunners and 3 of 37 (8%) required only the lead left bookrunner.

**Carve-Outs**

» 26 of 37 (70%) health care IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

» Of the 26 health care IPOs with acquisition/JV carve-outs, 25 included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
  - 20 IPOs: cap = 5%
  - 5 IPOs: cap = 10%
  - 1 IPO: no cap

*Based on 18 health care IPOs that disclosed percentage or number of shares locked up, and excluding 1 outlier with 0.12% shares locked up.
Sponsor-Backed IPOs

Sponsor-Backed and Management/Termination Fees

» 15 of 37 (41%) health care IPOs were sponsor-backed, compared to 47% in our overall study.
  - 5 of these 15 (33%) IPOs paid management or termination fees to the sponsor group in connection with the IPO, compared to 35% in our overall study.
  - The smallest management/termination fee was $2 million, the average was $15.3 million, and the largest was $29.8 million.

The average length of sponsor investment was 5.1 years, the lowest was 0.5 years and highest was 8.5 years.

Key Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of health care IPOs</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Average market capitalization at pricing</td>
<td>$744mm</td>
<td>$290mm</td>
</tr>
<tr>
<td>Average number of directors*</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Average number of independent directors*</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Average number of total first round SEC comments**</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date**</td>
<td>114</td>
<td>120</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)</td>
<td>$3.77mm</td>
<td>$2.66mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up***</td>
<td>99.7%</td>
<td>99.7%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component****</td>
<td>13%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Excludes FPIs (subject to home jurisdiction governance rules).
**Excludes prior SEC reviewed issuers.
***Based on 7 sponsor backed and 11 non sponsor backed IPOs that disclosed percentage or number of shares locked up. Average percentage for the non sponsor backed health care IPOs is 90.6% if the 0.12% outlier is included.
****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (1 in sponsor backed; none in non sponsor backed).
Technology, Media
& Telecommunications
TMT Market Analysis

Overview

» We analyzed 25 TMT IPOs.
» 7 of 25 (28%) were FPIs.
» The U.S. TMT issuers were headquartered in 9 states, with the most in California (6 of 18 (33%)) and Massachusetts (3 of 18 (17%)).

Deal Execution

» 11 of 25 (44%) TMT IPOs priced above the range, compared to 27% in our overall study.

Deal Value & Over-Allotment*

» 10 of 25 (40%) TMT IPOs were between $100 million and $250 million.

» The over-allotment option was partially or fully exercised in 23 of 25 (92%) TMT IPOs, compared to 83% in our overall study.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
» 19 of 25 (76%) TMT IPOs were EGCs, compared to 77% in our overall study.

Confidential Submission
» All 19 TMT EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters
» We have testing-the-waters data on 13 of 19 (68%) TMT EGCs.*
  ▪ 4 of these 13 (31%) TMT EGCs reported that they conducted testing-the-waters.

Years of Financials
» 79% of TMT EGCs included 3 years of audited financials (compared to 40% in our overall study) and 95% included at least 3 years of selected financials (compared to 48%).

*Based on publicly available SEC comment and response letters.
Accounting/Internal Controls & Flash Results

Accounting/Internal Controls

» Of the 25 TMT IPOs:
  ▪ None had a going-concern qualification.
  ▪ 6 (24%) disclosed a material weakness in internal control over financial reporting.
  ▪ 2 (8%) had restated financials.

Pricing vs. Range

Flash Results

» 10 of 25 (40%) TMT IPOs priced within 45 days of the end of the quarter.
  ▪ 1 of these 10 (10%) showed flash results.
Net Income & EBITDA/Adjusted EBITDA

**Net Income**

14 of 25 (56%) TMT IPOs had negative net income, compared to 55% in our overall study.

**Pricing vs. Range**

<table>
<thead>
<tr>
<th></th>
<th>TMT IPOs with negative net income</th>
<th>All IPOs with negative net income</th>
<th>TMT IPOs with positive net income</th>
<th>All IPOs with positive net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below range</td>
<td>43%</td>
<td>36%</td>
<td>29%</td>
<td>46%</td>
</tr>
<tr>
<td>In range</td>
<td>39%</td>
<td>32%</td>
<td>45%</td>
<td>46%</td>
</tr>
<tr>
<td>Above range</td>
<td>21%</td>
<td>9%</td>
<td>9%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Aftermarket Performance**

<table>
<thead>
<tr>
<th></th>
<th>Average Offer: 1 Day</th>
<th>Average Offer: 30 Days</th>
<th>Average Offer: 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMT IPOs with negative net income</td>
<td>35%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>TMT IPOs with positive net income</td>
<td>16%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>All IPOs with negative net income</td>
<td>20%</td>
<td>19%</td>
<td>25%</td>
</tr>
<tr>
<td>Average Offer: 1 Day</td>
<td>35%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>Average Offer: 30 Days</td>
<td>16%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Average Offer: 90 Days</td>
<td>20%</td>
<td>33%</td>
<td>25%</td>
</tr>
</tbody>
</table>

**EBITDA/Adjusted EBITDA**

18 of 25 (72%) TMT IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.

<table>
<thead>
<tr>
<th></th>
<th>TMT IPOs</th>
<th>All IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMT IPOs</td>
<td>72%</td>
<td>62%</td>
</tr>
<tr>
<td>All IPOs</td>
<td>72%</td>
<td>62%</td>
</tr>
</tbody>
</table>
SEC Comments

Total First Round SEC Comments*

On average, the total number of first round SEC comments for TMT IPOs was higher than in our overall study.

Number of Total First Round SEC Comments

<table>
<thead>
<tr>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>44</td>
<td>44</td>
<td>86</td>
</tr>
<tr>
<td>14</td>
<td>39</td>
<td>36</td>
<td>89</td>
</tr>
</tbody>
</table>

Percentage with Cheap Stock Comment

- TMT IPOs: 54%
- All IPOs: 38%

Percentage with Revenue Recognition Comment

- TMT IPOs: 88%
- All IPOs: 46%

Percentage with Segment Reporting Comment

- TMT IPOs: 29%
- All IPOs: 20%

*Excludes 1 issuer for which SEC comment letters were not yet publicly available.
Timing

Timing*

» 19 of 25 (76%) TMT IPOs were EGCs.
  - All of these TMT EGCs elected to confidentially submit.
    - On average, these TMT EGCs received 41 total first round SEC comments.
    - The remaining TMT IPOs received an average of 51 total first round SEC comments.

Average Number of Days From First Submission/Filing to Pricing

- TMT EGCs electing to confidentially submit: 148 days
- All EGCs electing to confidentially submit: 126 days
- TMT IPOs initially publicly filed: 107 days
- All IPOs initially publicly filed: 131 days

Overall = 127 Days

*Excludes 1 issuer for which SEC comment letters were not yet publicly available.
Corporate Governance: Key Items

**Controlled Company Exemption**
- 4 of 18 (22%) TMT issuers were eligible for the controlled company exemption, compared to 35% in our overall study.
  - 3 of these 4 (75%) elected to take advantage of the exemption.

**Director Independence**
- 15 of 17** (88%) TMT issuers had a majority of independent directors on their boards, compared to 69% in our overall study.
  - On average, these 15 had 78% independent boards.
  - On average, the remaining 2 had 34% independent boards.

**Separation of Chairman & CEO Roles**
- 9 of 18 (50%) TMT issuers separated their Chairman and CEO roles, compared to 64% in our overall study.

**Classes of Common Stock**
- 2 of 18 (11%) TMT issuers had multiple classes of common stock, compared to 15% in our overall study.

---

*Excludes FPIs (subject to home jurisdiction governance rules) and 1 IPO with insufficient information.

**Excludes an additional issuer with insufficient information.
IPO Fees and Expenses

IPO Fees and Expenses*

Underwriting fees and total other IPO expenses (excluding underwriting fees) for TMT IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees**</td>
<td>$3,062,500</td>
<td>$19,686,354</td>
<td>$10,255,000</td>
<td>$71,201,072</td>
</tr>
<tr>
<td>Total IPO Expenses***</td>
<td>$2,021,482</td>
<td>$5,093,981</td>
<td>$3,900,000</td>
<td>$13,700,000</td>
</tr>
</tbody>
</table>

Legal fees, accounting fees and printing costs for TMT IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$975,000</td>
<td>$2,196,789</td>
<td>$1,540,000</td>
<td>$7,300,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$325,000</td>
<td>$1,548,694</td>
<td>$1,200,000</td>
<td>$5,600,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$150,000</td>
<td>$413,606</td>
<td>$315,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

IPO Expenses as a Percentage of IPO Base Deal*

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees**</td>
<td>6.02%</td>
<td>6.18%</td>
<td>1.03%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Accounting</td>
<td>0.84%</td>
<td>0.82%</td>
<td>0.22%</td>
<td>0.24%</td>
</tr>
<tr>
<td>Printing</td>
<td>2.53%</td>
<td>2.84%</td>
<td>0.00%</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

Average IPO Expenses*

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>2.28</td>
<td>2.22</td>
<td>1.55</td>
<td>1.41</td>
</tr>
<tr>
<td>Accounting</td>
<td>0.41</td>
<td>0.39</td>
<td>0.41</td>
<td>0.39</td>
</tr>
<tr>
<td>Total IPO expenses**</td>
<td>5.01</td>
<td>4.92</td>
<td>5.01</td>
<td>4.92</td>
</tr>
</tbody>
</table>

*Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees and 1 IPO with incomplete expense information.

**Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

***Total IPO expenses excludes underwriting fees.
Directed Share Programs (DSPs)

» 8 of 25 (32%) TMT IPOs included DSPs, compared to 48% in our overall study.

Secondary Component*

» 12 of 25 (48%) TMT IPOs had a secondary component, compared to 28% of IPOs in our overall study.

Management Sales

» Management sold shares in the base offering in 9 of 11 (82%) TMT IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.**

Insiders Purchasing

» 4 of 25 (16%) TMT issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.
Lock-Ups & Carve-Outs

**Lock-Ups**

» For TMT IPOs, on average, 98.8% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.

» 3 of 25 (12%) TMT IPOs required all bookrunners to release the lock-up, 15 of 25 (60%) required a subset of bookrunners and 7 of 25 (28%) required only the lead left bookrunner.

![Lock-Up Release](image)

**Carve-Outs**

» 20 of 25 (80%) TMT IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

![Percentage of IPOs with Carve-Out for Acquisitions/JVs](image)

» Of the 20 TMT IPOs with acquisition/JV carve-outs, 19 included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):

- 9 IPOs: cap = 5%
- 2 IPOs: cap = 7.5%
- 1 IPO: cap = 8%
- 7 IPOs: cap = 10%
- 1 IPO: no cap

*Based on 14 TMT IPOs that disclosed percentage or number of shares locked up.
Sponsor-Backed IPOs

Sponsor-Backed and Management/Termination Fees

- 10 of 25 (40%) TMT IPOs were sponsor-backed, compared to 47% in our overall study.
  - 3 of these 10 (30%) IPOs paid management or termination fees to the sponsor group in connection with the IPO, compared to 35% in our overall study.
  - The 3 management/termination fees paid in the TMT sector were $21.0 million, $23.0 million and $72.0 million.

Percentage of Sponsor-Backed IPOs that Paid a Management/Termination Fee

- The average length of sponsor investment was 6.6 years, the lowest was 1.8 years and the highest was 12.0 years.

Key Comparisons

<table>
<thead>
<tr>
<th>Percentage of TMT IPOs</th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Average market capitalization at pricing*</td>
<td>$3.4bn</td>
<td>$2.81bn</td>
</tr>
<tr>
<td>Average number of directors**</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Average number of independent directors**</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Average number of total first round SEC comments***</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date</td>
<td>136</td>
<td>140</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)*</td>
<td>$6.3mm</td>
<td>$4.3mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up****</td>
<td>99.8%</td>
<td>98.2%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component*****</td>
<td>70%</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Excludes Alibaba, which had a market cap of $167.6 billion and total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.

**Excludes FPIs (subject to home jurisdiction governance rules).

***Excludes 1 issuer for which SEC comment letters were not yet publicly available.

****Based on 9 sponsor backed and 5 non sponsor backed TMT IPOs that disclosed percentage or number of shares locked up.

*****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (none in sponsor backed; 1 in non sponsor backed).
Energy & Power Market Analysis

Overview
- We analyzed 16 energy & power (E&P) IPOs.
- 14 of 16 (88%) were MLPs.
- 1 of 16 (6%) were FPIs.
- The U.S. E&P issuers were headquartered in 9 states, with the most in Texas (5 of 15 (33%)) and Pennsylvania (3 of 15 (20%)).

Deal Execution
- 10 of 16 (63%) E&P IPOs priced above the range, compared to 27% in our overall study.

<table>
<thead>
<tr>
<th>Deal Value</th>
<th>E&amp;P IPOs</th>
<th>All IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below range</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>In range</td>
<td>12%</td>
<td>39%</td>
</tr>
<tr>
<td>Above range</td>
<td>63%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Pricing vs. Range

Deal Value & Over-Allotment*
- 7 of 16 (44%) E&P IPOs priced between $250 million and $500 million.
- The over-allotment option was partially or fully exercised in 14 of 16 (88%) E&P IPOs, compared to 83% in our overall study.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
- All of the E&P IPOs were EGCs, compared to 77% in our overall study.

Confidential Submission
- 13 of 16 (81%) E&P EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters
- We have testing-the-waters data on 11 of 16 (69%) E&P EGCs. *
  - None of these E&P EGCs reported that they conducted testing-the-waters.

Years of Financials
- 87% of E&P EGCs included 2 years of audited financials (compared to 60% in our overall study) and 81% included 2 years of selected financials (compared to 52%).

*Based on publicly available SEC comment and response letters.
**Accounting/Internal Controls & Flash Results**

**Accounting/Internal Controls**

- Of the 16 E&P IPOs:
  - None had a going-concern qualification.
  - 3 (19%) disclosed a material weakness in internal control over financial reporting.
  - 2 (13%) had restated financials.

**Pricing vs. Range**

<table>
<thead>
<tr>
<th>Category</th>
<th>Below range</th>
<th>In range</th>
<th>Above range</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;P IPOs with material weakness in controls</td>
<td>33%</td>
<td>63%</td>
<td>27%</td>
</tr>
<tr>
<td>E&amp;P IPOs with restated financials</td>
<td>33%</td>
<td>25%</td>
<td>34%</td>
</tr>
<tr>
<td>All E&amp;P IPOs</td>
<td>12%</td>
<td>39%</td>
<td>34%</td>
</tr>
<tr>
<td>All IPOs</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Flash Results**

- 7 of 16 (44%) E&P IPOs priced within 45 days of the end of the quarter.
  - 1 of these 7 (14%) showed flash results.
Net Income & EBITDA/Adjusted EBITDA

Net Income

» 6 of 16 (38%) E&P IPOs had negative net income, compared to 55% in our overall study.

EBITDA/Adjusted EBITDA

» All E&P IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
**SEC Comments**

**Total First Round SEC Comments***

On average, the number of total first round SEC comments for E&P IPOs was generally consistent with our overall study.

**Number of Total First Round SEC Comments**

<table>
<thead>
<tr>
<th></th>
<th>E&amp;P IPOs</th>
<th>All IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Average</td>
<td>37</td>
<td>39</td>
</tr>
<tr>
<td>Median</td>
<td>33</td>
<td>36</td>
</tr>
<tr>
<td>High</td>
<td>65</td>
<td>89</td>
</tr>
</tbody>
</table>

**Percentage with Cheap Stock Comment**

- **E&P IPOs**: 38%
- **All IPOs**: 38%

**Percentage with Revenue Recognition Comment**

- **E&P IPOs**: 38%
- **All IPOs**: 46%

**Percentage with Segment Reporting Comment**

- **E&P IPOs**: 23%
- **All IPOs**: 20%

*Excludes 3 issuers for which SEC comment letters were not yet publicly available.
Timing

All of the E&P IPOs were EGCs.

- 13 of 16 (81%) E&P EGCs elected to confidentially submit.
  - On average, these E&P EGCs received 39 total first round SEC comments.
  - The remaining E&P IPOs received an average of 29 total first round SEC comments.

Average Number of Days From First Submission/Filing to Pricing

- E&P EGCs electing to confidentially submit: 122 days
- All EGCs electing to confidentially submit: 126 days
- E&P IPOs initially publicly filed: 201 days
- All IPOs initially publicly filed: 131 days

*Excludes 3 issuers for which SEC comment letters were not yet publicly available.
IPO Fees and Expenses

Underwriting fees and total other IPO expenses (excluding underwriting fees) for E&P IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees*</td>
<td>$4,875,000</td>
<td>$26,858,027</td>
<td>$22,612,500</td>
<td>$50,875,000</td>
</tr>
<tr>
<td>Total IPO Expenses**</td>
<td>$1,549,000</td>
<td>$5,398,284</td>
<td>$4,123,784</td>
<td>$19,252,752</td>
</tr>
</tbody>
</table>

Legal fees, accounting fees and printing costs for E&P IPOs are set forth below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$1,000,000</td>
<td>$2,399,750</td>
<td>$1,750,000</td>
<td>$6,900,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$60,000</td>
<td>$1,188,697</td>
<td>$1,034,725</td>
<td>$4,420,540</td>
</tr>
<tr>
<td>Printing</td>
<td>$150,000</td>
<td>$527,125</td>
<td>$525,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

IPO Expenses as a Percentage of Base Deal

Underwriting fees*, Legal, Accounting, Printing, Total IPO expenses**

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting fees*</td>
<td>6.69%</td>
<td>1.04%</td>
<td>0.42%</td>
<td>1.60%</td>
</tr>
<tr>
<td>Legal</td>
<td>0.00%</td>
<td>1.04%</td>
<td>0.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Accounting</td>
<td>0.53%</td>
<td>0.41%</td>
<td>0.24%</td>
<td>0.24%</td>
</tr>
<tr>
<td>Printing</td>
<td>5.40%</td>
<td>4.92%</td>
<td>4.42%</td>
<td>4.42%</td>
</tr>
</tbody>
</table>

Average IPO Expenses

($ millions)

Underwriting fees* are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

**Total IPO expenses excludes underwriting fees.

***Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.
Deal Structure: Secondary Component, Management Sales, DSPs & Insiders Purchasing

Secondary Component*

» 3 of 16 (19%) E&P IPOs had a secondary component, compared to 28% of IPOs in our overall study.

Management Sales

» Management sold shares in the base offering in 1 of 3 (33%) E&P IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.

Directed Share Programs (DSP)

» 13 of 16 (81%) E&P IPOs included DSPs, compared to 48% in our overall study.

Insiders Purchasing

» 2 of 16 (13%) E&P issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (1 in E&P; 7 IPOs in overall study).
Lock-Ups & Carve-Outs

Lock-Ups

» For E&P IPOs, on average, 99.8% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.

» 2 of 16 (12%) E&P IPOs required all bookrunners to release the lock-up, 8 of 16 (50%) required a subset of bookrunners and 6 of 16 (38%) required only the lead left bookrunner.

Carve-Outs

» 3 of 16 (19%) of E&P IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

- Of the 3 E&P IPOs with acquisitions/JV carve-outs, all included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
  - 2 IPOs: cap = 10%
  - 1 IPO: cap = 15%

*Based on 14 E&P IPOs that disclosed percentage or number of shares locked up.
Sponsor-Backed IPOs

Sponsor-Backed and Management/Termination Fees

- 5 of 16 (31%) E&P IPOs were sponsor-backed, compared to 47% in our overall study.
  - 1 of these 5 (20%) IPOs paid a management or termination fee to the sponsor group in connection with the IPO, compared to 35% in our overall study.
    - This issuer paid $6.7 million in management/termination fees.
  - The average length of sponsor investment was 4.2 years, the lowest was 0.8 years and the highest was 7.2 years.

Key Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of E&amp;P IPOs</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>Average market capitalization at pricing</td>
<td>$2.4bn</td>
<td>$1.6bn</td>
</tr>
<tr>
<td>Average number of total first round SEC comments*</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date</td>
<td>187</td>
<td>114</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)</td>
<td>$4.2mm</td>
<td>$5.9mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up**</td>
<td>100%</td>
<td>99.7%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component***</td>
<td>40%</td>
<td>9%</td>
</tr>
</tbody>
</table>

*Excludes 3 issuers for which SEC comment letters were not yet publicly available.
**Based on 3 sponsor backed and 11 non sponsor backed IPOs that disclosed percentage or number of shares locked up.
***IPOs with a secondary component only in the over allotment option are counted as without a secondary component (none in sponsor backed; 1 in non sponsor backed).
Financial Services Market Analysis

Overview
» We analyzed 14 financial services IPOs.
» 1 of 14 (7%) were FPIs.
» The U.S. financial services issuers were headquartered in 8 states, with the most in New York (3 of 13 (23%)) and Texas (2 of 13 (15%)).

Deal Execution
» 8 of 14 (57%) financial services IPOs priced below the range, compared to 34% in our overall study.
» The over-allotment option was partially or fully exercised in 11 of 14 (79%) financial services IPOs, compared to 83% in our overall study.

Deal Value & Over-Allotment*
» Financial services IPOs were among the largest IPOs that priced in 2014.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
- 8 of 14 (57%) financial services IPOs were EGCs, compared to 77% in our overall study.

Confidential Submission
- 7 of 8 (88%) financial services EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters
- We have testing-the-waters data on 6 of 8 (75%) financial services EGCs.*
  - 1 of these 6 (17%) financial services EGCs reported that they conducted testing-the-waters.

Years of Financials
- 63% of financial services EGCs included 3 years of audited financials (compared to 40% in our overall study) and the same 63% included at least 3 years of selected financials (compared to 48%).

*Based on publicly available SEC comment and response letters.
Accounting/Internal Controls & Flash Results

Accounting/Internal Controls
- Of the 14 financial services IPOs:
  - None had a going-concern qualification.
  - 2 (14%) disclosed a material weakness in internal control over financial reporting.
  - None had restated financials.

Flash Results
- 8 of 14 (57%) financial services IPOs priced within 45 days of the end of the quarter.
  - 5 of these 8 (63%) showed flash results.
Net Income & EBITDA/Adjusted EBITDA

Net Income
» 5 of 14 (36%) financial services IPOs had negative net income, compared to 55% in our overall study.

EBITDA/Adjusted EBITDA
» 5 of 14 (36%) financial services IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
SEC Comments

Total First Round SEC Comments*

On average, the number of total first round SEC comments for financial services IPOs was higher than in our overall study.

Number of Total First Round SEC Comments

Financial Services IPOs All IPOs

<table>
<thead>
<tr>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>42</td>
<td>43</td>
<td>67</td>
</tr>
<tr>
<td>14</td>
<td>39</td>
<td>36</td>
<td>89</td>
</tr>
</tbody>
</table>

Percentage with Cheap Stock Comment

Financial Services IPOs All IPOs

| 9%  | 38% |

Percentage with Revenue Recognition Comment

Financial Services IPOs All IPOs

| 27% | 46% |

Percentage with Segment Reporting Comment

Financial Services IPOs All IPOs

| 18% | 20% |

*Excludes prior SEC reviewed issuers and 1 issuer for which SEC comment letters were not yet publicly available.
Timing

Timing*

- 8 of 14 (57%) financial services IPOs were EGCs.
  - 7 of 8 (88%) financial services EGCs confidentially submitted.
    - On average, these financial services EGCs received 45 total first round SEC comments.
    - The remaining financial services IPOs received an average of 39 total first round SEC comments.

Average Number of Days From First Submission/Filing to Pricing

- Financial Services EGCs electing to confidentially submit: 105 days
- All EGCs electing to confidentially submit: 126 days
- Financial Services IPOs initially publicly filed: 152 days
- All IPOs initially publicly filed: 131 days

Overall = 127 Days

*Excludes prior SEC reviewed issuers and 1 issuer for which SEC comment letters were not yet publicly available.
Corporate Governance: Key Items

**Controlled Company Exemption**
- 7 of 12 (58%) financial services issuers were eligible for the controlled company exemption, compared to 35% in our overall study.
  - 6 of these 7 (86%) elected to take advantage of the exemption.

**Director Independence**
- 7 of 12 (58%) financial services issuers had a majority of independent directors on their boards, compared to 69% in our overall study.
  - On average, these 7 had 82% independent boards.
  - On average, the remaining 5 had 31% independent boards.

**Separation of Chairman & CEO Roles**
- 5 of 12 (42%) financial services issuers separated their Chairman and CEO roles, compared to 64% in our overall study.

**Classes of Common Stock**
- 3 of 12 (25%) financial services issuers had multiple classes of common stock, compared to 15% in our overall study.

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
IPO Fees and Expenses

» Underwriting fees and total other IPO expenses (excluding underwriting fees) for financial services IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category:</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees*</td>
<td>$4,921,875</td>
<td>$26,542,309</td>
<td>$14,122,500</td>
<td>$86,250,000</td>
</tr>
<tr>
<td>Total IPO Expenses**</td>
<td>$2,138,000</td>
<td>$9,046,728</td>
<td>$6,079,495</td>
<td>$25,265,127</td>
</tr>
</tbody>
</table>

» Legal fees, accounting fees and printing costs for financial services IPOs are set forth below:

<table>
<thead>
<tr>
<th>Fee Category:</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$1,229,000</td>
<td>$4,190,143</td>
<td>$3,340,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$400,000</td>
<td>$3,271,714</td>
<td>$1,500,000</td>
<td>$12,500,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$469,643</td>
<td>$325,000</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

Total IPO expenses excludes underwriting fees.

Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.

IPO Expenses as a Percentage of Base Deal

Average IPO Expenses

*Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.
**Total IPO expenses excludes underwriting fees.
***Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.
**Deal Structure: Secondary Component, Management Sales, DSPs & Insiders Purchasing**

**Secondary Component***
- 6 of 14 (43%) financial services IPOs had a secondary component, compared to 28% of IPOs in our overall study.

**Management Sales**
- Management sold shares in the base offering in 1 of 6 (17%) financial services IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.

**Directed Share Programs (DSPs)**
- 10 of 14 (71%) financial services IPOs included DSPs, compared to 48% in our overall study.

**Insiders Purchasing**
- 1 of 14 (7%) financial services issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.

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*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (none in financial services; 7 IPOs in overall study).
Lock-Ups & Carve-Outs

**Lock-Ups**

» For financial services IPOs, on average, 95.8% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.

» 1 of 14 (7%) financial services IPOs required all bookrunners to release the lock-up, 10 of 14 (71%) required a subset of bookrunners and 3 of 14 (22%) required only the lead left bookrunner.

![Lock-up Release](image)

**Carve-Outs**

» 13 of 14 (93%) financial services IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

![Percentage of IPOs with Carve-out for Acquisitions/JVs](image)

» Of the 13 financial services IPOs with acquisition/JV carve-outs, 11 included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):

- 7 IPOs: cap = 5%
- 4 IPOs: cap = 10%
- 2 IPOs: no cap

*Based on 10 financial services IPOs that disclosed percentage or number of shares locked up.
Sponsor-Backed IPOs

**Sponsor-Backed and Management/Termination Fees**

- 6 of 14 (43%) financial services IPOs were sponsor-backed, compared to 47% in our overall study.
  - No financial services IPOs paid management or termination fees to the sponsor group in connection with the IPO, compared to 35% in our overall study.
  - Many sponsor-backed financial services IPOs did not have management fees to begin with, and in at least one case, management fees were ongoing post-IPO.
- The average length of sponsor investment was 4.8 years, the lowest was 2.1 years and the highest was 7.4 years.

**Key Comparisons**

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of financial services IPOs</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Average market capitalization at pricing</td>
<td>$5.3bn</td>
<td>$4.6bn</td>
</tr>
<tr>
<td>Average number of directors*</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Average number of independent directors*</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Average number of total first round SEC comments**</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date***</td>
<td>149</td>
<td>113</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)</td>
<td>$8.9mm</td>
<td>$9.1mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up****</td>
<td>88.49%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component</td>
<td>67%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
**Excludes prior SEC reviewed issuers and 1 issuer for which SEC comment letters were not yet publicly available.
***Excludes prior SEC reviewed issuers.
****Based on 4 sponsor backed and 6 non sponsor backed financial services IPOs that disclosed percentage or number of shares locked up.
Industrials
Industrials Market Analysis

Overview
» We analyzed 14 industrials IPOs.
» 4 of 14 (29%) were FPIs.
» The U.S. industrials issuers were headquartered in 8 states, with the most in Pennsylvania and California, each with 2 (out of 10, or 20% each).

Deal Execution
» 7 of 14 (50%) industrials IPOs priced in the range, compared to 39% in our overall study.

Deal Value & Over-Allotment*
» Half of the industrials IPOs were between $100 million and $250 million.

The over-allotment option was partially or fully exercised in 10 of 14 (71%) industrials IPOs, compared to 83% in our overall study.

*Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
- 7 of 14 (50%) industrials IPOs were EGCs, compared to 77% in our overall study.

Confidential Submission
- All 7 industrials EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters
- We have testing-the-waters data on 5 of 7 (71%) industrials EGCs.*
  - None of these reported that they conducted testing-the-waters.

Years of Financials
- 71% of industrials EGCs included 2 years of audited financials (compared to 60% in our overall study) and the same 71% included 2 years of selected financials (compared to 52%).

*Based on publicly available SEC comment and response letters.
Accounting/Internal Controls & Flash Results

Accounting/Internal Controls

» Of the 14 industrials IPOs:
  ▪ None had a going-concern qualification.
  ▪ 4 (29%) disclosed a material weakness in internal control over financial reporting.
  ▪ 1 (7%) had restated financials.

Flash Results

» 8 of 14 (57%) industrials IPOs priced within 45 days of the end of the quarter.
  ▪ 3 of these 8 (38%) showed flash results.
Net Income & EBITDA/Adjusted EBITDA

Net Income

- 7 of 14 (50%) industrials IPOs had negative net income, compared to 55% in our overall study.

Pricing vs. Range

- Industrials IPOs with negative net income: 28% below range, 72% in range, 0% above range
- All IPOs with negative net income: 29% below range, 39% in range, 8% above range
- Industrials IPOs with positive net income: 14% below range, 72% in range, 4% above range
- All IPOs with positive net income: 15% below range, 39% in range, 5% above range

Aftermarket Performance

- Average Offer: 1 Day
  - Industrials IPOs with negative net income: 6% below range, 15% in range, 19% above range
  - All IPOs with negative net income: 8% below range, 20% in range, 15% above range
  - Industrials IPOs with positive net income: 15% below range, 21% in range, 64% above range
  - All IPOs with positive net income: 12% below range, 21% in range, 67% above range

EBITDA/Adjusted EBITDA

- 13 of 14 (93%) industrials IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
On average, the number of total first round SEC comments for industrials IPOs was higher than in our overall study.

**Number of Total First Round SEC Comments**

- Industrials IPOs: Low = 14, Average = 49, Median = 49, High = 74
- All IPOs: Low = 14, Average = 39, Median = 36, High = 89

**Percentage with Cheap Stock Comment**

- Industrials IPOs: 25%
- All IPOs: 38%

**Percentage with Revenue Recognition Comment**

- Industrials IPOs: 50%
- All IPOs: 46%

**Percentage with Segment Reporting Comment**

- Industrials IPOs: 42%
- All IPOs: 20%

*Excludes prior SEC reviewed issuers.*
Timing

7 of 14 (50%) industrials IPOs were EGCs.
- All of the industrials EGCs elected to confidentially submit.
- On average, these industrials EGCs received 57 total first round SEC comments.
- The remaining industrials IPOs received an average of 39 total first round SEC comments.

Average Number of Days From First Submission/Filing to Pricing

- Industrials EGCs electing to confidentially submit: 143 days
- All EGCs electing to confidentially submit: 126 days
- Industrials IPOs initially publicly filed: 89 days
- All IPOs initially publicly filed: 131 days

Overall = 127 Days

*Excludes prior SEC reviewed issuers.
Corporate Governance: Key Items

**Controlled Company Exemption**

- 5 of 10 (50%) industrials issuers were eligible for the controlled company exemption, compared to 35% in our overall study.
  - All 5 elected to take advantage of the exemption.

**Director Independence**

- 4 of 10 (40%) industrials issuers had a majority of independent directors on their boards, compared to 69% in our overall study.
  - On average, these 4 had 62% independent boards.
  - On average, the remaining 6 had 27% independent boards.

**Separation of Chairman & CEO**

- 3 of 9** (33%) industrials issuers separated their Chairman and CEO roles, compared to 64% in our overall study.

**Classes of Common Stock**

- 3 of 10 (30%) industrials issuers had multiple classes of common stock, compared to 15% in our overall study.

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* Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
**Excludes an additional 1 IPO with insufficient information.
IPO Fees and Expenses

Underwriting fees and total other IPO expenses (excluding underwriting fees) for industrials IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees*</td>
<td>$5,736,500</td>
<td>$14,275,383</td>
<td>$11,353,075</td>
<td>$48,750,000</td>
</tr>
<tr>
<td>Total IPO Expenses**</td>
<td>$1,811,951</td>
<td>$4,395,262</td>
<td>$3,125,123</td>
<td>$8,453,661</td>
</tr>
</tbody>
</table>

Legal fees, accounting fees and printing costs for industrials IPOs are set forth below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal***</td>
<td>$1,000,000</td>
<td>$2,012,857</td>
<td>$1,680,000</td>
<td>$4,750,000</td>
</tr>
<tr>
<td>Accounting***</td>
<td>$200,000</td>
<td>$1,110,159</td>
<td>$725,000</td>
<td>$3,800,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$402,786</td>
<td>$330,000</td>
<td>$950,000</td>
</tr>
</tbody>
</table>

IPO Expenses as a Percentage of Base Deal

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Industrials IPOs</th>
<th>All IPOs****</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting fees*</td>
<td>6.28% 6.18%</td>
<td>1.09% 1.30%</td>
</tr>
<tr>
<td>Legal</td>
<td>1.59% 0.76% 0.72%</td>
<td>1.09% 0.82%</td>
</tr>
<tr>
<td>Accounting</td>
<td>0.20% 0.24%</td>
<td>0.75% 0.82%</td>
</tr>
<tr>
<td>Printing</td>
<td>0.00% 2.46%</td>
<td>0.00% 2.84%</td>
</tr>
</tbody>
</table>

Average IPO Expenses

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Industrials IPOs</th>
<th>All IPOs****</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>2.01 2.22</td>
<td>1.11 1.41</td>
</tr>
<tr>
<td>Accounting</td>
<td>2.00 0.40</td>
<td>0.39 0.40</td>
</tr>
<tr>
<td>Printing</td>
<td>Total IPO expenses**</td>
<td>$4.40 4.92</td>
</tr>
</tbody>
</table>

*Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.
**Total IPO expenses excludes underwriting fees.
***Excludes 1 IPO that aggregated legal and accounting.
****Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.
Deal Structure: Secondary Component, Management Sales, DSPs & Insiders Purchasing

**Secondary Component***
- 5 of 14 (36%) industrials IPOs had a secondary component, compared to 28% of IPOs in our overall study.

**Management Sales**
- Management did not sell shares in any of the 5 industrials IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.

**Directed Share Programs (DSPs)**
- 8 of 14 (57%) industrials IPOs included DSPs, compared to 48% in our overall study.

**Insiders Purchasing**
- 2 of 14 (14%) industrials issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (2 in industrials; 7 IPOs in overall study).*
Lock-Ups & Carve-Outs

Lock-Ups

» For industrials IPOs, on average, 99.9% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.

» 3 of 14 (21%) industrials IPOs required all bookrunners to release the lock-up, 8 of 14 (58%) required a subset of bookrunners and 3 of 14 (21%) required only the lead left bookrunner.

![Lock-Up Release Chart]

Carve-Outs

» 6 of 14 (43%) industrials IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

![Percentage of IPOs with Carve-Out for Acquisitions/JVs]

» Of the 6 industrials IPOs with acquisition/JV carve-outs, 5 included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
  - 1 IPO: cap = 5%
  - 4 IPOs: cap = 10%
  - 1 IPO: no cap

*Based on 13 industrials IPOs that disclosed percentage or number of shares locked up.
## Sponsor-Backed and Management/Termination Fees

- 8 of 14 (57%) industrials IPOs were sponsor-backed, compared to 47% in our overall study.
  - 5 of these 8 (63%) paid management or termination fees to the sponsor group in connection with the IPO, compared to 35% in our overall study.
  - The smallest management/termination fee was $2.0 million, the average was $13.8 million and the largest was $25.0 million.

### Key Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of industrials IPOs</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Average market capitalization at pricing</td>
<td>$1.1bn</td>
<td>$5.4mm</td>
</tr>
<tr>
<td>Average number of directors*</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Average number of independent directors*</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Average number of total first round SEC comments**</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date**</td>
<td>78</td>
<td>163</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)</td>
<td>$5.3mm</td>
<td>$3.3mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up***</td>
<td>99.9%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component****</td>
<td>38%</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Excludes MLPs (given their unique governance structures) and FPIs (subject to home jurisdiction governance rules).
**Excludes prior SEC reviewed issuers.
***Based on 8 sponsor backed and 5 non sponsor backed IPOs that disclosed percentage or number of shares locked up.
****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (1 in sponsor backed; 1 in non sponsor backed).
Consumer/Retail
**Consumer/Retail Market Analysis**

**Overview**
- We analyzed 13 consumer/retail IPOs.
- 3 of 13 (21%) were FPIs.
- The U.S. consumer/retail issuers were headquartered in 4 states, with the most in California and Texas with 4 each (out of 10, or 40% each).

**Deal Execution**
- 9 of 13 (69%) consumer/retail IPOs priced in the range, compared to 39% in our overall study.

**Deal Value & Over-Allotment**
- Most consumer/retail IPOs were between $100 million and $500 million.
- The over-allotment option was partially or fully exercised in 9 of 13 (69%) consumer/retail IPOs, compared to 83% in our overall study.

---
*Our consumer/retail sector includes professional services and hospitality/lodging.
**Deal value includes exercise of the over allotment option where applicable.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
» 10 of 13 (77%) consumer/retail IPOs were EGCs, compared to 77% in our overall study.

Confidential Submission
» All 10 consumer/retail EGCs elected confidential submission, compared to 96% in our overall study.

Testing-the-Waters
» We have testing-the-waters data on 7 of 10 (70%) consumer/retail EGCs.*
  • None of these consumer/retail EGCs reported that they conducted testing-the-waters.

Years of Financials
» 90% of consumer/retail EGCs included 3 years of audited financials (compared to 40% in our overall study) and 100% included at least 3 years of selected financials (compared to 48%).

*Based on publicly available SEC comment and response letters.
Accounting/Internal Controls & Flash Results

**Accounting/Internal Controls**

- Of the 13 consumer/retail IPOs:
  - None had a going-concern qualification.
  - 5 (39%) disclosed a material weakness in internal control over financial reporting.
  - None had restated financials.

![Pricing vs. Range](chart)

**Flash Results**

- 10 of 13 (77%) consumer/retail IPOs priced within 45 days of the end of the quarter.
  - 4 of these 10 (40%) showed flash results.
6 of 13 (46%) consumer/retail IPOs had negative net income, compared to 55% in our overall study.

12 of 13 (92%) consumer/retail IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
SEC Comments

Total First Round SEC Comments

» On average, the number of total first round SEC comments for consumer/retail IPOs was higher than in our overall study.

Number of Total First Round SEC Comments

Percentage with Cheap Stock Comment

Percentage with Revenue Recognition Comment

Percentage with Segment Reporting Comment
Timing

10 of 13 (77%) consumer/retail IPOs were EGCs.

- All of the consumer/retail EGCs elected to confidentially submit.
  - On average, these consumer/retail EGCs received 48 total first round SEC comments.
  - The remaining consumer/retail IPOs received an average of 29 total first round SEC comments.

### Average Number of Days From First Submission/Filing to Pricing

- **Consumer/Retail EGCs electing to confidentially submit**: 119 days
- **All EGCs electing to confidentially submit**: 126 days
- **Consumer/Retail IPOs publicly filed**: 145 days
- **All IPOs publicly filed**: 131 days

Overall = 127 Days
Corporate Governance: Key Items

**Controlled Company Exemption***
- 7 of 10 (70%) consumer/retail issuers were eligible for the controlled company exemption, compared to 35% in our overall study.
  - 5 of these 7 (71%) elected to take advantage of the exemption.

**Director Independence***
- 5 of 10 (50%) consumer/retail issuers had a majority of independent directors on their boards, compared to 69% in our overall study.
  - On average, these 5 had 77% independent boards.
  - On average, the remaining 5 had 24% independent boards.**

![Composition of Board](image.png)

**Separation of Chairman & CEO Roles***
- 9 of 10 (90%) consumer/retail issuers separated their Chairman and CEO roles, compared to 64% in our overall study.

![Separation Chart](image.png)

**Classes of Common Stock***
- 2 of 13 (15%) consumer/retail issuers had multiple classes of common stock, compared to 15% in our overall study.

*Excludes FPIs (subject to home jurisdiction governance rules).
**Excludes 1 issuer with insufficient information.
IPO Fees and Expenses

**IPO Fees and Expenses**

Underwriting fees and total other IPO expenses (excluding underwriting fees) for consumer/retail IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category:</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting Fees*</td>
<td>$4,491,666</td>
<td>$13,460,992</td>
<td>$9,639,000</td>
<td>$32,512,500</td>
</tr>
<tr>
<td>Total IPO Expenses**</td>
<td>$1,803,854</td>
<td>$5,259,537</td>
<td>$3,250,000</td>
<td>$16,100,968</td>
</tr>
</tbody>
</table>

Legal fees, accounting fees, and printing costs for consumer/retail IPOs are set forth below:

<table>
<thead>
<tr>
<th>Fee Category:</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$750,000</td>
<td>$2,200,692</td>
<td>$1,800,000</td>
<td>$5,730,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$115,000</td>
<td>$1,571,538</td>
<td>$1,100,000</td>
<td>$4,210,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$337,692</td>
<td>$340,000</td>
<td>$850,000</td>
</tr>
</tbody>
</table>

**IPO Expenses as a Percentage of Base Deal**

- Underwriting fees: 6.41% - 6.18%
- Legal: 0.42% - 1.30%
- Accounting: 0.83% - 0.82%
- Printing: 0.23% - 0.24%
- Total IPO expenses: 2.81% - 2.84%

**Average IPO Expenses**

<table>
<thead>
<tr>
<th>Fee</th>
<th>Low (millions)</th>
<th>Average (millions)</th>
<th>Median (millions)</th>
<th>High (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>2.20</td>
<td>1.57</td>
<td>1.41</td>
<td>0.34</td>
</tr>
<tr>
<td>Accounting</td>
<td>2.22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>0.34</td>
<td>0.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total IPO expenses**</td>
<td>5.26</td>
<td>4.92</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

**Total IPO expenses excludes underwriting fees.

***Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately $49.7 million and $261.2 million in underwriting fees.
Deal Structure: Secondary Component, Management Sales, DSPs & Insiders Purchasing

Secondary Component*

- 4 of 13 (31%) consumer/retail IPOs had a secondary component, compared to 28% of IPOs in our overall study.

Management Sales

- Management did not sell shares in any of the 4 consumer/retail IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.**

Directed Share Programs (DSPs)

- 7 of 13 (54%) consumer/retail IPOs included DSPs, compared to 48% in our overall study.

Insiders Purchasing

- No consumer/retail issuers disclosed insiders purchasing in the IPO, compared to 24% in our overall study.

---

*IPOs with a secondary component only in the over allotment option are counted as without a secondary component (2 in consumer/retail; 7 IPOs in overall study).

**Excludes 1 IPO with insufficient information.
Lock-Ups & Carve-Outs

**Lock-Ups**
- For consumer/retail IPOs, on average, 99.8% of pre-IPO shares were locked up*, compared to 99.1% in our overall study.
- 1 of 13 (8%) consumer/retail IPOs required all bookrunners to release the lock-up, 9 of 13 (69%) required a subset of bookrunners and 3 of 13 (23%) required only the lead left bookrunner.

![Lock-up Release Diagram]

**Carve-Outs**
- 5 of 13 (38%) consumer/retail IPOs included a carve-out in the issuer lock-up for stock issuances in connection with acquisitions/joint ventures (JVs), compared to 61% in our overall study.

![Percentage of IPOs with Carve-out for Acquisitions/JVs Diagram]

- All 5 consumer/retail IPOs with acquisition/JV carve-outs included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
  - 3 IPOs: cap = 5%
  - 2 IPOs: cap = 10%

*Based on 12 consumer/retail IPOs that disclosed percentage or number of shares locked up.
Sponsor-Backed IPOs

Sponsor-Backed and Management/Termination Fees

» 12 of 13 (92%) consumer/retail IPOs were sponsor-backed, compared to 47% in our overall study.
  » 4 of these 12 (33%) IPOs paid management or termination fees to the sponsor group in connection with the IPO, compared to 35% in our overall study.
  » The smallest management/termination fee was $1.5 million, the average was $17 million and the largest was $30.0 million.

The smallest management/termination fee was $1.5 million, the average was $17 million and the largest was $30.0 million.

The average length of sponsor investment was 5.2 years, the lowest was 1.8 years and the highest was 8.7 years.

Key Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Sponsor-Backed</th>
<th>Non-Sponsor-Backed*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of consumer/retail IPOs</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>Average market capitalization at pricing</td>
<td>$1.2bn</td>
<td>$4.6mm</td>
</tr>
<tr>
<td>Average number of directors**</td>
<td>8</td>
<td>n/a</td>
</tr>
<tr>
<td>Average number of independent directors**</td>
<td>4</td>
<td>n/a</td>
</tr>
<tr>
<td>Average number of total first round SEC comments</td>
<td>42</td>
<td>65</td>
</tr>
<tr>
<td>Average number of days from first submission/filing to pricing date</td>
<td>125</td>
<td>127</td>
</tr>
<tr>
<td>Average total IPO expenses (excluding underwriting fees)</td>
<td>$5.5mm</td>
<td>$2.6mm</td>
</tr>
<tr>
<td>Average percentage of shares locked up***</td>
<td>99.75%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of IPOs with a secondary component****</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Based on only 1 non sponsor backed IPO in the consumer/retail sector (which was an FPI).
**Excludes FPIs (subject to home jurisdiction governance rules); no non sponsor backed consumer/retail IPOs after excluding FPIs.
***Based on 11 sponsor backed and 1 non sponsor backed IPOs in consumer/retail that disclosed percentage or number of shares locked up.
****IPOs with a secondary component only in the over allotment option are counted as without a secondary component (2 in sponsor backed; none in non sponsor backed).
Appendix
Overview

» We analyzed 19 FPI IPOs, representing 16% of our overall study.
» The 19 FPIs were headquartered in 9 countries and incorporated in 10 jurisdictions.
» 5 of 19 (26%) FPIs were headquartered in China and 6 of 19 (32%) FPIs were incorporated in the Cayman Islands.

FPIs by Headquarters

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5</td>
</tr>
<tr>
<td>Israel</td>
<td>4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3</td>
</tr>
<tr>
<td>Ireland</td>
<td>2</td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
</tr>
<tr>
<td>Monaco</td>
<td>1</td>
</tr>
</tbody>
</table>

FPIs by Jurisdiction of Incorporation

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cayman Islands</td>
<td>6</td>
</tr>
<tr>
<td>Israel</td>
<td>3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>Ireland</td>
<td>1</td>
</tr>
<tr>
<td>Bermuda</td>
<td>1</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>1</td>
</tr>
</tbody>
</table>

Sectors Represented

» TMT and health care accounted for a majority of the FPIs in our study.

Health Care (4 IPOs)
TMT (7 IPOs)
E&P (1 IPO)
Financial Services (1 IPO)
Industrials (3 IPOs)
Consumer/Retail (3 IPOs)
FPI Market Analysis

Deal Value & Over-Allotment*

- The average deal value for FPI IPOs, excluding Alibaba, was approximately $451.1 million.
  - Average deal value increases to approximately $1.74 billion when Alibaba is included.
- The over-allotment option was partially or fully exercised in 13 of 19 (68%) FPI IPOs, compared to 83% in our overall study.

![Bar chart showing deal value distribution](chart1.png)

![Pricing vs. Range chart](chart2.png)

![Aftermarket Performance chart](chart3.png)

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

American Depository Receipts (ADRs) vs. Ordinary Shares

» 6 of 19 (32%) FPIs offered ADRs; 13 offered ordinary shares or common stock.
» Issuers offering ADRs included those incorporated in Belgium, the Cayman Islands and Germany.
» Issuers offering ordinary shares included those incorporated in the Cayman Islands, United Kingdom, Ireland, Israel, Luxembourg and the Netherlands.

Exchange

» No FPIs in our study dual listed their shares. All sought to list on one U.S. exchange only.
» 10 of 19 (53%) FPIs listed on NASDAQ, compared to 48% in our overall study.
JOBS Act: Confidential Submission, Testing-the-Waters & Financials

Overview
» 14 of 19 (74%) FPIs were EGCs, compared to 77% in our overall study.

<table>
<thead>
<tr>
<th></th>
<th>Pricing vs. Range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below range</td>
</tr>
<tr>
<td>FPI EGCs</td>
<td>23%</td>
</tr>
<tr>
<td>All EGCs</td>
<td>30%</td>
</tr>
<tr>
<td>FPI non-EGCs</td>
<td>33%</td>
</tr>
<tr>
<td>All non-EGCs</td>
<td>15%</td>
</tr>
</tbody>
</table>

Confidential Submission
» 13 of 14 (93%) FPI EGCs confidentially submitted, compared to 96% in our overall study.
» None of the 5 non-EGC FPIs confidentially submitted, even though they are permitted under certain circumstances to file confidentially.

Testing-the-Waters
» We have testing-the-waters data on 10 of 14 (36%) FPI EGCs.*
  ▪ 1 of these 10 (10%) FPI EGCs reported that they conducted testing-the-waters.

Years of Financials
» 57% of FPI EGCs included 3 years of audited financials (compared to 40% in our overall study) and the same 57% included at least 3 years of selected financials (compared to 48%).

<table>
<thead>
<tr>
<th></th>
<th>Years of Audited Financials</th>
<th>Years of Selected Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 years</td>
<td>3 years</td>
</tr>
<tr>
<td>FPI EGCs</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>All EGCs</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>FPI non-EGCs</td>
<td>38%</td>
<td>32%</td>
</tr>
<tr>
<td>All non-EGCs</td>
<td>32%</td>
<td>50%</td>
</tr>
</tbody>
</table>

*Based on publicly available SEC comment and response letters.
Revenue, Net Income & EBITDA/Adjusted EBITDA

Revenue and Net Income

- 1 of 19 (5%) FPI IPOs was by a pre-revenue issuer (in health care), compared to 10% in our overall study.
- 5 of 19 (26%) FPI IPOs had negative net income, compared to 55% in our overall study.

Pricing vs. Range

- 40% of FPI IPOs with negative net income were below the range.
- 20% of All IPOs with negative net income were below the range.
- 29% of FPI IPOs with positive net income were below the range.
- 32% of All IPOs with positive net income were below the range.
- 21% of FPI IPOs with negative net income were in the range.
- 50% of All IPOs with negative net income were in the range.
- 29% of FPI IPOs with positive net income were in the range.
- 46% of All IPOs with positive net income were in the range.
- 24% of FPI IPOs with negative net income were above the range.
- 30% of All IPOs with negative net income were above the range.
- 40% of FPI IPOs with positive net income were above the range.
- 46% of All IPOs with positive net income were above the range.

Aftermarket Performance

- 19% of FPI IPOs with negative net income were below the range after 1 day.
- 14% of All IPOs with negative net income were below the range after 1 day.
- 16% of FPI IPOs with positive net income were below the range after 1 day.
- 26% of All IPOs with positive net income were below the range after 1 day.
- 13% of FPI IPOs with negative net income were below the range after 30 days.
- 25% of All IPOs with negative net income were below the range after 30 days.
- 20% of FPI IPOs with positive net income were below the range after 30 days.
- 26% of All IPOs with positive net income were below the range after 30 days.
- 7% of FPI IPOs with negative net income were below the range after 90 days.
- 14% of All IPOs with negative net income were below the range after 90 days.
- 16% of FPI IPOs with positive net income were below the range after 90 days.
- 26% of All IPOs with positive net income were below the range after 90 days.

EBITDA/Adjusted EBITDA

- 12 of 19 (63%) FPI IPOs disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study.
IPO Fees and Expenses

IPO Fees and Expenses*

» Underwriting fees and total other IPO expenses (excluding underwriting fees) for FPI IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting</td>
<td>$2,800,000</td>
<td>$20,174,270</td>
<td>$11,343,375</td>
<td>$71,201,072</td>
</tr>
<tr>
<td>Fees**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total IPO</td>
<td>$2,390,910</td>
<td>$6,000,244</td>
<td>$4,640,305</td>
<td>$13,700,000</td>
</tr>
<tr>
<td>Expenses***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

» Legal fees, accounting fees and printing costs for FPI IPOs are summarized below:

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Low</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$975,000</td>
<td>$2,904,832</td>
<td>$2,100,000</td>
<td>$4,750,000</td>
</tr>
<tr>
<td>Accounting</td>
<td>$210,000</td>
<td>$1,697,882</td>
<td>$891,000</td>
<td>$3,800,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$100,000</td>
<td>$375,063</td>
<td>$328,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

IPO Expenses as a Percentage of Base Deal

Average IPO Expenses

*Excludes Alibaba, which had $261.2 million in underwriting fees and $49.7 million in other IPO expenses, 1 IPO with incomplete expense information and 1 IPO without any printing costs disclosed.

**Underwriting fees are the portion of IPO base deal that is paid as compensation to the underwriters in the form of a discount or commission.

***Total IPO expenses excludes underwriting fees.
Deal Structure: Secondary Component & Management Sales

Secondary Component*
- 10 of 19 (53%) FPI IPOs had a secondary component, compared to 28% in our overall study.

Aftermarket Performance

Management Sales
- Management sold shares in the base offering in 4 of 9** (44%) FPI IPOs with a secondary component, compared to 40% of secondary IPOs in our overall study.

* IPOs with a secondary component only in the over allotment option are counted as without a secondary component (3 FPIs; 7 IPOs in overall study).

**Excludes 1 IPO with insufficient information.
FPI Accommodations

Confidential Submission
- Certain FPIs that file Form F-1 can submit confidentially.
  - 13 of 19 (68%) submitted confidentially, all of which were also EGCs.

IFRS vs. U.S. GAAP
- FPIs are permitted to prepare financial statements in IFRS.
  - 9 of 19 (47%) used IFRS.
  - 10 of 19 (53%) used U.S. GAAP.

Quarterly Financial Statements
- FPIs are not required to include quarterly financial statements.
  - 6 of 19 (32%) FPIs priced their IPOs close enough to the year-end that a quarterly financial presentation would not have been relevant.
  - 12 of the remaining 13 (92%) included quarterly financial statements even though not required under FPI rules.
Thank You

A very special thanks to our corporate finance analysts for their contributions to the 2015 IPO Study:

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James Duong
Andrew Fung

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