

2015 Proskauer IPO Study — Technology Focus

Impact of the JOBS Act

- 19 of 25, or 76%, of the 2014 TMT IPOs in our study qualified as an “Emerging Growth Company” (EGC)
 - All 19 EGCs elected to confidentially submit their first filing
- An EGC is an issuer with total annual gross revenue of less than \$1 billion during its most recently completed fiscal year
- Of the 19 TMT EGCs, 21% included 2 years of audited financials
- Only a small number of TMT EGCs reported that they engaged in testing-the-waters

SEC Timing and Trends

- Average number of days from first submission/filing to pricing¹:
 - 148 days for TMT EGCs electing to confidentially submit
 - 107 days for TMT IPOs initially publicly filed
- SEC comments:
 - Average of 44 first round comments for all TMT IPOs¹
- Frequency of key SEC comments:
 - Revenue recognition - 88%
 - Cheap stock - 54%
 - Segment reporting - 29%

Deal Structure

- Of the 25 TMT IPOs:
 - 48% had a secondary component²
 - 32% included a directed share program
 - 16% had insiders purchasing in the IPO
- Lock-ups:
 - On average, 98.8% of pre-IPO shares were locked up³
 - Lock-up Release:
 - Subset of bookrunners - 60%
 - Lead left bookrunner - 28%
 - All bookrunners - 12%
- Lock-Up Carve-Outs:
 - 20 of 25 (80%) TMT IPOs included an issuer carve-out for JVs/Acquisitions
 - 19 of those 20 included a cap on the number of shares that could be issued (reflected as a percentage of shares outstanding):
 - 9 IPOs: 5% cap
 - 7 IPOs: 10% cap
 - 2 IPOs: 7.5% cap
 - 1 IPO: 8% cap

Deal and Underwriting Expenses

- Average IPO Expenses⁴:
 - Total IPO expenses⁵ - \$5.1 million
 - Legal expenses - \$2.2 million
 - Accounting expenses - \$1.5 million
- Underwriting Fees⁴:
 - Average underwriting fee - 6.0%
 - 14 out of 25 deals had a 7.0% spread

Corporate Governance

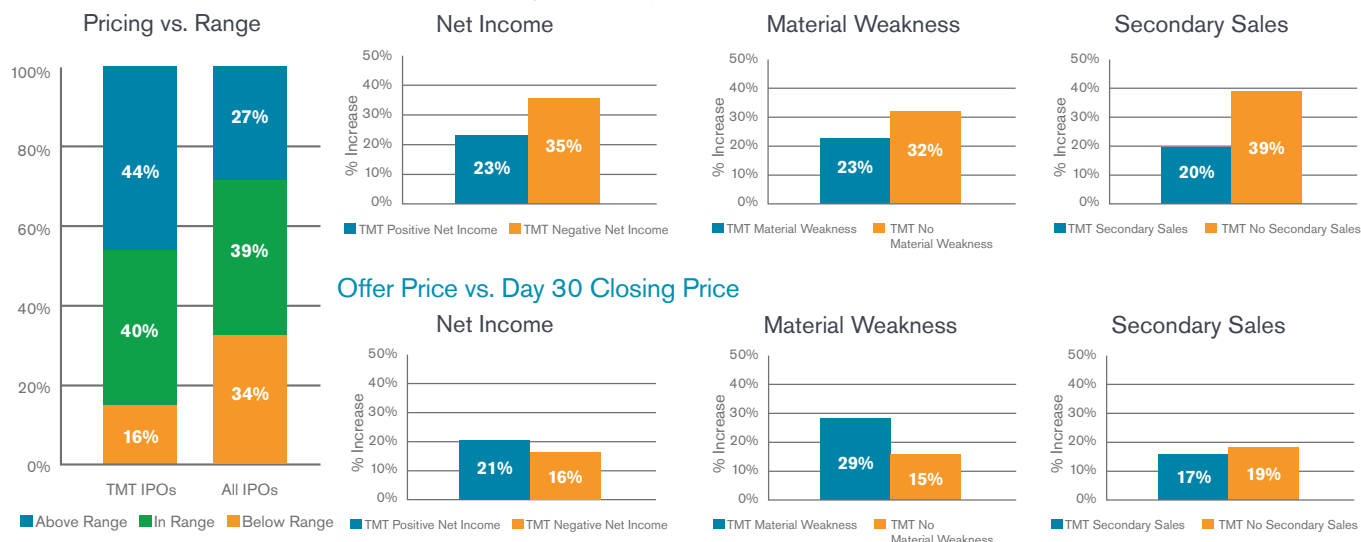
- At the time of the IPO pricing, the TMT companies analyzed had an average of⁶:
 - 7 board members
 - 5 independent directors
- 50% separated the Chairman and CEO⁶
- 22% were eligible for the controlled company exemption⁶
- 11% had multiple classes of common stock⁶

Key Financial Stats and Presentation

- Net income:
 - 56% had negative net income
- Of the 25 TMT IPOs:
 - 24% disclosed a material weakness
 - 8% had restated financials
 - None had a going-concern qualification
- Adjusted EBITDA:
 - 18 of 25 (72%) disclosed EBITDA and/or adjusted EBITDA, compared to 62% in our overall study
 - 14 of 18 (78%) showed positive EBITDA and/or adjusted EBITDA
- Flash results:
 - 40% priced within 45 days of the end of the quarter, 10% of these IPOs showed flash results

Market Performance

Offer Price vs. Day 1 Closing Price



Study Methodology

Population

- "Technology" defined by Dealogic's industry classification
- In total, the Proskauer technology IPO study analyzed 25 TMT IPOs priced in 2014, of which 7 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%))
- All companies are listed on U.S. exchanges
- Excludes IPOs with filing deal size less than \$50 million

General

- Financial metrics were based on results from each issuer's most recent fiscal year as disclosed in the final prospectus
- Market, industry sector, and performance information was sourced from Dealogic
- All data was compiled, reviewed and analyzed by Proskauer capital markets attorneys, corporate finance analysts and a CFA charterholder

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

² IPOs with a secondary component only in the over-allotment option are counted as without a secondary component (1 in TMT).

³ Based on 14 TMT IPOs that disclosed percentage or number of shares locked up.

⁴ Excludes Alibaba, which had total IPO expenses (excluding underwriting fees) of approximately \$49.7 million and \$261.2 million in underwriting fees, and 1 other IPO with incomplete expense information.

⁵ Total IPO expenses exclude underwriting fees.

⁶ Excludes FPIs (subject to home jurisdiction governance rules) and 1 IPO with insufficient information.

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