Proskauer

Proskauer Releases Annual U.S. IPO Study

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April 12, 2017 (New York) – International law firm Proskauer today released its fourth annual IPO Study, which offers comprehensive analyses of U.S.-listed initial public offerings that priced in 2016 and identification of IPO trends over a four-year period.

The 2017 study, conducted by the Global Capital Markets Group, examines data from 67 IPOs that priced in 2016 with a minimum initial base deal size of $50 million, and includes industry analyses on the health care; technology, media & telecommunications (TMT); energy & power; financial services; industrials and consumer/retail sectors. The study also includes a focus on foreign private issuers. Utilizing proprietary information from more than 375 IPOs that the Global Capital Markets Group has analyzed over the last four years, the study provides detailed comparisons of deal structures and terms, SEC comments and timing, financial profiles, accounting disclosures, corporate governance and deal expenses.

The 2017 study yields a number of noteworthy observations about trends and activity among 2016 IPOs, including:

- **Two Quiet Years for Mega-IPOs and Decrease in Average Base Deal Size:** We saw a significant decrease in $1 billion+ IPOs in our study in 2016 and 2015. At the same time the average and median deal size for IPOs decreased. There is speculation that the Snap IPO will open the door to more mega-IPOs in 2017.
- **Greater Market Acceptance of Less Financial Information:** After almost five years since the passage of the JOBS Act, 75% of emerging growth companies (generally, a company with annual revenues under $1 billion) included two instead of three years of audited financial statements in 2016 (a 92% increase since 2013) and 60% included only two years of selected financial statements in 2016 (a 67% increase since 2013).
- **Testing-the-Waters Communications Predominantly by Issuers in the Health Care Sector and TMT:** Our study shows 100% of disclosed testing-the-waters communications were by issuers in the health care and TMT sectors.

- **Decrease in SEC Comments but Slower Time to Pricing:** Although there has been a continued decrease in the average number of SEC comments, the average time that it took issuers from the first submission/filing to pricing significantly increased to 221 days, up from 156 days in 2015 and 123 days in 2014.
- **SEC Focused on Non-GAAP Measures:** In 2016, 47 of 66 (71%) issuers in our study disclosed at least one non-GAAP measure. Of these 47 issuers, 26 (55%) received at least one comment on non-GAAP measures.
- **Continued Trend of Issuers Disclosing a Material Weakness in Internal Controls:** In 2013, 17% of issuers disclosed a material weakness. In each of 2014, 2015 and 2016, approximately one-third of issuers disclosed a material weakness. Our study indicated no material impact on pricing or aftermarket performance for these issuers.
- **Increase in Board Independence of Controlled Companies:** Although the average percentage of board independence has remained relatively stable, between 60% and 65% over the last four years, we have seen an increase in the average percentage of board independence for controlled company boards to 47% in 2016 from 37% in 2013.
- **Sponsor-Backed IPOs with a Secondary Component Remain Consistent; Management Secondary Sales Decrease:** While the percentage of sponsor-backed IPOs have remained stable, the percentage of non-sponsor backed IPOs with a secondary component has dropped dramatically from 21% in 2013 to 7% in 2016.
- **Insider Purchasing Continues to Increase:** There has been a significant increase in insider purchasing in IPOs from 21% in 2013 to 45% in 2016. The average percentage of shares purchased by insiders in these IPOs increased to 34% in 2016 from 21% in 2015.
- **Multiple Classes Trending Towards Better Pricing and Performance.** IPOs with multiple classes of common stock generally exhibited better pricing and aftermarket performance in 2016.

View the full Proskauer 2017 IPO Study.

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