EXCERPTS OF RECENT MEDIA COVERAGE

CAPITAL MARKETS PRACTICE

A SAMPLING OF SELECTED MEDIA COVERAGE OF THE 2014 BDO IPO OUTLOOK

WALL STREET JOURNAL

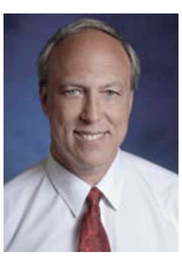
BANKERS SEE TECH, ENERGY, HEALTH CARE LEADING 2014 IPOs

January 7, 2014

A bull market for initial public offerings is likely to continue into 2014, as investment bankers expect deals from technology, health-care and energy firms to boost the number of U.S. offerings by 9%, according to a survey on Tuesday.

Last year was the busiest year for initial public offerings since the financial crisis with 230 IPOs, raising about $62 billion in capital, as WSJ's Matt Jarzemsky and Telis Demos report. Bankers predict that activity will increase this year with a few dozen IPOs already in the pipeline, according to the survey of 100 investment-banking executives by accounting firm **BDO USA**.

"Deal flow looks strong for at least the first three to six months of the year," said **Lee Graul, a partner in BDO's capital markets group**.



Three-quarters of investment bankers expect to see an increase in offerings from technology companies, and more than half expect increases in deals from energy, biotechnology and health-care companies, according to the survey.

The health-care sector dominated the IPO market last year with more than 50 deals completed...

Bankers expect some banner deals in 2014 from companies including Chinese e-commerce firm Alibaba Group Holding Ltd. and cloud storage firm Dropbox Inc., but most IPOs are expected to be smaller on average.

The bankers polled estimated IPOs in 2014 would average about $273 million in size in 2014, as many smaller firms come to market. By comparison, seven IPOs last year raised more than $1 billion, including offerings by social media company Twitter Inc. and hotel chain Hilton Worldwide, according to Renaissance Capital.

Investors are still gravitating to IPOs because of high returns and an attraction to stocks with rapid growth expectations, Mr. Graul said.

About one-quarter of bankers said the biggest threat to the IPO market in 2014, would be the Federal Reserve's winding down of its bond-buying program, which could slowly push up interest rates. But the central bank's slow approach isn't likely to have much of an effect on investors in the near-term, **Mr. Graul** said.

"The average return on IPOs last year was around 40% — interest rates would have to come a long way before they can hit that," **Mr. Graul** said.

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BDO CAPITAL MARKETS PRACTICE
BDO is a valued advisor to businesses making public securities offerings. The firm works with a wide variety of clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, on a myriad of accounting, tax and other financial issues.

The ***BDO IPO Outlook*** is a national telephone survey conducted by Market Measurement, Inc., an independent market research consulting firm, on behalf of BDO USA. Executive interviewers spoke directly to 100 capital markets executives within a scientifically developed, pure random sample of the nation's leading investment banks.

INTERNATIONAL FINANCING REVIEW

US EQUITY CAPITAL MARKETS BRIEFING

January 9, 2014

Believers in mean reversion may argue that 2014 will be a softer year for IPOs in terms of the number of deals and/or aftermarket returns, but the solid start to proceedings in January is giving little hint of that...

Although it may not be a complete surprise given the average banker's bullish tendencies, they remain pretty optimistic that 2014 volumes will be even better than 2013, the busiest year for IPOs since 2000.

According to a survey by accounting firm **BDO USA** conducted and released this week of 100 ECM bankers, the industry is expecting a 9% increase in the number of US IPOs in 2014. Notably, they also expect average deal size to rise to $273m, versus Renaissance Capital's calculation of median deal size of $126.3m in 2013 and another reason to think 2013 volumes could be topped.

In early 2013, the surveyed bankers were looking for only a 6% rise in the number of IPOs. That forecast proved hopelessly conservative as the deal numbers actually rose 73% to 222 (from 128 in 2012).

The bankers polled are also looking for a spritely 21% IPO aftermarket return this year, versus the 2013 average US IPO return of 40.8% and S&P 500 return of 29.5%.

The main driver to continued robust activity levels is accommodative interest rates, but that is also clearly the major perceived threat. Some 43% of bankers cite Federal Reserve tapering as the biggest threat, though some may argue a less accommodative policy stance will be no surprise and is, to some unquantifiable extent, already factored into markets...

ACCOUNTING TODAY

INVESTMENT BANKERS ANTICIPATE UPTICK IN IPOs IN 2014

January 7, 2014

Capital markets executives at leading investment banks are projecting continued growth in initial public offerings on U.S. exchanges in 2014, according to a new survey by accounting and consulting firm **BDO USA** that projects $66 billion in IPO proceeds on U.S. exchanges this year.

Sixty-three percent of the investment bankers surveyed by **BDO** predict an increase in U.S. IPOs in the coming year, while 27 percent forecast that activity will be flat compared with 2013. Only 9 percent of the survey respondents expect a decrease in offerings on domestic exchanges. Overall, bankers predict a 9 percent increase in the number of U.S. IPOs in 2014. They anticipate these offerings will average $273 million, which projects to $66 billion in total IPO proceeds on U.S. exchanges.

"In 2013, the U.S. IPO market experienced a renaissance with both total offerings and proceeds raised reaching the highest levels since 2000," said **Wendy Hambleton, a partner in the Capital Markets Practice of BDO USA**, in a statement. "Perhaps most impressive is that this performance was accomplished without the benefit of a Visa, GM, Facebook or other major offering to pump up proceed levels. Investor optimism has finally rebounded from the financial crisis and the investment banking community is predicting even more deals and higher proceeds in 2014."

IPO activity on U.S. exchanges increased dramatically in 2013, and capital markets executives identified multiple catalysts for the increase in offerings. When asked to identify the most prominent factor behind the increase in IPOs, bankers were evenly divided among three factors: continued low interest rates increasing investor demand for higher-yielding assets (27 percent), increased confidence in the U.S. economy (26 percent) and positive IPO performance encouraging more businesses to make offerings (24 percent).

Smaller proportions cite increased investor cash flow into stock focused mutual funds (12 percent) and the JOBS Act encouraging emerging businesses to pursue offerings (8 percent)...

When asked what offering attributes will be most valued by the investment community in 2014, 44 percent of the survey respondents cited innovative businesses with rapid growth potential. Long-term growth potential (22 percent), stable cash flow (12 percent), profitability (11 percent), strength of industry vertical (8 percent) were cited by smaller proportions of participants.

SOUTH FLORIDA BUSINESS JOURNAL

FORECAST: IPOs WILL JUMP IN 2014

January 8, 2014

Businesses in the United States are expected to raise $66 billion in initial public offerings in 2014, as the number of IPOs swells, according to a study by **BDO USA LLP**.

Nearly two-thirds of the capital markets executives at leading investment banks surveyed by the accounting firm predict an increase in U.S. IPOs in the coming year. Just over a quarter of them forecast activity as flat compared with 2013 and 9 percent expect a drop in the number of offerings.

Overall, the number of IPOs is projected to grow by 9 percent, averaging $273 million each, a statement said.

The bar was set high in 2013, when IPOs reached the highest levels since 2000, in both number of offerings and proceeds raised. A total of 222 companies went

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public and raised $55 billion, Renaissance Capital reported...

The companies mostly likely to go public in 2014 are in the technology industry, followed by energy, biotech and health care, the **BDO** report said.

COMPLIANCE WEEK

BANKERS EXPECT RISE IN CHINESE IPOs IN 2014

By Tammy Whitehouse
January 22, 2014

A new survey on initial public offerings says 58 percent of executives at investment banks believe the number of IPOs from China-based entities will rise in 2014, despite continued friction between U.S. and Chinese regulators over accounting and audit investigations.

BDO USA says 40 percent of those investment bank officials said they believe China-based IPOs will increase because there's a perception that Chinese officials have improved their commitment to meet U.S. accounting and governance expectations. Another 35 percent said they expect the increase because Chinese regulators have agreed to provide U.S. officials with more regulatory access to Chinese audit firms. Smaller numbers say U.S. investors' risk appetite is rising as markets rise, and share prices will be discounted to offset a perception of higher risk.

One-fourth of the investment banking officials said they expect no change in the number of China-based IPOs in 2014 over 2013, while only 16 percent said they expect a decline. They say investors have not forgotten the accounting scandals associated with Chinese businesses, and they expect Chinese businesses to continue to resist U.S. regulatory requirements. The Securities and Exchange Commission continues to pursue evidence related to a number of investigations, and the Public Company Accounting Oversight Board continues to be denied access to perform routine audit inspections.

"There has been movement on the part of regulators in China to acknowledge there was a problem and work toward improving the problem," says **Lee Graul, a partner in the capital markets practice at BDO**. Many of the accounting scandals that are now under investigation originated in smaller companies that entered the United States through reverse mergers, he says. "They just didn't have the same vetting that a real IPO does. The ones that were actually sanctioned to come to the United States by the government, I think, have been quality companies."...

TECH BISNOW

MORE IPOs COMING IN '14

January 31, 2014

2013 was a great year for IPOs and this year may be even better, with tech companies likely taking the spotlight.

BDO USA assurance managing partner Mark Ellenbogen says the number of IPOs will likely increase about 9% based on a healthy public market, hungry investors, and companies that are just ready. There were 222 IPOs nationwide last year, making it one of the best years since 2000 when there were 406. (Sure, if you survived Y2K you'd splurge as well.) Overall returns were at 38%, which is better than 2000 at 30% and much better than 2008 when returns were -28%. **BDO** is now tracking at least 242 IPOs for 2014.

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Cvent, with founder Reggie Aggarwal at the helm, was the DC region's big tech IPO last year. Mark says private equity and venture capital firms are seeing an opportunity to get returns on investments that have weathered the downturn. Plus there are more investors wanting to get in on offerings since the public markets are performing better. He also says companies are taking advantage of the new rule in the JOBS Act that allows companies to file their registration statement confidentially until they're ready to go out into the market....

WALL STREET JOURNAL THE MORNING LEDGER

BANKERS EXPECT ANOTHER BIG YEAR FOR IPOs.

January 7, 2014

A bull market for initial public offerings is likely to continue into 2014, as investment bankers expect deals from technology, health-care and energy firms to boost the number of U.S. offerings by 9%, Emily Chasan reports. Last year was the busiest year for initial public offerings since the financial crisis, and bankers predict that activity will increase this year with a few dozen IPOs already in the pipeline, according to a survey from **BDO USA**. "Deal flow looks strong for at least the first three to six months of the year," said **Lee Graul, a partner in BDO's capital markets group**. Three-quarters of investment bankers expect to see an increase in offerings from technology companies, and more than half expect increases in deals from energy, biotechnology and health-care companies.

INTERNATIONAL FINANCING REVIEW

US BANKERS PREPARE FOR CHINESE IPO INFLUX

January 21, 2014

The latest smoke signals suggest that Alibaba may not ultimately be among them, but most US capital markets bankers still expect more Chinese companies to seek to list in the US this year.

In another sign of a thawing in the often frosty view of US investors towards Chinese IPOs, a new study by **BDO USA** found 58% of the capital markets community expects the number of US IPOs by Chinese-based businesses to increase in 2014.

Factors driving the increase included perceptions of an improved commitment by Chinese companies to meeting US accounting and governance expectations (40% cited this as the most prominent factor) and Chinese regulators agreeing to provide the US with access to more documents from Chinese audit firms (35%). There is also an increased appetite with US stocks at all-time highs (16%) and Chinese companies' willingness to discount their price to offset the potential risk associated with a Chinese IPO (9%).

Of those that do not see an increase in the number of Chinese IPOs, 42% said investors had not forgotten accounting scandals of a few years ago and 30% said Chinese companies would continue to skirt US regulations.

But nearly all bankers agree, Chinese-based offerings face greater due diligence than in the past, mostly around internal controls over financial reporting, corporate governance and business risks.

Yet arguably the most compelling argument for more Chinese deals is the good performance of the spate of deals that emerged in late 2013, though most of them were also taking advantage of robust valuations for consumer internet companies regardless of their home country.

Chinese IPOs in the US in the final months of 2013 included Autohome, 58.com, Qunar, Sungy Mobile and 500.com. All but one are up more than 100% from their IPO price, and the worst performer, Qunar, is still up 90%...

NJBIZ

TECHNOLOGY COMPANIES AT FOREFRONT OF IPO PICKS

By Tom Zanki
January 20, 2014

After several dry years, life science and technology companies reaped the benefits of a growing appetite for initial public offerings in 2013.

More companies went public last year, including several in New Jersey, backed by a broader rally in equities markets. Now the top questions heading into 2014: Will the bullish trend continue? Or is a pullback in order?

Early projections are optimistic.

"We're seeing a big uptick," said EisnerAmper Partner John Pennett, who heads the accounting firm's life science and technology practice in Edison. "Biotech has had a tremendous run, and now you're seeing tech come into play. Twitter leads; everyone else follows."

A survey by **BDO USA LLP**, a Chicago-based accounting and consulting organization with offices in Woodbridge, projects a similar sentiment.

About 63 percent of respondents expect an increase in IPOs this year, while 9 percent expect fewer offerings. The rest expect IPOs to remain relatively flat.

The survey, which polled 100 capital market executives, listed technology as the most likely source of new IPOS, with about 73 percent expecting an increase in that sector. Energy ranked second, at 59 percent, followed by biotech, at 58 percent, and health care, at 54 percent.

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Observers say the outlook toward technology and life science companies reflects favorable macro trends combined with micro factors specific to those industries.

Mark Giamo, managing partner at BDO's Woodbridge office, said pent-up demand came to the surface in 2013 for life science and technology companies, many of whom relied on private equity and venture capital money in prior years before public equity markets heated up.

Now that investing waters are warmer, **Giamo** said momentum is expected to continue. He cited the Federal Reserve's years-long policy of keeping interest rates near 0 percent in order to encourage risk. The policy, broadly called quantitative easing, shows little sign of tightening.

"There's investor demand for high-yielding assets, and there is no place else to get returns," **Giamo** said. "The bond market is still soft. Where do investors turn? They seek returns from equity markets."

Giamo said IPO investors tend to gravitate toward life science and technology companies because breakthroughs in those sectors can lead to outsized returns.

"IPO markets look for rapid growth potential, and those sectors lend themselves to rapid growth," **Giamo** said.

The flip side is, investing in such early-stage companies carries more risk.

But that potential for risk isn't necessarily a deterrent. New Jersey saw several IPOs in 2013: Cancer Genetics Inc., PTC Therapeutics and Omthera Pharmaceuticals all went public last spring. Omthera Pharmaceuticals, a maker of treatments for abnormal levels of fats in the bloodstream, was later acquired by AstraZeneca for $323 million.

Observers say to expect more deals in 2014....

▶B2C

AMERICAN IPOs TO REACH $66 BILLION IN 2014

Survey of investment executives predicts 9 percent growth in new US listings

The majority of US executives in the investment business expect IPOs in the country to increase in both volume and individual value, according to a new study.

Carried out by accounting and consulting firm **BDO**, the study finds 63 percent of executives at several US investment banks predict an increase in IPO activity, with 27 percent forecasting the same activity levels seen in 2013. Just 9 percent of those surveyed expect a decrease in new offerings on domestic exchanges.

On average, bankers predict a 9 percent increase in the number of US IPOs in the coming year. With each new listing having an anticipated average value of $237 mn, total IPO proceeds on US exchanges could hit $66 bn by the end of 2014, if these predictions are accurate.

Wendy Hambleton, a partner at BDO, says the survey's findings reflect the 'renaissance' in IPO activity seen in 2013, a year that saw the highest volume and value of IPOs in the US since 2000.

'Perhaps most impressive is that this performance was accomplished without the benefit of a Visa, GM, Facebook or other major offering to pump up proceeds,' **Hambleton** adds. 'Investor optimism has finally rebounded from the financial crisis, and the investment banking community is predicting even more deals and higher proceeds in 2014.'

Executives were also asked to identify the most important factor that might drive an increase in IPO activity. Three factors are consistently chosen by around 25 percent of respondents: continued low interest rates, increased confidence in the US economy and previous positive IPO performance encouraging more businesses to list. Others cite increased cash flow into stock-focused mutual funds (12 percent) and the beneficial effect of the JOBS Act (8 percent).

On the other hand, 43 percent of bankers say the Federal Reserve's decision to scale back monetary stimulus to the IPO market is the greatest threat to any expected success. Almost a quarter (24 percent) say the persistent effects of political and financial instability around the world still threaten any new listings, along with tax increases (13 percent) and high unemployment (8 percent)....

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ACCOUNTING TODAY

U.S. IPOs OF CHINESE COMPANIES EXPECTED TO INCREASE

By Michael Cohn
January 21, 2014

Despite a wave of accounting scandals at Chinese companies, a 58 percent majority of capital markets executives at investment banks believe the number of U.S. IPOs from China-based businesses will increase in 2014, according to a new survey by the accounting and consulting firm **BDO USA LLP**.

When those expecting an increase were asked to identify the most prominent factor for an increase in China-based offerings on U.S. exchanges, 40 percent cited the perception of an improved commitment by the Chinese to meet U.S. accounting and governance expectations, while 35 percent cited Chinese regulators agreeing to provide the U.S. with more access to documents at Chinese audit firms.

Sixteen percent cited an increased investor appetite for risk as U.S. markets approach all-time highs, while 9 percent cited the willingness of Chinese businesses to discount share pricing to offset the perception of higher risk associated with a Chinese IPO.

"In 2013, after a two-year hiatus, several Chinese-based businesses conducted successful IPOs on U.S. exchanges," said **Lee Graul, a partner in the Capital Markets Practice of BDO USA**, in a statement. "A majority of capital markets executives are forecasting more of these offerings in 2014 due to the perception that Chinese regulators and potential offering companies are more willing to meet U.S. governance standards and accounting regulations. While we hope this perception is accurate, we would caution investors to tread carefully due to the previous accounting scandals at U.S. listed Chinese businesses that led to the recent hiatus in Chinese offerings."

Not all bankers are sold on more U.S. listings from China. Twenty-five percent of the bankers polled said they believe the number of U.S. IPOs from China-based businesses will stay about the same as 2013, while 16 percent expect the number to decrease.

When asked the main reason why they predict no increase in China-based offerings on U.S. exchanges, the bankers who forecast flat or fewer offerings cited three main factors. Forty-two percent said investors have not forgotten the accounting scandals at Chinese businesses of just a few years ago, while 30 percent said Chinese businesses will continue to avoid U.S. regulations. More than one-quarter (28 percent) believe the U.S. appetite for Chinese offerings will be limited to select Internet/technology IPOs.

Given the previous accounting scandals at U.S. listed Chinese businesses, 92 percent of the investment bankers polled say they subject China-based offerings to a higher level of due diligence when vetting potential offerings. When asked where they focus their increased due diligence of these offerings, 45 percent identified internal controls over financial reporting. Corporate governance structure (25 percent), business risks and how they are addressed (19 percent) and product/sales trends (11 percent) were the other areas cited by the bankers.

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