After a very difficult year in 2016, the U.S. market for initial public offerings (IPOs) bounced back significantly in the first quarter of 2017 – with offerings (+ 212%), proceeds (+ 1,380%) and filings (+ 58%) up dramatically over Q1 2016, when stock market uncertainty brought offering activity to a virtual halt. The $9.9 billion in proceeds raised was the most in a first quarter since 2014 ($10.6 billion), when both proceeds and offerings reached their highest levels since the dot-com boom of 2000.

On a quarter-to-quarter basis, proceeds (+ 52%) and filings (+ 36%) were up considerably from Q4 2016, although the number of offerings were down (- 17%).

Much of the positive performance in Q1 can be attributed to a more welcoming economic climate, as both the Dow Jones and NASDAQ stock indexes reached record highs during the quarter and the Trump administration’s pro-business agenda – promising tax cuts, deregulation and infrastructure spending – proved encouraging for companies looking to sell shares to the public for the first time.

* Renaissance Capital is the source for all historical data related to the number, size and returns of U.S. IPOs.
“The U.S. IPO market is off to a good start in 2017, but just 'how good' is open to interpretation," said Ted Vaughan, Partner in the Capital Markets Practice of BDO USA. “Certainly, the dramatic year-over-year jump in offerings, proceeds and filings is more attributable to the depths the market reached in the initial months of 2016, than it is to the current pace of offering activity. At the same time, the market has kept the momentum of the recovery in offerings that began last year and the increase in offering size – which was predicted in the 2017 BDO IPO Outlook – has proceeds on pace to approach $40 billion, which would be the highest level since 2014.”

2017 Q1 U.S. IPO TREND TRACKER

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>+/-</th>
<th>10 yr. high</th>
<th>10 yr. low</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPOS</td>
<td>8</td>
<td>25</td>
<td>+ 212%</td>
<td>64 (2014)</td>
<td>1 (2009)</td>
</tr>
<tr>
<td>PROCEEDS</td>
<td>$0.7B</td>
<td>$9.9B</td>
<td>+ 1,380%</td>
<td>$19.18* (2008)</td>
<td>$0.7B (2009, 2016)</td>
</tr>
<tr>
<td>FILINGS</td>
<td>24</td>
<td>38</td>
<td>+ 58%</td>
<td>106 (2014)</td>
<td>4 (2009)</td>
</tr>
</tbody>
</table>

*Heavily impacted by March 2008 $17.9 billion VISA IPO
Source: Renaissance Capital, Greenwich, CT (www.renaissancecapital.com)

SNAP

A major contributor to the jump in proceeds in Q1 was the March 1 offering of Snap, Inc., the parent company of social media darling, Snapchat. The Snap IPO raised $3.4 billion, accounting for more than one-third of total proceeds raised in the quarter.

But the significance of the Snap IPO goes beyond its impact on Q1 proceeds. Snap was the largest technology offering since Alibaba went public in 2014 and it was also one of the more visible "unicorn" companies – privately-held businesses valued at more than $1 billion. Snap’s IPO performance was widely expected to determine whether more unicorns would be leaving their private stables for the promise of the public markets in 2017.

On its first day of trading, Snap rose 44% over its $17 offering price and climbed as high as $29.44 (+73%) on day two, but shares have dropped significantly since and were trading below the company’s first day closing price of $24.48 at the close of the quarter.

"It is much too early to tell if Snap will become a public company success like Facebook or if it goes the way of Groupon, but the company's uneven stock performance in its initial weeks of trading surely isn't the 'all systems go' indicator that Airbnb, Uber, Spotify and other prospective big name tech IPOs were looking for," said Lee Duran, Partner in the Private Equity Practice at BDO USA. “These businesses will have to continue to evaluate the potential benefits and risks of going public, as Snap has done, against the certainty of a sale, as AppDynamics chose in accepting Cisco’s offer earlier this year."
“The diversity of industries represented among Q1 IPOs was a clear departure from the recent trend of healthcare businesses leading all sectors. A year ago, healthcare accounted for all 8 first quarter offerings,” said Paula Hamric, Partner in the National SEC Department of BDO USA. “A pick-up in U.S. drilling activity may account for the increase in IPOs among energy companies, but future energy offerings will most likely be closely tied to the price of oil. Although the Snap IPO generated a great deal of attention, it is the strong performance of all four Q1 tech offerings (+21% average return) that could signal more deals from the technology sector during the remainder of the year.”

INDUSTRIES
In addition to the tremendous increase in proceeds during Q1 of 2017, perhaps the most significant development of the quarter was the wide breadth of industries represented among the offerings. The U.S. IPO market saw multiple offerings from the following sectors:

- **Energy (5)**
- **Industrial (3)**
- **Healthcare (4)**
- **Real Estate (2)**
- **Technology (4)**
- **Financial (2)**
- **Consumer (4)**

FORECAST
The election of Donald Trump clearly had a positive impact on the U.S. stock market during Q1 and the President’s promises – and those of the Republican-controlled Congress - to cut taxes and rollback regulations were positive signs for businesses that may have previously avoided going public due to regulatory fears.

Yet, some economists believe the “Trump Bump” may be over.

They question whether stocks are currently over-valued and market indexes did drift downward for most of March, although they remain above pre-election levels. Moreover, the recent collapse of the Republican healthcare bill in the House has begun to raise doubts about the ability of the President and the GOP to deliver on their aggressive pro-business agenda.

These concerns introduce a certain level of uncertainty for the U.S. IPO market moving forward, but the forecast for the remainder of the year remains promising.

After a difficult 2016 – that led to numerous deal postponements - there is significant pent-up desire among investors in private equity and venture capital to cash out of their holdings, many of which they have owned for more than the typical 10 years. Private equity backed businesses accounted for almost half of all IPOs in the first quarter and there are more to come.

“With stock indexes near all-time highs, low volatility and the average Q1 IPO delivering better than 10 percent in returns, the Q2 forecast looks promising,” said Christopher Tower, Partner in the Capital Markets Practice of BDO USA. “Avoiding unexpected surprises will be a key for the recovering market as economic confidence can change swiftly in the very connected world we live in. Surprising political outcomes, such as Brexit, and deadly terrorist attacks in various countries during the past year have demonstrated how international news can swiftly impact U.S. markets and introduce a level of volatility that is not conducive for businesses considering a public offering.”
IPOS ON THE HORIZON

The following are potential U.S. IPOs of note for Q2.

<table>
<thead>
<tr>
<th>Offering Company</th>
<th>Industry</th>
<th>Potential Offering Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gardner Denver Holdings</td>
<td>Industrial Equipment</td>
<td>$800 million</td>
</tr>
<tr>
<td>Azul</td>
<td>Brazilian Airline</td>
<td>$475 million</td>
</tr>
<tr>
<td>WideOpenWest</td>
<td>Telecom/Cable</td>
<td>$750 million</td>
</tr>
<tr>
<td>Antero Midstream</td>
<td>Energy</td>
<td>$500 million</td>
</tr>
<tr>
<td>Cadence Bancorporation</td>
<td>Financial</td>
<td>$300 million</td>
</tr>
<tr>
<td>Netshoes</td>
<td>Brazilian E-Commerce</td>
<td>$100 million</td>
</tr>
<tr>
<td>Schneider National</td>
<td>Trucking/Logistics</td>
<td>$550 million</td>
</tr>
</tbody>
</table>

MARK YOUR CALENDARS...

Q2 CAPITAL MARKETS EVENT SCHEDULE

The following is a list of upcoming conferences and seminars of interest for capital markets and underwriting executives:

**APRIL**

April 24 - 26

*ACG Intergrowth 2017*

Aria Resort & Casino

Las Vegas, Nevada

**MAY**

May 10 - 11

*NVCA Annual Meeting*

Newseum

555 Pennsylvania Avenue, NW

Washington, DC

May 15 - 18

*IFC Global Private Equity Conference*

Ritz-Carlton

Washington, DC

**JUNE**

June 12 - 15

*Super Return US East*

Renaissance Boston

Waterfront Hotel

Boston, Massachusetts

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