

2015 BDO IPO HALFTIME REPORT

| | | | | | | | | | | |
|---------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TKY | 95.37 | -181 | 2492/T | 2514/T | 2528/T | 2534/T | 2541/T | 2553/T | 2567/T | 2572/T |
| 240 TP | 7865.20 | -51.50 | TKY | TKY | TKY | TKY | TKY | TKY | TKY | TKY |
| | 142.30 | 136.89 | 2312 | 1651 | 1067 | 1929 | 27112 | 1721 | 1030 | 2469 |
| | \$ 1991 | -9.67 | -09 | -13 | -32 | -98 | +65 | -34 | -87 | +76 |
| NY | 37280 | +1.89 | 4519/T | 4542/T | 4598/T | 4602/T | 4630/T | 4698/T | 4708/T | 4751/T |
| 95.7 TP | 897.56 | 892.16 | NY | NY | NY | NY | NY | NY | NY | NY |
| | 351.79 | 326.51 | 1891 | 2019 | 1678 | 1254 | 1008 | 5761 | 1253 | 1875 |
| | \$ 2312 | -20.14 | -25 | -42 | +16 | -54 | -12 | -34 | +46 | +21 |
| UK | 31.25-29 | 29.45 | 1834/T | 1865/T | 1887/T | 1899/T | 1928/T | 1945/T | 1972/T | 1991/T |
| 225 TP | 981.43 | 902.98 | UK | UK | UK | UK | UK | UK | UK | UK |
| | 103 | -21.03 | 10872 | 10605 | 1762 | 2711 | 1923 | 1535 | 3421 | 2423 |
| | 5318 | +88.40 | +07 | -24 | -87 | +24 | -3 | -3 | -64 | -64 |
| CN | 902 | 865 | 2556/T | 2589/T | 2604/T | 2614/T | 2698/T | 2737/T | 2787/T | 2837/T |
| 12.8 | 90821 | 1903 | CN | CN | CN | CN | CN | CN | CN | CN |
| | 9472 | 94 | 48 | 186 | 19 | 3421 | -43 | -43 | -43 | -43 |
| | 9639 | 185 | -43 | -43 | -43 | -43 | -43 | -43 | -43 | -43 |
| RTS | 534 | -12 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| 850 | 716 | -4 | RTS | RTS | RTS | RTS | RTS | RTS | RTS | RTS |

BDO CAPITAL MARKETS PRACTICE

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U.S. IPOs TO MAINTAIN PACE OVER REMAINDER OF YEAR

Availability of Private Funding Leading to Less Offerings

Initial public offerings (IPOs) on U.S. exchanges finished the first half of the year with a flurry of activity. In fact, the 33 offerings that priced in June represent the highest number of deals since July of last year. Yet, despite this strong finish, the number of U.S. IPOs and proceeds raised through six months are down significantly when compared to 2014.*

According to the **2015 BDO IPO Halftime Report**, a survey of capital markets executives at leading investment banks, IPO activity on U.S. exchanges during the second half of the year should mirror the first six months of 2015. A majority (54%) of bankers predict IPO activity will remain at the same level as

the first half of the year. Just over a quarter (26%) anticipate the pace of U.S. IPO activity will increase in the second half of 2015, while one-fifth (20%) forecast a decrease in offering activity. Overall, capital market executives are predicting virtually no net change (under 1%) in the number of U.S. IPOs during the second half of the year.

Bankers anticipate these offerings will average just \$174 million in size for the remainder of 2015, approximately the same as the first half of the year. This projects to less than \$36 billion in total IPO proceeds on U.S. exchanges in 2015, the lowest level of proceeds since 2009 when the market was still reeling from the financial crisis.

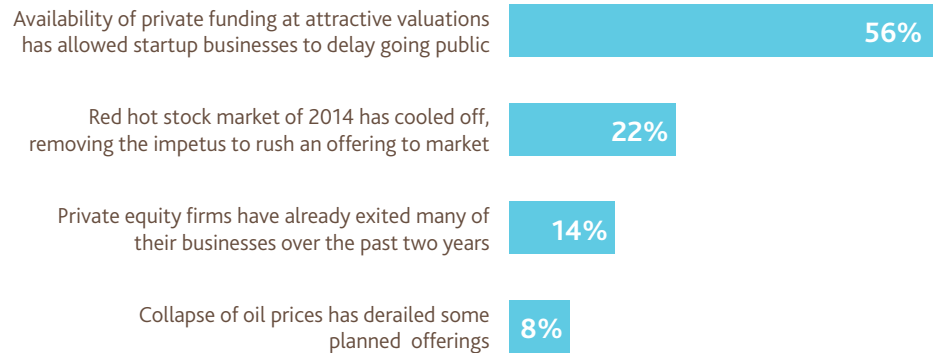
"It was almost inevitable that the 2015 U.S. IPO market was going to experience a slowing of growth given the impressive increases achieved in 2013 and 2014, however the drop-off in offerings this year has been significant. While there are always multiple contributing factors for such a dramatic change, the capital markets community clearly believes the wide availability of private financing at favorable valuations is playing the leading role," said **Brian Eccleston, a partner in the Capital Markets Practice at BDO USA**. "If this access to private funding continues, bankers believe it will lead to fewer IPOs moving forward. Certainly, this is a trend that bears watching."

PRIVATE FINANCINGS POSTPONE IPOs

When compared to 2014, when 275 IPOs generated more than \$85 billion in proceeds*, the number and size of U.S. IPOs have dropped considerably this year. A majority (56%) of capital markets executives believe the widespread availability of private funding at attractive valuations is the main factor in the dramatic drop in the number of initial public offerings (IPOs) on U.S. exchanges in 2015 when compared to 2014. A cooling stock market (22%), fewer offerings from private equity firms (14%) and the collapse of oil prices (8%) are cited as the main factor by much smaller proportions of the bankers.

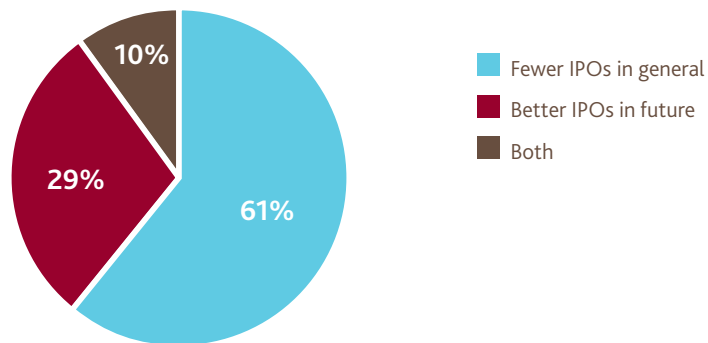
When asked about the impact of companies putting off their IPOs due to the availability of late-stage financing in the private sector, a majority (61%) of the bankers feel it will lead to fewer offerings going forward, while more than a quarter (29%) predict it will result in better IPOs in the future. Two-thirds (66%) of the capital markets executives believe the recent trend of mutual fund companies investing in popular, private technology businesses is a further disincentive to companies considering an IPO.

The number of IPOs on U.S. exchanges has decreased dramatically in 2015. What one factor do you feel has had the greatest impact on this decrease?



Source: 2015 BDO IPO HALFTIME REPORT

More businesses, especially technology companies, are putting off their public offerings due to the widespread availability of late-stage financing in the private sector. Will this lead to better future IPOs or just fewer IPOs in general?



Source: 2015 BDO IPO HALFTIME REPORT

SMALLER OFFERINGS

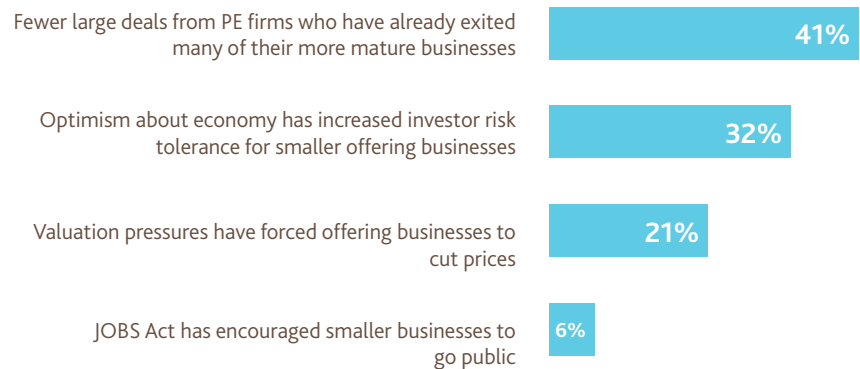
In addition to the drop in the number of IPOs, the size of the average offering – even absent last year's massive Alibaba offering – has decreased significantly in 2015. A large proportion of the capital markets community (41%) attribute the smaller average deal size to fewer large deals coming from private equity firms who have already exited many of their more mature businesses. Other factors cited by the bankers for the smaller sized offerings are increased investor risk tolerance for smaller offering businesses (32%) and valuation pressures forcing offering businesses to cut prices (21%). Only 6 percent attribute the decreased size to the JOBS Act encouraging smaller businesses to go public.

Moving forward, capital markets executives anticipate that the size of the average IPO in the second half of the year will be \$174 million, approximately the same as the first half.

IPO THREATS

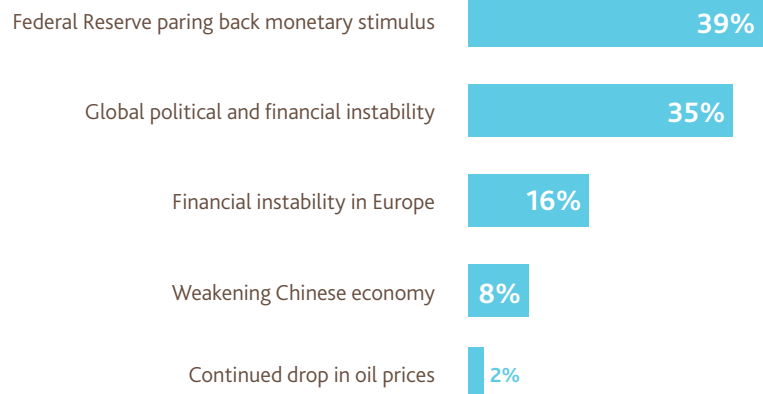
In reflecting upon the greatest threat to a healthy U.S. IPO market during the remainder of 2015, almost 4 in 10 (39%) of the I-bankers cite the Federal Reserve paring back monetary stimulus, while more than one-third (35%) identify global political and financial instability. Other threats cited were financial instability in Europe (16%), the weakening Chinese economy (8%) and a continued drop in oil prices (2%).

The size of the average IPO in the U.S. has decreased significantly in 2015. What do you feel has had the greatest impact on the smaller deal size?



Source: 2015 BDO IPO HALFTIME REPORT

What do you consider to be the greatest threat to a healthy U.S. IPO market during the remainder of 2015?



Source: 2015 BDO IPO HALFTIME REPORT

"In any individual year, IPO proceeds can be greatly inflated by one or two major offerings. However, even if you removed the massive Alibaba offering from last year's figures, the size of the average U.S. IPO has still decreased significantly in 2015," said Lee Duran, a partner and Private Equity Practice Leader at BDO USA. "Private equity and venture capital firms were the source of many mature, larger offerings over the past two years and it will take time for them to replenish their portfolios. In addition to depleted portfolios, with M&A activity at an all-time high, PE firms currently have a very attractive alternative to the traditional IPO exit strategy."

"The healthcare and biotech sectors have been driving U.S. IPO activity for three years now and there are no indications this will change in the near future. Although better than two-thirds of the bankers project more technology offerings in the remainder of the year, this isn't a bold prediction given the low number of tech IPOs during the initial six months of the year," said Ted Vaughan, a partner in the Capital Markets Practice of BDO USA. "No industry has been impacted more by the availability of private financing than technology. As long as these sources of private funding remain available and at favorable valuations, IPOs from the tech sector will trail their historical numbers."

INDUSTRY FORECAST

For the third consecutive year, the healthcare sector is leading all industries in the number of U.S. IPOs. Moving forward, investment bankers predict more healthcare offerings (63%) during the second half of the year and an even greater proportion forecast an increase in IPOs from the technology (67%) and biotech (66%) sectors. No other vertical has a majority of the bankers anticipating an increase in deals during the remainder of the year.

SOURCE OF IPOs

When asked to identify the primary source of IPOs in the second half of the year, just under one-third (32%) of capital market executives cite private equity firms, while more than a quarter (27%) identify venture capital portfolios. Spinoffs and divestitures (22%) and owner-managed, privately held businesses (19%) are the other sources identified by the bankers.

GLOBAL IPO MARKET SHARE

Through the first six months of 2015, U.S. exchanges narrowly trailed China in proceeds raised from initial public offerings. Only one-third (33%) of investment bankers anticipate U.S. exchanges increasing their current share of the global IPO market during the second half of the year. A majority (53%) predict the U.S. will maintain its current share of global proceeds during the remainder of the year, while 13 percent believe the U.S. share will decline in the second half of 2015.

Proportions of Capital Markets Executives expecting IPO activity to increase, remain stable or decrease in specific industries during remainder of 2015.

| Industry | Increase | Flat | Decrease |
|--------------------------|----------|------|----------|
| Technology | 67% | 27% | 6% |
| Biotech | 66% | 25% | 9% |
| Healthcare | 63% | 24% | 13% |
| Real Estate | 46% | 34% | 20% |
| Media/Telecom | 40% | 36% | 24% |
| Industrial/Manufacturing | 33% | 44% | 23% |
| Energy/Natural Resources | 33% | 21% | 46% |
| Financial | 30% | 47% | 23% |
| Consumer/Retail | 23% | 42% | 35% |

Source: 2015 BDO IPO HALFTIME REPORT



JOBS ACT

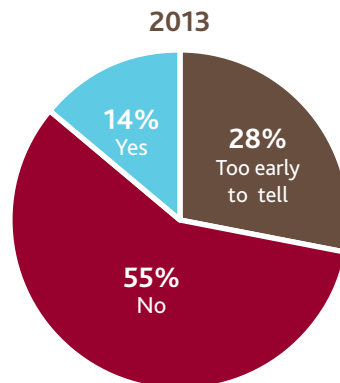
Capital markets executives are narrowly divided on how the three-year old JOBS Act has impacted the U.S. market for initial public offerings (IPOs). Although only a slight majority (51%) of the bankers believe the Act has had a positive impact on the number of businesses going public, this represents a major attitude change from two years ago when only 14% of the bankers thought the new Act was having a positive impact on offerings.

When asked if the JOBS Act was the most prominent reason for the large increase in U.S. IPOs in 2013 and 2014, just under one-quarter (24%) of the capital markets community agreed. Given the numerous factors that contributed to the strong IPO growth in recent years – including a red hot stock market – this is a sizable percentage to identify the JOBS Act as the primary factor.

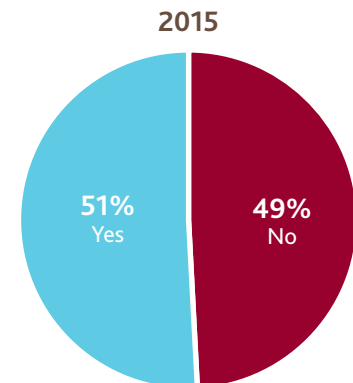
A majority (54%) of capital markets executives believe the lack of transparency brought about by the JOBS Act's confidential filing process has had a negative impact on their ability to advise clients on their offerings due to a lack of information on potential competitors for investor dollars. In fact, more than two-thirds (69%) of bankers are in favor of the SEC providing confidential filing data on an aggregate and anonymous basis in order to provide increased visibility of the IPO pipeline.

The JOBS Act allows emerging businesses to provide less information and fewer financial disclosures in their IPO documents and subsequent filings. At the time of its enactment, some critics predicted the reduced disclosures would have a negative impact on the pricings of these IPOs, but three years later most bankers (59%) do not believe that it has.

Do you believe the JOBS Act has had a positive impact on increasing the number of businesses going public?

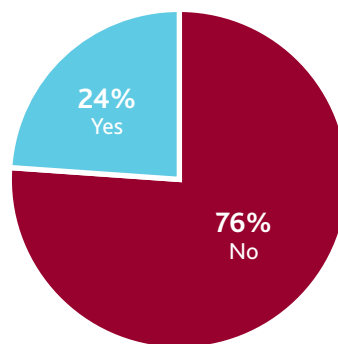


Source: 2013 BDO IPO HALFTIME REPORT



Source: 2015 BDO IPO HALFTIME REPORT

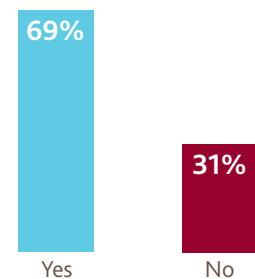
Do you believe the JOBS Act was the most prominent reason for the large increase in the number of U.S. IPOs in 2013 and 2014



Source: 2015 BDO IPO HALFTIME REPORT

Another criticism of the JOBS Act, when it was introduced, was that the rollback of regulatory requirements for newly public businesses could open the door to market manipulation and fraud. Today, less than half (48%) of

Given the popularity of the JOBS Act's confidential filing process, are you in favor of the SEC providing confidential filing data on an aggregate and anonymous basis in order to provide increased visibility of the IPO pipeline?



Source: 2015 BDO IPO HALFTIME REPORT

capital markets executives believe the rollback of regulatory requirements has increased the chances of scandals at these businesses, and only 9 percent describe the increased risk as substantial.

“When it was first enacted there was much anticipation that the JOBS Act would stimulate the U.S. IPO market by easing the regulatory hurdles for smaller, emerging growth companies. When the new law did not produce an immediate increase – and bankers were unable to see the growing IPO pipeline due to the Act's confidential filing provision – capital markets executives were truly underwhelmed by the Act's impact in 2013,” said **Chris Smith, a partner in the Capital Markets Practice at BDO USA**. **“Two years later, a much larger percentage of the capital markets community is acknowledging the positive impact of the JOBS Act on offering activity, with almost one-quarter citing it as the primary factor in the strong growth in IPO activity in 2013 and 2014.”**



ABOUT THE SURVEY

The *BDO IPO Halftime Report* 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, using a telephone survey conducted within a scientifically-developed, pure random sample of the nation's leading investment banks.

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