Argus Custom Research for

TRIAD SECURITIES CORP.

SPECIAL REPORT

July 16, 2015

2Q SYNDICATE SUMMARY & OUTLOOK

HIGHLIGHTS OF 2Q

- Consumer stocks topped the IPO performance leaderboard in 2Q15.
- Top-performing companies from the sector included Etsy Inc. (ETSY), which opened up 94% from its indicated price; Shopify Inc. (SHOP), which opened up 65%; and Fitbit (FIT), which opened up 52%.
- Morgan Stanley was lead book-runner for two of the three (SHOP and FIT) and was a top performer among leading IPO bookrunners (Table 1).
- The leading secondary bookrunners in terms of opening performance were Leerink Partners and Cowen & Co. (Table 2).

SECONDARY ISSUANCE IN 2Q15

- During the second quarter of 2015, 196 public companies issued secondary public offerings on domestic exchanges, down 14% from the 229 SPOs launched in 1Q15 (Table 3).
- The total amount of funds raised declined 19%, to $53.4 billion in 2Q15 from $66 billion in 1Q15.
- On a per-deal basis, the 2Q15 secondaries each raised an average $273 million, while the 1Q15 secondaries each raised an average $287 million.

SECONDARY PERFORMANCE

- The secondaries with the strongest performance in 2Q, based on opening price vs. issue price, were:

  Fate Therapeutics (FATE, 23.8%, Leerink Partners)

  American Superconductor Corp. (AMSC, 19%, Cowen & Co.)

  Auris Medical Holding AG (EARS, 15.8%, Leerink Partners)

  Trillium Therapeutics (TRIL, 13.1%, Leerink Partners)

  Biodel Inc. (BIOD, 12%, William Blair).
- Among companies issuing secondaries in 2Q15, about 45% had positive first-day performance; about 2% were unchanged; and about 53% were down on the first day.

LEADING 2Q15 IPO BOOKRUNNERS

	# Leading or Sole Bookrunner	Avg. Change from Indicated Price to Open
Goldman Sachs	9	16.5%
Morgan Stanley	9	28.4%
UBS Securities	8	-5.1%
JP Morgan	7	17.6%
Citigroup	7	0.4%
Bank of America Merrill Lynch	6	23.7%
Barclays	6	8.6%
Jefferies	5	14.0%
Aegis Capital	3	-0.7%
Credit Suisse	2	-2.2%

LEADING 2Q15 SECONDARY BOOKRUNNERS

	# Leading or Sole Bookrunner	Avg. Change from Indicated Price to Open
Credit Suisse	17	1.8%
Bank of America Merrill Lynch	17	0.8%
JP Morgan	16	0.9%
Citigroup	16	0.4%
Goldman Sachs	15	1.1%
Morgan Stanley	15	1.1%
Cowen & Co.	15	5.5%
Jefferies	13	2.0%
Barclays	9	2.0%
Leerink Partners	6	11.0%

- Secondaries with strong cumulative performance in the quarter were:

  Affimed NV (122%, 5/7/15, Jefferies)

  Adeptus Health Inc. (50%, 5/6/15, Goldman Sachs)

  Innocoll AG (50%, 4/24/15, Piper Jaffrey)

  Raptor Pharmaceutical (49%, 4/2/2015, Citigroup Global Markets)

  Agenus Inc. (44%, 5/21/15, Jefferies & Co.)

- The average first-day return for secondaries in 2Q15 was -0.1%, versus a 0.5% increase in the Russell 3000. The average cumulative return for secondaries in 1H15 was -0.3%, compared to a 1.2% increase in the Russell 3000.

SECONDARY SECTORS

- The most-active sectors for secondaries in 2Q15 were Healthcare, Financials, Energy and Consumer Discretionary (Table 4).
- Sectors that showed momentum through an increased number of issuances in 2Q included Consumer Discretionary, Consumer Staples and Industrials.
- Sectors that cooled off a bit included Energy and Technology.

CONCLUSION & OUTLOOK

- Publicly traded companies seeking funds for working capital and general corporate purposes — as well as for ongoing exit strategies for owners — continued to access the secondary market in 2Q15, though not as extensively as they did in 1Q.
- Although the number of deals slipped slightly in 2Q, the quality increased as more funds were raised on a per-deal basis. Leading fund-raisers in the quarter included Hilton Worldwide Holdings (HLT, Deutsche Bank), Telefonica Brasil (VIV, Itau BBA) and Frontier Communications (FTR, JPMorgan).
- Given recent trends in the dollar, interest rates and global economic conditions, we would expect the issuance of secondaries to pick up somewhat later in the year (after the summer vacation season) with the Consumer and Biotech sectors continuing to lead the way. A stable dollar could also lead to a recovery in Energy and Industrial deals.

SECONDARY VOLUME TRENDS

	# of SPOs	Avg. Deal Value ($M)
June	65	336
May	69	219
April	62	267
2Q Total	196	53,472
March	102	323
February	66	325
January	61	186
1Q Total	229	65,691
1H Total	425	15,075,892

2Q15 SECONDARIES BY SECTOR

	# Per Sector	% of Total	Average Change from Indicate Price to Open
Consumer Discretionary	21	11%	2.2%
Consumer Staples	8	4%	1.5%
Energy	23	12%	-0.6%
Financial	37	19%	0.2%
Healthcare	61	31%	3.6%
Industrials	17	9%	3.1%
Information Technology	14	7%	2.8%
Materials	6	3%	0.0%
Telecommunications	3	2%	2.3%
Utiities	6	3%	-0.2%