

2Q17 SYNDICATE SUMMARY & OUTLOOK

IPO activity heated up in 2Q17 from 1Q17 as the number of new companies listing on U.S. exchanges more than doubled, while secondary issuance declined slightly quarter over quarter. Issuance activity for both IPOs and secondaries in 2Q17 was substantially higher than in 2Q16, when investors were concerned about volatile oil prices and the UK Brexit vote.

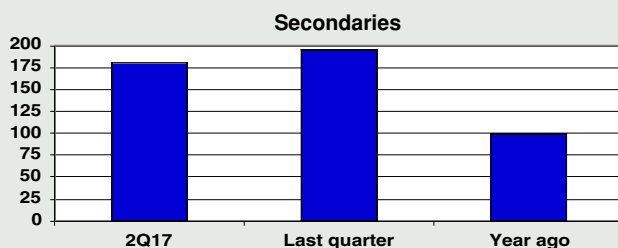
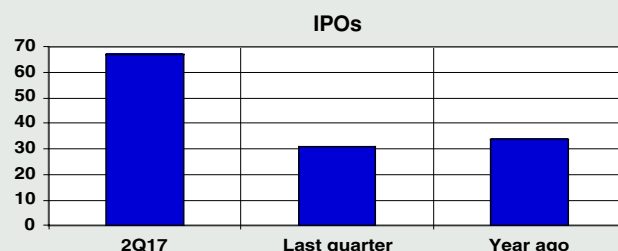
Overall in 2Q17, 67 companies went public (including blank check and closed-end funds), up 116% from the prior quarter and 97% higher compared to the same period a year ago. Meanwhile, secondary issuance was down 6% quarter to quarter but up 80% year over year.

The U.S. equity markets were characterized by stable-to-lower volatility through most of the quarter, providing a favorable backdrop for issuers. During the quarter, the S&P 500 and the Nasdaq Composite both set record highs. Corporate earnings grew for the third quarter in a row and appear poised to expand at a double-digit pace in 2H17 and at a mid-to-high single-digit pace in 2018.

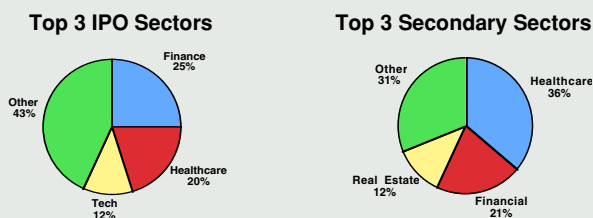
Investors able to purchase IPOs at the issue prices generally fared well in 2Q, as most IPOs opened at prices above the issue price. The ratio was approximately 3:1, favoring higher opens as opposed to lower or flat opens. We note, though, that this was a step back from the 1Q ratio, which was approximately 4:1. As well, later in the quarter, the deal quality seemed to deteriorate, as multiple IPOs opened below their issue price (Mersana Therapeutics, a biotech company out of JPMorgan, and Safety,

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IPO DASHBOARD

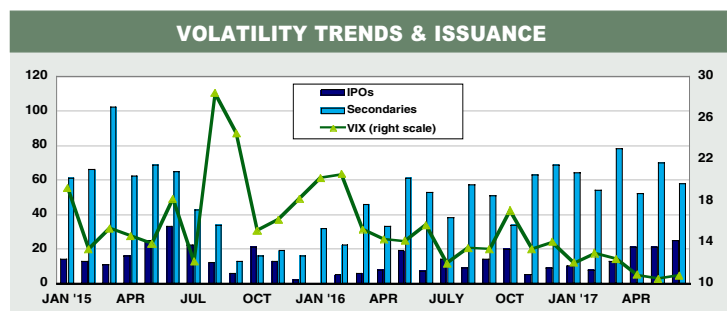


TOP SECTORS



HIGHLIGHTS

Top 5 Opens		Worst 5 Opens	
Floor & Décor Holdings	44%	Cavarna	-10%
Okla Inc.	39%	Netshoes Cayman Ltd.	-9%
Yext Inc.	27%	Warrior Met Coal	-8%
Appian Corp.	25%	Immuron Ltd.	-8%
Cloudera Inc.	19%	Granite Point Mtg.	-6%



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Income & Growth Inc., a REIT out of BofA Merrill Lynch) or had the expected range lowered (which was the case for the high-profile Blue Apron Holdings Inc.).

From an industry perspective, IPO activity shifted a bit from prior quarters. The top sectors were Finance, Healthcare and Technology, as the Energy and Consumer sectors stepped back.

We also note several successful capital-raises from companies based outside the U.S.:

- Azul Inc., a Brazilian airline, which opened 10% above the issue price (lead underwriters: Citigroup, Deutsche Bank, Itau BBA, Banco do Brasil SA, Bradesco BBI);
- Argenx NV, a Netherlands-based biotech company that opened 5% above the issue price (Cowen, Piper Jaffray, JPM Securities, Wedbush PacGrow);
- Bright Scholar Education Holdings Ltd., a Chinese school operation company that opened 5% above the issue price (Morgan Stanley, Deutsche Bank); and
- China Rapid Finance Ltd., a consumer lending company that opened 11% above the issue price (Morgan Stanley, Credit Suisse, Jefferies & Co.).

For the secondaries on a sector basis, the trend was similar. Energy fell off and was replaced by Real Estate, joining Healthcare and Financial.

Looking ahead, we think the market for IPOs is likely to remain bullish through 2017. On the positive side: economic growth, led by the employment environment, appears to be accelerating; volatility remains low; and corporate earnings growth is expected to hit a double-digit rate, as the dollar stabilizes and oil prices continue their

recovery. The IPO pipeline remains robust, with about 180 companies having filed with the SEC and a number of interesting recent filings (such as Dole Food Company; PQ Group Holdings Inc., a clean-tech company; Vencore Holding Corp., a cybersecurity company; Ranger Energy Services; and Cadence Bancorp).

In the tables on the following pages, we highlight select companies that our analysts think may be poised to enter the IPO markets at potentially attractive prices.

Table 1 features the Argus Top 30 Promising Potential IPO Candidates. This list has been selected from companies that have already filed S-1s with the SEC. It is based on factors that Argus believes are important for success in an IPO, including sales and earnings growth, a clean balance sheet, brand names, attractive industries and current management/ownership. Two of the companies that were on the Argus Top 30 list last quarter — Yext Inc. and Netshoes Cayman Ltd. — completed IPOs in 2Q. Yext was a hit, opening 27% above the issuance price, while Netshoes Cayman disappointed investors by opening 9% below the issue price before recovering a bit of ground and closing 1.5% lower on the first day of trading.

Table 2 is our Top 30 intriguing venture-backed private companies, including the so-called Unicorns such as Uber and Airbnb. This list includes companies in emerging industries such as cybersecurity and Big Data analytics, as well as companies whose investors include well-known groups such as Kleiner Perkins and Adreessen Horowitz. One company from this list went public last quarter: Cloudera, a developer of a leading modern platform for data management, machine learning and advanced analytics. Cloudera was brought public by a group of underwriters led by Morgan Stanley, JPMorgan and Allen & Co. The shares were priced at \$12-\$14 and issued at \$15. The first trades were 19% higher at \$17.80.

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Table 1. Argus Top 30 Promising Potential IPO Candidates

Company	Underwriters	Industry	Notes	S-1 Filing Date
Lotus Corp.	BMO Capital Markets	Consumer	Provider of an online network for streaming live music. Growth by acquisition strategy. Subsidiary LiveXLive to purchase Wantickets RDM, Inc.	5/11/17
Dole Food Company	Morgan Stanley, BofA Merrill Lynch, Deutsche Bank, Stephens Inc., RBC Capital Markets, William Blair	Consumer	Leading producer of fresh fruits and vegetables. 2016 revenue of \$4.5 billion. Held by David Murdock.	4/25/17
JBS Foods International BV	Not Available	Consumer	One of the world's largest food companies for protein products. Sells in 190 countries and 6 continents through strategic acquisitions.	12/6/16
CBS Radio Inc.	Goldman Sachs, BofA Merrill Lynch, Credit Suisse, Wells Fargo Securities	Consumer	National radio company with 117 radio stations and digital properties. 2016 revenue of \$1.2 billion.	7/8/16
YETI Holdings Inc.	BofA, Morgan Stanley, Baird, Piper Jaffray, Jefferies, William Blair	Consumer	Manufacturer of coolers, owned by PE firm Coretec.	7/1/16
Station Casinos	Deutsche Bank, JPMorgan, BofA, Goldman Sachs	Consumer	Operator and manager of 21 casino and entertainment properties in Las Vegas.	10/14/15
McGraw Hill Education LLC	Credit Suisse, Morgan Stanley, BMO, Goldman Sachs, Barclays	Consumer	Apollo-owned textbook publisher. Split off from parent company as part of activist-investor-led restructuring.	9/4/15
SoulCycle Inc.	Goldman Sachs, BofA, Citigroup, William Blair, Cowen, RBC	Consumer	Heavily hyped offering for profitable, growing chain. Majority owned by luxury gym chain Equinox holdings.	7/30/15
Univision Holdings	Morgan Stanley, Goldman Sachs, Deutsche Bank	Consumer	Spanish language television network. Held by Haim Saban, Madison Dearborn Partners, Providence Equity Partners, TPG and Thomas H. Lee Partners.	7/21/15
Albertsons	Goldman Sachs, BofA, Citigroup, Morgan Stanley, Deutsche Bank, Credit Suisse, Barclays	Consumer	Cerberus-owned grocery store chain. Operates under the brand names Safeway, Tom Thumb, Jewel-Osco and Acme.	7/7/15
Kimree Inc.	Citigroup	Consumer	One of the largest e-cigarette and related products manufacturers. Owned by China Flavors & Fragrances.	9/29/14
Ranger Energy Services Inc.	Credit Suisse, Simmons & Co., Wells Fargo Securities, Barclays Capital	Energy	Independent provider of high-spec well service rigs and other services. Scheduled to acquire 49 well service rigs from ESCO, totaling 119 rigs.	5/22/17
Oasis Midstream Partners LP	Morgan Stanley, Citigroup, Wells Fargo Securities, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan	Energy	Large list of underwriters. Fee-based MLP. MLP intended to support growth in the midstream business.	5/15/17
Tapstone Energy Inc.	BofA Merrill Lynch, Citigroup	Energy	OK-based independent oil and gas producer focused on Anadarko Basin. Held by Blackstone Group.	4/13/17
Vine Resources Inc.	Credit Suisse, Morgan Stanley	Energy	Focused on shale plays in NW Louisiana. Assets acquired by Shell in 2014.	4/10/17
FTS International Inc.	Credit Suisse, Morgan Stanley	Energy	One of largest providers of hydraulic fracking services in NA. One of the top 3 fracking companies in the US in the most active shale basins.	2/10/17
Ironshore Inc.	BofA Merrill Lynch, Citigroup, JPMorgan, UBS Securities	Financial	Specialty commercial P&C insurance company. Private Equity invested by Fosun International Limited.	7/22/16
Bicapital Corp.	Merrill Lynch, Citigroup, JPMorgan	Financial	Bicapital is the largest financial services group in Guatemala, with a growing presence in other underpenetrated and fast-growing Central American countries.	5/22/15
Cadence Bancorporation	Goldman Sachs, JPMorgan, Sandler O'Neill, Keefe Bruyette	Financial	Regional bank based in Houston. Acquired 3 other regional banks in the area. 2016 net income of \$39.3 million.	3/17/17
Advanced Accelerator Applications SA	JP Morgan, Jefferies, Wells Fargo Securities, Canaccord Genuity	Healthcare	Developing diagnostic nuclear medicines.	9/26/16
Performance Health Holdings Corp.	Credit Suisse, Jefferies, Baird, UBS, William Blair	Healthcare	Markets branded healthcare, pain management and fitness products. Owned by Gridiron Capital.	4/22/16
Advantage Solutions	Goldman Sachs, Morgan Stanley	Industrial	CA-based US sales and marketing firm. 2016 revenue of \$2.1 billion and \$31.2 million in net income. Held by Leonard Green & Partners LP and CVC Capital partners.	5/4/17
Frontier Group Holdings	Citigroup, Deutsche Bank, Evercore ISI, JPMorgan	Industrial	Ultra low-cost air carrier. Competitor to JBLU and LUV. Acquired by Indigo Denver Management Company in 2013.	3/31/17
PQ Group Holdings Inc.	Morgan Stanley, Goldman Sachs, Citigroup, Credit Suisse	Materials	Clean-tech company provides catalysts, specialty materials and chemicals. Owned by CCMP Capital Advisors. 1Q17 revenue of \$333 million.	6/9/17
Venator Materials PLC	BofA Merrill Lynch	Materials	Manufactures and sells titanium dioxide-based pigments and additives. Spin-off of TX based Huntsman Corp.	5/5/17
Vencore Holding Corp.	Goldman Sachs, Wells Fargo Securities	Technology	Leading provider in cybersecurity, big-data analytics, and applied research for the U.S. Government and Department of Defense.	6/21/17
Optiv Inc.	Morgan Stanley, Goldman Sachs, Barclays, Citigroup	Technology	Provider of cyber security solutions. KKR has been the majority stakeholder since Dec 2016.	11/18/16
AmeriQuest Inc.	Raymond James, Stephens Inc., Baird, William Blair	Technology	Fin-Tech provider of b-to-b solutions that address financial process and asset management needs of businesses.	11/9/15
Innolight Technology Corp.	Credit Suisse, Barclays	Technology	Google Inc.-backed company, manufactures and designs communication equipment and cables. Other investors include, Lightspeed Venture Partners, Oriza Holdings and Cowin Venture.	6/18/15
Alion Science & Technology	Credit Suisse, Jefferies & Co., Wells Fargo	Technology	Veritas Capital-owned defense contractor as global spending on security increases.	4/29/15

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Table 2. Top 30 Unicorns

Company	Industry	Total Funding	Notes
Space Exploration Technologies	Aerospace	\$1.2B	Founded by Elon Musk to revolutionize space travel. Investors include Elon Musk, Founders Fund, Capricorn Venture Partners, Draper Fisher Jurvetson, Google, Valor Equity Partners.
Palantir	Analytics/Big Data	\$1.6B	Focus on Cybersecurity. Investors include In-Q-Tel, Akkadian Ventures, Founders Fund, Kortschak Investments.
Sumo Logic	Analytics/Big Data	\$155M	Machine data intelligence company transforms data into actionable insight for companies. Investors include DFJ Growth, Sequoia Capital, Accel Partners, Greylock Partners.
Chargepoint	Clean Tech	\$164M	Developing network of electric vehicle charging stations. Investors include Daimler, Linse Capital, Rho Ventures, Voyager Capital.
Xiaomi	Consumer Electronics	\$1.5B	No. 3 smartphone company offering phones, tablets and TVs. Investors include Morningside Group, Ratan Tata, Qiming Venture Partners.
CreditKarma	Consumer Finance	\$368M	Financial advisory for consumers. Investors include Viking Global, Google Capital, Tiger Global.
Prosper	Consumer Finance	\$355M	Online marketplace for consumer credit. Investors include Benchmark, Sequoia, Blackrock.
SoFi	Consumer Finance	\$766M	Student loan refinancing. Investors include Institutional Venture Partners, Peter Thiel, Third Point Ventures.
Buzzfeed	Consumer Web	\$96M	Social news and entertainment media company. Investors include Hearst Ventures, RRE Ventures, New Enterprise Associates, Comcast NBC Universal.
Pinterest	Consumer Web	\$1.13B	Connects consumers & ideas. Investors include Andreessen Horowitz, Bessemer Venture Partners.
Spotify	Consumer Web	\$1.1B	Online music service. Investors include Accel Partners, Fidelity, Kleiner Perkins.
Code42 Software	Cybersecurity	\$138M	The company's best known application is CrashPlan, an enterprise SaaS solution that backs up all distributed end-user data on a single, secure platform. Investors include JMI Equity, New Enterprise Associates, Accel Partners.
Lookout	Cybersecurity	\$390M	Security software that protects from mobile threats. Investors include Khosla Ventures, Accel Partners, Index ventures, Andreessen Horowitz.
Tanium	Cybersecurity	\$263M	Delivers timely data to IT security and systems management teams. Investors include Andreessen Horowitz, TPG, IVP, and Geodesic Capital.
FlipKart	Ecommerce/India	\$2.5B	India's Alibaba. Investors include Accel Partners, Morgan Stanley, Tiger Global, T Rowe Price.
Coupang	Ecommerce/South Korea	\$1.4B	South Korea's Alibaba. Investors include Blackrock PE, Sequoia, Wellington.
Intarcia	Healthcare/Biotech	\$535M	Biopharmaceutical company with a focus on Diabetes. Investors include Fred Alger, New Enterprise Associates.
Zocdoc	Healthcare/Biotech	\$225M	Free service allows patients to find doctor. Investors include Bezos Expeditions, Goldman Sachs.
Airbnb	Hospitality	\$2.4B	Leader in the sharing economy. Investors include Andreessen Horowitz, Kleiner Perkins, Greylock Partners, Sequoia. Estimates for the company's valuation are as high as \$50 billion, assuming an IPO in 2018.
DropBox	Hosting/Storage	\$1.1B	Targets consumers for storage, sharing. Investors include Accel Partners, Benchmark Capital, Greylock Partners, Sequoia.
Pivotal	Hosting/Storage	\$863M	Provides cloud-based enterprise Platform-as-a-service solutions. Investors include VMware, EMC, GE, Ford.
Wework	Real Estate	\$1B	Sharing economy: office space. Investors include Benchmark, Fidelity, JPMorgan, T Rowe Price.
DocuSign	Software	\$556M	Document management. Investors include Accel, Kleiner Perkins, Comcast Ventures.
Gusto	Software	\$1B	Cloud-based payroll & HR services. Investors include Google Capital.
Slack	Software	\$547M	Integrates files, messages, etc., onto 1 platform. Recently completed new funding round. Investors include Accel Partners, SV Angel, Andreessen Horowitz, Thrive Capital.
SurveyMonkey	Software	\$1.14B	Leading survey-only platform. Investors include BofA, Google Capital, Morgan Stanley, Tiger Global, T Rowe Price.
Lyft	Transportation	\$2.6B	Taking on the Taxis. Investors include Andreessen Horowitz, Third Point.
Uber	Transportation	\$6.9B	Taking on the Taxis. Investors include Benchmark Capital, Kleiner Perkins, Fidelity.
DiDi	Transportation/China	\$4.4B	Taking on the Taxis, in China. Investors include Alibaba, Tencent Holdings, Temasek Holdings.
Ola	Transportation/India	\$1.1B	Taking on the taxis in India. Investors include Accel Partners, Sequoia, Tiger Global.

Source: www.sharespost.com; Argus Research. New to the list "": Dropped from list: Avant, Cloudera, Oscar, SnapDeal, Sungevity

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