

2013 Mid-Year IPO Report

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Buoyed by reduced market volatility and steadily improving capital market conditions, the first half of 2013 produced 70 IPOs—six more (9%) than the 64 IPOs in the first half of 2012. This year’s figure represents the highest first-half tally since the 95 in the first six months of 2007, a year that ended with 193 IPOs (almost twice the average of 122 in the past three years) and remains the recent high point of the IPO market. Gross proceeds declined from \$25.79 billion in the first half of 2012 to \$16.86 billion in the first half of 2013.

The last week of June alone produced 10 offerings—the highest weekly total since the 11 IPOs in the first week of November 2007.

The IPO market in the first half of 2013 was dominated by innovative life sciences companies and high-growth technology companies—most of which were venture capital–backed—and larger, more established, private equity–backed companies. Year to date, 74% of all IPOs were by emerging growth companies under the JOBS Act.

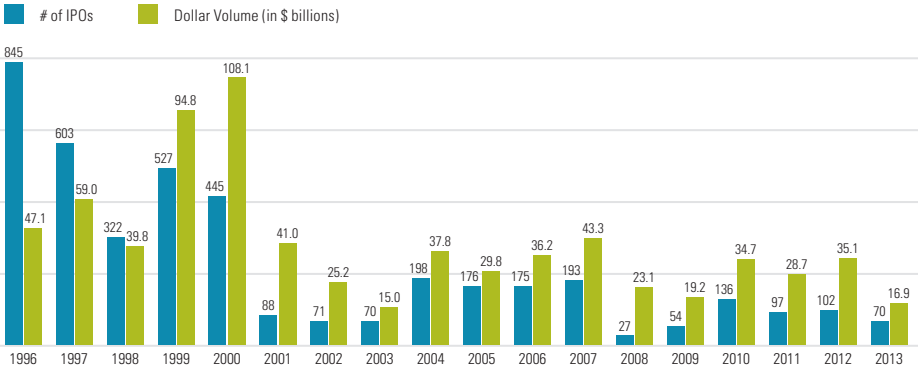
There were 29 venture-backed US issuer IPOs (41% of the total) in the first half of 2013—two shy of the 31 in the first half of 2012 (48% of the total). The first six months of 2013 saw 22 IPOs by life sciences companies—surpassing the full-year total of 14 in both 2011 and 2012.

Overall, technology and life sciences companies accounted for 66% of the year’s IPOs thus far, up from 58% for full-year 2012 and the highest percentage since the end of the dot-com bubble in 2000.

With private equity firms eager to achieve liquidity for their portfolio companies, the number of private equity–backed IPOs jumped to 23 in the first half of 2013 (33% of the total) from 19 in the first half of 2012 (27% of the total).

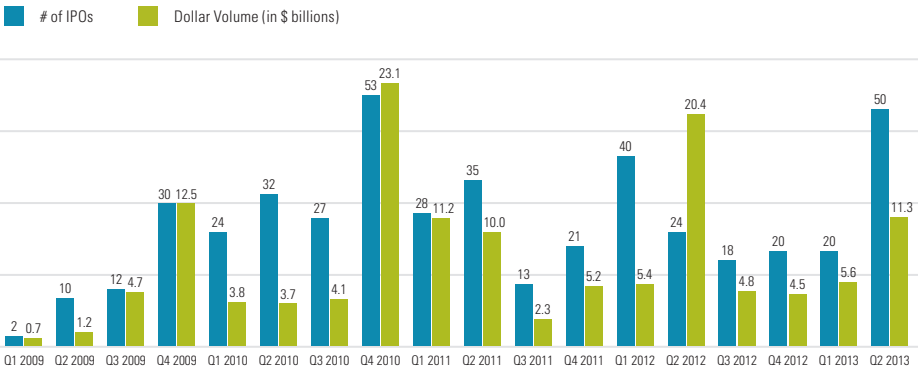
The average IPO company in the first six months of 2013 enjoyed a 17% first-day gain from its offering price—just eclipsing the 16% average first-day gain for full-year 2012. In the first half of 2013, 15 companies—21% of the total—produced a first-day gain of at least 30%. An equal percentage of IPOs in this period were “broken” (IPOs whose stock closes below the offering price on their opening day),

US IPOs and Dollar Volume by Year – 1996 to Q2 2013



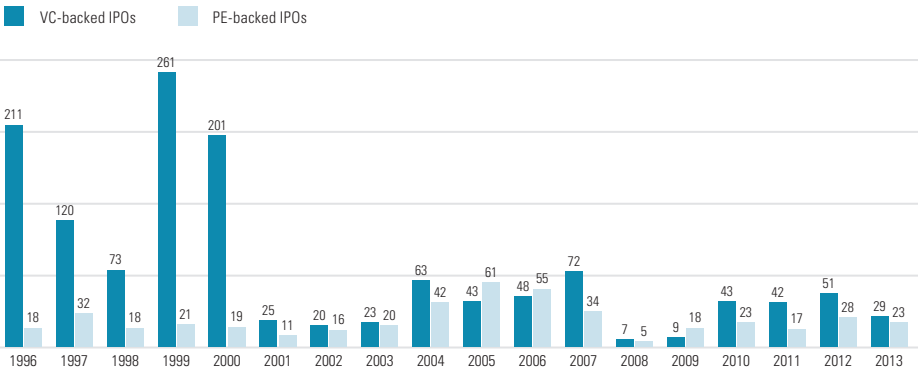
Source: SEC filings

US IPOs and Dollar Volume by Quarter – 2009 to Q2 2013



Source: SEC filings

Venture Capital and Private Equity–Backed IPOs – 1996 to Q2 2013



Source: Dow Jones VentureSource, Thomson Reuters and SEC filings
The above chart is based on US IPOs by VC-backed US issuers.

compared to 20% in all of 2012, but this percentage still represents the second-lowest level of broken IPOs since 2007.

At the end of June, 42% of the year’s IPOs were trading at 25% or more above their offering price—including 23% that were up more than 50% from their offering price. Overall, 74% of the year’s IPOs were trading above their offering price at the end of June.

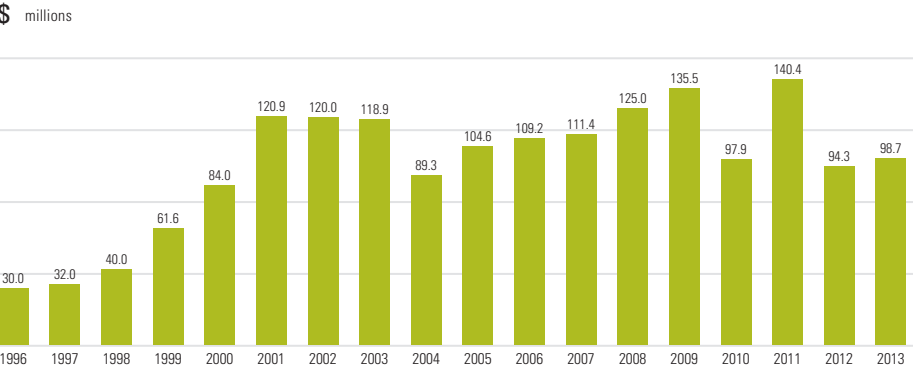
The median deal size of \$98.7 million for the first six months of 2013 was 5% higher than the \$94.3 million median in 2012. The median deal size for VC-backed companies was \$78.8 million—the lowest level since the \$72.0 million median in 2006—while the median deal size for non-VC backed companies was \$230.0 million, 58% higher than the prior ten-year average of \$146.0 million. The median deal size for emerging growth companies, at \$78.4 million, was less than a fifth of the \$436.3 million median deal size for other companies.

The median annual revenue of all IPO companies in the first half of 2013 was \$90.1 million, 33% below the median annual revenue of \$133.6 million for IPO companies in 2012 and the lowest level since the \$74.5 million median in 2007. The median annual revenue of emerging growth companies going public in the first half of 2013 was \$53.5 million, compared to \$2.54 billion for other companies.

The percentage of profitable companies going public declined from 55% in 2012 to 44% in the first half of 2013—the lowest level since the 26% in both 1999 and 2000. With investor focus shifting to growth over profitability, only 30% of this year’s life sciences and technology-related IPO companies were profitable.

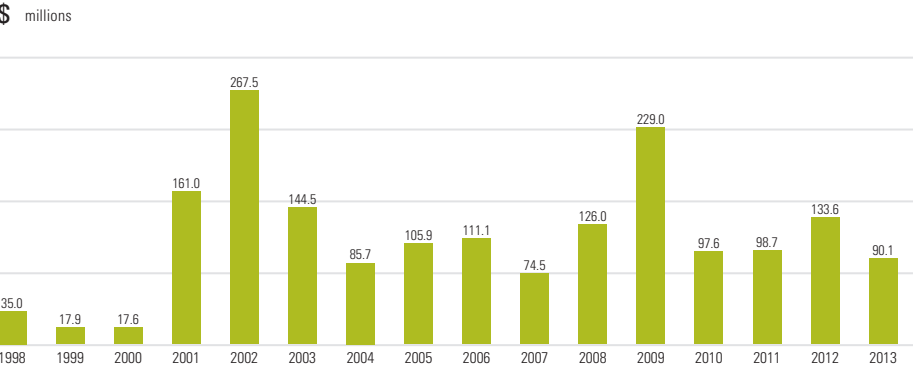
While the Federal Reserve’s talk in mid-June of retreating from the stimulus efforts briefly rattled the market and the dose of renewed volatility saw a number of offerings deeply discounted, the IPO pipeline is building as filing activity more than offsets recent pricings. With continued economic growth and stable capital market conditions, we anticipate a robust flow of new offerings over the remainder of 2013, particularly among the types of life sciences, technology and private equity–backed companies that dominated the first half of the year. ■

Median IPO Offering Size – 1996 to Q2 2013



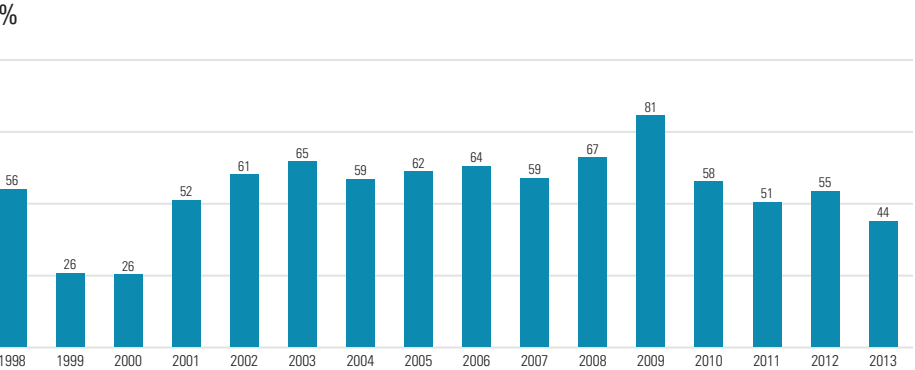
Source: SEC filings

Median Annual Revenue of IPO Companies – 1998 to Q2 2013



Source: SEC filings and IPO Vital Signs

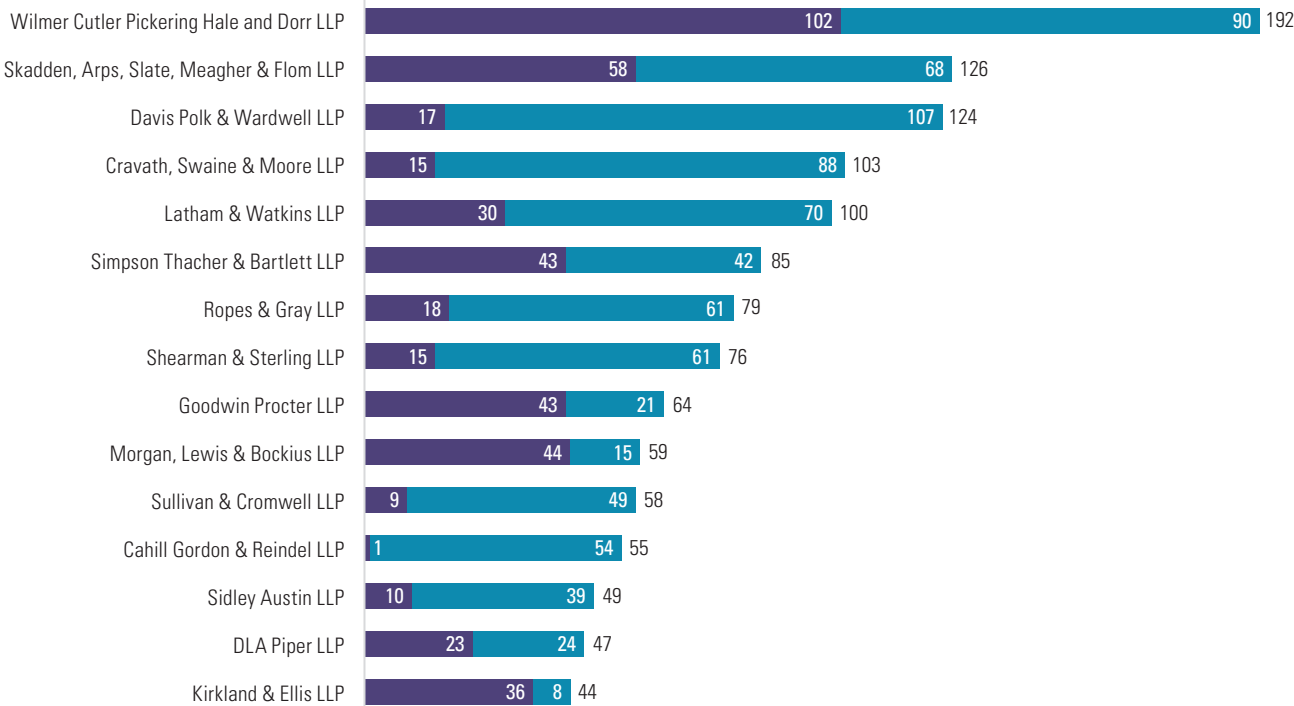
Percentage of Profitable IPO Companies – 1998 to Q2 2013



Source: SEC filings and IPO Vital Signs

Eastern US IPOs – 1996 to Q2 2013

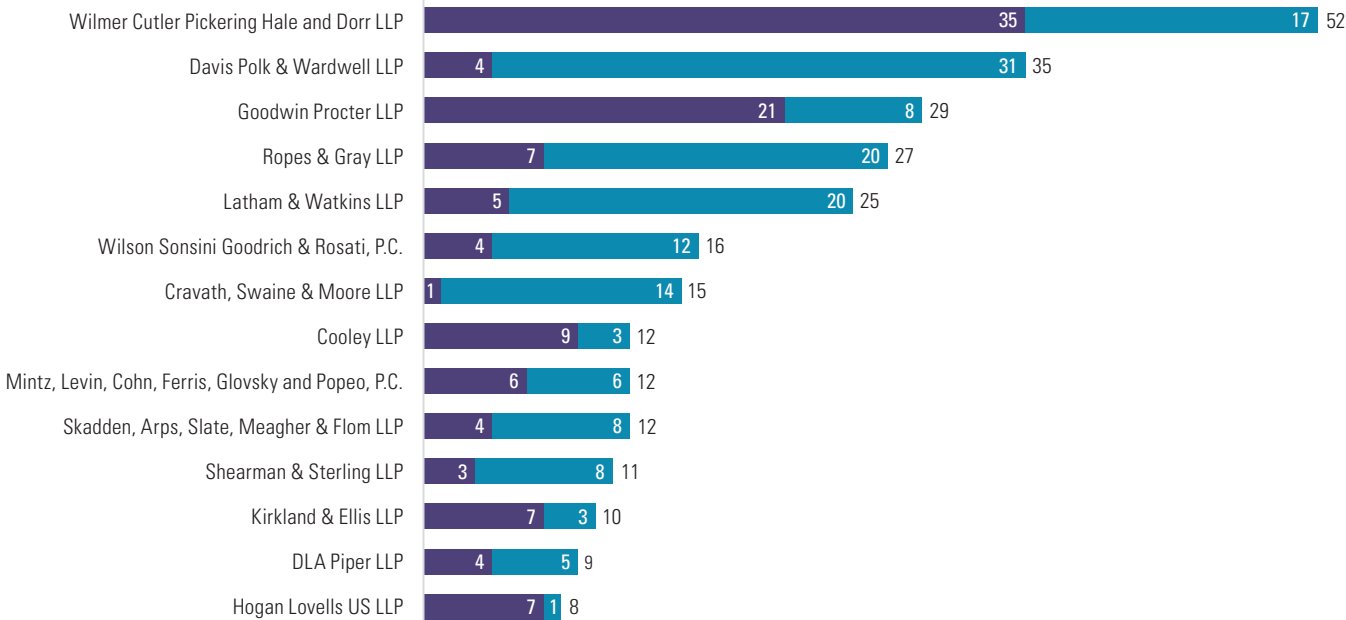
Counsel to the Issuer Counsel to the Underwriters



Source: SEC filings

Eastern US Technology Company IPOs – 2004 to Q2 2013

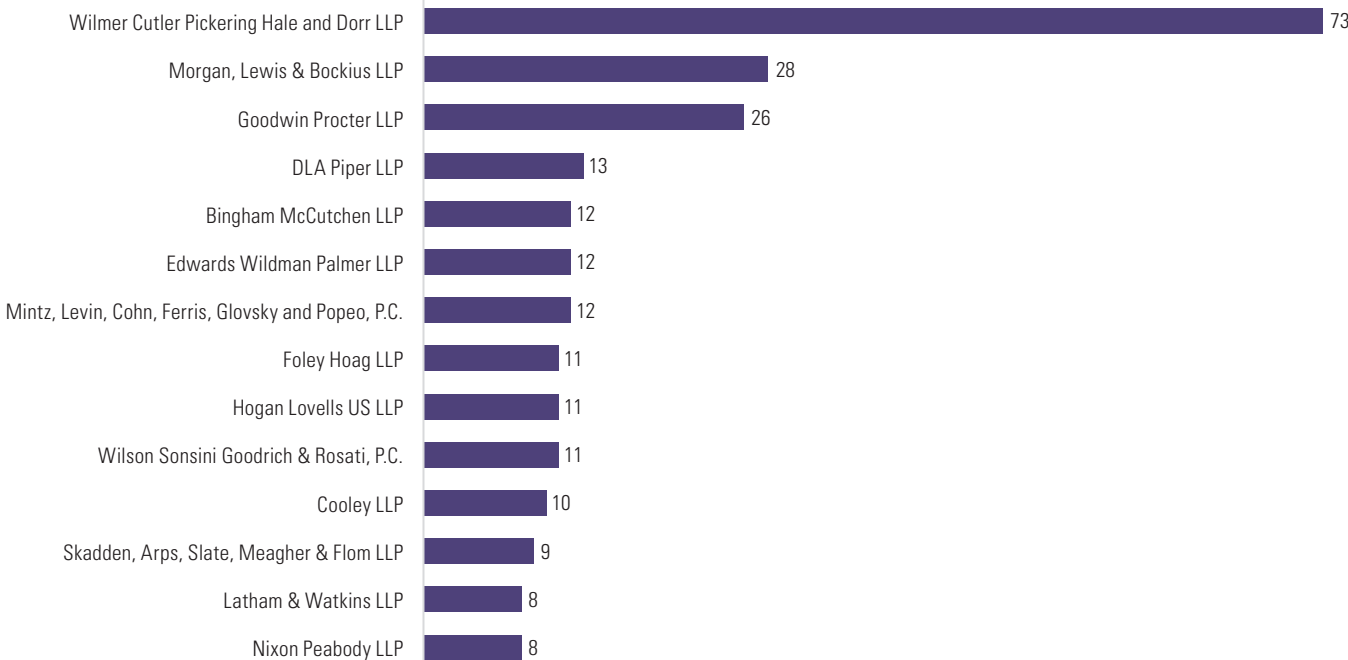
Counsel to the Issuer Counsel to the Underwriters



Source: SEC filings

The above charts are based on companies located east of the Mississippi River.

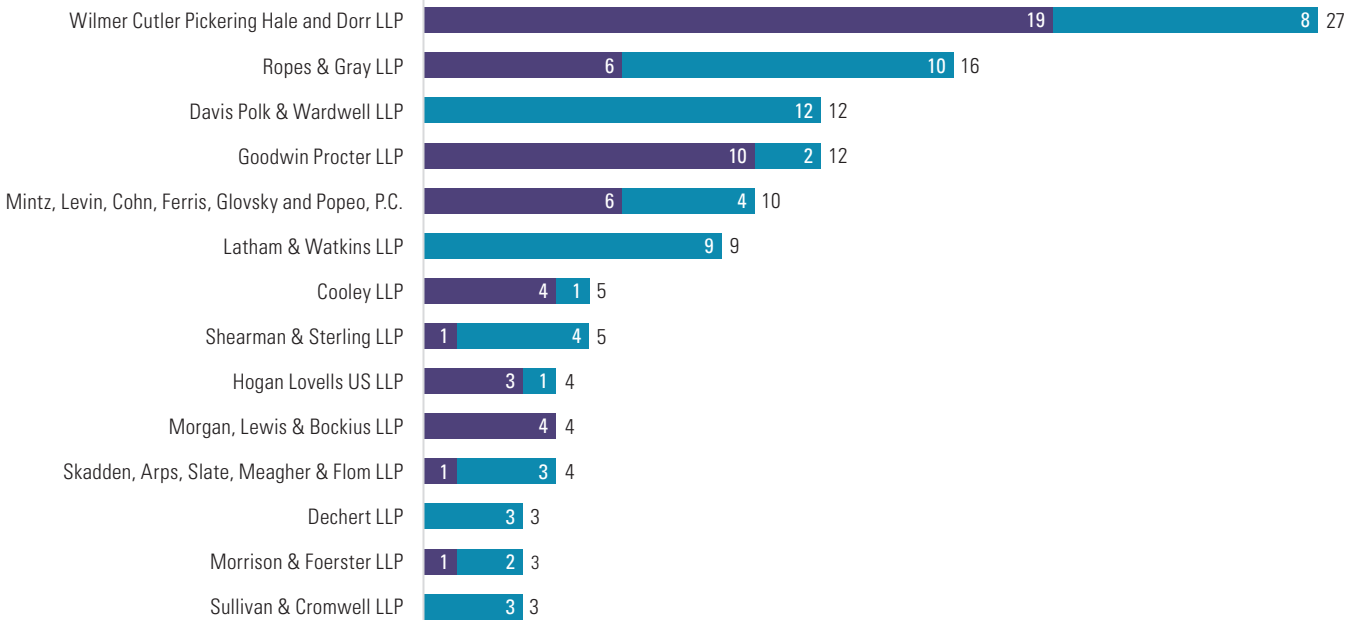
Company Counsel in IPOs of Eastern US VC-Backed Companies – 1996 to Q2 2013



Source: Dow Jones VentureSource and SEC filings

Eastern US Life Sciences Company IPOs – 2004 to Q2 2013

Counsel to the Issuer Counsel to the Underwriters

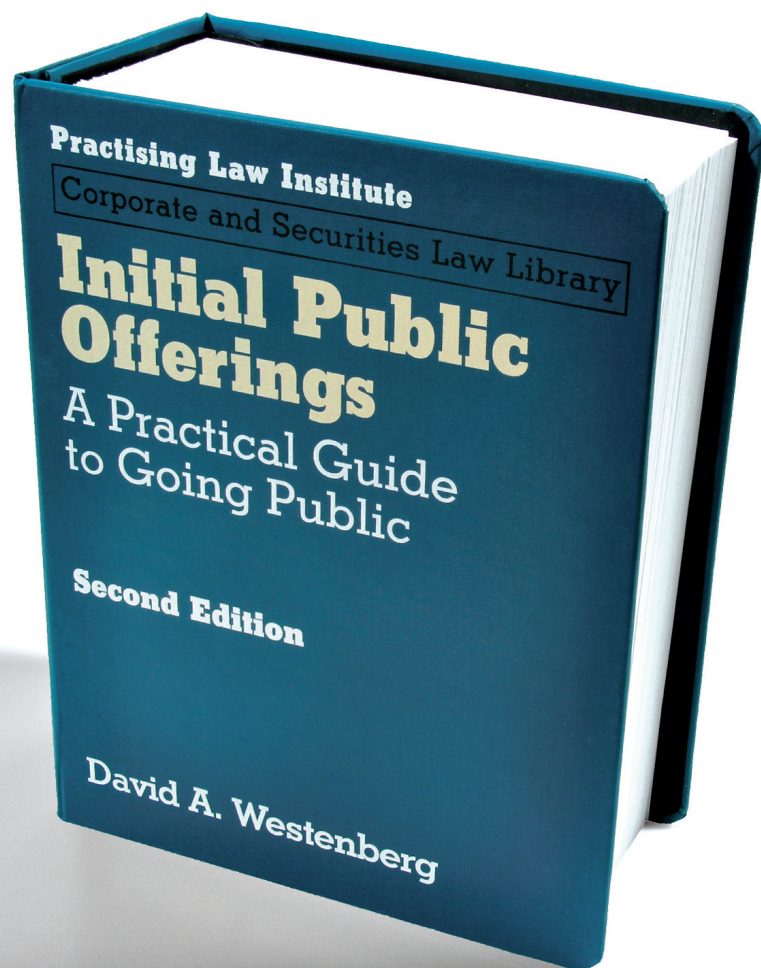


Source: SEC filings

The above charts are based on companies located east of the Mississippi River.

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— *The New York Times*

(The Deal Professor, January 19, 2010)

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Data Sources: WilmerHale compiled all data in this report unless otherwise indicated. Offerings by REITs, bank conversions, closed-end investment trusts, special purpose acquisition companies, oil & gas limited partnerships and unit trusts are excluded from IPO data. Offering proceeds generally exclude proceeds from exercise of underwriters' over-allotment options, if applicable. For law firm rankings, IPOs are included under the current name of each law firm. Venture capital data is sourced primarily from Dow Jones VentureSource. Private equity-backed IPO data is sourced from Thomson Reuters.