

Going Public: U.S. IPO Report

Full Year 2020

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Full Year 2020 IPO Update

Despite the impacts of the COVID-19 pandemic that effectively shut down the IPO markets in March and April of 2020, the IPO market came roaring back in 2020, with issuers across all sectors accessing the market at a pace not seen in years. In addition, 2020 was a record year for special purpose acquisition companies (SPACs), with over 185 SPAC IPOs over \$150 million, representing about half of the overall IPO market. The number of SPACs in the market has also led private companies to pursue a three-track process: traditional sale transaction, traditional IPO and a business combination with a SPAC. Given the recently adopted rules expanding the potential for direct listings on the New York Stock Exchange, we expect more companies will also consider direct listings with a private capital raise to provide another viable alternative to going public rather than through a traditional IPO.

Our team reviewed deal terms of approximately 140 of the IPOs that priced in 2019 and 2020 with base deal sizes over \$75 million, excluding SPACs, real estate investment trusts (REITs) and business development companies (BDCs).

Key Takeaways

Our 2020 IPO Study reviewed several key takeaways:

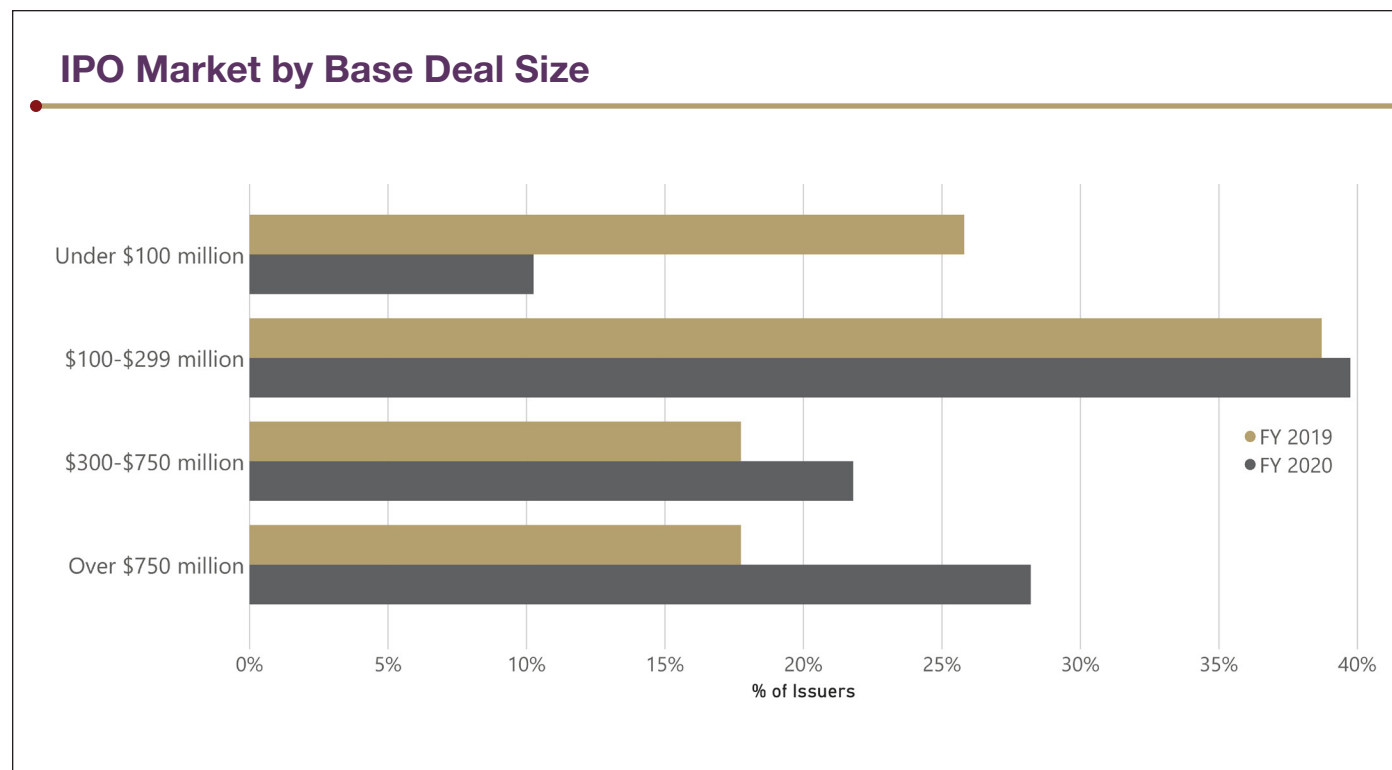
- Mega-IPOs over \$750 million increased to almost 30% of deals, but medium-sized deals are still most prevalent.
- Issuers from all sectors were able to access the IPO market, led by Life Sciences and Biotechnology Issuers, with a significant rise in Consumer & Retail IPOs.
- The record breaking SPAC IPO market represented half of the IPO market.
- The SEC review process remains streamlined, and while COVID-19 delayed some issuers, on average, issuers were able to complete their IPOs in just over three and a half months from their initial confidential submission.
- IPOs involving secondary sales were down in 2020 overall, but the increase in deals containing secondary offerings in the second half of 2020 indicates the market for deals involving secondary offerings is becoming much healthier.
- Two years of financial information has become widely accepted with almost 90% of eligible issuers presenting only two years of audited financial statements and over 80% presenting two years of selected financial statements.
- Despite trends in the second half of 2019 towards the IPO market focusing on profitability, 70% of IPO issuers in 2020 were unprofitable.
- Equity incentive plans continue to reserve sizeable portions of capital for executive compensation, commonly with 70% of IPO issuers adopting evergreen provisions allowing the amount of shares available for issuance to increase without shareholder approval.
- Almost 40% of IPO issuers had multi-class voting structures, with a large portion having high voting ratios of 10:1 and even 20:1.

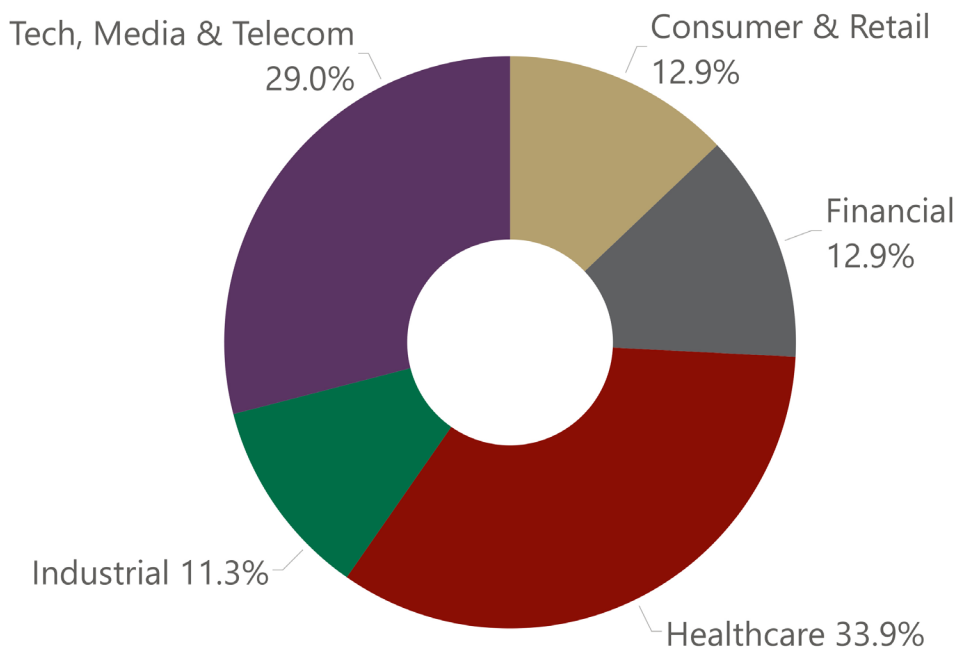
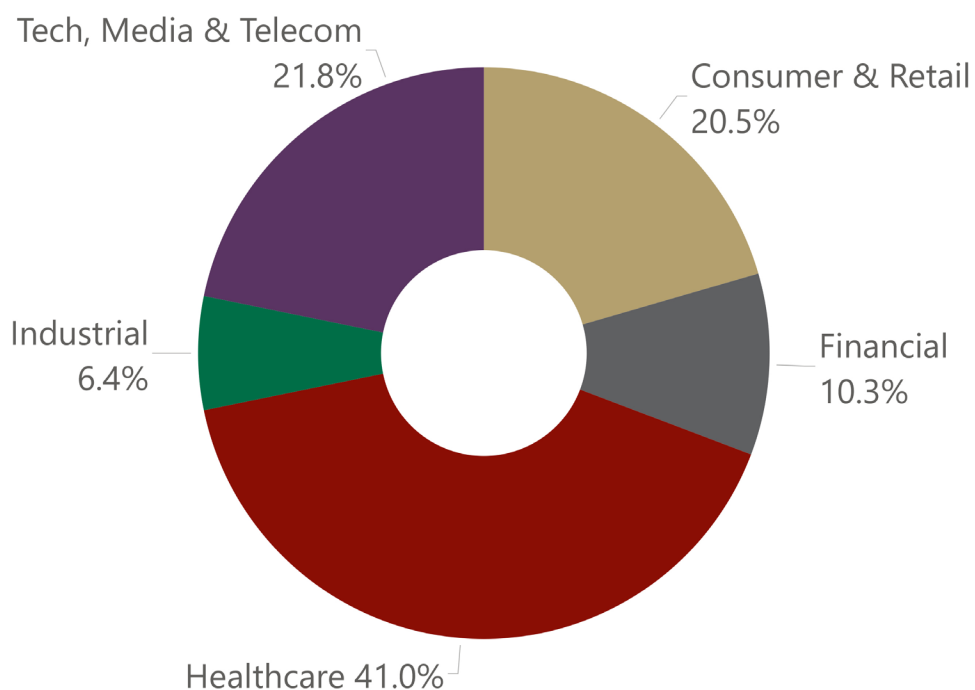
Looking ahead

As the IPO market kicks off in 2021, here are the things we expect to see in the year ahead:

- While the traditional IPO market remains active, business combinations with SPACs and direct listings will provide multiple paths for operating companies to going public in 2021.
- We expect an uptick in IPOs of portfolio companies by sponsor-backed companies through traditional IPOs and SPAC business combinations, as the public markets may provide better valuations than the private markets.
- The impact of the new Presidential administration is not clear, but there could be greater regulatory focus by the SEC, including on the SPAC market.
- The 2021 IPO market could include a mix of companies that are experiencing growth as a result of the disruption of the COVID-19 pandemic and companies adversely impacted by COVID-19, but positioned for a meaningful rebound.
- The IPO preparation process and marketing process has gone virtual, and banks have successfully and efficiently executed virtual IPO roadshows, resulting in lower costs and faster processes, which we expect will continue into 2021, and perhaps even post-pandemic.

IPO Overview

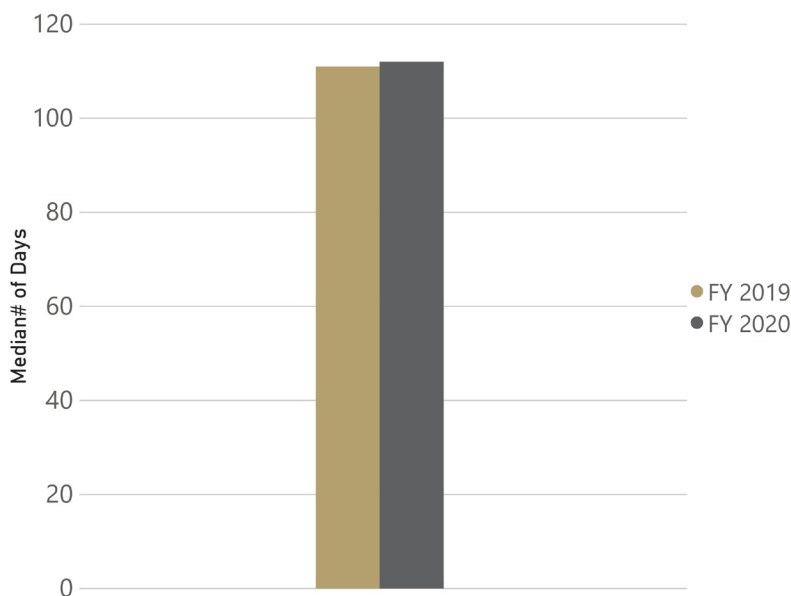


2019 IPO Market by Sector**2020 - IPO Market by Sector**

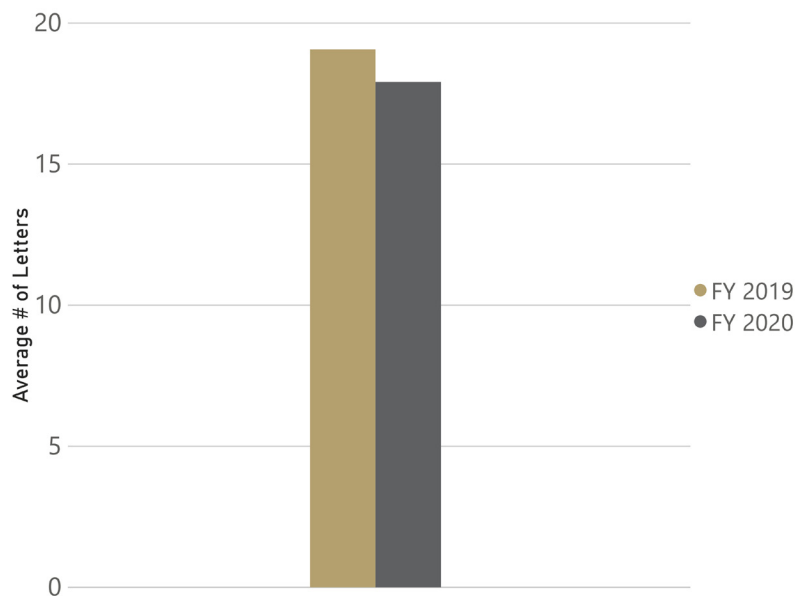
IPO Timing and SEC Review

TIMING FROM FIRST SUBMISSION TO PRICING

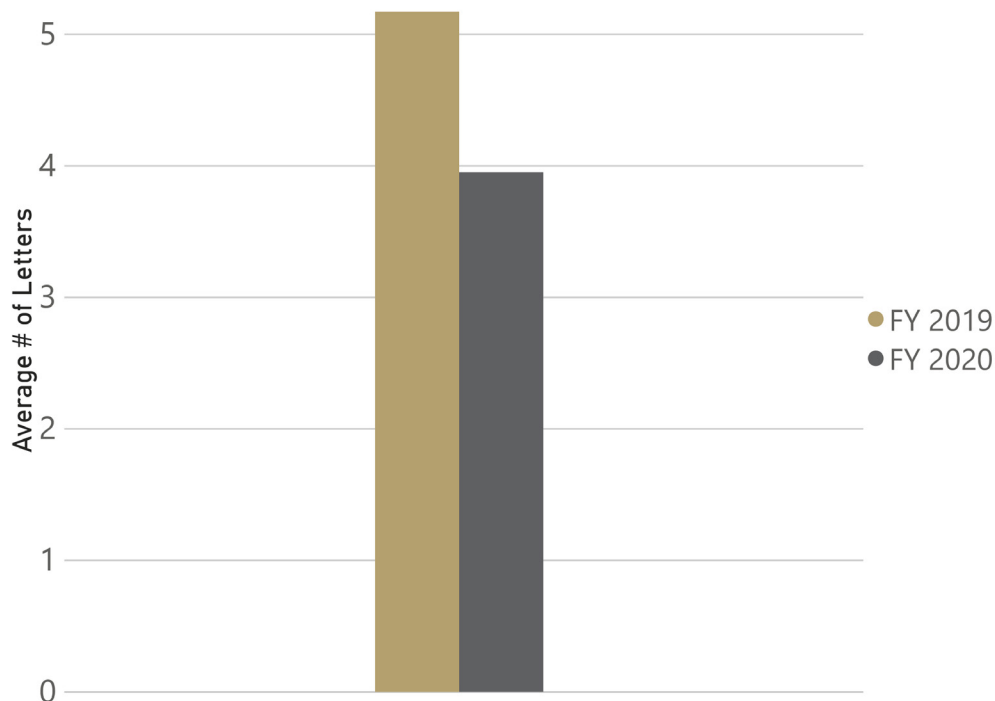
Median Days Between Submission and Pricing



Average Number of SEC Comments in First Letter



Average Number of SEC Comments in 2nd Letter



2019 – Median No. of
SEC Review Comment Letters
Received by Issuers

3

2020 – Median No. of
SEC Review Comment Letters
Received by Issuers

3

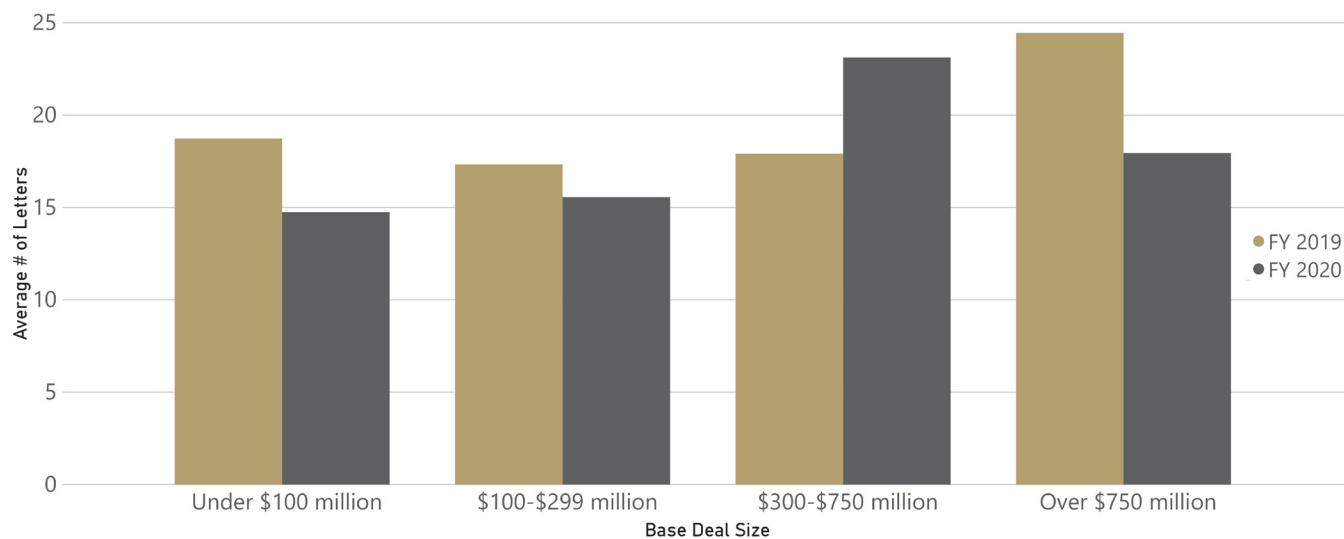
2019 – Median No. of Days
Between Issuers' Initial
Submission and Pricing

111

2020 – Median No. of Days
Between Issuers' Initial
Submission and Pricing

112

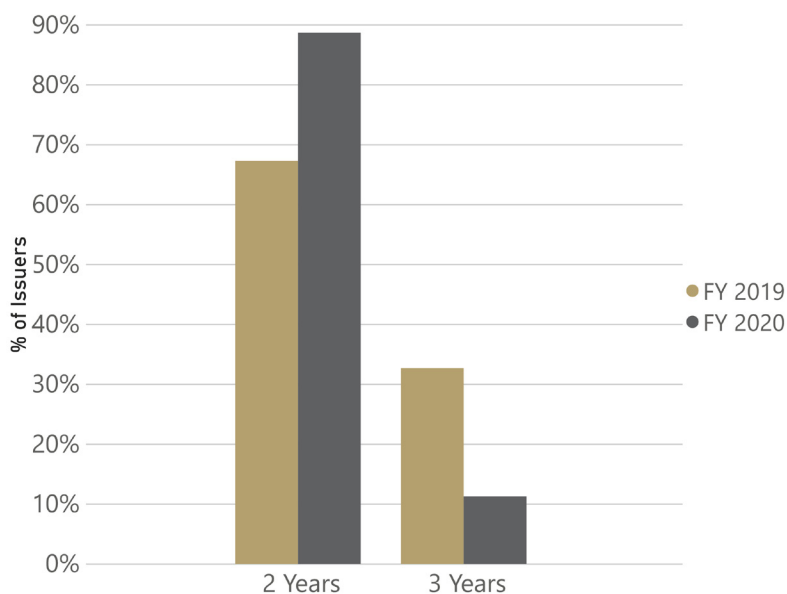
Average Number of SEC Comments in First Letter



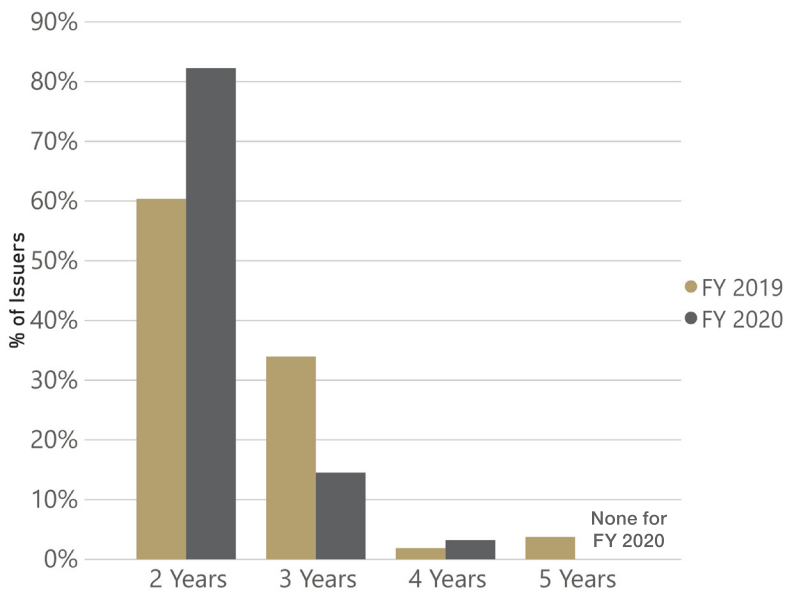
Issuer Profile: Financial Background of IPO Issuers

EMERGING GROWTH COMPANIES

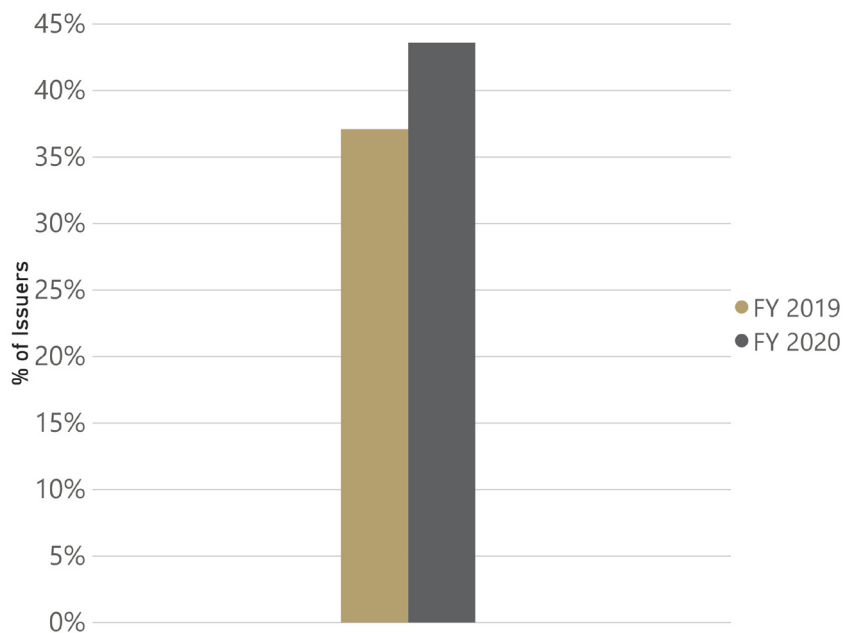
Historical Period of Audited Financials by EGCs



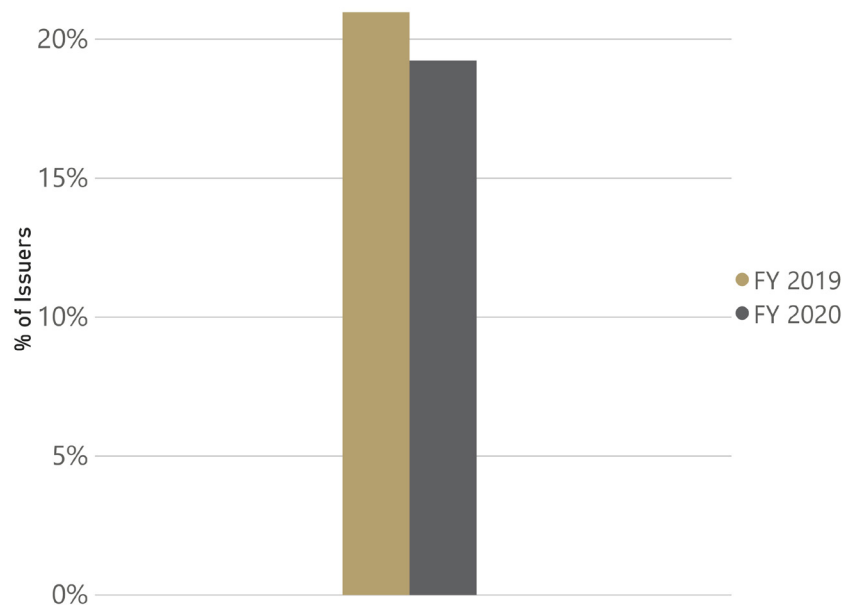
Historical Period of Selected Financial Information Disclosed by EGCs



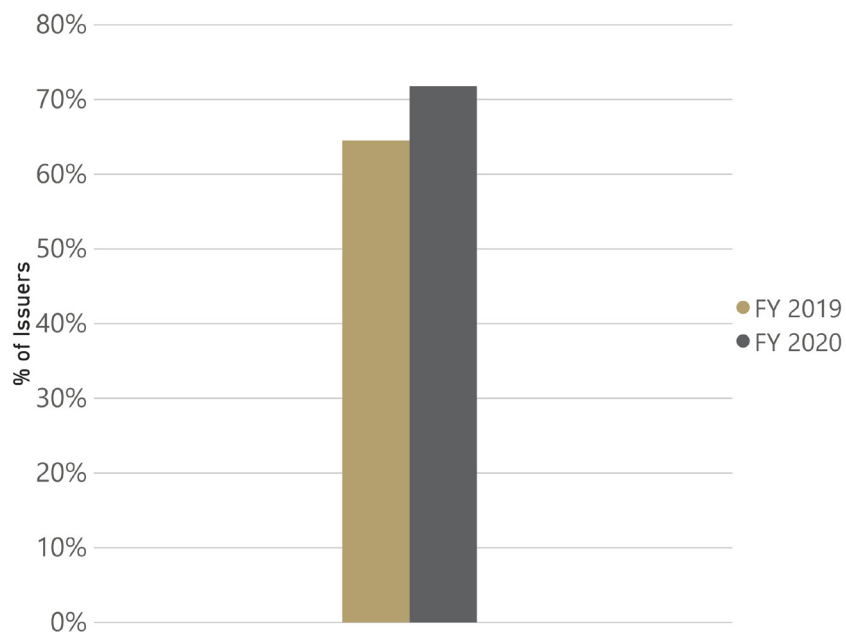
Percentage of Issuers Disclosing a Material Weakness of Internal Controls Over Financial Reporting



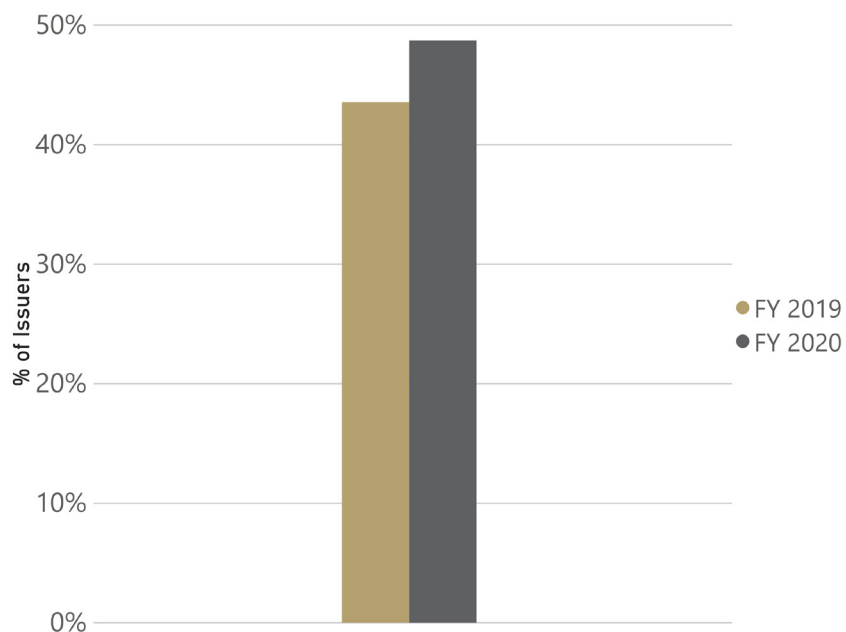
Percentage of Issuers at “Pre-Revenue”

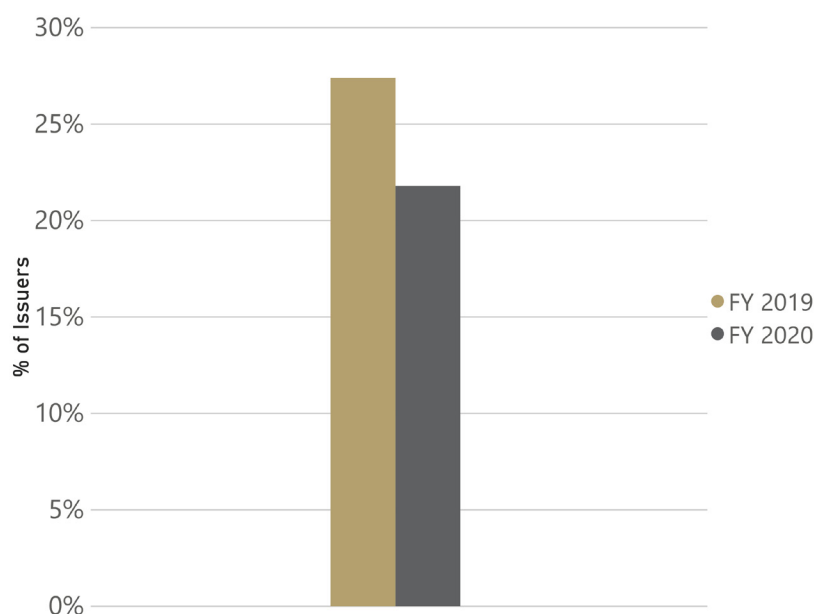
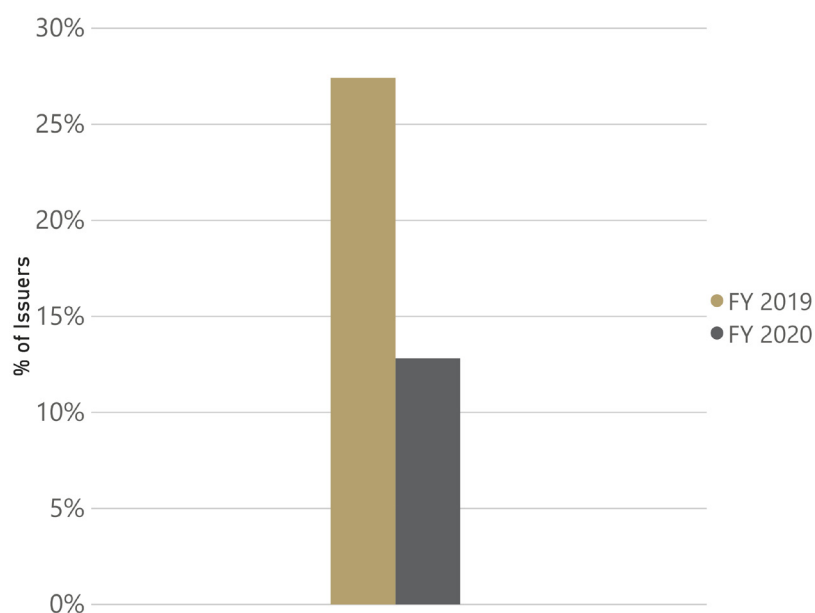


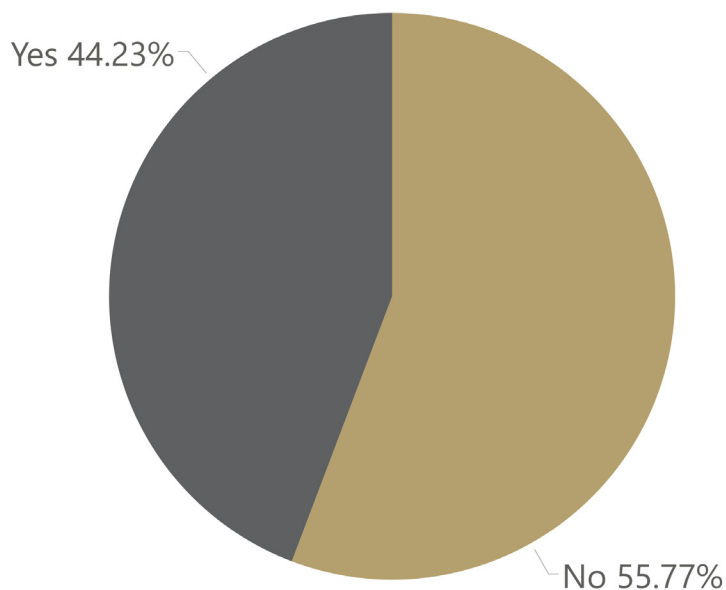
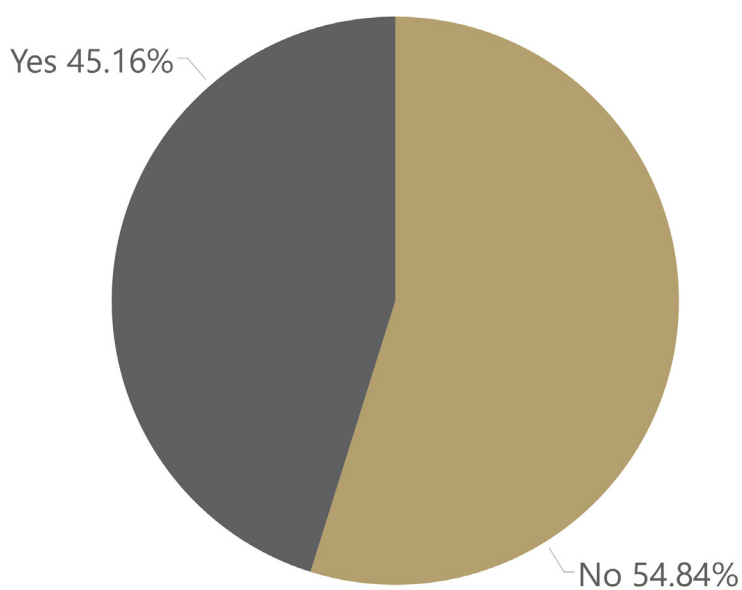
Percentage of Issuers Presenting a Net Loss



Percentage of Issuers Presenting “Adjusted EBITDA” Financial Information

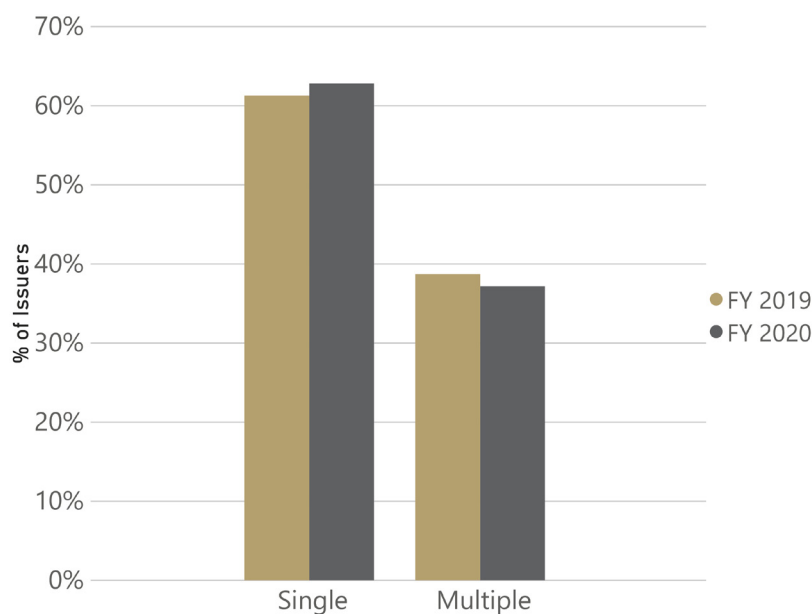


SECONDARY OFFERINGS AND INSIDER PARTICIPATION**Percentage of IPOs with a Secondary Offering Component****Percentage of IPOs Involving Purchases by Issuers' Insiders**

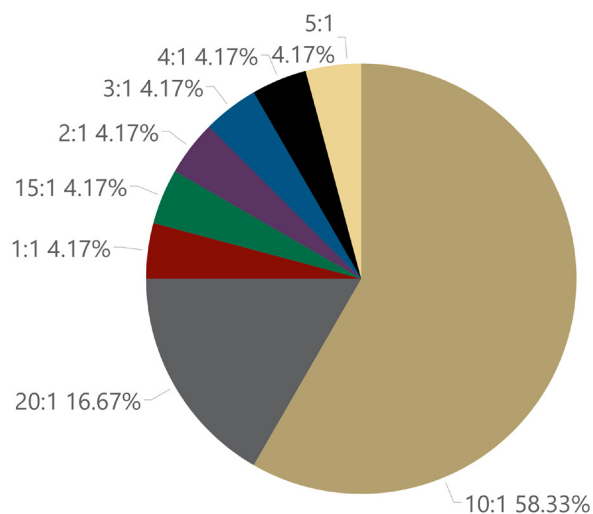
2019 - Percentage of IPOs Offering a Directed Share Program**2020 - Percentage of IPOs Offering a Directed Share Program**

VOTING

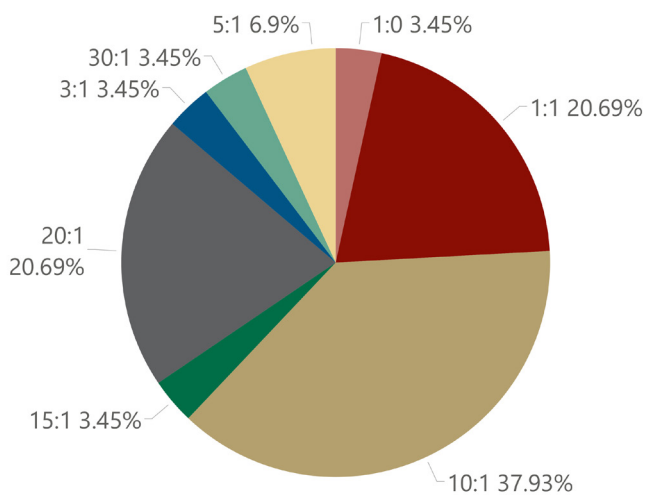
Percentage of IPOs with Multiple vs. Single Classes of Stock



2019 Voting Ratios for Multi-Class Structures



2020 Voting Ratios for Multi-Class Structures



EQUITY INCENTIVE PLANS

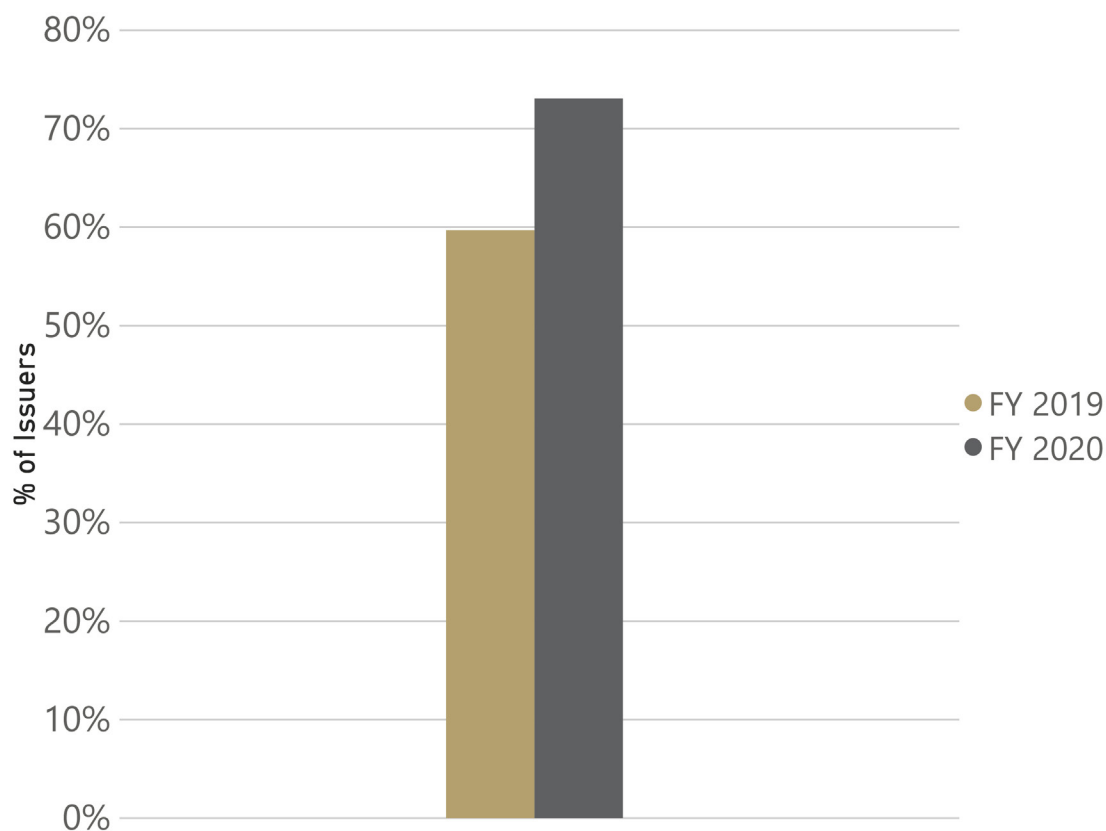
2019 – Average Percentage
of Issuers' Outstanding Stock
Reserved for Equity Incentive Plans

10.3%

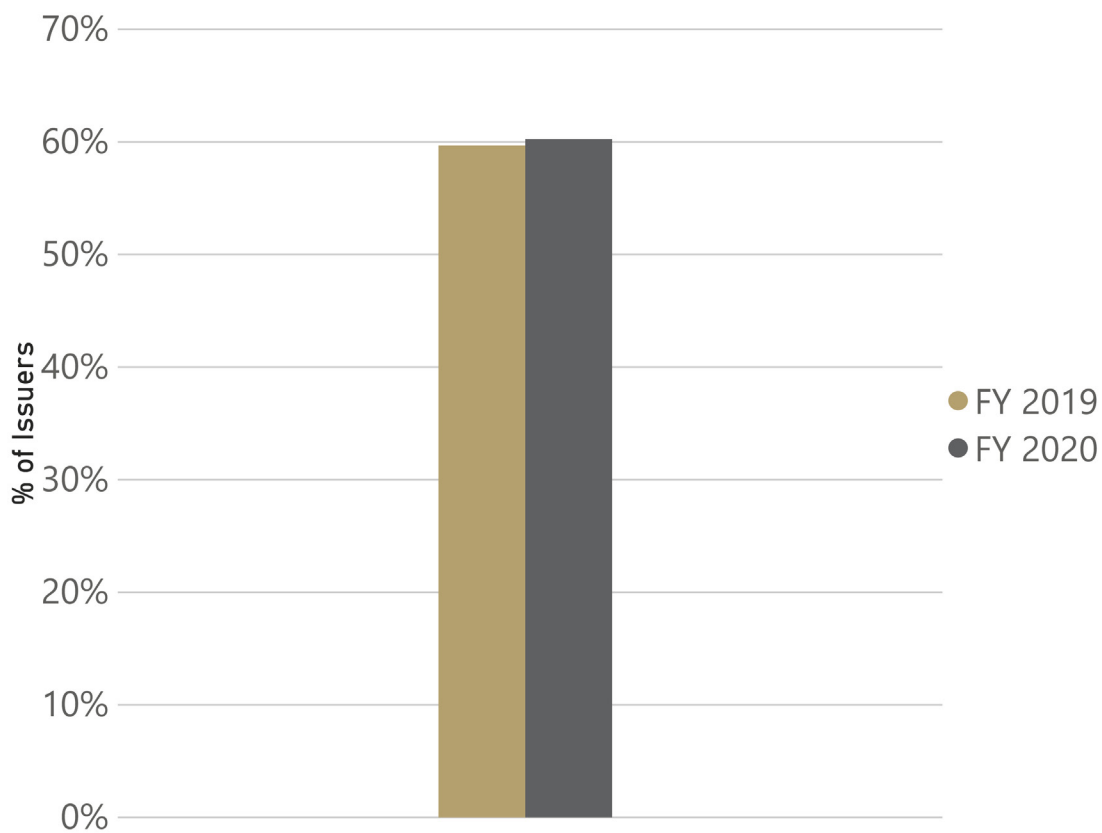
2020 – Average Percentage
of Issuers' Outstanding Stock
Reserved for Equity Incentive Plans

11.8%

Percentage of Equity Plans with an Evergreen Provision

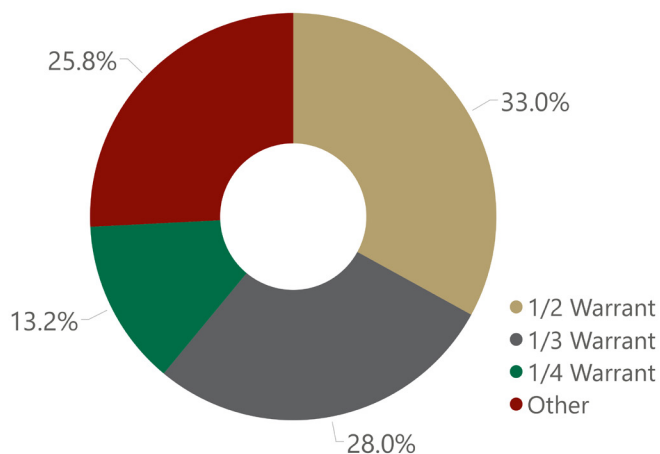
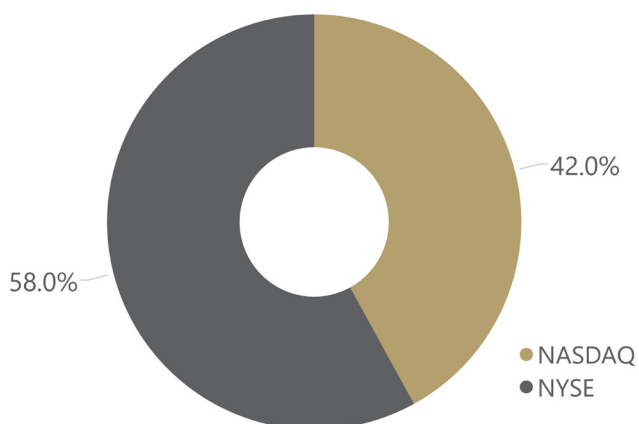
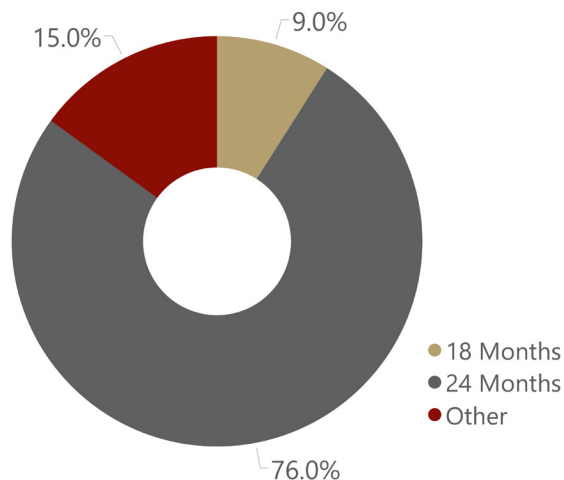


Percentage of Issuers Adopting an Employee Stock Purchase Plan



SPAC IPOs

SPACs over \$150M base deal size

**Average
Deal Size****\$369M****Percentage with Forward
Purchase Contracts****22%****Median
Deal Size****\$300M****Warrants in Units****Listing Venue****Time Period to Complete Business Combination**

NUMBER OF NEW PUBLIC COMPANIES IN 2020

Via Business Combination¹

57

Via Traditional IPOs²

160

Via Direct Listings

3

1 Represents closed business combinations for SPACs over \$100M at time of SPAC IPO.

2 IPOs over \$75M excluding SPACs, BDCs and REITs.

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