

# IPO Boot Camp

Presented by

**Valerie Wong Fountain**, Morgan Stanley

**Jonathan Fassberg**, Trout Group

**John Buttrick**, Union Square Ventures

**Sophia Hudson**, Davis Polk

LATE STAGE PRIVATE PLACEMENTS AND  
CROSS-OVER ROUNDS

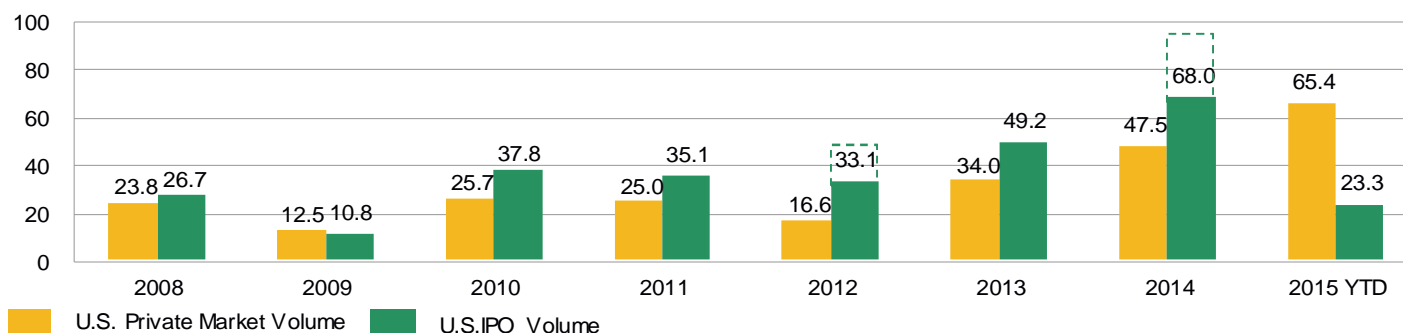
**November 16, 2015**

# U.S. Equity Private Placement Market Update

## Private Market Activity <sup>(1)(2)(3)</sup>

2008 – 2015 YTD

(\$Bn)

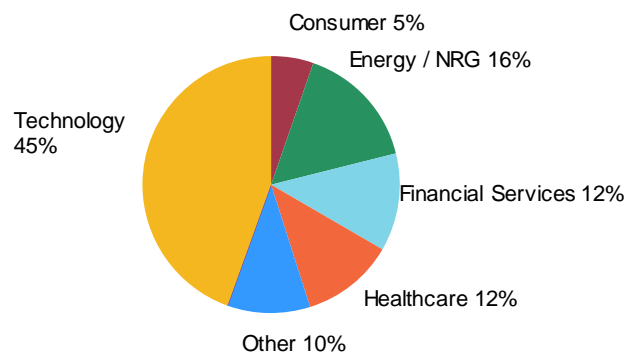


% U.S. IPO Vol.	89%	66%	68%	71%	50%	69%	70%	281%
# of Deals	151	93	125	152	115	214	324	414

## Private Market Activity by Sector <sup>(1)(2)(3)</sup>

2015 YTD

\$Bn



## Private Market Activity by Sector <sup>(1)(2)(3)</sup>

2015 YTD

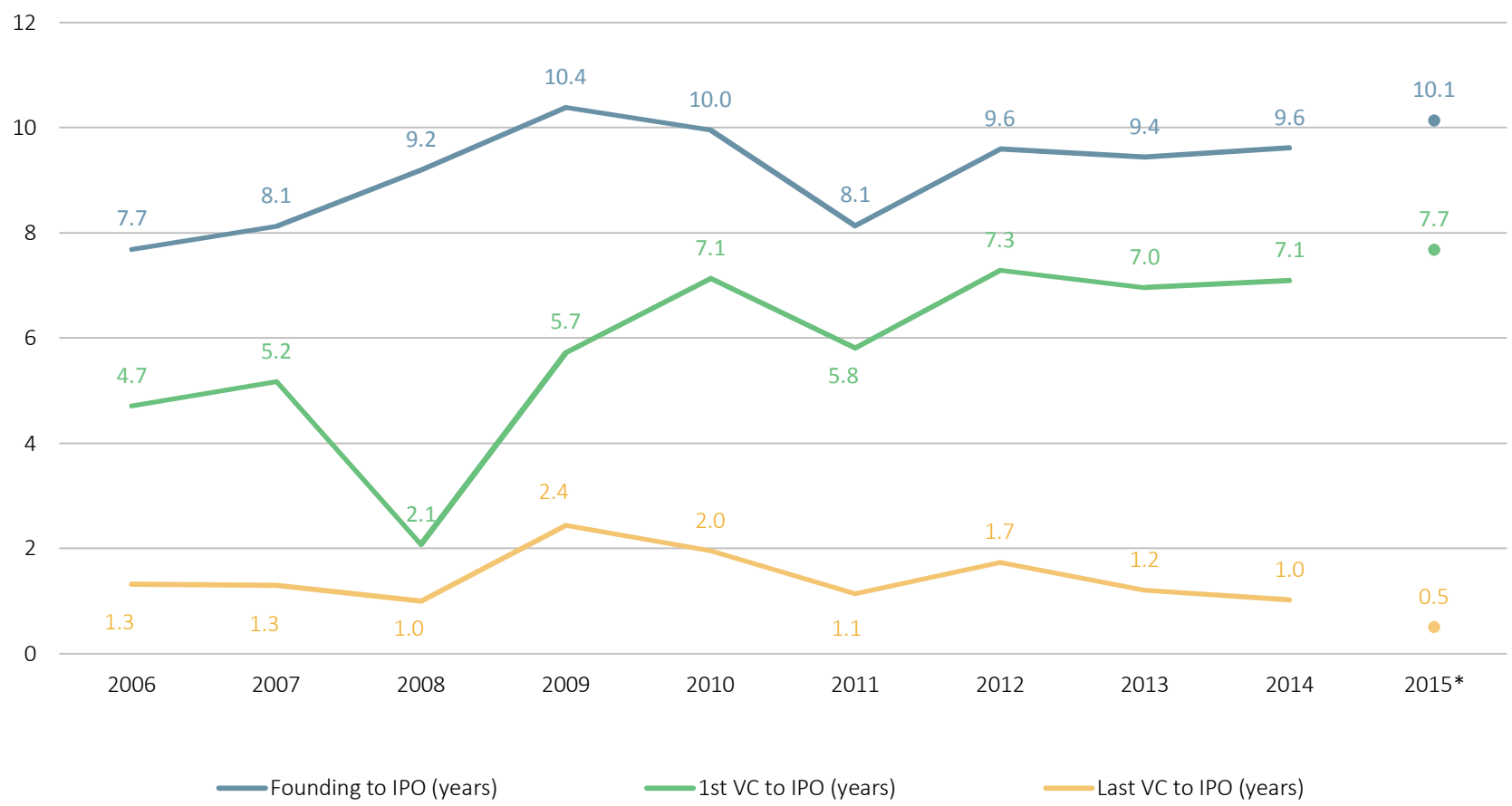
Sector	Number of Deals	Avg. Deal Size (\$MM)
Technology	200	146
Healthcare	75	102
Energy	45	229
Consumer	30	115
FIG	26	310
Other	38	179
<b>Total</b>	<b>414</b>	<b>143</b>

### Notes

- (1) Includes all private market equity transactions in North America; greater or equal to \$50MM in size
- (2) Data updated as of October 5, 2015
- (3) Sources: PitchBook, Capital IQ, Morgan Stanley Internal
- Excludes Facebook's outsized 2012 IPO of \$16Bn and Alibaba's outsized 2014 IPO of \$25Bn

# Late Stage Private Placement Market

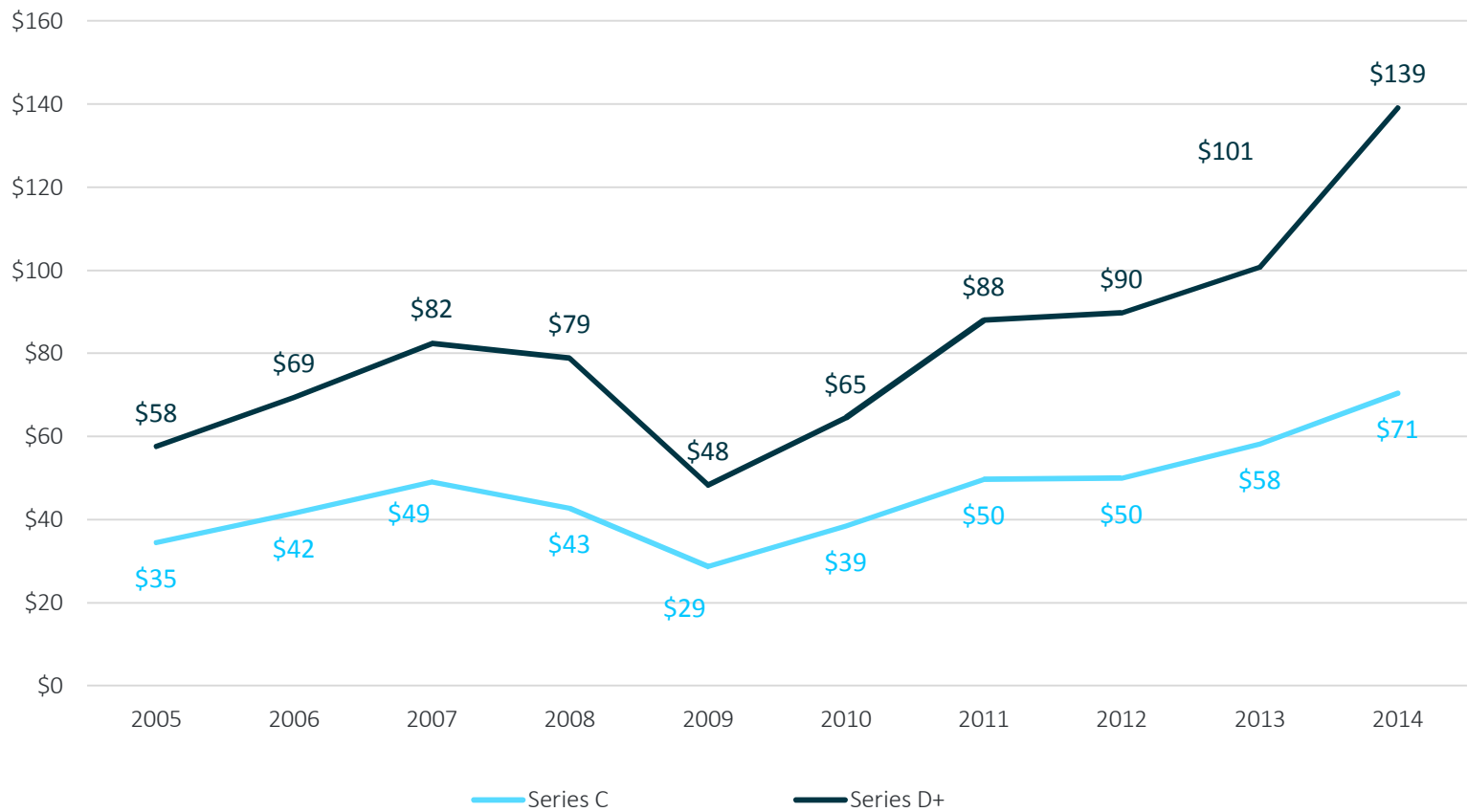
In recent years, companies have generally gone public less than 2 years after their last VC capital raise



Source: PitchBook. \*As of 9/30/15.

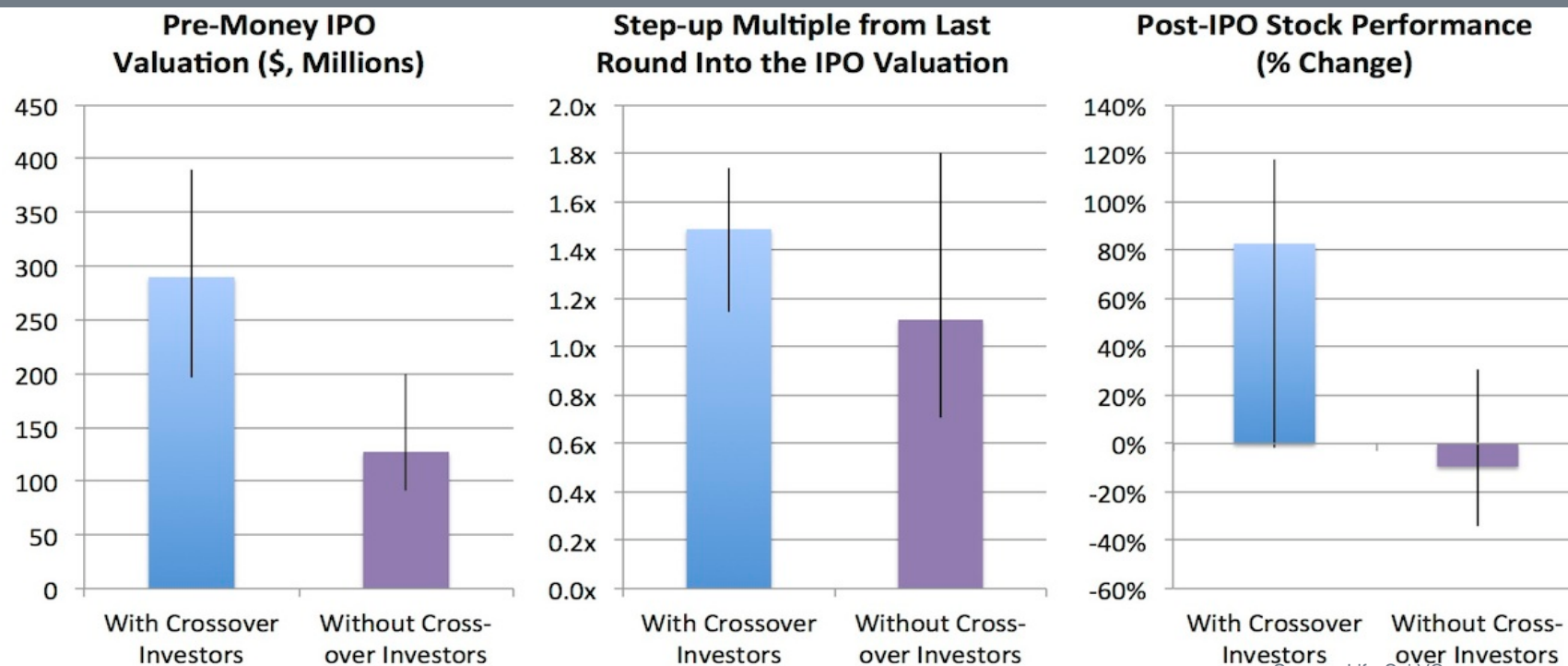
# Late Stage Private Placement Market

Since 2009, increasing median valuations for late stage companies



Source: PitchBook

# Trends in Biotech Crossover Financing



Ranges represent 25<sup>th</sup> and 75<sup>th</sup> percentiles around the median value (50<sup>th</sup> percentile)  
N=24 companies with cross-over investor led pre-IPO financings, and 70 companies without  
Data as of October 20, 2014

Source: Life Sci VC

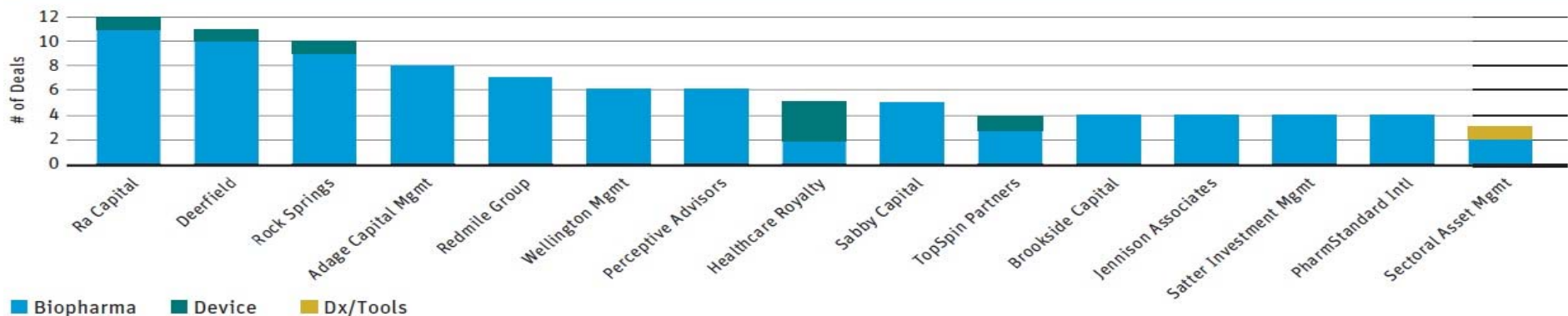
## Timing Trends – Period from mezz/crossover round to IPO getting shorter

- 2013 - 6 months on average for a company to get from a crossover round to IPO
- 2014 - 5 months
- 2015 - 4 months

# Evolution of the Crossover Market

- **A Crossover round is an increasingly important step ahead of a successful public offering.**
  - Companies view these investors as allies because they tend to be less sensitive to higher valuations than VCs
  - Crossover Investors can provide a sign of validation to the public markets ahead of the IPO
- **Recent Crossover/IPOs**
  - Of the biopharma IPOs that raised more than \$100M in 1H'15, 80% were backed by crossover investors.
  - Companies with crossover rounds had more successful IPOs, reflected in significantly higher pre-money valuations and dollars raised.
- **Trends - 2013-14 IPO window: Crossover Backed vs Non-Crossover Backed**
  - Median pre-money valuations were 52% higher (\$211 million vs. \$139 million)
  - Dollars raised at IPO were 48% higher (\$96 million vs. \$65 million)
  - The top 15 crossover investors, 7 of which are hedge funds, are responsible for 57 unique new lead investments.
    - Of those investments, 25 have achieved an exit as of February 2015: 21 IPOs and four M&A transactions.

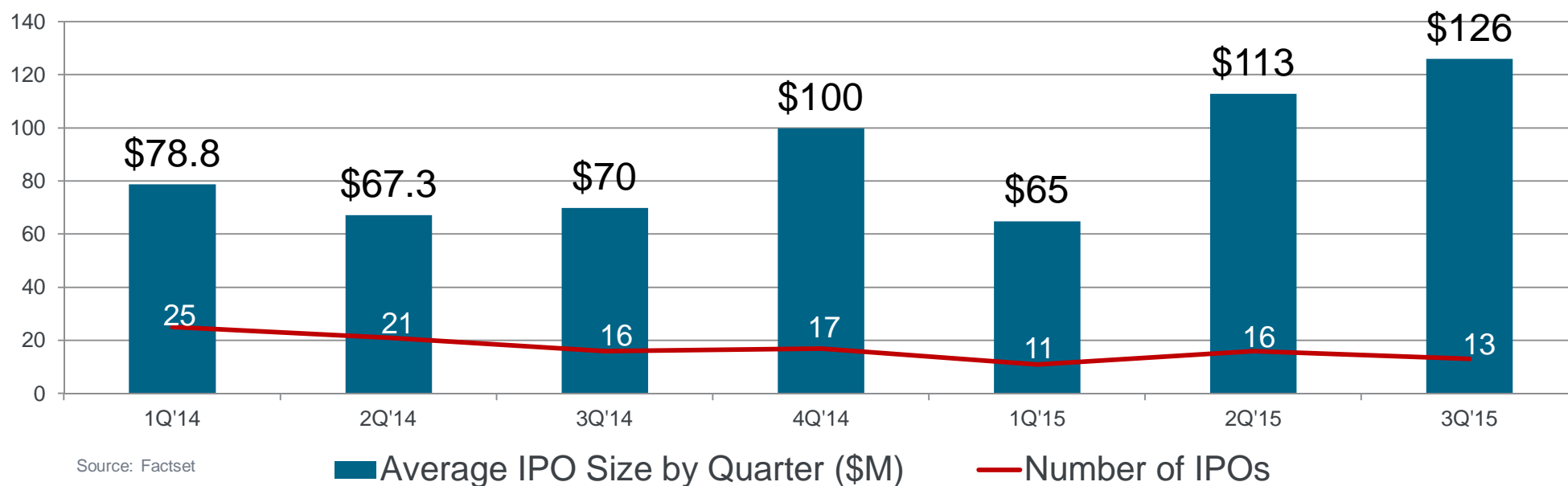
**Exhibit 13: Most Active\* New Non-VC Investors (2013-2014)**



■ Biopharma ■ Device ■ Dx/Tools  
44% of these investments have gone public or been acquired during these two years  
\*Most active defined as top 15 non-VC healthcare investors based on new investments  
Source: CB Insights and SVB proprietary data

# IPO Markets

## Biotech IPOs by Quarter: 2014 - Present



- Life sciences issuers continue to lead companies going public in 2015, comprising 37% of the YTD IPOs
- Average size of biotech IPOs have been growing, while the number of deals going out has been decreasing
- Many issuers (both IPO & FO) are in a wait-and-see mode, as the realization that many companies that have gone out have had to downsize deals and accept lower valuations in the current environment
- Through early September this year, more than a third of dollars invested in US biotech companies went to the top 20 transactions with crossovers joining 14 of the rounds