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Going Public: U.S. IPO Report

Fiscal Year 2023

Securities & Capital Markets

Executive Summary

Following a lackluster 2022, the IPO market continued to flounder during 2023, partially attributable to ongoing macroeconomic uncertainty and geopolitical uncertainty, including sustained high interest rates, the banking crisis in early 2023, continued geopolitical conflicts in Ukraine and Gaza and challenging market-wide conditions including inflation, the downgrading of the US credit rating and continued recessionary fears. During 2023, we also saw the continuation of vigorous rulemaking by the Securities and Exchange Commission (the "SEC"), which resulted in increased disclosure burdens for public companies, including newly public companies. However, despite less-than-ideal conditions, 2023 did see an increase in total IPO deal count coupled with a near doubling of total gross proceeds compared to 2022. While the growth in the IPO market during 2023 was a welcome sign following the doldrums of 2022, IPO performance is well behind the boom of 2021 and continues to lag behind the average deal volume and gross proceeds raised over the past five years. Similar to 2022, of the IPOs that did manage to make it to market, the overwhelming majority were micro-IPOs, raising $25 million or less in gross proceeds. These micro-IPOs were spread across industries, with a significant showing from the healthcare, financial services, business services, consumer goods and services and tech industries. It is also safe to say that the SPAC craze of late 2020 and 2021 has officially died out with only 31 SPAC IPOs pricing during 2023 compared to 613 during 2021.

During 2023, late-stage start-ups had to navigate whether to access the public markets despite depressed valuations and the threat of trading down post-IPO. Notable IPOs during 2023 include Arm Holding plc's $4.87 billion IPO in September, Kenvue Inc.'s $3.8 billion IPO in May and Birkenstock Holding Limited's $1.48 billion IPO in October. As of January 2, 2024, Birkenstock and Arm Holdings are trading at a premium to their IPO price; whereas Kenvue's stock has fallen. Other strong post-IPO performance includes Nextracker Inc. whose stock has nearly doubled and CAVA Group, Inc. whose stock has risen to an over 85% premium to its IPO price as of January 2, 2024. Not all issuers fared as well, with many issuers raising over $75 million in gross proceeds trading at a discount to their IPO price as of January 2, 2024, including hotly anticipated Instacart, Inc. (Maplebear Inc.) which was trading at a nearly 20% decrease and healthcare companies Turnstone Biologics Corp., Sagimet Biosciences Inc., ACELYRIN, Inc. and Mineralys Therapeutics, Inc. each of which was trading at least 45% below their IPO prices as of such date.

With the Fed signaling it will lower interest rates in 2024 and the increasing sentiment that the U.S. economy will experience a soft landing, the New Year brings with it an increased likelihood of continued IPO growth in 2024—though it is unlikely we will see an IPO boom anytime soon. As issuers finalize their year-end audited financials, it is likely the window will open between the second quarter and the presidential election later this year. In addition, we anticipate that participation by anchor investors for some deals, particularly, in the life sciences sector, may be important in helping such deals to get to market. Given market conditions over the past two years, there is a significant backlog of potential IPO candidates, each of which should be taking steps now to prepare for the markets to open and to be ready to seize the opportunity once market windows are available.

Overall, we noticed the following trends during the 2023 IPO season:

- During 2023, the IPO market showed significant year-over-year growth, but still lagged well behind historical norms;
- The SPAC boom has officially ended;
- Increase in consumer & retail and industrial deals and decrease in healthcare and tech, media & telecom deals;
- It remained difficult for mega IPOs to make it out the door;
- There was a significant increase in mid-size IPOs;
- SEC review process remains streamlined, but the time to complete an IPO has nearly doubled;
- Pricings improved dramatically year-over-year;
- The percentage of foreign private issuers (FPIs) has increased to levels not seen since prior to COVID;
- Issuers in 2023 were largely profitable and the percentage of pre-revenue issuers decreased significantly year-over-year;
- Two years of financial information continues to be the trend for emerging growth company issuers;
- There is a decreasing incidence of issuers reporting a material weakness and with going concern qualifications;
- There was an increase in secondary offerings during 2023, and management were more likely than not to participate;
- There was a sizable increase in the number of private equity sponsor-backed IPOs;
- Equity incentive plans continue to reserve sizable portions of capital for executive compensation, though there has been a decrease in the average percentage of stock reserved and evergreen provisions are falling out of favor;

- It remains is uncommon for a private placement to occur concurrently with IPO; and
- There is a continued decline in issuers with multiple classes of stock.

Key Takeaways for 2023 IPO Season

Our team reviewed the deal terms of approximately 215 of the IPOs that priced between 2020 and 2023 with base deal sizes over $75 million, excluding SPACs, direct listings, real estate investment trusts (REITs) and business development companies (BDCs). Unless noted, our analysis pertains to deals included in our study. Our review is supplemented by data collected by Deal Point Data. Our key findings are summarized in the below report.

- ***During 2023, the IPO market showed significant year-over-year growth, but still lagged well behind historical norms.*** Coming out of a record-breaking 2021 characterized by an unprecedented number of SPAC IPOs and a level of traditional IPOs not seen since the early 2000s, IPO deal volume and total gross proceeds fell dramatically in 2022. Spirits were high in early 2023, with many registration statements flipping public in January, February and early March and eight IPOs garnering gross proceeds at or above $100 million during that time, including the $324 million IPO of Atlas Energy Solutions Inc. on March 8th. However, following the failure of Silicon Valley Bank on March 10th, we did not see another over $50 million IPO until Kenvue's mega IPO in early May. Despite the overwhelming success of the Cava Group IPO in mid-June, summer 2023 had a modest overall deal count, with IPOs picking up renewed vigor in the fall before dropping off in December. Overall during 2023, IPO deal volume, taking into account traditional IPOs regardless of size, increased by over 38% and aggregate gross proceeds increased by over 90% compared to 2022. While these figures represent a welcome increase from the doldrums of 2022, they remain well-below averages over the past five years.
- ***The SPAC boom has officially ended.*** During late 2020, we saw the SPAC IPO market begin to explode, culminating in 613 SPAC IPOs during 2021. As the market for SPAC IPOs increased, so did regulatory scrutiny on the vehicle, which was underscored by the SEC's issuance in March 2022 of proposed rules that would significantly impact the regulatory overlay on the instrument. There was an over 85% reduction in the number of SPACs listing between 2021 and 2022. During 2023, these figures continued to fall, decreasing by nearly an additional two-thirds. With only 31 SPAC IPOs occurring during the year, 2023 was the slowest year in SPAC IPOs since 2016. While the SEC is not anticipated to adopt final rules codifying the changed regulation of the SPAC vehicle until January 24, 2024, the liquidation of numerous SPACs that were unable to identify a target and execute on a deal coupled with high redemption rates among stockholders and difficulties in lining up accompanying PIPE financing leave only the most sophisticated sponsors considering a SPAC IPO.
- ***Increase in consumer & retail and industrial deals and decrease in healthcare and tech, media & telecom deals.*** Comprising about one-fourth of the deals in our study during 2023, IPOs in the consumer & retail sector represented a significant portion of deals during the year—an exponential increase in deals in that space compared to 2022, which did not have any deals meeting our criteria within the sector. These levels are similar to the percentage of consumer & retail deals in 2021 and 2020. 2023 also brought an over 92% increase in deals in the industrial sector, with such deals representing nearly 23% of the market. Inversely, 2023 saw a decrease in deals in the healthcare and tech, telecom & media spaces. Despite a brief peak in healthcare deals during 2022, with almost 65% of deals attributable to the space, healthcare IPOs fell by about 45% year-over-year to around 35% in 2023.[1] IPOs in the tech, telecom & media space also fell by about 45% to around 6.5% during 2023. However, given Arm Holdings's mega IPO, which raised $4.87 billion dollars and Klaviyo, Inc.'s $576 million IPO, tech, telecom & media deals represented an outsized portion of the total gross proceeds raised during the year.
- ***It remained difficult for mega IPOs to make it out the door.*** During 2022, there was a stark shift away from mega IPOs (or IPOs generating gross proceeds over $1 billion) with only two mega IPOs from TPG Inc. and Corebridge Financial, two controlled companies with significant well-known controlling stockholders.[2] This trend continued in 2023, during which there were only three mega IPOs—Arm Holdings, Kenvue and Birkenstock. Significantly, the size of 2023's mega IPOs increased substantially compared to 2022 with Arm Holdings raising $4.87 billion and Kenvue raising $3.8 billion compared to Corebridge Financial's $1.68 billion IPO and TPG's $1 billion IPO. As in 2022, each of the mega IPO issuers in 2023 have significant controlling stockholders and have availed themselves of the controlled company exemption under their relevant exchange's listing rules. Also, similar to 2022, we saw the mega IPOs driven by secondary sales with each of the Arm Holdings and the Birkenstock deals including significant

[1] As is typical, many healthcare IPOs during 2023 garnered gross proceeds less than $75 million, and accordingly do not fall under the purview of our study.
[2] Bright Green Corporation also went public via direct listing in 2022 and generated over $1 billion in gross proceeds and did not meet the criteria of our study.

secondary components—100% of the proceeds went to the controlling stockholder in Arm Holdings and two-thirds went to the controlling stockholder in Birkenstock. As a percentage of total deals in our study, the incidence of mega IPOs during 2023 decreased from 2022 by almost a fifth. During this time period we have seen few unicorn start-ups able to access the IPO market.

- ***There was a significant increase in mid-size IPOs.*** During 2022, deals in the $300-$750 million range only represented slightly below 12% of the total deals, which increased to over 35% during 2023. However, in both years, deals in the $100-$299 million range were the most prevalent, with 59% of such deals falling in that range during 2022 and 48% of deals falling in that range during 2023. The increase in mid-size IPOs did not detract from the small and micro IPOs, however, with strong performance of such deals. Indeed, according to Deal Point Data, there was an increase in micro IPOs during 2023, with 62 deals that raised only $10 million or less in gross proceeds, compared to 20 deals in that range during 2022. During, 2022 deals were more likely to cluster in the over $10 million to $20 million range with 40 deals meeting that criteria compared to 20 in 2023.

- ***SEC review process remains streamlined, but the time to complete an IPO has nearly doubled.*** The number of SEC comment letters received by issuers and the number of comments in each letter have stayed relatively constant over the last couple of years, with a slight year-over-year uptick in the average number of comments in issuer's first and second comment letters, increasing by about 19% and 17%, respectively. The increase in time-to-market, which first emerged during 2022 continued in 2023, with the average time between an issuer's first submission and IPO pricing increasing by 56 days year-over-year. The median time-to-market fell by a little over two weeks in 2023. The discrepancy between the median and average time-to-market is attributable to a handful of issuers taking between a year and a half and nearly two years to go public.

  The continued increase in time-to-market during 2023 is likely driven less by the SEC process and more by ongoing market uncertainty and spikes in volatility caused by events like the Silicon Valley Bank failure, the downgrading of the US's credit rating, the outbreak of hostilities in Gaza, and uncertainty regarding potential government shutdowns during fall 2023. As in 2022, potential issuers have been faced with choosing between accessing uncertain capital markets and pushing their IPO to an unknown future time. Also, similar to 2022, issuers tended to cluster around each other, with over 22% of deals sharing a pricing date with at least one other deal. We had the following additional observations regarding the SEC comment letter process:

  - Throughout 2023, issuers with IPOs in the $75 million to $100 million range received a greater average number of comments in the first letter than other size deal, followed by issuers with deals in the $100-299 million range. Comparatively, during 2022, issuers with IPOs in the $100-$299 million range received a greater average number of comments in the first letter than other size deals and throughout 2022, issuers in the over $750 million and between $300- $750 million size ranges received the most comment letters.

  - Emerging growth company issuers received fewer average comment letters overall than non-emerging growth company issuers and on average were able to get to market around two and a half months sooner.

  - Companies in the healthcare and tech, telecom & media industries had the lowest average number of comments in their first letter, whereas companies in the financial sector received nearly double the average number of comments in their first letter.

  - Healthcare issuers received the lowest average total comment letters, with several issuers receiving only two or three comment letters, enabling nearly a handful of companies to get to market in under three months.

  - Several companies conducting IPOs in the consumer & retail sector received numerous comment letters from the SEC, driving such companies to a longer time-to-market.

  - Accounting-related comments were prevalent, with many issuers receiving comments related to revenue recognition and the disclosure of non-GAAP financial information.

- ***Pricings improved dramatically year-over-year.*** Looking at issuers in our study, during 2023, approximately 65% of deals priced at or above the mid-point of the range, with 45% of deals pricing above the mid-point. This represents a significant improvement in pricings over 2022, which saw almost 53% of deals pricing below the midpoint, only just under 18% pricing above the mid-point and approximately 29% of deals pricing at the midpoint. In addition, during 2023 those deals that did price below the mid-point tended to deviate by a smaller amount than in 2022. Additional observations regarding trends in pricings during 2023 are:

  - Of IPOs between $100 million and $299 million, one-third of deals priced at the mid-point, about 47% priced below the mid-point and 20% priced higher than the mid-point.

- Deals with gross proceeds over $300 million were more likely to perform well with approximately 79% of such deals pricing above the mid-point and only 21% pricing below the mid-point.

- Of the deals pricing below the mid-point, about 45% priced a dollar or less outside of the range, compared with one-third pricing more than $4 below the mid-point in 2022.

- Non-emerging growth company issuers were more likely to price at or above the mid-point than emerging growth company issuers.

- All deals in the tech, media & telecom industries priced above the midpoint. Inversely, deals IPOs in the industrials industry were the most likely to price below the mid-point of the range with more than 71% of deals pricing below the mid-point.

- Just about one-third of issuers upsized their offerings, all but one of which priced above the mid-point.

- ***The percentage of foreign private issuers (FPIs) has increased to levels not seen since prior to COVID.*** FPIs enjoy a number of exemptions from the registration and disclosure requirements applicable to domestic entities. Despite these accommodations, we saw a steady decline in the percentage of FPI issuers throughout the COVID years, falling to only around 6% of issuers during 2022. During 2023, however, the number of FPI issuers increased dramatically to about 26% of deals. Of those issuers, about 38% pursued a dual listing and the majority listed on the Nasdaq rather than the NYSE. These issuances crossed industries and geographies, though issuers in the industrial sector were the most common. While SEC rulemaking under Chairman Gensler's regime has often neglected to include exemptions for FPIs, subjecting them to additional disclosures regarding areas like cybersecurity risk governance and compensation clawbacks, it does not appear that the increased disclosure burden has acted as a deterrent for foreign companies to list in the U.S. In addition, FPIs will benefit from two recent occurrences: (1) the Fifth Circuit Court of Appeal's vacating of the SEC's final share repurchase rules, which would have required FPIs to file daily share repurchase data on a quarterly basis on new Form F-SR, among other things; and (2) the proposed bill that would have rescinded the Section 16 exemption for FPIs recently dying in conference.

- ***Issuers in 2023 were largely profitable and the percentage of pre-revenue issuers decreased significantly year-over-year.*** During 2023, 52% of issuers reported net losses on a GAAP basis, this represents almost a 27% decrease in issuers presenting net losses on a GAAP basis compared to 2022. There was also a significant decrease in the percentage of pre-revenue issuers, which dropped from 53% of issuers in 2022 to only 29% of issuers in 2023. All pre-revenue issuers were in the healthcare industry, though base deal size varied significantly across these issuers. The level of pre-revenue issuers during 2023 is more comparable to 2020 and 2019, each of which saw approximately 20% of deals from pre-revenue issuers. We also saw a moderate increase in the incidence of issuers including flash earnings in their registration statements, rising from around 18% in 2022 to nearly 23% in 2023.

- ***Two years of financial information continues to be the trend.*** Nearly all EGCs in our study, across sectors, relied on JOBS Act accommodations to present only two years of audited financial statements (or one year if the company is only able to provide one year of audited financial statements since its inception), consistent with trends since fiscal year 2020. After the JOBS Act was passed in 2012, few companies availed themselves of the scaled financial statement accommodation, but as the years progressed we have seen most EGC issuers take advantage of the option to provide two years financial statements—indeed only two EGC issuers presented a third year of financial statements during 2023, both of which were in the industrials sector.

- ***There is a decreasing incidence of issuers reporting a material weakness and with going concern qualifications.*** Between 2020 through 2022, we saw a gradual year-over-year increase in issuers that reported identifying a material weakness in their internal control over financial reporting, rising to over half of issuers in 2022. However, the percentage of issuers that reported identifying a material weakness dropped to only 32% in 2023. We also saw a decline in the number of issuers going public with "going concerns" in their audit reports down to around 13% in 2023 from 24% in 2022, which is partially attributable to the decrease of healthcare issuers during 2023. As with 2022, all of the issuers that included going concern qualifications in their audit reports during 2023 are part of the healthcare industry.

- ***There was an increase in secondary offerings during 2023, and management were more likely than not to participate.*** During 2023, over one-third of IPOs included secondary offering components compared to less than one-fourth of IPOs during 2022. This increase is likely driven by the year-over-year decrease in healthcare IPOs during 2023, as life science and biotechnology companies are able to access the public markets at an early stage in their lifecycle when exits are less common at time of IPO for founders and early stage investors. Indeed, only one healthcare IPO included a secondary component with the other deals spread among the consumer & retail, financial and tech, telecom & media sectors. Over half of the deals included significant secondary components of 50% of the base deal or more with one-third of such deals being structured solely as a secondary offering. In a deviation from historical norms, only about 35% of issuers opted to reserve shares pursuant to a directed share program compared to approximately 59% in 2022 and 49% in 2021.

- ***There was a sizable increase in the number of private equity sponsor-backed IPOs.*** During 2022, sponsor-backed deals in our study fell dramatically to under 6% of IPOs. In 2023, we saw an over 600% increase in sponsor-backed deals, rising to nearly 42% of deals. Given the unique characteristics of sponsor-backed deals, certain trends attributable to the increase the increase in such IPOs have emerged. For example, sponsor-backed companies have historically been able to negotiate lower underwriting commissions, and in 2023 we saw that overall underwriting commissions decreased year-over-year, with one sponsor-backed deal, the Birkenstock IPO, in which the issuer was able to negotiate a 4.25% underwriting commission.

- ***Equity incentive plans continue to reserve sizable portions of capital for executive compensation, though there has been a decrease in the average percentage of stock reserved and evergreen provisions are falling out of favor.*** Employee stock ownership programs, including incentive equity plans and employee stock purchase plans, continue to be popular among issuers as an important compensation and recruiting tool. However, during 2023, we saw a decrease in the average percentage of stock reserved for issuance at the IPO to around 12% compared to just over 15% during 2022. The decline is more in line with figures seen in 2021, which saw the average percentage of stock reserved for issuance at IPO at about 12%. There is an emerging trend that equity incentive plans containing an "evergreen" provision that automatically increases the number of shares reserved for issuance under the plans without shareholder approval are increasingly falling out of favor. Of the deals in our study, around 76% of issuers included the "evergreen" provision in 2021 compared to 71% in 2022 and only 61% in 2023. However, during 2023, an increasing percentage of issuers opted to offer an employee stock purchase plan, which enables employees to purchase company shares through payroll deductions, usually at a discount to market prices with an estimated 71% of issuers adopting employee stock purchase plans in 2023 compared to only 59% in 2022.

- ***It remains is uncommon for a private placement to occur concurrently with IPO.*** During 2023, only approximately 10% of issuers in our study conducted a private placement concurrently with their IPO, down slightly from 12% in 2022. In addition, less than a third of companies had a private placement within a year prior to filing their IPO registration statement, with these issuers ranging in sector from consumer & retail to healthcare to industrials.

- ***There is a continued decline in issuers with multiple classes of stock.*** During 2023, less than one-third of issuers had multiple classes of stock compared to about 35% in 2022 and nearly 50% in 2021. The IPOs of 2023 also brought with them year-over-year decreases in the incidence of advance notice bylaws, from around 82% to 74% and in the ability to remove directors for cause from around 94% to 81%. However, we also saw a slight increase in issuers including the forum selection clause from just over 82% in 2022 to 87% in 2023.

Looking Ahead

- ***Cautious optimism is the reigning sentiment.*** There are a backlog of companies that have been waiting for the right time to go public, and stabilizing inflation and interest rates from the end of 2023 support expectations of a more active IPO market in 2024. However, we anticipate that any resurgence would bring the IPO market back to pre-pandemic levels as opposed to exceeding those levels. While the Fed has indicated it will cut interest rates in 2024, it is not clear when rates will decrease. In addition, while experts are optimistic that the U.S. economy will experience a soft landing rather than a prolonged recession, it is not yet a certainty. These factors could cause some companies in the pipeline to wait until 2025 to go public. However, we expect companies showing the strongest potential to kick off a slow increase in IPOs in 2024, including an uptick by larger VC-backed startup companies.

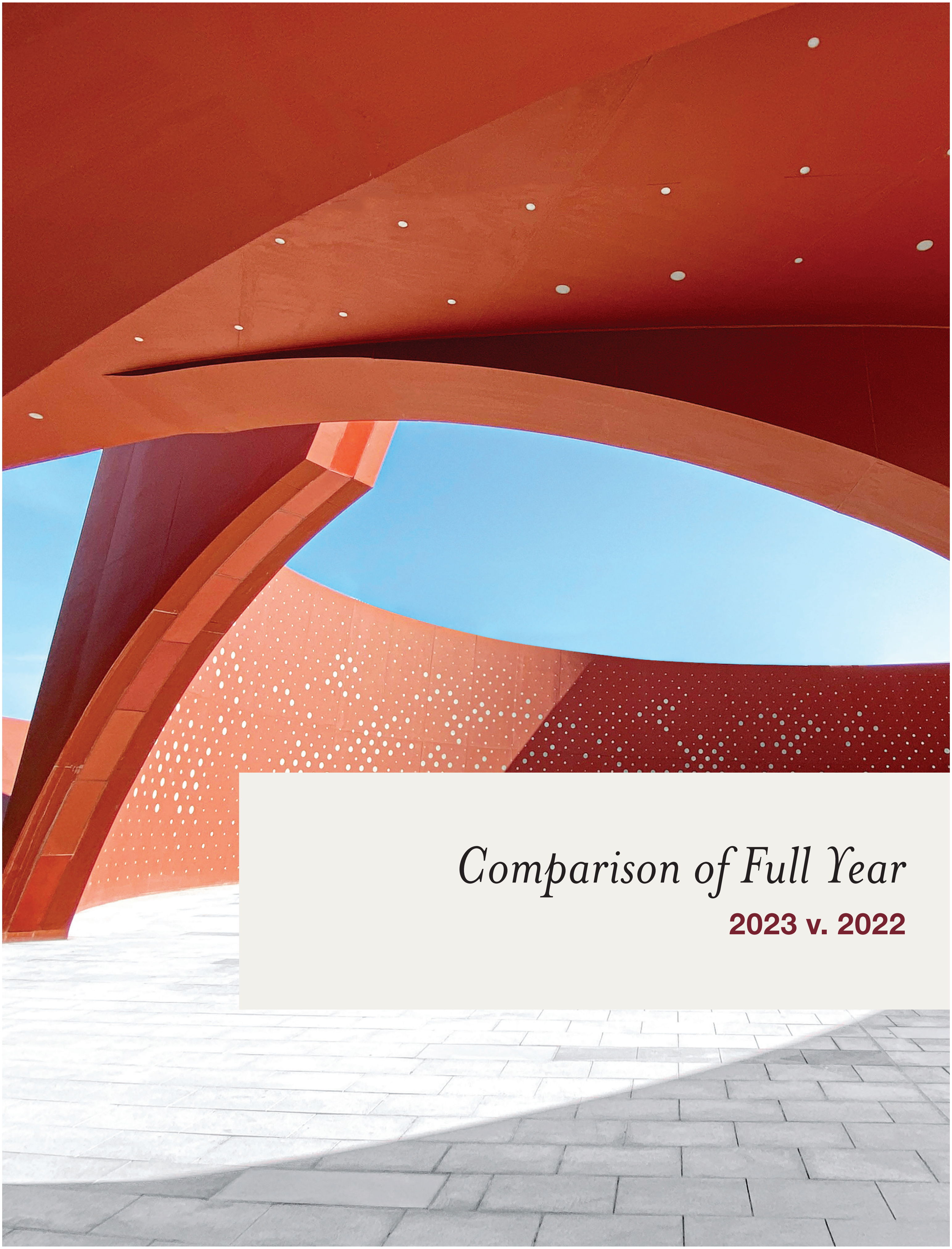
  With respect to the life sciences sector, we believe that shares of the life sciences IPOs of 2023 will need to perform better in order to generate overall enthusiasm for such companies waiting in the wings to go public. In addition, in contrast to the popularity of early stage firms that went public with smaller IPOs and shorter histories during 2020-2021, we see the pipeline shifting toward mature biotechnology companies. Furthermore, we anticipate life sciences companies will continue the emerging trend of seeking larger capital raises that will give them a longer runway. We also believe that anchor investor participation in life sciences IPOs will help such deals get to market.

- ***Issuers should be prepared to inspire confidence.*** Most major economics in 2024 are expected to experience weaker growth, with unemployment forecasted to slightly increase. Accordingly, issuers hoping to go public will need to show clear potential for growth and profits. Continued shaky economic footing means investors will be looking for strong indicators and a story with broad appeal.

- ***We expect the latter half of the year will be more active, though there are reasons to go public sooner.*** There is potential for increased IPOs in both the earlier and latter halves of the year, for separate reasons. Companies may seek to go public earlier in the year to get ahead of any election-related uncertainties. On the other hand, companies that still have concerns over economic stability and the related impact on their valuation may elect to wait for a confirmation of the soft landing before making any major business decisions. Furthermore, the IPO market build more momentum in the second half of the year following widely expected Federal Reserve interest rate cuts starting as early as March.

- ***Unforeseen geopolitical events or macroeconomic occurrences could stymie an uptick in the IPO markets.*** Over the past few years, we have seen major geopolitical and economic events have a significant chilling effect on the IPO markets. To the extent that 2024 brings with it the outbreak of additional hostilities, political strife or unforeseen economic events like the failures of financial institutions seen in 2023, it is likely that the IPO market will experience a slowdown in the following weeks and months.

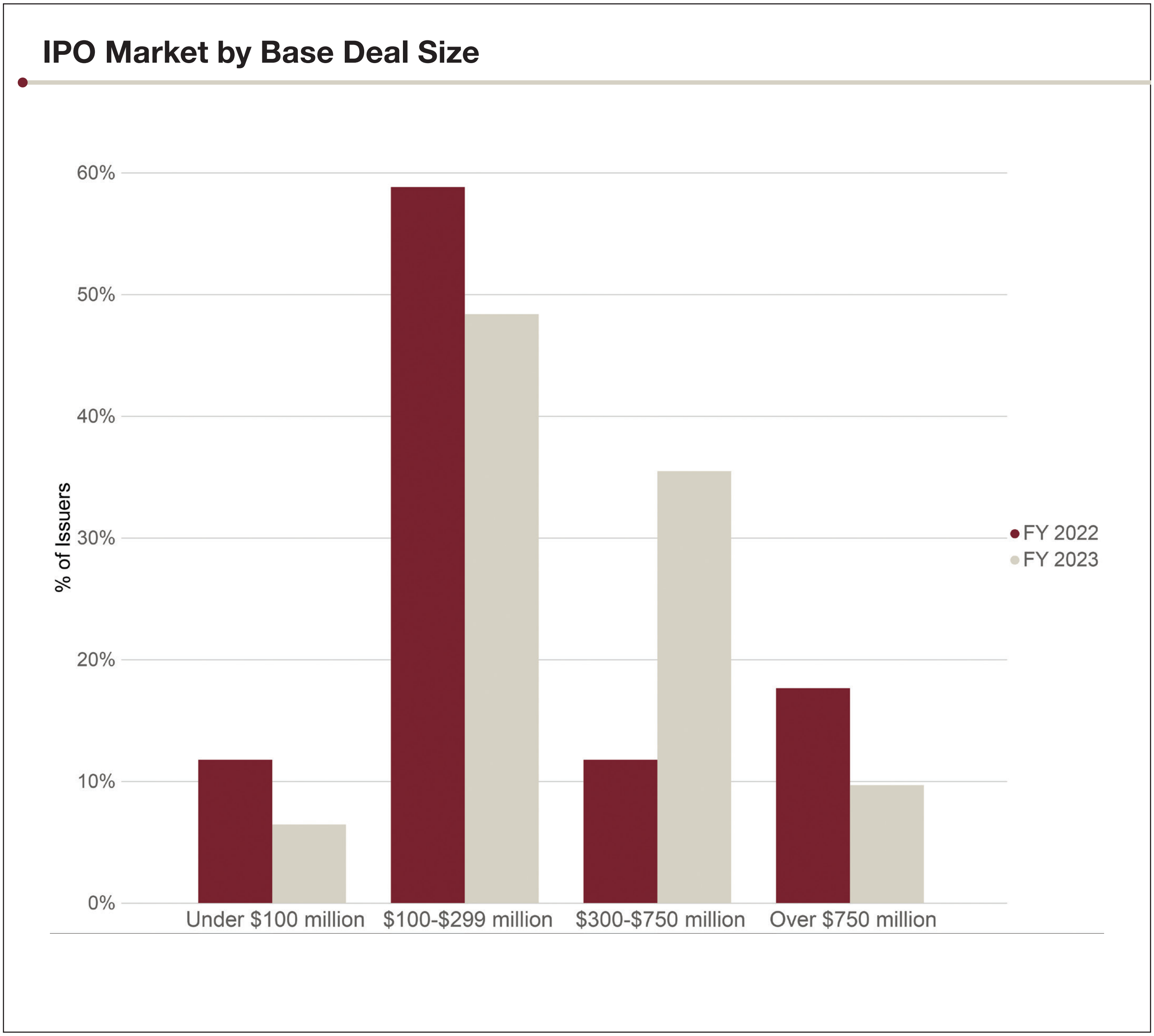
- ***The SEC's forthcoming major rule adoptions will present additional considerations for companies seeking to go public.*** In the past two years, the SEC has been very active in its rulemaking efforts, implementing numerous sweeping changes, such as the cybersecurity incident disclosure rules and the clawback rules. In December, the Office of Information and Regulatory Affairs released the SEC's fall 2023 rulemaking agenda, which provides a view into the SEC's general rulemaking priorities and rough timelines for when action might be taken with respect to a particular rulemaking initiative. The SEC's fall 2023 rulemaking agenda includes a number of pending and potential rules of interest to public companies or companies seeking to go public, including the highly anticipated rules related to climate change disclosures. In the agenda, the SEC signaled these rules would likely be adopted sometime in spring 2024, though the timeline has been pushed several times before, and it remains to be seen if the SEC's rulemaking timelines will be impacted by the Fifth Circuit Court of Appeals recently vacating the amended share repurchase rules adopted earlier this year. The initial climate change rule, first proposed in March 2022, mandated significant new disclosure that would impose a heavy lift on issuers in order to comply, including adding a new Regulation S-X article and a new sub-part to Regulation S-K. Unsurprisingly, the SEC received thousands of comments on the proposed rule and has faced heavy backlash regarding the scope of disclosure suggested. While we anticipate that the final rule will represent a toned-down version of the initial proposed rule, issuers seeking to go public should factor in the costs and feasibility of complying with climate disclosures in their IPO prep. The SEC has continued to list corporate board diversity as a rulemaking priority, though it has yet to issue a proposed rule. The agenda estimates a proposed rule may be issued in October 2024, though this timeline has also been pushed in the past. Regardless, in light of the Nasdaq board diversity disclosure requirements and the potential for impending SEC rules, issuers should be taking into account board diversity when reviewing potential post-IPO director candidates.



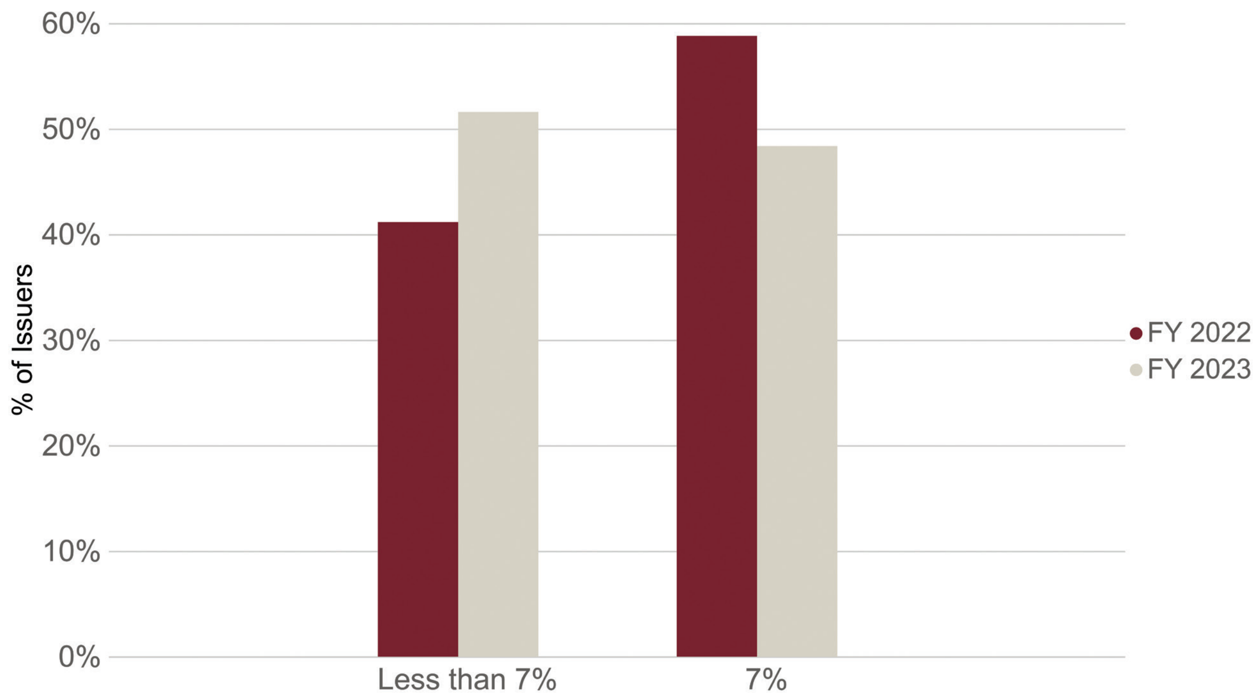
Comparison of Full Year

2023 v. 2022

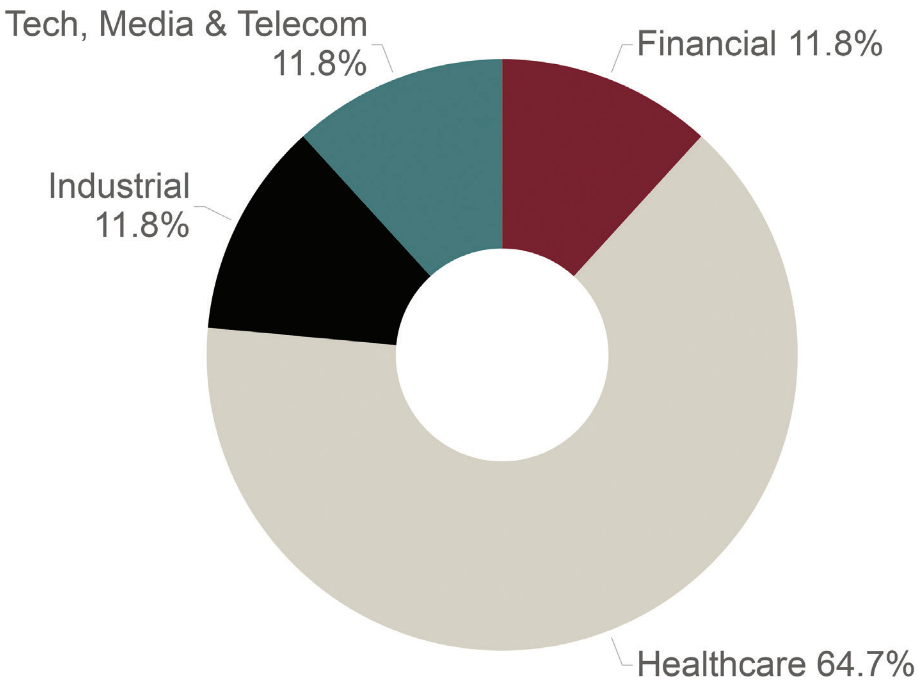
IPO Overview



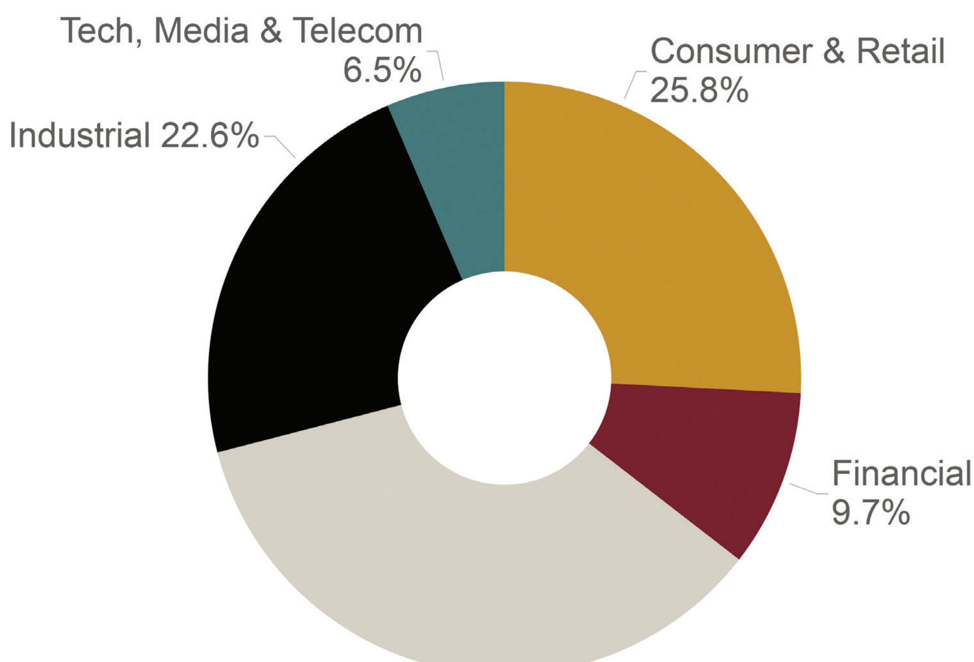
Market Trends of Underwriting Discounts



FY 2022 - IPO Market by Sector



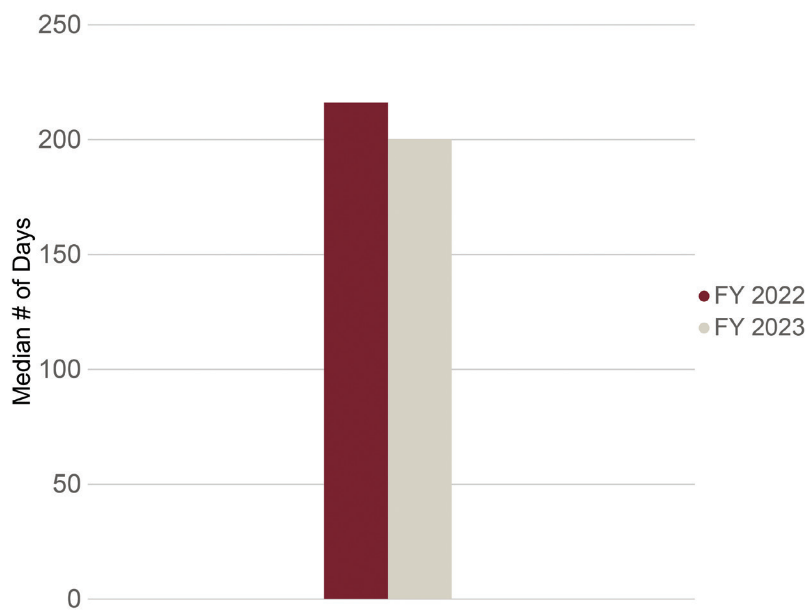
FY 2023 - IPO Market by Sector



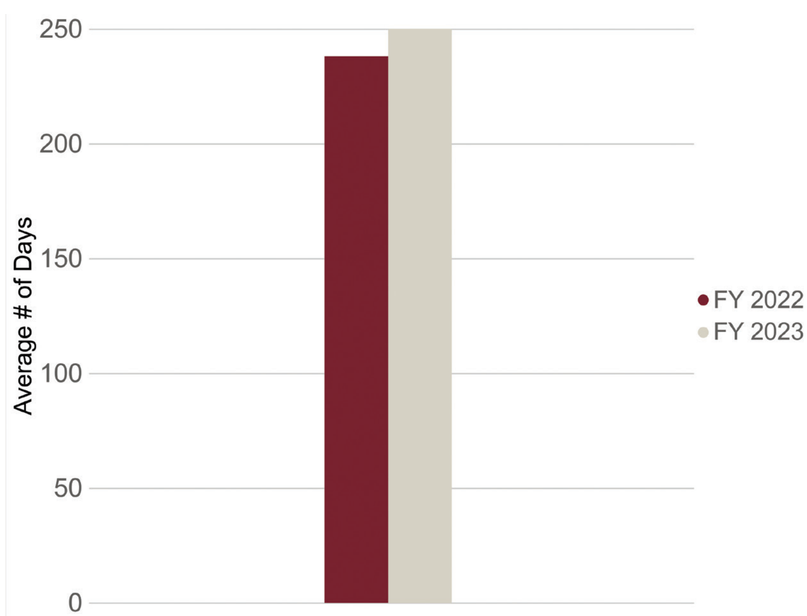
IPO Timing and SEC Review

TIMING FROM FIRST SUBMISSION TO PRICING

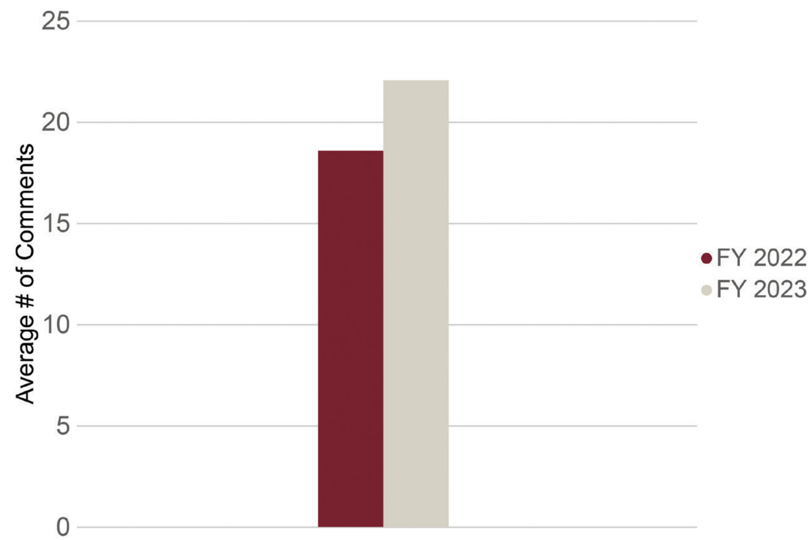
Median Days Between Submission and Pricing



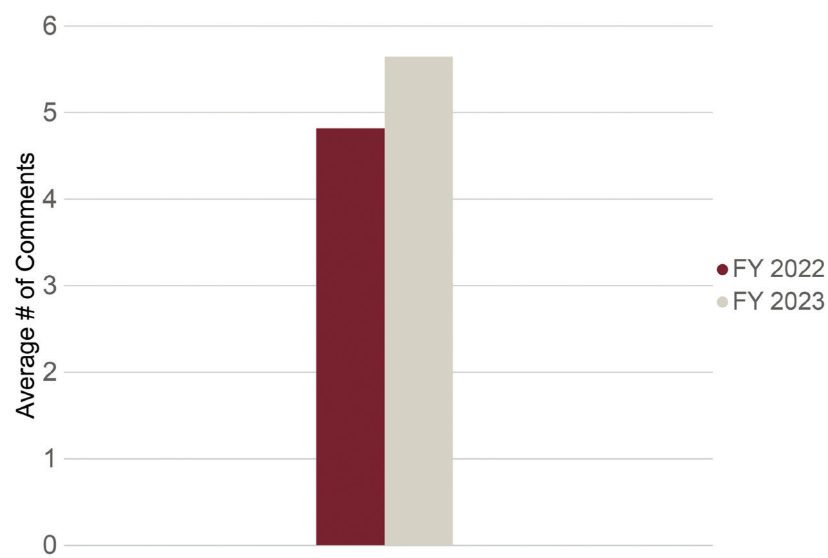
Average Days Between Submission and Pricing



Average Number of SEC Comments in First Letter



Average Number of SEC Comments in Second Letter



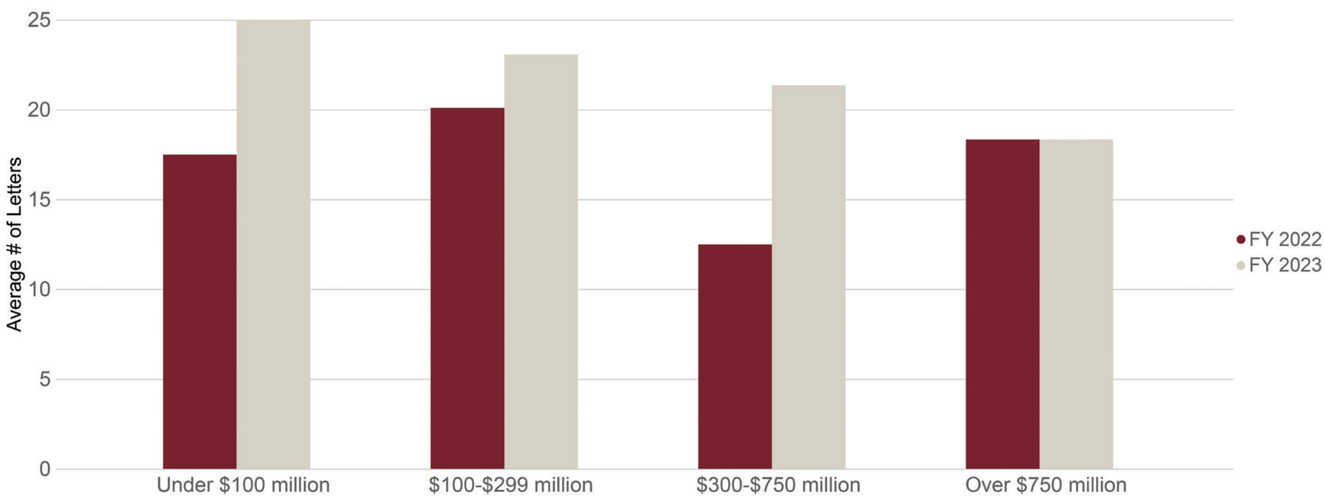
FY 2022 – Median No. of SEC Review Comment Letters Received by Issuers

5

FY 2023 – Median No. of SEC Review Comment Letters Received by Issuers

5

Average Number of SEC Comments in First Letter



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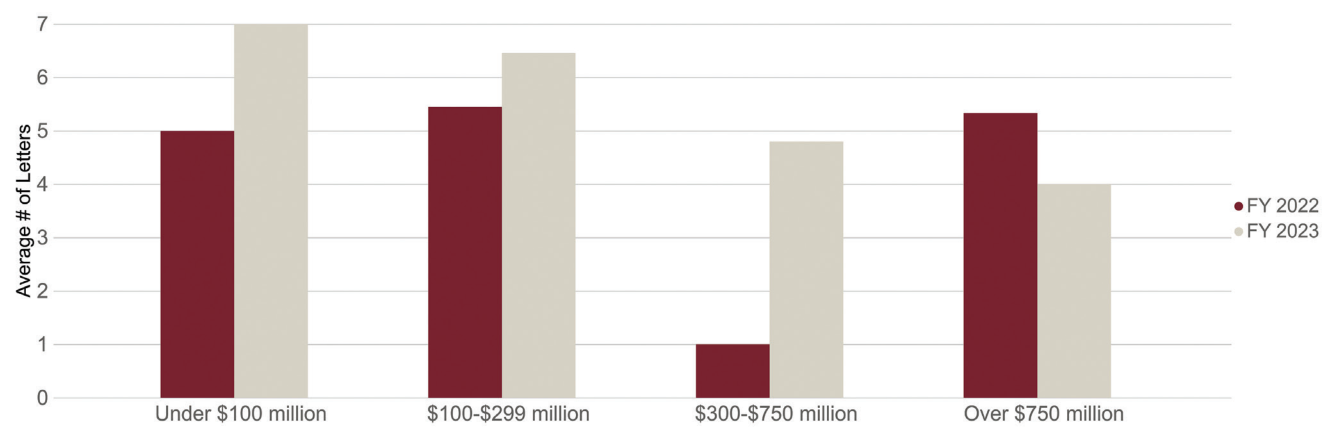
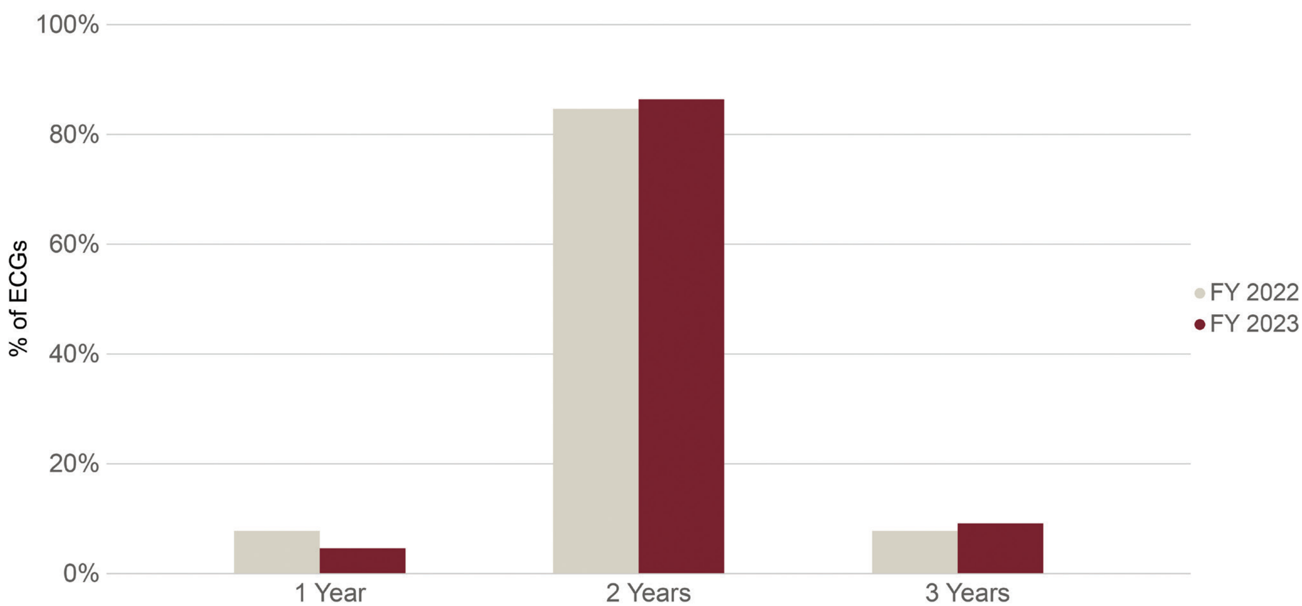


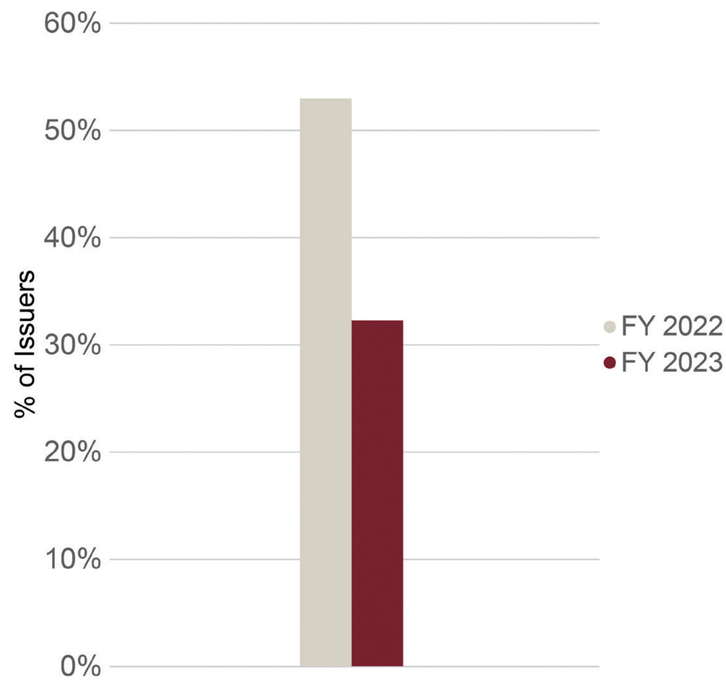
Issuer Profile: Financial Background of IPO Issuers

EMERGING GROWTH COMPANIES

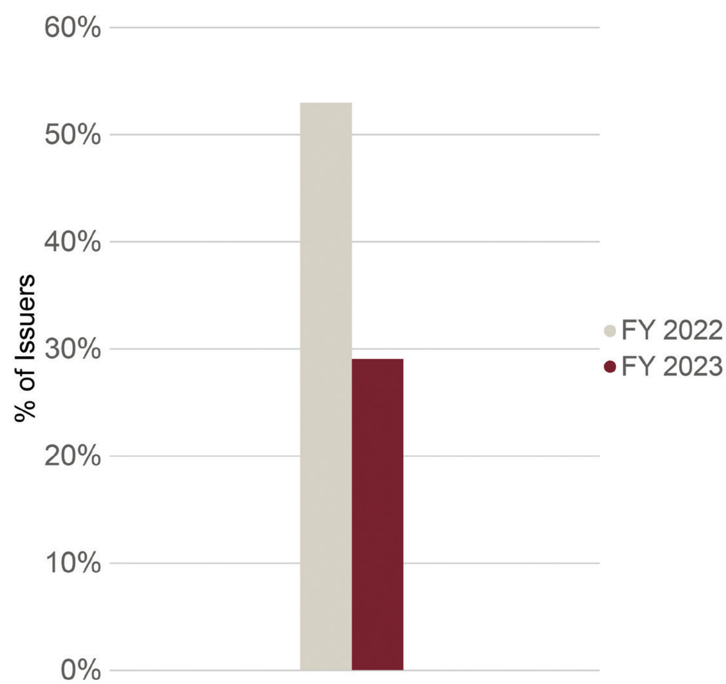
Historical Period of Audited Financials by EGCs



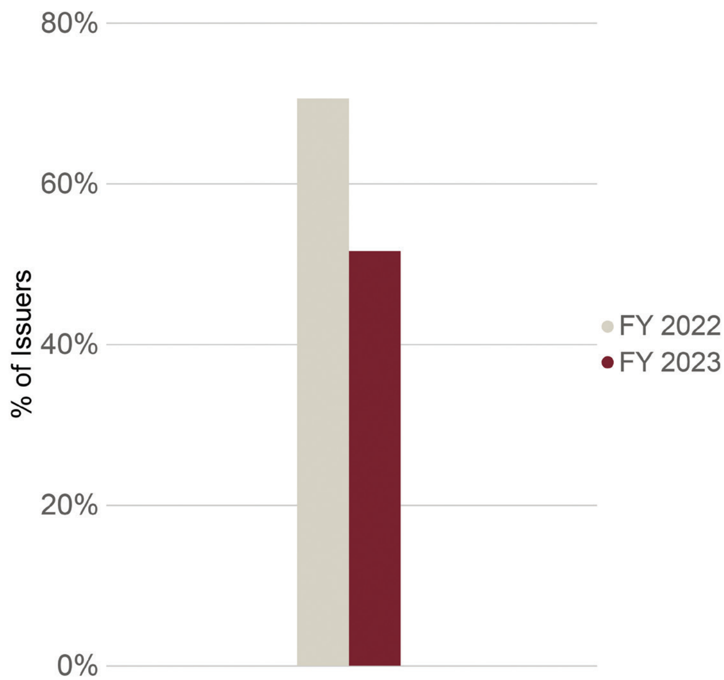
Percentage of Issuers Disclosing a Material Weakness in Their Internal Controls Over Financial Reporting



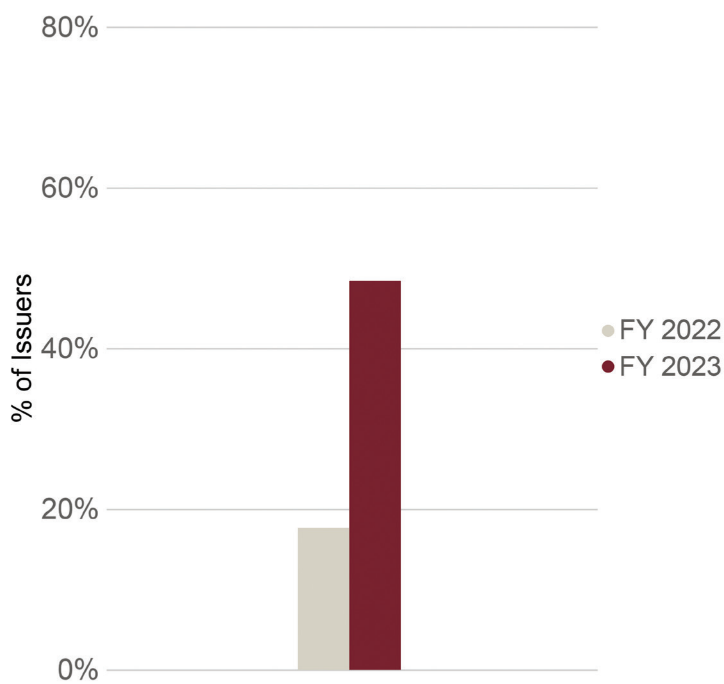
Percentage of Issuers at "Pre-Revenue"



Percentage of Issuers Presenting a Net Loss

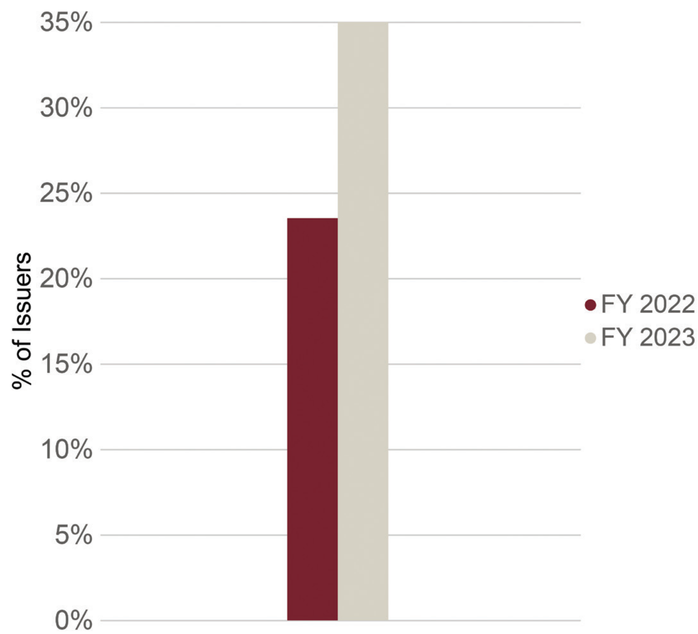


Percentage of Issuers Presenting "Adjusted EBITDA" Financial Information

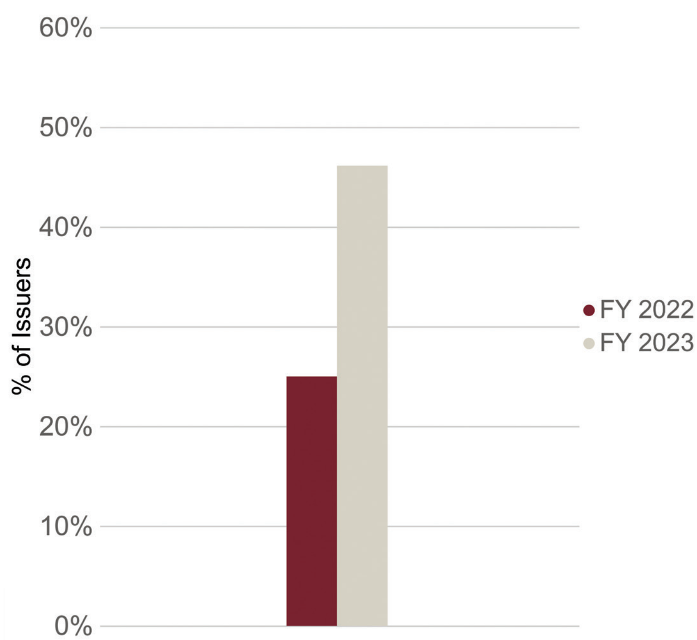


SECONDARY OFFERINGS AND MANAGEMENT PARTICIPATION

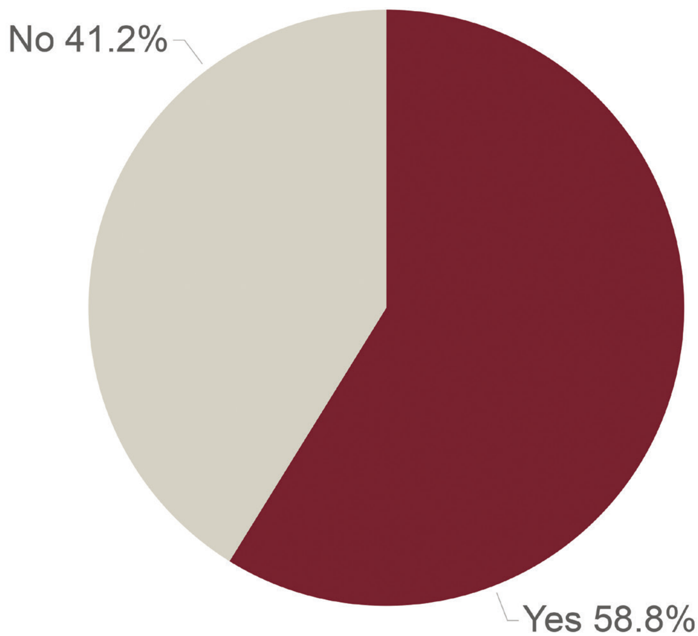
Percentage of IPOs with a Secondary Offering Component



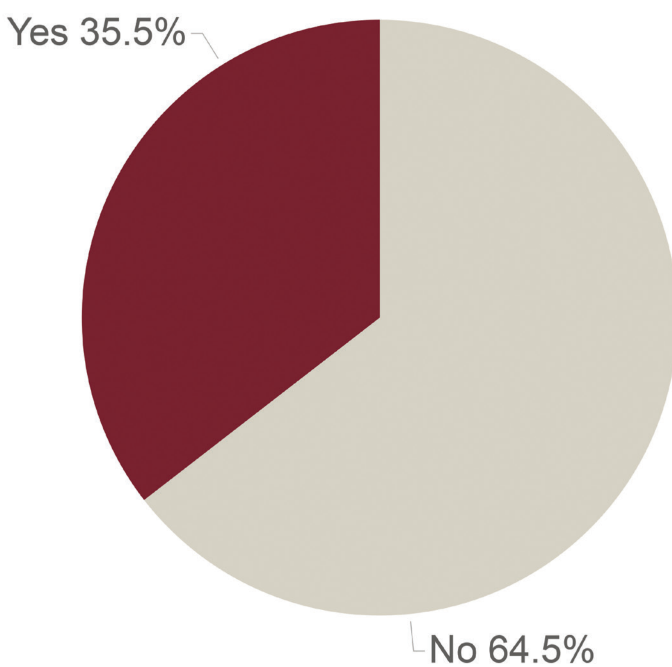
Percentage of IPOs Involving Purchases by Issuers' Management



FY 2022 - Percentage of IPOs Offering a Directed Share Program

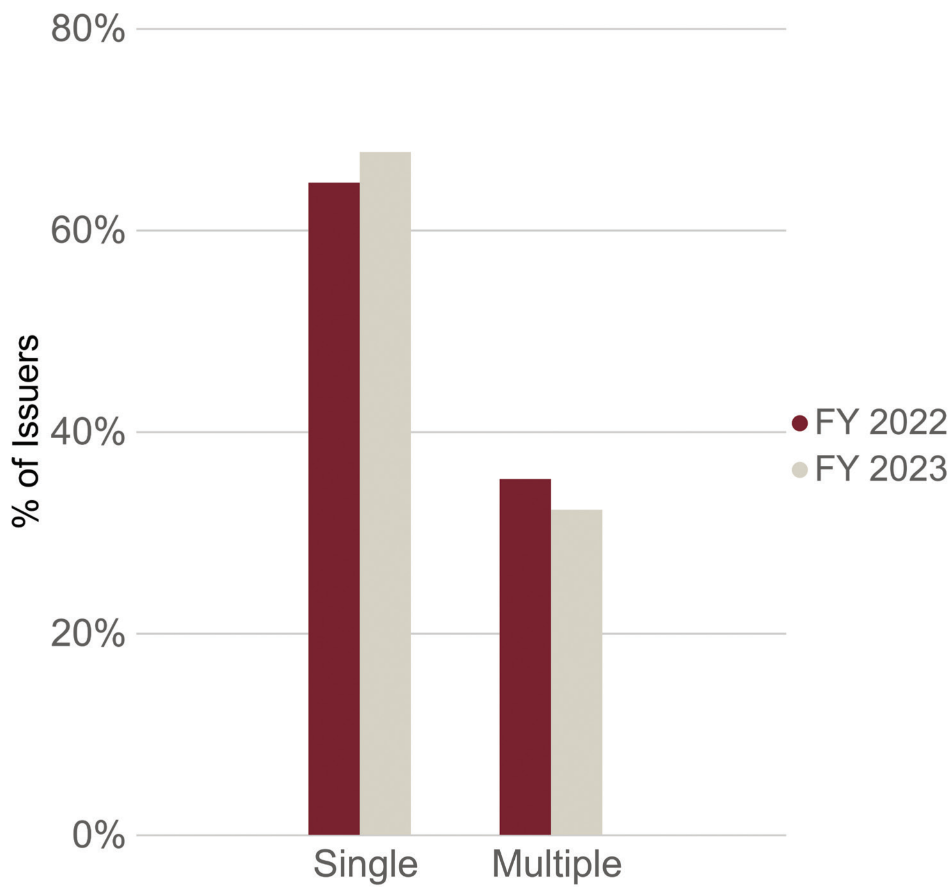


FY 2023 - Percentage of IPOs Offering a Directed Share Program



VOTING

Percentage of IPOs with Multiple vs. Single Classes of Stock



EQUITY INCENTIVE PLANS

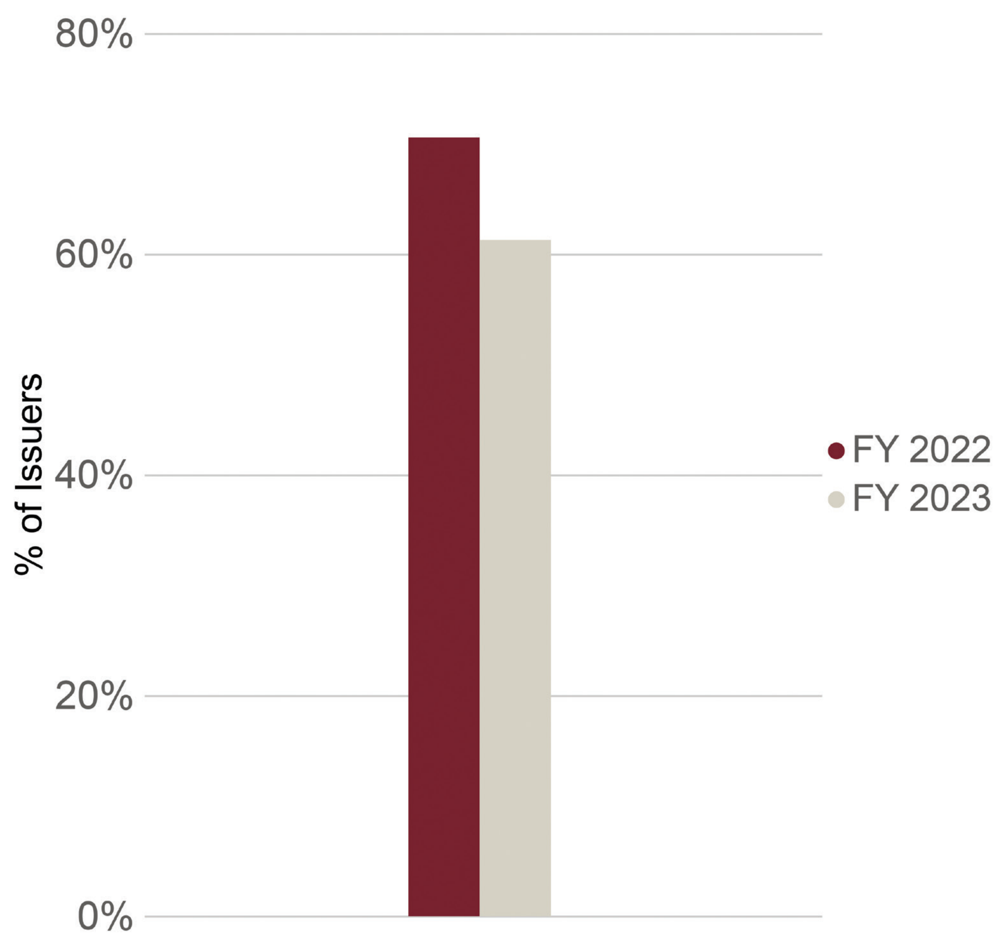
FY 2022 – Average Percentage of Issuers' Outstanding Stock Reserved for Equity Incentive Plans

15.23%

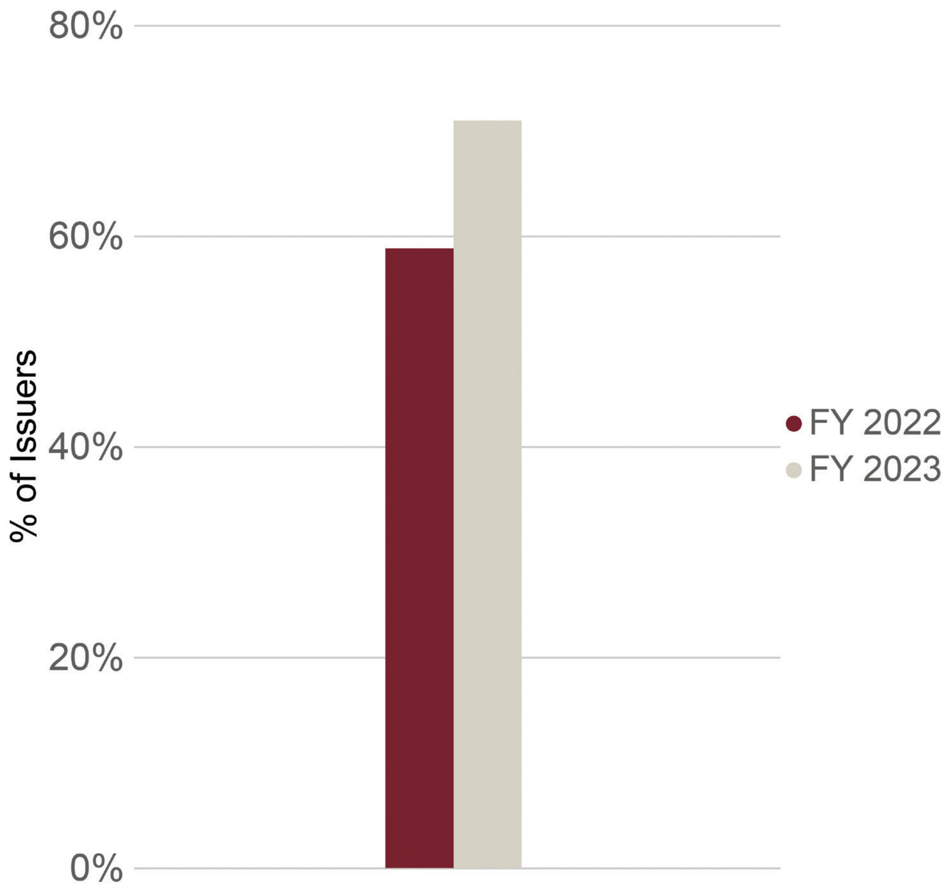
FY 2023 – Average Percentage of Issuers' Outstanding Stock Reserved for Equity Incentive Plans

11.59%

Percentage of Equity Plans with an Evergreen Provision

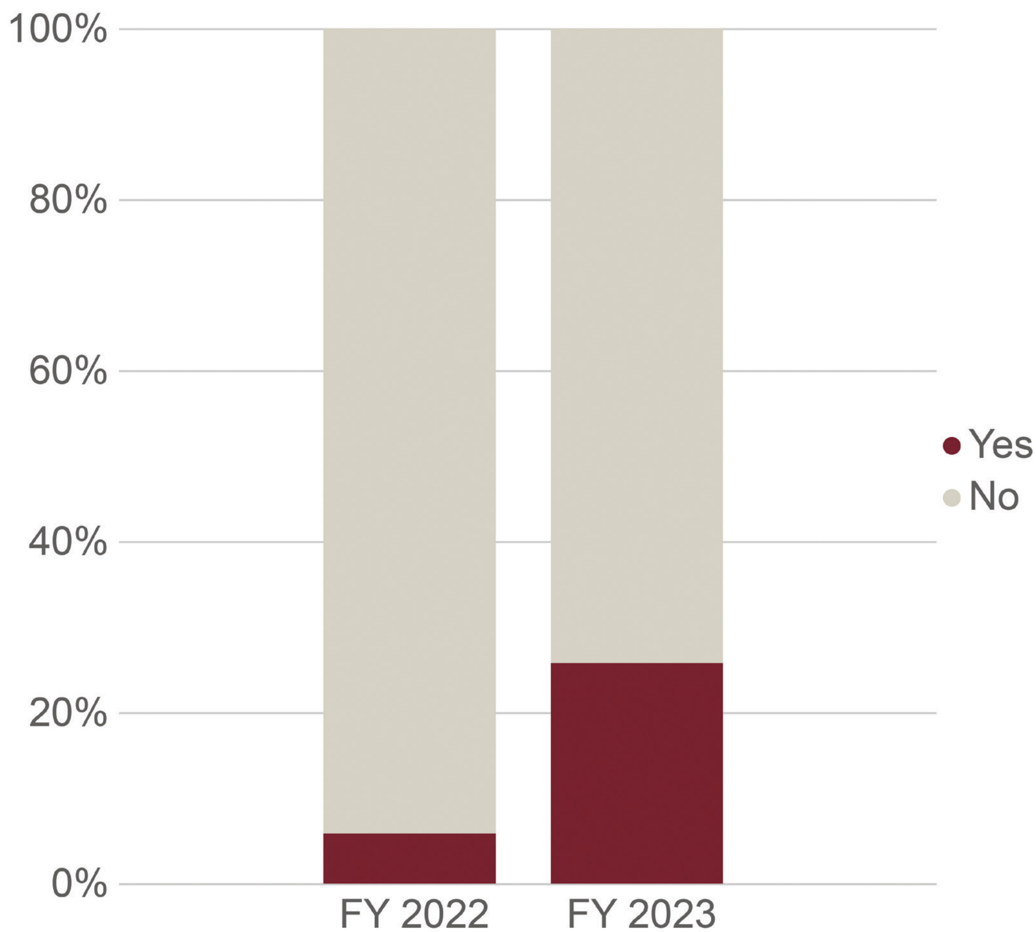


Percentage of Issuers Adopting an Employee Stock Purchase Plan



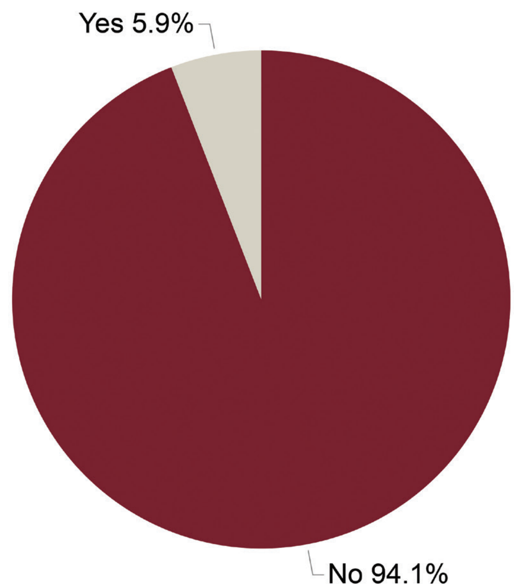
FOREIGN PRIVATE ISSUERS

Percentage of US IPOs by FPIs

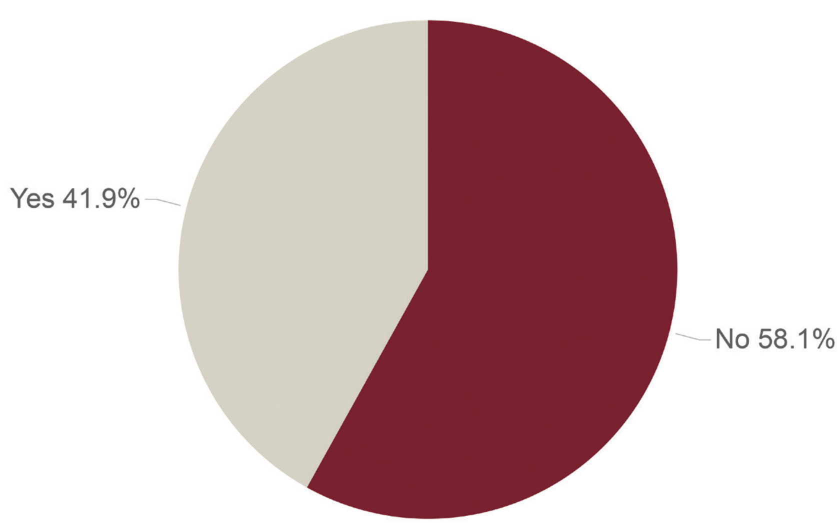


SPONSOR-BACKED DEALS

FY 2022 - Percentage of Deals with Sponsors



FY 2023 – Percentage of Deals with Sponsors



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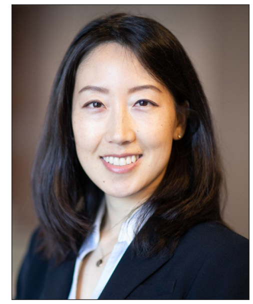

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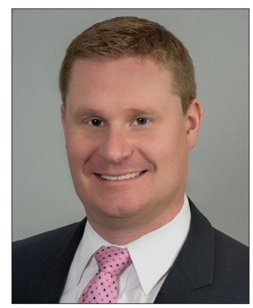

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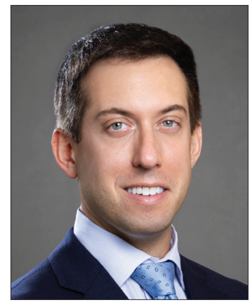

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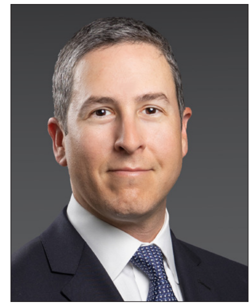

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