

IPO OUTLOOK FOR LIFE SCIENCES

Company Demand and Investor Sentiment



May 2019

Presenter



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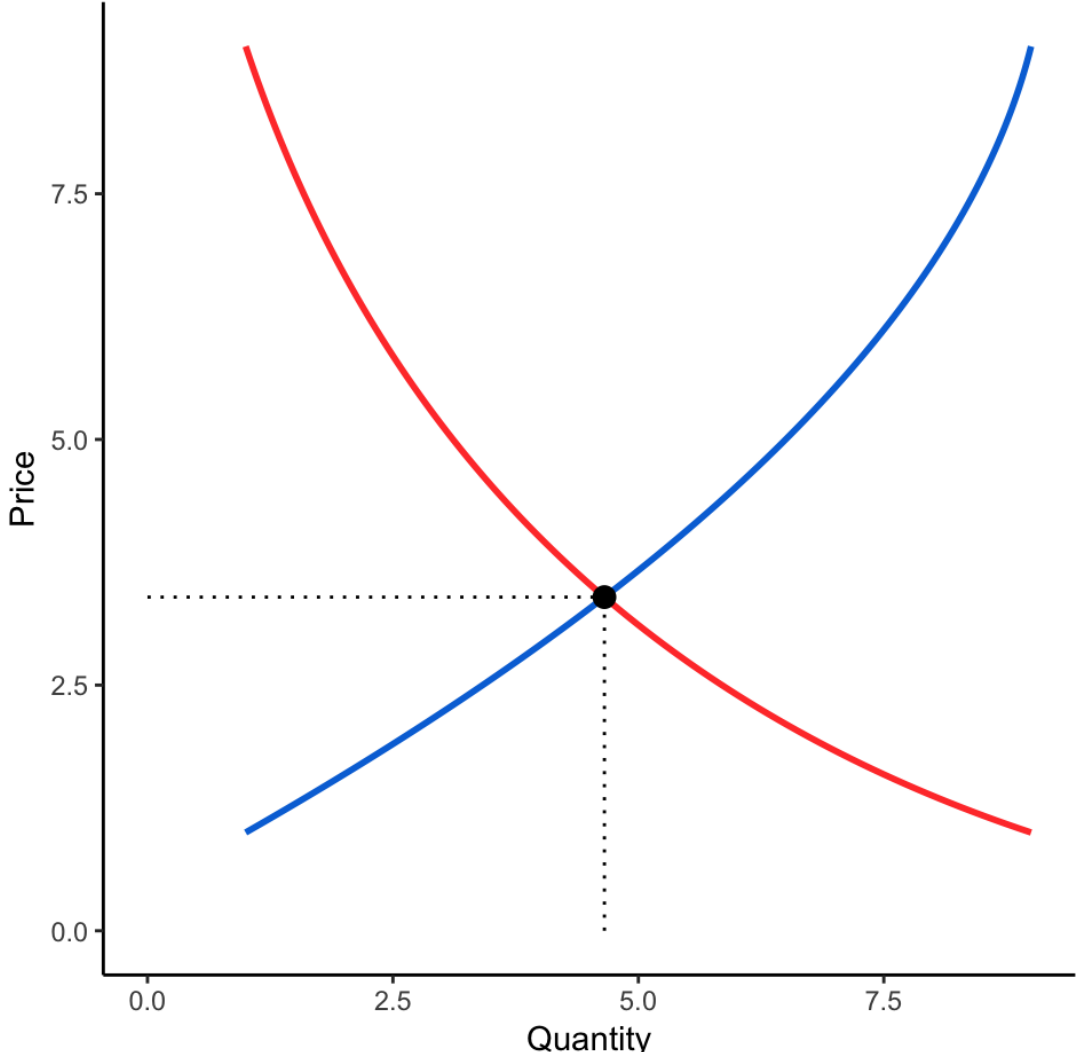
Erin is a partner in the Minneapolis office of RSM and the Central Region Life Science Leader. Erin works mostly with technology and life science companies. She works with companies with various ownership structures – venture or private-equity backed, owner-managed through public filers. She has extensive experience with international work, complex equity structures, and mergers and acquisitions.



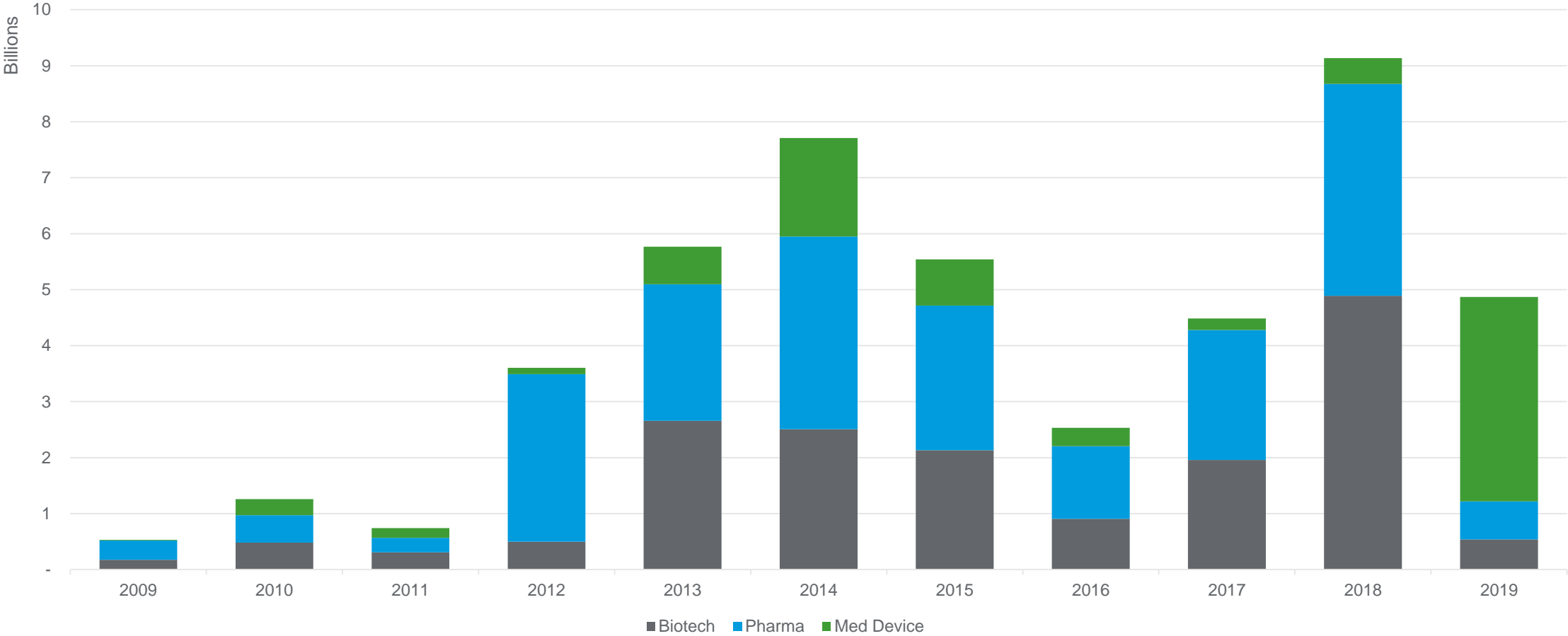
STATE OF THE DOMESTIC IPO MARKET

Where we are today

IPO pricing and activity is a market like any other



Medtech/device IPOs on track to exceed 2018

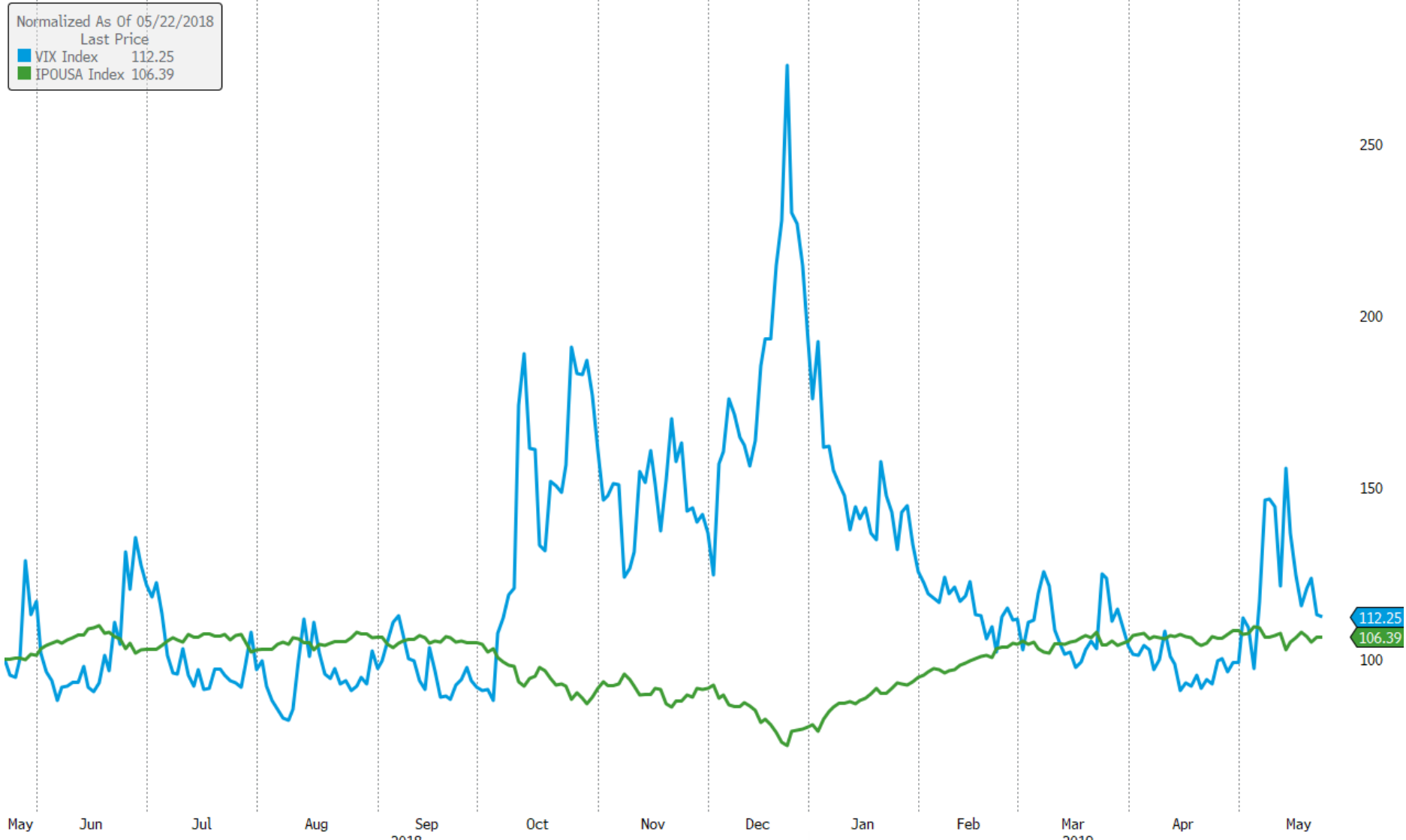


Life science IPOs outperform other active sectors

Industry	Count	Value	Offer to 1st month	Offer to date
Biotech	48	4.80B	29.51%	28.23%
Pharmaceuticals	22	4.34B	19.23%	30.28%
Medtech/device	10	3.98B	32.04%	31.38%
Communications	13	14.17B	12.22%	0.68%
Financial	34	5.76B	13.63%	19.11%
Technology	15	4.76B	49.49%	42.19%

Based on last listings from the last twelve months
 Communications, financial and technology selected based on count

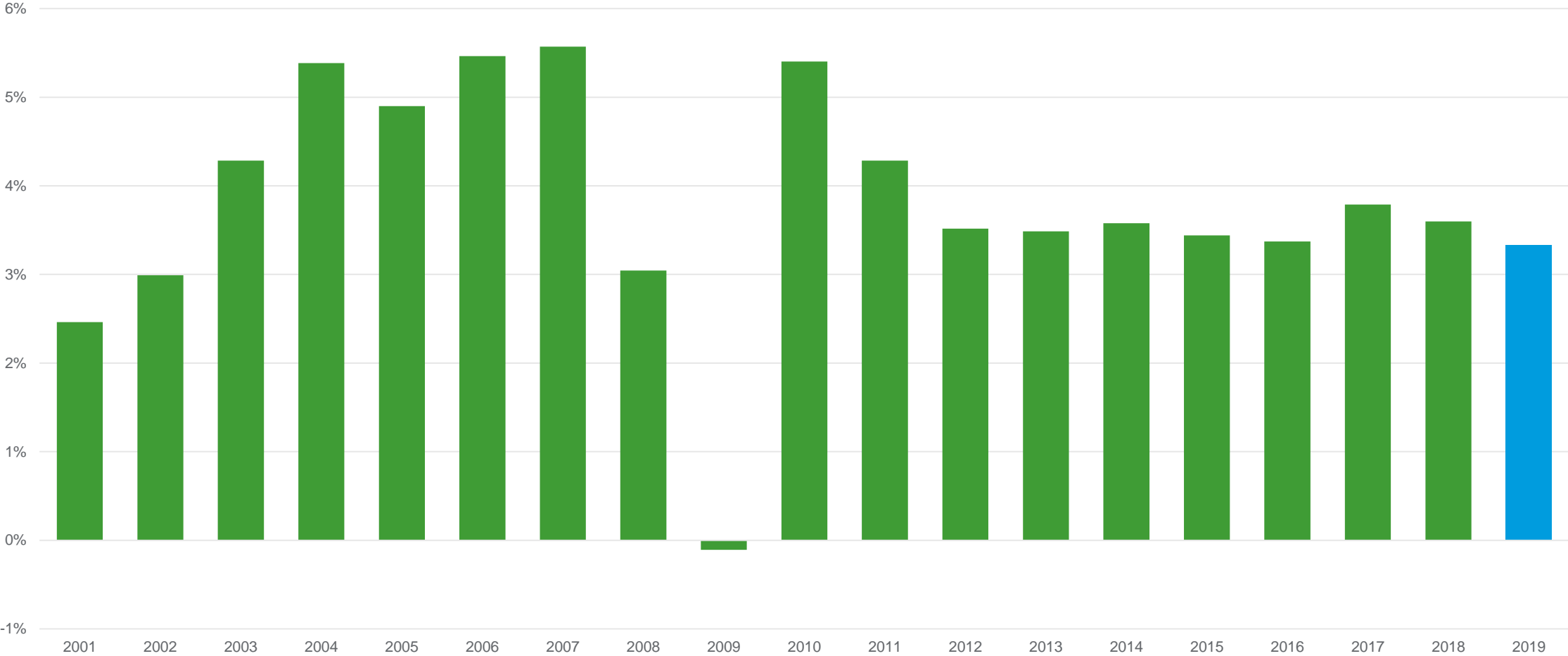
...but are sensitive to volatility shocks



FUNDAMENTAL FACTORS

What does the data tell us?

Global growth outlook lowest since 2009



Source: International Monetary Fund, RSM US LLP



US Economic Outlook

- **Medium to long-term outlook**

- Long-term growth trend 1.8 percent
 - Productivity remains tepid near 1.3 percent per year
 - Economic and wage growth uneven
 - 2019 Recession probability 27.2 percent

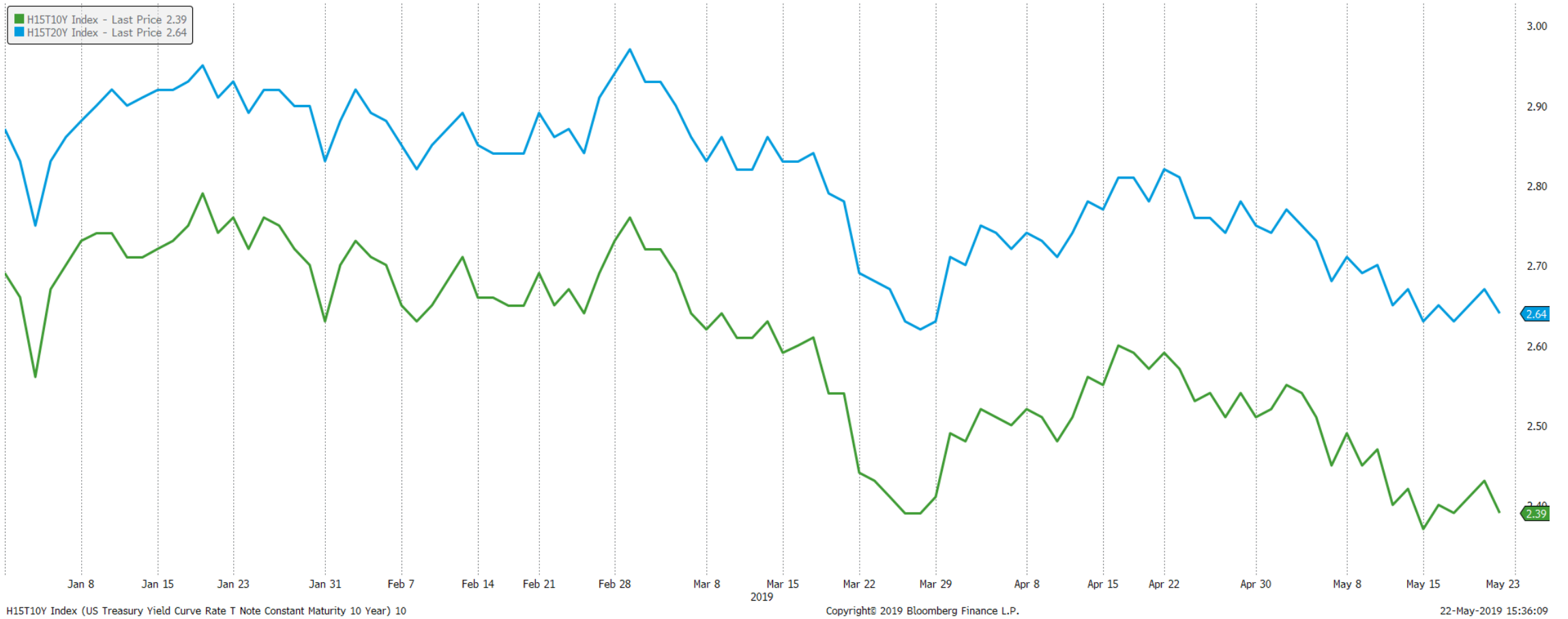
- **Household consumption slowing in 2018**

- Modest consumption and services demand driven by rising incomes and decline in unemployment rate below 4 percent
- Risk aversion - wealth effect at end of business cycle:
 - Every 1 percent in wealth created translated to 3.5 percent spending in prior two business cycles
 - Now 1 percent

- **Residential Investment**

- Reduced affordability
- Major supply issues in new home markets

Investors' flight to safety



Recent major IPOs have disappointed investors

Announced Date	Issuer Name	Offer Size (M)	Offer To Week 1	Offer To Month 1	Offer To Date
04/11/2019	Uber Technologies Inc	8,100.00	(6.9%)		(7.8%)
03/18/2019	Nexi SpA	2,328.91	(6.7%)	(2.9%)	(2.2%)
02/08/2019	Avantor Inc	2,898.00			19.3%
12/06/2018	Lyft Inc	2,340.00	3.4%	(20.5%)	(22.9%)
11/12/2018	Softbank Corp	21,140.20	(13.1%)	(4.7%)	(4.0%)
09/17/2018	Knorr-Bremse AG	4,500.83	2.3%	5.2%	18.9%
09/04/2018	Meituan Dianping	4,221.79	(2.9%)	(20.3%)	(12.4%)
07/23/2018	China Tower Corp Ltd	7,491.62	(2.4%)	(8.7%)	40.5%
05/03/2018	Xiaomi Corp	5,428.64	23.8%	0.8%	(41.9%)
02/09/2018	Foxconn Industrial Internet Co	4,306.13	64.0%	25.1%	(2.0%)

Strong growth projected in the subsector

Bloomberg Media: Image

Options ↗ _ ×

	Sales Growth	EPS Growth	EBIT Mgn Change	EBIT Margin	Market Cap (\$M)
Abbott Labs	5.2%	11.0%	107 bps	21.7%	\$126,122
Medtronic	3.0%	8.9%	155 bps	28.9%	\$123,666
Becton Dickinson	3.7%	10.8%	131 bps	26.6%	\$65,526
Stryker	7.6%	9.4%	57 bps	25.8%	\$63,200
Intuitive Surgical	15.1%	13.5%	5 bps	41.9%	\$56,430
Boston Scientific	8.1%	13.1%	84 bps	26.5%	\$49,775
Baxter	3.1%	9.0%	149 bps	18.8%	\$34,781
Edwards Lifesciences	9.3%	10.3%	108 bps	31.4%	\$31,725
Zimmer Biomet	0.6%	2.4%	32 bps	26.9%	\$23,500
Smith & Nephew	2.8%	6.6%	1 bps	22.3%	\$15,777
Abiomed	21.7%	30.6%	324 bps	31.2%	\$13,579
Teleflex	5.6%	13.0%	201 bps	26.5%	\$11,763
Dexcom	20.1%	376.6%	383 bps	3.1%	\$11,457
Globus Medical	8.6%	7.9%	192 bps	27.3%	\$4,937
Insulet	23.9%	-980.4%	373 bps	7.5%	\$4,659
Top 15	5.1%	12.0%	114 bps	25.5%	

Source: Bloomberg Consensus Estimates, Bloomberg Intelligence

Note: All data on a calendar 2019 basis, growth vs. 2018 consensus

Bloomberg 



TRADE & POLICY ENVIRONMENT

Uncertainty tax on the global economy

- China tariffs escalating
 - U.S. increased tariffs on \$200 billion of goods from 10% to 25% (5/10)
 - USTR released for comment tariffs on all Chinese imports (5/13)
 - Huawei blacklist (5/20)
 - China may impose additional tariffs on U.S. goods (6/1)
- Section 232 auto tariffs delayed
- USMCA status uncertain
- Brexit

Lowering the burden of public listing

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SEC Moves to Ease Audits for Smaller Companies

Proposed rule would exempt public companies with less than \$100 million in annual revenue from a component of outside audits

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NYSE Cuts Fees to Court Biotech Listings Away From Nasdaq

Two main exchanges continue to jockey during a big year for IPOs



SUMMARY OUTLOOK

2019 IPO outlook is generally strong

Tailwind

- Strong value proposition to providers
- Strong history of performance
- Reduced burden on public listing

Headwind

- Slowing growth
- Return of volatility
- Potential recession
- Trade uncertainty

Unknown

- Health reform

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