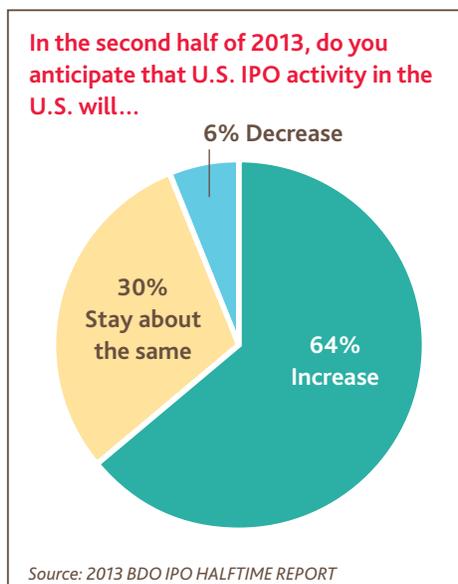


2013 BDO IPO HALFTIME REPORT



Driven by an extremely active second quarter, which featured 61 offerings, the U.S. IPO market is up 26 percent from last year and is off to its best year since 2007. Proceeds on U.S. exchanges are actually down from the first six months of 2012, but this is an anomaly of last year's \$16 billion Facebook IPO which generated 56 percent of last year's first half proceeds. If Facebook is excluded from last year's figures, U.S. proceeds are actually up 66 percent from 2012.*

According to the 2013 BDO IPO Halftime Report survey, close to two-thirds (64%) of capital markets executives at leading investment banks anticipate U.S. IPO activity will increase further in the second half of 2013, compared to less than a third (30%) who believe activity will remain flat with the first half of the year and just 6 percent who are predicting a decrease in deals. Overall, capital market executives are predicting a 7.7 percent increase in the number of U.S. IPOs during the second half of the year. They anticipate these offerings will average \$265 million in size, which projects to more than \$46 billion in total IPO proceeds on U.S. exchanges in 2013.



BDO CAPITAL MARKETS PRACTICE

BDO USA is a valued business advisor to businesses making public securities offerings. The firm works with a wide variety of clients, ranging from entrepreneurial businesses to multinational Fortune 500 corporations, on a myriad of accounting, tax and other financial issues.

For more information on BDO's Capital Markets services, please contact one of the regional leaders below:

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“The U.S. IPO market has had a strong first half to the year. The number of offerings are up significantly and, if you exclude last year’s Facebook IPO, total proceeds generated on U.S. exchanges have jumped 66 percent from a year ago. Based on our survey, the capital markets community is confident that the U.S. IPO market will build on this momentum and generate even more offerings during the remainder of the year.”

– Lee Graul, a Partner in the Capital Markets Practice at BDO USA

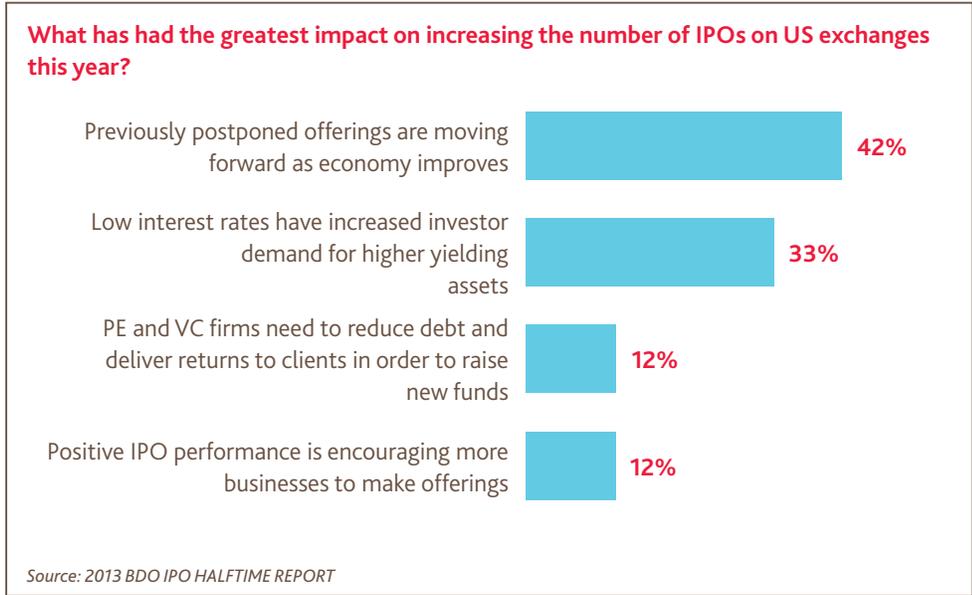
When asked to identify the key drivers behind increased U.S. IPO activity during the first half of 2013, most investment bankers cite either previously postponed offerings that moved forward as the economy improved (42%) or low interest rates increasing investor demand for higher yielding assets (33%). Other drivers cited were the positive performance of early IPOs encouraging more businesses to make offerings (12%) and private equity (PE) and venture capital (VC) firms needing to reduce debt and deliver returns to clients (12%).

Excluding last year’s Facebook IPO, the average IPO on U.S. exchanges is slightly larger in 2013. Most bankers attribute the increase to larger deals being churned out by PE firms in 2013 (59%). Smaller numbers of bankers attribute the increased size to stable financials at established industrial companies (26%) and spinoffs from mature businesses (15%).

When asked what will be the greatest source of IPOs in the second half of the year, most capital market executives cite either private equity (42%) or venture capital (27%) portfolios. Spinoffs and divestitures (16%) and owner-managed, privately-held businesses (15%) are the other sources identified by the bankers.

▶ INDUSTRY FORECAST

Thus far in 2013, the financial sector has led all industries in U.S. IPOs, followed by healthcare and technology. Moving forward, three-quarters (75%) of investment bankers predict more tech offerings during the second half of the year and a similar proportion (72%) forecast an increase in IPOs from the energy sector. Healthcare (68%), real estate (59%) and biotech (53%) are the other verticals where increases in deals are expected during the remainder of the year (see full chart below).



Proportions of Capital Markets Executives expecting IPO activity to increase, remain stable or decrease in specific industries during remainder of 2013:

Industry	Increase	Flat	Decrease
Technology	75%	22%	3%
Energy/Natural Resources	72%	18%	10%
Healthcare	68%	28%	4%
Real Estate	59%	28%	13%
Biotech	53%	40%	7%
Financial	39%	51%	10%
Industrial/Manufacturing	35%	48%	17%
Media/Telecom	30%	55%	15%
Consumer/Retail	28%	52%	20%

Source: 2013 BDO IPO HALFTIME REPORT

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“One of the most significant developments of the U.S. IPO market in the first half of 2013 is the breadth of industries represented among this year’s offerings. For six of the past seven years the technology industry has led all sectors in bringing offerings to market. During that time, many would argue that the health of the IPO market was tightly linked to the offerings coming from the technology sector. But this year, IPO activity in the U.S. has spanned many industry sectors. The breadth of industries represented among this year’s offerings may be a very positive sign that both businesses and investors have become much more optimistic about the broad U.S. economy.”

– Brian Eccleston, a Partner in the Capital Markets Practice of BDO USA

▶ THREATS

Global political and financial instability (64%) is, by far, the most often cited threat to the U.S. IPO market in the second half of the year. Constrained bank lending (18%), the sequester and related government spending cuts (9%), and continued high unemployment (9%) were the other threats mentioned.

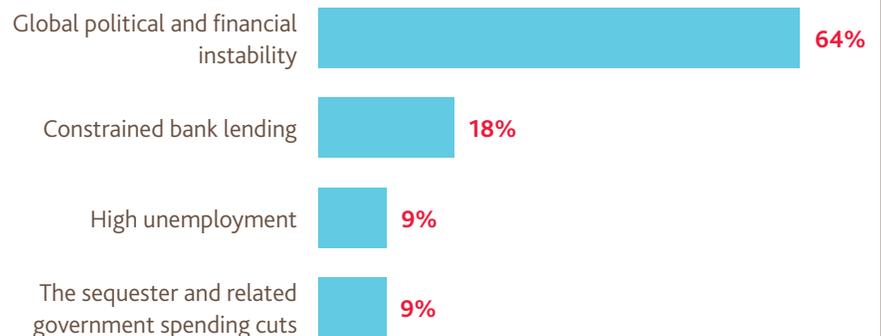
▶ U.S. EXCHANGES CONTINUE TO LEAD

In a continuation of a trend that began two years ago, U.S. exchanges are playing a larger role in the global IPO marketplace in terms of total proceeds. Through the first six months of the year, U.S. exchanges have generated approximately 30 percent of worldwide proceeds.

Exactly half (50%) of all investment bankers anticipate U.S. exchanges maintaining their current share of global proceeds during the remainder of the year, while 45 percent believe the U.S. will continue to increase its share of the pie. Just five percent predict the U.S. share will decline in the second half of 2013.

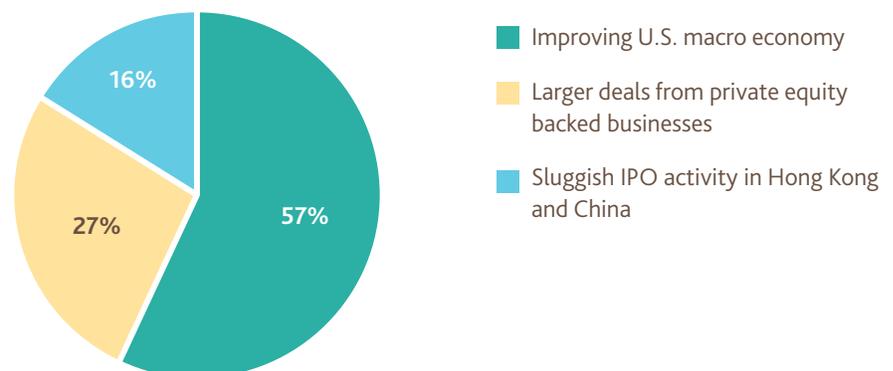
When asked to identify the main reason for the U.S. leadership position in global IPO proceeds, a majority (57%) of the bankers emphasized the improving U.S. macro-economy as the key driver. Larger deals from U.S. PE firms (27%) and the lack of offerings in Hong Kong and China (16%) were the other reasons cited.

What do you consider to be the greatest threat to a healthy U.S. IPO market during the remainder of 2013?



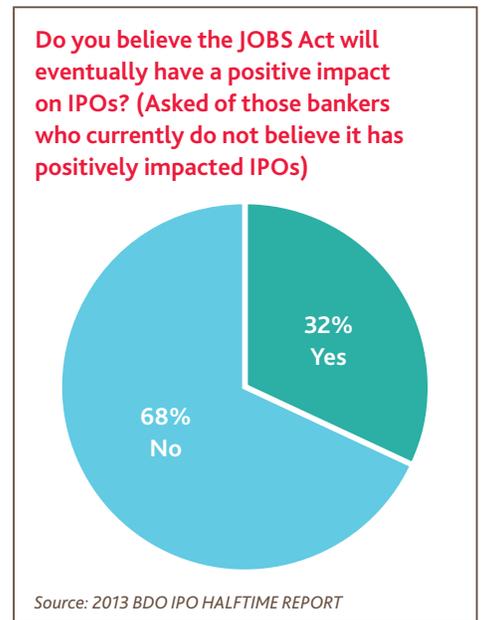
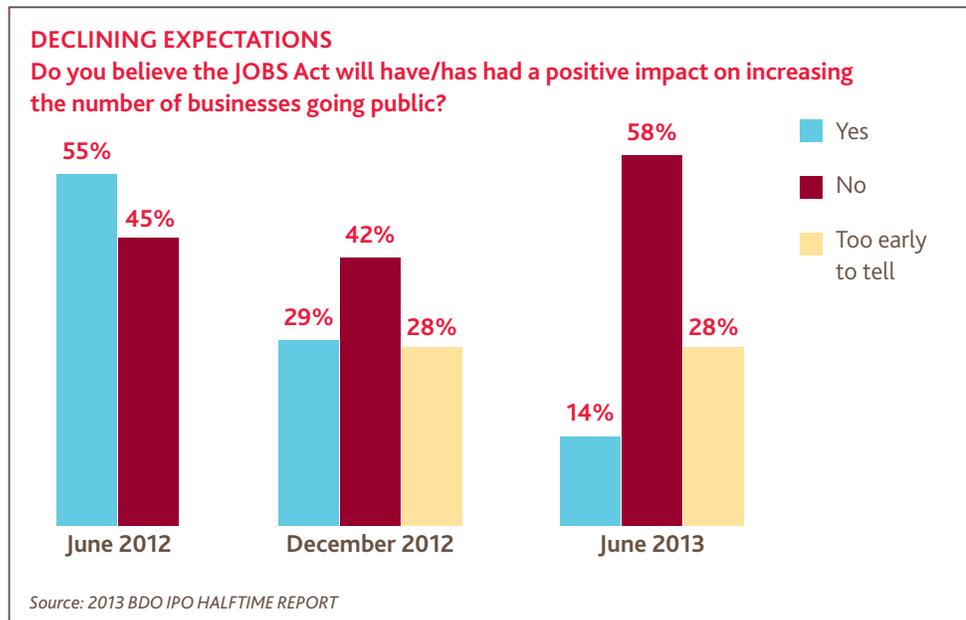
Source: 2013 BDO IPO HALFTIME REPORT

What do you feel has had the greatest impact on the U.S. capturing a large proportion of total global IPO proceeds in 2013?



Source: 2013 BDO IPO HALFTIME REPORT

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▶ DWINDLING EXPECTATIONS FOR JOBS ACT

After high expectations at the time of its enactment in 2012, only 14 percent of capital markets executives at leading investment banks believe the JOBS Act is having a positive impact on increasing the number of IPOs on U.S. exchanges. A majority (58%) say it isn't positively impacting IPOs, while just over one-quarter (28%) believe it is still too early to evaluate the impact. Of those who don't believe it has had a positive impact or have yet to decide, more than two-thirds (68%) predict the law will never achieve its desired goal of increasing the number of businesses going public.

These latest findings represent a precipitous drop in the JOBS Act's perceived effectiveness from a year ago when a majority (55%) of

I-bankers believed the JOBS Act would have a positive impact on U.S. IPO activity. Yet, by last winter, less than one-third (29%) of the capital markets community believed the new law had been effective in increasing the number of IPOs on U.S. exchanges and now that percentage has dropped even further.

▶ CONFIDENTIAL FILERS

Despite the overall negative review of the JOBS Act, a majority (56%) of the bankers indicate the law's confidential filing provision has been a positive for businesses seeking to evaluate a possible offering.

According to the bankers, two-thirds (68%) of their clients that have used the JOBS Act's confidential filing provisions have revenues below \$200 million. Fifteen percent of the confidential filers fell between \$200 million

and \$399 million and 11 percent were between \$400 million and \$599 million. Just 6 percent had revenues of \$600 million to \$1 billion.

When asked what provision of the JOBS Act has been most heavily utilized, excluding the confidential filing provision, 40 percent cite the ability to provide only two years of financials in the registration statement. Delayed compliance with public company accounting standards (25%) and the five-year SOX exemption (24%) were the other provisions cited by sizable proportions of the bankers. A much smaller proportion (9%) cited the ability to postpone disclosure of executive compensation.

"When it comes to the JOBS Act, first impressions were certainly deceiving for the capital markets community. When the new law was introduced last year, bankers viewed it as an engine for more IPOs from emerging businesses, but in practice the law has fallen far short of those lofty expectations. However, despite its continuing fall in popularity, it still may be too early to cast a final verdict on the JOBS Act. According to reports, approximately 200 businesses have taken advantage of the law's confidential filing provision. If a strong majority of these confidential filers actually follow through with an offering, the perception of the JOBS Act among I-bankers could again change drastically."

– Wendy Hambleton, Partner in the Capital Markets Practice at BDO USA

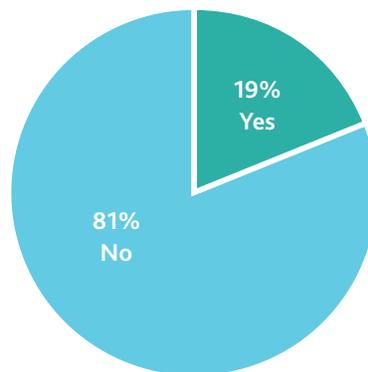
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▶ CROWDFUNDING

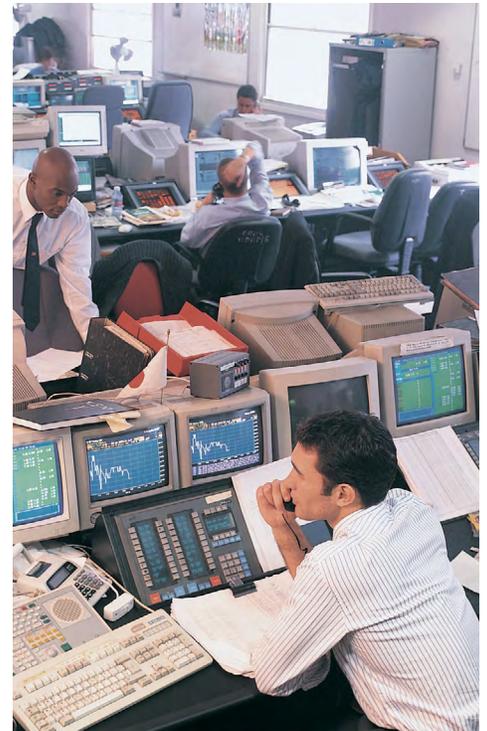
Under the JOBS Act, start-up businesses are allowed to raise up to \$1 million per year from a wide pool of smaller investors through the Internet, while remaining exempt from the standard SEC registration process. While this “crowdfunding” provision would seem to enable businesses to postpone going public, less than one-fifth (19%) of capital markets executives are concerned that crowdfunding will negatively impact IPOs.

When asked whether they are more or less likely to take a business public that has previously utilized crowdfunding to raise private financing, a majority (51%) of I-bankers say previous crowdfunding will have no impact on their decision. The remainder were almost evenly split among those who were more likely (25%) to work with a crowdfunding company and those who were less likely (23%).

Crowdfunding allows start-up businesses to raise up to \$1 million per year from a wide pool of smaller investors through the Internet, while remaining exempt from the standard SEC registration process. Are you concerned that crowdfunding will NEGATIVELY impact IPOs?



Source: 2013 BDO IPO HALFTIME REPORT



ABOUT THE SURVEY

The *BDO IPO Halftime Report* is a national telephone survey conducted by Market Measurement, Inc., an independent market research consulting firm, on behalf of the Capital Markets Practice of BDO USA. Executive interviewers spoke directly to 101 capital markets executives at leading investment banks regarding the market for initial public offerings in the United States during the second half of the year. The survey was conducted within a scientifically-developed, pure random sample of the nation's leading investment banks.

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