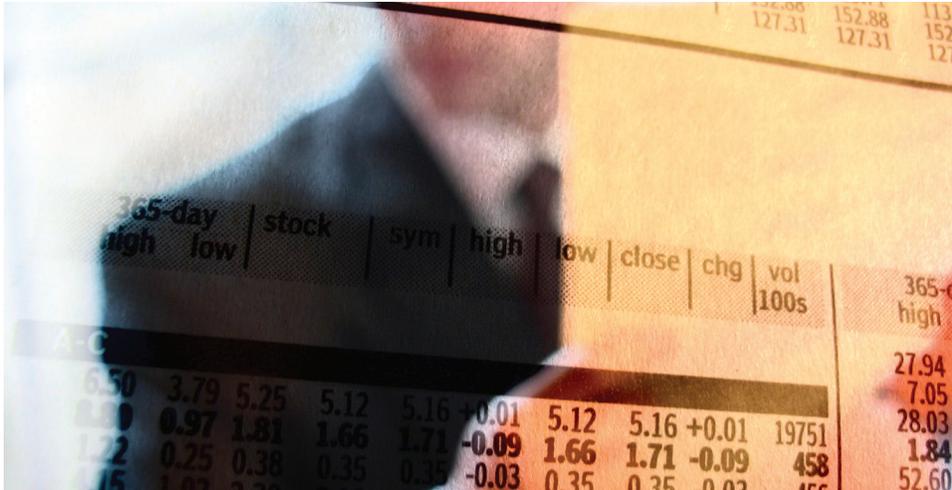


THE NEWSLETTER OF THE BDO CAPITAL MARKETS PRACTICE

INITIAL OFFERINGS



U.S. IPO MARKET – HALF EMPTY OR HALF FULL

TWENTY-SIX BUSINESSES WENT PUBLIC ON U.S. STOCK EXCHANGES IN THE THIRD QUARTER. THAT'S EIGHT MORE IPOS THAN Q3 2011, AND THE SECOND-HIGHEST NUMBER OF OFFERINGS FOR THE THIRD QUARTER IN THE LAST FIVE YEARS.

Unfortunately, it also represents a considerable drop in activity when compared with the first six months of 2012 when 73 companies went public.

Not that the first half of the year was a smooth ride. IPO activity on U.S. exchanges increased steadily through the first quarter of the year and carried solid momentum through April before concerns with the European debt crisis, negative U.S. economic data and the problematic Facebook IPO sent markets spiraling

downward and brought new offerings to a halt. Activity picked up again in July, only to tail off as deal-makers took their traditional late summer holiday and the IPO window closed from mid-August to mid-September.

It has been a bit of a rollercoaster for offerings this year. Opinions on the 2012 U.S. IPO market are similar to asking the proverbial question of whether a glass is half empty or half full—it depends on your point of view, as there are both positive and negative aspects to the current market.

Renaissance Capital is the source of all historical data related to the number, size and returns of U.S. IPOs.

▶ Read more

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 multinational Fortune 500 corporations to more entrepreneurial businesses, on a myriad of accounting, tax and other financial issues.

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2012 U.S. IPO Trend Tracker Through Q3

| | 2012 | 2011 | +/- | 10-yr. high | 10-yr. low |
|-----------|---------|---------|--------|------------------|---------------|
| IPOs | 99 | 96 | +3.1% | 143 (2005, 2007) | 25 (2003) |
| Proceeds | \$35.0B | \$29.1B | +20.3% | \$35.4B (2007) | \$6.1B (2003) |
| Avg. Deal | \$353M* | \$303M | +16.5% | \$813M** (2008) | \$147M (2010) |
| Filings | 114 | 217 | - 47% | 271 (2004) | 53 (2009) |

*Heavily impacted by \$16 billion Facebook IPO

**Heavily impacted by \$17.9 billion VISA IPO

Source: Renaissance Capital, Greenwich, CT (www.renaissancecapital.com)

"The U.S. IPO market has certainly had its share of highs and lows this year, but overall it has been a very rational and mature market seeking offerings with strong fundamentals. Many deals have encountered a good deal of pressure when they priced and the result has been favorable performance for investors."

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

► IPOs AT THE 3 QUARTER POLE

Through the first three-quarters of the year, the number of IPOs on U.S. exchanges is running slightly ahead (+3.1%) of 2011, while total U.S. IPO proceeds are almost 20 percent ahead of last year's pace. Moreover, the average domestic IPO has returned almost 22 percent from its offer price and U.S. IPOs represent approximately 45 percent of total global IPO proceeds through Q3.

However, total deals on U.S. exchanges are still well below the most recent Q3 high water mark in 2007 (143) and, if not for the \$16 billion Facebook offering, proceeds would actually be down significantly (-34%) year over year. In fact, absent Facebook, the average deal size of \$194 million is the third smallest in the last ten years. In addition, with global IPOs down almost 50 percent from a year ago, U.S. exchanges' prominence in total proceeds raised can just as easily be viewed as a sign

of weak activity on foreign exchanges rather than U.S. strength.

IPO filings are down 47 percent this year, but this is a somewhat misleading statistic since many businesses considering an offering are taking advantage of the new confidential filing period under the JOBS Act. The new rule allows so-called "emerging-growth companies," those with less than \$1 billion in annual revenue, to submit their documents to the SEC for confidential reviews and wait until 21 days before their IPO roadshow to make a public filing. Therefore, comparisons to prior years are not meaningful.

"If you look closely at the market there are some underlying trends that bode well for U.S. IPOs. While everyone would like to see activity pick up further, the companies that are conducting offerings are the best of the best and are trading very well. There is also a good deal of breadth to the market, with a healthy number of IPOs coming from multiple industries. As has become tradition, the technology sector leads the way with more than 30 offerings, but the energy, financial, consumer and healthcare industries have also spawned IPOs."

–Wendy Hambleton, a partner in the Capital Markets Practice of BDO USA

► Q4 FORECAST

With six IPOs making their debuts on U.S. exchanges in the first week of October, the fourth quarter is off to a good start and, despite the uncertainty that comes with a presidential election, there are several reasons to believe it will carry through to the end of the year.

- The stock market has been experiencing a very steady rise over the past two months, with minimal volatility. If that trend continues more issuers are likely to leave the sidelines and take the IPO leap.
- Surveys by the Conference Board and the University of Michigan show consumers are becoming more optimistic about the future, and there have been a few encouraging economic reports that seem to back that up. Measures of business activity in the service sector and job growth last month came in better than economists had expected. Moreover, increases in home sales and car buying also hint at a rising consumer confidence in the economy.
- Beyond confidential filings, the impact of the JOBS Act on the U.S. IPO market has yet to be felt. Yet, in our **2012 BDO IPO Halftime Report** survey, a majority (55%) of capital markets executives at leading investment banks indicated the JOBS Act will be successful in increasing the number of businesses going public. If that is the case, we can anticipate an increase in the number of deals coming from emerging growth companies.

- As investor confidence grows, large institutional investors, such as equity mutual funds, should begin to see more influx of cash, which will make them more likely to invest in offerings from emerging businesses.

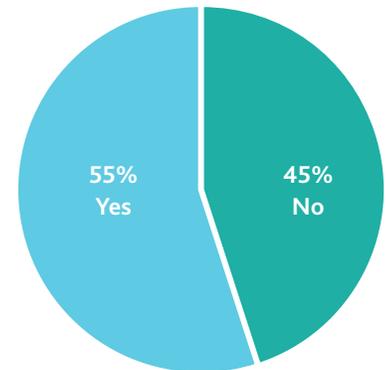
If key economic indicators continue to improve, investors will increasingly gain confidence and seek out those vehicles promising the best returns. Given the strong performance of U.S. IPOs during the first three quarters of 2012, the demand for more offerings is likely to grow.

“We must keep in mind that the United States is still in a very slow recovery and given the depths of the financial crisis you have to be realistic about investor confidence. However, the U.S. stock market seems to have moved past earlier concerns about the European debt crisis and has performed well in recent weeks. Recent reports on home sales, car buying and jobs, while not awe inspiring, have become more favorable and bode well for the future. Given how well this year’s IPOs have performed, as investor confidence returns we should expect more offerings being brought to market.”

– Lee Graul, a partner in the Capital Markets Practice of BDO USA

JOBS Act Impact on U.S. IPOs

One of the goals of the recently enacted JOBS Act is to increase the number of U.S. IPOs by easing regulations and associated costs for emerging growth companies conducting offerings. Do you believe this new law will be effective in increasing the number of businesses going public?



Source: 2012 BDO IPO Halftime Report

MARK YOUR CALENDARS...

IPO EVENT AND DATA SCHEDULE (October – December)

The following is a list of upcoming conferences and seminars of interest for capital markets and underwriting executives:

OCTOBER

October 15
The Crowdfunding Conference
 The Hyatt at Fisherman's Wharf
 San Francisco, California

October 23
Midwest ACG Capital Connection
 McCormick Place
 Chicago, Illinois

NOVEMBER

November 1-2
NVCA Corporate Venture Group Summit
 Hotel du Pont and Conference Center
 Wilmington, Delaware

November 1
DealFlow Conference
 Marriott Marquis
 New York, New York

November 7-8
Florida ACG Capital Connection
 The Ritz Carlton
 Amelia Island, Florida

DECEMBER

December 5
WAVC/NVCA Networking Luncheon
 Four Season Hotel
 Palo Alto, California

December 8
MIT Venture Capital Conference
 MIT Media Lab
 Kendall Square
 Cambridge, Massachusetts



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