



# 2016 TECHNOLOGY AND LIFE SCIENCES IPO REPORT

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# Introduction



Wilson Sonsini Goodrich & Rosati's *2016 Technology and Life Sciences IPO Report* presents key data related to the pricing of 49 U.S.-based technology and life sciences issuers between January 1 and December 1, 2016. In a year of uncertainty in the domestic and international financial markets, the U.S. market for new issuers recovered from a halting start to post a solid, if unspectacular, second half.

## Technology

For technology IPOs, 2016 was a tale of two halves. The first half of 2016 picked up where the second half of 2015 left off. The second half of 2015 saw 10 technology deals price—the lowest number in any six-month period since 2009. A turbulent worldwide economic environment essentially cut off technology IPOs, and only three deals priced in the first half of 2016. In contrast, the second half of 2016 saw 12 technology IPOs price—a return to the pace of the past three years.

The difficult pricing environment of the second half of 2015 improved slightly in 2016. In the last six months of 2015, 28 percent of technology IPOs priced below their expected range, compared to 17 percent in the first half of the year. In 2016, only 13 percent of technology IPOs priced below their expected range. While the year saw strong entrants such as Twilio and Nutanix, it remained challenging for technology IPOs overall.

## Life Sciences

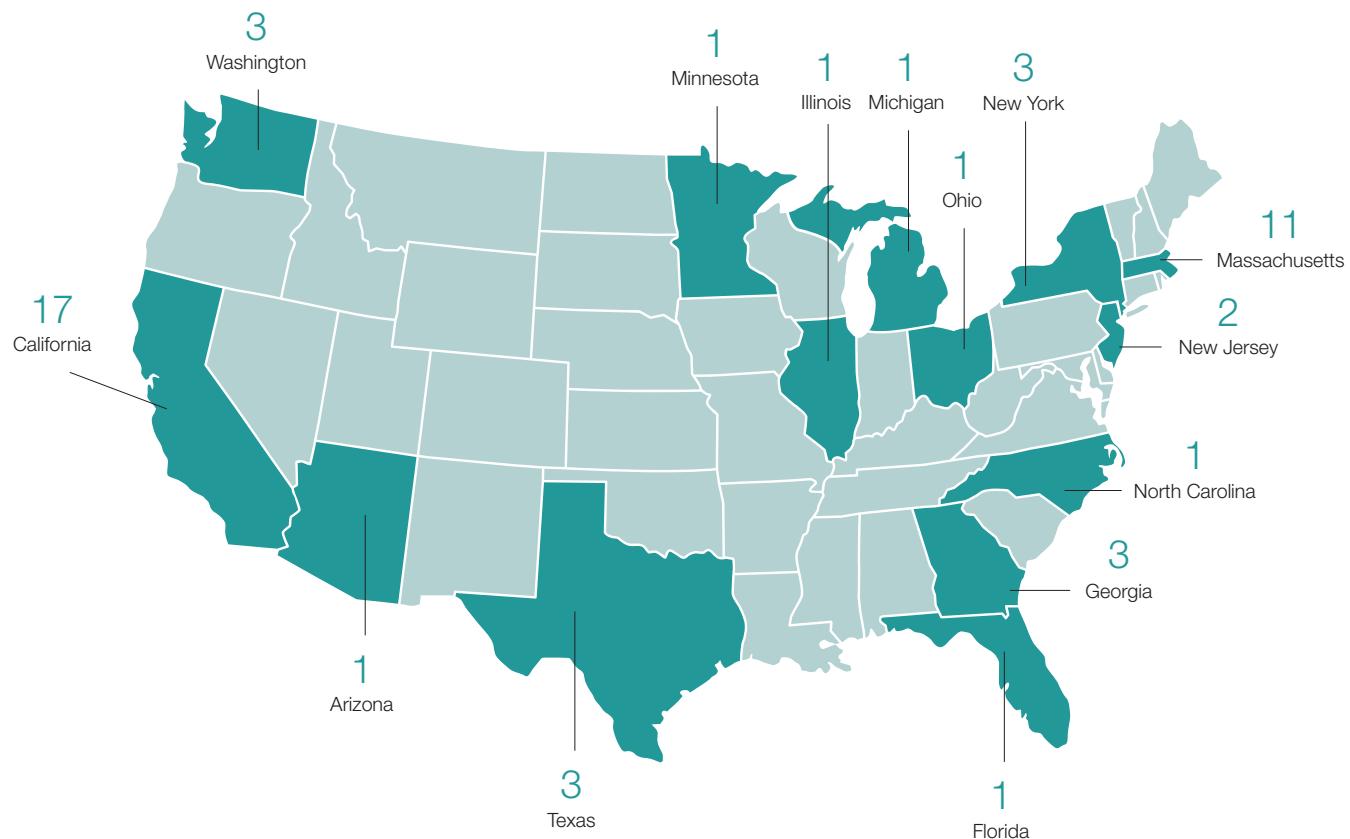
The number of life sciences IPOs exceeded the number of technology IPOs for the fourth consecutive year. Though 2016 failed to match the heady new-issue market for life sciences companies of the previous two years, 34 such companies priced initial offerings, compared to 47 in 2015.

Despite the higher deal count, market reception for the life sciences companies in our survey trailed the reception for technology entrants to the market. Forty-one percent of life sciences companies priced below their expected range. In addition, while 67 percent of technology companies traded up on their first day, only 56 percent of life sciences IPOs traded up on their initial day.

As we look to the upcoming year and new deals, please feel free to share your comments by contacting [IPOReport@wsgr.com](mailto:IPOReport@wsgr.com) or any Wilson Sonsini Goodrich & Rosati corporate securities partner.

## Headquarters

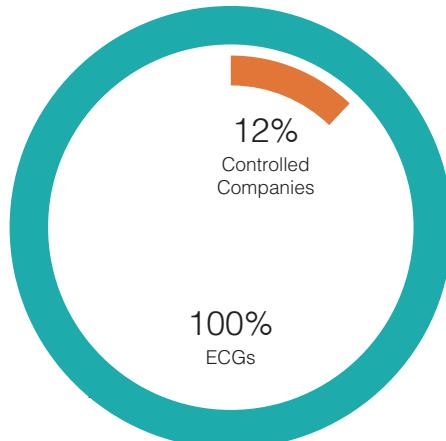
The map below shows the headquarters location of the 49 companies reviewed in this report.



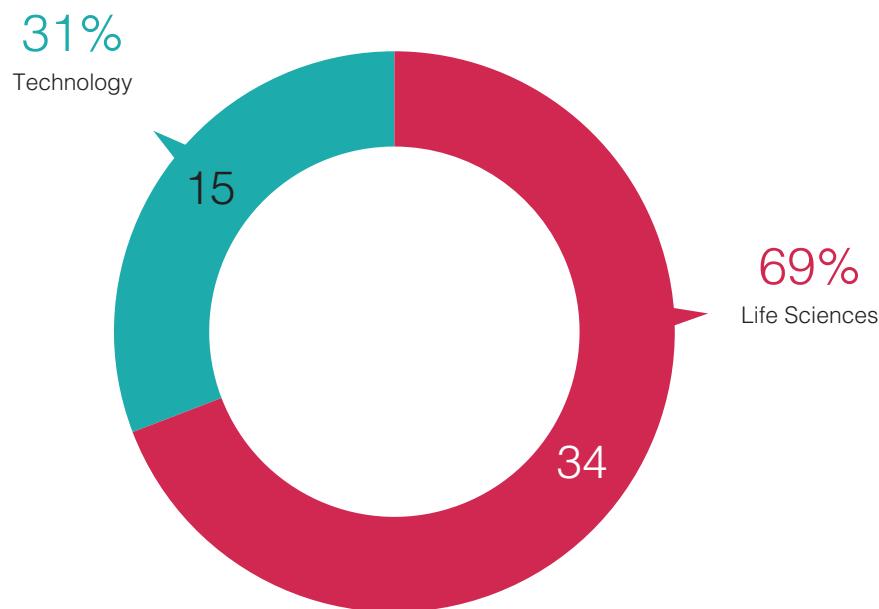
## Company Type

Emerging Growth Companies (EGCs) are a class of issuers created by the 2012 Jumpstart Our Business Startups (JOBS) Act. EGCs are issuers with less than \$1 billion annual gross revenue in their most recent completed fiscal year.

Out of the 49 companies surveyed, all 49 (100 percent) were EGCs and 6 (12 percent) EGCs were also controlled companies.



## Technology vs. Life Sciences



### Technology Sector Breakdown

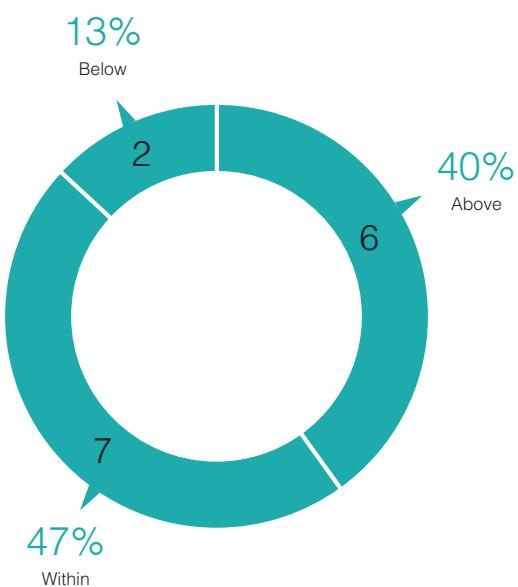
Internet Software and Services	5
Semiconductors	3
Application Software	2
Systems Software	1
Electronic Components	1
Technology Hardware, Storage, and Peripherals	1
Communications Equipment	1
Semiconductor Equipment	1

### Life Sciences Sector Breakdown

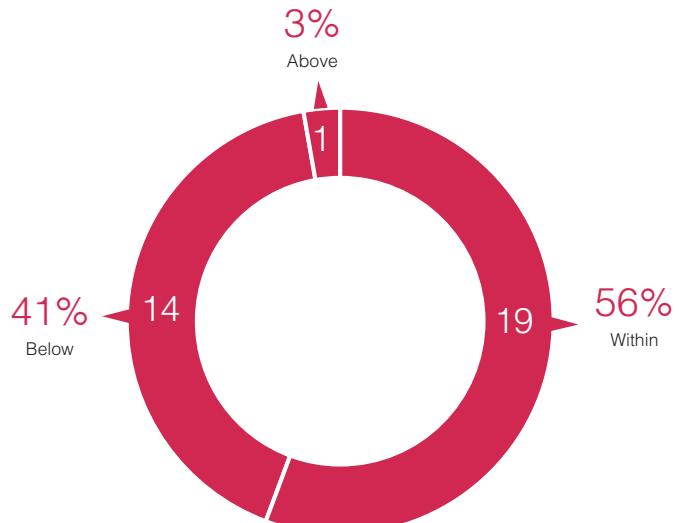
Biotechnology	19
Healthcare Equipment	6
Healthcare Technology	3
Pharmaceuticals	3
Healthcare Services	2
Life Sciences Tools and Services	1

## Offer Price and First Day Close Comparison – Technology vs. Life Sciences

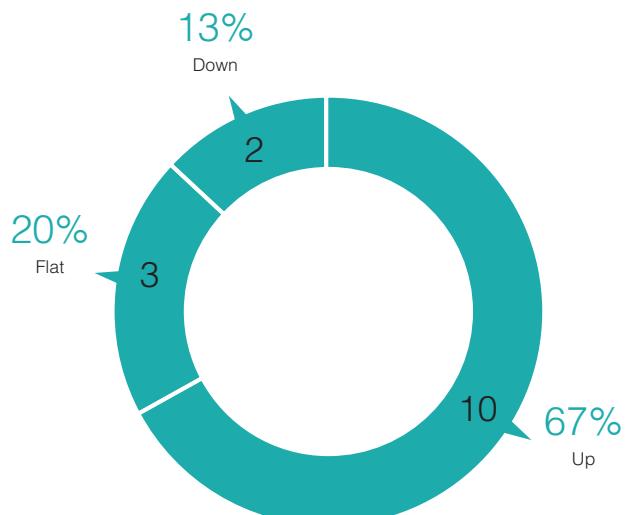
Technology Offer Price vs.  
Initial Price Range



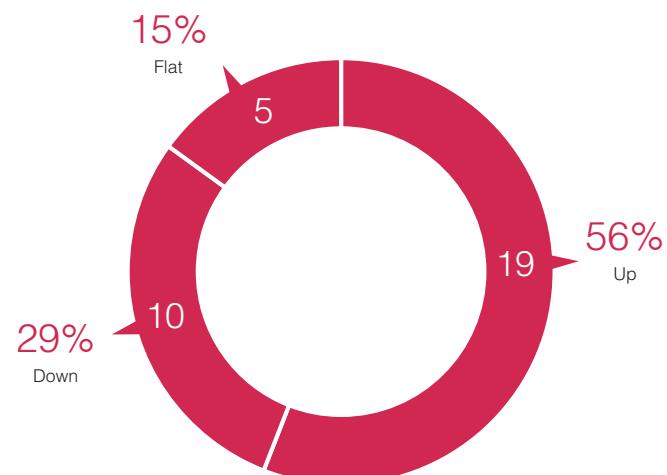
Life Sciences Offer Price vs.  
Initial Price Range



Technology First Day Close vs.  
Offer Price

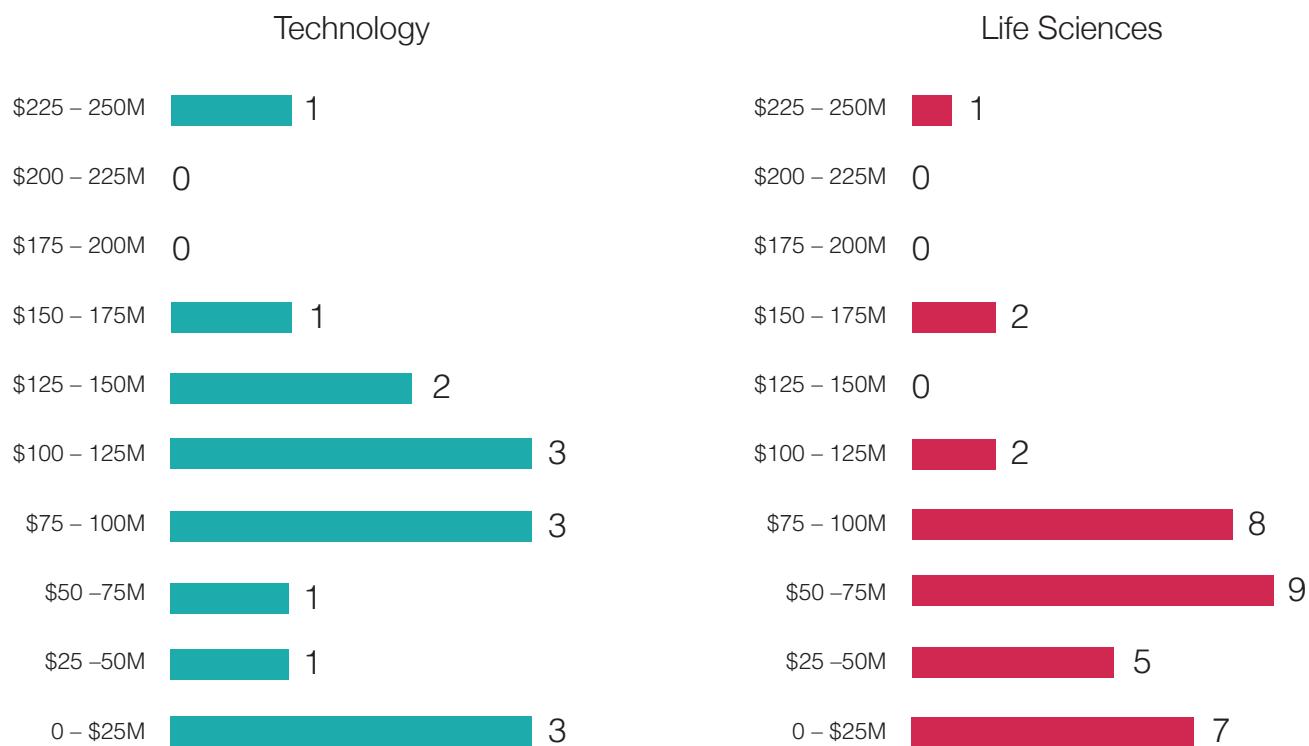


Life Sciences First Day Close vs.  
Offer Price

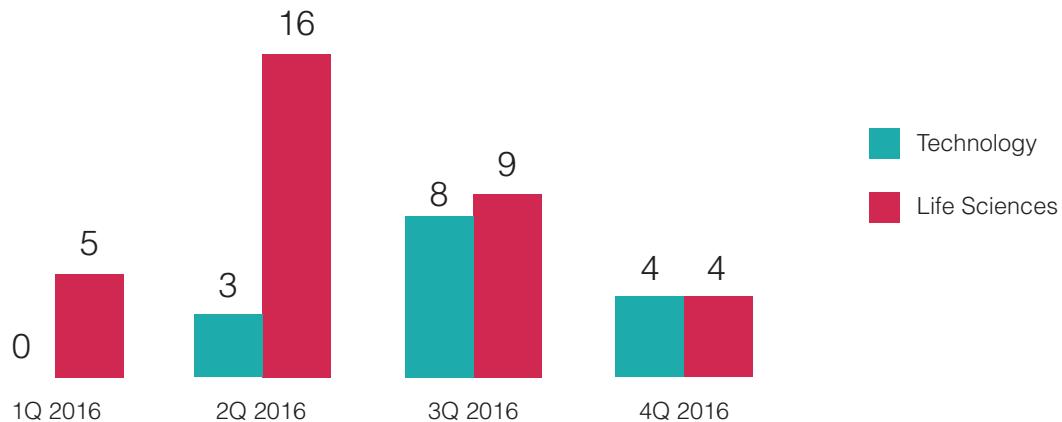


# Deal Size and Date

## Deal Size Distribution



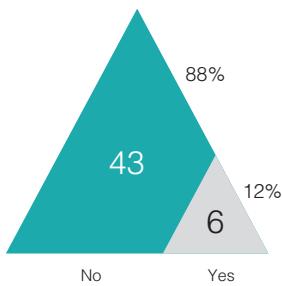
## IPO Distribution by Quarter



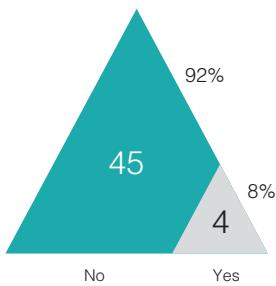
# Board of Directors

## Directors and Independence

Using data obtained from final IPO prospectuses, we examined information regarding the size of the board of directors, director independence, whether the CEO and board chair roles were combined, the existence of lead independent directors in companies where the CEO and board chair roles were combined, and the number of companies relying on exemptions from compliance with corporate governance requirements.



Controlled Company  
Exemption Eligible



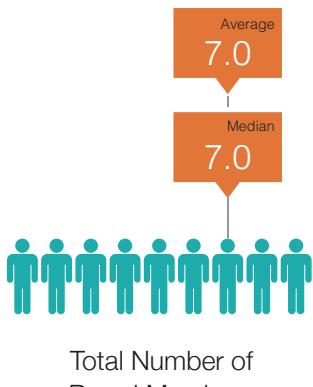
Controlled Company  
Exemption Used

## Controlled Company Exemption

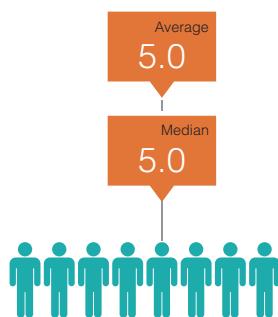
The listing standards of both the NYSE and Nasdaq exempt a Controlled Company from certain corporate governance requirements, including those relating to the independence of the board of directors. Both the NYSE and Nasdaq define a Controlled Company as “a company of which more than 50% of the voting power for the election of directors is held by an individual, a group, or another company.”

## Board Size and Director Independence

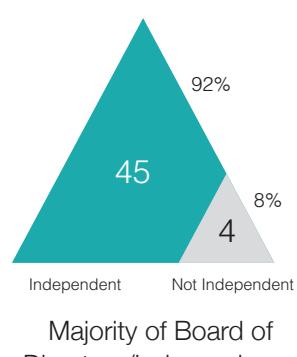
Of the 49 companies considered, the average number of directors on the board at pricing was 7, as was the median.



Of the 49 companies considered, the average number of independent directors was 5, as was the median.



Of the 49 companies considered, 45 (91.83 percent) issuers had a majority of independent directors on the board at pricing.

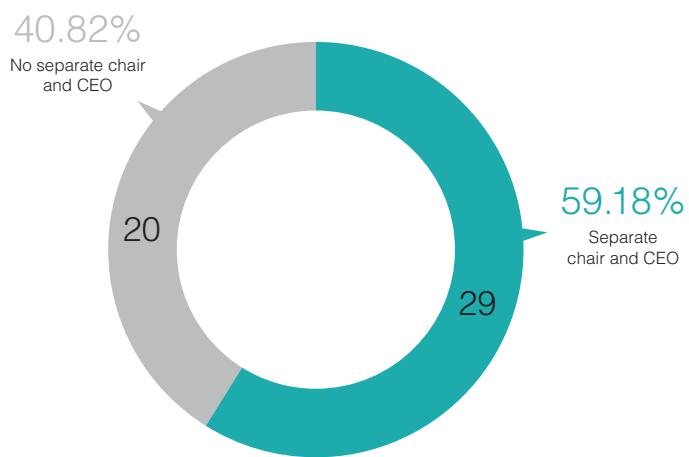


## Board Chairs and Lead Directors

SEC rules do not require companies to have separate board chair and CEO positions. As such, companies are not required to disclose in their IPO prospectus whether or not the board chair and CEO positions are separated, although many choose to do so. As an alternative to separating the board chair and CEO positions, some companies with a board chair who is also CEO appoint a lead independent director to, among other things, act as the principal liaison between independent directors and the CEO.

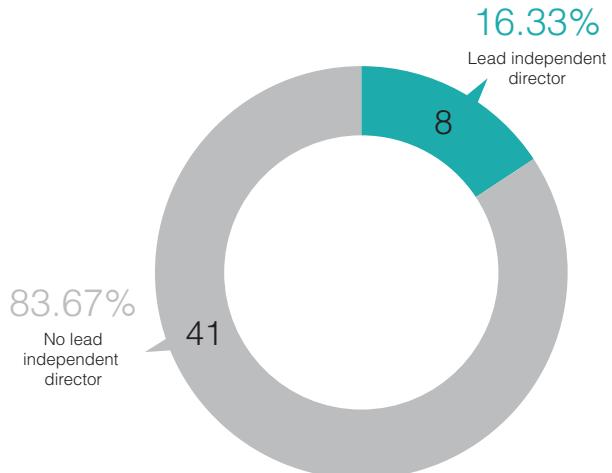
### Separation of Chair and CEO

Of the 49 companies considered, 29 companies (59.18 percent) had a separate chair and CEO, roughly similar to the past year.



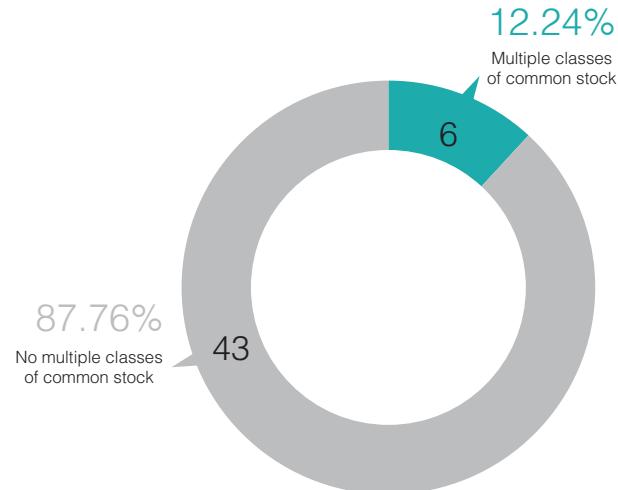
### Lead Independent Director

Of the 49 companies considered, 8 companies (16.33 percent) had a lead independent director. By comparison, in 2015, approximately 25 percent had a lead independent director.



### Classes of Common Stock

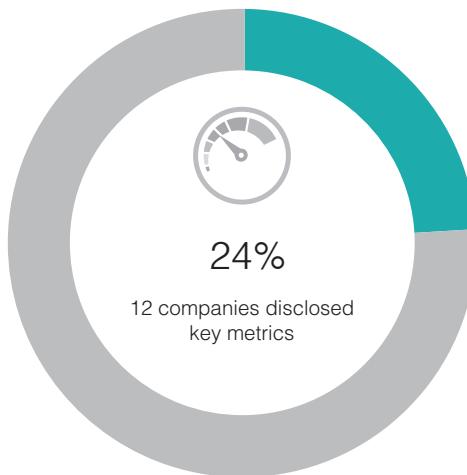
Of the 49 companies considered, 6 companies (12.24 percent) had multiple classes of common stock. By comparison, in 2015, use of multiple classes of common stock was markedly more prevalent, at about 25 percent.



## Key Metrics/Non-GAAP Financial Measures

In addition to presenting financial results in accordance with generally accepted accounting principles (GAAP), many companies track and disclose certain key metrics and non-GAAP financial measures, such as EBITDA and adjusted EBITDA.

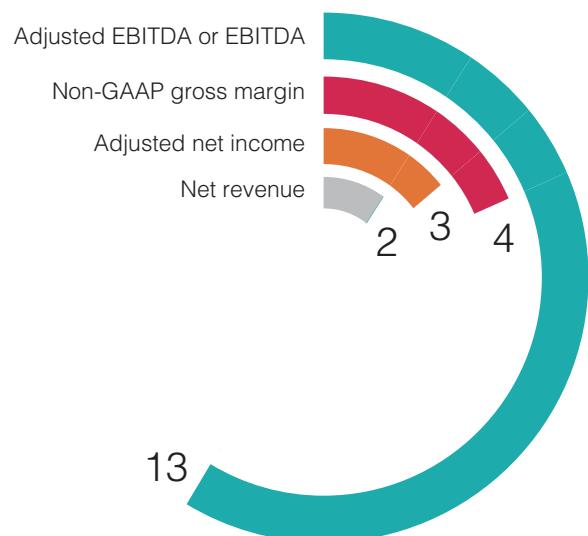
### Key Metrics



### Non-GAAP Financial Measures

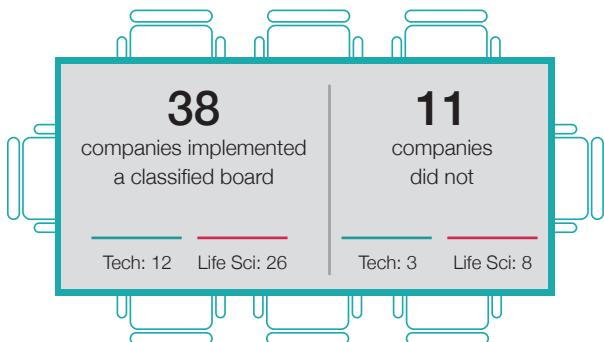
Of the 49 companies considered:

- 13 (26.53%) issuers disclosed EBITDA and/or adjusted EBITDA
- 4 (8.16%) issuers disclosed non-GAAP gross margin
- 3 (6.12%) issuers disclosed adjusted net income
- 2 (4.08%) issuers disclosed net revenue



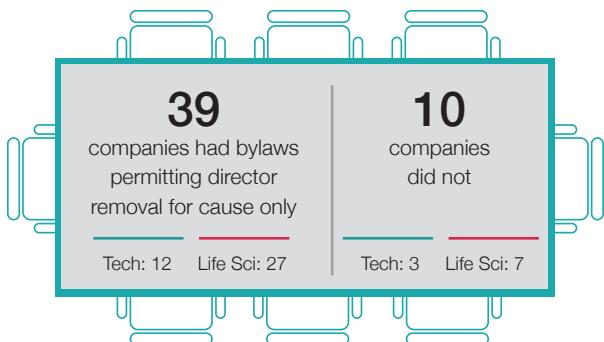
# Defensive Measures

Based on data obtained from final IPO prospectuses, bylaws, certificates of incorporation, and other documents filed with the SEC at the time of the IPO, we reviewed defensive measures adopted by newly listed companies to prevent hostile takeovers. Controlled companies are not excluded from this section. Of the 49 companies considered:



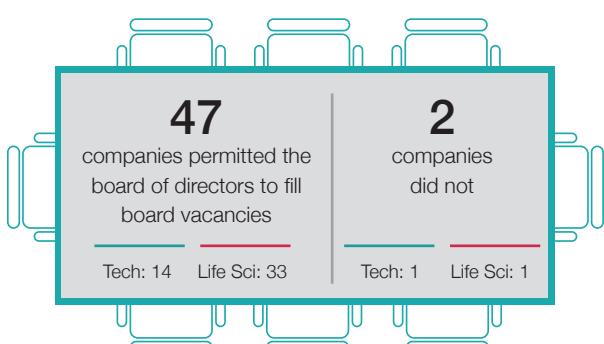
## Classified Boards

For companies implementing a classified board in connection with the IPO, director elections will be staggered over a three-year period after the IPO, with approximately one-third of the directors subject to re-election each year.



## Director Removal for Cause Only

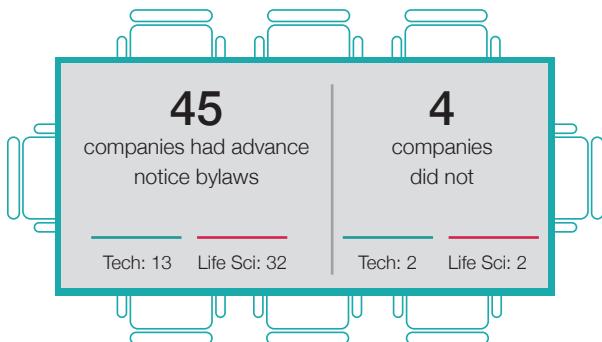
According to Delaware law, examples that constitute cause for removal of directors include: malfeasance in office, gross misconduct or neglect, false or fraudulent misrepresentation inducing the director's appointment, willful conversion of corporate funds, breach of the obligation of full disclosure, incompetency, gross inefficiency, or moral turpitude.



## Board Authority to Fill Vacancies on the Board

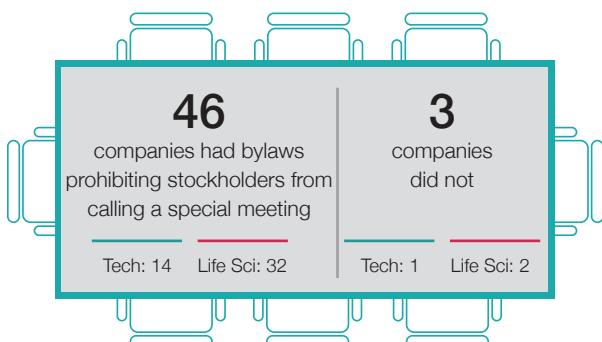
The typical provision in a company's certificate of incorporation will provide the board of directors, even if less than a quorum, with the exclusive ability to fill vacancies on the board, including new director positions created through an increase in the authorized number of directors.

## Defensive Measures



### Advance Notice Bylaws

Advance notice bylaws set forth certain requirements that a stockholder must meet in order to bring a matter of business before a stockholder meeting or nominate a director for election.



### Stockholder Ability to Call Special Meeting

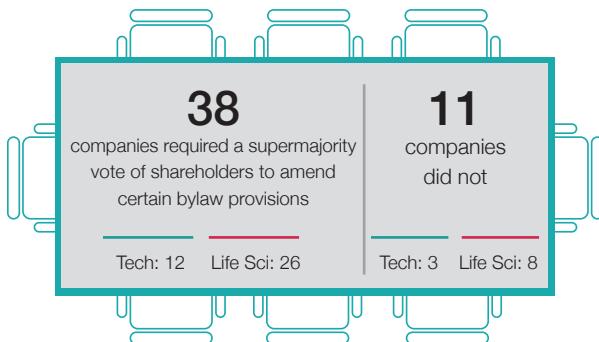
The typical provision in a company's bylaws provides that a special meeting may only be called by the chairperson of the board, the chief executive officer, or the president (in the absence of a chief executive officer).



### Shareholder Rights (Poison Pills)

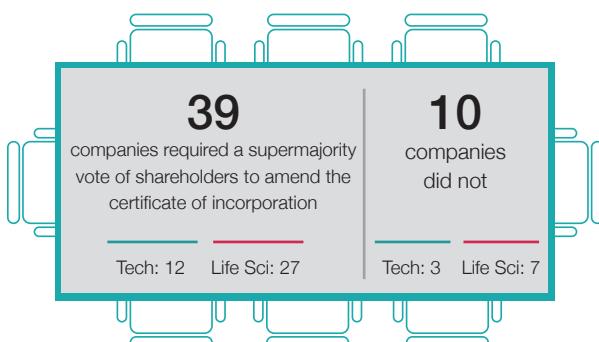
A shareholder rights plan, also known as a "poison pill," acts as a defensive measure against hostile takeovers by making a company's stock less attractive to an acquirer.

## Defensive Measures



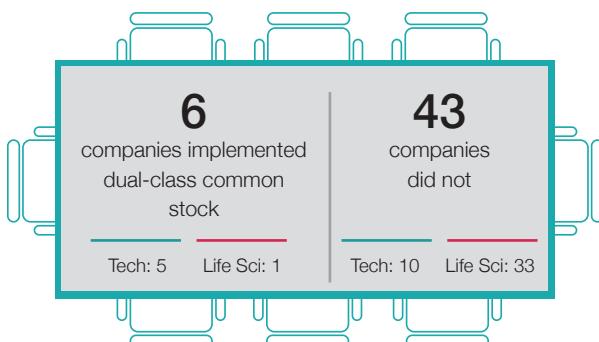
### Supermajority Stockholder Vote Required to Amend Bylaws

More than a simple majority of the issuer's outstanding stock is required to amend this governing document.



### Supermajority Stockholder Vote Required to Amend Certificate of Incorporation

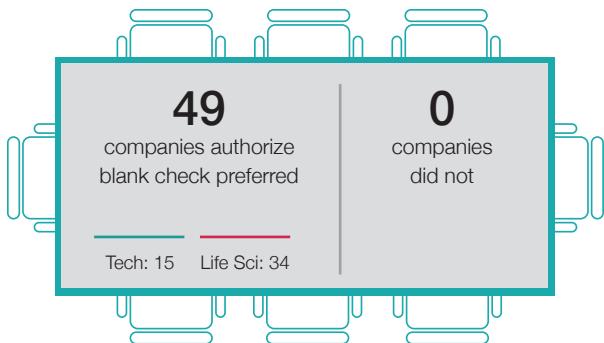
More than a simple majority of the issuer's outstanding stock is required to amend this governing document.



### Dual-Class Common Stock

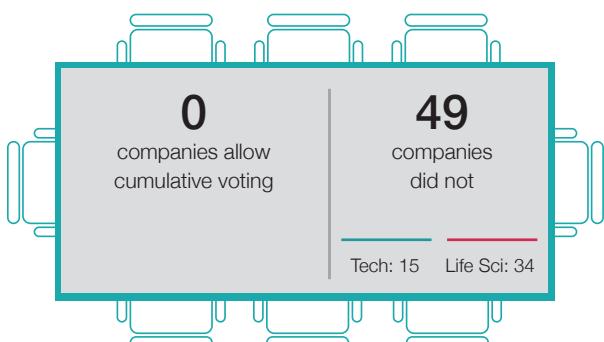
NYSE and Nasdaq listing standards allow an issuer, before or at the time of the IPO, to implement a dual-class stock structure that consists of different classes of shares that carry different voting rights and dividend payments. Generally, in most cases, there are two classes of shares issued: one class offered to the general public, with shares that provide limited voting rights, and one class offered to company founders, executives, and family that provides more voting power and, often, a majority control of the company. Dual-class stock is intended to give specific shareholders voting control.

## Defensive Measures



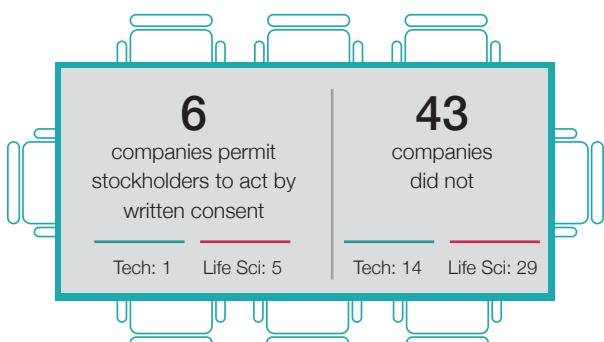
### Blank Check Preferred

A certificate of incorporation authorizing blank check preferred allows the board of directors, without further stockholder approval, to issue preferred stock in one or more series and determine the rights, preferences, and privileges of the preferred stock issued (e.g., rights to voting, dividends, redemption, etc.).



### Cumulative Voting

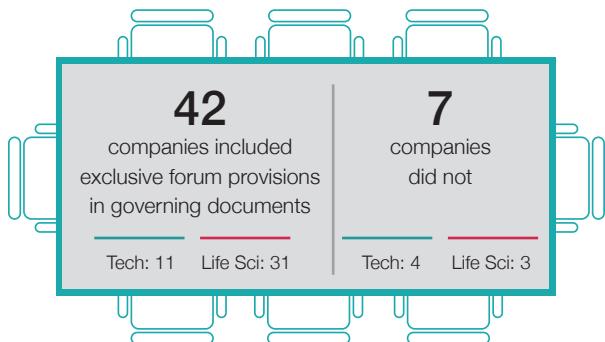
Cumulative voting is a method of voting for a company's directors. Each shareholder holds a number of votes equal to the number of shares owned by the shareholder, multiplied by the number of directors to be elected.



### Stockholder Ability to Act by Written Consent

If companies do not permit stockholders to act by written consent, any action requiring stockholder approval must occur at a stockholder meeting.

## Defensive Measures



### Exclusive Forum Provisions

Companies may include exclusive forum provisions in their governing documents requiring that certain types of litigation (such as derivative suits brought on behalf of the company, claims of breach of fiduciary duty, claims arising pursuant to any provision of the Delaware General Corporation Law, or claims governed by the internal affairs doctrine) be brought solely and exclusively in the Court of Chancery of the State of Delaware (or another specified forum).

# Filing Information

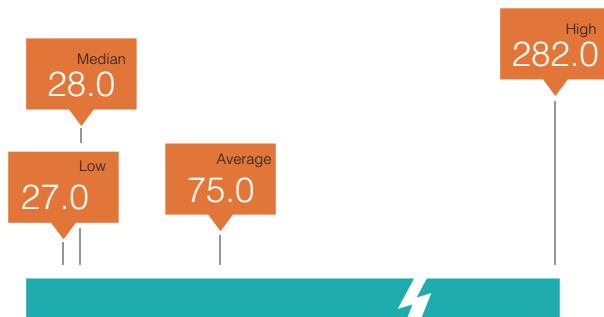
## Filing Information – Technology Issuers

*Number of Years from Inception to IPO*



*Days in Registration*

Represents the number of days between the initial submission of the draft registration statement (for EGCs) or the initial filing of the registration statement (for non-EGCs) and the filing of the final prospectus with the SEC.



*Number of Confidential Submissions (EGCs only)*

Represents the number of confidential draft registration statements submitted to the SEC before the public filing of the registration statement.

*Days Between Public Filing and Roadshow (EGCs only)*

Represents the number of days between the public filing of the registration statement and the filing of the preliminary prospectus with the SEC containing a price range, which typically coincides with the start of the roadshow, where the company's executive management will meet with potential investors to gauge interest in the offering. SEC rules formerly required a minimum of 21 days between these two events; however, in 2015, the FAST Act revised the rule to reduce the time period from 21 days to 15 days.



# Filing Information

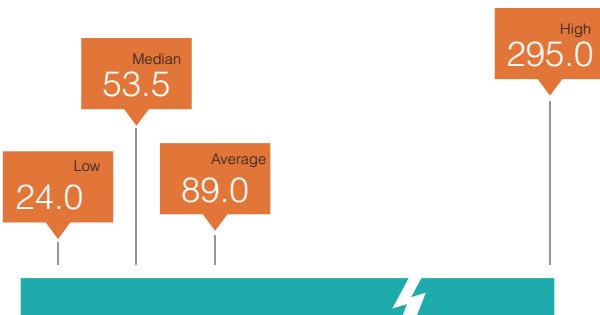
## Filing Information – Life Sciences Issuers

*Number of Years from Inception to IPO*



*Days in Registration*

Represents the number of days between the initial submission of the draft registration statement (for EGCs) or the initial filing of the registration statement (for non-EGCs) and the filing of the final prospectus with the SEC.



*Number of Confidential Submissions (EGCs only)*

Represents the number of confidential draft registration statements submitted to the SEC before the public filing of the registration statement.

*Days Between Public Filing and Roadshow (EGCs only)*

Represents the number of days between the public filing of the registration statement and the filing of the preliminary prospectus with the SEC containing a price range, which typically coincides with the start of the roadshow, where the company's executive management will meet with potential investors to gauge interest in the offering. SEC rules formerly required a minimum of 21 days between these two events; however, in 2015, the FAST Act revised the rule to reduce the time period from 21 days to 15 days.



## IPO Fees and Expenses

### Total Legal Fees

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Average</b>
	\$225,000	\$6,700,000	\$1,575,000	\$1,680,911
<b>Technology</b>	\$225,000	\$4,000,000	\$1,550,000	\$1,649,308
<b>Life Sciences</b>	\$400,000	\$6,700,000	\$1,600,000	\$1,695,077

### Total Underwriter Compensation

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Average</b>
	\$371,000	\$16,654,400	\$4,641,000	\$5,061,984
<b>Technology</b>	\$639,293	\$16,654,400	\$6,720,000	\$6,386,446
<b>Life Sciences</b>	\$371,000	\$15,437,500	\$3,654,000	\$4,477,662

### Total Accounting Fees

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Average</b>
	\$53,500	\$2,555,000	\$800,000	\$893,885
<b>Technology</b>	\$53,500	\$2,555,000	\$1,018,000	\$1,036,408
<b>Life Sciences</b>	\$125,000	\$2,367,269	\$800,000	\$829,995

### Printing Fees

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Average</b>
	\$5,000	\$1,600,000	\$260,000	\$331,610
<b>Technology</b>	\$15,000	\$1,600,000	\$255,000	\$340,923
<b>Life Sciences</b>	\$5,000	\$934,000	\$295,000	\$327,286

## For More Information

For more information on the preceding findings or any related matters, please contact [IPOReport@wsgr.com](mailto:IPOReport@wsgr.com), your regular Wilson Sonsini Goodrich & Rosati attorney, or any member of the firm's corporate securities practice.

## About Wilson Sonsini Goodrich & Rosati

Wilson Sonsini Goodrich & Rosati offers a broad range of services and legal disciplines focused on serving the principal challenges faced by the management and boards of directors of business enterprises. Consistently ranked among the top corporate law firms nationwide by *Corporate Board Member* and other trusted sources, WSGR currently represents more than 300 public and 3,000 private companies across a diverse range of industries in the U.S. and abroad. The firm is consistently ranked No. 1 by Dow Jones VentureSource for the number of issuer-side venture financing deals handled each year. The firm also is consistently ranked by Bloomberg and Thomson Reuters as a leading adviser for both issuer-side and underwriter-side U.S. IPOs. According to *IPO Vital Signs*, WSGR has represented more U.S. companies in connection with their IPOs than any other law firm since 1998. Since January 1, 2010, WSGR has also been the leading legal advisor to issuers in IPOs valued at \$50 million or higher that involve U.S. technology companies trading on major U.S. stock exchanges, according to CapitalIQ.

## Disclaimer

This communication is provided as a service to our clients and friends and is for informational purposes only. It is not intended to create an attorney-client relationship or constitute an advertisement, a solicitation, or professional advice as to any particular situation.

# Appendix A

## Technology

- SecureWorks Corp. (NasdaqGS:SCWX) 04/21/2016
- Acacia Communications, Inc. (NasdaqGS:ACIA) 05/12/2016
- Twilio, Inc. (NYSE:TWLO) 06/22/2016
- Monster Digital, Inc. (NasdaqGM:MSDI) 07/07/2016
- Impinj, Inc. (NasdaqGS:PI) 07/20/2016
- Atomera Incorporated (NasdaqCM:ATMR) 08/04/2016
- Airgain, Inc. (NasdaqCM:AIRG) 08/11/2016
- Everbridge, Inc. (NasdaqGM:EVBG) 09/15/2016
- The Trade Desk, Inc. (NasdaqGM:TTD) 09/20/2016
- Apptio, Inc. (NasdaqGM:APTI) 09/22/2016
- Nutanix, Inc. (NasdaqGS:NTNX) 09/29/2016
- Coupa Software Incorporated (NasdaqGS:COUP) 10/05/2016
- Everspin Technologies, Inc. (NasdaqGM:MRAM) 10/07/2016
- BlackLine, Inc. (NasdaqGS:BL) 10/27/2016
- Quantenna Communications, Inc. (NasdaqGS:QTNA) 10/27/2016

## Life Sciences

- Editas Medicine Inc. (NasdaqGS:EDIT) 02/02/2016
- AveXis, Inc. (NasdaqGS:AVXS) 02/10/2016
- Proteostasis Therapeutics, Inc. (NasdaqGM:PTI) 02/10/2016
- Syndax Pharmaceuticals, Inc. (NasdaqGS:SNDX) 03/02/2016
- Corvus Pharmaceuticals, Inc. (NasdaqGM:CRVS) 03/22/2016
- Aeglea Biotherapeutics, Inc. (NasdaqGM:AGLE) 04/06/2016
- American Renal Associates Holdings, Inc. (NYSE:ARA) 04/20/2016
- PAVmed Inc. (NasdaqCM:PAVM) 04/28/2016

- Intellia Therapeutics Inc. (NasdaqGM:NTLA) 05/05/2016
- Spring Bank Pharmaceuticals, Inc. (NasdaqCM:SBPH) 05/05/2016
- Oncobiologics, Inc. (NasdaqGM:ONS) 05/12/2016
- PhaseRx, Inc. (NasdaqCM:PZRX) 05/17/2016
- Pulse Biosciences, Inc. (NasdaqCM:PLSE) 05/17/2016
- Cotiviti Holdings, Inc. (NYSE:COTV) 05/25/2016
- Reata Pharmaceuticals, Inc. (NasdaqGM:RETA) 05/25/2016
- Clearside BioMedical, Inc. (NasdaqGM:CLSD) 06/01/2016
- Moleculin Biotech, Inc. (NasdaqCM:MBRX) 06/01/2016
- NantHealth, Inc. (NasdaqGS:NH) 06/01/2016
- Sensus Healthcare, Inc. (NasdaqCM:SRTS) 06/03/2016
- Selecta Biosciences, Inc. (NasdaqGM:SELB) 06/21/2016
- Syros Pharmaceuticals, Inc. (NasdaqGS:SYRS) 06/29/2016
- Audentes Therapeutics, Inc. (NasdaqGM:BOLD) 07/20/2016
- Kadmon Holdings, LLC (NYSE:KDMN) 07/26/2016
- Tactile Systems Technology, Inc. (NasdaqGM:TCMD) 07/27/2016
- Gemphire Therapeutics Inc. (NasdaqGM:GEMP) 08/04/2016
- Medpace Holdings, Inc. (NasdaqGS:MEDP) 08/10/2016
- Protagonist Therapeutics, Inc. (NasdaqGM:PTGX) 08/10/2016
- Novan, Inc. (NasdaqGM:NOVN) 09/20/2016
- Fulgent Genetics, Inc. (NasdaqGM:FLGT) 09/28/2016
- Tabula Rasa Healthcare, Inc. (NasdaqGM:TRHC) 09/28/2016
- Obalon Therapeutics, Inc. (NasdaqGM:OBLN) 10/05/2016
- AzurRx BioPharma, Inc. (NasdaqCM:AZRX) 10/11/2016
- iRhythm Technologies, Inc. (NasdaqGM:IRTC) 10/19/2016
- Ra Pharmaceuticals, Inc. (NasdaqGM:RARX) 10/25/2016



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