

Global Technology IPO Review Q2 2014

Technology Institute

A quarterly look at global trends in the technology IPO market

August 2014



Global technology IPOs surge



Raman Chitkara

Partner and Global Technology
Industry Leader
PricewaterhouseCoopers LLP
raman.chitkara@us.pwc.com

Welcome to the second quarter 2014 issue of PwC's Global Technology IPO Review. Following the momentum of Q4'13 and Q1'14, global technology IPO activity surged in the second quarter with 40 IPOs raising US\$12.1bn in proceeds, a year-over-year increase of 135% and 322% respectively; compared to last quarter, the number of deals increased by 54% and deal size increased by 77%. In fact, during the first half of 2014 there were more technology IPOs completed and dollars raised than in all of 2013. Q2'14 marked the strongest quarter for technology IPOs since 2008, except in terms of proceeds in Q2'12; due to the Facebook IPO. Investor interest in technology IPOs remains strong. Further, confidence continues to build as the VIX® (volatility index) is now at the lowest level since the start of 2007 and new filings are gaining momentum.

In contrast to the prior quarter, the IPO activity was geographically broad-based. European markets had the best quarterly showing since 2008 with seven IPOs listed on European exchanges and a total of eight IPOs from Europe overall. While there were only five technology IPOs on Chinese exchanges, owing to preference of Chinese companies to take advantage of the strength in the US capital markets and list on NYSE and NASDAQ, total Chinese IPOs increased from 11 in Q1 to 13 in Q2. Overall, 28% of global technology IPO activity in Q2'14 was cross border.

Internet Software & Services led activity with 20 deals and US\$5.1bn raised. Unique Internet commerce models continue to emerge across Asia as companies look to tap this huge customer base.

For a complete picture of Q2 results, please review the detail that follows. If you would like to discuss these findings and how they may impact your business, please reach out to me or any member of our global technology team listed at the back of this document.

Sincerely,

A handwritten signature in black ink that reads "Raman". The signature is written in a cursive style and is positioned above a horizontal line.

Raman Chitkara

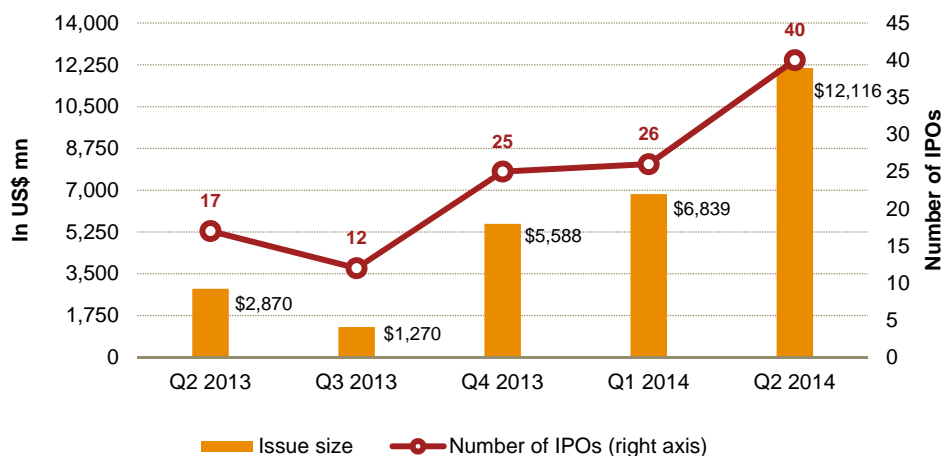
“With 40 technology IPOs this quarter and a strong pipeline of technology companies, barring a major market disruption, the IPO window should remain open for companies wanting to go public and 2014 could surpass even prefinancial crisis global technology IPO activity.”

– **Raman Chitkara**
Global Technology Industry Leader, PwC

Executive summary

Global technology IPO activity, which took off in the last quarter of 2013 continued and gained speed in Q2'14. The technology sector surpassed expectations in the second quarter, with 40 IPOs and US\$12.1bn in proceeds. Compared to the 17 deals in Q2'13, the number of Q2'14 deals increased by 135% and total proceeds grew by 317% (Q2'13 = US\$2.9bn). The number of technology IPOs increased 54% over the prior quarter and the average issue size also moved higher (US\$303.0mn versus US\$263.0mn). An improving Eurozone led to the return of technology IPOs in Europe with listings on the London Stock Exchange (LSE) and one on Euronext in Paris.

Figure 1: Global Technology IPO trends



Source: Dealogic with analysis by PwC.

*Issue size greater than US\$40mn

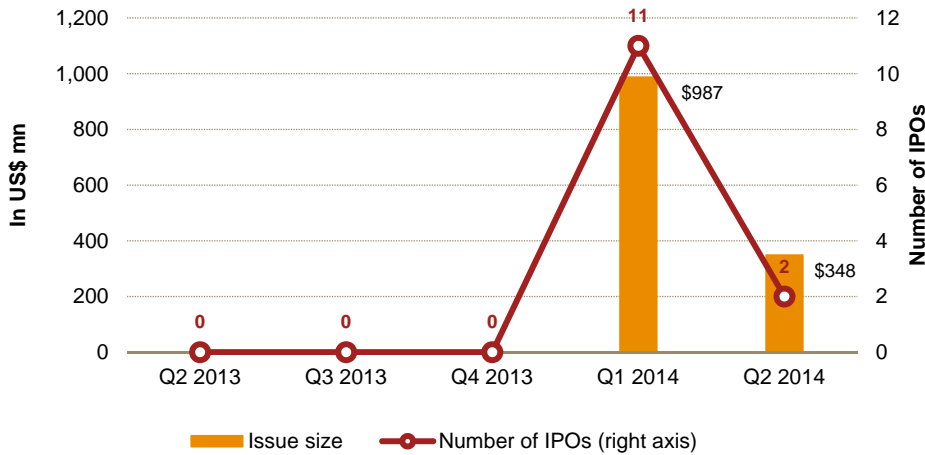
US technology IPOs maintain strong Q1 pace

US-based companies and US stock exchanges continued to carry forward the strong performance from Q1'14. Fourteen US technology companies completed their IPOs in Q2'14 (compared to twelve in Q1'14, eight in Q4'13 and nine in Q3'13). US technology IPO proceeds increased significantly from US\$1.6bn in Q1'14 to US\$4.0bn in Q2'14. On a year-over-year basis, proceeds increased by 82% (Q2'13 = US\$2.2bn).

Chinese technology IPOs increase 18% but list outside China

Thirteen Chinese companies went public this quarter; however eight listed in the US and three listed on the Hong Kong exchange. Chinese exchanges had two technology IPOs raising US\$347.8mn, a decrease of 82% and 65% respectively quarter over quarter. The regulatory backlog in China from the 600 Chinese companies in the pipeline, contributed to a lower number of IPOs on the Shenzhen and Shanghai stock exchanges.

Figure 2: Technology IPOs on Shenzhen and Shanghai exchanges

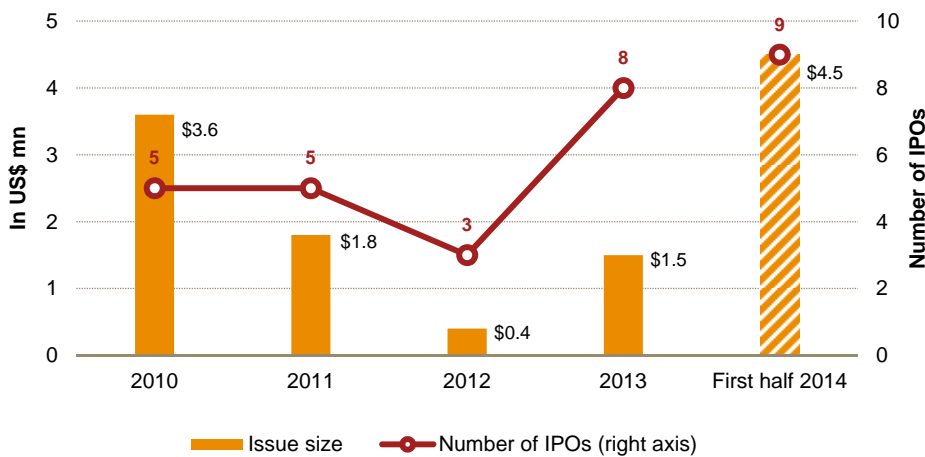


Source: Dealogic with analysis by PwC.

Best showing in Europe since 2010

More dollars were raised by technology companies in the first half of 2014 on European exchanges than in any full year since the financial crisis. There were eight European technology IPOs raising US\$4.0bn. Of these eight IPOs, five were listed in London (US\$1.9bn), one on the Euronext in Paris (US\$0.8bn) and two on NASDAQ (US\$1.4bn).

Figure 3: European technology IPOs – 2010, 2011, 2012, 2013 and first half 2014



Source: Dealogic with analysis by PwC.

“Although China’s stock market re-opened at the beginning of the year, the listing process to bring 600+ applicants into the capital markets has not been as issue free as expected. The pipeline for the second half of 2014 continues to be strong, particularly for crossborder listings.”

– **Jianbin Gao,**
Technology Industry
Leader, PwC China

“This quarter’s UK technology IPOs demonstrate resilience in the industry with some companies returning to the market after a period of being private. Offerings this quarter also highlight the depth and breadth of the UK’s technology sector and the strong infrastructure in the UK which allows companies to flourish.”

– **Jass Sarai,**
Technology Industry
Leader, PwC UK

Cross-border technology IPOs also surge

Cross-border deals increased this quarter after a dip in Q1'14 (1 IPO), with 28% (11) of the companies raising funds from exchanges outside their headquarter country. Eight Chinese companies and two European companies listed on US exchanges, pushing US exchange IPO statistics higher. An Israeli company also listed on the LSE. Cross-border activity was driven both by rising investor confidence and the strength of the US capital markets. Earlier this quarter, China's regulators announced they would limit IPOs in China to around 100 in the second half of 2014, a move that will likely encourage more Chinese firms to consider an overseas listing.

Global participation

Second quarter activity spanned 10 countries. In addition to China, the US and UK, there were seven IPOs across seven other countries raising US\$1.2bn (10% of total proceeds). The largest IPO was Worldline SA, a French company raising US\$782.3mn. Israel had one cross-border IPOs on the NASDAQ and LSE with an average of US\$54mn raised.

Belgium, Canada, France, Indonesia, Israel, Japan and New Zealand each had one IPO. One was a cross-border IPO, Belgium's Materialise NV, which listed on NASDAQ.

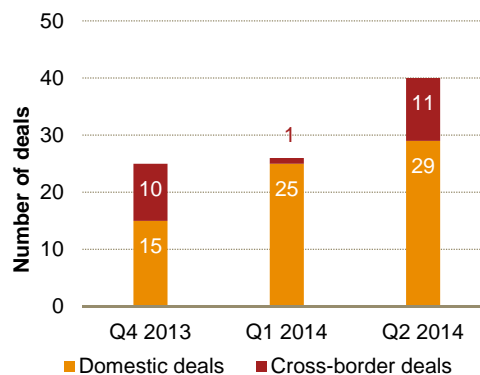
Internet Software & Services and Software again rank as the most active subsectors

Multiple forces are driving opportunity and innovation in the Internet Software & Services and Software sectors. Expanding commerce in China and ASEAN emerging economies, rapidly evolving Internet-connected wearables and smart devices as the Internet of Things becomes a reality, the associated need for big data analytics and the exploding demand for software defined systems that provide agility and flexibility to companies of all sizes. The impact of innovation is far-reaching in these subsectors. Internet Software & Services was the most active IPO sector with 20 deals and US\$5.1bn in proceeds. JD.com (a Chinese company) was the largest IPO in this sector (US\$1.7bn), followed by the UK-based Zoopla Property Group Plc (US\$598mn).

The Software sector had 11 deals and raised US\$3.1bn in total. The largest IPO in this sector was Markit Ltd (US\$1.3bn), a UK based company.

Together, these two subsectors comprised 78% (31 IPOs) of the total number of IPOs and 68% (US\$8.2bn) of the total funds raised.

Figure 4: Cross-border technology IPOs Q4'13 versus Q1'14 and Q2'14



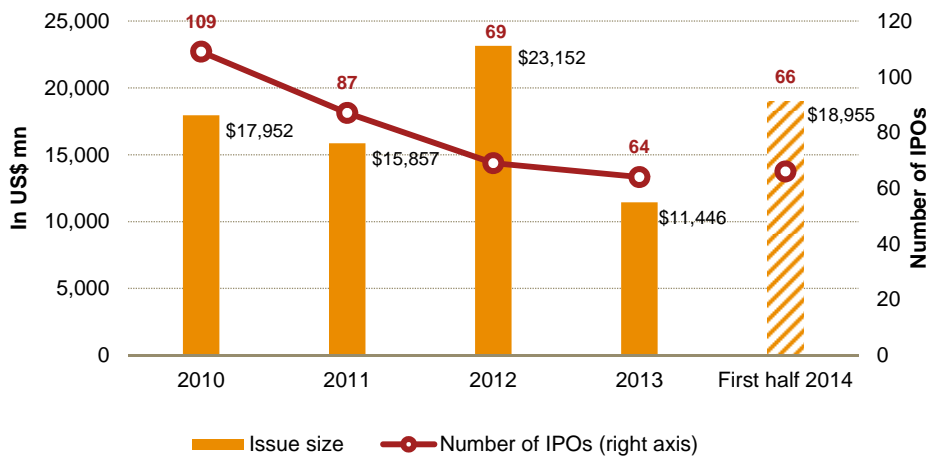
Source: Dealogic with analysis by PwC.

Global technology IPO trends

Strong capital markets in the US, a rebounding Eurozone and steadily improving economic conditions led to a record quarter for technology IPOs around the globe, with 40 companies going public across 10 countries and 10 exchanges. In the first half of 2014, there were 66 IPOs with proceeds of US\$18.9bn, significantly higher than the US\$11.5bn raised in all of 2013.

Technology IPO average one-day returns neared 16% and current year-to-date returns averaged 18%, both surpassing the overall growth of 2014 market indices, and motivating more technology companies to enter the public markets.

Figure 5: Q2 2014 global technology IPO trends



Source: Dealogic with analysis by PwC.

*By trade date

Top 10 technology deals

The top 10 deals of Q2'14 raised a total of US\$8.5bn, 70% of total proceeds (US\$12.1bn). Comparatively, in Q1'14 the top 10 deals comprised 81% of the total proceeds and in Q2'13 85%. In both these quarters there were considerably fewer deals, 26 and 17 respectively.

The Internet Software & Services subsector dominated the top 10 technology deals, accounting for 39% of the total proceeds and 40% (4) of the top 10 IPOs in Q2'14. Software and IT Consulting and Other Services had two IPOs each.

Four companies out of the top 10 were from the UK, but one (Markit Ltd) listed on NASDAQ. Seven of the top 10 IPOs raised more than US\$500mn each.

JD.com was the largest IPO this quarter with US\$1.8bn and Weibo Corp. was the tenth in the list with US\$328mn. Both are Chinese companies that listed on NASDAQ.

Table 1: Q2 2014 IPO summary – Top 10 deals

Company	Subsector	Proceeds (in US\$ mn)	Primary exchange
JD.com, Inc.	Internet Software & Services	1,780	NASDAQ
IMS Health Holdings Inc	IT Consulting and Other Services	1495	NYSE
Markit Ltd	Software	1,283	NASDAQ
Worldline SA	Computers & Peripherals	782	ENXTPA
Sabre Corp	Software	721	NASDAQ
Zoopla Property Group PLC	Internet Software & Services	598	LSE
JUST EAT Plc	Internet Software & Services	597	LSE
GoPro Inc	Electronics	491	NASDAQ
FDM Group(Holdings)PLC	IT Consulting and Other Services	411	LSE
Weibo Corp	Internet Software & Services	328	NASDAQ

Source: Dealogic with analysis by PwC.

“There has been a revival of IPOs in France over the last few months, including Worldline, an ATOS subsidiary, which raised approximately €575 million in June. Excluding this major transaction, we see an increased focus around IPOs, including a number of proposals aimed at easing access to the capital markets for smaller companies.”

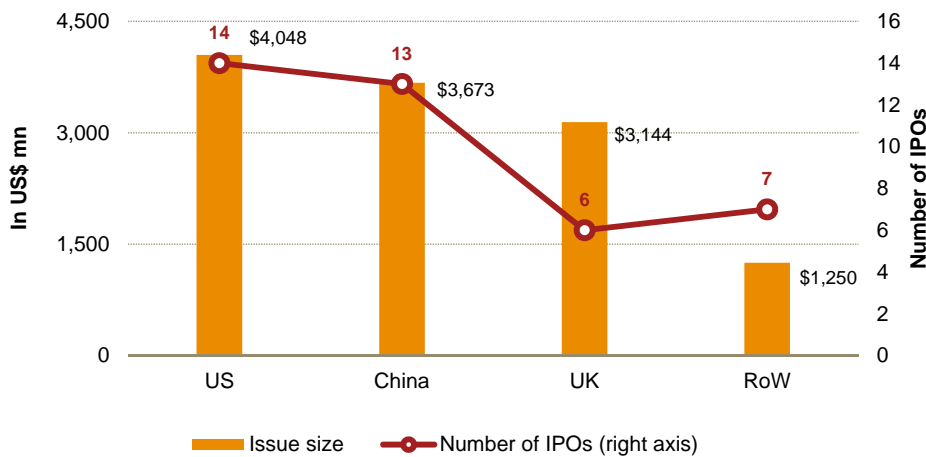
– **Pierre Marty**
European Software Leader, PwC

Geographic IPO trend

The geographic distribution of technology IPOs in Q2'14 was spread across 10 nations with the US, China and UK leading the way. The US and China recorded the most activity with 35% (14) and 33% (13) of total deals, respectively. Second quarter activity broadened geographically as the global economy continued to show improvement and investors' confidence in IPO stocks further strengthened.

In terms of average proceeds, the UK with US\$523.0mn was considerably higher than US with average deal size of US\$289.1mn. The US raised US\$4.0bn; followed by China which raised US\$3.7bn and the UK at US\$3.1bn. Other territories included in RoW had seven deals raising US\$1.3bn.

Figure 6: Q2 2014 IPO geographic distribution



Source: Dealogic with analysis by PwC.

“The US technology IPO market accelerated its pace during the second quarter of 2014 with the Software and Internet sectors leading the way. As investors evaluate the IPO pipeline, technology companies preparing to enter the market should focus on driving growth and predictability while maximizing their scale and margin.”

– **Alan Jones**
Deals Partner, PwC US

United States

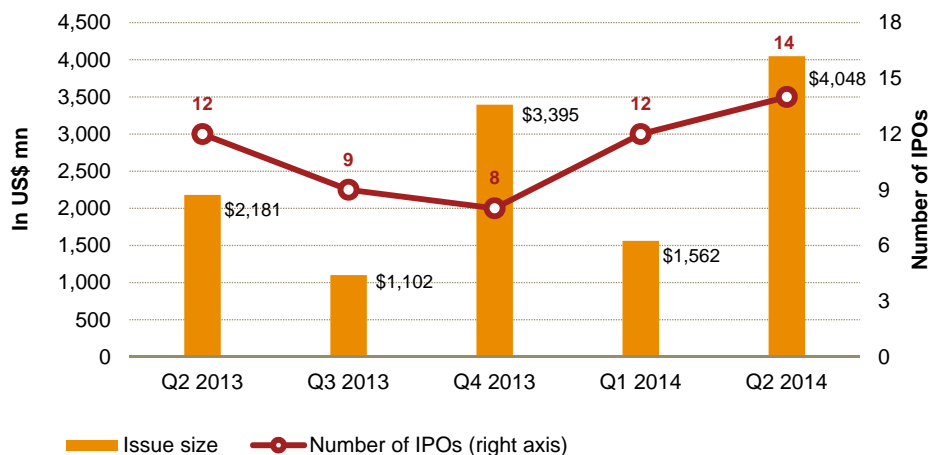
US equities once again set record highs with the Dow Jones, NASDAQ, and the S&P 500 rising 2.2%, 3.3% and 4.0%, respectively. Surpassing the 17,000 mark for the first time in history shortly after quarter end, the Dow reflects rising confidence of investors in US capital markets. The top 25 global technology businesses maintained average enterprise-value-to-EBITDA multiples of 10x. Technology IPOs of US companies accelerated their pace, adding 14 new pricings with proceeds of US\$4.0 billion.

In Q2'14, total deal volume (14) and value (US\$4.0bn) of US technology IPOs increased year over year by 17% and 86%, respectively. IMS Health Holdings Inc. led the way with US\$1.5bn followed by Sabre Corp with a US\$721mn IPO.

The average issue size increased by 59% year over year and by 122% sequentially to US\$289.1mn this quarter.

VC-backed IPOs returned to the market as improved investor sentiment gave the VCs an exit opportunity.

Figure 7: United States IPO trends

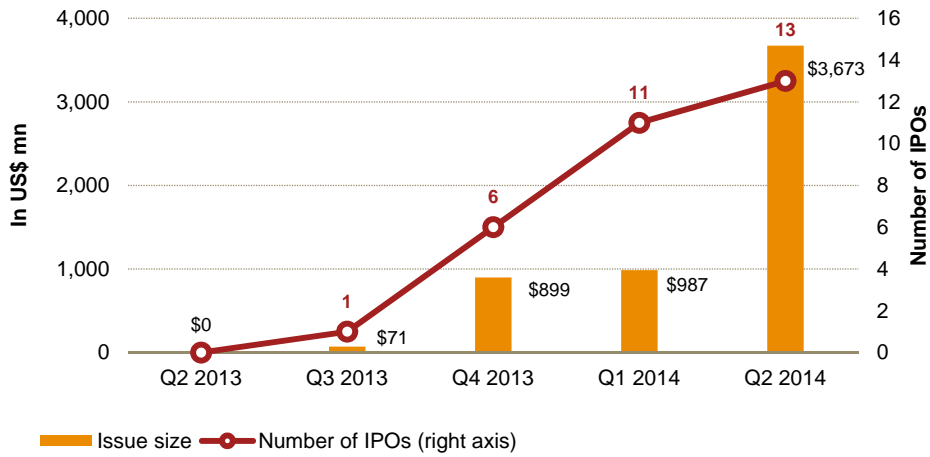


Source: Dealogic with analysis by PwC.

China

Technology IPOs of Chinese companies continued their comeback in Q2'14 with 13 IPOs and proceeds of US\$3.7bn. This was a 272% increase in terms of proceeds and an 18% increase in number of deals quarter over quarter. Only two offerings occurred on the Shenzhen or Shanghai exchanges with Chinese companies looking to the US and Hong Kong for streamlined filing and liquidity.

Figure 8: Chinese IPO trends



Source: Dealogic with analysis by PwC.

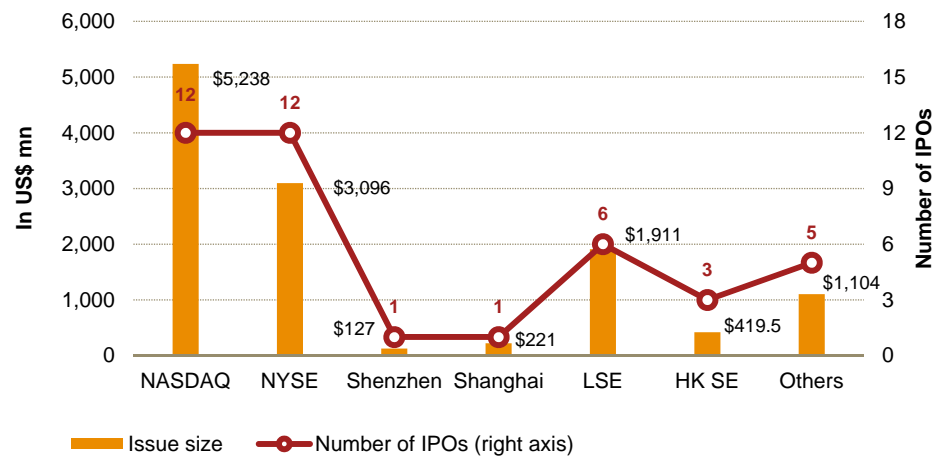
Stock exchange distribution

US exchanges posted 60% of the global technology IPO activity with 24 IPOs and US\$8.3bn in proceeds (69%). The increase in deal value is attributed in part to two major cross-border IPOs, one from China, JD.com Inc. (US\$1.8bn) and one from the UK, Markit (US\$1.3bn). NASDAQ and NYSE had 12 IPOs each in the second quarter but NASDAQ raised considerably more funds (US\$5.2bn versus US\$3.1bn), than the NYSE.

The Hong Kong Stock Exchange listed three IPOs with proceeds of US\$419mn. The London Stock Exchange listed 6 IPOs with US\$1.9bn raised. Just Eat Plc had the largest deal value (US\$597mn) on the London Stock Exchange.

Shanghai and Shenzhen, with US\$221mn and US\$127mn, respectively, were impacted by both capital market strength in the US and tightened disclosure requirements for listing companies in China.

Figure 9: Q2 2014 Stock exchange distribution



Source: Dealogic with analysis by PwC.

Table 2: Q2 2014 IPOs by region – North America (NASDAQ, NYSE, TSE)*

Issue date (mm/dd/yyyy)	Company	Subsector	Proceeds (in US\$ mn)	Primary exchange	Domicile nation
5/21/2014	JD.com, Inc	Internet Software & Services	1,780	NASDAQ	China
4/3/2014	IMS Health Holdings Inc	IT Consulting and Other Services	1495	NYSE	United States
7/18/2014	Markit Ltd	Software	1,283	NASDAQ	UK
4/16/2014	Sabre Corp	Software	721	NASDAQ	United States
6/25/2014	GoPro Inc	Electronics	491	NASDAQ	United States
4/16/2014	Weibo Corp	Internet Software & Services	328	NASDAQ	China
5/16/2014	Jumei International holding ltd	Internet Software & Services	245	NYSE	China
6/5/2014	Arista Networks, Inc	Communications Equipment	226	NYSE	United States
4/3/2014	GrubHub Inc	Internet Software & Services	221	NYSE	United States
5/7/2014	Cheetah Mobile Inc	Software	193	NYSE	China
4/3/2014	Opower Inc	Software	133	NYSE	United States
5/14/2014	Zendesk Inc	Software	115	NYSE	United States
4/14/2014	Paycom Software Inc	Internet Software & Services	115	NYSE	United States
4/1/2014	The Rubicon Project, Inc	Internet Software & Services	102	NYSE	United States
6/23/2014	Xunlei Ltd	Internet Software & Services	101	NASDAQ	China
4/16/2014	Leju Holdings Limited	Internet Software & Services	100	NYSE	China
6/11/2014	MobileIron Inc	Software	100	NASDAQ	United States
7/24/2014	Materialise NV	Software	96	NASDAQ	Belgium
5/21/2014	SunEdison Semiconductor Ltd	Semiconductors	93	NASDAQ	United States
6/3/2014	Kinaxis Inc	Internet Software & Services	92	TSE	Canada
5/8/2014	Tuniu Corp	Internet Software & Services	83	NASDAQ	China
4/3/2014	Five9 Inc	Internet Software & Services	81	NASDAQ	United States
5/15/2014	TrueCar Inc	Internet Software & Services	81	NASDAQ	United States
6/11/2014	Zhaopin Ltd	Internet Software & Services	76	NYSE	China
6/24/2014	Imprivata Inc	Internet Software & Services	75	NYSE	United States

* Deals have been classified based on the exchange where capital was raised.
Source: Dealogic with analysis by PwC.

Table 3: Q2 2014 IPOs by region – Asia (Shenzhen, Shanghai, JKSE, HKSE, New Zealand and Tokyo)*

Trade date (mm/dd/yyyy)	Company	Subsector	Proceeds (in US\$ mn)	Primary exchange	Domicile nation
06/17/2014	Guangdong Ellington Electn	Semiconductors	221	Shanghai	China
04/09/2014	BAIOO Family Interactive Limited	Internet Software & Services	196	SEHK	China
06/16/2014	Feitian Technologies Co Ltd	Electronics	126	SZSE	China
06/23/2014	Chanjet Information Technology	Software	116	SEHK	China
06/25/2014	Ourgame International Holdings	Internet Software & Services	108	SEHK	China
06/23/2014	VOYAGE GROUP Inc	Internet Software & Services	103	TSE	Japan
06/06/2014	Gentrack Group Ltd	Software	84	NZSE	New Zealand
05/13/2014	Link Net PT	Communications Equipment	42	JKSE	Indonesia

* Deals have been classified based on the exchange where capital was raised.

Source: Dealogic with analysis by PwC.

Table 4: Q2 2014 IPOs by region – Europe (LSE and Euronext Paris)*

Trade Date (mm/dd/yyyy)	Company	Subsector	Proceeds (in US\$ mn)	Primary exchange	Domicile nation
06/26/2014	Worldline SA	Computers & Peripherals	782	ENXTPA	France
06/18/2014	Zoopla Property Group PLC	Internet Software & Services	598	LSE	UK
04/03/2014	JUST EAT plc	Internet Software & Services	597	LSE	UK
06/17/2014	FDM Group(Holdings)PLC	IT Consulting and Other Services	412	LSE	UK
06/06/2014	Game Digital Plc	Software	203	LSE	UK
06/23/2014	IMImobile Ltd	Internet Software & Services	51	London AIM	UK
06/06/2014	Marimedia Ltd	Software	50	London AIM	Israel

* Deals have been classified based on the exchange where capital was raised.

Source: Dealogic with analysis by PwC.

Subsector distribution

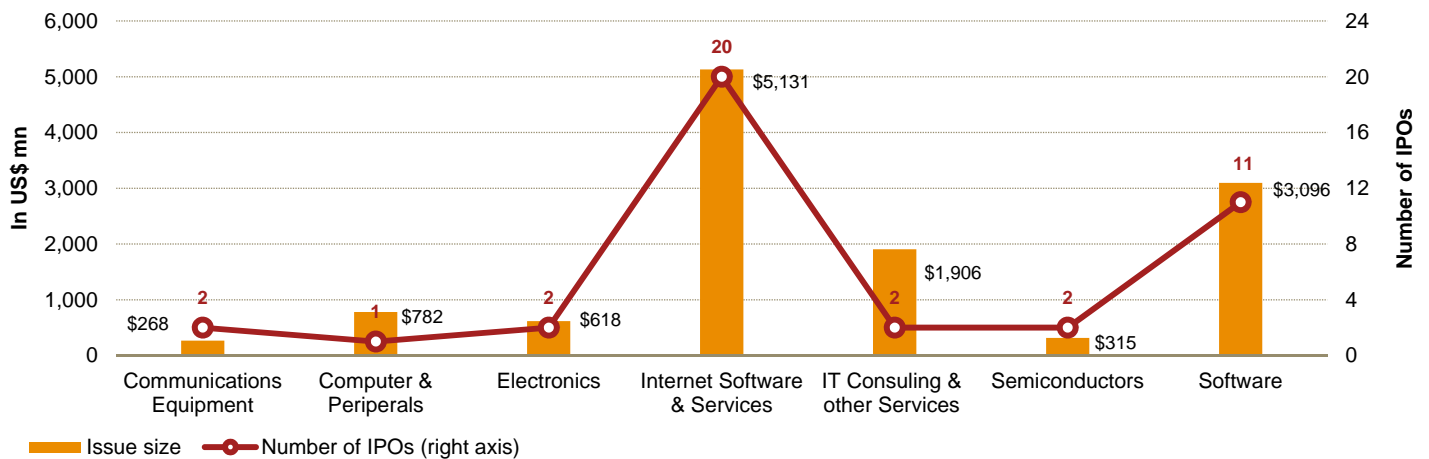
In Q2'14, the Internet Software & Services sector had the most IPOs (20) with proceeds of US\$5.1bn; followed by 11 IPOs in the Software sector which raised US\$3.1bn. Increasing Internet penetration, growing Ecommerce and rebounding consumer demand in the developing economies, and the shift from product to service across industry as a whole, is resulting in accelerating demand for Internet and software innovations.

The Semiconductor subsector had two IPOs which raised US\$315mn, a 28% increase in amount raised quarter over quarter with the same number of deals. There were no semiconductor IPOs in Q2'13 due in large part to the China IPO freeze. Of the two semiconductor IPOs this quarter, one was from US and the other was a Chinese company.

IT Consulting and Other Services raised US\$1.9bn with only two IPOs. IMS Health Holding Inc., the biggest IPO in this sector and second largest IPO in the quarter, raised US\$1.5bn.

Electronics and Communications Equipment posted two IPOs each, with US\$618mn and US\$268mn raised respectively. The Computers & Peripherals sector had one IPO (Worldline SA) with a deal size of US\$782mn.

Figure 10: Q2 2014 IPO subsector distribution



Source: Dealogic with analysis by PwC.

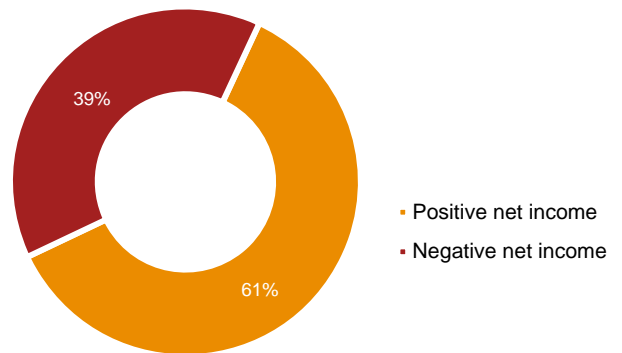
Key financials

The average Last Twelve Months (LTM) net income was a net loss of US\$10.3mn. However, 61% of the companies reported a positive LTM net income. Out of the top three subsectors, the Internet Software & Services sector had the most companies with net losses in last twelve months (9). Software had four companies with net losses in the last twelve months.

One of the two semiconductor companies had net losses in the last twelve months.

JD.com had the highest net loss of US\$621.7mn, while Markit Ltd had the highest net income of US\$128.5mn.

Figure 11: Net income status in Q2'14 technology IPO universe (40)



Source: Dealogic with analysis by PwC.

Revenues

All sectors

Overall, the average revenue for all Q2'14 technology IPOs was US\$741mn which is much higher than last quarter's US\$473mn. The highest revenue reported in Q2'14 was by JD.com Inc at US\$12.6bn. Compared to last quarter's average, revenue was up by 57%.

Average EBITDA level was US\$51mn and was in line with last quarter's average of US\$66mn, with IMS Health Holding Inc having reported the highest EBITDA of US\$697mn.

All subsector average net income in Q2'14 was at a net loss of US\$10.3mn compared to the last quarter, which was positive at US\$31.5mn and last year which was a net loss of US\$16.4mn. The average debt level of US\$268mn was much higher than last quarter's US\$40.1mn. EV/Revenue and EV/EBITDA multiples were 4.2x and 60.3x, respectively, and were significantly higher than last quarter's multiple 2.2x and 33.3x, respectively. The EV/Revenue was in line, but the EV/EBITDA was skewed due to the negative impact of JD.com EBITDA of US\$662mn.

Top three sectors in Q2 2014

Internet Software & Services

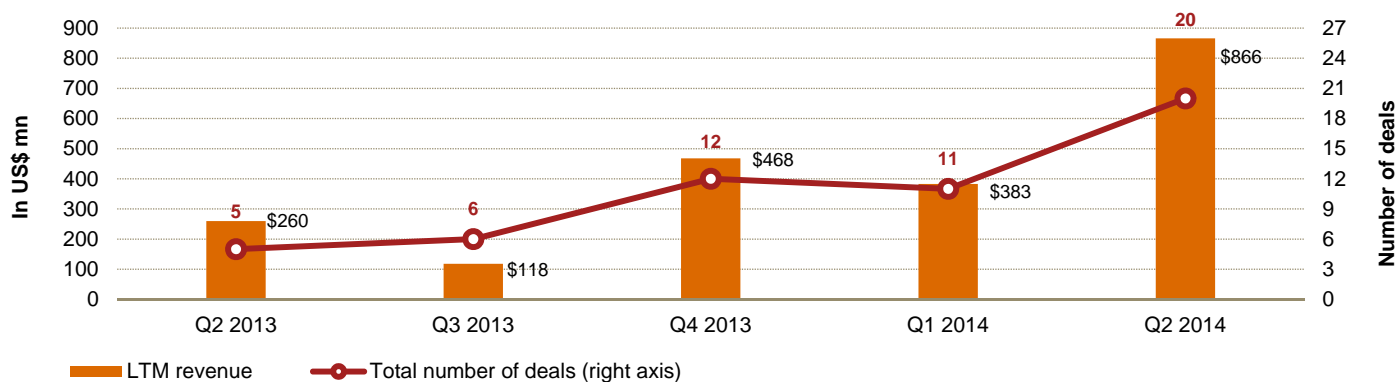
The Internet Software & Services sector reported average revenue of US\$866mn with 20 deals in Q2'14. In terms of both average revenue and the number of deals, it was much higher than last quarter's average revenue of US\$383mn representing 11 deals. Compared to Q2'13, the average revenue and deals were also much higher. Q1'13 had an average revenue of US\$260mn with only five deals.

The average EBITDA was negative US\$18mn, which is lower than last quarter's US\$66mn. Average net income (loss) also dipped to (US\$34mn), led by negative net income of Weibo Corp and JD.com Inc.

Enterprise value and total debt level increased significantly year over year by 461% (US\$3,457mn) and 212% (US\$38mn), respectively.

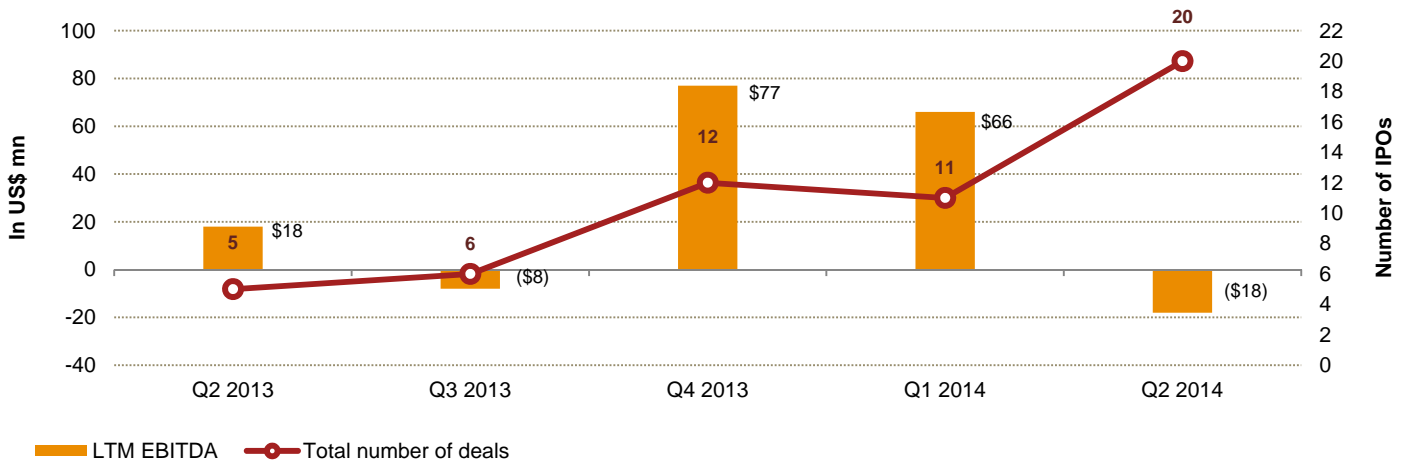
The average EV/Revenue multiple increased marginally to 3.99x, compared to last quarter's 3.7x.

Figure 12: Internet Software & Services – LTM revenue



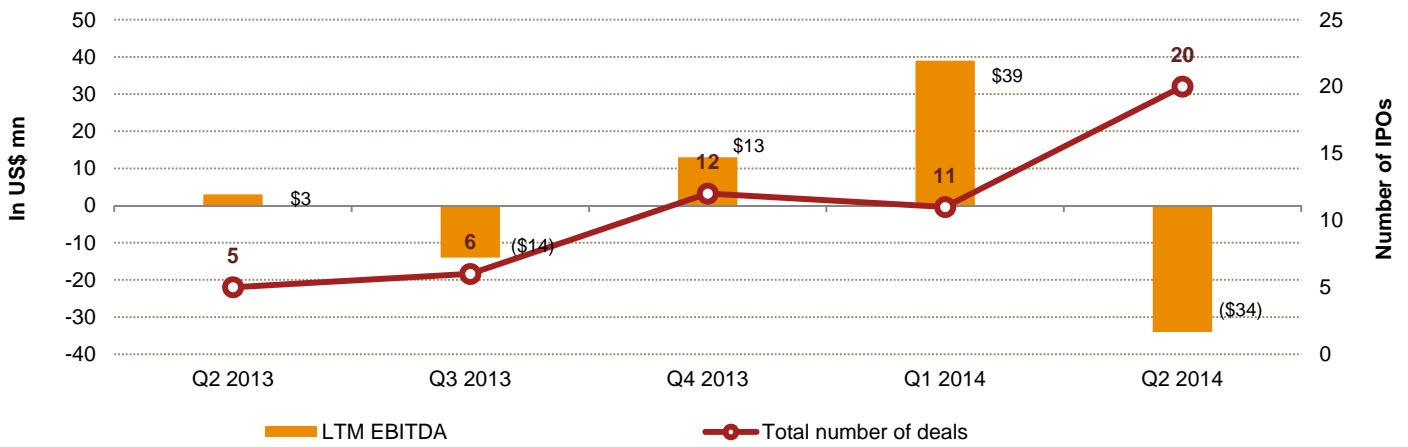
Source: Dealogic with analysis by PwC.

Figure 13: Internet Software & Services – LTM EBITDA



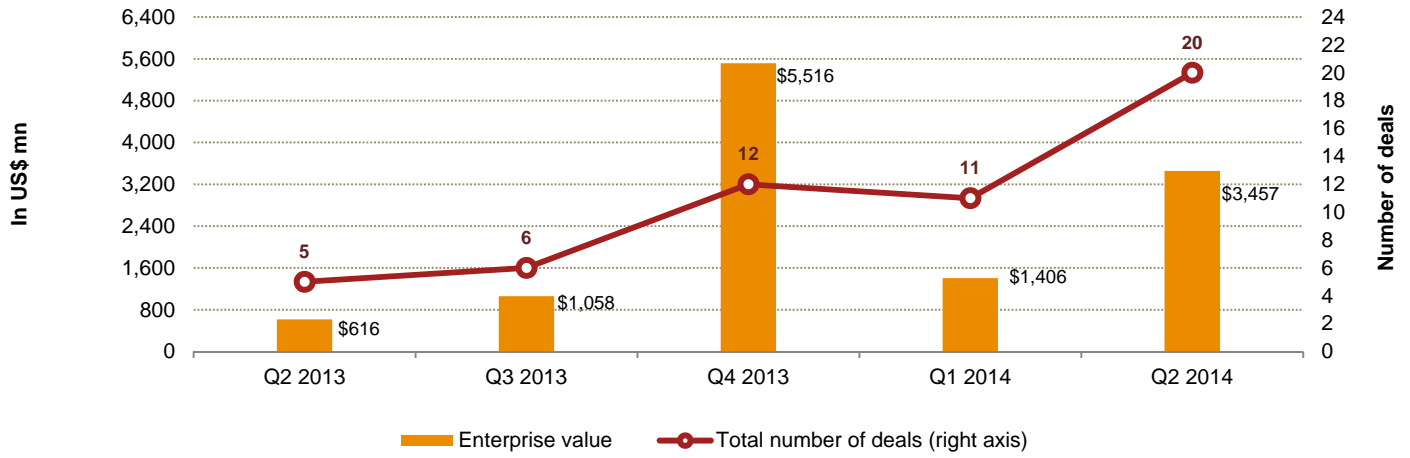
Source: Dealogic with analysis by PwC.

Figure 14: Internet Software & Services – LTM net income



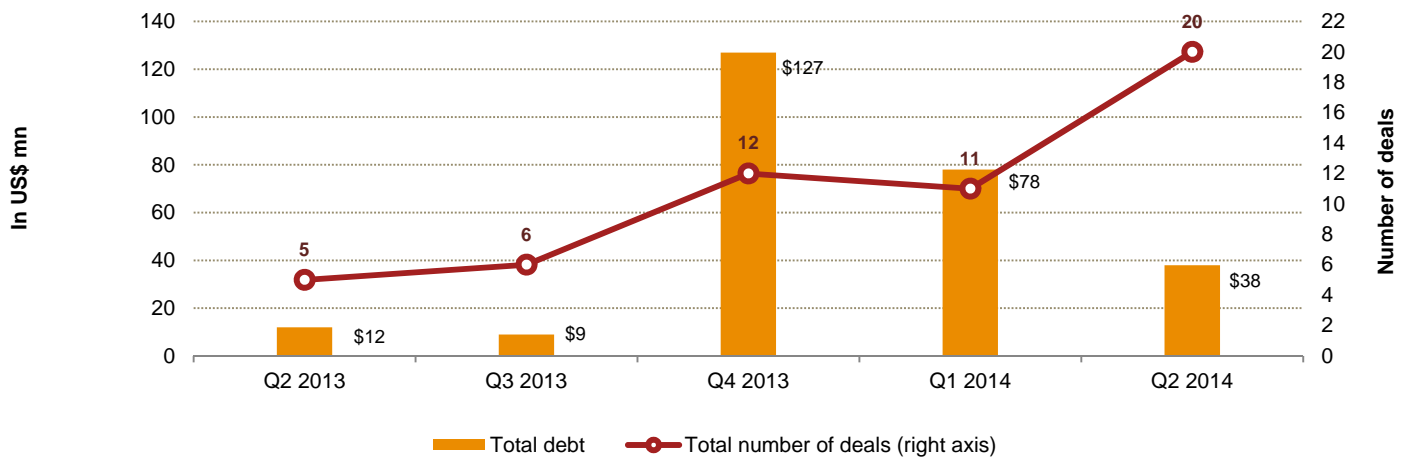
Source: Dealogic with analysis by PwC.

Figure 15: Internet Software & Services – Enterprise value



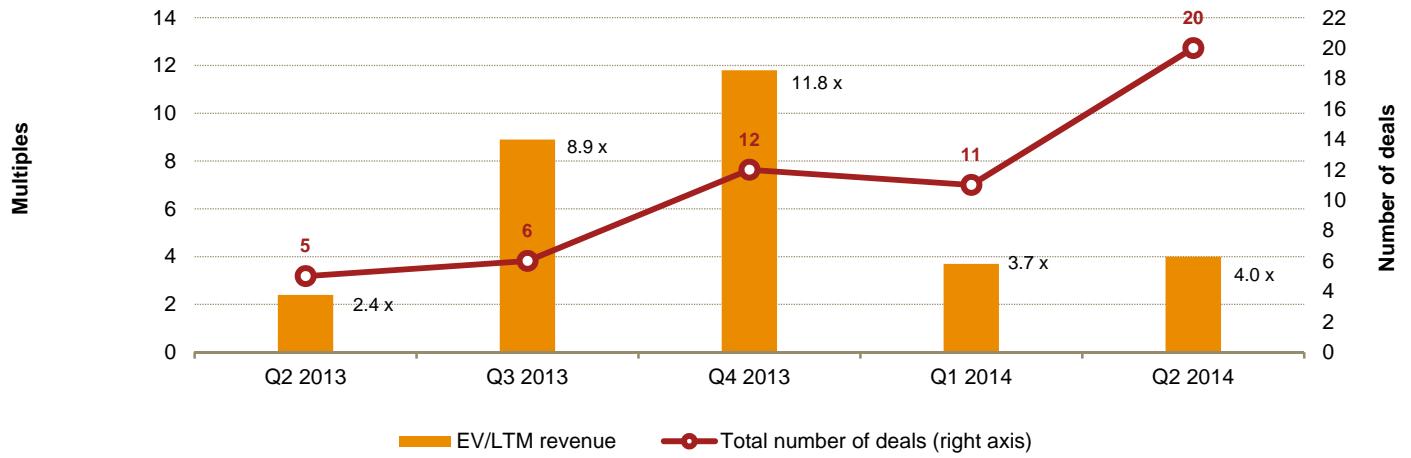
Source: Dealogic with analysis by PwC.

Figure 16: Internet Software & Services – Total debt



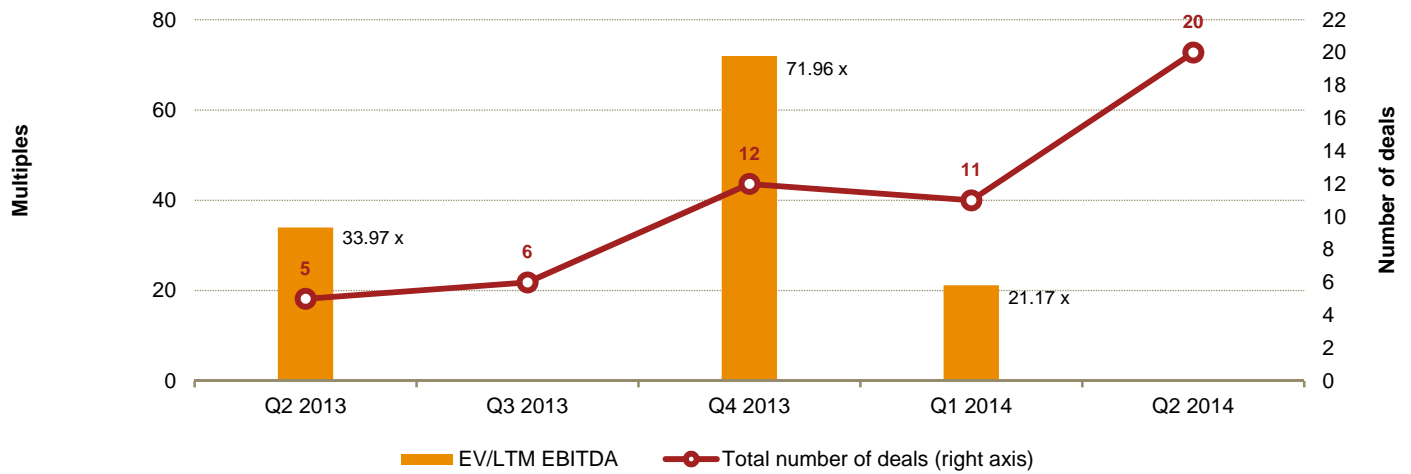
Source: Dealogic with analysis by PwC.

Figure 17: Internet Software & Services – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 18: Internet Software & Services – EV/LTM EBITDA*



*The companies with negative EBITDA were excluded when calculating subsector EV/LTM EBITDA. However, LTM EBITDA in Figure 13 includes all companies in the subsector.

Source: Dealogic with analysis by PwC.

Software subsector

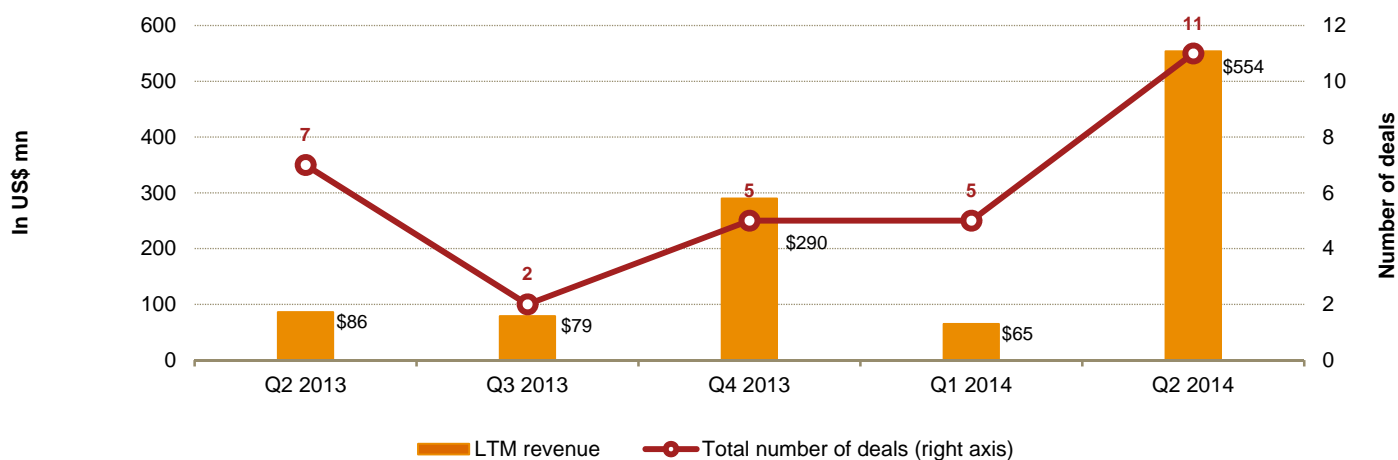
The Software sector reported average revenue of US\$554mn with 11 IPOs. It was 541% higher year over year and 753% quarter over quarter. In terms of the number of IPOs, it was 57% higher than Q2'13. The average EBITDA increased significantly (~1000%) both sequentially and year over year.

EV also increased by 72% year over year, reflecting an improved equity market globally.

In the Software sector, average debt levels increased significantly, both sequentially and year over year. This was due to very low debt levels in the last quarter and Q2'13 and was driven up by three technology companies which were highly leveraged. Sabre Corp, Markit Ltd and Game Digital Plc had debt of US\$3.2bn, US\$616.7mn and US\$204.6mn, respectively.

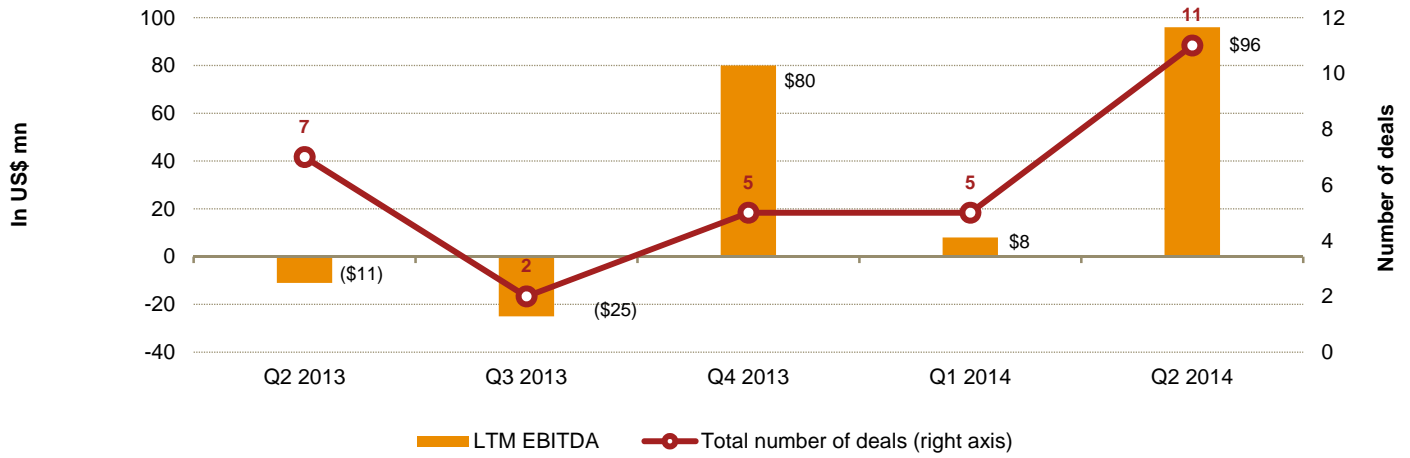
The increase in Enterprise value was supported by fundamentals, as the EV/Revenue and EV/EBITDA multiples decreased significantly. The lower valuation multiples suggest Q2'14 companies were listed at a more reasonable valuation compared to last quarter.

Figure 19: Software subsector – LTM revenue



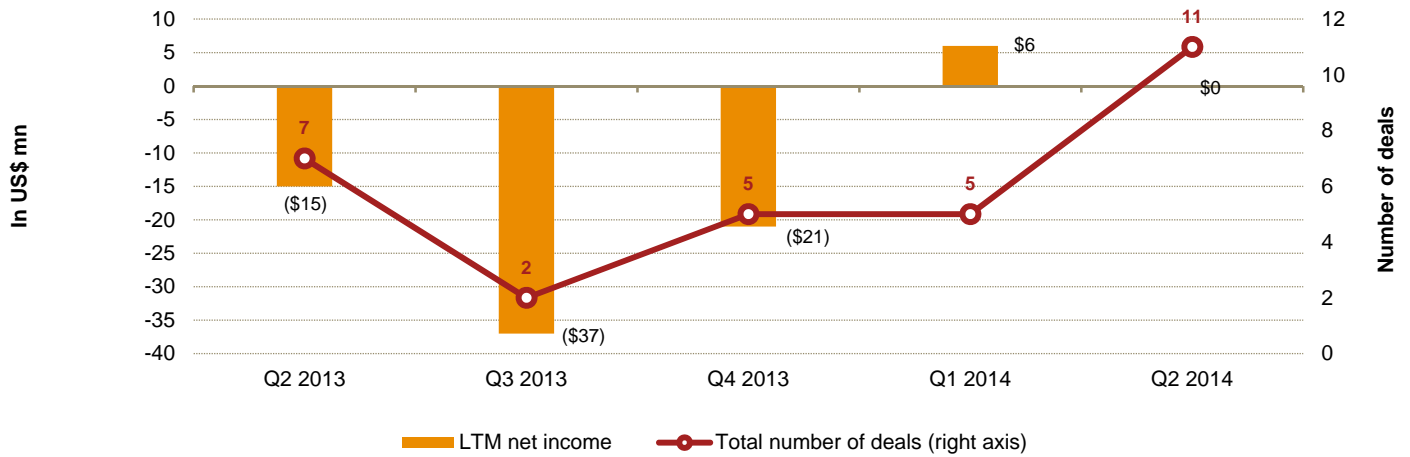
Source: Dealogic with analysis by PwC.

Figure 20: Software subsector – LTM EBITDA



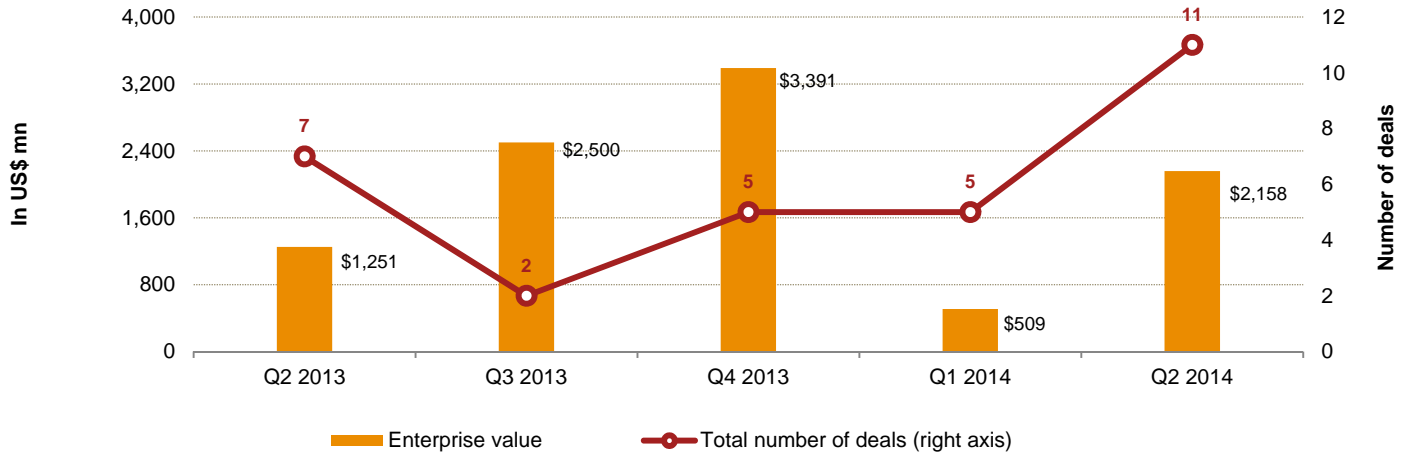
Source: Dealogic with analysis by PwC.

Figure 21: Software subsector – LTM net income



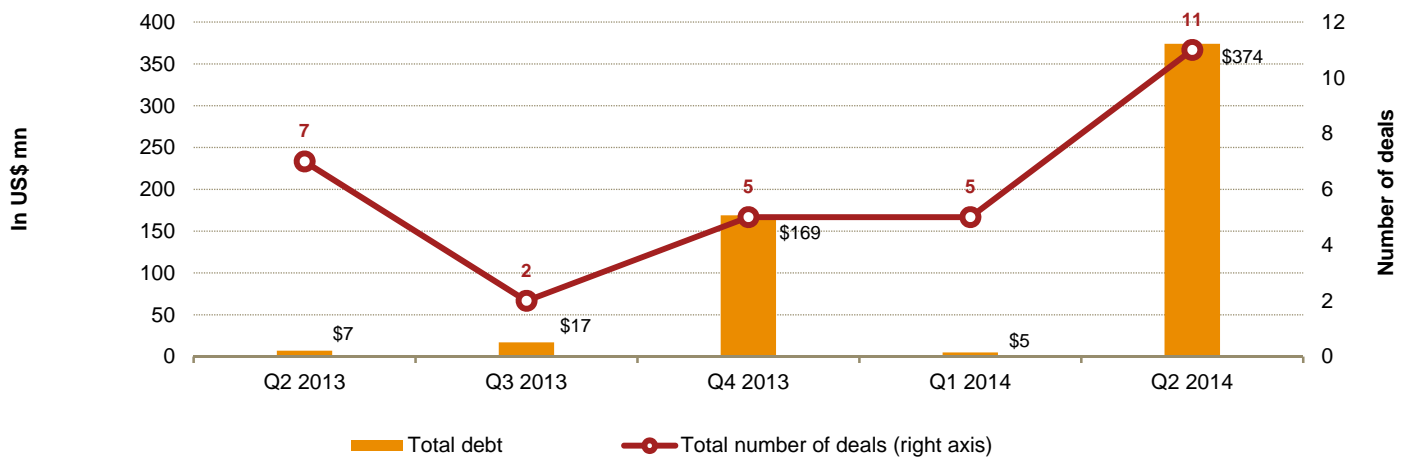
Source: Dealogic with analysis by PwC.

Figure 22: Software subsector – Enterprise value



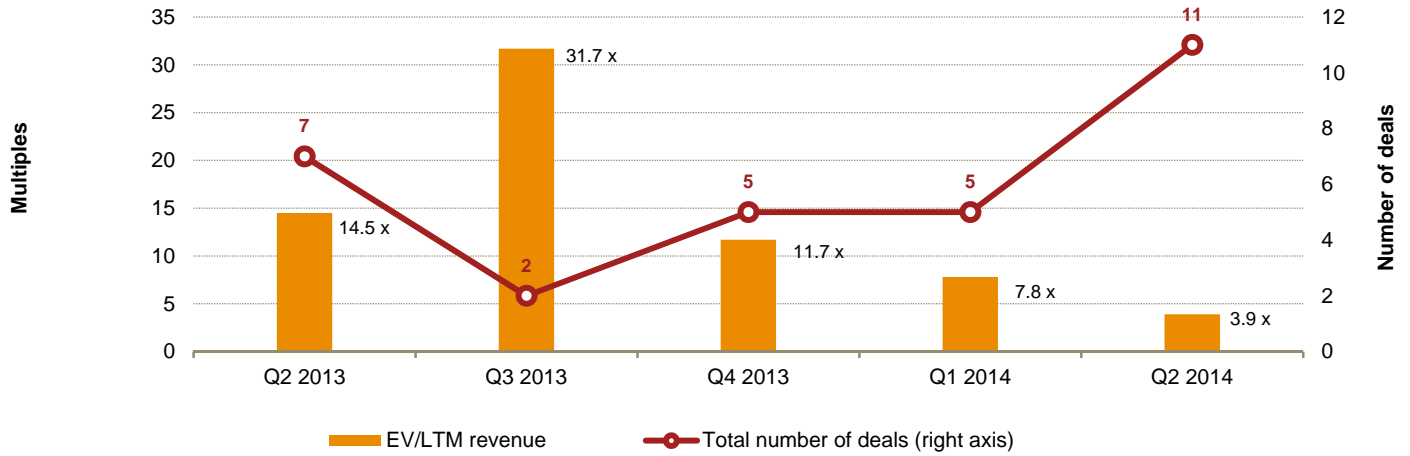
Source: Dealogic with analysis by PwC.

Figure 23: Software subsector – Total debt



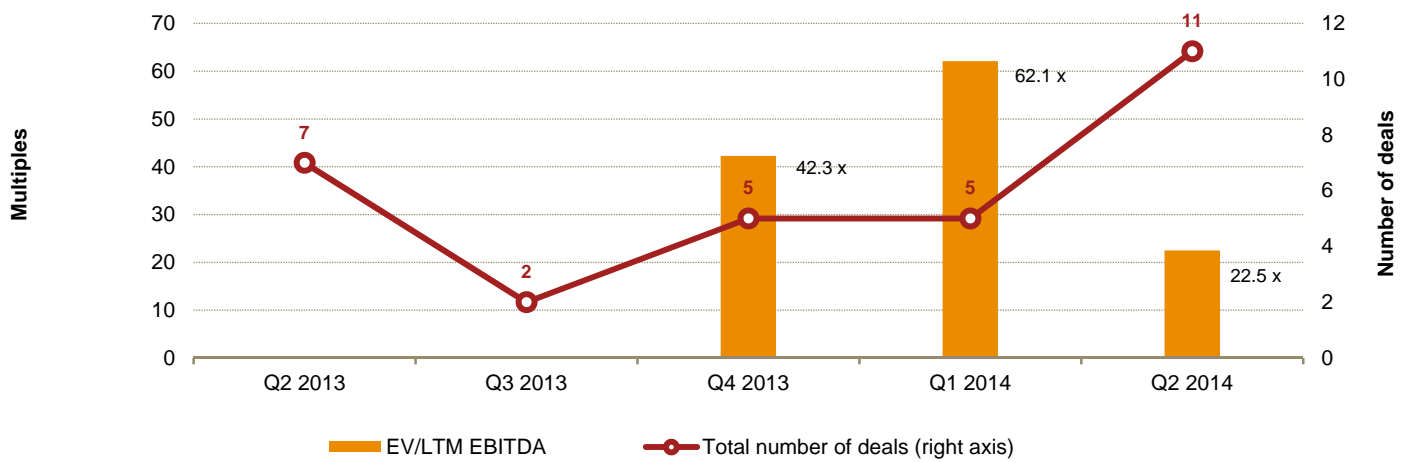
Source: Dealogic with analysis by PwC.

Figure 24: Software subsector – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 25: Software subsector – EV/LTM EBITDA*



*The companies with negative EBITDA were excluded when calculating subsector EV/LTM EBITDA. However, LTM EBITDA in Figure 20 includes all companies in the subsector.

Source: Dealogic with analysis by PwC.

Semiconductor

The Semiconductor sector reported average revenue of US\$655mn, which is a 872% increase quarter over quarter. A year-over-year comparison is not possible as there weren't any semiconductor IPOs in Q2'13.

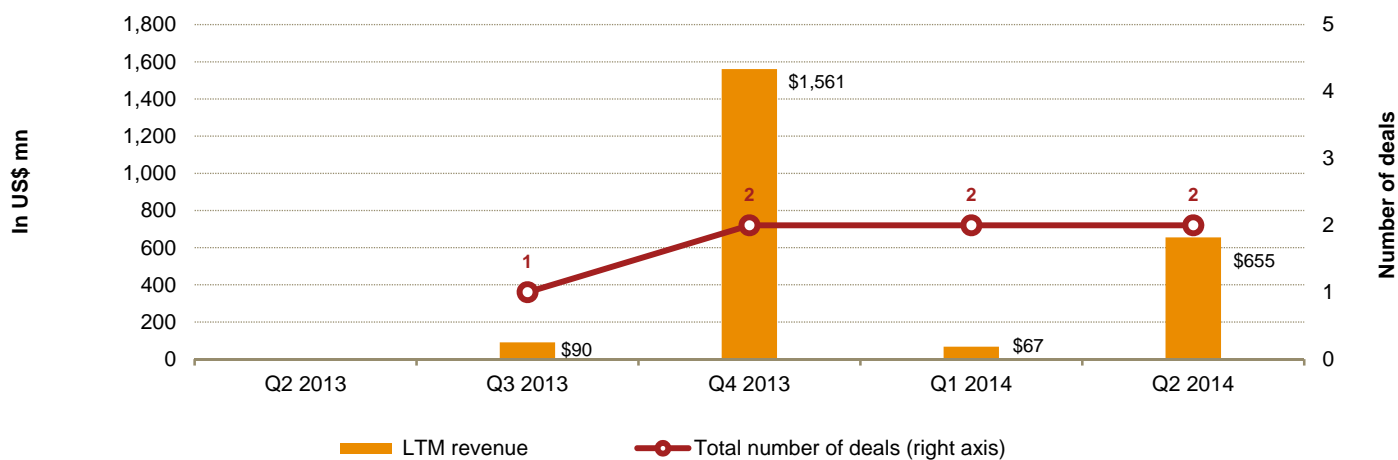
The number of deals (2) was the same as the last two quarters. The average EBITDA increased by 177% to US\$68mn, but there was a net loss of US\$7mn, than last quarter's net income of US\$18.7mn.

Average enterprise value was US\$799mn, 7% lower quarter over quarter.

Semiconductor companies are often more highly debt laden than other sectors due to a higher capex. However, this quarter, the average debt level (US\$6.2mn) was in line with last quarter's (US\$6.0mn). The EV/LTM revenue was 1.2x and EV/LTM EBITDA was 11.72x. Lower multiples indicate a more reasonable IPO pricing, and can be reflective of investor expectations regarding the profitability horizon.

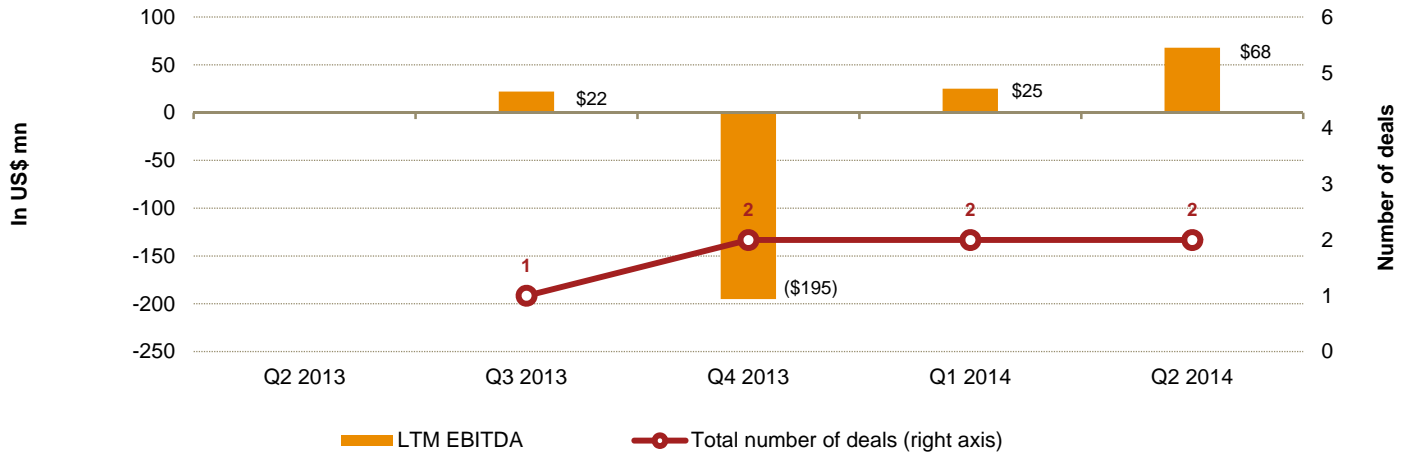
In terms of highest valuation among IPOs in this subsector, SunEdison Semiconductor had an EV/Revenue and an EV/EBITDA multiple of 1.0x and 17.5x, respectively.

Figure 26: Semiconductor – LTM revenue



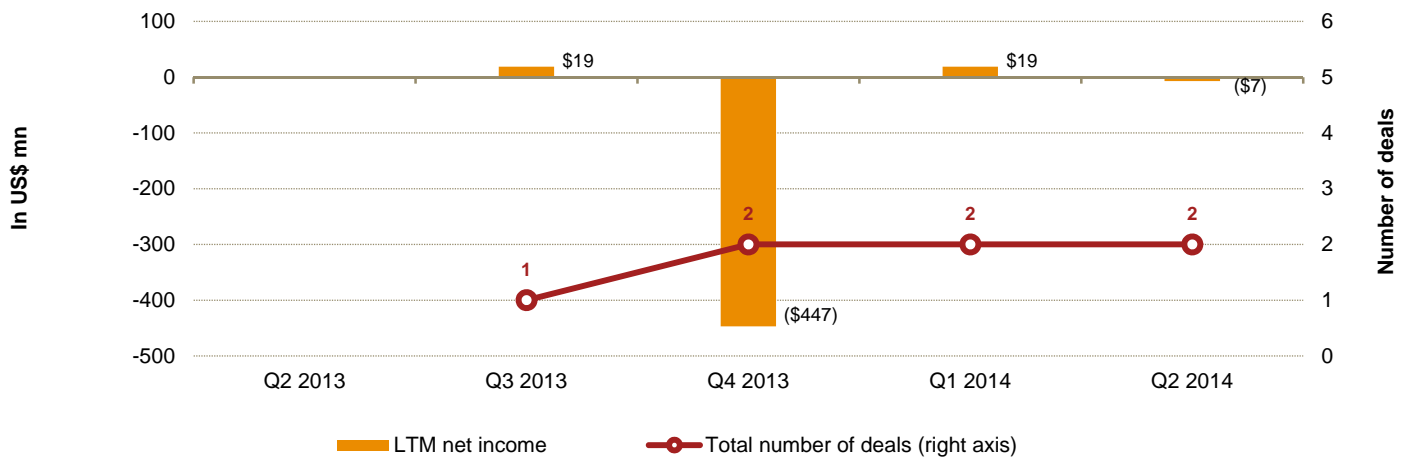
Source: Dealogic with analysis by PwC.

Figure 27: Semiconductor – LTM EBITDA



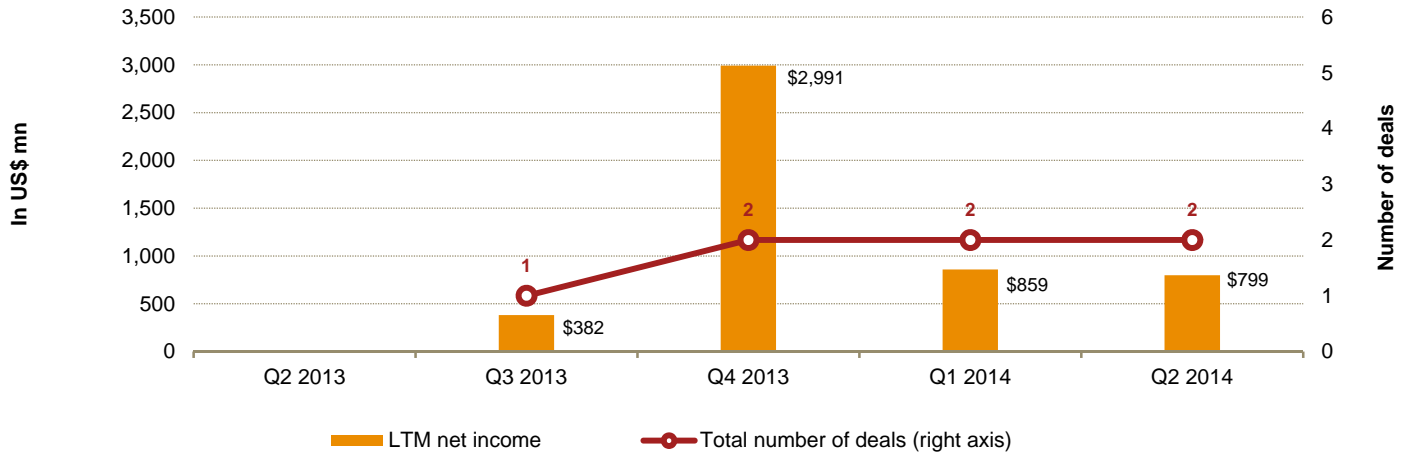
Source: Dealogic with analysis by PwC.

Figure 28: Semiconductor – LTM net income



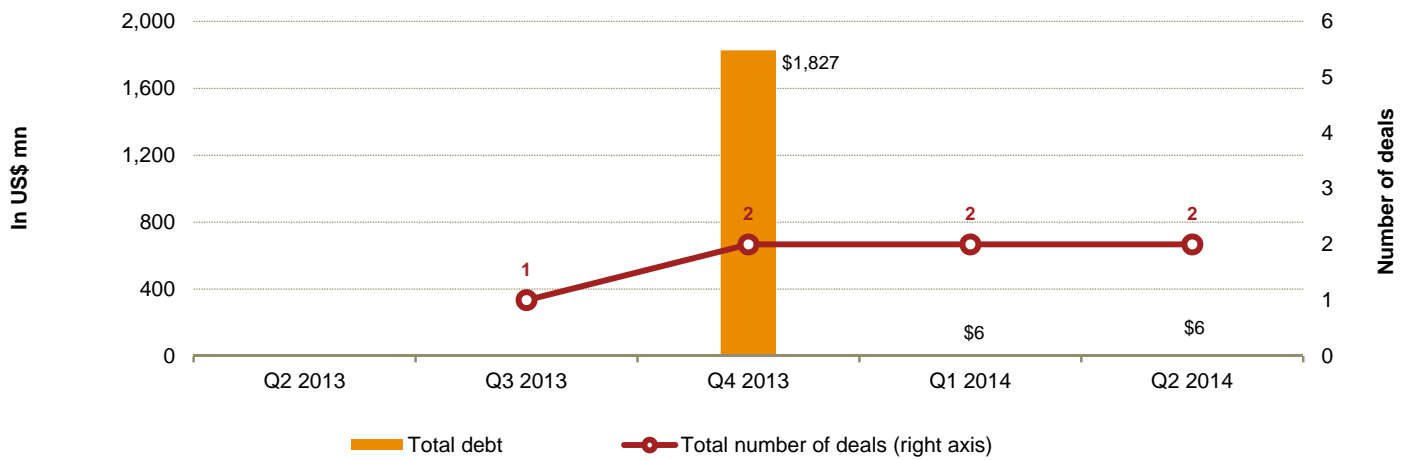
Source: Dealogic with analysis by PwC.

Figure 29: Semiconductor – Enterprise value



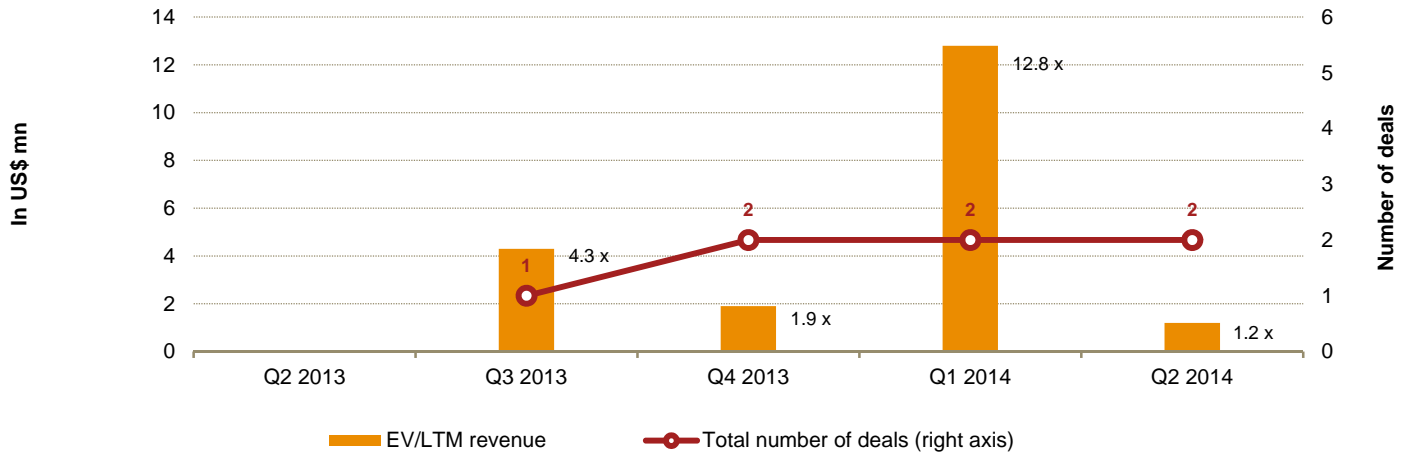
Source: Dealogic with analysis by PwC.

Figure30: Semiconductor – Total debt



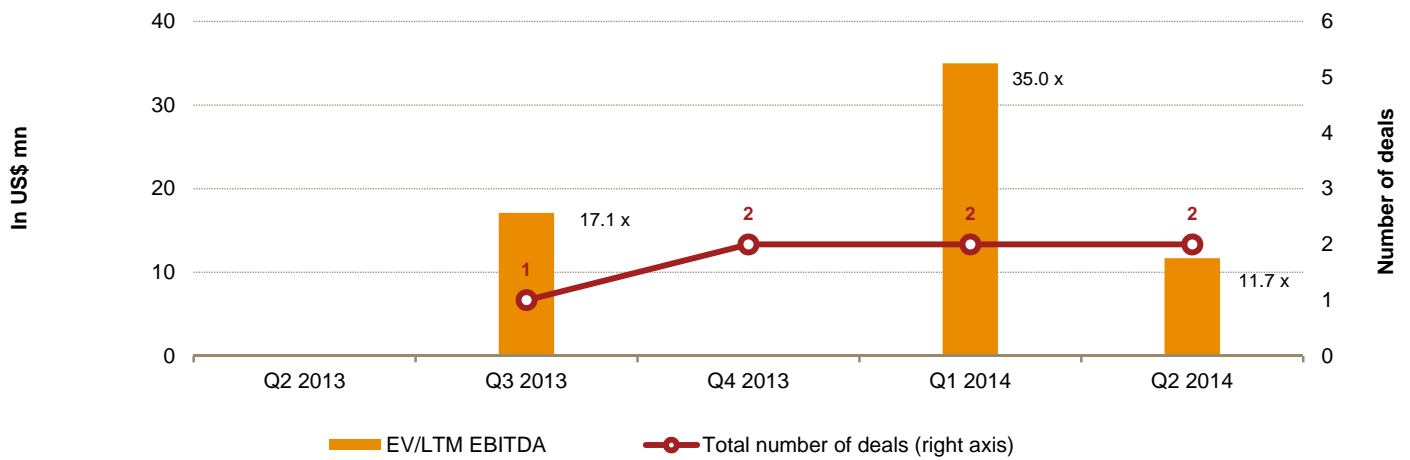
Source: Dealogic with analysis by PwC.

Figure 31: Semiconductor – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 32: Semiconductor – EV/LTM EBITDA*



*The companies with negative EBITDA were excluded when calculating subsector EV/LTM EBITDA. However, LTM EBITDA in Figure 27 includes all companies in the subsector.

Source: Dealogic with analysis by PwC.

Methodology

The Global Technology IPO Review for Q2 2014 is based on PwC's analysis of transaction data extracted from Dealogic. The analysis considers IPOs across all countries worldwide during the period 1 April 2014 to 30 June 2014 (Q2) based on trade date. Financial data was also obtained from Dealogic.

The definition of the Technology sector is based on the Dealogic database industry classifications and includes the following subsectors:

- Internet Software & Services
- IT Consulting & Services
- Professional Services (e.g., Application Software, Software Solutions)
- Semiconductors
- Software
- Computer Storage & Peripherals
 - Computer, Computer Peripheral Equipment
 - Computer Storage Device Manufacturing
- Electronic Computer Manufacturing
- Communications Equipment

Only IPOs with issue size greater than US\$40mn were included in the analysis.

All monetary amounts are in US dollars unless otherwise indicated.

LTM – Last twelve months

For more information

If you would like to discuss how these findings might impact your business or your future strategy, please reach out to any of our technology industry leaders listed below.

Raman Chitkara

Global Technology Leader

Phone: 1 408 817 3746

Email: raman.chitkara@us.pwc.com

Rod Dring – Australia

Phone: 61 2 8266 7865

Email: rod.dring@au.pwc.com

Estela Vieira – Brazil

Phone: 55 1 3674 3802

Email: estela.vieira@br.pwc.com

Christopher Dulny – Canada

Phone: 1 416 869 2355

Email: christopher.dulny@ca.pwc.com

Jianbin Gao – China

Phone: 86 21 2323 3362

Email: gao.jianbin@cn.pwc.com

Pierre Marty – France

Phone: 33 1 5657 58 15

Email: pierre.marty@fr.pwc.com

Werner Ballhaus – Germany

Phone: 49 211 981 5848

Email: werner.ballhaus@de.pwc.com

Sandeep Ladda – India

Phone: 91 22 6689 1444

Email: sandeep.ladda@in.pwc.com

Masahiro Ozaki – Japan

Phone: 81 3 5326 9090

Email: masahiro.ozaki@jp.pwc.com

Hoonsoo Yoon – Korea

Phone: 82 2 709 0201

Email: hoonsoo.yoon@kr.pwc.com

Ilja Linnemeijer – The Netherlands

Phone: 31 88 792 4956

Email: ilja.linnemeijer@nl.pwc.com

Yury Pukha – Russia

Phone: 7 495 223 5177

Email: yury.pukha@ru.pwc.com

Greg Unsworth – Singapore

Phone: 65 6236 3738

Email: greg.unsworth@sg.pwc.com

Philip Shepherd – UAE

Phone: 97 1 43043501

Email: Philip.shepherd@ae.pwc.com

Jass Sarai – UK

Phone: 44 0 1895 52 2206

Email: jass.sarai@uk.pwc.com

Tom Archer – US

Phone: 1 408 817 3836

Email: thomas.archer@us.pwc.com

Alan Jones - US (Deals Partner)

Phone: 1 415 498 7398

Email: alan.jones@us.pwc.com

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The Technology Institute is PwC's global research network that studies the business of technology and the technology of business with the purpose of creating thought leadership that offers both fact-based analysis and experience-based perspectives. Technology Institute insights and viewpoints originate from active collaboration between our professionals across the globe and their first-hand experiences working in and with the technology industry. For more information please contact Raman Chitkara, Global Technology Industry Leader at *raman.chitkara@us.pwc.com*.

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