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TRIVARIATE RESEARCH

REVISITING THE IPO MARKET PLAYBOOK: WHAT'S DIFFERENT IN 2025

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BACKGROUND AND RESEARCH SUMMARY

Background: Following the Red Sweep, among the items driving investor euphoria was the specter of an improving IPO market. That has seemingly finally come to fruition. The IPO market has started to reignite in 2025, but in terms of the number of transactions the 55 IPOs we have seen in the last 12 months is still below the long-term average of 76 IPOs per 12 months (and a median of 69). But, by all accounts the floodgates are opening, and September could be a month with several IPOs. With that in mind, we thought it prudent to revisit and update our work on IPOs.

Day 1 performance has been strong: During the TMT bubble of 1999 and 2000, nearly every IPO was a gift, with the first day closing prices averaging a double above the IPO price. Since then, first day upside has averaged less, **but the average Day 1 performance of IPOs this year has been the highest since 2020**, with an average performance of 26%.

Sell at the end of Day 1? Part of the reason investors were happy to take IPO shares, immediately sell them on the first day, and thank their sell-side counterparts, is that while first day returns were on average strong for IPOs, returns after the first day for the first year were generally weak. In fact, a prudent strategy has been to long the IPO's industry and short the IPO from 2000 through 2014, and again in 2020 and 2021. Over the last year however, relative to industry performance has been about "in-line."

After Day 1 in 2025 Has Been Volatile: But, that "in-line" performance has been extremely volatile, such that investors should probably add "Day 2 and beyond" post-IPO trading as one of their "risk-on" proxies. Performance following Day 1 IPO trading was extremely strong from late April to the end of June this year, but has sharply sold off in July and August, making the total cumulative relative-to-industry return on Day 2 and on post-IPO slightly negative this year.

RESEARCH SUMMARY AND INVESTMENT CONCLUSIONS

Long-term IPO Performance: Performance of IPOs has been mixed over the long-term, and relatively poor since 2020. IPOs were particularly weak post the Financial Crisis, roughly in-line with industry-average performance from 2009-2015 and did well from 2016-2019. Since 2020, however, the average IPO has lagged its industry average by 4% over the subsequent three years following its first closing price.

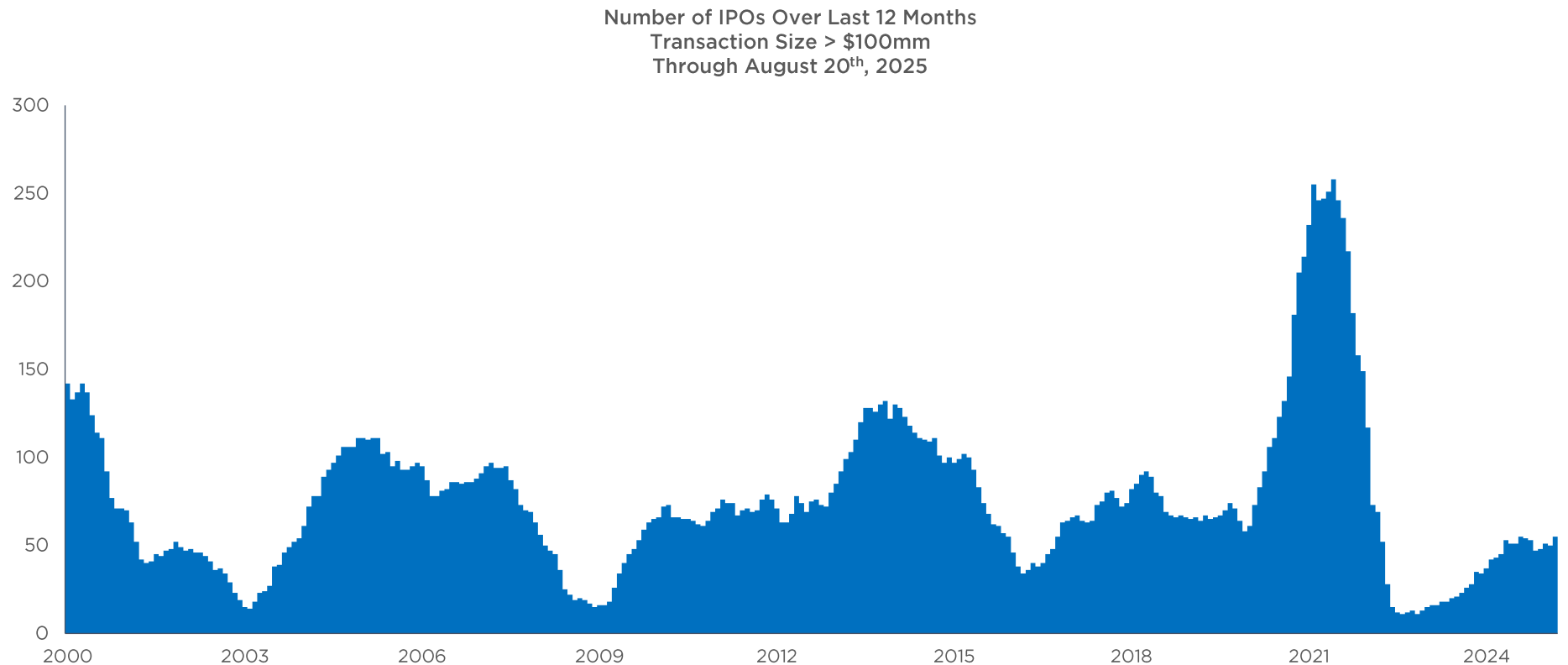
Profitability matters: Investors asked if net profitability matters for IPO success. We broke the net margin of IPOs into quintiles and found the lowest quintile of net margins on average sharply underperformed during the first year, but then eventually performed best after three years. The results show that negative net income companies strongly underperform (by more than 10% on average) over the first 18 months (400 days) of trading, those with positive net income. For companies nearing profitability, waiting to go public until generating positive net income may be prudent. Circle (Ticker: CRCL) is losing money in 2025 but is expected to make profits next year, as a recent example.

Majority sellers and lock-ups matter: We evaluated the success of IPOs depending on whether they had a majority seller (50% or more of the shares at the time of the IPO) or not. There was a clear difference in performance. IPOs with no majority seller strongly underperform their industry group average. Part of the reason many IPOs perform poorly after the first day of trading is that some companies have a large percentage of shares locked up. Investors worry about supply that ultimately comes to market 90 to 180 days after the initial offering. IPOs with a share lock-up typically lag those with no lock-up over the first two-to-three years.

Slide 11 shows that 7 of the last 8 IPOs are down sharply relative to their industry average since their IPO.

THE IPO RECOVERY HAS STARTED, BUT HAS A LONG WAY TO GO

The IPO market has started to reignite in 2025, but in terms of the number of transactions the 55 IPOs we have seen in the last 12 months is still below the long-term average of 76 IPOs per 12 months (and a median of 69). The recovery that began a year post the TMT-bubble in 2002 and after the Financials Crisis in 2009 was sharper and well higher than what we have seen so far this cycle, and if relevant implies several more IPOs in the next year.



Source: Trivariate Research

THE AVERAGE 2025 IPO HAS OUTPERFORMED BY 26% ON DAY 1

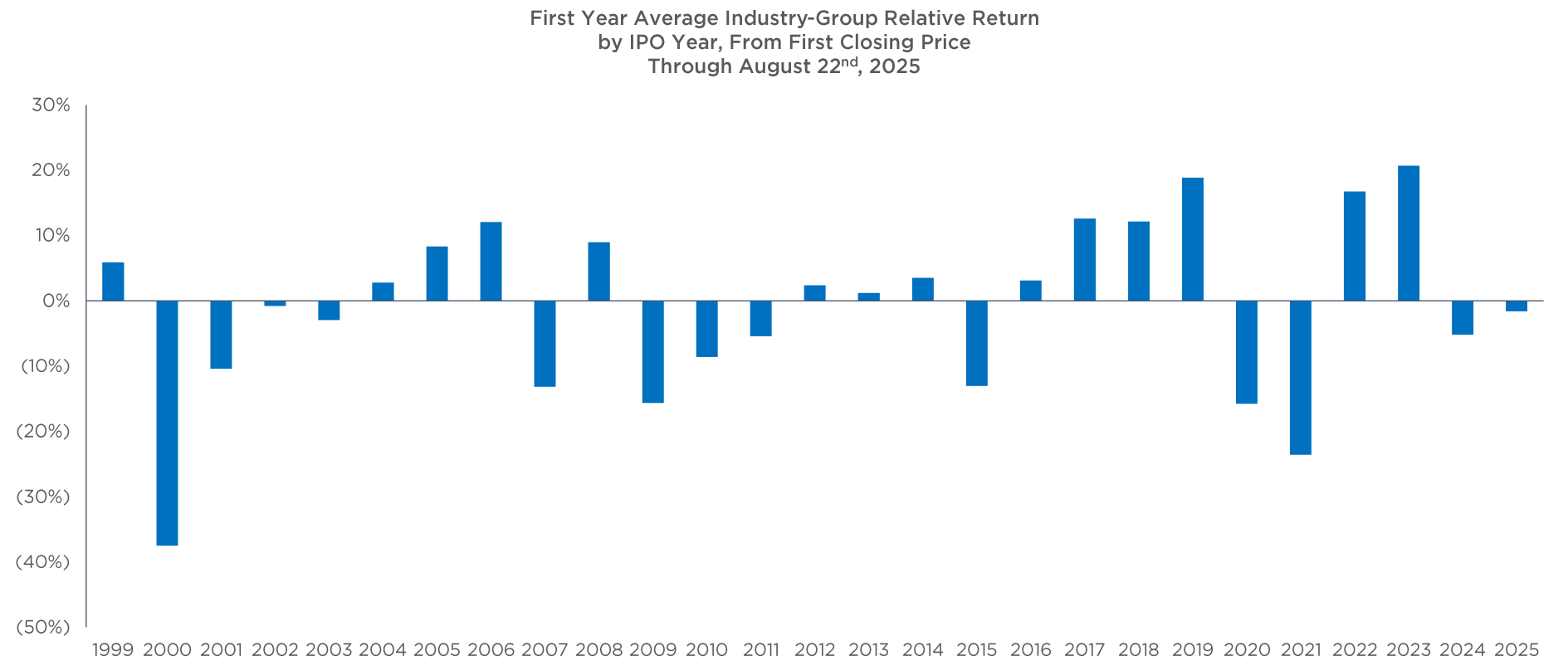
During the TMT bubble of 1999 and 2000, nearly every IPO was a gift, with the first day closing prices averaging a double above the IPO price. Since then, first day upside has averaged less, but the average Day 1 performance of the IPOs this year has been the highest since 2020, with an average performance of 26%.



Source: Trivariate Research

RETURN FOR FIRST YEAR AFTER THE FIRST DAY HAS BEEN VOLATILE

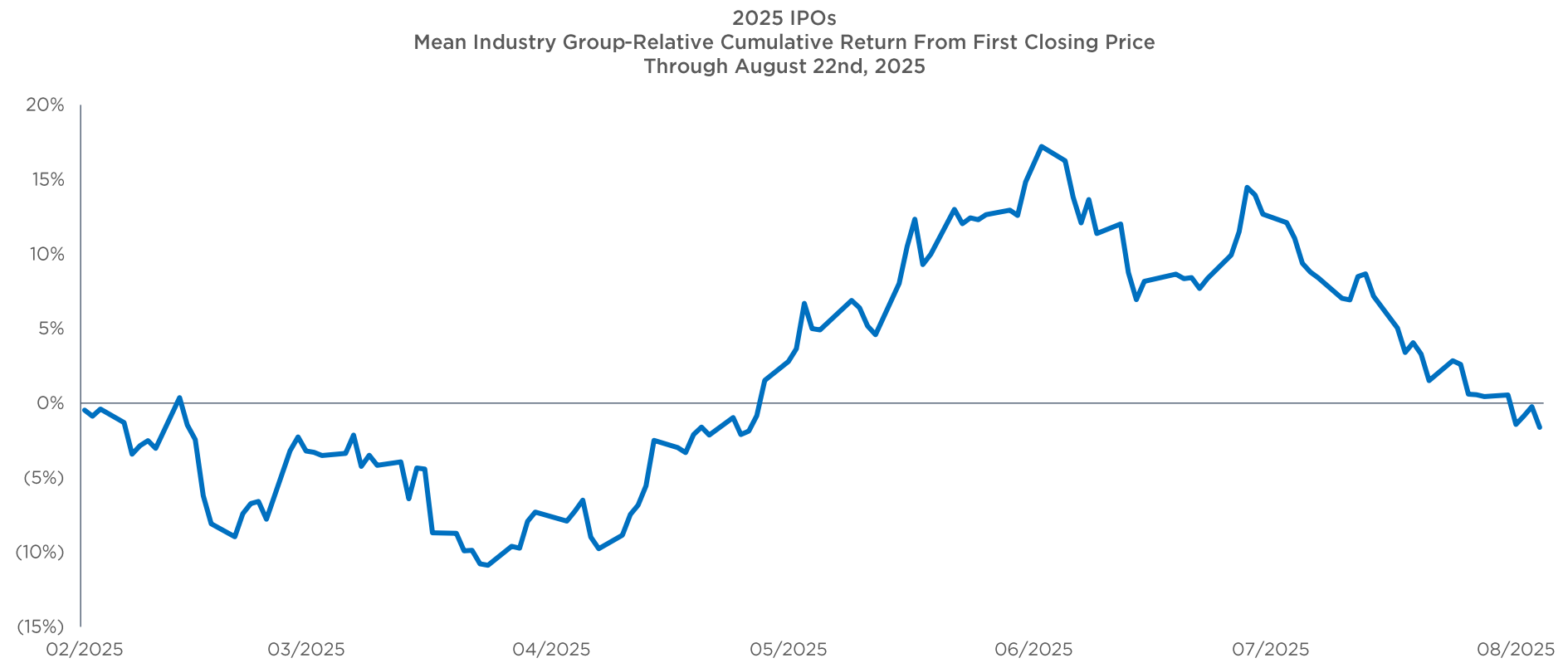
Part of the reason investors were happy to take IPO shares, immediately sell them on the first day, and thank their sell-side counterparts, is that while first day returns were on average strong for IPOs, returns after the first day for the first year were generally weak. In fact, a good strategy has been to long the IPO's industry and short the IPO from 2000 through 2014, and again in 2020 and 2021. Over the last year however, relative to industry performance has been about "in-line."



Source: Trivariate Research

POST DAY 1 TRADING WAS STRONG THROUGH END-JUNE, WEAK SINCE

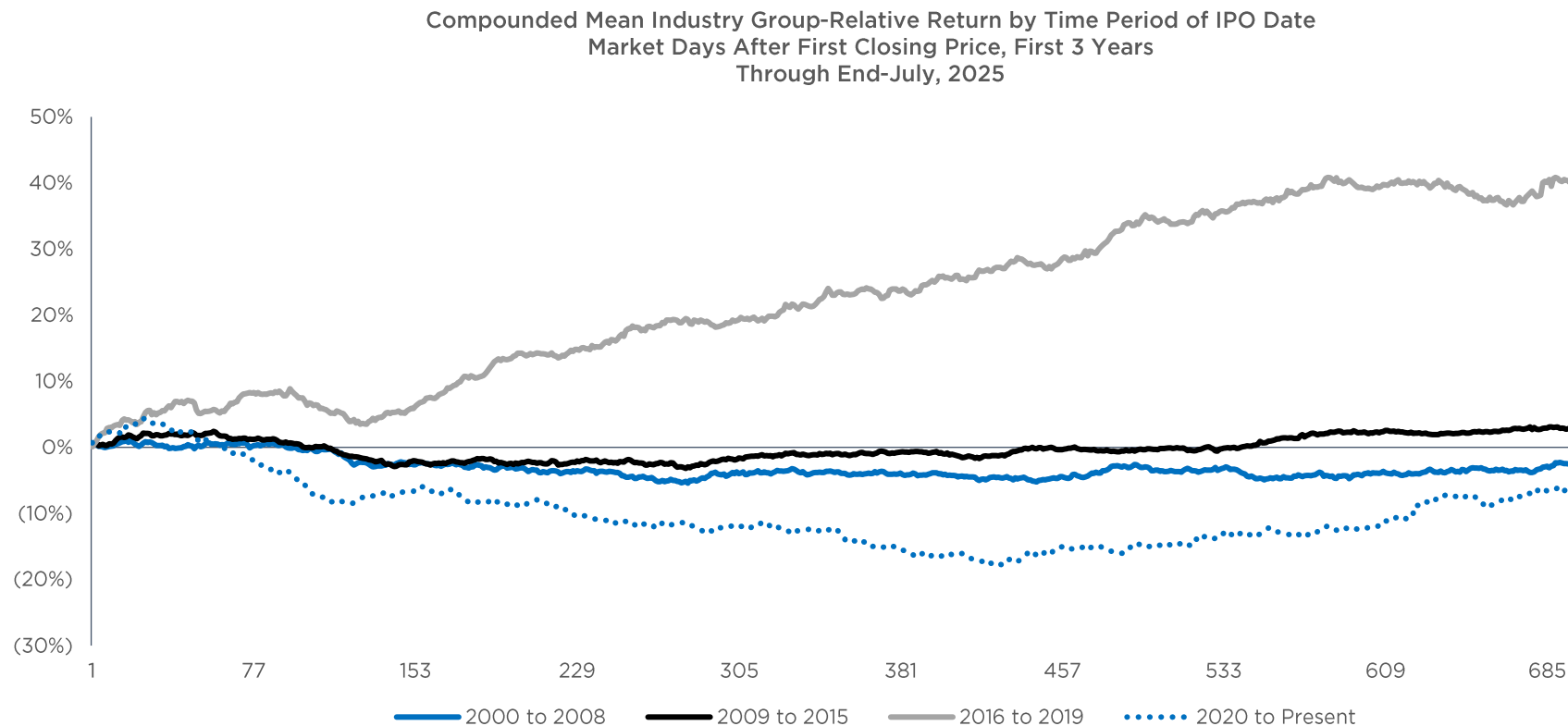
But, that “in-line” performance has been extremely volatile, such that investors should probably add “Day 2 and on” post-IPO trading as one of their “risk-on” proxies. Performance following Day 1 IPO trading was extremely strong from late April to the end of June this year, but has sharply sold off in July and August, making the total cumulative relative-to-industry return on Day 2 and on post-IPO slightly negative this year.



Source: Trivariate Research

IPOS WERE GOOD IN 2016-2019, GENERALLY BAD SINCE

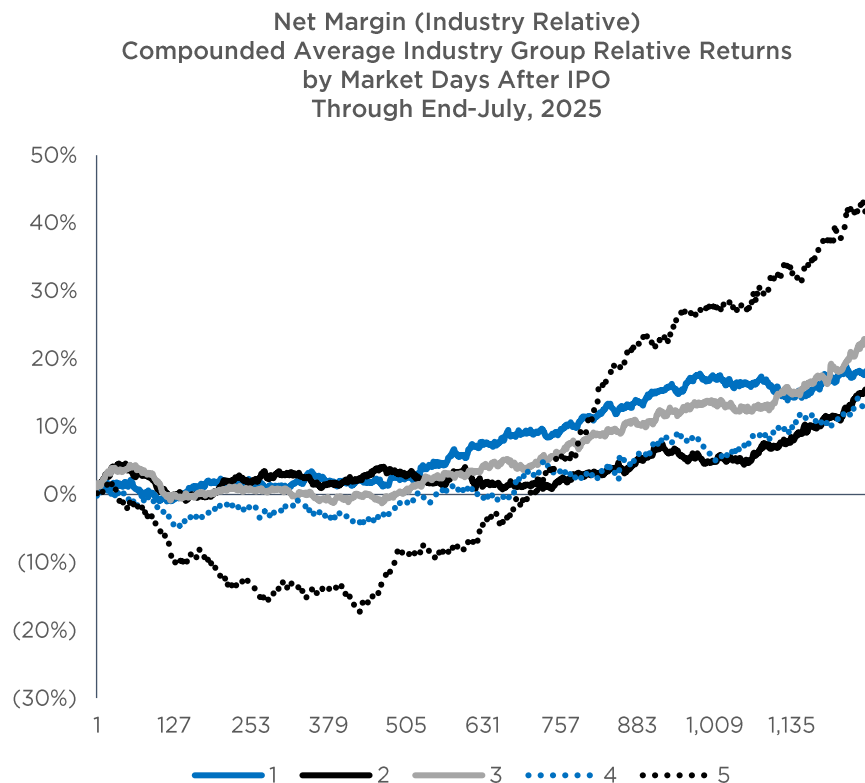
Performance of IPOs has been mixed over the long-term, and relatively poor since 2020. Below we show the cumulative performance of IPOs following the first day of performance over different time frames. Performance was weak post-Financial Crisis, roughly in-line with industry-average performance from 2009-2015 and did well from 2016-2019. Since 2020, however, the average IPO has lagged its industry average by 4% over the subsequent three years following its first closing price.



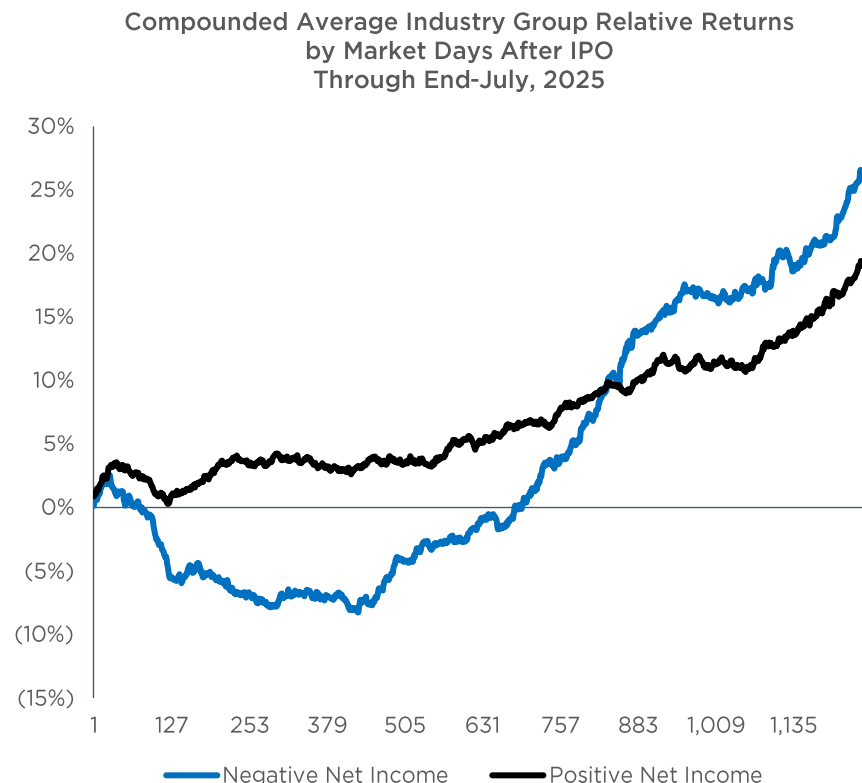
Source: Trivariate Research

AVOID IPOs THAT LOSE MONEY IN THE FIRST YEAR

Investors asked if net profitability matters for IPO success. We broke the net margin of IPOs into quintiles and found the lowest quintile of net margins on average sharply underperformed during the first year, but then eventually did best after three years (left). The results show that negative net income companies strongly underperform (by more than 10% on average) over the first 18 months (400 days) of trading, those with positive net income (right). For companies nearing profitability, waiting to go public until generating positive net income may be prudent. Circle (Ticker: CRCL) is losing money in 2025 but expected to make profits next year, as a recent example.



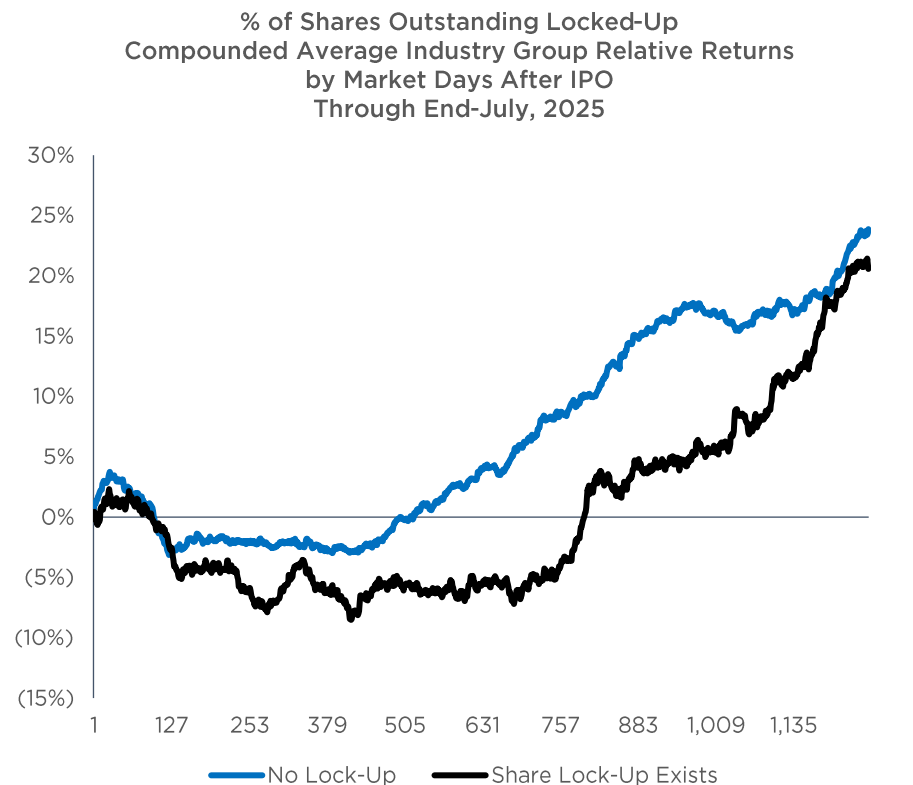
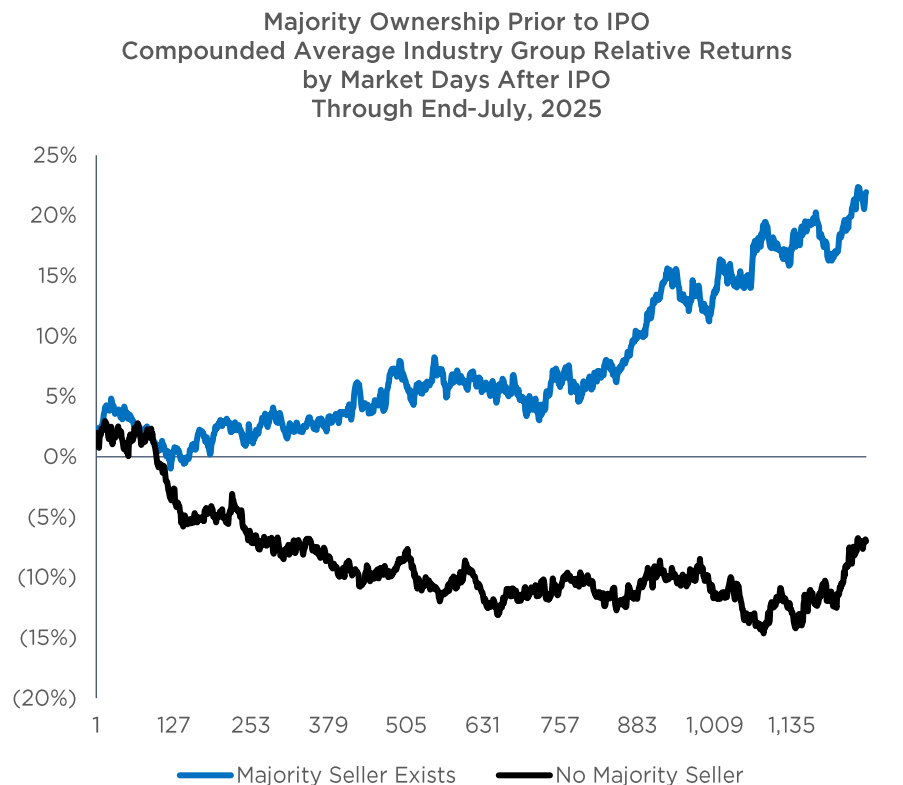
Source: Trivariate Research



Source: Trivariate Research

HAVING A MAJORITY SELLER AT IPO MATTERS

We evaluated the success of IPOs depending on whether they had a majority seller (50% or more of the shares at the time of the IPO) or not. There was a clear difference in performance. IPOs with no majority seller strongly underperform their industry group average (left). Part of the reason many IPOs perform poorly after the first day of trading is that some companies have a large percentage of shares locked up. Investors worry about supply that ultimately comes on line 90 to 180 days after the initial offering. IPOs with a share lock-up typically lag those with no lock up over the first two-to-three years (right).



7 OF THE LAST 8 IPOs HAVE STRONGLY UNDERPERFORMED

We show the performance of recent IPOs below, and relative-to-industry performance has been quite volatile. Many of the recent IPOs have underperformed. Others performed well in April through June, but have sharply sold-off since, as we mentioned earlier. 7 of the last 8 IPOs are down sharply relative to their industry average since their IPO.

Recent US IPOs with Transaction Size >\$100m & Industry Relative Return Since First Market Close

Ticker	Company Name	Sector	IPO Date	Transaction Size (US \$Bn.)	Market Cap. (US \$Bn.)	Market Days Since IPO	Industry Relative Return
HTFL	HeartFlow, Inc.	Health Care	8/7/2025	0.32	2.42	8	(7.8%)
FLY	Firefly Aerospace Inc.	Industrials	8/6/2025	0.87	6.65	11	(27.8%)
WYFI	WhiteFiber, Inc.	Information Technology	8/6/2025	0.16	0.61	11	1.9%
AVBC	Avidia Bancorp, Inc.	Financials	7/31/2025	0.19	0.30	15	(8.7%)
FIG	Figma, Inc.	Information Technology	7/30/2025	1.22	35.47	16	(34.8%)
MH	McGraw Hill, Inc.	Consumer Discretionary	7/23/2025	0.41	2.93	16	(11.7%)
NIQ	NIQ Global Intelligence plc	Communication Services	7/22/2025	1.05	5.21	22	(6.1%)
CARL	Carlsmed, Inc.	Health Care	7/22/2025	0.10	0.34	16	(15.9%)
JCAP	Jefferson Capital, Inc.	Financials	6/25/2025	0.15	1.04	34	1.3%
SLDE	Slide Insurance Holdings, Inc.	Financials	6/17/2025	0.41	1.83	43	(38.3%)
CAI	Caris Life Sciences, Inc.	Health Care	6/17/2025	0.49	10.72	45	19.4%
CHYM	Chime Financial, Inc.	Financials	6/11/2025	0.86	9.73	49	(32.2%)
ASIC	Ategrity Specialty Insurance	Financials	6/10/2025	0.11	1.05	50	(12.4%)
VOYG	Voyager Technologies, Inc.	Industrials	6/10/2025	0.38	1.80	48	(51.3%)
OMDA	Omada Health, Inc.	Health Care	6/5/2025	0.15	1.24	46	30.0%
CRCL	Circle Internet Group, Inc.	Information Technology	6/4/2025	1.05	30.50	54	57.5%
HNGE	Hinge Health, Inc.	Health Care	5/21/2025	0.44	4.39	63	43.0%
MNTN	MNTN, Inc.	Communication Services	5/21/2025	0.19	1.62	63	(20.4%)
AI	American Integrity Insurance Group	Financials	5/7/2025	0.11	0.35	67	9.3%
SMA	SmartStop Self Storage REIT, Inc.	Real Estate	4/1/2025	0.81	1.35	98	10.4%

Source: Trivariate Research

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