

IFR US ECM BRIEFING



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IFR US ECM Briefing - July 13 2015

A stock rebound late in the week put a more constructive complexion on US equity capital markets, but weekend ructions in Greek debt negotiations threaten to again upset prospects for a pick-up in deal activity this week.

After approaching 20 on Thursday, no-go territory for many deals, the VIX volatility measure eased to 16.8 on Friday as the DJIA rose 211.79 points. But Europe's renewed demands that Greece do more in return any fresh rescue and more intense discussion about "Grexit" means the new week will begin with a fresh layer of market angst.

Earnings blackouts and volatility associated with events in both China and Greece made for a slow return from the Independence Day holiday last week, though there were plenty of IPO launches to keep syndicate desks busy.

The steady pace of new issue launches reflects confidence that macro concerns won't hurt investor demand for real growth companies. Although no IPOs priced last week, 10 launched and eight of these are scheduled to price this week.

Among the deals that appear headed for solid outcomes are **Ollie's Bargain Outlet** and **Rapid7**. Easily the biggest on the calendar, **Blue Buffalo Pet Foods'** US\$531m IPO prices next week.

Companies that may choose to launch IPOs in the coming few weeks include **Terraform Global**, **Planet Fitness**, **Sunrun**, **Poseidon Containers** and **Conkwest**.

Another factor driving the resilient IPO market has been the continuing strong aftermarket performance of recent listings, such as **Fitbit** and **Wingstop**, with the latter's shares touching a new high on Friday.

Although market clouds with call for careful judgement, bankers expect a pick-up in secondary activity this week. Given the distractions related to second-quarter earnings (38 S&P 500 companies are due to report this week), much of this activity may again be sourced from outperforming sectors, such as biotech, which are driven more by news flow than earnings reports.

Last week saw \$1.6bn raised in secondary offerings, led by sponsor blocks over shares in arts and crafts retailer Michaels Companies and consumer products firm JM Smuckers.

Open file

IPO filing activity, led by **Albertsons** and **SRA Group** last week, continues to point to a busy second half, markets willing.

Houlihan Lokey joined the queue late Friday with a public filing for a \$100m offering. *Bank of America Merrill Lynch* and *Goldman Sachs* are lead underwriters.

The independent investment bank had an impressive revenue base of \$680.9m, including \$367.6m from corporate finance, out of which it produced net income of \$79.9m in the fiscal year to March 31 2015. Major shareholder ORIX USA and management are monetizing through the offering, which was first filed confidentially on May 8.

We would be remiss not to mention prominent references to IFR in the S-1, including that Houlihan Lokey took home IFR's global restructuring advisor of the year award in 2013.

Some other big IPO filings could also hit this week. **Fiat Chrysler Automobiles'** mercurial chief executive, Sergio Marchionne, revealed on Friday that an SEC filing for the long-awaited **Ferrari** IPO/spin-off was just days away.

One buiding REIT

State Street Financial Center, a 36-story office building located in the heart of Boston's financial district, is up for sale. The asking price is \$1.11bn; the buyer, public investors.

ETRE REIT, a Paul Frischer-run investment vehicle, is looking to raise \$172.5m through an IPO to purchase a minority equity interest.

While certainly not the first time that institutional investors have been able to buy single properties, ETRE REIT is the first of its kind in a publicly traded vehicle – ETRE stands for Exchange Traded Real Estate.

Notably, the concept has been tried before and it failed. Here is how it works.

Sandler O'Neill, Evercore and Nomura are marketing 11.5m series A-1 shares at a fixed price of \$15, for pricing on July 23. Another 33,333 shares are being sold at the same price to ETRE Financial, the administrative agent.

Proceeds from the offerings will be used to purchase a 48.87% general partnership interest in the building. Fortis Property Group, the building's current owner and an affiliate of Canadian utility Fortis, will control the remaining 51.15% equity stake through limited partnership shares. The GP stake is valued at \$181m and the LP at \$173m. The building also has a \$775m principal first mortgage loan that comes due in January 2017, but is expected to be refinanced before then.

The series A-1 shares represent ownership in State Street Financial Center, though additional classes could be issued to fund the purchase of other office properties.

ETRE REIT intends to pay an initial dividend yield of 5% to shareholders. The GP stake ensures that public investors get paid first, then LP holders (the existing owners) – subordination similar to an MLP.

There are opportunities to grow the dividend. Refinancing the mortgage loan below the current 5.66% annual rate is one immediate possibility. Re-leasing tenants at higher rates – lease-up – is another.

Second attempt

State Street Financial is 100% occupied. The building generated revenue in excess of operating expenses of \$13.2m in the three months ended March 31 and \$53.6m last year.

Fortis will benefit from being able to demonstrate a return on capital for a pre-crisis investment. The company said earlier this year that it intended to sell off its property group to focus on its core electrical and gas utility businesses.

One potential rub is that ETRE Financial, the administrative agent, will be paid a one-time fee of \$1.73m on closing of the offering and a 1% management fee of net operating income monthly going forward.

Paul Frischer, ETRE's chief executive, unsuccessfully attempted to sell an interest to the public in the Longfellow Building, a 12-story office edifice in Washington DC, through a similarly structured transaction last May.

Sandler O'Neill, sole bookrunner on that effort, was forced to pull the IPO of roughly \$60m.

Straight to block

Bain Capital and Blackstone Group last week switched to a block monetization strategy for their remaining shares in **Michaels Companies** after conducting only one marketed follow-on offering.

The sponsors auctioned 12.5m shares among four investment banks and Goldman Sachs emerged the winner. Goldman Sachs reoffered the purchase, equivalent to 20 days' trading, at \$26.60, the low end of a \$26.60–\$26.75 marketing range and compared with a \$27.09 last sale on Thursday.

Shares in Michaels, which went public last June, were trading at \$26.52 mid-Friday on volume of 1.9m shares, noticeably light relative to the offering size.

The investment proved to be a good one for Bain and Blackstone, which reduced their combined holdings to 63.1%, worth \$3.5bn.

The firms purchased the art and crafts retailer for \$6.05bn in 2006, but in only \$1.7bn of equity on the LBO. Even before taking the company public, they collected \$780m from dividends and a further \$508.2m on a secondary sell-down in January.

Spinal tap

Barclays kicked off last week's block-trade activity with a \$102m offering of **K2M Group Holdings** shares on behalf of the firm and PE sponsors Welsh Carson Anderson and Stowe and Ferrer Freeman & Company.

WCAS contributed the bulk of the 3.75m secondary shares, reducing its stake to 35%, on the sale at \$22.60. Ferrer Freeman made a nominal contribution of 576,048 shares to the deal.

K2M Group also sold 750,000 shares, unusual for a block, to pad its balance sheet.

The company, which sells 59 product lines used in complex spine surgeries like scoliosis, trauma and tumors, pre-announced preliminary second-quarter results in conjunction with the sale.

It expects quarterly revenue of \$55.9m–\$56.4m for the three months ended June 30 2015, growth of 18%–19% year on year.
Cross-border friction

Dual-listings inevitably lead to border jabs among the country's investment banks, nowhere more so than across US and Canada. US bankers decry social bookbuildings that culminate in shared risk (Canadian, for aggressive tactics).

"I wonder how much will blowback to Canada?" asked one Canadian ECM source of a planned US\$60m primary stock sale on a newly created Nasdaq listing of DHX Media.

The answer, none, after the producer of children's media content elected to cancel the offering, saying that current conditions are "not conducive" and deeming a sale not in the "best interest of shareholders".

DHX Media TSX-listed A shares gained 6.8% to C\$9.33 (US\$7.33), its B shares 7.5% to C\$9.37 (US\$7.36), and its Nasdaq-listed shares 0.4% to US\$7.33 – the fact that most of the company's shareholders are Canadian is evident.

Piper Jaffray, *Canaccord Genuity* and *RBC Capital Markets* had marketed the proposed sale of 8.7m shares for three full days.

Restrictions on foreign ownership of Canadian media companies, capped at 33.3%, complicated the effort. As a result, the Nasdaq-listed shares are structured as variable voting and common voting shares, the ownership of which is diluted if the threshold is crossed.

DHX Media has bulked up on acquisitions of late, including spending US\$170m in cash last year to purchase Family Channel from Bell Media and US\$59m on the cash and stock acquisition of Nerd Corps. It raised US\$175m on a debt sale in December 2014 to help fund the acquisitions.

LAST WEEK'S DEALS (OVER \$50M)

WEEK TOTAL \$2,006.0m – IPO \$300.0m – ABB/BLOCK \$1,076.8M – FOLLOW-ON \$629.2M – CB \$0.0m

Monday

Stonemor Partners (US, funeral homes) – \$62.2m FO. 2.1m units (100% prim) at \$29.63 versus \$31.19 last sale. RJ.

Tuesday

K2M Group (US, medical devices) – \$108.8m Block. 4.5m shares (17% prim, 83% sec) at \$24.18 versus \$22.60 last sale. BARC.

WCI Communities (US, home building) – \$75.1m FO. 3.3m shares (100% sec) at \$23.10 versus \$24.29 last sale. CS, CITI.

Wednesday

Clovis Oncology (US, biotech) – \$275m FO. 3.5m shares (100% prim) at \$78, versus \$79.03 last sale, \$85.76 launch. JPM, CS.

Globant (Luxembourg, technology services) – \$99.1m FO. 3.5m shares (100% sec) at \$28.31 versus \$30.75 at file, \$30.26 at launch, \$28.31 last sale. JPM, CITI, JEFF.

Thursday

Atara Biotherapeutics (US, biotech) – \$180m FO. 3.46m shares (100% prim) at \$52, versus \$53.41 last sale, \$46.32 launch, \$51.55 file. GS, CITI. Upsized from \$125 and later \$150m.

JM Smucker (US, branded foods) – \$526.5m Block. 4.9m shares (100% sec) re-offered at \$105.00, versus \$105-\$107 marketing range and \$108.30 last sale. MS.

Michaels Companies (US, retailer) – \$332.5m Block. 12.5m shares (100% sec) re-offered at \$26.60, versus \$26.60-\$26.75 marketing range and \$27.09 last sale. GS.

Sleep Country Canada (Canada, retailer) – \$300m IPO (100% sec). 17.65m shares priced at C\$17.00. TD, BMO, CIBC, SCOT, CS. Terms revised from C\$200m at C\$14-\$16.

POSTPONED: DHX Media (Canada, media) – \$65.1m FO. 8.7m shares (100% prim) versus \$7.48 last sale. PJ, CANA, RBC. Trades on Nasdaq and TSX. Cited market conditions.

PIPELINE

July 15: BioCardia (US, biotech) – \$53.8m IPO. 3.85m shares (100% prim) at \$12-\$14. CF, ROTH, MAXM. Nasdaq "BCDA".

July 15: Jupai (Cayman Islands, wealth management) – \$70.4m IPO. 5.9m shares (75% prim, 25% sec) at \$10-\$12. CS, CHREN. NYSE "JP".

July 15: Ollie's Bargain Outlet (US, discount retail) – \$133.9m IPO. 8.9m shares (100% prim) at \$13-\$15. JPM, JEFF, BAML. Nasdaq "OLLI".

July 15: ProNAi Therapeutics (US, biotech) – \$107.2m IPO. 6.7m shares (100% prim) at \$14-\$16. JEFF, BAML. Nasdaq "DNAI".

July 16: Chiasma (US, biotech) – \$80.4m IPO. 5.4m shares (100% prim) at \$13-\$15. BARC, COWN. Nasdaq "CHMA".

July 16: MasterCraft (US, performance sports boats) – \$91.1m IPO. 6.1m shares (100% prim) at \$13-\$15. BAIRD, RJ, WF. Nasdaq "MCFT".

July 16: Ooma (US, telecom) – \$90m IPO. 5m shares (100% prim) at \$16-\$18. CS, BAML, JMP. NYSE "OOMA".

July 16: Rapid7 (US, security data and analytics software) – \$96.8m IPO. 6.45m shares (100% prim) at \$13-\$15. MS, BARC. Nasdaq "RPD".

July 16: Spin Master (Canada, toy maker) – C\$220m IPO (100% prim) marketed at C\$17-\$20. RBC, TD, CIBC, NAT, BMO.

July 21: Blue Buffalo Pet Products (US, pet food) – \$531.4m IPO. 29.5m shares (100% sec) at \$16-\$18. JPM, CITI. Nasdaq "BUFF".

July 23: ETRE REIT (US, office REIT) – \$173.5m IPO. 11.5m shares (100% prim) at \$15 fixed. SAND, EVER, NOM.

July: Communications Sales & Leasing (US, fiber communications network) – \$587.9m FO. 21.3m shares (100% sec) versus \$27.60 at file. CITI.

July: DBV Technologies (France, biotech) – \$150m FO. Terms TBD (100% prim) versus \$30.51 last sale. CITI, MS, BARC, LEER.

July: Eldorado Resorts (US, gaming) – \$60m FO. Terms TBD (100% prim) versus \$8.05 last sale. TBD.

July: NeuroDerm (Israel, biotech) – \$50m FO. Terms TBD (100% prim) versus \$15.59 last sale. JPM, COWN.

July: Shred-it (Canada, business services) – IPO. Terms TBD. TD, BMO, CIBC.

July: Summit Materials (US, building products) – \$100m FO. Terms TBD (100% prim). CITI, GS.

July: Westmoreland Resource Partners (US, coal MLP) – \$86.3m FO. Terms TBD (100% prim). BMO.

21-DAY PIPELINE

July: Aeglea BioTherapeutics (US, biotech) – \$87.5m IPO. Terms TBD (100% prim). COWN, UBS, BMO.

July: Alion Science and Technology Corp (US, engineering) – \$100m IPO. Terms TBD (100% prim). CS, JEFF, WF.

July: Aquinox Pharmaceuticals (US, biotech) – \$57.5m IPO. Terms TBD (100% prim). JEFF, COWN.

July: Autogenomics (US, biotech) – \$60m IPO. Terms TBD (100% prim). STFL, CGEN, CFITZ.

July: Azure Midstream Partners (US, MLP) – \$175m IPO. Terms TBD (100% prim). CITI, BAML.

July: Bowie Resource Partners (US, MLP) – \$100m IPO. Terms TBD (100% prim). CITI, MS, DB, UBS, CS, STFL.

July: Chukong Holdings (Cayman Islands, mobile entertainment platform) – \$150m IPO. Terms TBD (prim/sec). MS, DB, CREN.

July: Clarus Therapeutics (US, biotech) – \$86.3m IPO. Terms TBD (100% prim). CITI, CS.

July: coNKwest (US, biotech) – \$172.5m IPO. Terms TBD (100% prim). BAML, CITI, JEFF, PJ.

July: Costamare Partners (Marshall Islands, MLP) – \$100m IPO. Terms TBD (100% prim). MS, BARC, CITI, WF, CS, JPM.

July: Dance Biopharm (US, biotech) – \$75m IPO. Terms TBD (100% prim). WF, STFL.

July: eAsic (US, integrated circuits) – \$75m IPO. Terms TBD (100% prim). MS, DB.

July: Energy & Exploration Partners (US, MLP) – \$400m IPO. Terms TBD (prim/sec). CITI, CS, RBC.

July: Enovation Controls (US, digital control systems) – \$100m IPO. Terms TBD (100% prim). MS, UBS.

July: Exagen Diagnostics (US, diagnostics) – \$69m IPO. Terms TBD (100% prim). LEER, BAIRD.

July: Floor & Decor Holdings (US, flooring) – \$100m IPO. Terms TBD (100% prim). BAML, GS, BARC, JPM, JEFF, CS, HLOK, WF.

July: Goodman Networks (US, telecom services) – \$100m IPO. Terms TBD (100% prim). BAML, JEFF.

July: InnoLight Technology (Cayman Islands, semiconductors) – \$100m IPO. Terms TBD (prim/sec). CS, BARC. ADS offering.

July: Intercorp Financial Services (Panama, financial services) – \$400m IPO. Terms TBD (100% sec). BAML, CS.

July: Intrepid Aviation (Bermuda, aircraft leasing) – \$150m IPO. Terms TBD (100% prim). GS, BAML, DB, JEFF, RBC.

July: J Alexander's Holdings (US, restaurants) – \$75m IPO. Terms TBD (100% prim). STPH, KB, STF.

July: Kimree (Cayman Islands, e-cigarettes) – \$125m IPO. Terms TBD (100% prim). CITI.

July: Kolltan Pharmaceuticals (US, biotech) – \$86.3m. Terms TBD (100% prim). LEER, STFL.

July: Landmark Apartment Trust (US, REIT) – \$375m IPO. Terms TBD (100% prim). BAML, CITI.

July: Lightbeam Electric (US, yieldco) – \$100m IPO. Terms TBD (100% prim). BMO, MACQ, RBC.

July: Live Oak Bankshares (US, banking) – \$100m IPO. Terms TBD (100% prim). SAND, KBW, SUNT.

July: Lumena Pharmaceuticals (US, biotech) – \$75m IPO. Terms TBD (100% prim). CITI, COWN, LEER.

July: Mammoth Energy Partners (US, MLP) – \$100m IPO. Terms TBD (100% prim). CS.

July: MidCon Midstream (US, MLP) – \$100m IPO. Terms TBD (100% prim). BAML, BARC.
 July: Overseas Shipholding Group (US, shipping) – \$100m IPO. Terms TBD (100% prim). GS, JEFF.
 July: Nabriva Therapeutics (Austria, biotech) – \$92m IPO. Terms TBD (100% prim). LEER, RBC.
 July/August: Amplify Snack Brands (US, snack foods) – \$200m IPO. Terms TBD (100% prim). GS, JEFF, CS.
 July/August: GC Aesthetics (Ireland, breast implants) – \$75m IPO. Terms TBD (100% prim).BAML, DB, COWN.
 July/August: Multi Packaging Solutions International (Bermuda, specialty packaging) –\$100m IPO. Terms TBD (100% prim).
 July/August: NEP Group (US, live event productions) – \$100m IPO. Terms TBD (100% prim).BARC, MS, JEFF, MACQ, RBC.
 July/August: Planet Fitness (US, fitness center franchisor) – \$100m IPO. Terms TBD (100% prim). JPM, BAML, JEFF, CS.
 July/August: Sunrun (US, residential solar) – \$100m IPO. Terms TBD (prim/sec). CS, GS, MS.
 July/August: Zynerva Pharmaceuticals (US, biotech) – \$57.5m IPO. Terms TBD (100% prim).JEFF, PJ.
 August: Aimmune Therapeutics (US, biotech) – \$115m IPO. Terms TBD (100% prim). BAML, CS, PJ.
 August: GenSight Therapeutics (France, biotech) – \$100m IPO. Terms TBD (100% prim). LEER, EVER, CANA.
 August: Global Blood Therapeutics (US, biotech) – \$115m IPO. Terms TBD (100% prim). MS, GS.
 August: Houlihan Lokey (US, investment bank) – \$100m IPO. Terms TBD (100% sec). BAML, GS.

EXTENDED PIPELINE

July: IASIS Healthcare (US, healthcare) – \$100m IPO. Terms TBD (100% prim). JPM, BAML, BARC.
 July: Philadelphia Energy Solutions (US, refining and logistics) – \$100m IPO. Terms TBD (100% prim). BAML, CS.
 July: PGI Specialty Materials (US, specialty materials) – \$100m IPO. Terms TBD (100% prim).BAML, CITI.
 3Q: American Farmland Co (US, farmland) – \$100m IPO. Terms TBD (100% prim). DB, RJ, FBR.
 3Q 2015: Bicapital Corp (Panama, financial services) – \$300m IPO. Terms TBD (100% prim).BAML, CITI, JPM.
 3Q 2015: Empire Petroleum Partners (US, MLP) – \$100m IPO. Terms TBD (100% prim).BARC, WF.
 3Q/4Q 2015: Freeport-McMoran Oil & Gas (US, E&P) – \$100m IPO. Terms TBD (100% prim). BARC.
 3Q/4Q 2015: Oressa (Bermuda, metal can packaging) – \$100m IPO. Terms TBD (100% prim).CITI.
 3Q/4Q 2015: SunGard (US, financial services software) – \$100m IPO. Terms TBD (100% prim). JPM, GS, BARC, DB, CS, BAML, CITI, MS, RBC, UBS, WF.
 3Q/4Q 2015: Univision Communications (US, broadcasting) – \$1bn IPO. Terms TBD (prim/sec). MS, GS, DB.
 4Q 2015: Albertsons (US, retailing) – \$100m IPO. Terms TBD (100% prim). GS, BAML, CITI, MS, LAZ.
 4Q 2015: SRA Companies (US, IT services) – \$100m IPO. Terms TBD (100% prim). BAML, CITI.
 2015: Albea S.A. (Luxembourg, plastic packaging) – \$150m IPO. Terms TBD (prim/sec).BAML, JPM, GS.
 2015: Azul (Brazil, airline) – \$100m IPO. Terms TBD (offering of non-voting preferred shares in the form of ADRs). MS, ITAU, GS, SAN, BBRSL, RJ, PINE, DB.
 2015: Evraz North America (England and Wales, engineered steel products) – \$100m IPO. Terms TBD (100% prim). CITI, GS. Expected to raise \$400m; sell 25%–35%.

US EQUITIES				ALL INTERNATIONAL US CONVERTIBLES					
BOOKRUNNERS: 1/1/2015 TO 10/7/2015				BOOKRUNNERS: 1/1/2015 TO 10/7/2015					
	Managing bank or group	No of issues	Total US\$(m)	Share (%)		Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	135	17,315.42	13.0	1	JP Morgan	17	5,241.72	22.4
2	Citigroup	104	13,891.10	10.4	2	Wells Fargo & Co	8	3,210.57	13.7
3	Credit Suisse	88	13,345.38	10.0	3	BofA Merrill Lynch	12	3,103.16	13.2
4	BofA Merrill Lynch	114	12,621.30	9.4	4	Morgan Stanley	12	2,377.57	10.1
5	Morgan Stanley	102	12,381.08	9.3	5	Citigroup	7	2,208.07	9.4
6	Barclays	82	12,270.05	9.2	6	Barclays	5	1,225.57	5.2
7	Goldman Sachs	93	11,820.21	8.8	7	Credit Suisse	5	1,071.82	4.6
8	Deutsche Bank	64	8,288.63	6.2	8	Goldman Sachs	8	964.01	4.1
9	Wells Fargo & Co	70	5,740.15	4.3	9	RBC Capital Markets	5	954.73	4.1
10	RBC CM	56	3,475.64	2.6	10	Mizuho Financial Group	1	843.33	3.6
	Total	505	133,571.73			Total	45	23,436.63	

Including all domestic and international deals and rights issues
 Source: Thomson Reuters (SDC code: C3r)

Source: Thomson Reuters (SDC code: C9a)

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