

2 Firms Eclipse Peers In IPO Work During Choppy September

By Tom Zanki

Law360 (October 1, 2019, 6:52 PM EDT) -- Cooley LLP and Latham & Watkins LLP leaped ahead of peers in terms of initial public offerings activity in September, a month that started busy with a surge in IPOs after Labor Day but ended weakly following some notable cancellations.

Seventeen issuers, mostly life sciences and technology companies, raised nearly \$6.3 billion last month as public offerings rebounded after a customary summer slowdown. Momentum slowed in late September after co-working giant WeWork postponed and eventually cancelled its highly anticipated IPO and Hollywood talent agency Endeavor Group Holdings Inc. put off plans as well, while two large IPOs in September received a chilly response from investors.

Cooley led all firms based on the number of deals in which it represented either the issuer or underwriting team, guiding nine IPOs that raised more than \$1.8 billion, while Latham steered five offerings that raised more than \$3.2 billion, the most of any firm in terms of proceeds.

Skadden Arps Slate Meagher & Flom LLP, Kirkland & Ellis LLP, Fenwick & West LLP, Wilson Sonsini Goodrich & Rosati PC and Davis Polk & Wardwell LLP also guided two offerings each, while Ellenoff Grossman & Schole LLP guided three blank-check offerings.

Aftermarket returns were mixed. Teeth-straightening company SmileDirectClub Inc. and home exercise startup Peloton Interactive Inc. completed the two largest IPOs of the month, each raising more than \$1 billion. But shares of both companies have fallen since their IPO.

Business software companies, led by Datadog Inc. and Cloudflare Inc., and life sciences companies including 10X Genomics Inc. and dental products supplier Envista Holdings Corp. found more receptive investors. All four companies have seen shares rally between 17% and 21% since their IPOs, according to research firm Renaissance Capital.

It's not yet clear whether WeWork and Endeavor's decisions to pull their offerings, as well as weak debuts from SmileDirectClub and Peloton Interactive, will chill the broader market. Renaissance Capital, in a review published Tuesday analyzing third-quarter IPO results from July to September, noted that the quarter "started off in high spirits but ended in a hangover."

The research firm reports that IPOs gained an average of 1% in the third quarter. It said the combination of “poor aftermarket returns and a dip in initial filings suggest that IPO activity will finish the year at a slower pace than previously thought, with greater price concessions on the part of issuers.”

September IPO Recap

Seventeen companies went public in June, raising nearly \$6.3 billion in proceeds. Here is a breakdown of the deals and the firms that advised them. Figures do not include additional proceeds that may have been raised through over-allotment options exercised by underwriters.

Issuer	Industry	Issuer Counsel	Underwriter Counsel	Total
SmileDirectClub Inc.	Retail, E-Commerce	Skadden	Latham	\$1.35B
Peloton Interactive Inc.	Technology	Fenwick & West	Latham	\$1.16B
Datadog Inc.	Technology	Cooley	Davis Polk	\$648M
Envista Holdings Corp.	Health Care	Skadden	Latham	\$589M
Cloudflare Inc.	Technology	Wilson Sonsini	Fenwick	\$525M
10x Genomics Inc.	Life Sciences	Simpson Thacher	Cooley	\$390M
Apex Technology Acquisition Corp.	Blank Check	Ellenoff Grossman	Graubard Miller	\$305M
Experience Investment Corp.	Blank Check	Ellenoff Grossman	Ropes & Gray	\$250M
New Acquisition Providence Corp.	Blank Check	Kirkland	Ellenoff Grossman	\$200M
Ping Identity Holding Corp.	Technology	Kirkland	Cooley	\$188M
IGM Biosciences Inc.	Life Sciences	Wilson Sonsini	Cooley	\$175M
SpringWorks Therapeutics Inc.	Life Sciences	Goodwin	Cooley	\$162M
Oportun Financial Corp.	Banking	Cooley	Davis Polk	\$94M
Satsuma Pharmaceuticals Inc.	Life Sciences	Latham	Cooley	\$83M
Bellus Health Inc.	Life Sciences	Davies Ward; Troutman Sanders	Cooley, Norton Rose Fulbright	\$70M
Alerus Financial Corp.	Banking	Barack Ferrazzano	Squire Patton Boggs	\$60M
Exagen Inc.	Life Sciences	Latham	Cooley	\$50M

Source: Nasdaq.com and Renaissance Capital

Health care-related issuers dominate the ranks among companies moving forward on IPOs.

Five biotechnology firms are scheduled to go public this week, plus six issuers filed IPOs on Monday that could price later in October. New filers on Monday included three biotechnology companies, two Chinese technology startups, plus an oil and gas and mineral rights owner.

Cooley LLP partner Charlie Kim and his colleagues at the firm are steering several health care-related deals in the pipeline including Vir Biotechnology Inc., which plans to price an estimated \$149 million IPO next week. Kim is also part of a Cooley team representing underwriters for Phathom Pharmaceuticals Inc. and 4D Molecular Therapeutics Inc, which were among the wave of companies publicly filing IPO plans on Monday.

“The pipeline continues to be robust,” Kim said. “We are seeing companies on every end of the spectrum” from those just starting their IPO plans to those preparing to launch marketing roadshows.

Kim said more biotechnology companies could publicly file IPO plans later this month and be positioned to price their offerings in November. He added that uncertainty around the presidential election of 2020 is generally pushing companies to price sooner rather than later.

Cooley’s nine deals in September all involved life sciences and technology businesses, led by Datadog’s \$648 million IPO. The venture-backed analytics company was well received by investors. It sold 24 million shares at \$27, above its upwardly revised price range of \$24 to \$26.

Latham guided five IPOs involving companies in the life sciences, technology and health care sectors, including serving as underwriters counsel for SmileDirectClub and Peloton Interactive. Both SmileDirect Club and Peloton Interactive priced at the high end or above their stated price ranges, but shares sank after the companies went public.

SmileDirectClub was advised by Skadden while Peloton Interactive was advised by Fenwick. Skadden also represented WeWork, which publicly filed its IPO in August before later withdrawing plans following a negative reception from investors.

Looking ahead, Renaissance Capital lists Canadian waste management firm GFL Environmental Holdings Inc., represented by Simpson Thacher & Bartlett LLP and Stikeman Elliott LLP, among its top deals that could price in the fourth quarter. GFL has listed a nominal fundraising target of \$100 million, typically a placeholder used to calculate fees, but Renaissance Capital estimates the company could raise up to \$1.5 billion.

The research firm also lists Chinese robotics developer CloudMinds Inc., advised by Skadden, and jeans brand Madewell Group Inc., advised by Weil Gotshal & Manges LLP, among key IPOs to watch in the fourth quarter. It notes that recent cooling of IPO excitement could work to the advantage of investors.

“While 2019’s IPO party was cut short in the [third quarter,] discounted offerings in the [fourth quarter] may give valuation-conscious investors something to celebrate,” Renaissance Capital said.

--Editing by Emily Kokoll.