

3 Firms To Guide IPOs Totaling \$629M Led By Large Bank Deal

By Tom Zanki

Law360, New York (July 29, 2016, 8:15 PM ET) -- At least three firms plan to steer initial public offerings totaling \$629 million during the first week of August, topped by the largest bank IPO in two years in an otherwise-small slate of companies going public during shaky times.

First Hawaiian Inc., a Honolulu-based bank owned by French conglomerate BNP Paribas, leads the pack with an IPO estimated to raise \$464 million if shares price at midpoint. Advised by Sullivan & Cromwell LLP, First Hawaiian plans to issue 21.1 million shares priced between \$21 and \$23 each.

The deal marks the biggest bank IPO since Royal Bank of Scotland spinoff Citizens Financial Group Inc. went public in a \$3 billion offering in September 2014. First Hawaiian, the largest bank headquartered in Hawaii as measured by assets, also represents a rare offering from the financial services sector, which has only produced three IPOs in 2016.

Financial services is the worst performing sector this year in the S&P 500, posting returns of -1 percent, a trend that researcher Renaissance Capital attributes to low interest rates, regulatory hurdles and uncertainty in the wake of Britain's "Brexit" election to leave the European Union.

Although one bank deal does not represent a turnaround, experts note that the broader IPO landscape, which is still dominated by health care and life sciences companies, needs to draw a wider mix of industries for a real recovery to take root. The stock market has recovered from the volatility that immediately followed Brexit, but IPO candidates are still trading cautiously.

"You would think with the stock market at an all-time high, the IPO market would be more robust," said Alex Castelli, partner at accounting firm CohnReznick and co-leader of its national liquidity and capital formation advisory group. "But that correlation doesn't seem to happen anymore."

First Hawaiian is joined by two smaller deals, including private equity-backed home decor retailer At Home Group Inc., represented by Fried Frank Harris Shriver & Jacobson LLP. At Home plans to issue 8.7 million shares priced between \$14 and \$16.

The Plano, Texas-based company filed plans nearly one year ago but delayed execution as many companies did when the IPO market soured in late 2015 and early 2016. Owned by private equity investors AEA Investors LP and Starr Investments, At Home hopes for a more receptive market this time. The company plans to repay debt with proceeds, which could rise to \$150 million if underwriters exercise an option to buy an additional 1.3 million shares.

Motif Bio, a U.K.-listed biotech developing antibiotics to treat life-threatening infections caused by multidrug-resistant bacteria, also plans to raise \$35 million in the U.S. by offering 2.8 million shares priced \$12.42.

The company, advised by Reed Smith LLP, said existing shareholder Invesco Asset Management Ltd. plans to buy nearly \$9 million of stock at the IPO price. Smaller companies often rely on insiders to buy shares to help complete their offering, especially during a shaky market.

While the IPO market has struggled for most of 2016, certain companies brave enough to test waters are finding receptive investors. That's especially so among technology issuers, an industry where companies have tended to stay private longer, preferring to sit on lofty valuations and avoid conservative IPO markets.

Talend SA, a data technology company backed by private equity firm Silver Lake and others, raised \$94.5 million Thursday after pricing 5.25 million shares at \$18 each, beating its estimate of \$15 to \$17. The stock promptly rallied 41.7 percent on its first day, rising \$7.50 to close at \$25.80 on Friday in Nasdaq trading.

"For good technology companies, the window for them is going to be open," Cooley LLP partner Charlie Kim said. "It's just a matter of whether the timing is right, from a business standpoint, as well as a valuation standpoint."

Despite an uptick in offerings since mid-July, the overall IPO output remains at depressed levels not seen since the financial crisis. Only 52 companies have priced deals through late July, putting 2016 on pace to become the first year since 2009 to generate fewer than 100 IPOs.

Plus, a number of companies continue to put off plans. Medical technology firm Bioventus Inc., which planned to raise \$150 million by offering 8.8 million shares priced between \$16 and \$18 during the week of July 25, postponed its IPO on Friday, according to Renaissance Capital.

The IPO market is widely expected to cool after mid-August as part of a customary late-summer slowdown. Some experts are putting a recovery off until 2017, given that the outlook beyond Labor Day is clouded by an unpredictable and contentious U.S. presidential election.

Goldman Sachs, Bank of America, Merrill Lynch, BNP Paribas, Barclays, Credit Suisse, Deutsche Bank, J.P. Morgan, Citi, Morgan Stanley and UBS Investment Bank are lead underwriters on the First Hawaiian deal, represented by Simpson Thacher & Bartlett LLP.

Bank of America, Merrill Lynch, Goldman Sachs, Jefferies and Morgan Stanley are lead underwriters on At Home's IPO, advised by Latham & Watkins LLP.

SunTrust Robinson Humphrey and Ladenburg Thalmann & Co. are underwriters for Motiff Bio's IPO, advised by Morrison & Foerster LLP.

--Editing by Christine Chun and Emily Kokoll.
