

2 Firms Grab Spotlight In Scorching June For IPOs

By Tom Zanki

Law360 (July 2, 2019, 8:40 PM EDT) -- Two law firms grabbed the lion's share of initial public offerings activity in June, a vibrant month that saw 25 companies go public and raise \$6.5 billion, concluding the strongest quarter in four years while a robust pipeline awaits the second half of 2019.

Cooley LLP guided seven IPOs, when counting representation of issuers or underwriters, the most of any firm, while Davis Polk & Wardwell LLP advised six deals that raised nearly \$2.4 billion, representing the most in terms of proceeds. Many more firms grabbed a piece of the action in June, which marked the second-busiest month of the year for public listings, after May.

Goodwin Procter LLP, Latham & Watkins LLP and Wilson Sonsini Goodrich & Rosati PC worked on four deals each, while Simpson Thacher & Bartlett LLP and Fenwick & West LLP both advised three deals. Another six firms steered a pair of deals each.

The technology and life sciences sectors supplied an outsize portion of IPO activity in June, generating 15 deals combined. Technology-related business like e-commerce supplied four IPOs in June, all of which saw their shares rise after going public.

Among notable June deals, workplace messaging business Slack Technologies Inc., advised by Goodwin Procter, became the second company recently to execute a direct listing rather than a typical IPO. Slack joined music streamer Spotify, which completed a direct listing last year, in going public through this unorthodox route.

June IPO Recap

Twenty-five companies went public in June, raising more than \$6.5 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 overallotment options exercised by underwriters.

Issuer ▲	Industry	Issuer Counsel	Underwriter Counsel	Total
Adaptive Biotechnologies Corp.	Life Sciences	DLA Piper	Fenwick & West	\$300M
Akero Therapeutics Inc.	Life Sciences	Goodwin	Cooley	\$92M
Atreca Inc.	Life Sciences	Cooley	Davis Polk	\$125M

BridgeBio Pharma Inc.	Life Sciences	Goodwin	Latham	\$349M
Cambium Networks Corp.	Telecommunications	Sidley Austin; Walkers	Wilson Sonsini	\$70M
Change Healthcare Inc.	Technology	Simpson Thacher	Ropes & Gray	\$557M
Chewy Inc.	Retail, E-Commerce	Kirkland	Davis Polk	\$1B
Churchill Capital Corp. II	Blank Check	Paul Weiss	Winston & Strawn	\$600M
CrowdStrike Holdings Inc.	Technology	Davis Polk	Cooley	\$612M
Fiverr International Ltd.	E-Commerce	Latham; Meitar Liquornik	Skadden; Fischer Behar	\$111M
GSX Techedu Inc.	Technology, Education	Skadden	Wilson Sonsini	\$208M
GigCapital2 Inc.	Blank Check	Crowell & Moring	Greenberg Traurig	\$150M
Grocery Outlet Holding Corp.	Retail	Simpson Thacher	Davis Polk	\$378M
Haymaker Acquisition Corp. II	Blank Check	Ellenoff Grossman	Graubard Miller	\$350M
Karuna Therapeutics Inc.	Life Sciences	Goodwin	Cooley	\$89M
Linx SA	Technology	White & Case	Simpson Thacher	\$308M
Mohawk Group Holdings Inc.	Technology	Paul Hastings	DLA Piper	\$36M
Morphic Holding Inc.	Life Sciences	Fenwick & West	Cooley	\$90M
Personalis Inc.	Life Sciences	Cooley	Davis Polk	\$135M
Prevail Therapeutics Inc.	Life Sciences	Cooley	Latham	\$125M
Revolve Group Inc.	Retail, ECommerce	Wilson Sonsini	Ropes & Gray	\$212M
Slack Technologies Inc.*	Technology	Goodwin	Latham	N/A*

South Mountain Merger Corp.	Blank Check	Paul Weiss	Kirkland	\$225M
Stoke Therapeutics Inc.	Life Sciences	Fenwick & West	Davis Polk	\$142M
The RealReal Inc.	Retail, E-Commerce	Sidley Austin	Wilson Sonsini	\$300M

**Slack went public through a direct listing rather than a conventional IPO. The company did not hire underwriters. Slack instead hired financial advisers to assist on the transaction, which were represented by Latham & Watkins.*

Source: Nasdaq.com and Renaissance Capital Get the data Created with Datawrapper

In direct listings, companies register their shares and list them on an exchange without selling new shares. Companies that go public through a direct listing forfeit the opportunity to raise fresh capital, though they can save costs by avoiding paying fees to IPO underwriters.

Slack shares rose on their June 20 debut with little volatility, easing fears that this unconventional path of going public could expose a company to choppy trading. Lawyers say more companies are considering direct listings, although such candidates tend to be well-funded private companies that don't need the fresh cash of an IPO.

"It is certainly generating a lot of conversations" between potential public companies and their lawyers and bankers, Cooley partner Jon Avina said.

Online pet products company Chewy Inc., a PetSmart unit advised by Kirkland & Ellis LLP, completed the largest IPO of June, raising more than \$1 billion in an upsized deal. Like many companies reliant on technology that went public in June, Chewy was embraced by investors. Its stock has risen 50% from its IPO price of \$22. Davis Polk guided its underwriters.

"On the one hand it's retail, but on the other hand it has a strong tech angle," said Davis Polk partner Marcel Fausten, who worked on the Chewy deal. "That probably helped. That deal was really successful."

Chewy was followed by cybersecurity software firm CrowdStrike Holdings Inc., guided by Davis Polk. CrowdStrike raised \$612 million in a deal that priced above its range and saw shares soar upon debut. CrowdStrike's stock closed Tuesday at \$63.85, nearly double its IPO price of \$36. Cooley served as the underwriters' counsel.

Business software issuers continue to draw interest as IPO candidates, lawyers say, because they are seen as "bread and butter" companies that provide essential technology even if they do not generate as much fanfare as well-known consumer companies such as Uber and Lyft.

CrowdStrike "shows the market is still hungry for high-growth tech companies, especially ones that can articulate a path to profitability," said Avina, who advised underwriters on the CrowdStrike deal.

The June surge in IPOs concluded a sizzling second quarter that generated 62 deals, more than any quarter in four years, according to IPO research firm Renaissance Capital. Companies that went public in the second quarter raised \$25 billion, more proceeds than any quarter in five years.

Positive returns from IPOs tend to bode well for future activity. The average IPO returned 30.5% during the second quarter as a whole, according to Renaissance Capital.

Looking ahead, the IPO market is expected to rebound after a momentary pause through the July 4 weekend. Several companies that have filed IPOs in recent weeks will be eligible to begin marketing their offerings immediately or shortly after the weekend.

Those companies include Hollywood talent agency Endeavor Group Holdings Inc., advised by Latham; Chinese sports and media platform Wanda Sports Group Co. Ltd., advised by Paul Weiss Rifkind Wharton & Garrison LLP; and customer feedback software firm Medallia Inc., represented by Wilson Sonsini.

“The pipeline definitely feels robust in terms of companies that are getting ready or are pretty far along in the [IPO] process,” Fausten said, adding that it is uncertain how many companies will try to price in early summer or will wait until after Labor Day.

Additionally, radio station owner iHeartMedia Inc. plans to go public through a direct listing in July. The restructured company, represented by Kirkland, filed for an IPO in April but said last week it will choose a direct listing instead. San Antonio-based iHeartMedia gained a judge’s approval in January to emerge from Chapter 11 bankruptcy protection and shed its debts.

IPOs normally cool off in August before resuming in the fall, assuming market conditions cooperate. Equity markets have been generally healthy this year despite occasional volatility resulting from trade tensions between the U.S. and China and other economic jitters.

Based on current activity, some experts are predicting a strong conclusion to 2019. Renaissance Capital is projecting 160 to 200 IPOs by year’s end, generating proceeds of about \$50 billion, which would mark the most in terms of proceeds since 2014.

Plus, lawyers note that some companies may wish to get deals done this year ahead the 2020 presidential election and avoid any uncertainty associated with that campaign. Cooley partner Charlie Kim, who advises life science issuers, said many companies have begun moving forward on IPOs with the intention of hitting the market this fall.

“There is going to be a pretty massive wave [of IPOs] in the fall time frame, assuming the markets hold up,” Kim said.

--Editing by Kelly Duncan and Emily Kokoll.