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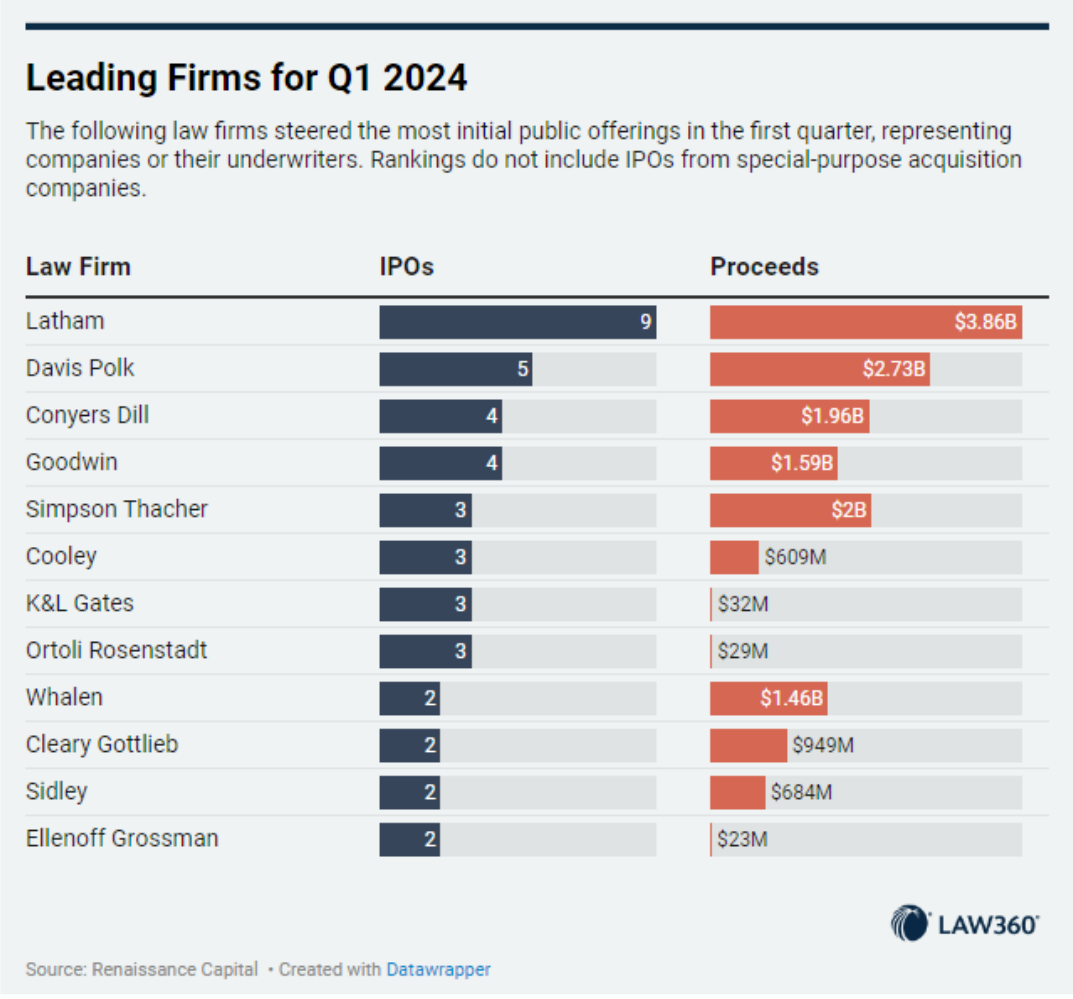
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Latham Led Firms In 1st Quarter IPOs As Outlook Brightens

By **Tom Zanki**

Law360 (April 4, 2024, 7:07 PM EDT) -- Latham & Watkins LLP guided the most initial public offerings among law firms in the year's first quarter, benefiting from an improved fundraising climate that is spreading optimism for IPO lawyers at many firms as the second quarter unfolds.



First quarter IPOs rose markedly compared to one year ago, showing modest signs of recovery after two straight years of muted activity. EY Global Ltd. reports that 49 U.S. IPOs raised $8.4 billion through March 31, representing a 178% increase in proceeds compared with the first quarter of 2023, when 33

IPOs netted $2.6 billion.

Latham managed a sizable chunk of early 2024 activity, steering nine IPOs that raised $3.8 billion in the year's first three months, serving as legal counsel for companies or their underwriters, according to research firm Renaissance Capital. Davis Polk & Wardwell LLP ranked second, taking part in five IPOs that raised $2.7 billion.

Both firms worked on Reddit Inc.'s $748 million IPO, which ranks as the year's third-largest to date. Latham advised the company and Davis Polk represented the underwriters on the closely watched IPO, completed near the end of the quarter.

Reddit's March 21 debut was received well by investors. The company priced the offering at the top of its range and shares rallied in post-IPO trading — signs that indicate the IPO market is opening for technology issuers after a two-year lull.

One day before Reddit's IPO, artificial intelligence-focused chip provider Astera Labs Inc., represented by Goodwin Procter LLP, priced above its range on a $713 million IPO. Shares of Astera have since nearly doubled from an IPO price of $36 per share to nearly $70.

"For the first time in a few years, we have a nice tailwind in the IPO market," said Latham partner Rick Kline, who worked on Reddit's offering. "It's early days. It's a light tailwind. But these recent deals that have priced well created more optimism both among investors and companies. And I think it sets up well for the next few quarters."

As first quarter IPOs picked up, several additional firms participated in the increased activity. Goodwin took part in four offerings that netted about $1.6 billion, while Simpson Thacher & Bartlett LLP guided three offerings that raised nearly $2 billion, according to Renaissance Capital. Bermuda law firm Conyers Dill & Pearman, which guides listings that involve offshore jurisdictions, also worked on four IPOs.

The quarter's largest listing priced in January was Finnish sports equipment company Amer Sports raised nearly $1.4 billion, represented by Davis Polk, while Latham advised the underwriters. IPOs slowed in mid-February as many companies updated their securities filings to include audited financial statements from the prior year, a regulatory requirement that typically pauses activity around that time each year.

Now that IPO activity has resumed, capital markets advisers say they expect more companies to return to the fore after staying on the sidelines the past two years. But unlike the boom of new listings that exploded during 2020-2021, the mood is more sober now and tends to favor companies with stronger financial outlooks.

Attorneys say companies at certain stages of their growth that are looking to provide their employees and investors with liquidity — rather than companies that urgently need capital to fund their operations — may find current conditions ripe to go public.

"We are seeing companies using the IPO market opportunistically and getting a positive reception," Davis Polk partner Emily Roberts said.

Recent filings show the pipeline is in early stages of building. Data security firm Rubrik Inc., a long-rumored candidate for a public listing, filed IPO plans on Monday. Venture-backed Rubrik, advised by Cooley LLP, could price its offering by late April.

March IPO Wrapup

Twelve companies went public in March, completing IPOs that raised more than $2 billion. Here is a breakdown of the newly public companies and the law firms that guided their offerings.

Company	Sector	Total	Company Counsel	Underwriters Counsel	Additional Counsel
Reddit Inc.	Media, Technology	$748M	Latham	Davis Polk	Whalen
Astera Labs Inc.	Technology	$713M	Goodwin	Simpson Thacher	Whalen
Auna S.A.	Healthcare	$360M	Davis Polk	Cleary Gottlieb	Stibbe Avocats
Boundless Bio Inc.	Life Sciences	$100M	Latham	Cooley	
IB Acquisition Corp.	Blank Check	$100M	ArentFox Schiff	Ellenoff Grossman	
Black Hawk Acquisition Corp.	Blank Check	$69M	Celine and Partners	Robinson & Cole	Ogier
Ryde Group Ltd.	Transportation Services	$12M	Sidley	Ortoli Rosenstadt	Harney Westwood; Rajah & Tann
U-BX Technology Ltd.	Business Services	$10M	Ortoli Rosenstadt	Winston & Strawn	Mourant Ozannes; Jiangsu Junjin
Intelligent Group Ltd.	Public Relations	$8M	Loeb & Loeb	Haneberg Hurlbert	Ogier
Alta Global Group Ltd.	Technology	$7M	Sheppard Mullin	Loeb & Loeb	K&L Gates
Lucas GC Ltd.	Recruitment Services	$6M	DLA Piper	ArentFox Schiff	Maples and Calder; Beijing Dacheng; PacGate
Lobo EV Technologies Ltd.	Electric Vehicles	$6M	Loeb & Loeb	Ellenoff Grossman	Ogier; DeHeng; Jincheng Tongda

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addition to technology issuers, Davis Polk partner Alan Denenberg said life sciences companies, especially later-stage startups with more developed therapies in their pipeline, are preparing to tap public markets. Medical technology and diagnostics firms that have begun to generate recurring revenue are also in the queue, he said.

And while technology and life sciences companies are capturing attention given their relative absence from the IPO pipeline in the last two years, attorneys expect a broader range of sectors to move forward on offerings if signs of recovery hold.

At least two companies from different industries have launched marketing roadshows on IPOs that could price soon. Safety science company UL Solutions Inc. is eyeing an estimated $770 million IPO, while nursing-care provider PACS Group Inc. could raise about $400 million. Both companies, advised by Latham, are slated to price next week.

Plus, aerospace components maker Loar Holdings Inc., represented by Benesch Friedlander Coplan & Aronoff LLP, publicly filed IPO plans on Tuesday.

Advisers to IPO candidates say companies are at various stages of the planning process. They note some issuers have already filed plans publicly and are nearly ready to launch marketing roadshows, while others are in the confidential stages of filing and could soon make their documents public. Others are earlier in the discussion stages.

"The interest from companies going public is still very much strongly there," said Rachel Gerring, IPO leader for EY Americas. "It is a matter of timing. Each company has its own facts and circumstances that they are navigating."

Recent IPO successes have prompted speculation about whether some companies will accelerate their plans to go public in the second or third quarter of 2024, before the U.S. presidential election, and avoid uncertainty stemming from the political environment.

On balance, capital markets advisers don't expect the rematch between President Joe Biden and Republican Donald Trump to alter capital-raising plans much, noting that companies and market participants are well-versed in navigating elections.

"Either way, whether it's Biden or Trump, that isn't really going to have an impact on the market's ability to do an IPO," Davis Polk's Denenberg said.

Otherwise, absent any exogenous events that rattle markets, Latham's Kline said momentum for IPOs could gain further ground in the second half of 2024 and next year.

"2025 is likely to be a significantly more robust year," Kline said. "But I think with the tailwinds that were created in Q1, 2024 ought to be a more constructive year for the IPO markets — especially for tech IPOs — than we've seen the last couple years."

--Editing by Haylee Pearl.

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