

Latham Leads Firms In IPO Deals After Market's Robust Year

By Tom Zanki

Law360 (December 20, 2018, 5:56 PM EST) -- Latham & Watkins LLP guided the most initial public offerings of any firm in 2018, one of several capital markets practices that seized on the busiest year for IPOs since 2014, bolstered by a surge in health care and technology companies that powered public markets for most of the year.

According to IPO research firm Renaissance Capital, 190 operating companies went public this year, raising \$46.8 billion. Both the number of companies and the amount raised represent the highest totals since 2014.

An additional 46 blank-check companies, which are shell entities that raise money to fund an acquisition, completed 46 IPOs that generated \$9.7 billion. Both totals represented the best performance for blank-check companies since 2007, before the financial crisis.

Latham & Watkins steered 45 deals — a sum that includes its representation of music streamer Spotify, which went public through an unusual direct listing that skipped the standard IPO fundraising — that raised \$9 billion, when counting representation of issuers and underwriters.

Latham Tops List Of Firms Guiding 2018 IPOs

Here are the top ten law firms in terms of the number of IPOs worked on, according to IPO research firm Renaissance Capital. Totals include representation of companies or their underwriters. Blank check companies, which raise funds to support an acquisition, are included in the totals

	Firm	IPOs	Proceeds
1	Latham	45	\$9.0B
2	Cooley	43	\$5.0B
3	Davis Polk	39	\$14.0B
4	Skadden	28	\$10.4B

5	Maples & Calder	27	\$6.2B
6	Ellenoff Grossman	23	\$3.6B
7	Goodwin	21	\$3.0B
8	Wilson Sonsini	20	\$3.7B
9	Kirkland	16	\$4.0B
10	Simpson Thacher	15	\$5.0B

Source: Renaissance Capital Created with Datawrapper

Latham's work spanned domestic health care and technology startups to foreign issuers from Europe and China that found listing in the U.S. favorable for nearly all of 2018, before late-year market declines began to slow momentum across the IPO landscape.

"The market, for the first nine months and change before the recent volatility, was very conducive to going public," Latham & Watkins LLP partner Ian Schuman said.

Cooley LLP, a health care heavyweight that benefited from a strong showing of biotechnology companies, advised 43 IPOs that raised \$5 billion, and Davis Polk & Wardwell LLP guided 39 deals across several industries that netted \$14 billion. Davis Polk led all firms in IPO proceeds.

The three top firms all capitalized to varying extents on a slew of health care-related and technology IPOs, the two sectors that dominated new issuance over the past 12 months.

Cooley partner Charlie Kim said 2018 has been one of the busiest years he can remember. "It's been extremely robust, both in terms of IPOs and follow-on" offerings.

According to Renaissance Capital, 58 biotechnology companies raised a record-setting \$6.3 billion in 2018. The industry was led by drug developer Moderna Inc.'s \$604 million IPO in November, represented by Goodwin Procter LLP, the largest deal ever for a biotechnology firm.

Technology ranked second, based on the number of IPOs, generating 52 deals that raised \$18.4 billion. The technology sector was driven by a growing number of venture-backed companies that found hospitable conditions for going public for after years of racking up private financing.

Perhaps no deal garnered more attention than Spotify's plunge into public market, which stood apart because the streamer bypassed the typical path of paying investment banks to market an IPO and underwrite the issuance of new shares. Well-capitalized Spotify instead used the power of its own brand to list directly on the New York Stock Exchange without raising new cash.

Spotify's unorthodox approach was seen as a smooth entry into public markets that avoided a volatile debut that some feared, and it saved the company money on bankers' fees, although the company did hire financial advisers, represented by Davis Polk, to guide the pricing and trading of its shares.

Schuman said Latham's national team, including former U.S. Securities and Exchange Commission attorneys in its Washington, D.C., office who provided securities law advice on Spotify's novel direct listing, helped "navigate all the various pieces to execute a deal that really hasn't been done before of this size, scope and profile in a way that really went off well."

"In that respect, it was very unique," Schuman said.

Whether more high-profile companies will follow the Spotify model is unclear. Lawyers and bankers say most businesses still want new capital as they go public and benefit from the marketing associated with an IPO road show, which introduces a company to new investors.

But well-financed private companies with broad name recognition might consider a direct listing.

"I think you will see direct listings on a one-off basis going forward," said Keith Lister, managing director of equity capital markets at Stifel Financial Corp.

Latham also steered high-profile IPOs from foreign companies listing in the United States. The firm represented U.K. online retailer Farfetch Ltd. in its upsized \$885 million IPO and steered underwriters for Chinese electric car-maker Nio Inc., which raised \$1 billion in September.

Chinese issuers played a key role in the 2018 IPO rally, benefiting multinational firms with Asia practices. A total of 32 China-based companies raised \$8.9 billion on U.S. exchanges this year, double the prior-year number and the most since 2010, according to Renaissance Capital.

Skadden Arps Slate Meagher & Flom profited from the influx, guiding 16 Chinese issuers on U.S. IPOs over the past year. The firm steered 28 U.S. IPOs total that raised \$10.4 billion, ranking fourth highest among law firms in terms of the number of offerings.

Skadden's Hong Kong office led the China surge, guiding issuers on three billion-dollar-plus IPOs, including streamer iQiyi Inc, e-commerce platform Pinduoduo Inc. and Nio, plus it advised underwriters on Tencent Music Entertainment Group's \$1.1 billion IPO that priced last week.

Apart from operating businesses, blank-check companies generated a steady stream of IPOs in 2018, aiding legal practices focused on that niche. Skadden steered nine blank-check IPOs, mostly advising underwriters.

Blank-check specialist Ellenoff Grossman & Schole LLP worked on 20 such deals that raised \$3.6 billion to fund potential acquisitions, leading all firms in that segment. The blank-check boom catapulted Ellenoff Grossman into the No. 6 spot in total IPOs, guiding 23 offerings.

Although optimistic market conditions were the main catalyst favoring the IPO market, lawyers say the SEC's focus on facilitating capital formation is playing at least a marginal role. Over the past 10 months under Chairman Jay Clayton, the SEC has sought to make public markets more attractive in an effort to stem a decadeslong decline in IPOs.

Those efforts including expanding confidential filing privileges to all companies, plus a current push to expand "testing the waters" benefits to make it easier for issuers to communicate with investors before an IPO, and trimming disclosure requirements seen as outdated or immaterial.

None of those changes are determining factors in a company's decision to go public, lawyers say, but they have helped reduce friction in the IPO process so issuers can better plan deals.

"It has certainly made the process easier and potentially quicker, giving companies more flexibility to access the market when time is right," Skadden partner Michael Zeidel said. "The SEC definitely has been open for business."

Looking ahead to 2019, it's not clear how recent volatility will affect the confidence of companies going public. Markets have sputtered since mid-October in response to macroeconomic and geopolitical concerns, including interest rate hikes and trade tensions with China. Several companies from October onward either delayed their IPOs or called off plans altogether.

Lawyers say volatility hasn't, at least yet, reduced the pipeline for 2019, which remains robust. Ride-hailing company Lyft Inc. said it has confidentially filed IPO plans with the SEC, and its rival Uber Technologies Inc. and other private giants are reportedly preparing to go public.

Zeidel noted that the volatility of November and December may have pushed some companies' plans into January or thereafter. The first three to six months of next year will provide clearer insight.

"The pipeline is pretty robust already and 2019 has the potential to be a pretty terrific year in the IPO market," Zeidel said. "But it's certainly not going to be a straight line and likely to have periods of heightened volatility."

--Editing by Stephen Berg.