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June IPO Market Chugs Forward As 6 Cos. Target $500M

By **Chelsea Naso**

Law360, New York (June 5, 2015, 5:51 PM ET) -- Six companies — a fast-casual restaurant chain, three life sciences companies, a retail bank and a solar company — are primed to go public in the coming week, together targeting about $500 million and carrying on the strong start to June despite concerns that the U.S. Department of Labor's May jobs report, released Friday, could shake up the market.

The roster of companies set to price during the week of June 8 features chicken wing chain Wingstop Inc., Alzheimer's treatment developer Axovant Solutions Ltd., Parkinson's treatment developer Biotie Therapies Corp., surgical illumination tool maker Invuity Inc., retail bank holding company People's Utah Bancorp and solar generation company Principal Solar Inc.

The wide range of industries on deck to price in the coming week signals a healthy pipeline of IPOs and suggests the year is shaping up to be a generally decent one for new issuances, explained David Bakst, a Mayer Brown LLP partner.

"There are definitely a lot of IPOs in the pipeline with some very high-profile deals expected to come soon," he said. "It will be a nice test to see if they can get done and price at or above their price ranges, or if they are upsized."

The busy week ahead comes after June opened with a bang as four companies — master limited partnership PennTex Midstream Partners LP, health care analytics firmEvolent Health Inc., medical device maker EndoChoice and specialty tea retailer David's Tea Inc. — priced within or above their targeted range to together draw roughly $610 million.

Even so, potential new issuers could face a more volatile market going forward. With the U.S. Department of Labor's May jobs report showing that the economy added 280,000 jobs while long-term unemployment is trending downward, speculation over when the Federal Reserve might raise interest rates could potentially rock the IPO market, explained Yariv Katz, a Paul Hastings LLP partner.

"There was a good jobs report this morning, both in terms of number and in terms of wages. That puts more pressure on the Fed to act sooner," he said. "That could cause some slight headwinds."

Unfavorable market conditions could put 2015 even further behind the vivacious pace of IPO activity seen in 2014. As of June 5, a total of 73 companies have priced their debuts to rake in $12.9 billion, representing a 37.6 percent drop in IPOs priced and a 45.6 percent fall in capital raised during the same period of 2014, according to IPO exchange-traded fund manager Renaissance Capital.

At the same time, however, a strong pipeline of potential new issuers remains active, suggesting that the year is still primed to be a healthy one for IPOs, Katz noted.

Chicken Wing Chain to Serve Up Year's 3rd Fast-Casual Debut

One piece of that active pipeline is Texas-based chicken wing chain Wingstop, which is set to go public during the week of June 8, marking the year's third debut of a private equity-backed fast-casual restaurant chain.

Wingstop and its pre-IPO investors, including Roark Capital Group Inc., are looking to raise about $75 million by offering a total of 5.8 million shares for between $12 and $14 apiece. The shares are set to list on the Nasdaq under the symbol WING.

At the midpoint, the offering could also draw another $11.3 million if the underwriters exercise their full overallotment option and nab the additional 870,000 shares set aside for them.

Wingstop, which was bought out by Roark Capital for an undisclosed amount in 2010, lauds itself as the largest fast-casual chicken wing-focused restaurant chain in the world, a feat it largely attributes to offering a variety of wing flavors and styles as the main dish, according to the prospectus. The chain generated about 90 percent of its sales from wings, fries and other sides, with about 75 percent of its sales consisting of carry-out orders, the company said.

The company opened its first location in Garland, Texas, in July 1994, and its first franchised location in April 1998, according to the prospectus. As of March 2015, Wingstop has 726 franchised restaurants and operates 19 restaurants, with locations spanning 37 states and six countries, according to the prospectus.

Wingstop's anticipated IPO will mark the third fast-casual restaurant to go public so far this year, after chicken and biscuit chain Bojangles Inc. raked in $147 million in May, pricing at the top end of its sweetened range, and burger joint Shake Shack Inc. drew $108 million in an IPO that beat expectations.

Shares in both restaurant chains have traded up since their IPO, with Shake Shack seeing incredible gains.

Bojangles' shares opened Friday on the Nasdaq under the symbol BOJA at $25.65 each, marking a 35 percent increase from its $19-per-share IPO price. Shake Shack's shares opened on the NYSE on Friday at $76.28, representing a 263 percent climb since its public debut.

The steady flow of fast-casual restaurant IPOs taps into several ongoing trends. As consumers have more money in their pockets, they tend to dine out more often but still remain cost-conscious, helping to fuel the growth of fast-casual chains. That growth story tends to pique the interest of yield-hungry investors and also comes as many private equity firms have come to the end of their investment horizon in the restaurant chains.

In addition to yield-hungry investors and pre-IPO backers looking for liquidity, the generally strong-performing stocks of fast-casual restaurant chains gives potential new issuers hope that they will be able to access capital to fund their expansion plans, explained Bakst.

“There’s been a long string of them, and people are definitely looking at that industry as a source of growth,” he said. “When the markets are there, it’s something companies can really take advantage of to grow their footprints from regional to national and scale up significantly.”

Wingstop is represented by King & Spalding LLP. The offering’s underwriters, including Morgan Stanley, Jefferies LLC, Robert W. Baird & Co., Goldman Sachs Group Inc.,Barclays PLC and Wells Fargo Securities LLC, are represented by Latham & Watkins LLP.

3 More Life Sciences Cos. Prepare to Take Plunge

After a brief slowdown in steady stream of life sciences IPOs, two drug developers and a medical device maker are expected to rumble onto the market during the week of June 8.

The year so far has been a busy one for life sciences debuts in the U.S. A total of 31 companies from the health care industry — largely life sciences companies — have drawn $2.5 billion through U.S. IPOs so far this year, according to Renaissance Capital. However, the last three weeks have slowed slightly for life sciences debuts, with just two companies pricing since May 13 as many potential new issuers paused to audit their latest financial reports.

The pace is set to pick up again, however, with Alzheimer’s disease treatment developer Axovant Solutions Ltd., Parkinson’s disease treatment developer Biotie Therapies Corp. and surgical lighting tool maker Invuity Inc. together targeting $361 million.

Axovant, a Roivant Sciences Ltd. unit developing an Alzheimer’s disease treatment it bought from GlaxoKlineSmith, is aiming to raise about $251 million by offering 17.9 million shares for between $13 and $15 each. At the midpoint, the offering could draw another $37.8 million if the underwriters exercise the full overallotment option.

The clinical stage drug developer plans to list its shares on the New York Stock Exchange under the symbol AXON.

Venture capital-backed Biotie, which is publicly traded on the Nasdaq OMX Helsinki Ltd. exchange in Finland, is looking to pull in about $50 million with its U.S. IPO by offering 3.37 million American depositary shares for about $14.82 apiece. The American depository shares — each of which represents 80 common shares — are set to be listed on the Nasdaq under the symbol BITI.

The anticipated offering, which is set to make Biotie the fifth European biotech to tap the U.S. market this year, could raise another $7.5 million if the underwriters exercise their full overallotment option.

Biotie currently has a product on the market that helps with alcohol dependency, but the lead product in development in its pipeline addresses Parkinson’s disease, one of the most prevalent neurodegenerative disorders worldwide. The biotech is also working on a drug that helps curb Alzheimer’s disease and dementia related to Parkinson’s disease.

Invuity, which makes surgical tools that give surgeons greater visibility during minimally invasive procedures, is also gearing up to price its anticipated IPO. The San Francisco-based company expects to raise about $60 million by offering 4 million shares for between $14 and $16 each. At the midpoint, the offering could draw another $9 million if the underwriters exercise their full overallotment option.

The commercial-stage medical device maker's shares are set to trade on the Nasdaq under the symbol IVTY.

The busy merger and acquisition market for the pharmaceutical and overall life science industry has helped to continue to fuel IPO activity in the space, as investors continue to look to cozy up early to the next big M&A target.

"There's also a healthy level of M&A activity in the space," Bakst said. "That indicates a good level of confidence in the future as well."

Axovant is represented by Cooley LLP. The offering's underwriters, including Jefferies, Evercore, RBC Capital Markets, JMP Securities and Baird, are represented by Latham & Watkins LLP.

Biotie is represented by Davis Polk & Wardwell LLP. Hannes Snellman Attorneys Ltd. also assisted with certain matters of Finnish law. The offering's underwriters, including RBC Capital Markets LLC, Stifel Financial Corp, JMP Securities LLC and Roth Capital Partners LLC, are represented by WilmerHale.

Invuity is represented by Wilson Sonsini Goodrich & Rosati PC. The offering's underwriters, including Piper Jaffray, Leerink Partners, Stifel and William Blair, are represented by Latham & Watkins LLP.

Utah-Based Bank Targets $35M To Fund Expansion

While the public debut of Wingstop and the flurry of life science offerings are primed to grab the spotlight in the coming week, People's Utah Bancorp is set to slip onto the market as the retail bank holding company looks to expand amid a stricter — and more expensive — regulatory environment.

People's Utah Bancorp, which holds two banks founded in the early 1900s, is looking to bring in about $35 million in its anticipated IPO by offering 2.5 million shares for between $13 and $15 each.

The net proceeds from the offering are earmarked for opening new branches or acquisitions, as well as general corporate purposes, according to the prospectus.

Smaller retail banks are on the hunt for capital as they grapple with regulations under Basel III, a factor that is not only sending many to the public markets, but also fueling consolidation in the industry, explained Michael Rave, a Day Pitney LLP partner.

"There is going to be quite a bit of consolidation in the next few years, and I think banks are looking to raise capital to do acquisitions," he said. "The economies of scale are really favoring bigger banks."

Through organic growth and the acquisition of one of its two banks, People's Utah Bancorp has seen its total assets grow from $543 million in 2004 to $1.4 billion in 2014, representing a compound annual growth rate of 9.7 percent, according to the prospectus.

The two banks — Bank of American Fork and Lewiston State Bank — boast a combined 18 branches and offer services to local businesses, professional firms, real estate developers, high net-worth individuals, investors and other customers, the company said.

People's Utah Bancorp is represented by Dorsey & Whitney LLP. The offering's underwriters, including

D.A. Davidson & Co., Sandler O'Neill & Partners LP and FIG Partners LLC, are represented by Stoel Rives LLP.

Solar Energy Co. Eyes Uplisting

Texas-based Principal Solar is set to make the week's smallest public debut, as the solar company targets a modest $25 million in the anticipated uplisting. Principal Solar plans to sell 2.5 million shares for between $9 and $10 apiece, according to the prospectus. The offering could raise another $3.7 million if the offering's sole underwriter exercises its full overallotment option.

Shares are set to list on the Nasdaq under the symbol PSWW, the company said.

Principal Solar focuses its efforts on acquiring, building and operating large-scale solar generation facilities while also creating websites for vendors and buyers in an attempt to build a solar community, the company said.

On Friday, Principal Solar announced it inked a development agreement with Energy Surety Partners LLC to build three separate solar projects in the panhandle of Texas, according to a statement. The first project of the three to be developed includes building 150 megawatts of solar generation capacity on an 1,000-acre site near Amarillo, Texas.

Energy debuts got off to a slow start this year, but a series of master limited partnership IPOs has helped fuel activity. So far this year, a total of seven energy companies have together raised $3.9 billion, generating an average first-day return of 9.1 percent and an average overall return of 22.1 percent, according to Renaissance Capital.

Principal Solar is represented by Andrews Kurth LLP, with Settle & Pou PC acting as co-counsel. The offering's sole underwriter, Northland Capital Markets, is represented by Faegre Baker Daniels LLP.

--Editing by Jeremy Barker and Philip Shea.
