Within an uncertain IPO market, four firms are riding a good wave

www.thelawyer.com

10 mins read

The pre-Christmas and pre-Brexit rush has hit the City. Investors and lawyers alike are pushing through deals, trying to get projects away, and a glut of companies have been attempting to take their offerings public. The market has, in fact, seen so much activity over the last few months that it caused a bottleneck. Now, anticipating a slowdown in Q1 while Brexit is pushed through after Christmas, a range of firms, from magic circle to big US players, are nearing the end of a wave of success. There are uncertain and contradictory predictions for the future of the market.

Inevitable nerves set in recently when two notable companies had lacklustre debuts. These came in very different shapes: luxury car outfit Aston Martin and loans platform Funding Circle. Both companies fetched share prices at the bottom end of their listing value, despite the hype surrounding each of the floats. Funding Circle and Aston Martin were floats that the companies wanted to give enough time pre-summer for fundraising and the aim was to push them through as early as possible. They eventually both took off in September.

Slaughter and May's Nilufer Von Bismarck

Both companies brought in the big guns to go public. Lauded Slaughter and May ECM head Nilufer von Bismarck stepped in on Aston Martin's side of the float, alongside partners Roland Turnill, Filippo de Falco, Jonathan Fenn and Steve Edge. The firm was au fait with Ford's European general counsel before the car company was taken over by Aston Martin, giving it a good in when the time came to float. Freshfields Bruckhaus Deringer partner duo Mark Austin and Charlie Hayes advised the banks, of which there were 12, with lead sponsors coming from Goldman Sachs and JP Morgan.

Austin has become one of the go-to lawyers for main list IPOs over the last decade. His success continued when he scored a role advising Funding Circle, while Pam Shores and John Lane represented the sponsors Merrill Lynch, Goldman Sachs for Linklaters. This was the first piece of work Freshfields had done for the young company, which had not needed an instruction from a firm of that size before. It just goes to show, even with the best advice on offer, a choppy market can dictate whether or not a float will take off and by bringing Freshfields on board Funding Circle was positioning itself within the heartland of the City establishment. However, having Freshfields on board was not in itself enough protection against the vagaries of the share market.

So far, in 2018 33 companies have made it to market on the main list. This is a marked decrease in the 46 debuts made during 2017, which was a particularly good year for confidence in the London Stock Exchange. 2016 had presented a slow down with only 25 debuts; there was a high of 49 companies that floated in 2015. These numbers show that companies are still relatively confident at their prospects of success in London, with investors still willing to pledge more than £3.7bn.

Floats are either being rushed through, or pushed to the other side of Brexit, which is obviously creating jitters. One was Allen & Overy's former head David Morley, who is now chairman of Vannin, postponing the listing of the litigation funder in October, citing volatile markets. This was a public example of both Brexit fear and a company that needed more time to get its own books in order. It would have been a nice feather in the cap of up and coming Linklaters corporate partner James Wootton.

Investors, too, are biding their time to see where shifting sands in the rest of the market will settle. Companies that are roadshowing at the moment are finding it tougher, with smaller valuations and money taken off the table as a result of caution. Taking a company to market can take around a year, and with an unknown future, the difference between listing and not listing often comes down to how bullish both companies and their lawyers are feeling. Predictions are out that things will start to heat up again at the end of Q1 and get busier into Q2 once the air has cleared somewhat around the future of the UK in Europe.

Clear frontrunners – UK firms still hold the keys to the market

Within an increasingly cautious market, some clear favourites are emerging among UK mid-market and global players. According to data compiled by *The Lawyer* using published prospectuses, just four firms have got their names onto four or more completed IPOs on the main market this year; Stephenson Harwood, Gowling WLG, Freshfields and Herbert Smith Freehills. In the last year, [Stephenson Harwood]() has stormed ahead with various IPOs, picking up no fewer than 12 mandates for IPO work for clients that have successfully listed on the London Stock Exchange on both the main list, the AIM and the specialist fund segment. The firm has also picked up a handful more mandates from companies that didn't make it to market.

This is no mean feat. Partners in the corporate team – Tom Nicholls, Alex Haynes, Antony Clare, Liz Field and William Saunders – have done their best to cultivate relationships with a range of issuers and sponsors, ending up with an almost 50-50 split over the last year. This is due to an astute combination of institutionally held relationships, referrals from bankers and constant pitching for new work. Building up a reputation in this way is an invaluable asset in a market like this, where so many other variables can dictate whether something will go well or not.

Within an increasingly cautious market, some clear favourites are emerging among UK mid-market and global players.

In this light, in 2016 Nicholls and McLean benefitted from a long-held relationship with Hotel Chocolat. In the last year the firm also worked with a range of companies, such as pharmacy company Acacia Pharma Group who listed on the Euronext with advice from partner Anthony Clare; fintech company Augmentum, seen through by partner Liz Field and energy fund Gore Street, advised by William Saunders, to name a few.

[Gowling WLG](), which in its previous incarnations of Wragges and Lawrence Graham respectively had a strong AIM practice and investment trust listing practice, has also picked up work on some notable listings. The firm acted for companies such as Odyssean Investment Trust, led by John Reed, and RM ZDP, taken on by veteran Nick Heather. Oliver Riley swooped in for the banks on Ashoka India Equity Investment Trust and Gore Street. Gowling has cultivated a good relationship with sponsor Investec, having partnered up on a number of IPOs. Heather most recently instructed Investec on Smithson's listing in October, which was the City's biggest ever flotation by a trust. Being a popular referral choice for banks can pay dividends, as can long-held ties such as this one. Heather also steered Investec for drinks company FeverTree's float in 2014 with aplomb. The same line-up was chosen by Bon Marche in 2013.

Aaron Stocks of Travers Smith also worked on the Smithson listing, earning his stripes through long-held ties. Stocks has acted for Fundsmith, the manager of Smithson, since it was set up and has known the team since the manager, Terry Smith, retired from Colin Stewart. The firm also set up the fund's manager vehicle and the first fund it ever did. During this time the worth of the fund has increased from around £50m to £16bn.

Working on the company side of a deal is undoubtedly a more attractive proposition for firms, as it leads to picking up not only a larger fee but a chance to develop deeper relationships with clients. When taking a company to market, lawyers get to know companies inside out.

Completed IPOs for 2018

Company	Legal adviser to company	Legal adviser to spo
Avi Japan Opportunity Trust	Dickson Minto	Gowling WLG
Ceiba Investments	Gowling WLG, Carey Olsen	Stephenson Harwood
Smithson Investment Trust	Travers Smith	Gowling WLG
Aston Martin	Slaughter and May, Simpson Thacher & Bartlett	Freshfields
Funding Circle	Freshfields	Linklaters
Trident Resources	Edwin Coe	NA
Mobius Investment Trust	NA	NA
Trian Investors 1	Norton Rose Fulbright, Ogier	HSF, Schulte Roth & Za
Argo Blockchain	Fladgate	Fieldfisher
BigDish	Thrings, Collas Crill, Baker McKenzie	NA
Kavango Resources	Keystone Law	NA
TheWorks.co.uk	Walker Morris	Mayer Brown
ASA International Group	Linklaters	Clifford Chance
Hipgnosis Songs Fund	HSF, Ogier	Stephenson Harwood
Tritax Eurobox	Ashurst	Reed Smith
Ashoka India Equity Investment Trust	Stephenson Harwood	Gowling WLG
Amigo Holdings	White & Case	Clifford Chance
Puma VCT 13	Howard Kennedy	NA
Quilter	A&O	Freshfields, Linklaters, Webber Wentzel
Gore Street Energy Storage Fund	Stephenson Harwood	Gowling WLG
Predator Oil and Gas Holdings	Charles Russell Speechlys, Pinel Advocates	NA
Avast	White & Case	Latham & Watkins
Vivo Energy	Freshfields, Bowman Gilfillan	Clifford Chance, Cliffe
Odyssean Investment Trust	Gowling WLG	BLP
RM ZDP	Gowling WLG	CMS
Baillie Gifford US Growth Trust	HSF	Norton Rose Fulbright
Energean Oil and Gas	White & Case	HSF
JTC	Norton Rose	Travers Smith
Augmentum Fintech	Stephenson Harwood	Simmons & Simmons
Integrafin Holdings	Eversheds	Mayer Brown
JP Morgan Multi-Asset Trust	Dickson Minto	Stephenson Harwood
Marble Point Loan Financing	HSF	Dechert, Travers Smith
Sure Ventures	Stephenson Harwood	NA

Data compiled by The Lawyer magazine

Risky tech goes stateside

As is a growing trend in other areas of practice, not least the lateral hiring market, US firms are creeping into what was previously a UK firm's patch. When listing, some companies are looking to firms with a more global footprint that can make a case for having a strong offering stateside. Research conducted by *The Lawyer* on this year's main market listings found Mayer Brown and White & Case have won mandates on work on both issuer and sponsor sides. Mayer Brown acted for the banks for TheWorks.co.uk IPO brought through by partner Kate Ball-Dodd, as well for Integrafin Holdings which was Colin Scagell's handiwork.

White & Case's Ian Bagshaw

Cyber security firm Avast's IPO hit headlines as one of the largest tech listings the London Stock Exchange has ever seen with an anticipated valuation of $4bn. US giants White & Case and Latham & Watkins both scooped up those mandates. White & Case's Ian Bagshaw stepped in for longstanding client Avast, alongside capital markets partner Jonathan Parry. Referral work from Avast's Prague headquarters combined with White & Case's long-standing relationship with the firm made them good bedfellows.

Prior to the IPO Bagshaw had also advised Avast on its $1.3bn acquisition of AVG. This was a result of forging a close relationship with Avast by advising on a number of transactions, including the initial private equity investment by Summit Partners in 2010 and the minority investment by CVC Capital Partners in 2014. When it came to taking public Bagshaw was a shoo-in.

Latham fielded two teams in the deal, one for the underwriters and one for Avast shareholder CVC. Partners Claire Keast-Butler and Kem Ihenacho had originally advised CVC on its investment in the company in 2014. Latham's piece for joint bookmakers Morgan Stanley and UBS was headed up by capital markets partner James Innes and corporate partner Brett Cassidy. CVC has traditionally been a client of Clifford Chance, which advised on the original Avast investment alongside Latham. This time round, Latham pipped it to the post; further evidence of US firms increased grip on the market.

In this area, Freshfields has proved their skin in the game through acting for rival cyber security group Sophos, brought through in 2015 by Austin, Julian Makin and Ashar Qureshi, who joined Fried Frank Harris Shriver & Jacobson over the summer. Sophos is significant as it is one of the only other companies in the sector that is also listed in London. Other rivals have included ARM Holdings, which was taken off the market by SoftBank in 2016, and chip designer Imagination Technologies, bought by China's Canyon Bridge last year. Avast was not wading into a crowded market in London.

On the other side of the coin, luxury fashion platform and tech company FarFetch is an example of an English company that chose to go stateside when it floated, but was still in keeping with the trend of tech companies veering toward US firms. The listing on the New York Stock Exchange, which had been in the offing for years, was another brought through by Latham on the issuer side, with Orrick representing shareholders within the company such as JD.com (Kadi). Fenwick & West advised joint underwriters Goldman Sachs, JP Morgan, Allen & Co and UBS. Latham's capital markets team was fronted by New York partners Marc Jaffe and Ian Schuman, and London partner Joshua Kiernan, while Orrick brought in a plethora of partners, including Shawn Atkinson, Chris Grew, Ylan Steiner, Ed Denny and Nell Scott in London, with Jeffrey Sun in Shanghai and New York partners Christopher Austin and John Narducci.

One reason for looking past London is that companies are becoming increasingly international. There was even debate during the planning stages of Aston Martin's IPO over whether to float in London or NY, with the argument for British branding and investor confidence in London winning through.

New York Stock Exchange

New York is particularly tech-friendly – with high risk tech companies and start-ups predominantly choosing Nasdaq. Uber and Lyft's forthcoming potential float will undoubtedly scope out the US first, as there is a much bigger investment audience. High risk tech companies have become more of a US product.

Paris, too, is promoting itself as an alternative to London for more traditional listings, in both the funds and life sciences space, opening up even more options. There has also been an increase in the number of companies inquiring about Euronext listings. Euronext acquired the Irish stock exchange in March this year, reportedly planning on luring companies away from London listings post-Brexit. Even though London-based IPOs have slowed down, liquidity is held tighter in Europe and so remains a less attractive option.

Is London still a good place to list?

Amid fluctuating markets and questions of whether the London is a good place to list, the FCA announced new rules governing the analysis that drives a lot of investment into IPOs. The new rules were designed to improve investor education among analysts, but have changed how the timings of IPO work in London. To regulators, it seemed that too much weight was placed on research published by analysts and not the prospectus. Now the regulatory statement by the companies needs to be approved much earlier on in the process, promoting investor education among analysts. It is early days for the new rules, but it is yet another thing companies must take into consideration when considering how and when to float.

There are, no doubt, still lots of positives to listing in London, and a plethora of law firms have had a good run of it. It still entices investors with deep pockets, and there is liquidity and a good distribution of cash. A global audience, alongside ready access means even with global turmoil in stock markets, reliability of good governance and respected process hasn't wavered. The London Stock Exchange is an institution, and so as long as there is an ability to raise money in London, companies will continue to list. Just not this side of Christmas, say the lawyers involved.

■