IFR US ECM BRIEFING

US EQUITIES:
BOOKRUNNERS: 1/1/2013 TO 5/16/2013

	Managing bank	No of issues	Total US$(m)	Share (%)
1	Citigroup	94	12,743.4	14.4
2	Goldman Sachs	66	11,821.0	13.4
3	JP Morgan	83	8,932.0	10.1
4	Barclays	74	8,382.1	9.5
5	Morgan Stanley	68	8,177.0	9.2
6	BofA Merrill	88	7,840.6	8.9
7	Credit Suisse	69	6,329.5	7.2
8	Deutsche Bank	60	4,929.8	5.6
9	Wells Fargo	65	4,775.9	5.4
10	UBS	42	3,020.8	3.4
	Total	340	88,480.6	

Source: Thomson Reuters (SDC code: C3r)

ALL INTERNATIONAL US CONVERTIBLES:
BOOKRUNNERS: 1/1/2013 TO 5/16/2013

	Managing bank	No of issues	Total US$(m)	Share (%)
1	BofA Merrill	15	2,248.1	19.6
2	JP Morgan	16	1,752.9	15.3
3	Goldman Sachs	11	1,691.9	14.8
4	Morgan Stanley	9	1,486.6	13.0
5	Barclays	8	1,141.7	10.0
6	Citigroup	11	1,077.7	9.4
7	Credit Suisse	8	689.3	6.0
8	Deutsche Bank	5	469.8	4.1
9	Wells Fargo	5	380.5	3.3
10	Jefferies	3	172.1	1.5
	Total	37	11,447.7	

Including exchangeables
Source: Thomson Reuters (SDC code: C9a)

Tesla Motors always was, and will be for some time, a story stock requiring investors to embrace Elon Musk's long-term vision. Fresh off its first-ever quarterly profit, the electric car maker not only enlisted a legion of supporters but ensnared some critics in the process.

Goldman Sachs, lead-left on the CB and equity placements, managed to extract every penny from Musk fans, and more. Rather than over-complicate matters, the bank set the price of the common equity at last sale, also setting the reference price on the larger CB.

Final details are due out this morning.

That Tesla shares yesterday ran 8.7% to $92.25, no doubt partly a function of panicked short covering, was an interesting side show, but one that made execution all the more impressive. At the April 30 tally, when Tesla shares stood at $53.99, there were 27.5m shares sold short, fully 37.5% of the company's free float (presumably the tally would be much lower now).

The five-year CB was an inspired feature of the deal.

So strong was demand for the CB that GS, a joint bookrunner along with *Morgan Stanley* and *JP Morgan*, increased deal size to $525m and locked down at 1.5%–2% and a fixed conversion premium of 35%, from 2%–2.5% and 30%–35%, respectively, on a deal originally sized at $450m.

Banging the table

Pending a robust debut this morning, data software provider Tableau Software may have almost single-handedly revived the tech IPO market. And just in time for Saturday's one-year anniversary of the Facebook IPO.

After achieving both above-range pricing ($31) and a deal upsize, Tableau has put itself into the same elite company as last year's hottest software IPOs, Splunk, ServiceNow and Workday.

Like those comps, Tableau's $1.7bn-plus IPO valuation puts it on a high single digit 2014 EV/sales multiple.

Tableau and lead underwriters *Goldman Sachs* and *Morgan Stanley* could have priced its IPO even higher, but management adopted a conservative attitude to increase the chances of strong debut today.

Tableau drew especially strong support from big-name mutual fund complexes, with very few hedge funds in the top 20-30 shareholders despite their eagerness to get a decent allocation.

Tableau's premium valuation reflects its strong growth (100% plus last year), size (few of the recent software IPOs have revenue of more than $100m) and also its dominant market position.

"Tableau is in a space where there is very little direct competition," the source said.

The additional 1.15m shares sold came from selling shareholders, SEC filings late Thursday show.

Though tech IPOs that can achieve these premium valuations are still hard to come by, the likes of Twitter, Box and Lending Club may be able to achieve do something similar whenever they finally press the IPO go button.

Patently absurd

Last night's other software IPO, marketing software firm Marketo overcame an 11th hour patent dispute to price its IPO at the top end of the range last night, though it couldn't quite command the valuation premium that Tableau did.

Via leads *Goldman Sachs* and *Credit Suisse*, Marketo priced its 6.1m mostly primary share offering at $13 a share, valuing the company at $465.4m or roughly 4 times 2014 EV/sales. Like Tableau, Marketo could have priced the IPO higher, though the deal was not quite as oversubscribed as Tableau evidently was.

Marketo isn't growing that much slower than Tableau, but with revenues under $100m, Marketo is not as established (illustrated by VC backer Battery Partners' preparedness to separately buy more shares in a concurrent private placement) and arguably has more direct competition.

The patent litigation threat, disclosed in a free-writing prospectus earlier in the week, came from iHance, a privately owned email marketing company run by former Bear Stearns banker Christopher da Cunha. The dispute relates to a "salesperson email tracking feature" in one 's of Marketo's applications. No litigation has yet been filed.

iHance might sound familiar because it was also engaged in a patent dispute with another recent marketing software IPO (and Marketo rival), Eloqua. Though Eloqua didn't set the IPO market on fire, it quickly attracted a takeover bid from Oracle that delivered a tidy 100%-plus profit for IPO investors.

PRA comes after Q

No doubt spurred by last week's highly successful Quintiles Transnational IPO, Raleigh-based CRO PRA Holdings last night disclosed it had filed confidentially with the SEC for an IPO. Though it evidently falls below the size threshold that allows confidentially ($1bn in annual revenues), PRA is a fairly large company, with 5,000 plus employees in 30 countries according to its website. The company was listed on Nasdaq from 2004 to 2007 before it was reacquired by San Fran-based private equity firm Genstar Capital (most recently Genstar was part of the sponsor group that bought Genworth Wealth Management). Already 2013 is proving to be a big year for healthcare-related IPOs. It looks like it is only going to get bigger.

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Home truths

William Lyon Homes enjoyed a warm reception from investors on its return to the ranks of publicly-traded companies. Fifteen months removed from its exit from Chapter 11 Bankruptcy, the California homebuilder captured a premium valuation, surging as much as 11.9% in its inaugural session.

The deal was well-oversold, allowing the joint bookrunners *Credit Suisse* and *Citigroup* to close the books on the initial float of 8.7m shares a day early. The underwriting banks finalized pricing at $25, above the $22-$24 indicative range.

William Lyon opened at $27.11, reaching a high of $27.99 before settling back to close at $25.50, with 9m shares changing hands.

Priced at 2x book value, the offer was set in line with recent homebuilder IPOs from Taylor Morrison Homes and Tri Pointe Homes. Each went public earlier this year and currently trade at 2.2-times and 1.8-times respectively.

To maximize the benefits of fresh-start accounting associated with its emergence from bankruptcy, William Lyon recorded a net write-down of inventory of approximately $129.5m as of February 2012. Since then, William Lyon has posted five consecutive quarters of growth in new homes ordered, home closed and sales backlog.

“Investors felt the fresh start accounting conservatively marked the legacy portfolio at a significant discount to book value” said a source close to the situation. “This creates room for margin expansion over time.”

A proven operator with a 57-year track record in high-growth California and Southwestern US markets, William Lyon has benefited from rising home prices. The company sold 950 homes last year at an average selling price of $275,000 each, and the average sales price rose to $285,500 in the March quarter.

Moreover its current backlog of more than 550 units is valued in excess of $200m based upon an average selling price of $363,600 in the markets it is targeting. William Lyon sold 6.5m shares and will use proceeds to support growth initiatives, including the acquisition of undeveloped land. The company had 1,165 lots contracted under signed non-binding letters of intent as of March 31.

Luxor Capital and Paulson Property Management assisted with William Lyon’s emergence from bankruptcy protection. The investors previously committed to a $85m rights offering, a commitment to purchase $10m, and investing another $50m in the form of a convertible preferred issue, to give them a combined 51.5% stake.

Luxor reduced its stake to 30% by selling 2.2m shares on the IPO, while Paulson did not sell but was diluted to 10.8% of outstanding.

Re-Vivus

Vivus is not without its fair share of controversy. Already in the crosshairs of activist shareholder First Manhattan, the drug company gained flexibility by raising $220m from the sale of convertible bonds.

The basic terms of the CB, structured as a seven-year bond, were negotiated between sole-bookrunner *Deutsche Bank* and a handful of existing investors prior to the formal launch.

Deutsche finalized pricing of the seven-year CB at a 4.5% coupon and 15% conversion premium, the wide of 4%–4.5% and 15%–20%, after one day of marketing. The premium payback or break-even period is just 3.33 years.

One of the reasons the CB is so cheap is that Vivus shares are heavily shorted, limiting the ability of convertible arbs to participate. There were 28.9m shares, 28.8% of the company’s free float, on loan to short sellers as of April 30. Vivus shares fell 3.7% Thursday to $12.43, adding to a 5% sell-off on the Wednesday marketing.

Alternatives presented to the company by Deutsche, and others, included use of a stock-loan facility, whereby Treasury stock is loaned to technical buyers, and a CB concurrent with a common stock offering to boost the available borrow.

Regardless the added liquidity is significant for Vivus.

Last July the company gained US regulatory approval for its diet drug, Qsymia, and launched commercial sales in September. However the drug, the first anti-obesity drug approved for 13 years, could only be ordered by mail. Combined with reluctance of insurers to reimburse anti-obesity treatments, the lack of retail availability led to disappointing sales.

Net product revenue, including sales of Qsymia, doubled in the first quarter to $4.1m over the prior quarter but fell short of analyst estimates.

Overall the company lost $53.6m, including a $5.8m write down on excess inventory that had exceeded the 24-month approved shelf life.

First Manhattan, an 8.8% shareholder, has criticized the company and its efforts to commercialize Qsymia. The New York-based hedge fund has put forward its own independent board of directors and has called for a shareholder vote on the matter by June 30.