

US EQUITIES

BOOKRUNNERS: 1/1/2011 TO 22/7/2011

	Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1	JP Morgan	83	13,826.92	11.3
2	Goldman Sachs	62	13,562.29	11.1
3	BofA Merrill Lynch	93	13,232.03	10.8
4	Credit Suisse	57	12,868.71	10.5
5	Morgan Stanley	81	12,275.07	10
6	Barclays Capital	69	11,628.22	9.5
7	Citigroup	73	10,708.66	8.8
8	Deutsche Bank	62	8,672.98	7.1
9	UBS	35	6,517.77	5.3
10	Wells Fargo & Co	60	6,005.57	4.9
	Total	404	122,251.79	

Source: Thomson Reuters (SDC code: C3r)

US DOMESTIC CONVERTIBLES

BOOKRUNNERS: 1/1/2011 TO 22/7/2011

	Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1	Goldman Sachs	14	3,754.5	17.3
2	JP Morgan	25	3,751.8	17.3
3	Citigroup	14	3,551.7	16.4
4	Morgan Stanley	13	2,147.1	9.9
5	BofA Merrill Lynch	15	2,081.0	9.6
6	UBS	7	1,147.4	5.3
7	Barclays Capital	7	924.0	4.3
8	Deutsche Bank	11	770.6	3.5
9	Credit Suisse	7	702.4	3.2
10	RBC CM	5	432.3	2.0
	Total	68	21,716.6	

Including exchangeables

Source: Thomson Reuters (SDC code: G9)

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It seemed inevitable. With the budget crisis still unresolved, the continued sell-off of equities took a toll on the primary markets. The S&P 500 Index fell 27.05, or 2%, to 1305, and the VIX spiked 2.75, 13.6%, to 22.98, the volatility indexes' highest level in more than a month.

Uncertainty spilled over into the primary markets in the form of interesting discussions surrounding pricing. Initial public offerings saw mixed results; follow-on issues accepted market terms; and convertible bond sales gained renewed momentum.

ADS TACTICAL, a defense contractor that relies almost exclusively on the US government (97% of sales), abruptly walked away from the negotiating table Tuesday night, two full days ahead of scheduled pricing. Understandably, amid ongoing debates over US government budget, investors sought concessions. Company officials saw the fallout as negligible and elected to walk.

There was a book of demand, just not at the range indicated by lead managers *JP Morgan*, *Morgan Stanley* and *Wells Fargo*. The banks had sought to bring 12m shares, including 9m shares by selling shareholders, at \$16-\$18. The fact that insiders and management paid themselves close to \$225m in dividends and bonuses from a \$275m debt offering in March certainly softened the blow.

UNION AGRICULTURE GROUP and **ORCHID ISLAND CAPITAL** postponed their IPOs earlier in the week.

It wasn't all bad news. **DUNKIN' BRANDS GROUP** surged to a premium valuation as shares of the restaurant franchisor closed first-day trading yesterday at US\$27.85, a 47% above offer. The concessions offered by the company and its financial backers to investors surely were unnecessary, but cautioned prevailed.

JP Morgan, *Barclays Capital* and *Morgan Stanley* contemplated pricing the 22.25m share, all-primary offering at \$20 but acquiesced to \$19, still above talk at \$16-\$18. Remarkably, and somewhat fictitiously, the book was 25-times oversubscribed at the final pricing. By any rationale metric the company is valued at a premium. On 2012 earnings, Dunkin' trades at mid- to high-20s multiple versus 17- and 22-times for Canadian rival Tim Hortons and Starbucks, respectively.

Bain Capital, Carlyle Partners and Thomas H Lee, which paid themselves a \$500m dividend in November, certainly created a lot of goodwill. The fact that 45.4m shares traded hands, double the deal size, indicates just how much. The private equity firms will be back to sell down a portion of their combined 74.4% stake.

TEAVANA HOLDINGS, a specialty retailer of premium loose-leaf teas and other tea merchandise, may not have received the attention of coffee king Dunkin' Brands, but its IPO may prove almost as hot to touch.

Teavana's 7.14m share offer was priced at \$17 a share, above the \$13-\$15 range, and is expected to come on strongly when it lists on the New York Stock Exchange today. The deal was multiple-times oversubscribed.

Bank of America Merrill Lynch and *Goldman Sachs* led the deal.

Teavana operates 161 company-owned and 19 franchises mostly in the US and has plans to grow to 500 stores by the end of 2015. The investment logic follows something along the lines of even a stumble on same-store sales will be offset by higher revenue from expansion.

Teavana's sales, however, grew 38.2% in 2010, including comp store growth of 8.7% and, notably, comp-store sales did not decline during the recent economic slowdown.

CHEFS' WAREHOUSE, a provider of high-end specialty foods, seems poised for a similarly strong debut, following pricing of 9m shares at \$15, the mid-point of a \$14-\$16 indicative range. Deal size was increased from 8m shares.

Buy-side sources said the offer, led by *Jefferies*, *BMO Nesbitt* and *Wells Fargo*, had been oversubscribed for several days. One attraction is that the pricing equates to around one times trailing annual revenues, they said.

With 53% of its sales coming from the military and the current extreme budget pressures in Washington, **WESCO AIRCRAFT HOLDINGS'** IPO always looked awkwardly timed.

Yet unlike ADS Tactical, the aerospace parts distributor showed a degree of flexibility by pricing its 21m share offer at \$15, below the \$15.50-\$17.50 indicative range.

Barclays Capital and *Morgan Stanley* were active joint bookrunners, with *Bank of America Merrill Lynch*, *JP Morgan* and *William Blair* in passive bookrunner roles.

Wesco had much going for it, including a 40-year track record of rarely unbroken growth and long-standing management.

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Deterring some, existing shareholders, including private equity firm Carlyle, chief executive Randy Snyder and other management, will take home all of the \$315m in IPO proceeds. Carlyle, which gets a US\$265.5m cut, will continue to hold a 60% stake.

Though the offer was oversubscribed at \$15, investors indicated there was greater interest nearer \$14 and that may mean a relatively flat debut today.

Wesco posted 2010 net sales and adjusted EBITDA of US\$656m and US\$166m, a healthy 25.4% margin. More than 60% of revenue, much of which comes from sales of fasteners, is under long-term contract.

HORIZON PHARMA's pain-relieving drugs could come in handy in this sort of market, but the IPO of a loss-making biotech is still not the easiest sell.

Horizon was set to price 5.5m shares at \$10-\$12 indicative range.

In what is not always an encouraging sign, Horizon switched lead underwriters earlier this year, opting for *Stifel Nicolaus Weisel, Cowen and JMP Securities*, instead of *Jefferies and Piper Jaffray*.

Horizon is using the funds to commercializing innovative medicines targeting unmet therapeutic needs in arthritis, pain and inflammatory diseases.

The company in April received FDA approval for Duexis, a novel tablet formulation containing a fixed-dose combination of ibuprofen and famotidine in a single pill.

DLJ Merchant Banking, the private-equity arm of Credit Suisse, waited 16 years to monetize its investment in **BASIC ENERGY SERVICES**. What's another year? On the heels of disappointing second-quarter results from RPC, the firm elected to downsize a planned 9m share secondary sale to 5m shares at \$32.50, a three-cent discount to last sale but 6.3% below pre-marketing levels.

ACCURAY/UBS, sole books, finalized pricing of the \$100m, five-year bond at a 3.75% coupon and a 25% conversion premium, toward the upper-half of 3.5%-4% and 20%-25% price talk. Demand from outright convert buyers, convert arb funds, and existing shareholders was sufficient to increase deal size from an original target of \$75m – the deal was four-times oversubscribed.

Still, the timing is puzzling.

Accuray recently completed the acquisition of TomoTherapy, and has offered little explanation of the product roadmaps for the combined company – both manufacture advanced radiation therapy devices for the treatment of cancer. The only guidance provided is that the acquisition would be dilutive in fiscal 2011 (June 2011) and accretive in fiscal 2012, management said in March, when the acquisition was announced.

The company did provide an update on expected results for fiscal 2011 of revenue between US\$221m–\$224m, with Accuray contributing US\$210–\$211m, toward the low end of US\$210m–\$225m guidance. Also disclosed is a pro forma cash and equivalents balance of \$200m.

Opportunistic or not, that is a lot of cash, regardless of how attractive the terms may be. Stay tuned: Accuray management has promised more formal guidance for the combined company at the end of August, when the company reports fourth quarter earnings.

DAVID TOPPER, a vice chairman in equity capital markets at *JP Morgan*, has resigned the firm to pursue other interests. Topper, who joined in 2005 as co-head of ECM, following a 22-year career at Morgan Stanley, intends to pursue other professional interests but has not reached a decision. In the interim he plans to spend time with his family.

PRICED:

July 25 – BGC Partners (US, financial services): \$135m 5y cvt 4.5% cpn, 20% prem; 4.25%-4.75% cpn, 17.5%-22.5% prem. *BAML, DB, CANT.*

July 26 – Accuray (US, medical equipment): \$100m 5y cvt 3.75% cpn, 25% prem; 3.5%-4% cpn, 20%-25% prem. *UBS.*

July 26 – American Midstream Partners (US, MLP): \$78.8mm IPO. 3.75m units (100% prim) at \$21, versus \$19-\$21 talk. *CITI, BAML.*

July 26 – Dunkin' Brands Group (US, restaurants): \$427.5m IPO. 22.25m shares (100% prim) at \$19, versus \$16-\$18 talk. *JPM, BARC, MS, BAML, GS.*

July 26 – Tangoe (US, SaaS): \$87.7m IPO. 8.77m shares (85.5% prim, 14.5% second) at \$10, versus \$9-\$11 talk. *DB, STIF.*

July 26 – Sabra Healthcare REIT: \$149.7m follow-on. 10.2m shares (100% prim) at \$14.75, increased from 9.75m shares launched at \$15.76. *JEFF, CITI.*

July 27 – Basic Energy Services (US, oilfield services): \$162.5m follow-on. 5m shares (100% secondary) at \$32.50, downsized from 9m shares launched \$34.67. *GS, JEFF, CS.*

July 27 – The Chefs' Warehouse (US, specialty foods distributor): \$135m IPO. 9m shares at \$15, increased from 8m shares (58.3% prim, 41.7% secondary) at \$14-\$16. *JEFF, BMO, WF.*