US EQUITIES

BOOKRUNNERS: 1/1/2013 TO 8/3/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Citigroup	47	6,552.58	15.4
2	Goldman Sachs	27	6,027.38	14.2
3	Morgan Stanley	35	4,927.54	11.6
4	Barclays	37	4,782.00	11.3
5	BofA Merrill Lynch	37	3,807.70	9.0
6	JP Morgan	34	3,459.79	8.1
7	Credit Suisse	25	2,719.01	6.4
8	UBS	22	1,848.29	4.4
9	Deutsche Bank	23	1,708.74	4.0
10	Wells Fargo & Co	26	1,607.31	3.8
	Total	149	42,482.23	

Including all domestic and international deals and rights issues

Source: Thomson Reuters (SDC code: C3r)

GLOBAL CONVERTIBLE OFFERINGS

BOOKRUNNERS: 1/1/2013 TO 8/3/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Goldman Sachs & Co	9	1,512.88	25.0
2	JP Morgan	9	1,259.13	20.8
3	BofA Merrill Lynch	7	1,123.42	18.6
4	Citigroup	6	589.67	9.8
5	Morgan Stanley	4	555.50	9.2
6	Credit Suisse	5	397.67	6.6
7	Barclays	2	203.75	3.4
8	Deutsche Bank	3	200.50	3.3
9	Wells Fargo & Co	2	109.25	1.8
10	Jefferies & Co Inc	1	60.00	1.0
	Total	21	6,040.25	

Includes all US$ denominated bonds structured to be sold in the US, including exchangeables.

Source: Thomson Reuters (SDC code: C9a)

SILVER SPRING NETWORKS made a smooth transition into the public markets yesterday, despite a lengthy gestation (registration for 18 months) and multipl, mostly negative, revisions to its capital structure. A small-float, low-valuation strategy allowed *Goldman Sachs* and *Credit Suisse* to create scarcity value in the placing 4.8m shares at $17, the mid-point of talk.

The smart-grid software developer closed first-day trading at $22, a 30% gain on offer.

The decision to upsize from the original 3.7m base deal had more to do with investor concerns over trading liquidity than funding needs of the issuer. If anything, existing shareholders were hesitant to dilute their holdings after having invested at much higher valuations in the private markets.

Silver Spring's market cap of $1.0bn, reflective of the aftermarket gains, is well shy of the $1.6bn valuation achieved on a private round in 2009. Emblematic of decaying operational prospects, interim financing rounds (2011 and 2012) were structured as loans where economics were juiced with warrants.

Early-stage backer Foundation Capital, to its credit, invested an additional $12m in a concurrent private placement with the IPO and agreed to wipe out its warrants. Realistically, the warrants ($38.57 strike) had little value, but eliminating them offset further dilution at premium share prices.

Acorn takes hold

FIVE OAKS INVESTMENT, a mortgage REIT affiliate of global financial services giant XL Group, has commenced marketing a $115m IPO. *Barclays*, *Credit Suisse*, *UBS* and *Keefe Bruyette Woods* are marketing 5.7m shares at the $15 fixed-offer for pricing on March 21.

Despite a limited operating history, Five Oaks is not a blind pool IPO. XL pre-funded the hybrid mortgage REIT with proceeds from a $26.5m private placement priced last May. Proceeds raised in the XL sale provided seed capital for the Five Oaks RMBS portfolio.

XL Global will make an additional $25m investment at the IPO price, and pay all underwriting fees.

Five Oaks' existing $81m portfolio is levered at about 2.4x equity. The company expects to build a portfolio that is 30%–50% agency RMBS with the balance split between legacy and newly issued non-agency paper. The portfolio already pays a monthly dividend of 13 cents for an annualized yield of 10.6% at the fixed-offer price.

Carlyle strikes, again

Private-equity firm Carlyle Group is selling about 30% of its remaining stake in software company SS&C TECHNOLOGIES via a *Barclays*-led block trade.

Carlyle will reduce its stake to 18.9% from 27% with the sales of 6.5m of its remaining 21.5m shares in SS&C. SS&C chairman and chief executive William Stone is also selling 1.25m of his 18.1m shares.

Barclays re-offered the stock overnight at a fixed price of $26, a relatively wide 6.3% discount to SS&C's last close of $27.74. At the re-offer price, the offering is worth $201.5m.

Several banks competitively bid the deal, although some were reluctant to pay up for the block due to its relatively illiquidity and the risks of mispricing after the stock's rapid rise in the past month from around $23.

The 7.75m shares being offered represent nearly 10% of outstanding and 35 days' trading, the latter measure relatively high for a risk trade/hard underwriting.

SS&C has been a lucrative investment for Carlyle. It bought the then-Nasdaq listed SS&C for $982m in late 2005 (its equity contribution was $381m) before taking it public again in 2010 at $15 a share or a valuation of a little more than $1bn. SS&C's market valuation at Wednesday's close was $2.2bn.

Final exit

Not every exit is profitable. Citadel blew out of remaining 9.6% stake in E*TRADE FINANCIAL in cashing in $314m in an overnight block sale. The sale represents the stub of a $2.5bn investment the hedge fund operator made in 2007 as part of a financial rescue of the online broker.

Difficult to quantify exactly, but the investment is almost certainly a money-loser. To prop up E*Trade further, Citadel agreed to exchange $1.8bn of 12.5% for zero-coupon convertible debt that were later converted into 69.7m shares, adding to 84.7m shares.

The firm began disposing in 2010 through a series of sales, first in April of that year with a $301m marketed offering and again in February and April 2011 through block sales via

EDITORIAL ENQUIRIES

US EDITOR
Stephen Lacey
+1 (646) 223 8808
stephen.lacey@thomsonreuters.com

SENIOR REPORTER
Anthony Hughes
+1 (646) 223 8174
anthony.hughes@thomsonreuters.com

REPORTER
Robert Sherwood
+1 (646) 223 8792
robert.sherwood@thomsonreuters.com

SUBSCRIPTION ENQUIRIES

EMEA
+44 20 7369 7317
rm.emeasales@thomsonreuters.com

ASIA-PACIFIC
+852 3762 3336
rm.apsales@thomsonreuters.com

JAPAN
+813 4589 2311
rm.apsales@thomsonreuters.com

US
+646 223 6123
rm.ussales@thomsonreuters.com

CLIENT SUPPORT

+800 8727 8326
(please dial first your int'l prefix number or int'l access code before the above number)
rm.clientsupport@thomsonreuters.com

MARKETING

+44 20 7369 7855
rpp.marketing@thomsonreuters.com

Goldman Sachs and Morgan Stanley. Those sales implied a combined $750m loss on the investment.

Citigroup, the winning bidder this time, is likely to have little trouble with its purchase from Citadel of 27.4m shares. The bank launched remarketing at $11.35–$11.45, a seemingly reasonable 3.1%–4.1% discount to last sale ($11.82) given rationale size (six days' trading) and the company's developed institutional shareholder registry and popularity of the stock with retail.

Iconic brand

ICONIX BRAND GROUP has a unique business model: acquire branded-clothing manufacturers by leveraging up, license all aspects from manufacturing through end-point retail, return money to shareholders through buybacks and repeat process. The company continued that progression with a $350m, five-year CB that featured a concurrent share repurchase.

Sole bookrunner *Barclays* finalized pricing at 1.5% and 32.5%, towards the issuer-friendly ends of a 1.25%–1.75% and 27.5%–32.5% talk, after increasing sizing from $325m. The bank, known for fundamental gearing on allocation, placed roughly half the deal with hedge funds, to facilitate delta-hedging from the targeted buyback of 3m shares ($69m).

The share repurchase is on top of $62m that Iconix has already spent this year to buy back 2.6m shares. The company, which spent $88m on repurchases in 2012, last month gained approval on a $300m-share repurchase program.

Selling stock (via a CB), while also buying back stock, seems counter-intuitive, yet ideally tailored to a CB.

As part of the transaction, Iconix spent a portion of the proceeds on a call-spread overlay, whereby the CB's embedded call option is repurchased and warrants are sold at a higher strike. In this case, the warrants were struck at price of $35.52, a 52.5% premium to the reference price of $23.29. Iconix also has the option to settle in cash or stock, at its option, allowing it to control dilution.

The CB provisions (net-share, stock buyback, and call-spread) do carry costs. Settling the principal in cash (net-share settle) carries refinancing risk, while the buyback and call-spread both cost money, effectively increasing the effective coupon paid on the CB – net proceeds, not including the undisclosed costs of the call spread, of $273m.

Regardless, the offering leaves the company flush with liquidity. Iconix Brands has access to more than $1bn of liquidity, including $255m of cash, the CB proceeds, and $500m available on a securitization facility it completed in November. Having acquired three brands recently, including the purchase of Umbro in November, the company is poised for additional acquisitions.

Preferred recovery route

ISTAR FINANCIAL, a long-troubled commercial mortgage REIT, signaled it was finally going on the offensive with a $175m raise from the sale of a cumulative convertible perpetual preferred. The offering is the first true primary capital raise for some time and follows recent plans management outlined to return to profitability.

The financing, while small, highlighted the perceived upside in a turnaround.

Barclays, *Bank of America Merrill Lynch* and *JP Morgan* culminated a one-day marketing Tuesday night in pricing at fixed-price talk of 4.5% and 20% on an upsize from an initial $150m target. The banks built on the success of a $500m concurrent, high-yield and convertible bond sale in November in targeting those holders on the new deal, according to sources close to the situation.

iStar Financial shares have gained 36% since the November offerings to $10.66 reference, and both the 3% CB and 7.125% HY notes from November have also participated. The earlier offerings were used to redeem 6.5% ($67) and 8.625% ($263m) and the company culminated the liability management last month with a lowering of the costs of its $1.8bn secured credit facility.

However, the convertible preferred is the first move towards growth capital. For starters, the series J preferred is convertible, as opposed to straight preferred of prior series.

Also notable, and highlighting the strength of demand, was the security's call provision. Similar to other recent convertible preferred, the security is structured with five years of investor call protection. Unlike other deals, however, the security is freely callable thereafter with the provisional call provisions (130% trigger) dropped – the first of its kind since 2010.