

Capital Markets Group Of The Year: Latham & Watkins

By Tom Zanki

Law360, New York (January 11, 2016, 5:54 PM ET) -- Latham & Watkins LLP's expansive deals team overcame a wobbly market in 2015, representing issuers and underwriters involved in complex transaction across a vast scope of industries, including Shake Shack's smash \$120 million initial public offering, earning a place among Law360's Capital Markets Practice Groups of the Year.



Latham's expertise casts a wide net that enables the firm to serve disparate industries spanning from consumer retail to restaurants, health care, life sciences and energy, among other sectors. The firm's ability to serve both issuers and underwriters in large numbers is another advantage that keeps Latham busy through up and down cycles.

When combining issuers and underwriters, Latham advised the most IPOs in 2015, according to Dealogic data, counseling in 48 IPOs in 2015. That amounts to more than quarter all initial offerings last year, including 34 on the underwriting side, for a combined value of \$10.5 billion.

Marc Jaffe, global co-chair of the firm's capital markets practice, said depth and versatility enables Latham to ride out choppy periods, especially a year like 2015 that sizzled early but quickly cooled after summer.

"The diversity of our practice helps smooth out the jagged edges of volatility," Jaffe said.

A notable IPO that exemplifies Latham's breadth was burger chain Shake Shack Inc.'s sizzling \$120 million offering in February that more than doubled in its debut and still trades well above its IPO price of \$21.



Marc Jaffe

Latham also advised banks in Fogo de Chao Inc.'s \$101 million IPO in June as well as 2014 initial public offerings for Zoe's Kitchen Inc. and El Pollo Loco Inc., but the Shake Shack deal showcased not only the firm's strength in guiding restaurant offerings but also its ability to steer complex deals. Shake Shack used an Up-C structure, a tax-advantaged vehicle that allows pre-IPO owners to take a company public while maintaining the flow-through tax benefits of a partnership structure.

"It is a very complex structure that requires a very complex tax analysis, but when done right, it provides a tremendous economic and tax benefit," Jaffe said.

Latham's technical skill in guiding complicated tax structures also serves it well in energy deals. The firm in July counseled underwriters in a \$675 million IPO for TerraForm Global Inc., a clean-energy focused yieldco that uses renewable energy tax credits to provide its investors with steady yield. Such vehicles were popular amid the energy boom of recent years but have dipped lately as slumping prices have

turned investors' attention toward other industries.

While energy offerings are prone to cycles, the steadily growing health care and technology-affiliated industries continue to serve up ample work for Latham. The firm advised Teladoc Inc., a company that enables doctors to treat patients through live video streams and over the phone, in an upsized debut in June that raised \$157 million.

The life sciences industry, a capital-hungry sector that has generated an outsize portion of IPOs in recent years as early-stage drug developers seek funding to develop costly, disease-fighting therapies, also represents a big chunk of Latham's pipeline. The firm advised underwriters with Axovant Sciences Ltd.'s \$362.3 million IPO, proceeds the company plans to spend developing a pipeline focused on treating dementia in patients with Alzheimer's disease.

Latham's exposure to wide-ranging industries reflects its deep relationships with underwriters and issuers. Jaffe said both experiences challenge the firm to become sharper, noting that most issuers are typically conducting an IPO for the first time while investment banks are seasoned veterans of the initial public offering process.

"The rhythms are different when representing underwriters and issuers," Jaffe said. "The skill set is largely the same."

Latham is also well-versed in debt financing, advising CommScope Inc. in its \$2 billion high-yield offering last May to help fund the company's \$3 billion acquisition of TE Connectivity Ltd.'s telecommunications, enterprise and wireless businesses, as well as a \$500 million high-yield offering from American Airlines Group Inc. in February.

The market for high-yield bonds soured in late 2015 as credit conditions tightened, but Jaffe said Latham stands ready to navigate the downturn, noting the firm has been advising such deals since the 1980s.

"There are not a lot of firms — Latham being one of them — that have been through these down times before," Jaffe said. "Our phones start ringing when times get tougher."

Equity offerings are also starting the new year soft with no IPOs pricing yet, though several biotechs have joined the pipeline.

Even as deals take longer to cross the finish line amid jittery markets, Jaffe said Latham's capital markets practice, which employs 300 attorneys globally, is working earlier stages of the pipeline, advising companies on preparing registration statements and subsequent steps so clients can pull the trigger when desired.

"The proof will be in the pudding when the market stabilizes," Jaffe said.

--Editing by Katherine Rautenberg.
