

Initial Public Offerings: Underwriting Statistics Through 2018

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Table 10: Gross Spreads Continue to Remain at 7% on Moderate-Size Deals

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Table 10 (updated Dec. 20, 2018)

Gross Spreads Continue to Remain at 7% on Moderate-Size Deals

Here are the numbers for 2001-2018 for U.S. IPOs raising more than \$25 million (\$2011):

Panel A: Book building deals

		Proceeds Category	
		<u>\$25-100 million (inflation-adjusted in 2011 \$)</u>	<u>more than \$100 million (2011 \$)</u>
<7%	2.6% (21)		49.5% (525)
=7%	96.0% (769)		49.9% (529)
>7%	1.4% (11)		0.6% (6)
Total	100% (801 IPOs)		100% (1,060 IPOs)

Panel B: Auction deals

		Proceeds Category	
		<u>\$25-100 million (inflation-adjusted in 2011 \$)</u>	<u>more than \$100 million (2011 \$)</u>
<7%	60.0% (6)		83.3% (5)
=7%	40.0% (4)		16.7% (1)
>7%	0% (0)		0.0% (0)
Total	100% (10 IPOs)		100% (6 IPOs)

So, with a few exceptions (some of these are Canadian firms, and others were taken public by WRHambrecht using auctions), 7% gross spreads for moderate-size IPOs are as entrenched as ever. Indeed, in 1999-2000, deals above \$100 million increasingly had 7% spreads, and this has stuck—in 2001-2016 49.9% of large IPOs also had spreads of exactly 7%. In contrast, during 1997-1998 only 53 of 158 large IPOs (33.5%) had a gross spread of exactly 7%.

Proceeds numbers do not include any shares issued through overallotment option exercise.

Table 11 (updated Dec. 19, 2018)

Mean and Median Gross Spreads and Number of Managing Underwriters, 1980-2018

IPOs with an offer price below \$5.00 per share, unit offers, ADRs, closed-end funds, REITs, bank and S&L IPOs, energy limited partnerships, and firms not listed on CRSP within six months of the offer date are excluded. EW is equally weighted and PW is proceeds-weighted. The fraction=7% is the percentage of IPOs with a gross spread equal to exactly 7%. The number of managing underwriters is the sum of both leads and co-managers. The decrease in the fraction of IPOs with a 7% spread in 2001-2002 is due to the smaller fraction of deals with proceeds of less than \$150 million. In 2008 (Visa with a spread of 2.8% on a \$17.9 billion IPO), 2010 (General Motors with a spread of 0.75% on a \$15.8 billion IPO), and 2012 (Facebook with a 1.1% spread on a \$16 billion IPO) a higher fraction of IPOs were mega-deals with a gross spread far below 7%. UW is Underwriter.

Year	Number of IPOs	Gross Spreads				Fraction with Multiple Bookrunners	Number of Managing UWs	
		Mean EW	Mean PW	Median	=7%		Mean	Median
1980	71	8.0%	7.2%	7.5%	3%	0.0%	1.4	1.0
1981	193	7.9%	7.3%	7.5%	4%	0.0%	1.3	1.0
1982	77	8.1%	7.3%	7.9%	9%	0.0%	1.4	1.0
1983	451	7.7%	6.9%	7.3%	14%	0.0%	1.5	1.0
1984	171	7.9%	7.3%	7.5%	15%	0.0%	1.5	1.0
1985	187	7.7%	6.6%	7.5%	13%	0.0%	1.4	1.0
1986	393	7.5%	6.2%	7.2%	15%	0.0%	1.5	1.0
1987	285	7.5%	6.0%	7.1%	23%	0.0%	1.8	2.0
1988	105	7.3%	6.3%	7.0%	30%	0.0%	1.7	2.0
1989	116	7.3%	6.3%	7.0%	41%	0.0%	1.7	2.0
1990	110	7.3%	6.5%	7.0%	44%	0.0%	1.9	2.0
1991	286	7.1%	6.3%	7.0%	50%	0.0%	2.0	2.0
1992	412	7.2%	6.3%	7.0%	52%	0.0%	2.1	2.0
1993	510	7.2%	6.2%	7.0%	57%	0.4%	2.0	2.0
1994	402	7.3%	6.5%	7.0%	55%	0.0%	2.0	2.0
1995	461	7.2%	6.3%	7.0%	64%	0.0%	2.3	2.0
1996	677	7.2%	6.2%	7.0%	68%	0.0%	2.4	2.0
1997	474	7.2%	6.4%	7.0%	68%	0.8%	2.5	2.0
1998	281	7.1%	5.5%	7.0%	68%	1.8%	2.9	3.0
1999	476	6.9%	5.7%	7.0%	82%	4.6%	3.4	3.0
2000	380	6.9%	5.6%	7.0%	82%	7.4%	3.7	3.0
2001	79	6.6%	4.6%	7.0%	62%	19.0%	4.4	4.0
2002	66	6.7%	5.2%	7.0%	71%	28.8%	4.7	4.0
2003	63	7.0%	6.7%	7.0%	78%	31.7%	3.9	4.0
2004	173	6.8%	5.7%	7.0%	78%	37.0%	4.5	4.0
2005	159	6.7%	6.1%	7.0%	65%	50.3%	4.7	4.0
2006	157	6.8%	6.1%	7.0%	69%	54.1%	4.9	4.0
2007	159	6.7%	5.7%	7.0%	73%	60.4%	5.3	5.0
2008	21	6.4%	3.4%	7.0%	62%	76.2%	7.3	5.0
2009	41	6.4%	5.6%	7.0%	49%	85.4%	6.9	6.0
2010	91	6.7%	3.5%	7.0%	69%	83.5%	6.2	5.0
2011	81	6.4%	5.1%	7.0%	54%	87.7%	7.0	6.0
2012	93	6.7%	3.6%	7.0%	72%	93.5%	6.8	6.0
2013	157	6.6%	5.5%	7.0%	64%	91.7%	6.9	6.0
2014	206	6.6%	5.4%	7.0%	72%	90.3%	6.4	5.0
2015	118	6.7%	5.9%	7.0%	72%	90.7%	5.6	5.0
2016	75	6.7%	6.1%	7.0%	68%	94.7%	6.3	5.0
2017	107	6.6%	5.5%	7.0%	64%	89.7%	6.3	5.0
2018	134	6.5%	5.4%	7.0%	68%	95.5%	6.3	4.0
1980-2018	8,497	7.2%	5.6%	7.0%	54%	15.1%	3.0	2.0

Table 11a (same as Table 11 but starting in 1975)
Mean and Median Gross Spreads and Number of Managing Underwriters, 1975-2018

Year	Number of IPOs	Gross Spreads				Fraction with Multiple Bookrunners	Number of Managing UWs	
		Mean EW	Mean PW	Median	=7%		Mean	Median
1975	12	7.2%	6.1%	7.6%	8%	0.0%	1.4	1.0
1976	26	7.5%	7.1%	7.6%	4%	0.0%	1.4	1.0
1977	15	7.5%	7.3%	7.8%	0%	0.0%	1.5	1.0
1978	18	7.4%	7.1%	7.5%	6%	0.0%	1.8	1.0
1979	38	7.8%	7.6%	7.5%	0%	0.0%	1.3	1.0
1980	71	8.0%	7.2%	7.5%	3%	0.0%	1.4	1.0
1981	193	7.9%	7.3%	7.5%	4%	0.0%	1.3	1.0
1982	77	8.1%	7.3%	7.9%	9%	0.0%	1.4	1.0
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1987	285	7.5%	6.0%	7.1%	23%	0.0%	1.8	2.0
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2006	157	6.8%	6.1%	7.0%	69%	54.1%	4.9	4.0
2007	159	6.7%	5.7%	7.0%	73%	60.4%	5.3	5.0
2008	21	6.4%	3.4%	7.0%	62%	76.2%	7.3	5.0
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2018	134	6.5%	5.4%	7.0%	68%	95.5%	6.3	4.0

Table 13

IPO Auctions in the U.S., 1999-2018

The average first-day return on WRHambrecht's 19 IPO auctions has been 12.6%. For IPO auctions for which WRHambrecht was the bookrunner, the numbers are as follows:

Name of IPO (ticker)	Date of IPO	Gross Spread	Gross Proceeds	First-day Return
1999: (3 out of 476 IPOs)				
Ravenswood Winery (RVWD)	19990408	4.00%	\$10.5 million	3.62%
Salon.com (SALN)	19990622	5.00%	\$26.25 million	-4.76%
Andover.net (ANDN)	19991208	6.50%	\$72.0 million	252.08%
2000: (1 out of 381 IPOs)				
Nogatech (NGTC)	20000518	6.50%	\$42.0 million	-21.58%
2001: (2 out of 79 IPOs)				
Peet's Coffee (PEET)	20010125	6.50%	\$26.4 million	17.25%
Briazz (BRZZ)	20010502	6.00%	\$16.0 million	0.38%
2002: (1 out of 66 IPOs)				
Overstock.com (OSTK)	20020529	4.00%	\$39.0 million	0.23%
2003: (2 out of 63 IPOs)				
RedEnvelope (REDE)	20030925	6.00%	\$30.8 million	3.93%
Genitope (GTOP)	20031029	7.00%	\$33.3 million	11.11%
In 2003, WRHambrecht was also the joint bookrunner with JP Morgan on the Sunset Financial Resources IPO that did not use an auction.				
2004: (1 out of 173 IPOs)				
New River Pharmaceuticals (NRPH)	20040805	7.00%	\$33.6 million	-6.25%
In 2004, WRHambrecht was a co-manager on the Google auction IPO for which CSFB and Morgan Stanley were the bookrunners. The IPO climbed 18.04% on its first day of trading.				
2005: (5 out of 160 IPOs)				
B of I Holding (BOFI)	20050315	6.00%	\$35.1 million	0.00%
Morningstar (MORN)	20050502	2.00%	\$140.83 million	8.38%
CryoCor (CRYO)	20050714	7.00%	\$40.8 million	-1.18%
Avalon Pharmaceuticals (AVRX)	20050928	7.00%	\$28.8 million	-5.10%
Dover Saddlery (DOVR)	20051117	5.00%	\$27.5 million	2.50%
2006: (2 out of 157 IPOs)				
Traffic.com (TRFC)	20060125	6.00%	\$78.6 million	1.25%
FortuNet (FNET)	20060131	4.50%	\$22.5 million	0.56%

2007: (2 out of 159 IPOs)

Interactive Brokers Group (IBKR)	20070504	1.88%	\$1,200.4 million	4.30%
Clean Energy Fuels (CLNE)	20070525	5.85%	\$120.0 million	0.33%

In 2007, WRHambrecht was a co-manager on the Netsuite auction IPO for which Credit Suisse was the bookrunner. The IPO climbed 36.54% on the first day of trading.

2008: (0 out of 21 IPOs)

In 2008, WRHambrecht was a co-manager on the Rackspace Hosting auction IPO for which Credit Suisse, Goldman Sachs, and Merrill Lynch were joint bookrunners. The IPO dropped 19.92% on its first day of trading.

2009: (0 out of 41 IPOs)**2010: (0 out of 93 IPOs)****2011: (0 out of 81 IPOs)****2012: (0 out of 93 IPOs)****2013: (1 out 157 IPOs)**

Truett-Hurst Inc (THST)	20130619	7.00%	\$16.2 million	-5.33%
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2014: (0 out of 206 IPOs)**2015: (0 out 118 IPOs)****2016: (0 out of 75 IPOs)****2017: (0 out of 107 IPOs)****2018: (0 out of 134 IPOs)**

WR Hambrecht has also been a bookrunner on several other IPOs that did not use an auction. On 20150415, for example, they did a \$76 million best efforts IPO of Xbiotech (XBIT), which increased 22.37% on the first day of trading.