

Table 10

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

Here are the numbers for 2001-2008 for U.S. IPOs raising more than \$25 million:

Panel A: Book building deals

		Proceeds Category	
		<u>\$25-100 million (inflation-adjusted in 2007 \$)</u>	<u>more than \$100 million (2007 \$)</u>
<7%	2.6% (9)		44.3% (208)
=7%	95.9% (330)		55.1% (259)
>7%	1.5% (5)		0.6% (3)
Total	100% (344 IPOs)		100% (470 IPOs)

Panel B: Auction deals

		Proceeds Category	
		<u>\$25-100 million (inflation-adjusted in 2007 \$)</u>	<u>more than \$100 million (2007 \$)</u>
<7%	54.5% (6)		100% (5)
=7%	45.5% (5)		0% (0)
>7%	0% (0)		0% (0)
Total	100% (11 IPOs)		100% (5 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 2001-2005 52.5% 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%.

Note: The 2005/1997 price ratio is 1.20, so a deal size cutoff in 1997 of \$80 million is a deal size cutoff of \$96 million for IPOs in 2005.

Table 11**Mean and Median Gross Spreads and Number of Managing Underwriters, 1980-2008**

IPOs with an offer price below \$5.00 per share, unit offers, ADRs, closed-end funds, REITs, bank and S&L IPOs, limited partnerships (except Blackstone in 2007), and firms not listed on CRSP within six months of the offer date are excluded. Means are equally weighted. For gross spreads, 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. Spread data is available for all but 15 of the IPOs from 1980-1984. 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 2001-2002, a higher fraction of IPOs were mega-deals, where the gross spread is normally below 7%. UW is Underwriter.

Year	Number of IPOs	Gross Spreads			Fraction with Multiple Bookrunners	Number of Managing UWs	
		Mean	Median	=7%		Mean	Median
1980	72	8.1%	7.5%	3%	0.0%	1.4	1.0
1981	196	7.9%	7.6%	4%	0.0%	1.3	1.0
1982	81	8.0%	7.9%	9%	0.0%	1.4	1.0
1983	445	7.7%	7.3%	14%	0.0%	1.5	1.0
1984	171	7.9%	7.5%	15%	0.0%	1.5	1.0
1985	185	7.7%	7.4%	14%	0.0%	1.5	1.0
1986	397	7.5%	7.2%	15%	0.0%	1.6	1.0
1987	291	7.5%	7.1%	23%	0.0%	1.8	2.0
1988	102	7.3%	7.0%	28%	0.0%	1.7	2.0
1989	110	7.3%	7.0%	40%	0.0%	1.7	2.0
1990	110	7.3%	7.0%	44%	0.0%	1.9	2.0
1991	280	7.1%	7.0%	51%	0.0%	1.9	2.0
1992	397	7.2%	7.0%	52%	1.5%	2.0	2.0
1993	490	7.2%	7.0%	59%	0.6%	2.1	2.0
1994	405	7.3%	7.0%	55%	0.2%	2.0	2.0
1995	458	7.2%	7.0%	64%	0.0%	2.3	2.0
1996	675	7.2%	7.0%	68%	0.0%	2.4	2.0
1997	474	7.2%	7.0%	68%	0.8%	2.5	2.0
1998	284	7.1%	7.0%	67%	1.8%	2.9	3.0
1999	477	6.9%	7.0%	82%	4.6%	3.4	3.0
2000	382	6.9%	7.0%	82%	7.3%	3.7	3.0
2001	80	6.6%	7.0%	61%	18.8%	4.4	4.0
2002	66	6.7%	7.0%	70%	28.8%	4.7	4.0
2003	63	6.9%	7.0%	78%	31.7%	4.0	4.0
2004	174	6.8%	7.0%	77%	37.4%	4.5	4.0
2005	161	6.7%	7.0%	65%	50.9%	4.7	4.0
2006	157	6.8%	7.0%	69%	54.1%	4.9	4.0
2007	159	6.7%	7.0%	73%	59.7%	5.3	5.0
2008	21	6.4%	7.0%	62%	76.2%	7.3	5.0
1980-2008	7,363	7.2%	7.0%	52%	6.3%	2.5	2.0

Table 13

The Growth of IPO Auctions in the U.S., 1999-2008

The average first-day return on WRHambrecht's 19 IPO auctions has been 14.1%. 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 477 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 382 IPOs)				
Nogatech (NGTC)	20000518	6.50%	\$42.0 million	-21.58%
2001: (2 out of 80 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 174 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 161 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.
