

## Texas IPO Activity 2017-18: The Return of Oilfield Services and the Rise of the SPAC

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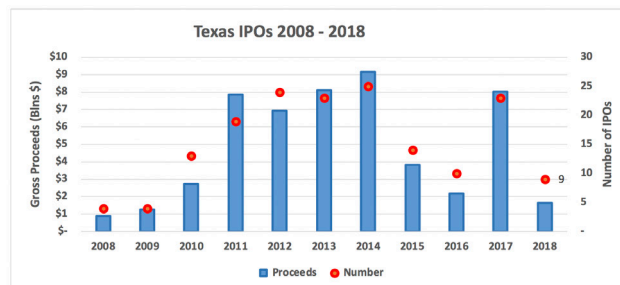


(Aug. 6) – In 2017 and the first half of 2018, 32 IPOs of Texas headquartered companies were completed, raising approximately \$9.7 billion of gross proceeds (excluding any exercise of the underwriters' green shoe – all of the proceeds figures that follow exclude any exercise of the shoe). This compared to over 300 IPOs nationwide in the same period, raising almost \$80 billion of gross proceeds.

The 2017 number of IPOs was tied for the third most Texas IPOs since 2008, comparable with the 2012-2014 period, and was an outright third in terms of gross proceeds, following only 2013 and 2014. The first half of 2018 is on pace to be above average in terms of number of IPOs, but below average in terms of gross proceeds.

Breaking Texas IPO activity of the last 18 months down between the first and second half of each year unveils a heavy concentration in the first half of 2017. The first half of 2017 had 17 IPOs, and 80% of the gross proceeds from Texas IPOs in 2017.

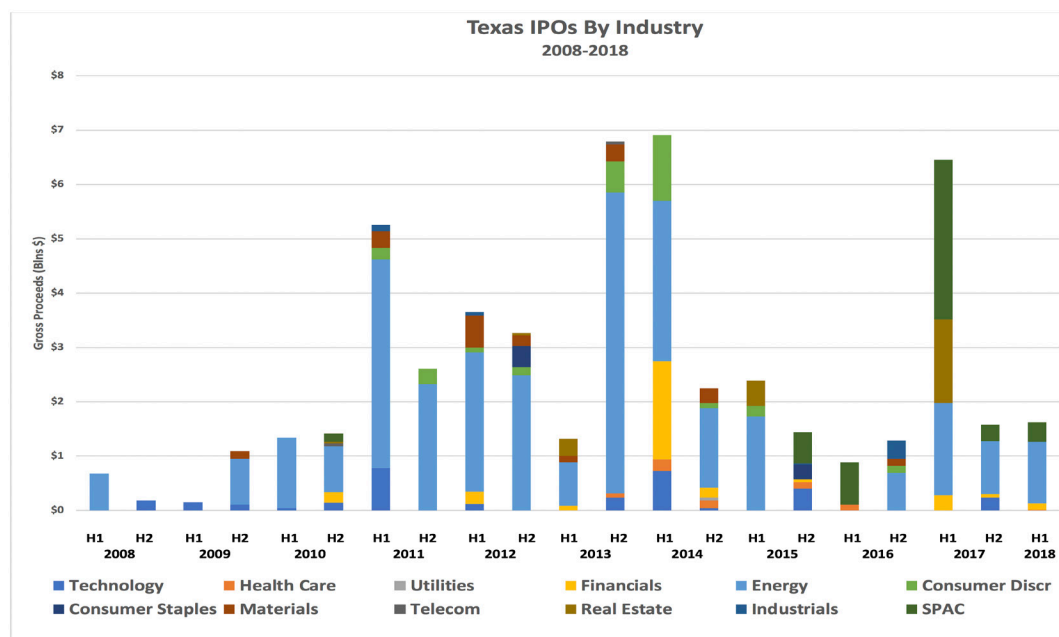
The Texas IPOs of the last 18 months were dominated by Energy (39% of gross proceeds) and Special Purpose Acquisition Companies ("SPACs") (37%), followed by Real Estate (16%), Financials (5%) and Technology (3%). Of the SPACs, 7 of 8 (and 89% of gross proceeds) had a stated intention of acquiring an energy business. If you treat the energy-focused SPACs as Energy IPOs, the percentage of Texas IPOs comprised by Energy increases to approximately 72% of gross proceeds.



Real estate was represented by a solitary IPO – the single family home owner and operator Invitation Homes – but at \$1.54 billion of gross proceeds, it was the largest

Texas IPO of the 18 month period. Outside of Energy, SPACs and Invitation Homes, the only Texas IPOs greater than \$100 million in gross proceeds were SailPoint Technologies (\$240 million) and Cadence Bancorporation (\$150 million IPO).

SPACs are often ignored, or treated as a separate class, when surveying IPOs. There is some logic to this, as a SPAC IPO is not an IPO of an operating



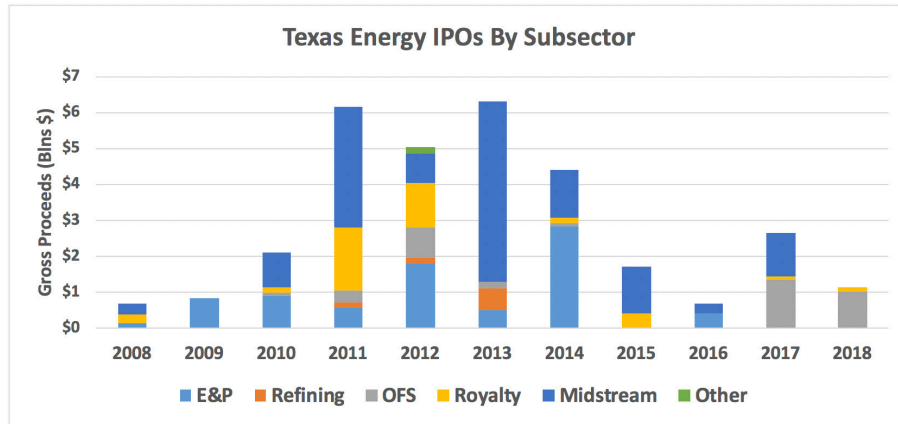
company, but of a blank check company seeking to acquire an operating company. Mergers with SPACs are viewed as alternatives to IPOs when the traditional IPO market is unavailable for a company for one reason or another. Of the 14 Texas based SPACs with IPOs since 2008, seven have completed business combinations with public companies, one has announced a business combination and is in the process of preparing and filing a proxy statement for approval, one liquidated without consummating a business combination, and the other six are still hunting for targets. Of the seven that have completed transactions, five (Daseke, Inc., Rosehill Resources, Alta Mesa Resources, Inc., National Energy Services Reunited Corp. and Magnolia Oil & Gas) remain headquartered in Texas.

Within Energy, but excluding Energy-focused SPACs, oil-field services companies (“OFS”) dominated Texas IPOs with 62% of gross Energy proceeds, followed by Midstream (33%) and Royalty (5%). The OFS IPOs were remarkable, comprised of 10 IPOs in just over 13 months, compared to a total of 4 OFS IPOs in the prior 8 years, spaced at a pace of roughly one per year

from 2010 to 2014.

Texas exploration and production (“E&P”) suffered a drought of IPOs, with no Texas E&P IPOs since December of 2016. Since the beginning of 2008, 2015 was the only prior year with no Texas E&P IPOs. However, two Texas E&P companies (Rosehill Resources, Inc. and Alta Mesa Resources, Inc.) merged with SPACs during the period, and Magnolia Oil & Gas did similarly after June 2018. Midstream in 2017 was made up of three Master Limited Partnerships (“MLPs”). Kimbell Royalty Partners plus the three midstream MLPs made four MLP IPOs, constituting a modest rebound of MLPs compared to the prior year.

All of the 32 Texas IPOs during 2017 and the first half of 2018 were emerging growth companies (companies with less than \$1.07 billion in revenue that have not raised more than \$1 billion in non-convertible debt securities during the prior three-year period) under Securities Exchange Commission (“SEC”) rules. Of the 32, only two companies chose not to avail themselves of the ability to confidentially submit registration

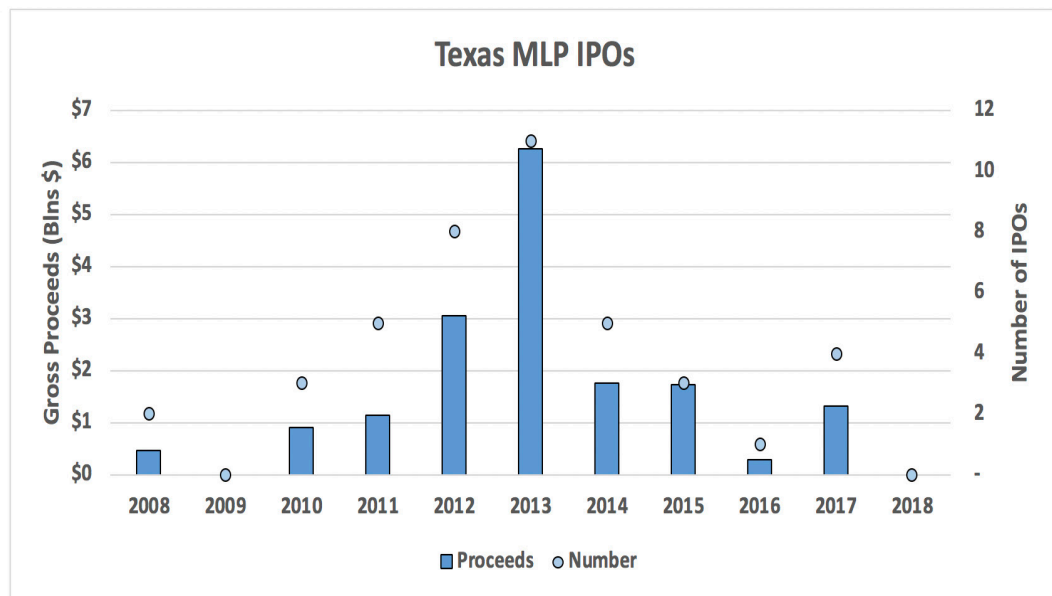


statements with the SEC.

The SEC appears to be continuing to take a light hand in terms of comments on IPO filings, perhaps in an effort to be more supportive of capital raising and to promote more IPOs. The median number of initial SEC comments on the registration statements of the 32 Texas IPOs was 16.5. This reflects a significant reduction from prior years: a survey of US IPOs from 2013 to 2016 reflected a median of 31 initial SEC comments. Of the 32 Texas IPOs, the fewest initial comments (3) were received by Silver Run Acquisition Corp II, which is a SPAC, and the

second largest Texas IPO of the period. Excluding SPACs, the fewest comments were received by commercial banking company CBTX, which received five initial comments. The most initial comments (38) were received by Genprex, Inc., a pharmaceutical company that develops gene therapies for cancer treatment and the smallest Texas IPO of the period. Notwithstanding the coincidence of the smallest IPO receiving the most comments and the second largest receiving the least, the correlation between IPO size and comments is weak at best.

Duration from first registration statement filing



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(or confidential submission) to the pricing date has been relatively consistent with the IPOs from 2008 to 2016: the Texas IPOs during 2017 and the first half of 2018 had a median of 199 days, compared to 113.5 days for IPOs from 2008 to 2016. However, the 2017 and 2018 IPOs constituted some of the extreme ends of the range, including five of the 10 fastest (Vantage Energy Acquisition, Kayne Anderson Acquisition, Guaranty Bancshares, TPG Pace Energy and Keane Group) and four of the 10 slowest (Cadence Bancorporation, Hess Midstream Partner, Elevate Credit and Kimbell

Royalty Partners), with timing seeming more dependent upon market conditions than the SEC review process.

In sum, Texas OFS IPOs had a remarkable resurgence, while E&P IPOs suffered a rare drought, and SPAC IPOs, and particularly energy SPACs, represented a large portion of Texas IPOs. All of the Texas IPO companies were emerging growth companies, and most of them availed themselves of the ability to confidentially submit registration statements with the SEC.

### Texas IPOs – 2017 and First Half of 2018

IPO Issuer	Offer Date	Industry (SIC Code)
Keane Group, Inc.	1/19/2017	(1389) Oil & Gas Field Services
Invitation Homes Inc.	1/31/2017	(6510) Real Estate Operators (No Developers) & Lessors
Kimbell Royalty Partners, LP	2/2/2017	(1311) Crude Petroleum & Natural Gas
ProPetro Holding Corp.	3/16/2017	(1389) Oil & Gas Field Services
Silver Run Acquisition Corporation II	3/23/2017	(6770) SPAC
Kayne Anderson Acquisition Corp.	3/29/2017	(6770) SPAC
Hess Midstream Partners LP	4/4/2017	(1311) Crude Petroleum & Natural Gas
Elevate Credit, Inc.	4/6/2017	(6199) Finance Services
Vantage Energy Acquisition Corp.	4/10/2017	(6770) SPAC
Cadence Bancorporation	4/12/2017	(6021) National Commercial Banks
Select Energy Services, Inc.	4/20/2017	(1389) Oil & Gas Field Services
NCS Multistage Holdings, Inc.	4/27/2017	(1389) Oil & Gas Field Services
TPG Pace Energy Holdings Corp.	5/4/2017	(6770) SPAC
Guaranty Bancshares, Inc.	5/9/2017	(6021) National Commercial Banks
National Energy Services Reunited Corp.	5/11/2017	(6770) SPAC
Solaris Oilfield Infrastructure, Inc.	5/11/2017	(3533) Oil & Gas Field Machinery & Equipment
TPG Pace Holdings Corp.	6/27/2017	(6770) SPAC
Ranger Energy Services, Inc.	8/10/2017	(1389) Oil & Gas Field Services
Oasis Midstream Partners LP	9/20/2017	(4922) Natural Gas Transmission
BP Midstream Partners LP	10/25/2017	(4610) Pipelines (No Natural Gas)
Sentinel Energy Services Inc.	11/2/2017	(6770) SPAC
CBTX, Inc.	11/7/2017	(6021) National Commercial Banks
SailPoint Technologies Holdings, Inc.	11/16/2017	(7372) Services-Prepackaged Software
Nine Energy Service, Inc.	1/18/2018	(1389) Oil & Gas Field Services
FTS International, Inc.	2/1/2018	(1389) Oil & Gas Field Services
Cactus, Inc.	2/7/2018	(3533) Oil & Gas Field Machinery & Equipment
Quintana Energy Services Inc.	2/8/2018	(1389) Oil & Gas Field Services
Genprex, Inc.	3/28/2018	(2834) Pharmaceutical Preparations
Pure Acquisition Corp.	4/12/2018	(6770) SPAC
Goosehead Insurance, Inc.	4/26/2018	(6411) Insurance Agents, Brokers & Service
PermRock Royalty Trust	5/1/2018	(1311) Crude Petroleum & Natural Gas
Spirit of Texas Bancshares, Inc.	5/3/2018	(6022) State Commercial Banks