IPO ANALYSIS

Research on upcoming or recent IPOs for selected companies.

Legend Biotech Proposes IPO Terms

ZoomInfo Aims For $757 Million IPO

Warner Music Group Readies U.S. IPO Plan

June 2020

VentureDeal

Legend Biotech Proposes IPO Terms

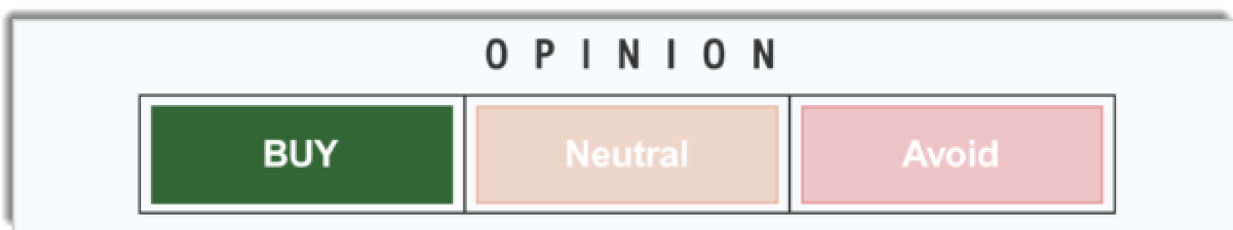
Short Take

Legend Biotech (LEGN) intends to raise $350 million in an IPO of its ADSs representing ordinary shares, per an amended registration statement.

The company is advancing a pipeline of treatments for diseases of the blood and for solid tumors.

LEGN has produced impressive results with its lead candidate in development with Janssen and has the potential for extremely large (above $1 billion) milestone payouts.

While there is some possibility for uncertainty with respect to its China-based operations, for life science investors with a patient hold time frame, my opinion on the IPO is a BUY at up to $19.00 per ADS.



Company & Technology

Somerset, New Jersey-based Legend was founded within GenScript Biotech to advance a pipeline of drug treatment candidates for hematologic malignancies and solid tumor conditions.

Management is headed by Chief Executive Officer Ms. Yuan Xu, Ph.D., who has been with the firm since March 2018 and was previously Senior Vice President at Merck (MRK) and Vice President of Biologics at Gilead.

Below is the current status of the company's drug development pipeline:

Source: Company F-1 Filing

Investors in the firm have invested at least $123 million and include GenScript Biotech and AquaPoint.

Market & Competition

According to a 2016 market research report by Grand View Research, the market for multiple myeloma reached $7.5 billion in 2015 and is expected to reach $37.5 billion by 2024.

This represents a forecast quintupling of the number of cases during the nine year period.

Key elements driving this expected growth are a growing elderly population worldwide with reduced immune system capacities as well as a higher incidence of MM in developed economies providing strong demand for new and more effective treatments.

Major competitive vendors that provide or are developing treatments include:

- Celgene (CELG)
- Janssen Biotech (JNJ)
- Bristol-Myers Squibb (BMY)
- Novartis (NVS)
- Kite Pharma (KITE)
- Carsgen
- Innovent
- Poseida Therapeutics
- Precision Biosciences
- Amgen
- Regeneron

- GSK
- Pfizer (PFE)

Financial Status

Legend's recent financial results are atypical in that they feature significant collaboration revenue which helps to defray the costs of its pipeline program development.

Below are the company's financial results for the past two and 1/4 calendar years (Audited IFRS):

	Year Ended December 31,		Three Months Ended March 31,	
	2018	2019	2019	2020
	(in thousands, except per share data)			
Revenue	$ 49,133	$ 57,264	$ 10,053	$ 11,546
Other income and gains	13,901	7,125	2,852	2,531
Research and development expenses	(60,637)	(161,943)	(21,289)	(48,003)
Administrative expenses	(2,769)	(6,752)	(1,105)	(3,430)
Selling and distribution expenses	(1,160)	(25,620)	(2,756)	(6,545)
Other expenses	(2)	(221)	(147)	(45)
Finance costs	(82)	(223)	(38)	(3,991)
Loss before tax	(1,616)	(130,370)	(12,430)	(47,937)
Income tax (expense)/credit	(1,168)	(2,602)	—	3,709
Loss for the period	$ (2,784)	$(132,972)	(12,430)	(44,228)
Attributable to:				
Equity holders of the parent	$ (2,784)	$(132,972)	(12,430)	(44,228)
Loss per share attributable to ordinary equity holders of the parent				
Basic	$ (0.01)	$ (0.66)	$ (0.06)	$ (0.22)
Diluted	$ (0.01)	$ (0.66)	$ (0.06)	$ (0.22)

Source: Company registration statement

As of March 31, 2020, the company had $168.8 million in cash and $380.8 million in total liabilities. (Unaudited, interim, pro forma)

This level of liabilities - $380.8 million - is high for a typical biopharma firm at IPO.

IPO Details

LEGN intends to sell 18.4 million ADSs representing common stock at a midpoint price of $19.00 per share for gross proceeds of approximately $350 million, not including the sale of customary underwriter options.

Existing shareholder and parent Genscript Biotech has indicated an interest to purchase shares of up to $12.0 million in a concurrent private placement at the IPO price. This is a positive signal as to the proposed valuation at IPO.

Assuming a successful IPO at the midpoint of the proposed price range, the company's enterprise value at IPO would approximate $2.3 billion.

Excluding effects of underwriter options and private placement shares or restricted stock, if any, the float to outstanding shares ratio will be approximately 14.24%.

Per the firm's most recent regulatory filing, it plans to use the net proceeds as follows:

We intend to use the net proceeds from this offering and the concurrent private placement, together with our existing cash and cash equivalents, to fund the clinical development of LCAR-B38M/JNJ-4528, to fund the construction of our manufacturing facilities, to fund the commercial launch, if approved, of LCAR-B38M/JNJ-4528 and the remaining amounts to fund the development of our pipeline programs, as well as for working capital and other general corporate purposes.

Management's presentation of the company roadshow is not available.

Listed underwriters of the IPO are Morgan Stanley, J.P. Morgan, and Jefferies.

Commentary

LEGN is seeking a large IPO by typical biopharma standards to fund its ambitious pipeline of programs.

The firm's lead candidate, LCAR-B38M/JNJ-4528, is being developed in conjunction with Janssen Biotech (JNJ) and has produced promising responses in Phase 1 and Phase 1b/2 trials in the treatment of both multiple myeloma and relapsed and refractory multiple myeloma.

LEGN is due significant milestone payments via its development agreement with Janssen - up to $1.2 billion for reaching various manufacturing and development milestones in the future, so there is significant upside in case of program success.

The market opportunities for the firm's programs are large and expected to grow substantially in the years ahead, so LEGN's programs are focused on large market areas.

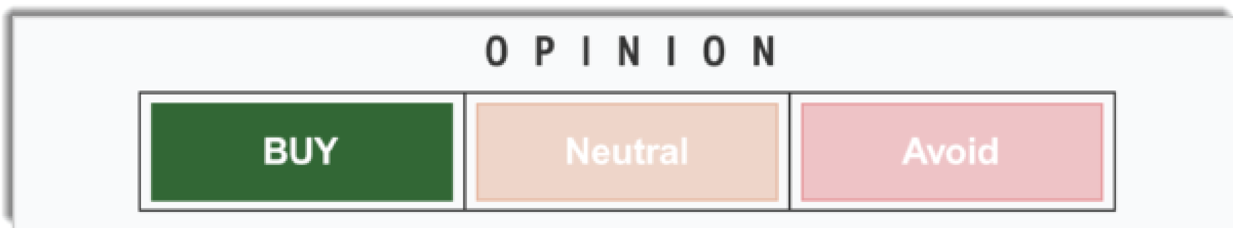
Morgan Stanley is the lead left underwriter and IPOs led by the firm over the last 12-month period have generated an average return of 35.8% since their IPO. This is a top-tier performance for all major underwriters during the period.

As to valuation, at a $2.3 billion enterprise value, the IPO is far outside a typical valuation for biopharma IPOs, which has ranged from $250 million to $500 million.

Notably, the firm is exposed to the 'negative list' in China, a way for the Chinese government to deny foreign investment in certain areas of genetic and therapeutic treatment.

Since LEGN is considered to be a foreign invested entity (Cayman registered) with operations in China, the firm has some exposure to this uncertainty as to its Chinese operations.

For life science investors who are comfortable with its China operations ambiguity and who have a 18 to 24-month hold time frame, my opinion on the IPO is a BUY at up to $19.00 per ADS.



Expected IPO Pricing Date: June 4, 2020.

ZoomInfo Aims For $757 Million IPO

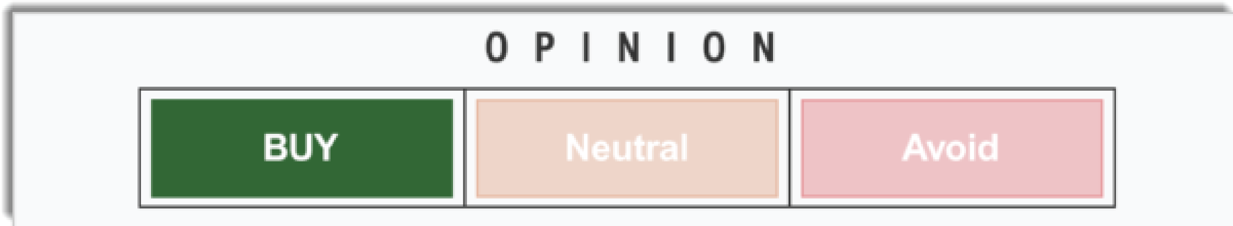
Quick Take

ZoomInfo Technologies (ZI) has filed to raise $756.5 million in an IPO of its Class A shares, according to an amended registration statement.

The company provides lead generation information and services to businesses to assist them in their sales and marketing operations.

ZI is growing quickly, generating positive free cash flow and is well positioned with a strong service offering to businesses seeking structured sales & marketing data.

My opinion on the IPO is a BUY at up to $17.00 per share.



Company & Technology

Vancouver, Washington-based ZoomInfo was founded to develop a comprehensive resource for information on companies and related information for sales & market personnel to maximize their efforts in obtaining business contacts.

The original Zoom Information was acquired by DiscoverOrg, which uses the ZoomInfo business name.

Management is headed by Chief Executive Officer Henry Schuck, who has been with the firm since founding DiscoverOrg in 2007 and was previously VP Research & Marketing at iProfile, a sales intelligence firm.

Below is a brief overview video of a customer success story for Instapage:

Source: ZoomInfo

The company’s primary offerings include:

- Company data
- News & events
- Funding
- Alerts
- Intent

ZoomInfo has received at least $200 million from investors including TA Associates, The Carlyle Group, 22C Capital, and DO Holdings.

Customer/User Acquisition

The firm had approximately 192,000 paid subscribers on its platform as of December 31, 2019 and markets its services directly through its website as well as through a dedicated direct sales force for medium to large enterprise account targets.

Sales and marketing expenses as a percentage of total revenue have trended higher as revenues have increased, as the figures below indicate:

Sales & Marketing	**Expenses vs. Revenue**
Period	**Percentage**
Three Mos. Ended March 31, 2020	33.4%
2019	33.7%
2018	29.4%

Source: Company registration statement

The sales & marketing efficiency rate, defined as how many dollars of additional new revenue are generated by each dollar of sales & marketing spend, was 1.4x in the most recent quarterly reporting period.

The Rule of 40 is a software industry rule of thumb that says that as long as the combined revenue growth rate and EBITDA percentage rate equal or exceed 40%, the firm is on an acceptable growth trajectory.

ZI's most recent calculation was 107% as of March 31, 2020, so the firm is doing well in this regard, although this figure was affected by a material acquisition.

The firm's revenue retention rate at the end of 2019 was 109% versus 102% at the end of 2018. Any figure above 100% indicates negative net churn and is a positive signal about the efficiency and effectiveness of the firm's growth efforts.

Market & Competition

According to a 2019 market research report, the market for B2B lead generation in the U.S. varies greatly by industry but was estimated at $2.6 billion in 2019 and is expected to generate $3.2 billion in 2023.

This represents an increase of more than 25%, if accurate.

The main drivers for this expected growth are a growing use of social media to add informational richness to basic data and the addition of events, case studies and video are also increasingly important digital sources of data to add value to marketers.

Major competitive vendors include:

- LinkedIn
- D&B Hoovers
- TechTarget
- Infogroup
- Various niche companies

Management says its comprehensive platform, breadth and depth of data and ability to integrate with customer workflows will enable it to better compete.

Financial Performance

ZoomInfo's recent financial results can be summarized as follows:

- Sharply growing topline revenue, though at a decelerating rate of growth
- Increasing gross profit and gross margin
- Growing operating income but variable operating margin
- Increased cash flow from operations

Below are relevant financial metrics derived from the firm's registration statement:

Total Revenue

Period	Total Revenue	% Variance vs. Prior
Three Mos. Ended March 31, 2020	$ 102,200,000	87.2%
2019	$ 334,600,000	131.9%
2018	$ 144,300,000	

Gross Profit (Loss)

Period	Gross Profit (Loss)	% Variance vs. Prior
Three Mos. Ended March 31, 2020	$ 81,800,000	105.0%
2019	$ 254,100,000	138.6%
2018	$ 106,500,000	

Gross Margin

Period	Gross Margin
Three Mos. Ended March 31, 2020	80.04%
2019	75.94%
2018	73.80%

Operating Profit (Loss)

Period	Operating Profit (Loss)	Operating Margin
Three Mos. Ended March 31, 2020	$ 20,300,000	19.9%
2019	$ 36,000,000	10.8%
2018	$ 26,600,000	18.4%

Net Income (Loss)

Period	Net Income (Loss)
Three Mos. Ended March 31, 2020	$ (5,900,000)
2019	$ (50,900,000)

2018	$ (28,600,000)

Cash Flow From Operations

Period	**Cash Flow From Operations**
Three Mos. Ended March 31, 2020	$ 28,300,000
2019	$ 44,400,000
2018	$ 43,800,000

As of March 31, 2020, and based on Pro forma numbers, ZoomInfo had $45.7 million in cash and $1.2 billion in total liabilities.

Free cash flow during the twelve months ended March 31, 2020, was $43.6 million.

IPO Details

ZI intends to sell 44.5 million shares of Class A common stock at a midpoint price of $17.00 per share for gross proceeds of approximately $756.5 million, not including the sale of customary underwriter options.

Funds related to BlackRock have indicated an interest to purchase shares of up to $300 million at the IPO price. This is a strong signal of investor 'support' for the IPO and its valuation.

There will be three classes of stock, post-IPO:

- Class A public stockholders, who will be entitled to one vote per share.
- Class B shareholders, who are described as the Pre-IPO OpCo Unitholders and Pre-IPO HoldCo Unitholders. These shareholders will be entitled to ten votes per share but no economic rights.
- Class C shareholders, referred to as Pre-IPO Blocker Holders, who retain similar economic rights as Class A shareholders (public) but also ten votes per share.

Private equity firms TA Associates, The Carlyle Group and 22C Capital will be holders of Class B and Class C shares, among other investors.

The S&P 500 Index no longer admits firms with multiple classes of stock into its index.

Assuming the IPO and related transactions are consummated at $17.00 per share, the various stakeholders in the company will have the following economic and voting power interests:

	Common Stock Owned[1]		Voting Power[2]	
	Shares	%	Votes	%
Sponsors	251,207,121	65.7%	2,512,071,210	73.5%
Founders[3]	66,011,392	17.3%	660,113,920	19.3%
Management and Others	19,983,195	5.2%	199,831,950	5.8%
Public Shareholders[4]	45,348,051	11.9%	45,348,051	1.3%
Total	382,549,759	100.0%	3,417,365,131	100.0%

Assuming a successful IPO at the midpoint of the proposed price range, the company's enterprise value at IPO would approximate $7.5 billion.

Excluding effects of underwriter options and private placement shares or restricted stock, if any, the float to outstanding shares ratio will be approximately 11.63%.

Per the firm's most recent regulatory filing, the firm plans to use the net proceeds as follows:

to redeem and cancel all outstanding Series A Preferred Units for approximately $274.2 million, including accumulated but unpaid distributions and related prepayment premiums;

to repay the entire aggregate principal amount of our second lien term loans, for approximately $380.6 million, including related prepayment premiums and accrued interest;

to repay $35.0 million of outstanding borrowings under our first lien revolving credit facility; and

to the extent there are remaining proceeds, for general corporate purposes.

Management's presentation of the company roadshow is available here.

Listed underwriters of the IPO are J.P. Morgan, Morgan Stanley, Credit Suisse, BofA Securities, Barclays, Deutsche Bank Securities, RBC Capital Markets, UBS Investment Bank, Wells Fargo Securities, Canaccord Genuity, JMP Securities, Mizuho Securities, Piper Sandler, Raymond James, Stifel, and SunTrust Robinson Humphrey.

Valuation Metrics

Below is a table of the firm's relevant capitalization and valuation metrics at IPO:

Measure [TTM]	**Amount**
Market Capitalization at IPO	$6,503,345,903
Enterprise Value	$7,499,345,903

Price / Sales	17.02
EV / Revenue	19.62
EV / EBITDA	129.08
Earnings Per Share	-$0.04
Total Debt To Equity	2.36
Float To Outstanding Shares Ratio	11.63%
Proposed IPO Midpoint Price per Share	$17.00
Net Free Cash Flow	$43,600,000
Free Cash Flow Yield	0.67%
Revenue Growth Rate	87.18%

Source: Company Prospectus

Commentary

ZoomInfo is seeking public investment in part to pay down debt.

The firm's financials indicate fast revenue growth which decelerated in Q1 2020 and likely is being further impacted in Q2 2020.

Sales and marketing expenses have trended higher as the firm scales its business and its efficiency rate for sales and marketing for Q1 2020 was a still reasonable 1.4x.

The global market opportunity for enhanced, structured business information services is large and management intends to expand into adjacent functional markets such as recruiting as well as internationally.

J.P. Morgan is the lead left underwriter and IPOs led by the firm over the last 12-month period have generated an average return of 59.6% since their IPO. This is a top-tier performance for all major underwriters during the period.

As a reference, a basket of publicly held Information Services companies compiled by the noted valuation expert Aswath Damodaran at NYU Stern School placed an aggregate Enterprise Value / Sales multiple of 9.17x in January 2020.

ZI management is asking IPO investors to pay and EV/Sales of 19.62x, or more than twice the public market average.

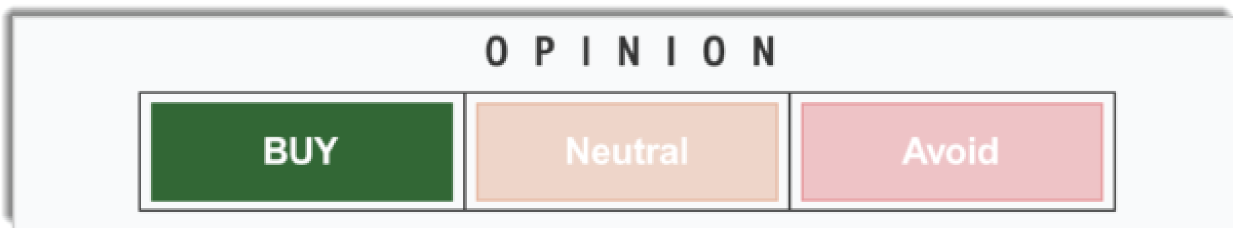
ZoomInfo's revenue growth rate at 87% is likely much higher than the comparable public entity cohort, while the firm is making progress toward earnings breakeven while generating positive cash flow.

While the IPO isn't cheap, I believe ZoomInfo is well positioned to take full advantage of the need for business information delivered via an integrated platform.

The firm has a reasonably strong dollar based net retention rate, indicating good product market fit and efficiency in creating negative net churn.

The firm's upcoming Q2 2020 results may be unsettling due to the negative effects of the pandemic, but ZI is in a sweet spot for making the most of the inevitable economic rebound.

My opinion on the IPO is a BUY at up to $17.00 per share.



Expected IPO Pricing Date: June 3, 2020.

Warner Music Group Readies U.S. IPO Plan

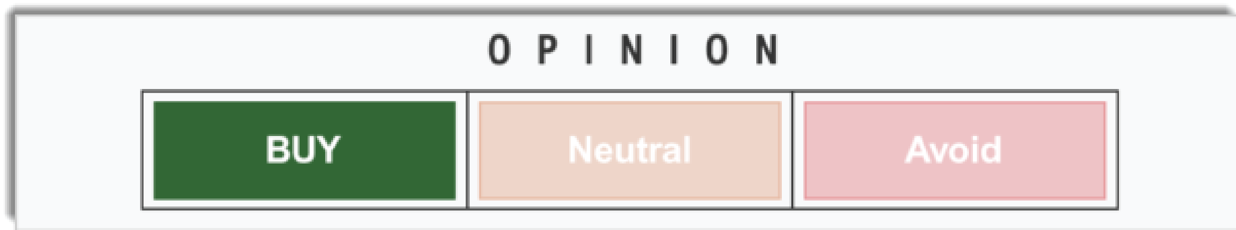
Quick Take

Warner Music Group (WMG) has filed to enable selling shareholders to raise $1.7 billion in a U.S. IPO.

The company provides music artists with recording, publishing and promotional services worldwide.

WMG continues to grow as the industry's #3 player, generates significant free cash flow and the IPO appears reasonably valued.

My opinion is a BUY at up to $24.50 per share.



Company & Technology

New York, NY-based WMG was founded to source and sign musical artists, facilitate the recording and distribution of music and provide music publishing services.

Management is headed by Chief Executive Officer Mr. Stephen Cooper, who has been with the firm since 2011 and was previously CEO of Metro-Goldwyn-Mayer, Hawaiian Telcom and Krispy Kreme Donuts.

Below is a sample music news week video by WMG:

Source: Warner Music Group

WMG is majority owned by Access Industries, the conglomerate controlled by billionaire Len Blavatnik.

Customer/User Acquisition

The firm uses its market presence to acquire, nurture and promote new musical artists via online and offline channels.

WMG has existing offline music labels but more recently acquired Uproxx to expand its business via online pop culture and news.

Selling, G&A expenses as a percentage of total revenue have fluctuated as revenues have increased, as the figures below indicate:

Selling, G&A	**Expenses vs. Revenue**
Period	**Percentage**
Six Mos. Ended March 31, 2020	39.4%
FYE Sept. 30, 2018	33.7%
FYE Sept. 30, 2017	35.2%

Source: Company registration statement

The sales & marketing efficiency rate, defined as how many dollars of additional new revenue are generated by each dollar of sales & marketing spend, dropped to 0.0x in the most recent reporting period, as shown in the table below:

Selling, G&A	**Efficiency Rate**
Period	**Multiple**
Six Mos. Ended March 31, 2020	0.0
FYE Sept. 30, 2018	0.3

Source: Company registration statement

Market & Competition

According to a 2019 research report by SelectUSA, the market for just U.S. music reached $22 billion in 2019, which was an estimated one-third of the worldwide market.

Digital royalties were expected to reach $1.1 billion in 2019 and digitally recorded music was forecast to reach nearly $1 billion in the same year.

The main drivers for this expected growth are the rise in digital technologies as the primary means through which musical entertainment is both produced and consumed.

Additional growth is expected to come from 'diversified services as they capitalize on vertical business opportunities to license brand name products and services, packaging consumer experienced around touring and live music, bundling music services with other online content services and more.'

Major competitive vendors include:

- Universal Music Group
- Universal Music Publishing
- Sony Music Entertainment
- Sony/ATV

Management says its market ranking was #3 in both the recorded music market and music publishing market.

Financial Performance

WMG's recent financial results can be summarized as follows:

- Growing topline revenue, although at a decelerating rate of growth
- Increased gross profit, also decelerating

- Growing gross margin
- Decreasing operating profit and margin
- Positive but decreasing cash flow from operations

Below are relevant financial metrics derived from the firm's registration statement:

Total Revenue

Period	**Total Revenue**	**% Variance vs. Prior**
Six Mos. Ended March 31, 2020	$ 2,327,000,000	1.5%
FYE Sept. 30, 2018	$ 4,475,000,000	11.7%
FYE Sept. 30, 2017	$ 4,005,000,000	

Gross Profit (Loss)

Period	**Gross Profit (Loss)**	**% Variance vs. Prior**
Six Mos. Ended March 31, 2020	$ 1,127,000,000	1.7%
FYE Sept. 30, 2018	$ 2,074,000,000	13.1%
FYE Sept. 30, 2017	$ 1,834,000,000	

Gross Margin

Period	**Gross Margin**
Six Mos. Ended March 31, 2020	48.43%
FYE Sept. 30, 2018	46.35%
FYE Sept. 30, 2017	45.79%

Operating Profit (Loss)

Period	**Operating Profit (Loss)**	**Operating Margin**
Six Mos. Ended March 31, 2020	$ 116,000,000	5.0%
FYE Sept. 30, 2018	$ 256,000,000	5.7%
FYE Sept. 30, 2017	$ 307,000,000	7.7%

Net Income (Loss)

Period	**Net Income (Loss)**
Six Mos. Ended March 31, 2020	$ 46,000,000
FYE Sept. 30, 2018	$ 243,129,000
FYE Sept. 30, 2017	$ 291,626,000

Cash Flow From Operations

Period	**Cash Flow From Operations**
Six Mos. Ended March 31, 2020	$ 164,000,000
FYE Sept. 30, 2018	$ 400,000,000
FYE Sept. 30, 2017	$ 425,000,000

As of March 31, 2020, WMG had $484.0 million in cash and $6.4 billion in total liabilities.

Free cash flow during the twelve months ended March 31, 2020, was $330.0 million.

IPO Details

WMG's selling shareholders intend to sell 70 million shares of Class A common stock at a midpoint price of $24.50 per share for gross proceeds of approximately $1.7 billion, not including the sale of customary underwriter options.

Class A stockholders will be entitled to one vote per share and Class B shareholders will be entitled to 20 votes per share.

The S&P 500 Index no longer admits firms with multiple classes of stock into its index.

Assuming a successful IPO at the midpoint of the proposed price range, the company's enterprise value at IPO would approximate $15 billion.

Excluding effects of underwriter options and private placement shares or restricted stock, if any, the float to outstanding shares ratio will be approximately 13.73%.

Per the firm's most recent regulatory filing, all of the net proceeds from the IPO will go to selling shareholders (Access Industries) and the company will receive nothing.

Access will continue to be a controlling shareholder after the IPO is completed.

Management's presentation of the company roadshow is available here.

Listed underwriters of the IPO include Morgan Stanley, Credit Suisse, Goldman Sachs BofA Securities and a total of 28 firms.

Valuation Metrics

Below is a table of the firm's relevant capitalization and valuation metrics at IPO:

Measure [TTM]	Amount
Market Capitalization at IPO	$12,495,000,000
Enterprise Value	$14,994,000,000
Price / Sales	2.77
EV / Revenue	3.33
EV / EBITDA	145.57
Earnings Per Share	$0.26
Total Debt To Equity	-22.49

Float To Outstanding Shares Ratio	13.73%
Proposed IPO Midpoint Price per Share	$24.50
Net Free Cash Flow	$330,000,000
Free Cash Flow Yield	2.64%
Revenue Growth Rate	1.48%

Source: Company Prospectus

Commentary

Warner Music is attempting to go public at what it believes is a valuable juncture given the historical growth of streaming in recent years combined with increasing consumption of online entertainment by consumers in the era of the Covid19 pandemic.

WMG's financials show a firm that has grown revenue impressively, but that growth rate appears to be slowing, with the most recent quarter showing a notable drop in results.

Selling and marketing expenses have fluctuated as revenues have grown, so there isn't a clear trend as to the firm's economies of scale.

The market opportunity for music content is global and forecast to grow appreciably in the years ahead and consumers continue to shift demand to digital sources.

However, the firm wants to add adjacent services and while there are numerous opportunities, some of them involve event-oriented services, which may be attenuated in the near-term as a result of changing consumer interest in in-person events due to the pandemic.

Morgan Stanley is the lead left underwriter and IPOs led by the firm over the last 12-month period have generated an average return of 36.1% since their IPO. This is a top-tier performance for all major underwriters during the period.

As a comparable-based valuation, we don't have a direct public comparable, but I thought it interesting that WMG is asking investors to pay a lower Enterprise Value / Sales multiple of 3.33x than Spotify's (SPOT) current enterprise value revenue multiple of 4.42x.

It's interesting because investors are apparently valuing music distribution more highly than music content generation, publishing and licensing.

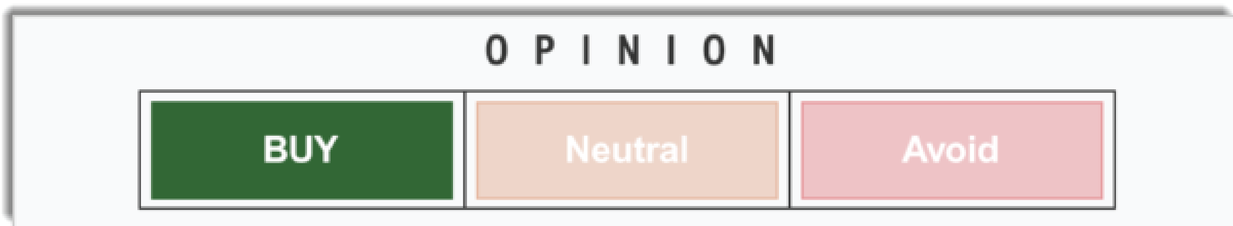
There are 28 firms selling IPO shares, which must be some kind of record for the number of I-banks involved in a single IPO.

While revenue has begun growing more slowly, that may be only temporary due to passing external factors such as the economic dislocation stemming from the Covid19 pandemic.

One aspect of WMG that I especially like is its cash flow yield of 2.64%. The firm has a history of high operating cash flow and most recently, $330 million in free cash flow over the past twelve months.

That cash flow and related balance sheet will likely place the firm in an excellent position to acquire technologies or companies and invest in new initiatives as it seeks to expand its service offerings.

The IPO appears reasonably valued, so my opinion is a BUY at up to $24.50 based on the music industry's growth trajectory, the firm's #3 position and its strong cash generation capabilities.



Expected IPO Pricing Date: June 2, 2020.