IPO ANALYSIS

Research on potential upcoming IPOs for selected candidate companies.

Crinetics Pharmaceuticals

Bloom Energy

AFGlobal Holdings

July 2018

VentureDeal

Crinetics Pharmaceuticals Files For U.S. IPO

Quick Take

Crinetics Pharmaceuticals (CRNX) intends to raise gross proceeds of $86.25 million from a U.S. IPO, according to an S-1 registration statement.

Crinetics is a clinical-stage pharmaceutical company that develops and manufactures pharmaceuticals for endocrine diseases and endocrine-related tumors.

CRNX has achieved promising Phase 1 trial results for its lead candidate for the treatment of acromegaly.

When we learn more details about valuation, I'll provide a final opinion.

Company & Technology

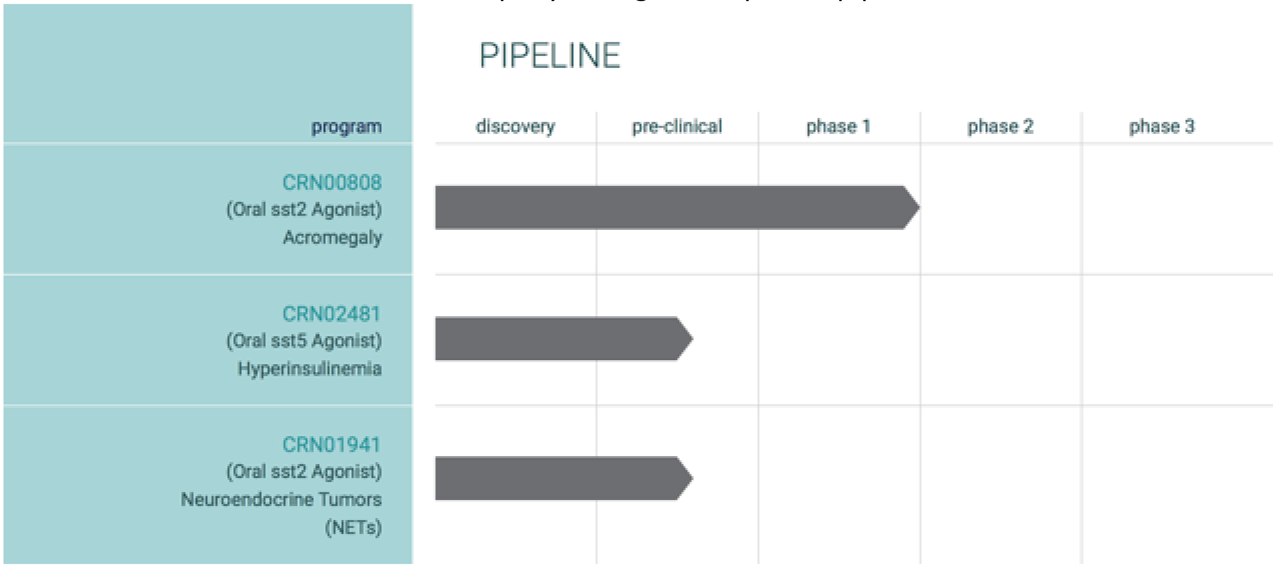
The San Diego, California-based firm was founded in 2008 to research, develop and manufacture pharmaceuticals that affect peptide hormone receptors to treat rare endocrine diseases and cancers.

Management is headed by Founder and CEO R. Scott Struthers, who was previously Member Board of Directors and President at San Diego Entrepreneurs Exchange, Sr. Director and Head of Endocrinology and Metabolism at Neurocrine Biosciences.

Crinetics Pharmaceuticals has developed pharmaceuticals for the treatment of rare endocrine diseases and endocrine-related cancers. Their drugs work by targeting peptide hormone receptors, also known as endocrine G-protein coupled receptors [GPCRs].

The company is developing pharmaceutical treatments for Acromegaly, Hyperinsulinemia, Neuroendocrine Tumors [NETs] and Cushing's Disease.

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



(Source: Crinetics Pharmaceuticals)

The company has two lead products, one for the treatment of Acromegaly, and one for Hyperinsulinemia. Acromegaly is a disease caused by excessive amounts of Growth Hormone [GH] after the growth plates have closed, while hyperinsulinemia is a genetic condition that produces too much insulin resulting in low blood sugar.

The company's lead product, CRN00808, establishes a new class of oral selective nonpeptide somatostatin receptor type 2, or sst2, biased agonists designed for the treatment of acromegaly and is the first agent in its class with reported clinical results.

In its Phase 1 safety trials, the firm reported that 'RN00808 demonstrated clinical proof-of-concept by potently suppressing stimulated GH and baseline IGF-1 in these subjects.'

The company's second lead product, CRN02481, represents new class of oral selective nonpeptide somatostatin type 5 receptor, or sst5, agonists currently in preclinical development to treat congenital hyperinsulinism, or CHI.

Investors in Crinetics Pharmaceuticals included 5AM Ventures, OrbiMed Advisors, Perceptive Advisors, RA Ventures, Versant Ventures and Vivo Capital.

Markets & Competition

According to a 2017 market research report by Zion Market Research, the total market size for Acromegaly has reached $665 million in 2016 and is projected to reach $839 million by the end of 2022. This represents a CAGR of 3.95%.

The main factors driving the market are the lack of medical treatments in developing countries and increased epidemiology for the disease due to an increase in the tumor cases, as well as increasing awareness.

North America is expected to grow at the highest CAGR during this period due to ongoing research and development for drug discovery, as well as an increase in the epidemiology of the disease, increase in the pituitary tumor cases, high disposable income and favorable reimbursement policies in the region.

Europe comes in second, followed by Asia-Pacific in third. Europe's better healthcare government policies are likely to boost the treatment market, while Asia-Pacific is raising its awareness for the disease, mainly in Japan, China and India.

The Middle East & Africa and Latin America will have the smallest growth in this market, due to high costs and lack of awareness.

Major competitive firms that are developing acromegaly treatments include:

- Pfizer (PFE)
- Chiasma (CHMA)
- Novartis (NVS)
- Ipsen (OTCPK:IPSEF)
- Wockhardt
- Troikaa

Pharma firms that sell or are developing hyperinsulinemia treatments include:

- Teva Pharmaceuticals (TEVA)
- Eli Lilly and Company (LLY)
- Zealand Pharma (ZEAL)
- Xeris (XERS)
- Eiger (EIGR)
- Rezolute (OTCQB:RZLT)

Financial Performance

CRNX' recent financial results are typical of clinical stage biopharmas in that they feature large R&D and G&A expenses. The firm has some grant revenues which are relatively minor and are uneven in quantity.

Below are the company's financial results for the past two and ¼ years (Audited PCAOB for full years):

(in thousands, except share and per share data)	Years Ended December 31, 2016	Years Ended December 31, 2017	Three Months Ended March 31, 2017 (unaudited)	Three Months Ended March 31, 2018 (unaudited)
Consolidated Statement of Operations Data:				
Grant revenues	$ 589	$ 2,045	$ 45	$ 442
Operating expenses:				
Research and development	5,100	9,233	2,065	4,720
General and administrative	1,533	1,939	589	1,248
Total operating expenses	6,633	11,172	2,654	5,968
Loss from operations	(6,044)	(9,127)	(2,609)	(5,526)
Other income (expense):				
Interest income	37	26	7	64
Interest expense	(11)	(8)	(2)	—
Other expense	(1)	(48)	(2)	(2)
Total other income (expense)	25	(30)	3	62
Net loss	$ (6,019)	$ (9,157)	$ (2,606)	$ (5,464)
Net loss per share, basic and diluted(1)	$ (1.81)	$ (2.03)	$ (0.66)	$ (0.89)
Weighted-average shares of common stock outstanding, basic and diluted(1)	3,324,597	4,509,224	3,940,486	6,150,929
Pro forma net loss per share, basic and diluted (unaudited) (1)		$ (0.36)		$ (0.12)
Pro forma weighted-average shares of common stock outstanding, basic and diluted (unaudited)(1)		25,484,677		45,659,202

(Source: Crinetics S-1)

As of March 31, 2018, the company had $73.7 million in cash and $3.4 million in total liabilities.

IPO Details

CRNX intends to raise $86.25 million in gross proceeds from an IPO of its common stock.

No existing shareholders have indicated an interest to purchase shares of the IPO, although I would expect to see such ‘support’ since that is typical of the IPO market for life science companies.

Management says it will use the net proceeds from the IPO as follows:

to fund the clinical development of CRN00808;

to fund pre-clinical and clinical development of our other development programs; and

the remainder for working capital and general corporate purposes.

Management’s presentation of the company roadshow is not yet available.

Listed bookrunners of the IPO are J.P. Morgan, Leerink Partners and Piper Jaffray.

When we learn those details from management, I’ll provide an update.

Expected IPO Pricing Date: Not on calendar yet.

Bloom Energy Refiles For IPO

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Quick Take

Bloom Energy (BE) intends to raise gross proceeds of $100 million from a U.S. IPO, according to an S-1 registration statement.

The firm provides a new means of generating clean energy from renewable sources, delivering on-site electricity for organizations worldwide.

BE is seeking cheaper public capital as it plans to continue scaling its corporate offerings.

When we learn further details from management about IPO pricing and valuation, I'll provide a final opinion.

Company & Technology

The Sunnyvale, California-based company was founded in 2001 to change the way the world generates and consumes energy by converting fuels into electricity, without combustion.

Management is headed by Co-Founder and CEO K. R. Sridhar, who was previously Professor of Aerospace at the University of Arizona and Advisor at NASA, among others.

Bloom has developed an efficient energy generator, providing significantly reduced electricity costs and dramatically lower greenhouse gas emissions.

Below is a brief overview video of a Bloom Energy-powered microgrid in the City of Hartford:

(Source: Bloom Energy)

The technology is derived from a common sand-like powder and leverages advances in materials science to produce clean, reliable, affordable power, practically anywhere, from a wide range of renewable or traditional fuels.

5% or greater shareholders in Bloom are Kleiner Perkins (15.85% pre-IPO), Kuwait Investment Authority (10.73%), New Enterprise Associates (8.78%), Alberta Investment Management Corp. (7.53%) and Advanced Equities Financial (6.55%). The firm has raised total equity funding to-date of $1.47 billion.

Customer Acquisition

Bloom Energy serves a wide range of clients in banking and financial services, cloud services, technology and data centers, communications and media, consumer packaged goods and consumables, education, government, healthcare, hospitality, logistics, manufacturing, real estate, retail and utilities. Their energy servers are deployed in 11 states in the US, as well as India and Japan.

The company targets Fortune 500 companies, and public and private organizations consuming large amounts of electric power. The direct sales force offers new clients a pilot program so that clients can experience the impact of fuel cell solutions.

Sales and marketing costs as a percentage of total revenue have dropped sharply, indicating increased efficiencies as the firm has scaled its operations:

- Q1 2018: 4.9%
- 2017: 8.6%
- 2016: 14.0%

Market & Competition

According to a market research report by Marketline and referenced by Bloom management, the total market size of the Clean Energy industry in 2016 accounted for $2.4 trillion and is expected to grow at a CAGR of 4.3% through 2021 to $2.9 trillion.

The main factors driving market growth are the increasing costs to maintain and operate the current electric grid, inherent vulnerability to current grid design an focus on reducing harmful emissions, among others.

According to an NRDC article, the clean energy market in the US topped $200 billion in 2015.The largest U.S. clean energy sector -- building-industry energy efficiency, -- has reached $63.6 billion, which represents an increase of 50% since 2011. (Source: NRDC)

Bloom faces competition from a variety of sources, with direct competitors being other fuel cell manufacturers.

Indirect competitors include all major forms of renewable power sources such as wind and solar providers.

Management says that its technologies produce higher electrical efficiency, greater availability, flexibility and no water requirements for ongoing operation.

Financial Performance

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

- Sharp growth in topline revenue, due to federal investment tax credits
- Swing to positive gross profit in Q1 2018
- Swing to positive gross margin in Q1 2018
- Decreasing cash used in operations

Below are the company's financial results for the past two and ¼ years (Audited GAAP for full years):

	Years Ended December 31,		Three Months Ended March 31,	
	2016	2017	2017	2018
			(unaudited)	
Consolidated Statements of Operations				
Revenue				
Product	$ 76,478	$ 179,768	$ 27,665	$121,307
Installation	16,584	63,226	12,293	14,118
Service	67,622	76,904	18,591	19,907
Electricity	47,856	56,098	13,648	14,029
Total revenue	208,540	375,996	72,197	169,361
Cost of revenue				
Product	103,283	210,773	38,855	80,355
Installation	17,725	59,929	13,445	10,438
Service	155,034	83,597	18,219	24,253
Electricity	35,987	39,741	10,876	10,649
Total cost of revenue	312,029	394,040	81,395	125,695
Gross profit (loss)	(103,489)	(18,044)	(9,198)	43,666
Operating expenses				
Research and development	46,848	51,146	11,223	14,731
Sales and marketing	29,101	32,415	7,845	8,262
General and administrative	61,545	55,674	12,879	14,988
Total operating expenses	137,494	139,235	31,947	37,981
Profit (loss) from operations	(240,983)	(157,279)	(41,145)	5,685
Interest expense	(81,190)	(108,623)	(24,363)	(23,037)
Other income (expense), net	(379)	268	119	(629)
Gain (loss) on revaluation of warrant liabilities and embedded derivatives	(13,035)	(14,995)	215	(4,034)
Net loss before income taxes	(335,587)	(280,629)	(65,174)	(22,015)
Income tax provision	729	636	214	333
Net loss	(336,316)	(281,265)	(65,388)	(22,348)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(56,658)	(18,666)	(5,856)	(4,632)
Net loss attributable to common stockholders	$(279,658)	$(262,599)	$(59,532)	$(17,716)
Net loss per share attributable to common stockholders, basic and diluted:	$ (18.56)	$ (17.08)	$ (3.91)	$ (1.14)

(Source: Bloom Energy S-1)

Total Revenue ($)

- Q1 2018: $169.4 million, 134.6% increase vs. prior
- 2017: $376.0 million, 80.3% increase vs. prior
- 2016: $208.5 million

Gross Profit ($)

- Q1 2018: $43.7 million gross profit
- 2017: ($18.0 million) gross loss
- 2016: ($103.5 million) gross loss

Gross Margin (%)

- Q1 2018: 25.8%
- 2017: Negative
- 2016: Negative

Cash Flow from Operations ($)

- Q1 2018: ($34.5 million) cash used in operations
- 2017: ($67.2 million) cash used in operations
- 2016: ($282.8 million) cash used in operations

As of March 31, 2018, the company had $131.3 million in cash, equivalents and short-term investments and $1.7 billion in total liabilities.

IPO Details

BE intends to raise $100 million in gross proceeds from an IPO of its Class A common stock, although the final amount may be higher.

The voting power differential between Class A shares and Class B shares is undisclosed. Multiple share classes are typically used to entrench management and major stockholders with voting control even after losing economic control of the firm.

The S&P 500 Index no longer admits firms with multiple share classes to its index.

Management hasn't provided any details on how it intends to use the proceeds from the IPO; instead, it has used only general, boilerplate language.

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

Listed bookrunners of the IPO are J.P. Morgan, Morgan Stanley, Credit Suisse, KeyBanc Capital Markets, BofA Merrill Lynch, Baird, Cowen, HSBC, Oppenheimer & Co. and Raymond James.

AFGlobal Aims For $100 Million U.S. IPO

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AFGlobal

Quick Take

AFGlobal (AFGL) intends to raise $100 million in a U.S. IPO of its common stock, according to an SEC registration statement.

The firm manufactures a wide range of drilling equipment for sale to oil & gas service providers and industrial customers worldwide.

AFGL's focus on the growing U.S. fracking market and in providing customers with ongoing aftermarket services for recurring revenues is an innovative strategy.

When we learn more details about the IPO, I'll provide an update.

Company & Technology

Houston, Texas-based AFGlobal was founded in 1996 to operate as an OEM and supplier for oil & gas and general industrial users across a range of industry segments and in locations worldwide.

The firm entered bankruptcy in April 2017, partially due to the precipitous drop in oil prices from 2014 to 2016, and emerged in June 2017.

Management is headed by CEO Curtis Samford, who has been with the firm since 2012 and has held positions at Shell Oil, Alcoa (NYSE:AA) and Precision Castparts.

5% or greater shareholders include The Carlyle Group, Eaton Vance, First Reserve and Strellex Capital Partners.

Below is a brief overview video about AFGlobal:

(Source: AFGlobal)

AFGL operates its business in three segments:

- Onshore Oil & Gas OEM - fracking pumps and related packages
- Offshore Oil & Gas OEM - MPD (Managed Pressure Drilling) systems
- Connectors & Precision Manufacturing - forged products, connectors and other products for the oil & gas and industrial submarkets of power generation, transportation and aerospace markets.

The firm also provides a full range of aftermarket service and repairs for all of its manufactured products.

Growth Opportunity

Management forecasts that the continued aging of the North American fracturing rig fleet and poor maintenance during the recent downturn will result in significant demand now that oil prices have rebounded.

Additionally, the firm intends to focus its efforts on expanding its aftermarket service infrastructure to differentiate itself while providing for 'highly profitable recurring revenues,' as oilfield service providers continue to outsource more repair & maintenance of their pumping fleets. To this end, AFGL is adding new service centers in the main Permian Basin areas of West Texas and New Mexico.

Management expects the North American rig count to rise appreciably over the next five years. Since AFGL is a major supplier of built rigs to oilfield service providers, the firm stands to reap significant gains from that demand increase if it materializes.

I've written extensively on recent IPOs of oilfield service providers and virtually all of them have plans to add as many rigs to their fleet as demand allows. However, one important consideration is the challenging labor market for qualified crews for expansion of their oil drilling services.

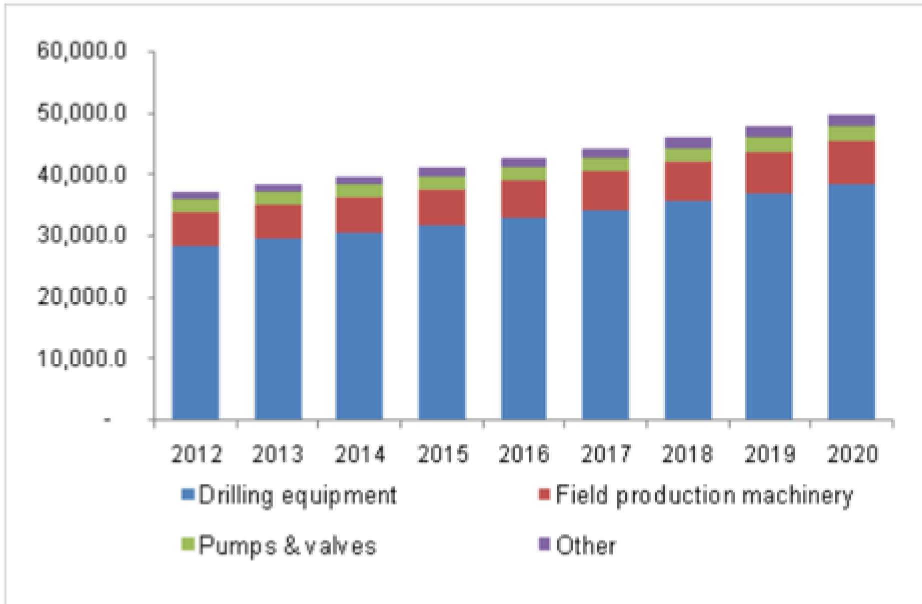
The firm also believes it is 'beginning to see signs of recovery' in the offshore oil & gas markets. It forecasts a more moderate demand growth for its products from this segment.

Market & Competition

According to a [2015 research report](#) by Grand View Research, the global oilfield equipment market is expected to reach approximately $50 billion by 2020.

Below is a graphic showing the details for various subsectors within the oilfield equipment market. The vast majority of the market revenue is from drilling equipment, AFGL's primary focus:

North America oilfield equipment market revenue by product, 2012-2020, (USD Million)



The report stated that ‘the entrance of equipment rental industry participants...is expected to drive the global industry as they are highly expensive in nature and require proper technical support.’

Furthermore, obtaining and retaining a skilled workforce has become increasingly difficult due to labor shortages and this will likely restrain growth in the next five to six year period.

Major competitive vendors that provide oilfield equipment include:

- Gardner Denver (GDI)
- Kirby (KEX)
- National Oilwell Varco (NOV)
- TechnipFMC (FTI)
- Weir Group (OTCPK:WEIGF)
- Aker Solutions (OTCPK:AKAAF)
- Dril-Quip (DRQ)
- Oceaneering International (OII)

Management says that its competitive strengths are its full integrated OEM approach and its market leading presence for pressure pumping equipment where it claims to have manufactured approximately 28% of total net HHP (Hydraulic Horse Power) additions between 2014 and 2018, including expected orders.

Financial Performance

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

- Sharp rebound in topline revenue
- Swing to positive gross profit in 2017
- Swing to positive gross margin in 2017
- Swing to positive cash flow in Q1 2018

Below are the company's financial results for the past two and ¼ years (Audited PCAOB for full years):

(in thousands, except per share data)	Successor	Predecessor	Successor	Predecessor		Pro Forma
	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Period from June 9, 2017 through December 31, 2017	Period from January 1, 2017 through June 8, 2017	Year Ended December 31, 2016	Year Ended December 31, 2017
Revenue, net	$ 170,505	$ 69,260	$ 285,539	$ 156,238	$ 216,719	$ 441,777
Cost of products and services	(130,041)	(64,542)	(221,491)	(143,234)	(200,271)	(364,725)
Depreciation and amortization	(2,477)	(4,558)	(34,465)	(8,026)	(18,106)	(38,980)
Impairment of property and equipment	—	—	—	—	(3,518)	—
Total Cost of Revenues	(132,518)	(69,100)	(255,956)	(151,260)	(221,895)	(403,705)
Gross Margin (Loss)	37,987	160	29,583	4,978	(5,176)	38,072
Operating Expenses						
Selling, general and administrative	(15,718)	(26,919)	(41,601)	(41,490)	(65,002)	(83,526)
Depreciation and amortization	(10,361)	(3,086)	(23,389)	(5,440)	(11,938)	(40,408)
Goodwill and intangible impairment and restructuring charges	—	—	—	—	(3,070)	—
Total Operating Expenses	(26,079)	(30,005)	(64,990)	(46,930)	(80,010)	(123,934)
Loss from Operations	11,908	(29,845)	(35,407)	(41,952)	(85,186)	(85,862)
Other Income (Expense)						
Interest income	149	29	128	46	123	174
Interest expense	(2,620)	(12,388)	(7,188)	(27,348)	(54,228)	(11,598)
Gain on extinguishment of debt	—	—	—	—	32,076	—
Reorganization items, net	—	—	—	385,654	—	—
Other, net	47	117	70	636	333	706
Total Other Income (Expense)	(2,424)	(12,242)	(6,990)	358,988	(21,696)	(10,718)

54

(Source: [AFGL S-1]())

Total Revenue ($)

- Q1 2018: $170.5 million, 146% increase vs. prior
- 2017: $441.7 million, 103.8% increase vs. prior
- 2016: $216.7 million

Gross Profit ($)

- Q1 2018: $38 million
- 2017: $34.6 million
- 2016: ($5.2 million) gross loss

Gross Margin (%)

- Q1 2018: 22.3%
- 2017: 7.8%
- 2016: Negative

Cash Flow from Operations ($)

- Q1 2018: $4.2 million cash flow from operations
- 2017: ($26.1 million) cash used in operations
- 2016: ($35.6 million) cash used in operations

As of March 31, 2018, the company had $71.0 million in cash and $313.4 million in total liabilities. (Unaudited, interim)

IPO Details

AFGL intends to sell common stock to raise $100 million in gross proceeds from an IPO, although the final figure may be higher.

The firm is private equity owned and it appears certain undisclosed shareholders may attempt to sell shares into the IPO.

Management says it will use the net proceeds from the IPO as follows:

We intend to use a[n as yet undisclosed amount] of the net proceeds we receive from this offering to repay in full and terminate our Term Loan, with any remaining proceeds used for general corporate purposes.

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

Listed bookrunners of the IPO are Goldman Sachs, Credit Suisse, Simmons & Company, International, Barclays, Citigroup, Evercore ISI, Wells Fargo Securities, Jefferies, Raymond James and Tudor, Pickering, Holt & Co.