

Gunderson Flaunts Niche Prowess With Etsy IPO

By **Chelsea Naso**

Law360, New York (April 17, 2015, 5:36 PM ET) -- When Etsy Inc. made its \$267 million public debut Wednesday, adviser Gunderson Dettmer Stough Villeneuve Franklin & Hachigian LLP had a chance to showcase its expertise representing emerging companies and their financial sponsors, staying true to its focus since its founding 20 years ago in Silicon Valley.

Founded in 1995, the firm has never wavered in its dedication to serving emerging companies and the venture capital funds that sponsor them. Jumping in at a company's earliest stages forms a unique relationship that carries as a company grows, explained Richard Blake, a Gunderson partner and a member of the team that led Etsy's IPO.

"What helps us stand out is the close relationship we have with our clients," he said.

Often, young companies do not have inside counsel and will look to Gunderson in their early stages for a wide range of legal needs. The company then allows the firm to tap its long-term relationship with them when guiding it through the IPO process, Blake noted.

"Part of the process of doing an IPO is for the company to tell its story and explain who the company is and what makes the company unique. Part of our being so intimately involved with our companies and knowing them so well allows us to be the best law firm to help them tell that story," he said.

Gunderson's corporate and securities practice, which boasts roughly 115 attorneys, guides companies through the various stages of growth, supporting every aspect from incorporation and venture funding to mergers and acquisitions and IPOs. The firm also does extensive work with the venture capital firms, helping them to launch funds and deepening their relationship in the space.

Brooklyn-based Etsy — whose major investors include Accel Partners, Index Ventures, Tiger Global Management, Union Square Ventures and Action Capital — certainly stole the spotlight as it rumbled toward its initial public offering.

The socially conscious online crafts marketplace grabbed headlines with its emphasis on putting the public good above its bottom line, and many wondered if it would take its benefit corporation certification to the next level by converting to a legal benefit corporate structure before going public.

While Etsy has not yet converted, it did say it plans to use a portion of its net proceeds to fund Etsy.org, a nonprofit dedicated to educating women and other underrepresented aspiring entrepreneurs and

help them build businesses that benefit communities.

Investors' appetite for the socially conscious company proved to be strong, with Etsy pricing 16.66 million shares, including 3.33 million belonging to pre-IPO investors, at \$16 apiece, the high end of its targeted price range, to raise \$267 million.

Etsy's **shares rallied in its trading debut** Thursday on the Nasdaq, opening under the symbol ETSY at \$31 apiece. Shares managed to reach \$35.97 each, but ultimately settled to close at \$30 per share, representing an 87.5 percent increase from its IPO price.

The offering could still raise another \$40 million if the underwriters exercise their option to snap up an additional 2.5 million shares.

Etsy is an example of a company that Gunderson has assisted since its early stages, and guiding the company through its public debut was a rewarding moment, noted Blake.

"We're thrilled for them to have reached this milestone and we're incredibly pleased to have worked with them on this transaction. They are a fantastic client and it's a great day for them as a company," he said.

Sarah Solum, a Davis Polk & Wardwell LLP partner who led the underwriters for Etsy's IPO, found the Gunderson team highlighted the breadth of expertise the firm provided for the deal.

"It was a highly collaborative process and they fielded a big team of people across their New York and Silicon Valley offices," said Solum, who has worked on several deals with Gunderson Dettmer.

Close relationships not only help Gunderson carry a company through its early stages, but they also can help the firm land new clients. After representing an investor that snapped up a bite of advertising technology company MaxPoint Interactive Inc., the company reached out to Gunderson for guidance going forward.

Gunderson led MaxPoint through an IPO last month. MaxPoint, which was seeking cash to back its efforts to invest in technology to develop targeted digital marketing campaigns for national brands, raised \$75 million after it priced 6.5 million shares at \$11.50 apiece, the midpoint of its targeted range.

Gunderson's capital markets team also recently led two venture capital-backed life sciences companies through their public floats on the Nasdaq, Histogenics Corp. and Vitae Pharmaceuticals Inc.

Histogenics, a regenerative medicine company developing a treatment for damaged knee cartilage, drew \$65 million in December after selling 5.9 million shares at \$11 apiece, below its targeted \$13 to \$15 indicative range. Several of the company's shareholders, including Sofinnova Venture Partners, Split Rock Partners and Wilmslow Estates Ltd., bought 1.36 million of the shares offered for just under \$15 million, according to the filing.

In September, the firm guided Vitae Pharmaceuticals, which is developing drug treatments for Type 2 diabetes and Alzheimer's disease, through its \$55 million IPO. The company, which is backed by several investors including Prospect Venture Partners, New Enterprise Associates, Venrock Associates and Fidelity Management & Research Co., sold 5 million shares for \$8 apiece, below its \$11 to \$13 per share indicative range.

Not all of the companies Gunderson leads opt for an IPO, however. Blogging site Tumblr, for example, opted instead for a sale. Gunderson represented the company as it was acquired by Yahoo Inc. for \$1.1 billion in cash in May 2013.

While Gunderson's niche focus is not exactly unique, the firm is one of only a few that have seen strong success and have opted not to spread into leading larger clients or push practice areas that do not support budding companies, noted Peter Zeughauser, a legal consultant and founder of the Zeughauser Group. That carefully crafted niche allows them to be a leader in the area with the benefit of experience, a proven track record and a strong reputation.

"They have focused on emerging companies since their inception. That's what they were founded for," he said. "There's riches in niches. When you are the best or among the best at something, you can charge more, you have more experience, you become better known for it. When you try to be all things to all people, no one really believes that you can do that."

--Editing by Sarah Golin and Patricia K. Cole.

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