


Thursday, August 26, 2010 9:12 AM ET  **Exclusive**

Full Circle IPO could hit rough sailing on launch

By Jacob Geiger

The IPO of business development company [Full Circle Capital Corp.](#) comes as markets have slumped and other newly public investment companies have traded below their initial prices.

The company, which is reportedly expected to price this week, has a primary focus on asset-based senior secured loans and, to a lesser extent, mezzanine loans and equity securities of smaller and lower middle-market companies. Within that realm, Full Circle has a particular focus on the media, communications and business services industries, where it believes it has specific expertise.

But the environment for those looking to go public has been tough, and Tom Taulli, founder of [ipoprofiles.com](#), said only exceptional companies are shining in their debuts at this moment.

"You've got to be an outstanding company to do well right now," he told SNL. "We see the market going really well then it plunges. The market is really skittish, with a lot of risk aversion." While the window has opened for certain names, renewed macroeconomic fears have served to slam those openings shut for other companies, Taulli said.

As disclosed in its latest registration statement, Full Circle expects to offer 2.8 million shares at a range of \$8 per share to \$10 per share and plans to grant underwriters an over-allotment option of 420,000 shares. Net proceeds from the sale of the 2.8 million shares would be about \$22.5 million if the offering prices at \$9 per share.

But Francis Gaskins, president of IPO Desktop, believes Full Circle would struggle to price at the high end of its \$8 per share to \$10 per share [offering range](#). Gaskins noted that [Golub Capital BDC Inc.](#), [THL Credit Inc.](#) and [Solar Capital Ltd.](#), three other business development companies [that went public](#) in 2010, all set an IPO price below their net asset value per share.

According to Full Circle's registration statement, assuming an offering price of \$9 per share, the company estimates its NAV will be approximately \$64.4 million, or \$9.21 per share. And should the offering price at \$10 per share, the high end of its range, investors would be paying a per-share price 42 cents higher than the NAV per share, Full Circle noted.

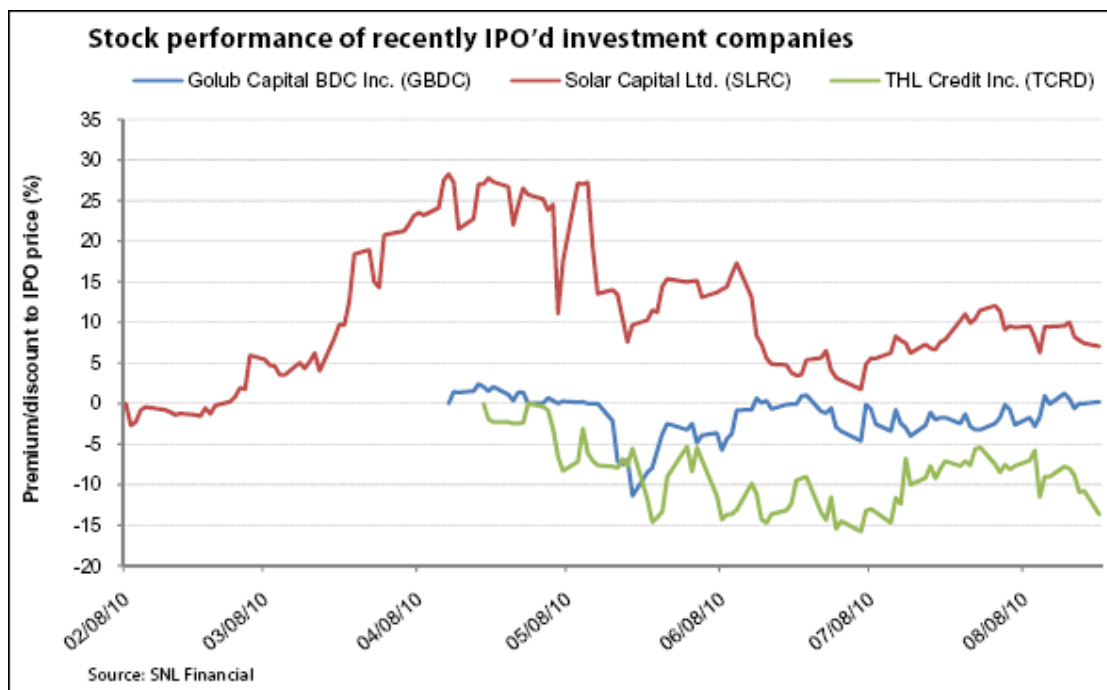
All three of the aforementioned business development companies that completed their IPOs thus far in 2010 also ended up pricing below their expected offering ranges. THL Credit priced its IPO at \$13 per share, below the [\\$15 per share](#) it had initially planned, and Solar Capital and Golub Capital BDC each priced 50 cents per share below the low end of their expected offering ranges.

Issuer	Completion date	Offer price (\$)	Expected offering price (\$)		Gross amount offered (\$M)*
			Low	High	
Solar Capital Ltd. (SLRC)	02/09/10	18.50	19.00	21.00	105.1
Golub Capital BDC Inc. (GBDC)	04/14/10	14.50	15.00	16.00	107.4
THL Credit Inc. (TCRD)	04/21/10	13.00	15.00	15.00	121.4

Excludes mortgage REITs, which also meet SNL's definition for investment companies.
Offerings that have completed since Jan. 1, 2010
* Includes over-allotments
Source: SNL Financial

Though Solar Capital's stock has climbed since it went [public](#) in February, Golub Capital BDC and THL Credit have seen their shares struggle. Golub Capital BDC's shares have regained some ground in recent weeks, closing at \$14.49 on Aug. 25, 1 cent below the IPO price. Shares of THL Credit closed at \$11.71 on Aug. 25, while

Solar Capital shares closed at \$19.80, up from the IPO price of \$18.50 per share.



Given these trading patterns, Gaskins said \$10 per share in the Full Circle offering could be a stretch.

"I think investors will be more interested at the bottom of the price range," he said. "With low liquidity and being late August, it will be hard to find buyers."

Taulli said the broader IPO market could remain difficult until the equity markets see several months of stability. Meanwhile, the debt market is open to high-quality companies at attractive rates, he said. "Given the volatility in equity markets, if you need capital to grow, you can often get it in debt markets," he said.

As for Full Circle, Taulli believes the current environment could make the first day of trading an interesting one. "It's a difficult week to go public," he said. "The market has had a bad few weeks."

Tom Mason and Andy Pierce contributed to this article.