

The man behind 2016's biggest US tech IPO shares how the deal went down

April 26 2017, by Marisa Kendall, The Mercury News

While most Silicon Valley tech startups were shying away from the public market last year and analysts were sounding alarm bells over the worrisome lack of IPOs, San Jose-based Nutanix was one of the few companies that took the plunge.

The enterprise cloud company in September priced the biggest U.S.-based tech IPO of 2016, a slam-dunk offering that shattered analysts' expectations. Nutanix raised an initial \$238 million, which later ballooned to about \$270 million, and on its first day of trading, shares soared to nearly one and a half times the IPO price.

Spearheading the deal was Nutanix co-founder and CEO Dheeraj Pandey. He sat down with The Mercury News recently to talk about the process - revealing why he wasn't nervous when Nutanix first hit the public market, discussing why he waited nine months after filing his IPO paperwork before finally going public, and describing the art of pricing a successful [initial public offering](#).

The interview has been edited for length and clarity.

Q: How have things changed since Nutanix went public last year?

A: I think there's increased curiosity about the company and what it delivers to the market, and what happens on a quarter-to-quarter basis. And it's a lot of fun because obviously, the stakes are high. There's increased scrutiny about the company's performance and what it's going

to deliver in the next three months, and could it survive the onslaught of the competitors in the next 18, 24, 36 months.

Q: What was the day of the IPO like?

A: It was a very family-like event because we brought more than 100 employees together. And that was one of the biggest reasons for choosing Nasdaq over NYSE because the podium was not very elitist.

Q: Were you nervous?

A: There was a little bit of curiosity around where is the stock going to land, and where it's going to open up, and so on.

I probably was a little stoic - (I was thinking) it doesn't matter where it starts with today, but the real battle is ahead of us. The battle has basically begun because now we have money in the bank, and most large incumbent competitors will want to just come and crush us.

Q: You first filed for an IPO back in December 2015 but ended up waiting nearly a year before you took the plunge. Why did you wait so long, and how did you decide to go when you did?

A: I think a big part was the macroeconomic environment around us. In January, the oil crisis had started. By July, August, there was the Brexit issue going on as well. And along the way, there was some China kerfuffle.

Going public is actually a big marketing event as well, and you want to come out with a bang as opposed to with a whimper. So you have to protect the image of the company through things that are outside of your control. By the time Brexit was behind us and the summer was behind us, I said I think we should go out because anyway, we're acting like a

public company - you have to keep going and updating the quarterly results. We might as well actually be a real public company as opposed to being a quasi-public company that has an S-1 on file but is not really taking advantage of the efficiencies of the public market.

Q: As has been the case in many recent IPOs, you set a fairly low initial price range for the offering, and then later ended up raising the price twice. Why did you start with the price so low? Did you intend on selling shares at that price, or was that a strategy to garner interest in the deal?

A: Pricing is still an art. And it's a discovery process that you go through, so you cast a wide net and then you figure out what kind of investors you want. So it needs to start out with casting a wide enough net and knowing what demand looks like, and then going through this discovery process, and then finally coming at a price that is a win-win for both sides.

Q: Looking back, do you wish you had priced it higher? Would you have preferred a smaller first-day pop in exchange for raising more money during the initial IPO?

A: We probably would have done the same even if I had to do it again. Because look - even if you had raised, let's say about \$150 million - it's not like you use all of it, anyway. We have enough money in the bank right now. I don't think extra cash would have actually helped us in many ways. I think the fact that our investors felt like they were in the money was an equally important part of this overall negotiation process, and I just feel good about it.

Q: What did Nutanix do with the proceeds from the IPO?

A: All of it is still in the bank. When we went public we had about \$85 million in the bank, and we raised \$270 million or something. We paid off our loan. But we still have - as per last quarter's results - we still have

more than \$350 million in the bank right now.

Q: Nutanix shares soared to nearly one and a half times their IPO price on the first day of trading in September, but now they're down about 50 percent from that initial high. What does that mean for you, and what does that say about the company?

A: You know, this is life. Once you become a [public company](#) - the trials and tribulations of life, the crests and troughs of emotions that you go through - that's what the world tests you on. Look at any company that is 20, 25 years old now, they've gone through their highs and lows. And I think we're being tested.

Q: How much attention do you pay to the stock price on a day-to-day basis?

A: Obviously, we're all humans and we all kind of want to look at it every once in a while to see. I look at it because I have to figure out how to go and look in the eye of the employee and figure out how to respond to their angst that they have about their own wealth.

Dheeraj Pandey

Position: Co-founder and CEO of Nutanix

Age: 41

Born: Hazaribagh, India

Education: Bachelor's degree in computer science from the Indian Institute of Technology. Started but never finished a Ph.D. program at

the University of Texas, Austin.

Previous jobs: Vice president of engineering at Teradata, senior manager of software development at Oracle, senior software engineer at Zambeel.

Lives: San Jose, Calif.

Family: Wife and three young children

Five facts about Dheeraj Pandey

Pandey is a history buff, with a particular fascination for events that happened in the past 100 years, and high-tech history of the last quarter-century.

He's a cricket fan. But baseball? Not so much.

Pandey played the ukulele as a child, or as he called it in India, the "Hawaiian guitar."

He met his wife online in 1997 on the now-defunct chat website Talk City and says he fell in love with her before meeting her in person.

Pandey and his co-founders let a computer algorithm come up with their company's name. But when the computer suggested "Nutanic," they decided it was too similar to Titanic. They changed the c to an x, and Nutanix was born.

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