LinkedIn looks to link up with investors with IPO

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Career-oriented social network LinkedIn on Thursday registered with US regulators to have an initial public offering of stock.

LinkedIn Corp., the company behind the largest website for professional networking, plans to raise at least $175 million in an initial public offering of stock that could open the IPO floodgates for other widely used online services that connect people with common interests.

The IPO papers filed Thursday by LinkedIn puts the 8-year-old company on a path to make its stock market debut in the next three to four months, barring any major stumbling blocks.

It might be the most highly anticipated IPO in the technology industry since software maker VMware Inc. went public in 2007, said Scott Sweet, senior managing partner of IPOBoutique. After VMware raised about $900 million in its IPO, the Silicon Valley company's stock soared by more than 70 percent in its first day of trading.

LinkedIn's filing could encourage other rapidly growing Internet services to test the public markets after amassing zealous followings among millions of users. Other likely candidates include: online coupon service Groupon, which rejected a $6 billion takeover bid from Google Inc. last year.; online game maker Zynga; online messaging service Twitter; and potentially the biggest investment opportunity of all, social networking phenomenon Facebook, which already has indicated it's likely to file its IPO plans by the end of April 2012.

Besides Facebook, the other companies have all been "waiting for one of them to step their toes in the water," Sweet said. "It's almost like they are saying `who's going first?'"

LinkedIn, based down the street from Google's Mountain View, Calif., headquarters, is the most mature of the group. It started in 2003, a year before Facebook founder Mark Zuckerberg launched his website while he was a Harvard University sophomore.

Since then, Facebook has emerged as a hot spot for having fun and wasting time while LinkedIn has positioned itself as a place for getting down to business.

Not surprisingly, kibitzing with friends and family has proven to be vastly more popular than contemplating work.

More than 90 million people have set up profiles on LinkedIn, compared with more than 600 million on Facebook.

But LinkedIn has carved out a profitable niche for itself. The company earned $1.85 million on revenue of $161 million during the first nine months of last year, according to the IPO filing. During the same period, Facebook earned $355 million on revenue of $1.2 billion, according to documents recently distributed to its newest investors.

LinkedIn generates its revenue from a mix of online advertising and fees that recruiters and businesses pay for expanded access to people's listings on the site.

In contrast to Facebook, LinkedIn's principals are in their 40s. Zuckerberg, who has been Facebook's CEO since its inception, is just 26.

LinkedIn founder Reid Hoffman, 43, will be the biggest winner in the IPO because he owns a 21 percent stake in the company. Hoffman also stands to profit from Facebook's eventual IPO because he was among the early investors who backed Zuckerberg's idea after he moved from Massachusetts to Silicon Valley.

Hoffman remains LinkedIn's chairman. He also served a stint as CEO until turning that role over to former Yahoo Inc. executive Jeff Weiner in 2009. Weiner, 40, owns a 4.1 percent stake in LinkedIn.

The company's other major shareholders are venture capital firms: Sequoia Capital with an 18.9 percent stake; Greylock Partners with a 15.8 percent stake; and Bessemer Venture Partners with a 5.1 percent stake.

Some of the major stockholders plan to sell shares in the IPO, but those specifics weren't spelled out in Thursday's filing.

The documents didn't list other key details either, including the projected price for the IPO. That target will likely be set as the actual sale of stock draws nearer.

The filing said LinkedIn will raise $175 million in the offering, but that figure often escalates as investment bankers gauge demand. Morgan Stanley & Co., JPMorgan Chase & Co. and Bank of America Corp.'s Merrill Lynch are the main investment banks steering LinkedIn's IPO.

Based on stock trading of employees in secondary markets set up for privately held companies, LinkedIn is believed to be worth more than $2 billion.

Demand Media Inc., an online service that hires freelance writers to produce stories about frequently searched topics, went public earlier this week and now has a market value of about $1.8 billion - higher than The New York Times Co.

The lofty appraisals have evoked memories of the late 1990s when investors were clamoring to pour money into startups that had set up websites to cater to the tens of millions of people that were just starting to embrace the Web.

This time around, though, Internet startups have been staying private for longer periods than their predecessors did during the original dot-com boom. That has given them more time to build their audience and, more importantly, develop moneymaking business plans.

"These companies are more mature, their sector is more defined, and they have better income," said Francis Gaskins, president of IPOdesktop.com.