LinkedIn IPO stirs Internet bubble fears

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LinkedIn, the professional-networking website firm, said Tuesday it expects to be worth as much as $4 billion when it goes public soon, sparking fears of another Internet bubble.

LinkedIn raised the share price for its public listing by some 30 percent, lifting the company's value as high as $4 billion and testing the market's lust for Internet companies.

For what will be the first initial public offering by a major US social-networking firm, LinkedIn jacked up its expected share price for 7.84 million shares to between $42 and $45, just a week after it first set a target of $32-35 per share.

The IPO on the New York Stock Exchange, as early as Thursday, could bring in more than $350 million.

LinkedIn, whose members cultivate and manage their careers and business networks online, said it plans to use the money raised on the stock market to fuel expansion.

But the dizzying spike in the IPO price range has set off alarms.

According to The Wall Street Journal, it is the first time since the dot.com bubble burst in 2000 that a firm has hiked its price range by so much ahead of its share float.

The LinkedIn market debut will be the biggest in the United States since

Internet search giant Google went public in August 2004, IPO specialist firm Renaissance Capital said.

In a survey of investors and traders about the share pricing, financial website 24/7WallSt.com found that two thirds thought "it's already too high."

Although LinkedIn more than doubled revenue in 2010, to $243 million, it says it expects a loss in 2011 and slowing growth.

The Mountain View, California-based firm swung into profit of $3.4 million in 2010 after a $4.0 million loss the prior year.

A recent Internet market flotation has provided food for second thoughts. Investors who two weeks ago snatched up shares in social-networking site firm Renren, seen as China's answer to Facebook, have watched their shares drop by nine percent from the IPO price -- which was also hiked by 27 percent days before the subscription period.

But Lou Kerner, an analyst specialized in social networking firms at Wedbush Securities, was not surprised by LinkedIn's attraction.

"There's very significant investor demand for what's going to be the premier public equity in social media," he said, dismissing the speculation about a new Internet bubble.

The talk "misses the bigger point, which is that there is a tremendous amount of shareholder wealth being created in social media today, and there are very few ways for public investors to play it."

For many market players, LinkedIn's IPO is an opening act for the blockbuster float of social-networking giant Facebook, which could come in early 2012.

With currently more than 500 million users worldwide, Kerner estimated that Facebook's IPO could drive the firm's valuation to a whopping $85 billion and to $235 billion by 2015.

Until then, he said, investors could look at shares in companies potentially worth twice that of LinkedIn and expected to go public: online social game star Zynga and online coupon giant Groupon.

Morningstar IPO analyst Bill Buhr agrees that market appetite for social-media stocks is understandable, but not necessarily justified.

"If you consider Facebook, for instance they're talking about a $100 billion valuation, on $4 billion of expected revenue, which puts them at about 25 times sales multiple. Google has a five times sales multiple," he said.

The market enthusiasm for Groupon is even more astonishing, he said, with people talking about a valuation of around $15-20 billion.

"For an online coupon company that the only thing they've really done correctly is be the first mover, maybe that's not justified."

LinkedIn's valuation at $4 billion represents represents a 16 times sales multiple.

The fast-growing LinkedIn has more than 100 million members in over 200 countries and territories. Forty-four million live in the United States and 56 million outside of the country.

Membership grew by 428 percent in Brazil last year, 178 percent in Mexico, 76 percent in India and 72 percent in France.