

# IPO market heats up, more startups going public

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(AP) -- The IPO market is heating up. A growing economy and rising stock market are prompting more startups to go public, and investors appear hungry to invest.

This week, organic mac n' cheese maker Annie's and mobile ad firm Millennial Media posted the biggest first-day gains since networking site LinkedIn debuted last May. And Facebook's highly anticipated initial public stock offering is just weeks away.

After lying largely dormant for three years, the [IPO market](#) is churning again. And it's poised to get further lift. Congress is loosening restrictions in an attempt to make it easier for young companies to raise money. Still, high [gas prices](#) and stubborn [unemployment rates](#) continue to put a damper on growth, making it too early to tell whether an IPO recovery is here to stay.

The willingness of more startups to open their books and court wider investment suggests that they are optimistic about their business and the broader economy. And a strong IPO market could itself drive growth, as companies loaded with fresh cash injections hire workers to expand their operations.

Berkeley, Calif.-based Annie's Inc. saw shares soar 89 percent on Wednesday to close at \$35.92. They rose another 5.6 percent on Thursday to finish at \$37.92. The shares, originally expected to sell for \$14 to \$16, ended up pricing at \$19 each. Baltimore-based Millennial

Media Inc., which makes software that helps games makers and media companies decide what ads to push to [smart phones](#) and [tablet computers](#), saw shares jump 92 percent from their \$13 IPO price to close at \$25. In total, 10 companies are expected to go public this week, the most since December 2010.

It marks an enthusiastic end to a strong quarter for IPOs. There have been more IPOs in the first three months of 2012 than there have been since the 2011 second quarter, said Richard Peterson, credit analyst at S&P Capital IQ. And on average, stocks hitting the market in the past three months have gained an average of 13 percent on their first trading day, according to the IPO advisory firm Renaissance Capital. That's the best performance since 2008.

The rush has come after the U.S. economy grew at an annual rate of 3 percent in the final three months of 2011, the best pace in a year and a half. Hiring is picking up. Earlier this month the Standard & Poor's 500 index closed at its highest point since May 2008. An improving [stock market](#) helps fuel demand for IPOs, which are considered riskier investments.

But the IPO market may yet peter out. There were signs of optimism at the start of 2011, but the European debt crisis and renewed economic weakness in the second half of the year froze the IPO market for months. And while more companies are going public now, they're pulling in less cash. U.S. IPOs have raised \$5.5 billion so far this year, less than half of the \$13 billion that newly public companies pulled in during the 2011 first quarter, according to Renaissance Capital.

It's also still too early to tell whether efforts by lawmakers to make it easier for small companies to raise money through IPOs will help rev up the market. President Obama is expected to soon sign a bill that would reduce the cost of going public for companies with less than \$1 billion in

annual revenue.

Splashy market debuts are drawing big headlines, but what matters for investors is what a company's stock does beyond the first day, said Kathleen Smith, principal at Renaissance Capital. Small investors may even lose money if they get swept up in first-day buying and end up paying much more than the price that big investors, such as hedge funds and mutual funds, got the night before.

"A more thoughtful investor might wait until the frenzy is over," Smith said.

LinkedIn Corp. shares, for example, more than doubled in their debut, closing up 109 percent at \$94.25. But the hubbub didn't last and shares fell as low as \$55.98 by November. The stock has recovered its losses, however, and closed Thursday at \$102.67.

Though far from the dot-com bubble of the late 1990s, much of the investor demand in the past year has centered on technology stocks like [LinkedIn](#), especially companies engaged in mobile devices and social networking.

Facebook's much-awaited IPO is expected later this spring. The Menlo Park, Calif.-based company has said it anticipates raising at least \$5 billion. If all goes as expected, the world's biggest online social network could be valued at as much as \$100 billion. That would be the biggest Internet IPO ever.

S&P's Peterson said the "[Facebook](#) factor" and gains in the broader stock market are both helping stoke investor demand for IPOs. It's also the end of the first quarter, so it's not uncommon for banks to want to get deals done before the period closes, he added.

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