

# Yelp shares surge in stock market debut

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In this Oct. 26, 2011 file photo, the logo of the online reviews website Yelp is shown in neon on a wall at the company's new Manhattan offices in New York. Online reviews site Yelp is expected to price its initial public offering of stock on Thursday , March 1, 2012, and become the latest in a long line of social websites going public. (AP Photo/Kathy Willens, File)

(AP) -- Yelp's stock opened to five-star reviews from investors on Friday, soaring 60 percent in the first hour of trading after pricing at \$15 on Thursday night.

The online reviews site's [initial public offering](#) priced at \$15, above its targeted range of \$12 to \$14 per share. That already suggested strong investor demand for a slice of the 8-year-old online reviews site, which has yet to turn a profit.

Shares added about \$9 to \$24 to about \$24.

The offering nets Yelp about \$96 million after expenses, the company estimated. Yelp sold 7.1 million shares and its charitable foundation another 50,000. Investment bankers also have an option sell an additional 1 million shares, depending on investor demand. If those shares are sold, Yelp expects net proceeds of \$111.2 million.

The IPO price valued Yelp at \$900 million. With Friday's [stock price](#) jump, the San Francisco company is valued at \$1.49 billion. Such a big first-day jump is common for high-profile Internet companies such as [Yelp](#). LinkedIn Corp., the [professional networking](#) service, saw its stock nearly triple on its first trading day, reaching as high as \$122.70 after pricing at \$45.

Though it's best known for restaurant reviews, Yelp's users have reviewed churches, strip clubs, hospitals, hotels and high schools. The company makes money from advertising. Most of the ads come from the local businesses that its users review. In 2011, it booked revenue of \$83.3 million, up 74 percent from 2010. It had a net loss of \$16.7 million last year and \$9.6 million in 2010.

"Yelp's active community of users writing reviews of local businesses is difficult to replicate," said Morningstar analyst Rick Summer.

"Unfortunately, the company faces challenges translating the small advertising budgets of local businesses into profitability, as about 70 percent of ad revenues are eaten up by sales and marketing expenses."

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