

IPO market heats up after Facebook freeze

July 20 2012, by BARBARA ORTUTAY

(AP) — Investors showed their appetite for freshly public technology stocks on Friday, but a decidedly old-school company — Fender Instruments — bowed out of its planned initial public offering citing market conditions.

Analysts were quick to isolate the guitar maker as a solo act, out of tune with the broader [IPO market](#). The rest of the bunch did well, after all. The stock of security software [company](#) Palo Alto Networks popped 27 percent in its market debut. The stock of Kayak, the travel-booking website jumped 28 percent.

So much for the "Facebook freeze." There are eight IPOs scheduled for next week. There's a security software maker from the Netherlands, a high-end steakhouse from Texas and a natural-food grocery store chain from Lakewood, Colo., among others. The diversity of companies taking the plunge, along with their sheer number during the usually slow summer season, shows that the market for initial public offerings is in the midst of a rebound after a lull that followed Facebook's mid-May debut.

Yes, the IPO market is "back, for the time being," said Francis Gaskins, president of researcher IPOdesktop. Though the companies going public are small, they also hail from various industries, which is a good sign for the IPO market as well as the broader economy. It means the market is not dependent on just one sector doing well. That was an issue last year, when a slew of high-profile Internet companies focused on social networking went public. Several —including Groupon and Zynga —

flopped despite the hype.

Now, investors are looking for companies that have proven they can grow.

"At best, this economy is flat, and it's hard to find growth opportunities," Gaskins said. He added that both Kayak Software Corp. and Palo Alto Networks Inc. are growing their revenue and doing well in spite of the economy.

"There are a few companies that fit that criteria. And the ones that do get demand," he said. "Tech stocks are the ones that are showing consecutive quarterly growth and good gross (profit) margins."

Facebook, of course began trading May 18, the Friday that capped the worst week for the U.S. stock market this year. After months of hoopla, the social network saw its stock land with a thud. It is now trading 24 percent below its \$38 IPO price. After Facebook, the IPO market was frozen for five weeks. It began to thaw in the last week of June when natural gas company EQT Midstream Partners went public on the 26th.

Next week's planned IPOs include computer-security software maker Avast Software, which is looking to raise \$90 million, Del Frisco's Restaurant Group, which wants \$105 million and Natural Grocers by Vitamin Cottage Inc., which is looking at \$100 million. Even combining all eight companies doesn't add up to \$1 billion — one sixteenth of the size of Facebook's massive public offering.

"[Facebook](#) was an enormous IPO at \$16 billion," Gaskins said. "These companies are small, but at least it's happening."

Although Fender cited market conditions and Europe's economic woes as the reason for its pullout, the 66-year-old company is very different

from its tech-industry counterparts. It's not growing as fast as investors expect of a company that is about to go public. And while it has an interesting story, that's not enough to attract big institutional investors, said John Fitzgibbon, the founder of IPOscoop.com.

"It's an isolated situation," he added.

The rest of the market looks better. If startups are opening their books and courting wider investments, experts say, they're likely upbeat about their future business and the economy. And a strong market for initial public stock offerings could drive growth, as companies loaded with fresh cash hire new workers.

"The market is a little stronger than people realized," said John Fitzgibbon, the founder of IPOscoop.com.

Gaskins is also upbeat about the next few weeks. Then, it'll get quiet until Labor Day.

"After the first 10 days of August it all goes dead," he said. "Investors want to go to the beach instead of roadshows."

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