

Square's stock soars 45 percent in first day of trading (Update)

November 19 2015, by Michael Liedtke



Square CEO Jack Dorsey, right, poses with co-founder Jim McKelvey in front of the New York Stock Exchange before opening bell ceremonies, Thursday, Nov. 19, 2015. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)

Square bounced back in its stock market debut Thursday after the once-hot mobile payments service slashed the price of its initial public

offering to get the deal done.

The 6-year-old company's shares gained \$4.07, or 45 percent, to close at \$13.07. The surge helped ease the pain of a mortifying markdown in Square's IPO price. The San Francisco company sold 25.7 million shares at \$9 apiece after money managers leery of Square's unprofitable history refused to pay \$11 to \$13.

The concession appeared to attract bargain hunters betting that Square is worth the price that its management team had been demanding in the IPO. Even with Thursday's rally, Square's stock remains below the \$15.46-per-share price that the company fetched a year ago when it raised \$180 million as a privately held startup.

Most of the investors who participated in last year's fundraising will be issued additional shares to compensate them for the reduced IPO price.

Another technology company, Match Group Inc., the owner of dating sites and apps Match.com, OkCupid and Tinder, gained 23 percent to close at \$14.74 Thursday. It had priced its IPO at the low end of its anticipated range

Investors' skittishness toward Square, known for its debit and card readers that plug into mobile devices, reflects uncertainty about the direction of the global economy as the Federal Reserve Bank prepares to raise short-term interest rates for the first time in nearly a decade, said James Gellert, CEO of the research firm Rapid Ratings.

"Large, institutional investors taking a risk on technology want a discount now," Gellert said. "There is a lot of concern about more market volatility in the year ahead."



Mac Riley, center, son of Square CFO Sarah Friar, rings a ceremonial bell as the Square IPO begins trading, on the floor of the New York Stock Exchange, Thursday, Nov. 19, 2015. Flanking Riley are Square CEO Jack Dorsey, left, and co-founder Jim McKelvey, far right. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)

Square has been rapidly growing as millions of merchants have processed \$32.4 billion in credit and debit cards through its readers and terminals during the year ending Sept. 30.

The company's cut from the payment processing fees generated revenue of \$893 million during the first nine months of this year, a 49 percent increase from the previous year. But Square has never turned a profit, accumulating losses totaling \$527 million since its inception.

Some investors are also worried about the distractions and demands

facing Square's co-founder and CEO Jack Dorsey. Besides running Square, Dorsey is serving as CEO of Twitter at a time that the short messaging service is struggling to expand its audience and produce the first profit in its nine-year history.

Dorsey, who turned 39 Thursday, has most of his wealth tied up in Square. His stake in Square is worth \$930 million and his Twitter stake will be worth about \$400 million after he turns over 6.8 million shares of his stock in that company to its employees.



Square CEO Jack Dorsey, left, streams his mother, Marcia Dorsey, second left, as she reacts just after ringing the opening bell of the New York Stock Exchange to mark his company's IPO, Thursday, Nov. 19, 2015. At right is Square co-founder Jim McKelvey. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)

The drop in Square's market value over the last year could signal trouble ahead for other technology startups. With interest rates hovering near zero, venture capitalists and other investors have been pouring tens of billions of dollars into startups involved in transportation, data analysis, security, home rentals, finance and a wide assortment of other mostly mobile applications.

Dozens of these startups have been minted with market values of \$1 billion or more in their fundraisings, a financial breed that has become known as "unicorns."

Many of them, though, are about to be exposed as "the donkeys that they really are," predicted Edison Investment Research analyst Richard Windsor. "In the long-term, a reset of valuations to realistic levels is a good idea but the journey to get there is always very painful."



Square CEO Jack Dorsey gets a birthday kiss from his mother, Marcia Dorsey,

before his company's IPO at the New York Stock Exchange, Thursday, Nov. 19, 2015. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)



Square CEO Jack Dorsey passes the statue of George Washington after posing for photos before his company's IPO at the New York Stock Exchange, Thursday, Nov. 19, 2015. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)



Square CEO Jack Dorsey, foreground, visits outside the New York Stock Exchange before opening bell ceremonies, Thursday, Nov. 19, 2015. Square, the 6-year-old startup known for its white, cube-shaped card readers that plug into smartphones, is surging in its first day as a publicly traded company. (AP Photo/Richard Drew)



The facade of the New York Stock Exchange is decorated for the Square IPO, Thursday, Nov. 19, 2015. Mobile payments processor Square had to sell its stock at a deep discount to complete its initial public offering, a concession signaling that investors are becoming wary of once-hot startups that haven't proven they can make money. (AP Photo/Richard Drew)

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