

Next Year's Big IPO

Facebook and Twitter may be among the IPO class of 2010.

By Mark Veverka

THE IPO MARKET COULD BRING SOME post-holiday cheer to Silicon Valley. Bankers and venture capitalists are optimistic that the initial-public-offering window for technology start-ups could open wider next year. With a nod to the nascent college-football-bowl season, I'm setting the "over-under" for tech-focused -- including tech-media-focused -- initial public offers at about 47. (An over-under bet is a wager on the total number of points scored in a game.) My estimate is based on the companies that have filed to go public, and those in the pipeline.

If my prediction holds true, this will be the largest number of new tech issues since 2007, which saw 76 tech deals -- the peak for this decade. (In 2000, the last year of the previous decade, 202 tech companies came public.) The past two years saw only 12 deals -- seven in the nuclear winter of 2008, and five through the first nine months of this year -- according to Dow Jones VentureSource. As many as nine tech companies could go public before year end.

The IPO class of 2010 could show real star power. It isn't a stretch to speculate that the group could include social-networking powerhouses Facebook, Twitter and LinkedIn, although none of the three has filed, and might not. **"If Facebook goes public, that would be a landmark," says venture capitalist Todd Chaffee, a general partner with Institutional Venture Partners near San Francisco. "I don't think people realize how strong this is going to be."**

Chaffee's venture investments included Yahoo! (ticker: YHOO), Netflix (NFLX) and Twitter. He wouldn't comment on Twitter for this column.

THIS IS MORE THAN WISHFUL THINKING by bankers hungry for deals and VCs antsy for exits. One consequence of this decade's listless IPO market is a two-year backlog of established, quality start-ups, coupled with pent-up investor demand for growth stocks. "We've had a logjam of companies ready to go," says venture capitalist Mike Kwatinetz of San Francisco-based Azure Capital Partners, a backer of Bill Me Later, which was acquired last year by eBay (EBAY) for \$945 million.

One IPO that will be bear watching is an offering from Calix, a maker of networking gear. The company filed in November. Chief Executive Carl Russo and founder Mike Hatfield have an enviable track record; both were involved in the 1999 sale of another gear start-up, Cerent, to Cisco Systems, for \$7 billion, after Cerent filed to go public. Keep an eye, too, on Telenav, a maker of popular navigation software based on global-positioning-system technology.

Unlike in the dot-com era, many technology companies incubating in this decade have seasoned management teams and revenue approaching \$100 million or more. And they are profitable, or soon could become so.

"The class of 2010 will be of very high quality," says Alex Wellins, a managing director with the Blueshirt Group, a San Francisco-based investor-relations firm focused on tech. "These are management teams that have either been through IPOs or have vast experience with public markets." His firm has four clients that have registered to go public and four more preparing to file.

The IPO window could slam shut if the global economy worsens. But for now, the shutters are open, so let's toast to clear skies in the new year.