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## For IPOs, the Comeback Never Came

By Shira Ovide



WSJ's Rolfe Winkler discusses the IPO market and the fate of share prices of high-profile companies after the lockup period expires. Photo: STAN HONDA/AFP/Getty Images

This was supposed to be the year of the IPO comeback. It wasn't.

The year will end with fewer U.S. IPOs than there were in 2010, and the amount of money raised in the offerings was about 40% less than a high-water mark set in 2007 and about 6% less than last year, according to research firm Dealogic.

The year kicked off with big debuts for a handful of companies that waited out a three-year soft patch. Then the summer came. And the bottom fell out.

A worsening European debt crisis, a rocky U.S. equity market and poor performance of the year's earlier IPOs brought the market largely to a halt.



For all the hype leading up to Groupon's IPO, the ensuing weeks have played like one long letdown as analysts have started publishing reports, Shira Ovide reports on Markets Hub. Photo: AP

Investors also were punished for plopping money into these deals. About two-thirds of companies that went public in the U.S. now are trading below their IPO price, Dealogic data show. The underwater companies include

high-profile debuts of hospital operator company HCA Holdings Inc. and online-music company Pandora Media Inc.

### A Constellation of Companies

Take a look at how more than 100 U.S.-listed IPOs have performed since they started trading this year.



"We'd had a quiet time in the IPO market for awhile and we thought finally it was time for some more activity," said Sandy Miller, a general partner at Institutional Venture Partners, which invests in young companies and helps shepherd them to the public markets. But "2011 fell way short of what we were hoping for." Mr. Miller said he grades this year's IPO market a "C-plus, at best."

The health of the 2011 IPO market may have lasting effects. The IPO waiting list now is more crowded than it has been in a decade.

If executives of private companies can't launch their companies onto the public markets when they expect, some risk running short of cash. And there are worries that mount with that too: Early investors and employees may be disgruntled about missing or delaying their expected payouts. Investors who feed the nation's venture funds may also get skittish about putting into risk-taking businesses if their path for returns is blocked.

There were some positive milestones this year. Private-equity firms finally had a window to take public some companies they bought with large doses of debt in the 2005 to 2007 boom years. Companies owned by buyout firms such as Blackstone Group L.P. and Carlyle Group L.P. raised \$27.1 billion in IPOs in 2011, the largest haul since Dealogic began keeping figures in 1995.

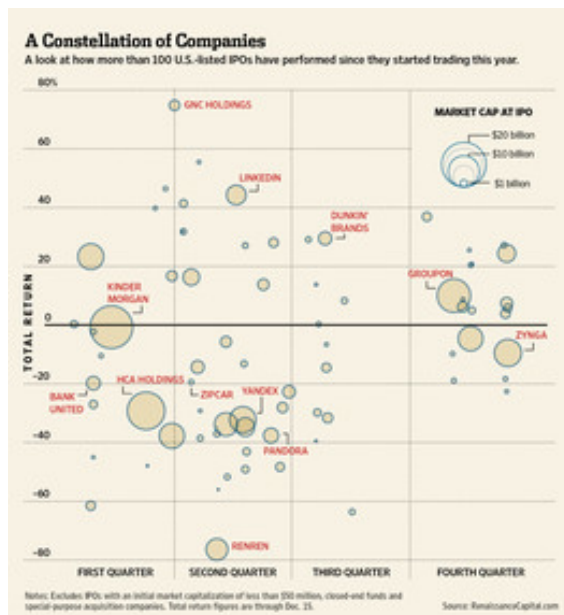


Bloomberg News

A rare 2011 standout: Vitamin retailer GNC, which has gained 75% since its April debut.

Three of the biggest private-equity-backed IPOs in U.S. history came this year: HCA, natural-gas-pipeline company Kinder Morgan Inc. and TV-ratings company Nielsen Holdings N.V. Technology companies dominated the IPO ranks to a level unseen for a decade.

Shares in professional social network LinkedIn Corp. more than doubled on their first day of trading in May, sparking chatter of a return to the tech bubble days of the late '90s. The bubble talk proved premature, as most IPOs in 2011 faltered.



The underwater stock prices of 2011 IPO companies such as Pandora, Florida bank BankUnited Inc. and chip company Freescale Semiconductor Holdings Ltd. made investors skittish about buying stock in other offerings.

This was perhaps the biggest factor that conspired to gum up the IPO market later in the year, according to bankers and investors.

"We would all like to point to past success...and this has been a year when that's very hard to do," said Mary Ann Deignan, head of Americas equity capital markets for Bank of America Merrill Lynch.

As a result, nearly 200 companies have filed plans for IPOs with regulators but haven't yet held their stock offerings. That's the largest IPO backlog since the tech bubble burst more than a decade ago, according to Renaissance Capital, which tracks and invests in IPOs.

Mixed Bag   Notable IPOs this year			
	Market value at IPO, in billions	Change since IPO	First day of trading
LinkedIn	\$4.34	39.7%	May 19
Dunkin' Brands	2.28	31.0	July 27
Groupon	12.61	15.3	Nov. 4
Kinder Morgan	21.21	5.8	Feb. 11
Zynga	6.99	-2.5	Dec. 16
Skullcandy	0.54	-30.7	July 20

Source: FactSet Research Systems

The year ahead could open a window for the most growth-intensive of the group, said bankers and investors. And there should be opportunity for companies that are already churning out cash, rather than those who need growth capital from public investors. Otherwise, IPOs remain a tough sell.

Hope springs eternal, however. Facebook Inc. is expected to go public in the spring at a valuation of \$100 billion or more, which would make it among the most valuable companies in the world.

Bankers and investors are hoping that such an offering will push more young companies out the door. If 2011 is any guide, that may be the best shot many aspiring public companies have.