LinkedIn increases price range for IPO shares

TALI ARBEL - AP Business Writer - Associated Press

The professional networking website LinkedIn is increasing the target price for its initial public offering of stock by about 30 percent in a sign of heavy demand by investors. The increase is encouraging for future IPOs of other social-networking companies such as Facebook, Twitter and Groupon.

LinkedIn raised the price range on its shares to $42 to $45 each from $32 to $35. Shares are expected to price Wednesday and begin trading Thursday.

The new price means LinkedIn could be valued at more than $4 billion after going public, the biggest U.S. Internet IPO since Google Inc.'s debut in 2004, according to Renaissance Capital. At the middle of the new proposed range, the IPO would raise about $341 million.

LinkedIn's IPO is drawing attention because it is a fast-growing company with a well-known Internet brand and more than 100 million registered members. It is expecting to report a loss this year as it ramps up spending on its technology infrastructure and its sales team to drive its growth. But LinkedIn was profitable in 2010.

A strong performance Thursday — if shares climb in their first day of trading after pricing at the top of or above the new price range — could raise expectations for other U.S. social networking companies.

Facebook, Twitter, the online deals site Groupon and the online game maker Zynga are among the other social-networking services expected to go public. With more than 500 million users, Facebook is considered the hottest commodity of them all. The 7-year-old company's market value has been pegged at $50 billion, based on a private investment in January.

LinkedIn will offer 4.8 million shares. The company's stockholders, including founder Reid Hoffman, Bain Capital, Goldman Sachs and publishing company McGraw-Hill, will also sell 3 million shares.

It expects net proceeds to the company after expenses to be $191.5 million if shares price at $43.50 each. LinkedIn, which is based in Mountain View, California, plans to use the funds for working capital and possibly for acquisitions.

Last year, LinkedIn earned net income of $3.4 million on revenue of $243 million. Its revenue totaled $94 million during the first three months of this year, more than doubling from the same period last year.

Most of its revenue comes from fees it charges for recruiters and businesses that want expanded access to LinkedIn's website to help fill job openings. The company

also sells online ads.

Morgan Stanley, BofA Merrill Lynch and J.P. Morgan are managing the offering. They have been granted an option for up to 1.2 million additional shares.

The stock will list on the New York Stock Exchange under the ticker symbol "LNKD."

Source URL (retrieved on *08/20/2014 - 6:39am*):
http://www.ecnmag.com/news/2011/05/linkedin-increases-price-range-ipo-shares?qt-recent_content=0