

Wild swings in stock market knock out IPOs

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Companies have withdrawn initial public offerings this month at a pace not seen since December 2008. Only four have dared go public during three weeks marked by wild price swings and more than 10 percent declines in the major stock indexes.

Prior to the recent slowdown in IPOs, many market watchers had predicted this year would be the strongest for public debuts since before the recession began. They expected more than 200 IPOs.

It's become "a little ambitious" to expect that many debuts this year in light of what's happened to markets in August, said David Menlow of research firm IPO Financial. The Dow Jones industrial average has dropped 13 percent, while the S&P 500 is off 15 percent. And companies have likely noticed the nearly 20 percent drop in Pandora Media Inc. and the 26 percent decline in LinkedIn Corp., two wildly popular IPOs from earlier this year.

There have been 96 IPOs so far in 2011, according to IPO investing firm Renaissance Capital. Data collector Dealogic said that 17 deals have been canceled in August — either postponed indefinitely or withdrawn completely.

That's the most since December 2008, when companies scrapped 18 deals. Back then, the IPO market was going in to deep freeze following the collapse of Lehman Brothers and the spiraling financial crisis.

Dealogic also said the four IPOs so far should be it for August. That will make it the slowest month since July 2009.

The threat of another downturn in the U.S. and Europe has made investors nervous. The markets have moved on each bit of news, good or bad — though mostly bad. There have been eight days in August when the Dow Jones industrials lost or gained more than 200 points. Wary investors are less likely to bet on IPOs, which are considered riskier than long-established companies.

Three of the four IPOs that did go to market this month haven't done buy-and-hold investors that well. The one that has, Carbonite Inc., which helps small businesses and consumers save their computer files online, slashed the initial asking price for its shares by as much as 41 percent. Its shares have gained 40 percent since the IPO.

Companies should be prepared to lower their expectations for how much money they can bring in, Menlow said. Those not willing to consider a lower IPO price are "living in a dream world," he said.

Chinese online video website Tudou Holdings Ltd. didn't revise its price for initial

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investors. It went public with a \$29 share price, the middle of the expected range. The stock tumbled 12 percent in its first trading day. It has lost more than a quarter of its value since the IPO.

In the other two August debuts:

— American Capital Mortgage Investment Corp., a newly created real estate investment trust that invests in mortgages and mortgage bonds, on Aug. 3 sold fewer than half the shares it had initially hoped to offer. It's down about 7.5 percent from its \$20 IPO.

— SandRidge Permian Trust, which invests in oil and natural gas properties in Texas, priced its IPO shares at \$18 on Aug.10, below the expected range of \$19 to 21. It's nearly unchanged since then.

But those disappointments might not befall the handful of highly anticipated Internet IPOs expected to go public this year. That includes Zynga, which makes the online game FarmVille, and fast-growing coupon email company Groupon.

"There are a lot of eyes that are watching these offerings," Menlow said of the well-known Internet companies. Investors "are still going to see valuations which are stratospheric."

Facebook, which has already been valued by private investors at \$85 billion, hasn't filed for an IPO yet.

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