

## IPO market cools after brief summer heat wave

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Silicon Valley's summer fling with initial public offerings is over, making it clear an important part of the technology industry's long-awaited recovery won't unfold quickly.

Four local companies launched IPOs in just six weeks: FormFactor of Livermore on June 12, InterVideo of Fremont on July 17, iPass of Redwood Shores on July 24 and Netgear of Santa Clara on July 31.

The quartet did well, selling at or above the price ranges initially set by investment bankers. They gained 26 percent to 34 percent on the first day of trading, and mostly held on to those gains. As of Friday, the four were 25 percent to 39 percent above their IPO prices.

This is just the kind of good news Silicon Valley needs, and should have spurred a number of other companies to take the IPO plunge.

No such luck.

After Netgear's offering, the Silicon Valley IPO pipeline again stood empty — no other company had filed an S-1, the Securities and Exchange Commission document that starts the two- to three-month countdown to an IPO.

One company did step forward last week: Genitope, a Redwood City biotech company

working on treatments for cancer, filed an S-1 on Wednesday.

A healthy IPO market is crucial to Silicon Valley's unique ecosystem, providing much-needed capital to start-up companies and creating wealth that inspires the next generation of entrepreneurs to give up steady jobs for unpaid labor in their garages.

Back in the good old days, Silicon Valley IPOs happened more than once a week — a record 85 companies went public in 1999, dropping only slightly to 78 in 2000.

Then the wheels came off the wagon, as the dot-com and telecom debacles destroyed investor appetite for any new company even remotely connected to technology, with IPOs plummeting to just 15 in 2001 and shriveling further to a record low of five in 2002.

From mid-December of last year until mid-June, there was an unprecedented six-month IPO drought -- not a single Silicon Valley company went public.

I heard cautious optimism from valley insiders two months ago when I last wrote about IPOs. If the pending IPOs did well, they said, more will follow. Now, the caution seems more prescient than the optimism.



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**“It's not as if the (IPO) window is wide open,” said Deborah Stapleton, who heads investor-relations consulting firm Stapleton Communications in Palo Alto.**

**The weak national and global economy is making it difficult for small valley companies to show solid profits, a requirement forgotten in the bubble years and now reintroduced with a vengeance. Stapleton expects it will take another six months for companies to get ready, which would produce an IPO surge in the second quarter of 2004.**

“Partly, we're in August, don't forget,” when vacations slow down the work of Wall Street, said David J. Berger, an attorney with the powerhouse firm Wilson Sonsini Goodrich & Rosati in Palo Alto.

At least a few more IPOs are around the corner, Berger added. His own firm is working on S-1s for two local companies, which he declined to identify, that should be filed by Labor Day.

One other obstacle is the “I'm Feeling Lucky” dilemma.

Google, the hugely popular Internet search service based in Mountain View, is widely expected to go public at some point in the next year, more likely in the first half of 2004 than the second half of 2003. An IPO by Google could attract so much excitement that investors would bid up any tech offerings in the months that follow.

On it's home page, Google has an “I'm Feeling Lucky” button that automatically takes visitors to the first Web page pulled up by a search request. Other Silicon Valley companies contemplating an IPO may not feel lucky enough to go out ahead of Google.

It's now a safe bet Silicon Valley will post more IPOs this year than 2002's dismal total of five, but very unlikely the valley will exceed 2001's weak count of 15.

**“These four IPOs didn't have any coattails,” Stapleton concluded, somewhat sadly. “Nobody's in a big hurry.”**

## SILICON VALLEY'S SUMMER FLING WITH IPOs

COMPANY	IPO DATE	IPO PRICE	AMOUNT RAISED	1 <sup>ST</sup> DAY CLOSE	1 <sup>ST</sup> DAY GAIN	FRI. CLOSE	GAIN THRU FRI.
FormFactor (Livermore)	6/ 12	\$14	\$84 million	\$17.58	26%	\$19.42	39%
InterVideo (Fremont)	7/ 17	\$14	\$39 million	\$18.69	34%	\$19.15	37%
iPass (Redwood City)	7/ 24	\$14	\$98 million	\$18.67	33%	\$18.56	33%
Netgear (Santa Clara)	7/ 31	\$14	\$98 million	\$17.69	26%	17.48	25%

Source: Mercury News research