

Venture Veteran Doll Says Companies Will Turn to China for IPOs

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By Ari Levy and Dakin Campbell

Veteran venture capitalist Dixon Doll predicts that more U.S. technology companies will start holding initial public offerings in other countries as economic growth in Asia outpaces domestic expansion.

“In the next 10 years, I expect more portfolio companies to list on foreign exchanges,” said Doll, founder of Menlo Park, California-based firm DCM, in an interview last week. China “will become a big deal.”

The U.S. venture-capital industry is coming off its slowest two-year stretch for IPOs since the mid-1970s, with only 19 in 2008 and 2009, according to the National Venture Capital Association. Doll said that while U.S. companies may not flock to China in the next year or two, the world’s third-largest economy will be increasingly attractive for technology startups as its capital markets mature.

China’s gross domestic product will expand 8.5 percent this year and 9.3 percent next year, according to Bloomberg surveys of economists. That compares with average predictions for U.S. growth of 2.7 percent in 2010 and 3 percent in 2011, according to Bloomberg.

Doll, 67, said he expects 40 to 50 venture-backed companies in the U.S. to go public this year, because the “system is so constipated” from two years of inactivity. The financial crisis wiped out investment banks such as Lehman Brothers Holdings Inc. and Bear Stearns Cos., and forced more than 850 hedge funds to shutter in the first nine months of 2009. That left fewer banks to lead IPOs and fewer investors to buy shares in them.

DCM, which also has offices in Beijing and Tokyo, was an investor in About.com, acquired by New York Times Co., and Clearwire Corp., the mobile-Web network company that went public in 2007. Current investments include BitTorrent, whose software allows users to download and share files over the Internet, and RockYou, which helps advertisers promote their brands on social networks.

Of his firm’s IPOs, Doll said one or two will happen in China in the next two years.

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