

IPO Age Dawning

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by Kent Bernhard, Jr.

Signs are positive that initial public offerings could be getting ready for a comeback. But is the activity just a mirage, or will health return to one of the most important functions of the market?

Ask just about any venture capitalist in California's Silicon Valley about the market for taking companies public, and they'll tell you it's been horrible for nearly a decade and needs to improve for them to make money and create a healthy environment for investing in new companies.

But signs of a thaw are evident, and venture capitalists and their cousins at private equity firms are looking to cash out.

"There's at least 100 to 150 companies out there that could or should be able to go public right now," said Dixon Doll, co-founder of DCM, which manages about \$2 billion and invests in startup companies around the world. "I think there's a tremendous amount of activity in the Valley at this moment with boards of venture-backed companies meeting with investment bankers to have discussions about whether to go public and how to go public and all those kinds of things."

Doll himself is a three-decade veteran of the venture capital industry, and says he hopes for a better IPO market in the next few years, but isn't predicting an immediate comeback.

Still, there are some positive signs.

In the Silicon Valley, a raft of venture-backed companies are testing the waters. Among them: solar firm Solyndra Inc., which is seeking \$300 million; Codexis Inc., \$100 million; electric sports-car maker Tesla Motors Inc., \$100 million; Telegent Systems, \$250 million; Force10 Networks, \$143.8 million; Telenav Inc., \$75 million; and Beceem Communications Inc., \$100 million.

According to research firm Renaissance Capital, there were 27 IPOs in the United States from January through March of this year, compared to a single public offering in the same period last year. That's a nice increase, and if the companies in the pipeline are successful, look for more of the same.

“I expect our cycle to rise over the next five to 10 years since it’s been in the tank for about 10 years,” Tim Draper of Draper Fisher Jurvetson said in an email exchange with Portfolio.com.

Of particular interest are the initial public offerings of Tesla and Solyndra. Those two companies are on the bleeding edge of the sector known as cleantech—technologies that include alternative energy, transportation, water distribution, building materials, the stuff of daily life. Investors have been for several years betting big on that sector, but so far returns have been few.

If Tesla and Solyndra have successful IPOs, that could open the gates for a boom in that field, Mark Heesen, president of the Venture Capital Association tells Lindsay Riddell of the *San Francisco Business Times*.

“Companies such as Solyndra and Tesla, who have been through an awful lot, if they can go public and go public in a way that makes these companies look like they’re lasting players, I think that sends the signs of stability that are critically important to the rest of the cleantech community,” Heesen said.

And Silicon Valley isn’t the only place where firms are getting the companies they’ve invested in ready to go public. The venture capitalists’ cousins in the private equity field are also getting their companies ready for the public market.

The *Wall Street Journal* reports that two of the most aggressive of the private equity company buyers of the boom a few years back are getting ready to take some of their companies public.

Bain Capital and KKR & Co. are getting ready to take three of their biggest acquisitions of the past few years public. If all three go forward as planned, retailer Toys R Us Inc., hospital chain HCA Inc., and NXP Semiconductors will all be public companies again soon.

Sources tell the *Journal* that the public offerings could be priced in the next couple months if the stock market remains on the ascent, or at least stable.

And that stability, said one top venture capitalist, is key to growing a healthy IPO market out of the current anemic one.

Said Erik Straser, partner at venture firm Mohr Davidow: “My read on it is if the market gets stable enough to let people get over the safety of inaction, then the next question is, ‘If I’m going to leave defense, where am I going on offense?’ IPOs are a natural way for them to do that.”

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