

## **VC-backed Fortinet has 4th best U.S. debut of '09**

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NEW YORK (Reuters) - Shares of network security provider Fortinet Inc (FTNT.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) soared nearly 33 percent in their first day of trade on the Nasdaq on Wednesday, in the fourth best debut of any U.S. stock in 2009.

The performance comes on the heels of an IPO pricing that beat expectations, and will help ease the path to other venture-capital backed IPOs, which have lagged those by private-equity owned companies in 2009, analysts said.

"You're starting to see the pipeline of IPOs include more venture-backed deals. It's definitely encouraging for the IPO recovery," said Eric Guja, an analyst with Connecticut-based investment firm Renaissance Capital.

Fortinet's big first day jump stems in large part from its pricing at a discount to its peers, Guja said.

But that discount was necessary because Fortinet is competing with larger firms like Cisco Systems Inc (CSCO.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Juniper Networks Inc (JNPR.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) that are better-known and have enormous financial resources, he said.

Silicon Valley-based Fortinet's products integrate firewalls, Web-filtering and spam-filtering.

Historically, IPOs have risen between 10 percent and 12 percent in their debuts, as companies look to reward investors for taking a risk on an unknown stock. But very large "first day pops" can indicate that a company was too timid with its pricing and left money on the table.

Several other venture backed companies have put in big first day performances of the year. The top U.S. debut was logged by venture-backed online restaurant reservation company OpenTable Inc (OPEN.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), whose clients include New York's Union Square Cafe and Gramercy Tavern. Backed by Benchmark Capital Partners, Impact Venture Partners and Integral Capital Partners, OpenTable rose 59.5 percent in its May debut.

The second-best U.S. debut came from ion-lithium battery maker A123 Systems Inc (AONE.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), which rose more than 50 percent in its debut in September. It was backed by Northbridge Venture Partners.

But many companies have not held onto to those early gains. A123 is now up only 18 percent over its IPO price.

"There was an awful lot of speculation earlier this year when OpenTable went public that it would open the gates, and once again when A123 went public," said National Venture Capital Association president Mark Heesen.

"I'm a bit more cynical, frankly, that one IPO has the ability to open the flood gates. I think in combination all of these things point to a better IPO market over the next year, but taken in isolation, I don't think any one of them has the power to influence the market all that much," he said, speaking of the strong performance of several stocks.

Fortinet, whose shareholders include venture capital firms Redpoint Ventures and Meritech Capital, sold 12.5 million shares. Earlier in the week, the company had increased the size of the deal by 500,000 shares to meet strong demand.

Excluding Fortinet, so far this year there have been 10 venture capital-backed IPOs valued at a combined \$1.4 billion. There were only six VC-backed IPOs in 2008, totaling \$470.2 million, according to Thomson Reuters data.

Fortinet shares closed at \$16.62, or 33 percent above the IPO price on Nasdaq after having traded up as high as \$17.50.

Fortinet raised \$156.5 million in its initial public offering on Tuesday after the stock flotation priced for \$12.50, above expectations.

Fortinet had sales of \$181.4 million in the first nine months of 2009, up 18.8 percent over a year earlier, with a profit of \$16.2 million.

The IPO's lead underwriters are Morgan Stanley, J.P. Morgan Securities & Co and Deutsche Bank Securities.