
2003 IPO Market Finishes Year On Up Note - Hale and Dorr Announces Release of 2003 IPO Report

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The IPO market surged in the second half of 2003 to end on an up note despite producing the fewest IPOs in the U.S. since 1979. In 2003, there were 71 IPOs in the U.S. raising gross proceeds of \$15.18 billion, compared to 75 IPOs raising \$25.44 billion in 2002.

The first half of 2003 yielded a meager seven IPOs in the U.S. with gross proceeds of \$1.12 billion, amidst economic uncertainty, stagnant markets and concerns surrounding overseas military actions. The IPO market rebounded during the second half of 2003 as economic conditions and the capital markets improved. The fourth quarter of 2003 produced 45 IPOs in the U.S. with gross proceeds of \$9.21 billion—the highest quarterly number of IPOs since the fourth quarter of 2000—and December alone contributed 20 IPOs with gross proceeds of \$6.02 billion.

Average deal size declined 37%, from \$339.2 million in 2002 to \$213.8 million in 2003, reflecting the IPO market's renewed affinity for smaller technology and life sciences companies and fewer multi-billion-dollar IPOs. There were only two billion-dollar IPOs in 2003, compared to five in 2002 and 11 in 2001.

IPOs by U.S. issuers declined slightly, falling from 66 IPOs in 2002 to 61 in 2003. Gross proceeds from U.S. issuer IPOs declined 52%, from \$19.03 billion in 2002 to \$9.13 billion in 2003. In 2002, however, IPOs by two insurance companies accounted for nearly half of the year's proceeds.

Technology and life sciences companies grabbed the largest share of the 2003 IPO market, with 23 offerings, but declined as a percentage of all IPOs from 37% in 2002 to 32% in 2003. Offerings by financial services and insurance companies accounted for 21% of the IPOs in 2003, followed by consumer products companies (14% of the total) and biotechnology and pharmaceutical companies (11%).

On average, the market price for companies conducting IPOs in 2003 increased 28% by year-end, and more than three-quarters (56 companies) ended the year trading at or above their offering price. All sectors gained, ranging from an average increase of 59% for financial services and insurance companies to 2% for biotechnology and pharmaceutical companies.

The biggest first-day gainer of the year was Ctrip.com International, a consolidator of hotel accommodations and airline tickets in China, which soared 89% on its first trading day. Strong first-day gains were also produced by Digital Theater Systems and Kintera, a provider of web-based enterprise software to nonprofits, each increasing 47% on its opening day.

The best-performing IPO of the year was Accredited Home Lenders, a nationwide mortgage banking company, which ended the year 283% above its IPO price, followed by South African telecommunications company Telkom SA (up 202%).

Looking ahead to 2004, we believe that innovation will remain a driver of long-term economic growth, and that the long-term prospects for many technology and life sciences companies are bright. By historical measures, the ebullient IPO market of the late 1990s was as aberrational as the tepid IPO market of the past three years. Although we do not anticipate a return to the market conditions of 1999 and 2000, the IPO market enters 2004 with the most momentum in three years and we expect continued improvement throughout the year.

Our newly published *2003 IPO Report* contains additional information and analysis about the IPO market, including:

- detailed analysis of the 2003 IPO market;
- the outlook for the 2004 IPO market;
- regional breakdowns (New England, Tri-State, Mid-Atlantic and Non-U.S. Issuer);
- a review of the 2003 PIPEs and Rule 144A markets;
- an overview of the impact of the investment banking global settlement;
- discussion of the key attributes of outstanding corporate directors; and
- IPO counsel and underwriter rankings.

To request a copy of the *2003 IPO Report*, please click [here](#).

Our companion publication, the *2003 Venture Capital Report*, includes:

- a detailed analysis of the 2003 venture capital market, including industry breakdowns;
- trends in acquisitions of, and IPOs by, venture-backed companies;
- the outlook for the 2004 venture capital market;
- regional breakdowns (New England, Tri-State, Mid-Atlantic and Europe);
- trends in venture capital deal terms;
- preparing for an IPO following sweeping changes in the regulatory landscape; and
- venture capital counsel rankings.

To request a copy of the *2003 Venture Capital Report*, please click [here](#).

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Notes on Data: Hale and Dorr LLP compiled all data in this review unless otherwise noted.

Offerings by REITs, bank conversions and closed-end investment trusts are excluded. Offering proceeds exclude proceeds from the exercise of underwriters' over-allotment options, if applicable.

The data is collected from various sources, including Global Securities Information, IPO.com, IPOCentral.com, Renaissance Capital (www.IPOhome.com) and SEC filings.

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