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IPO Market Cautiously Enters 2002

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The first three months of 2002 produced 17 IPOs with gross proceeds of $9.33 billion. In comparison, the first quarter of 2001 produced 20 offerings with gross proceeds of $8.21 billion and the final quarter of 2001 produced 29 offerings with gross proceeds of $12.16 billion. Reflecting the number of large, well-established companies and spin-offs coming to market, NYSE listings represented 59% of the quarter's IPOs and 91% of proceeds. Spin-offs have continued to remain popular in 2002 with Travelers Property Casualty Corp (the insurance unit of Citigroup Inc.) and Alcon Inc. (the eye-care unit of consumer-products giant Nestlé) together accounting for 66% of gross proceeds.

Aftermarket performance continued to buck the unfavorable broader market conditions but, with only the best candidates being brought forward, such returns are not surprising. The average IPO during the first quarter of 2002 closed up 16% from its offer price as of the end of the quarter. Four first quarter IPOs gained over 25% and two ended the quarter below their offer price. Year to date through March, the Dow has gained 4% while the Nasdaq has declined 5%.

The two top performing IPOs of the quarter (based on quarter end return from offer price) were technology IPOs. Synaptics (a maker of laptop touch pads and pointing sticks) and PayPal (a provider of online payment services) ended the quarter up 57% and 47%, respectively. PayPal was also the first "Internet IPO" since Loudcloud's debut last March.

Government and defense contractors also figured prominently in the first quarter's IPOs with Anteon International, Integrated Defense Technologies and ManTech International returning an average quarter end gain of 19%.

With business confidence steadily building and improving market conditions on the horizon, we expect to see the number of technology IPOs gradually increase. Until then, offerings by well-established companies will continue to form the nucleus of the IPO market.

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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 exercise of underwriters' over-allotment options, if applicable. The data is collected from various sources, including IPO.com, IPOCentral.com, SEC filings and the Washington Service Bureau.

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