

Q2 2003 IPO Market Review

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The IPO market produced just three IPOs (excluding REITs) with gross proceeds of \$174 million in the second quarter of 2003, even as the broader market indices experienced solid double-digit gains. In comparison, the second quarter of 2002 saw 33 IPOs with gross proceeds of \$6.18 billion. The second quarter total even fell short of the four IPOs with gross proceeds of \$983 million in the first quarter of the year-at that time, the lowest quarterly number of IPOs since the fourth quarter of 1975.

Two of the quarter's IPOs received enthusiastic receptions. iPayment, a provider of credit and debit card-based payment processing services to small merchants, increased the size and price range of its offering due to strong demand and enjoyed a first day gain of 31% before closing the quarter 49% above its offer price.

In another sign of strong interest, FormFactor, a provider of precision, high performance advanced semiconductor wafer probe cards, priced well above its price range, ended its first day of trading up 26% and closed the quarter slightly higher. The FormFactor IPO was the first pure technology IPO to price since Seagate Technology in December 2002.

The four IPOs from the first quarter of 2003 gained an average of 52% during the second quarter, comparing favorably to the Nasdaq (up 21% for the quarter) and Dow (up 13%). The average 2003 IPO ended the second quarter 49% above its offer price.

Looking to the second half of 2003, we expect to continue to see offerings coming mainly from high-quality, profitable companies. We also anticipate the emergence of high-quality, VC-backed IPO candidates as portfolio companies continue to mature, especially if the capital markets continue their recent strong performance.

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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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