
Q3 2003 IPO Market Shows Signs of Resurgence

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The third quarter of 2003 produced 19 IPOs — the highest third quarter total since 2000 — with gross proceeds of \$4.81 billion. This comes on the heels of one of the weakest periods in IPO history as the first half of 2003 produced only seven IPOs. There were only five IPOs in the third quarter of 2002 — all in July — with gross proceeds of \$4.90 billion, most of which came from the giant IPO of CIT Group.

Capital market conditions were favorable for new offerings in this year's third quarter. The Dow gained 3.2% (11.2% year to date through September 30) and the Nasdaq gained 10.1% (33.8% year to date through September 30). The average 2003 IPO has fared well in the aftermarket, ending the third quarter one-third above its offer price. Of the 26 IPOs through the third quarter, 23 (or 88%) were trading above their offer price at September 30, and eight were up more than 50%.

The seven IPOs from the first half of 2003 continued their market gains, advancing an average of 10.3% during the third quarter, with mortgage banking company Accredited Home Lenders the top performing IPO of the year up 171%.

After the first half of the year produced only one technology IPO (semiconductor company FormFactor), the third quarter saw strong IPOs by a number of technology companies, led by connectivity software company iPass (up 68% from its offer price as of September 30), audio technology

company Digital Theater Systems (up 65%), DVD software company InterVideo (up 53%), semiconductor company SigmaTel (up 37%) and networking company Netgear (up 19%).

Venture-backed IPOs have also made something of a comeback. There have been nine IPOs by VC-backed companies through the first three quarters of the year and, according to Reuters, there were 35 more in IPO registration as of October 1, 2003.

With the major indices showing continued strength and a number of promising companies with demonstrated profitability in registration, the fourth quarter is likely to see a continued flow of new IPOs.

David A. Westenberg

Senior Partner

David.Westenberg@haledorr.com

Tim Gallagher

Financial Analyst

Timothy.Gallagher@haledorr.com

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.

Authors



**David A.
Westenberg**

RETIRED PARTNER

✉ david.westenberg@wilmerhale.com

☎ +1 617 526 6000