

## IPO VIEW - After "Bubble," it's look before you leap

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By Steve James

NEW YORK, Feb 29 (Reuters) - The numbers don't lie: 30 initial public offerings worth more than \$6 billion priced so far this year, compared with only four in the same period last year.

IPOs are back, yes, but this year investors are not going to be taken in by outrageous promises that characterized the "dotcom bubble" of the late 1990s.

"Today is a much different market than we saw in 1999 to 2000," said Gary Kirkham, managing director for technology investment banking at Merrill Lynch.

"Back then, companies with weak fundamentals left a bad taste with investors. Today, better companies are filling out the next wave of IPOs," he said last week in a panel discussion on IPOs in the computer security field.

Timothy Pollock, a business professor at the University of Maryland, agreed that investors are likely to be taking a more cautious approach to new offerings than they did in the mad-cap days of "the Bubble."

"When you look at some of the companies that launched IPOs in '99 and 2000, they were pretty awful, and the business models they proposed were no good," he told Reuters.

"Given that the stock market had a good year as far as returns, and there have been several successful IPOs, people are more confident.

"It's a typical cycle, a few companies go public first, then investors warm up, but you hope it doesn't end up like the last time with too many companies going public, resulting in less discrimination and the quality going down," Pollock said.

### TANGIBLE AND INTANGIBLE

At the San Francisco IPO summit sponsored by RSA Security Inc. (RSAS.O: [Quote](#), [Profile](#), [Research](#)), panelists agreed that the success of new IPOs will depend on several tangible and intangible criteria.

The financial markets are now demanding that companies be able to show a large and growing market opportunity, sustainable business model, critical mass, significant customers, well-defined sales channels, meaningful revenues with significant international exposure and a complete, proven management team.

This is in stark contrast to IPOs during "the Bubble," during which immature companies with unproven business models, limited overall market opportunities and inexperienced management teams led to disappointing post-IPO results and even collapses.

Alex Vieux, publisher and chief executive of Red Herring Online, told the summit there is an appetite for IPOs in the financial community.

"(But) Companies must show that they will not be great just for today, but also great two to three years from now and beyond," he said.

Two companies hoping to prove their bona fides to investors through IPOs this week are Chinese -- the latest in an overseas IPO rush

from China that is expected to raise about \$15 billion this year as the country taps keen investor demand for a slice of an economy that grew 9.1 percent in 2003.

Chinese Internet and media company TOM Online Inc. plans to sell 11.25 million American Depositary Shares (ADS), or 900 million common shares in New York, plus another 100 million common shares in Hong Kong for a total global offering of 1 billion shares. Each ADS is equal to 80 common shares. It estimated the IPO price at \$13.56 to \$15.56 per ADS. Citigroup and Morgan Stanley are underwriting the IPO.

#### DELIVERS TO MOBILE PHONES

TOM, a unit of tom.com Ltd. (8001.HK: [Quote](#), [Profile](#), [Research](#)) , is based in Beijing and backed by Asia's richest businessman, Li Ka-shing. It delivers services and online advertising from its Web sites to about 27 million mobile phone users.

It has applied to list its ADSs on the Nasdaq market under the ticker symbol "TOMO" (TOMO.O: [Quote](#), [Profile](#), [Research](#)) . It has also applied to list on the Hong Kong Stock Exchange under the symbol "8282" (8282.HK: [Quote](#), [Profile](#), [Research](#)) .

The proceeds from the offering may be used for expanding content and applications for wireless services, research and development, sales and marketing, potential acquisitions and general corporate purposes.

Proceeds may also be used for payments from the acquisition of Puccini, an interactive voice response system it acquired last November.

The other Chinese offering is Linktone Ltd., which provides wireless services for mobile phone users. It plans to offer 5.15 million ADS, and certain shareholders would offer an additional 910,000 ADS. Each ADS represents 10 shares of Linktone stock, so the total 6.06 million ADS in the offering represents 60.6 million ordinary shares.

Linktone anticipates an IPO price of between \$10 and \$12 per ADS and the company said it has applied for a Nasdaq listing under the symbol "LTON" (LTON.O: [Quote](#), [Profile](#), [Research](#)) .

Credit Suisse First Boston, J.P. Morgan, Piper Jaffray, and CLSA Asia Pacific Markets are to underwrite the offering.

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