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RPT-UPDATE 2-Value retailer Five Below sizzles in market debut

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* Shares rise as much as 65 pct

* Priced IPO of 9.6 mln shares at \$17 each

July 19 (Reuters) - Five Below Inc's shares surged as much as 65 percent in their market debut, as investors rushed to grab a piece of the teen-focused value retailer.

The U.S. IPO market, which had a month-long lull following the disappointing Facebook Inc offering in May, has seen a revival of sorts in recent weeks.

Five Below's strong start follows that of other consumer companies such as teen retailer Tilly's Inc in May and specialty retailer Francesca's Holdings Corp last year.

Josef Schuster, founder of Chicago-based financial services firm IPOX Schuster LLC, said Five Below's debut reflects the underlying strength of the U.S. IPO market, where small to mid-cap companies in the specialty sector have been received well.

"It's a recipe for success - small float, small size, growth stock," Schuster said.

The company sells everything from funky party goods to trendy iPhone cases, all priced at or below \$5.

Value retailers such as Five Below are typically less sensitive to the business cycle than luxury retailers like Michael Kors Holdings Ltd and luggage maker Tumi Holdings Inc that recently went public, said Jay Ritter, a University of Florida IPO expert.

"I think the fact that they are low priced as opposed to premium is actually a big plus for them in this kind of an economy," Pennsylvania State University business professor Timothy Pollock told Reuters.

Five Below plans to open about 50 stores in 2012. As of April 28, it operated 199 stores across 17 states, where it attempts to create an upbeat and vibrant retail experience to appeal to young shoppers.

Sales at the retailer rose 50 percent to \$297.1 million in fiscal 2011 and gross profit margin expanded to 35.29 percent.

Goldman Sachs, Barclays and Jefferies were the lead underwriters to the offering.

Shares of the Philadelphia-based company were up 61 percent at \$27.42 on Thursday on the Nasdaq.

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