

 [Print this article](#)

[Close This Window](#)

IPO View: IPO investors seek assets, not expectations

Fri Jul 21, 2006 5:37 PM ET

By Yung Kim

NEW YORK, July 21 (Reuters) - Tried and true industries like health care, insurance, and oil and gas will take center stage on the initial public offering market over the next couple weeks -- and that's no coincidence.

A dearth of stock flotations related to riskier industries like telecoms and the Internet is a sign that investors have been rattled by three weeks of losses on the tech-heavy Nasdaq as well as concern about fighting in the Middle East and a slowing economy.

That's pushing investors toward companies in easy-to-understand industries with steady cash flow and earnings, said Timothy Pollock, a professor of business at Penn State University in State College, Pennsylvania.

"Banks, insurance companies, and stuff like that do OK and are able to go public because you know how much money they have in the bank and what they are worth," Pollock said. "You are buying assets as opposed to promises and expectations."

CHG Healthcare Services Inc. <CHGH.O>, GeoMet Inc. <GMET.O>, an oil and gas exploration company, and Security Capital Assurance Ltd. <SCA.N>, an insurance company from Bermuda, are scheduled to price their shares over the next couple of weeks.

On the year, the finance sector has led the IPO market with 35 offerings, followed by health care with 19, according to data tracker Dealogic.

The IPO market did have nine withdrawals in June, making 35 on the year. Most of the postponements were attributed to rocky conditions in a broader market which is struggling.

"People have seen so many badly structured IPOs from the bubble years," said IPO analyst David Menlow. "They still cling to the memories of that and are losing sight of the fact that most of these companies have really strong fundamentals."

Still, a number of IPO deals debuted this year with gains, only to sink, while shares of other IPOs debuted low and continued their tumble, notably Vonage Holdings Corp. <VG.N>, the year's worst performing IPO.

The Internet phone service provider closed at \$6.87 on Friday, down 4.3 percent on the day and 59 percent from its \$17 IPO price.

However, the IPO market has been "extraordinarily healthy" overall and continues to follow the broader market, Menlow said.

"Over the last two and a half years, this market has been firming," Menlow said.

CRYSTAL RIVER IN FOCUS

Two IPOs valued at \$250 million or more are expected to price in the week ahead, including Crystal River Capital Inc.

Crystal River Capital is a specialty finance company that invests in residential and commercial mortgage-backed securities, among other instruments.

The Carbondale, Colorado-based company, which is managed by a subsidiary of Hyperion Brookfield Asset Management, Inc., expects to qualify as a real estate investment trust, according to documents filed with the U.S. Securities and Exchange Commission.

However, the debut will happen at a time when mortgage REITs have been taking hits due to a rise in interest rates and competition for loans, said Bose George, an analyst with Keefe, Bruyette & Woods, Inc.

"There has been a little bit of capital raising (among REITs), but very little, just because share prices have been so depressed," George said.

Shares of Thornburg Mortgage Inc. <TMA.N> fell as much as 15 percent on Friday after the REIT announced that profits fell short of Wall Street estimates.

"Some people may just be surprised by the timing (of the IPO) given that REITs are struggling," George said. "Hopefully the light is at the end of the tunnel, but the stocks have not started to move yet."

Chart Industries Inc., which manufactures equipment for the production, storage and end-use of hydrocarbon and industrial gases, will also float shares tentatively valued at \$250 million.

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

[Close This Window](#)