

Google bidding conundrum: To bid now or later?

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By Nicole Maestri

NEW YORK, Aug 13 (Reuters) - Google's auction is now open but with no word yet on when it will close, investors will have to calculate exactly when the best time is to place their bids to buy shares of the Web search provider.

Google began taking bids for its \$3.3 billion auction-based IPO on Friday morning and has said it expects the price of the IPO to be announced next week.

But it has not yet said when the window will close for investors to submit their bids, which need to outline how many shares they want to buy and at what price.

"Traditionally, most people in auctions in which I participated put their bid in nanoseconds before the auction closed," said Bruce Foerster, a veteran IPO expert and chief financial officer of privately-held Aurora Capital in Sunrise, Florida. "Why do you put your bid in early? You don't get rewarded for it."

Putting a bid in early when there is no clear indication when an auction will close or how it could be affected by external events adds another level of risk to bidding on IPOs, which is already a risky proposition, he said.

"The capital markets have always been risky," he said. "But if you know the dimensions of the playground, you have some chance to define your risk."

Google said in its offering document that bidders will be able to modify any bid until the auction is closed or withdraw any bid until it has been accepted.

But Timothy Pollock, an associate professor at Penn State University, said investors who participate in auctions typically do not withdraw and submit bids multiple times since brokerage firms do not always allow that type of activity.

"If you're submitting and withdrawing bids, they'll just not let you bid any more," he said.

Pollock likened the IPO auction bidding process to how auctions work on eBay Inc. (EBAY.O: [Quote](#), [Profile](#), [Research](#))

"You have some early bids, you'll have a floor established, but you probably won't see much action until closer to the end of the auction period because then you'll have the most information," he said.

Google's auction got off to a rocky start on Friday after it sidestepped a bullet from securities regulators.

Mountain View, California-based Google opened its auction Friday morning at 9 a.m. (1300 GMT) though hours earlier it filed an amended regulatory document saying a Playboy magazine interview with its founders may have violated U.S. securities rules.

Late on Friday a source familiar with the matter said the Securities and Exchange Commission (SEC) would not delay the deal because of the interview.

Google has filed to sell 25.7 million shares at an estimated price range of \$108 to \$135 per share in a modified Dutch auction.

The auction is landing as investor demand for new deals has soured. A slew of recent IPOs has been postponed or withdrawn and most of the quarter's IPOs have come to market only after cutting their prices.