

UPDATA ADVISORS RESEARCH BULLETIN

2007 IT IPOs

January 2008

It has been difficult thus far in 2008 for the US financial markets. The decline in the NASDAQ and S&P 500 -- each down 13% and 11% respectively since the beginning of the year -- has had a naturally chilling effect on the IPO market. It is not surprising that only one company (not in the IT space) has gone public to date. Furthermore, we have seen only two filings by technology companies in 2008 -- LogMeIn and Intelius.

But, in our experience a slow IPO market can and often does encourage increased M&A activity as companies pursue alternate paths to liquidity and growth.

With hindsight back to 2007, 41 companies in the Software, IT Services and Internet sectors followed by Updata went public, raising \$8.6 billion in gross proceeds. Trading results for these firms were very mixed, with a median one-day increase of 17%.

2007 IPOs: Software, Services and Internet					
			% Change (median)		
	# of IPOs	Total Gross Proceeds (millions)	IPO Price/ First Day Close	IPO Price/ 12/31/07 Close	IPO Price/ Current Price
Internet	15	\$ 3,277	18%	-6%	-18%
Infrastructure Software	8	\$ 2,115	29%	-7%	-28%
IT Services	8	\$ 1,913	18%	30%	-4%
Enterprise Software	10	\$ 1,266	16%	28%	-2%
Software, Services and Internet	41	\$ 8,571	17%	14%	-15%

IPO Analysis by Sector

Internet/New Media				
	Total Gross Proceeds (millions)	% Change (median)		
		IPO Price/ First Day Close	IPO Price/ 12/31/07 Close	IPO Price/ Current Price
Mercadolibre, Inc	\$ 289	58%	310%	155%
American Public Education Inc	\$ 94	80%	109%	107%
ComScore	\$ 83	42%	98%	60%
Perfect World Co., Ltd	\$ 189	28%	74%	41%
K12, Inc	\$ 108	36%	44%	17%
TechTarget Inc.	\$ 100	14%	14%	-7%
VisionChina Media Inc.	\$ 108	0%	6%	-18%
Internet Brands, Inc	\$ 48	4%	-12%	-15%
Giant Interactive Group, Inc	\$ 887	18%	-16%	-31%
Switch & Data Facilities Co. Inc.	\$ 198	12%	-6%	-34%
ChinaEdu Corp	\$ 68	-20%	-15%	-35%
Dice Holdings, Inc	\$ 217	3%	-39%	-44%
Noah Education Holdings Ltd	\$ 138	42%	-42%	-61%
Limelight Networks, Inc	\$ 240	48%	-54%	-56%
Orbitz Worldwide	\$ 510	-3%	-43%	-59%
Internet/New Media	\$ 3,277	18%	-6%	-18%

Infrastructure Software				
	Total Gross Proceeds (millions)	% Change (median)		
		IPO Price/ First Day Close	IPO Price/ 12/31/07 Close	IPO Price/ Current Price
VMware, Inc	\$ 957	76%	193%	171%
BladeLogic, Inc	\$ 85	47%	74%	37%
Netezza Corporation	\$ 108	45%	15%	-18%
DuPont Fabros Technology	\$ 641	8%	-7%	-25%
Compellent Technologies, Inc.	\$ 81	78%	-11%	-31%
Voltaire Ltd	\$ 52	-7%	-32%	-40%
3Par Inc	\$ 105	13%	-8%	-40%
Sourcefire Inc.	\$ 87	3%	-44%	-62%
Infrastructure Software	\$ 2,115	29%	-7%	-28%

IT Services				
	Total Gross Proceeds (millions)	% Change (median)		
		IPO Price/ First Day Close	IPO Price/ 12/31/07 Close	IPO Price/ Current Price
AECOM Technology Corp.	\$ 703	9%	43%	20%
Virtusa	\$ 62	-15%	24%	4%
Longtop Financial Technologies Ltd	\$ 183	85%	35%	-11%
Genpact	\$ 494	20%	9%	-15%
VancelInfo Technologies Inc.	\$ 65	17%	6%	-28%
MedAssets	\$ 213	28%	50%	33%
athenahealth, Inc	\$ 113	97%	100%	104%
ICx Technologies, Inc	\$ 80	-20%	-40%	-44%
IT Services	\$ 1,913	18%	30%	-4%

Enterprise Software				
	Total Gross Proceeds (millions)	% Change (median)		
		IPO Price/ First Day Close	IPO Price/ 12/31/07 Close	IPO Price/ Current Price
Solera Holdings	\$ 420	15%	55%	39%
Constant Contact	\$ 107	73%	34%	41%
PROS Holdings	\$ 75	17%	78%	37%
DemandTec, Inc	\$ 66	-15%	75%	11%
NetSuite	\$ 161	37%	51%	3%
Salary.com Inc.	\$ 60	19%	22%	-8%
SuccessFactors	\$ 108	28%	18%	-15%
SoundBite Communications	\$ 42	0%	-14%	-21%
Deltek, Inc	\$ 162	0%	-15%	-33%
HireRight, Inc.	\$ 66	-2%	-17%	-41%
Enterprise Software	\$ 1,266	16%	28%	-2%

Some of the more anticipated IPOs in 2008 are those which address current hot-button issues, for example:

- Glass House Technologies, an IT consulting, technology integration and managed services provider targeted at "Green Tech" datacenter storage and infrastructure needs
- RiskMetrics Group, a provider of risk management/measurement and corporate governance products and services to global financial markets

Looking back over the past 10 years, 2007 was a very strong year for technology sector IPO's. The table at right presents analysis obtained from Factset's IPO Database highlighting that 2007 was the best IPO year, both in number of offerings and gross proceeds, since 2000:

Year	All Companies		Tech Companies (1)	
	# of IPOs	Gross Proceeds (mm)	# of IPOs	Gross Proceeds (mm)
2007	200	\$ 47,551	24	\$ 4,520
2006	185	\$ 53,656	9	\$ 763
2005	194	\$ 24,683	11	\$ 2,099
2004	235	\$ 45,214	19	\$ 3,866
2003	80	\$ 17,771	9	\$ 681
2002	86	\$ 26,381	11	\$ 1,251
2001	92	\$ 42,242	10	\$ 4,452
2000	427	\$ 94,213	112	\$ 12,691
1999	556	\$ 94,701	176	\$ 13,691
1998	383	\$ 45,432	54	\$ 3,185

Source: Factset IPO Database

(1) Tech Companies defined using Factset IPO Technology Services Sector

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