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## How Do You Spell IPO Now? TECH

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The few companies that have registered in 2009 to launch IPOs in the U.S. are focused on a sector that slipped into the background last year: technology.

After a decade of being either the first or second-largest source of initial public offerings, technology companies tied at third last year with health-care offerings, according to data from Renaissance Capital's IPOhome.com Web site.

This year, they are the only companies registering prospectuses -- there are only three registrations total -- with the Securities and Exchange Commission.

One, Chinese game developer ChangYou.com Ltd., is scheduled to begin trading April 2 on the Nasdaq Stock Market under the symbol CYOU. The other two in registration, software maker Medidata Solutions Inc. and restaurant-reservation service OpenTable Inc., haven't set pricing terms yet. Both declined to comment on when their deals might come out.

Though their business models and financial strength vary, the three companies are aiming at a market that hasn't seen a technology deal since Rackspace Hosting Inc. bombed in August, falling 10% on its first day out of the gate. That stock closed Friday at \$6.25, 50% below the \$12.50-a-share IPO price.

Still, there have been glimmers of light among established technology stocks lately. While the Dow Jones U.S. Software & Computer Services Index is well below its 12-month high hit in May, it has been trending up from a year-to-date low it hit this month.

Analysts are optimistic about ChangYou.com's prospects, though it has a short track record: Its first online, multiplayer game, Tian Long Ba Bu, hit the Chinese market in May 2007.

Yet the company's revenue and profits have increased at a fast clip, fueled by gamers buying virtual gems and magic medicine to bolster their martial-arts-focused characters' online exploits.

"It's a hot business model right now, and it looks like these gamers are very, very loyal," said Tom Taulli, founder of BizEquity, a business valuation Web site. "Also, China is one of the few countries where there is growth right now."

The prospects for Medidata and OpenTable aren't as clear. Medidata, which makes Internet-based software that organizes clinical trial data for pharmaceutical and medical-device companies, has a host of well-known customers, ranging from [Johnson & Johnson](#)

to [Takeda Pharmaceutical](#). What it doesn't have is great financials; its operating losses stretch back to 1999. Then there is the matter of consolidation among its customer base; there has been a recent spate of big acquisitions in the pharmaceutical industry.

OpenTable, an online-reservation system that charges restaurants a monthly subscription and a fee for each diner seated, also has a history of operating losses; it posted net income in 2006 and 2007 through the interest it earned on its cash accounts, but higher income taxes wiped that out in 2008.

The company also is yoked to an industry that has been struggling with slowing consumer spending. TableXchange, a Web site that let diners buy and sell reservations, said last week that it would close April 1. A company co-founder said the need for such a service had collapsed amid the economic downturn.

"These are not clean, slam-dunk companies. They clearly haven't sustained consistent profitability. In this case, I'm not sure of the receptions they're going to get. They're going out early in terms of stage of the company," said Brian Hamilton, chief executive of financial-analysis software firm Sageworks Inc.

"The remedy to that would be if they could price the stock at a really attractive price," he said.

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