HEMSCOTT
EMPOWERING INVESTORS

IPO Spotlight: Analysts' 2008 forecast

NEW YORK (AP) - Despite credit woes and increased stock market volatility, 2007 saw the strongest initial public offering market in seven years, amid a surge in issuance by technology firms and foreign companies. But analysts aren't so sure the momentum will continue in 2008.

'I don't see a banner year, I see a year of increased hesitancy,' said David Menlow, the president of IPO Financial Network. 'Today's marketplace is not just about being able to bring a deal to market, it's about keeping it above its IPO price.'

Analysts expect underwriters to raise the bar on the companies they take public as broader market turmoil and concerns about the health of the financial sector, consumer spending and soaring fuel prices will likely curb investor appetite.

But a less prolific IPO market isn't necessarily bad for investors.

'If you can buy good companies in a volatile market that is slightly more depressed, it will be better in the long run,' said Brian Hamilton, chief executive of financial research firm Sageworks Inc.

A total of 234 deals raised $54 billion dollars in 2007, compared with 198 deals and proceeds of $43 billion in 2006, according to Renaissance Capital's IPOHome.com.

About 26 percent of the companies that went public in 2007 were technology firms, the most since 2000. What's more, several tech companies had blockbuster debuts, including VMware Inc., a spinoff of data storage company EMC Corp., which raised more than $1 billion to become the largest tech IPO since online search engine Google Inc. in 2004. With technology firms accounting for 21 percent of the 170 deals in the pipeline, analysts expect it to remain a top IPO sector next year.

'With how well on-demand software providers did this year, I wouldn't be surprised to see more issuance from that front,' said Sam Snyder, senior research analyst at IPOHome.com. Shares of Athenahealth Inc., for example, which provides Internet-based business services to medical practices, have more than doubled since its IPO priced at $18 per share in mid-September.

On-demand companies are popular with investors because of their simple business model, said Gaskins. 'It's expandable and scalable,' he said. 'They don't have inventory, they don't need capital equipment, and they are not reliant on the debt markets.'

The number of foreign issuers jumped 62 percent to 55 in 2007, and represented 24 percent of total IPO proceeds. Deals, mainly from China and South America, covered such industries as e-commerce, digital advertising and energy.

Two of the five best performing IPOs of 2007 were Chinese solar cell makers JA Solar Holdings and Yingli Green Energy. Shares of JA Solar are currently trading at more than four times their offering price of $15, while Yingli shares are trading at more than double their IPO price of $11.The influx of deals from China should continue next year, ahead of the Summer Olympics, Snyder said.

Overall, analysts expect fewer blockbuster deals, especially in the financial sector, with the exception of the highly anticipated IPOs of credit card giant Visa Inc. and private equity firm Kohlberg Kravis Roberts & Co.