

# Austin's growing Wall Street connections

## Several plan IPO; that's good for Austin, overall

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When Austin-based HomeAway Inc. registered for an initial public offering earlier this month, it was more than good news for the vacation-home-rental website. It was an indicator of a trend that will likely result in hundreds of new jobs, billions in new capital and even more buzz for Central Texas' business scene.

**HomeAway executives hope to walk away from their IPO with \$230 million, and the startup is just one of four local companies with firm plans to go public. The offerings — if they are eventually completed — could generate a \$1.6 billion investment in the companies.**

**Such capital enables a company to expand. And expansion translates to additional workers — a key ingredient missing from the current economic recovery.**

More importantly, the uptick in IPOs is a measure of confidence in the overall economy. The activity produces attention for Central Texas and lends a measure of business credibility, Texas Economic Development CEO **Carlton Schwab** said.

"It generates a fair amount of publicity for what is going on in the region — that's a positive," he said.

Of course, the companies will have to give up some privacy in exchange for the capital. Regulatory guidelines require such companies to disclose their financials, giving competitors a glimpse into their operations.

But long term, that transparency could attract even more investors.

The global recession that started in 2008 had a chilling effect on IPOs everywhere, including Central Texas.

In 2009, software maker SolarWinds Inc. (NYSE: SWI) became the first local company in three years to complete an IPO. During 2010, two Austin-based companies completed IPOs. Software maker Convio Inc. (Nasdaq: CNVO) raised \$46.2 million in April, and NetSpend Holdings Inc. (Nasdaq: NTSP) raised \$204 million in October.

Rules-Based Medicine Inc. and Wintegra Inc. registered their IPO plans, but subsequently withdrew them last year.

Austin currently has 30 public companies, according to the *Austin Business Journal's 2011 Book of Lists*. Since 1995, 48 Austin companies have gone public, according to the Austin Chamber of Commerce — though many, such as

DrKoop.com and Garden.com — are out of business or have since gone private in some way.

In January, a study by BDO USA LLP found that nearly 72 percent of investment bankers expect U.S. IPO activity to increase this year compared with 2010. Eighty-seven percent of the bankers projected IPOs in technology, 83 percent in energy, 65 percent in biotechnology and 60 percent in health care.

### *Austin IPOs on the horizon*

Earlier this month, Austin-based Newgistics Inc. registered to raise about \$86.3 million with an IPO. The company, founded in 1999, is mostly owned by Austin Ventures. It provides technology-assisted delivery and logistics services for retailers.

In February, Freescale Semiconductor Inc. registered for a \$1.15 billion IPO — though that capital will be used principally to pay off debt — and San Marcos-based Thermon Group Holdings Inc. filed to raise about \$144 million. HomeAway, founded in 2005, filed details of a proposed IPO on March 11 after months of speculation that it would complete an offering of its stock by June. The company, which employs 781 workers, provides listings for vacation homeowners on 31 websites in 11 languages, according to the filing with the U.S. Securities and Exchange Commission.

During 2010, it posted a \$16.9 million profit on \$167.9 million in revenue, the filing shows.

HomeAway plans to use the capital it raises from the IPO to buy additional businesses. It has grown mainly through a roll-up strategy, acquiring at least 14 similar rental websites and two software companies.

HomeAway has raised \$404 million in equity capital and \$110.5 million in bank debt since it was founded. Investors include Austin Ventures, which owns 24 percent of the company, and three California-based firms, Redpoint Ventures, Technology Crossover Ventures and Institutional Venture Partners, according to the filing.

Investment banker **Sean Kelly**, the Austin-based managing director of the Cappello Group Inc., expects IPO activity to continue as long as the economy and the public markets remain stable.

“Some of the activity is certainly backlog,” he said, “but valuations are up and financial results are improving across a wide range of industries, which should continue to drive increased transaction volume in 2011.”

Although there are four Austin companies with IPO plans on file with the U.S. Securities and Exchange Commission, there are others quietly moving in that direction.

For example, XBiotech USA Inc. — a three-year-old biotech company in South Austin with 80 workers focused on cancer-fighting treatments — has an ambitious plan to hire hundreds in the coming years, and it hopes to fund the expansion via an IPO, said CEO and founder **John Simard**. He said the company just hired a chief financial officer, who is tasked with putting together the paperwork needed to take the company public.

**Courtesy of JB Goodwin**