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Thursday, May. 21, 2009

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Thu May 21 14:34:38 EDT 2009

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OpenTable shares soar 39 percent in debut

Source: Reuters
 Posted: 05/21/09 12:29PM
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Shares soar 39 pct in debut

Shares priced above expectations (Adds analysts, Nasdaq quotes, background, byline)

By Phil Wahba

NEW YORK, May 21 (Reuters) - OpenTable Inc shares jumped 39 percent in their trading debut Thursday following the restaurant reservation company's initial public offering.

In early trading on Nasdaq, the shares were changing hands at \$27.80, after going as high as \$30, the morning after the company raised a more-than-expected \$60 million in its IPO.

Shares had started trading at a 22.5 percent premium over the \$20 IPO price, above the expected range.

"It's such a small deal and people are interested in the brand name, plus it's the first real VC-backed IPO by a Silicon Valley firm in a while," said Nick Einhorn, an analyst with Connecticut-based Renaissance Capital.

OpenTable sold a modest 3 million shares, something Einhorn said will make the stock more volatile and could explain its strong debut.

Einhorn said the absence of directly comparable companies makes valuing the shares more of a shot in the dark, though its stock price in relation to last year's sales shows it could be overvalued.

Still, Einhorn said, the company, whose sales rose 35.7 percent last year, could benefit by restaurants wanting to use its system to draw traffic in these hard times.

The IPO is the first by a U.S. company on Nasdaq this year and the second this week by a venture-backed technology company, following a \$151 million deal by network software maker SolarWinds Inc .

OpenTable, whose clients include leading restaurants such as New York's Union Square Cafe and Gramercy Tavern, and whose backers include famed restaurateur Danny Meyer and CitySearch founder Tom Layton, said in a filing that it is used by about 10,000 restaurants in the United States.

The company had raised its price estimate range earlier this week, meaning the \$20 IPO price is 54 percent above the midpoint of the earlier range, indicating an overpricing.

"This reminiscent of the 1999-2000 IPO pricings," said Scott Sweet, a senior managing partner with advisory firm IPO Boutique.

"This IPO environment has not and should not see a pricing like what was chosen, considering the restaurant business is very prone to the recession."

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Partners and Impact Venture Partners.

"This shows the market is getting better and there is pent-up demand from investors that love to buy IPOs," said Bob McCooey, head of new listings at Nasdaq OMX Group .

The underwriters, led by Bank of America Merrill Lynch as well as Allen & Co LLC, have an option to purchase 450,000 shares to cover overallocments.

If OpenTable holds on to its first day gains, it would be the seventh U.S. IPO in a row to see shares jump in their first day of trading. (Reporting by Phil Wahba; Editing by John Wallace, Phil Berlowitz)

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