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Analyst: NetSuite IPO should find success

Chris Kanaracus

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NetSuite's decision to hold an auction-style IPO later this month will probably pay off, one analyst judged on Friday.

"I expect a very good amount of demand, and I do expect it to price above \$16. The only caveat is, the [IPO] market is quite poor right now," said Scott Sweet, managing director of IPOBoutique.com.

The hosted business software vendor plans to sell 6.2 million shares of common stock for an expected \$13 to \$16 each through the auction, which would raise a maximum of \$99.2 million. The Wall Street Journal has reported that the auction will take place Dec. 21. A NetSuite spokeswoman could not immediately be reached Friday to confirm that date.

NetSuite's stock will be traded on the New York Stock Exchange under the single-letter symbol "N."

The company, which targets small to midsized businesses, is following the lead of Google in conducting an online, auction-style IPO, which is meant to attract a wide range of investor types.

Under the auction's rules, individuals who have an account with Credit Suisse Securities, W.R. Hambrecht & Co., or ETrade Securities can submit bids, according to the SEC filing regarding the plan.

NetSuite posted a net loss of \$35.7 million in 2006, and in 2007 has so far lost \$20.6 million for the nine months ended Sept. 30. Also, its accumulated deficit stood at \$241.6 million as of Sept. 30, NetSuite said.

However, its revenue is on a general upswing, growing from \$17.7 million in 2004 to \$67.2 million in 2006. That trend continued this year, as the company took in \$76.8 million for the nine-month period ended Sept. 30. NetSuite said it had 5,400 customers as of that date.

"Bottom line, their losses are coming down, but they still need some work," Sweet said. "If their losses were going up, that would probably turn off many technology investors."

He also remarked on NetSuite's decision to hold the auction so close to Christmas: "Talk about pushing it. It's getting real close."

NetSuite said it plans to use the proceeds to pay off an \$8 million balance on a line of credit with Tako Ventures, an entity controlled by Oracle CEO Larry Ellison, a major investor in NetSuite.

"We may also use a portion of the proceeds from the offering to acquire other businesses, products, or technologies. We do not, however, have agreements or

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NASDAQ	2,706.2		-2.9
NYSE	10,023.6		-6.6
S&P 500	1,504.7		-2.7

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commitments for any specific acquisitions at this time," the statement added.

The IPO stands to further enrich Ellison, who controls about 60 percent of NetSuite's outstanding stock, or some 31.9 million shares. He is planning to move those shares into a "lockbox" limited-liability company, in order to "effectively eliminate" his voting control and to avoid potential conflicts of interest, NetSuite said in the filing.

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