

PAGE VIEW 'Trading like a half-dead fish' The Ottawa Citizen Fri Apr 23 2010  
Page: F1 / FRONT Section: Business & Technology Byline: Bert Hill Source: The  
Ottawa Citizen; with Citizen News Services files Scott Sweet, senior managing  
partner of IPO Boutique.com, has seen a lot of public offerings in his 36 years  
tracking the specialized market. But Thursday was one to remember. He called the  
Mitel Networks "the debacle of the day." "Mitel was trading like a half-dead  
fish, flopping around on the floor." The global demand for the stock of new  
public companies has been on a tear for several weeks as the economy  
strengthens. But Mitel Networks discovered that investors can still be very  
picky in an IPO (initial public offering) market, particularly when there is  
suddenly a big assortment of companies to choose from. Most of the six other  
companies launching Thursday stood up to the challenge. Those companies trimmed  
their asking prices and then registering small gains or small losses in  
unfavourable conditions. One company did exceptionally well. Supply chain  
software maker SPS Commerce Inc. sold a big block of stock in the middle of its  
pricing range and then watched the stock jump 13 per cent above the IPO price by  
the end of the day. Mitel failed to pass the test. The stock dropped 12 per cent  
to \$12.30 U.S. from the IPO price and 35 per cent from the goal of \$19 of just a  
few days earlier. It probably won't be the last. "Markets have reached a  
saturation point and people are stepping back," said Sean Kraus, chief  
investment officer at Citizens Business Bank in Pasadena, California. "If they  
were properly valued, maybe they would have had a better outing." Sweet said it  
was clear Wednesday the underwriters were having trouble selling 10.5 million  
shares of Mitel stock in the \$18 to \$20 target range to big institutional  
investors like mutual funds. "They moved the price to \$16 at noon and by the end  
of the afternoon they were down to \$14." Mitel had a high-powered team working  
on the sale. Still, Sweet said the key underwriters -- Bank of America Merrill  
Lynch, J.P. Morgan and UBS -- had to work hard to sell the offering at \$14 per  
share. "Sometimes you can price a stock so low that it works, but that didn't  
work for Mitel." Sweet predicted that many of those underwriters are now getting  
angry calls from institutional investors who bought at \$14. "The stock was  
immediately clipped when it start trading. It lost support right from the start.  
There was panic selling as everybody tried to cut their losses." Sweet said the  
fundamental challenge Mitel faced was convincing ordinary investors to support  
the stock. He said the price, relative to sales, was "three times higher than  
Cisco Systems, a much bigger competitor. "Mitel sales are flat, profit margins  
are low and the balance sheet is lumpy. It just didn't compare well with the  
competition." All the seven new public companies were asking investors to pay a  
premium for their shares after a rally in U.S. stocks to an 18-month high  
spurred a revival in IPO demand. The seven companies launching were the most in  
one day since Dec. 14, 2006. They offered \$1.1 billion of shares, equal to about  
26 per cent of the total raised by U.S. IPOs this year. Even the \$800 million  
they sold was six-year record for a single day. with the benefit of hindsight,  
Sweet said Mitel should have postponed the launch of the stock. One company did.  
Investment service Excel Trust chopped its price target on a \$200-million  
offering and postponed the start of trading Thursday. "Mitel should have pulled  
the offering. There were just too many other companies offering stock in one  
day," Sweet said. "How can they expect to win the hearts and minds of investors  
when it comes time to do a secondary offering?" Firms debuting in the U.S. have  
raised \$6 billion so far this year, nearly four times ahead of the amount raised  
in the same period last year. Edition: Final Story Type: Business Length: 636  
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