



IPOs Take the Stage

2004 WAS A RECORD YEAR FOR THE IPO MARKET; MOMENTUM CONTINUES IN 2005

As IPOs made a comeback last year, the New York Stock Exchange garnered 90 percent of qualified domestic IPO proceeds, with 69 NYSE U.S. IPOs raising \$24.4 billion in 2004. Add to that the 40 closed-end fund IPOs of last year, and a total of \$45 billion in domestic IPO proceeds was raised on the NYSE. The majority of eligible non-U.S. IPOs also listed on the NYSE in 2004, 11 of them raising more than \$6.75 billion. In fact, the 80 NYSE IPOs were a record number for the Exchange, which also listed nine of the 10 largest IPOs by U.S. proceeds raised.

The NYSE was proud to welcome companies diverse in terms of sector and size, from around the U.S. and the globe — many of them market leaders in their industries. The largest U.S. offerings included **GENWORTH FINANCIAL INC.** (GNW), **ASSURANT INC.** (AIZ), **FREESCALE SEMICONDUCTOR INC.** (FSL), **DEX MEDIA INC.** (DEX), **NAVTEQ CORP.** (NVT), **DREAMWORKS ANIMATION SKG INC.** (DWA) and **LAS VEGAS SANDS INC.** (LVS). Other notable domestic IPOs included **DOMINO'S PIZZA INC.** (DPZ), **CABELA'S INC.** (CAB), **BUILD-A-BEAR WORKSHOP INC.** (BBW), **SALESFORCE.COM INC.** (CRM) and **TNS INC.** (TNS) (see “A Company of Their Own,” page 30).

Non-U.S. IPOs included China's **SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP.** (SMI) and **CHINA NETCOM GROUP CORP. LTD.** (CN), Brazil's **GOL LINHAS AÉREAS INTELIGENTES S.A.** (GOL) (also see page 30) and **CPFL ENERGIA S.A.** (CPL), Russia's **MECHEL STEEL GROUP DAO** (MTL), and South Korea's **LG.PHILIPS LCD CO. LTD.** (LPL), the first dual, concurrent listing on the Korean and New York exchanges. “We're pleased with the global investor reaction to our \$1 billion IPO,” says CEO Bon Joon Koo. *International Financing Review Asia* named the LG.Philips transaction “Equity Deal of the Year.”

The NYSE also listed 13 exchange-traded funds (ETFs), derivatives and structured products in 2004. New ETFs included **ISHARES NYSE COMPOSITE INDEX FUND** (NYC) and **ISHARES NYSE 100 INDEX FUND** (NY), the first tradable products based on NYSE indexes; **ISHARES FTSE/XINHUA**

CHINA 25 INDEX FUND (FXI); and **streetTRACKS® GOLD SHARES TRUST** (GLD). This first gold ETF had amassed a net asset value of more than \$2 billion just two months after listing — a record for any NYSE-listed derivative, ETF or structured product.

“The IPO market is alive and well — regardless of concerns around Sarbanes-Oxley and the costs of being a public company,” says Mark Hantho, head of North America Global Capital Markets Coverage, at **MORGAN STANLEY** (MWD). “2004 proved that the IPO market is a very sensible place for investors to do their homework and invest.” Adds

Stephen Pierce, head of equity capital markets for the Americas at **THE GOLDMAN SACHS GROUP INC.** (GS): “In terms of overall IPO market issue volume, 2004 was the second-best year of all time, surpassed only by the year 2000.” He notes that 2004's IPO performance also was good, with the market's average IPO rising 23 percent from its offering price by year-end. NYSE domestic IPOs rose an average of nearly 31 percent by year-end.

Some of 2004's largest transactions, Pierce notes, were carveouts of already public entities. “Investors generally like that,” he says, because of their lower risk profile. Genworth was a carve-

out of **GENERAL ELECTRIC CO.** (GE), Freescale was a carveout of **MOTOROLA INC.** (MOT), **ASSURED GUARANTY LTD.** (AGO) was a carveout of **ACE LTD.** (ACE), and **ADESA INC.** (KAR) was a carveout of **ALLETE INC.** (ALE).

In fact, Genworth was the largest IPO of 2004: The 145 million shares sold on May 25 raised \$2.83 billion. By year-end, investors who had bought shares at the \$19.50 opening price realized a 38.5 percent price rise, progress the company reports it is pleased with: “Since listing, our stock has improved steadily, our businesses continue to execute, and we've introduced our brand using innovative initiatives,” says Michael Fraizer, Genworth chairman, president and CEO. “The Exchange's credibility with investors, and the superior level of service we received, certainly helped the execution of such an enormous deal.”

“The NYSE is the world's center of commerce. [An NYSE listing] is one of the greatest honors and privileges you can have.”

— JEFFREY KATZENBERG, DREAMWORKS

MARKET QUALITY AND CREDIBILITY

Companies say they choose the NYSE for their IPOs because it offers access to information and superior market quality, including lower volatility, minimized discounts for secondary offerings and lower trade-implementation costs. Freescale, the year's fourth-largest IPO, raising \$1.6 billion, "chose the NYSE because we wanted a stable, liquid trading environment," says Chairman and CEO Michel Mayer. "An efficient trading environment is important to our success."

Ray Wirta, the chief executive officer of **CB RICHARD ELLIS GROUP INC.** (CBG), which went public on the NYSE in June 2004, explains that "the Exchange's combination of technology and human interaction provides the best possible trading environment for our investors."

"The NYSE and its specialists provide a tremendous amount of insight in terms of your stock's trading activity and how the market views you," adds Dex Media President and CEO George Burnett. "They also add perspective and analysis so you can better serve and grow your investor base."

Brett White, president of CB Richard Ellis, agrees: "We value our specialist's input in creating a continuous liquidity pool for the stock and providing real-time market insight."

Newly listed IPO companies also point to the New York Stock Exchange's visibility and credibility. "The NYSE is the world's center of commerce and most prestigious institution," says DreamWorks CEO Jeffrey Katzenberg. "We're proud to be a part of the world business market. This is one of the greatest honors and privileges you can have."

For Burnett, "it enhances our credibility to be associated with the world's largest exchange, and that's important to our success as a new company in the public arena." Wirta says CB Richard Ellis also "wanted heightened visibility so we could attract quality investors, which we've achieved."

The December 2004 IPO of **HERBALIFE LTD.** (HLF) "generated

tremendous excitement among our distributors, management and employees around the world," says CEO Michael O. Johnson. "Our NYSE listing is a fact we highlight with customers. An NYSE listing tells the world Herbalife operates on the highest level of ethics and business practices."

Adds Gerardo de Nicolás Gutierrez, CEO of **DESARROLLADORA HOMEX S.A. DE C.V.** (HXM): "We're the first Mexican homebuilder with a dual listing on the NYSE and the Mexican stock exchange. Our listing reflects corporate-governance enhancements and will help us achieve our full potential."

2005: MOMENTUM CONTINUES

The momentum of 2004 is expected to continue through this year. "The backlog of IPO filings is substantial, and the quality of the backlog is exceptionally high, which bodes well for the New York Stock Exchange," says Hantho.

Adds Pierce: "We'll continue to see activity from Asia, particularly privatizations." He also says he anticipates more yield-oriented transactions with high dividends. Among the NYSE's first 2005 IPOs were **CELANESE CORP.** (CE), **AMERICAN REPROGRAPHICS CO.** (ARP), **VALOR COMMUNICATIONS GROUP INC.**

(VCG), **FTD GROUP INC.** (FTD), **SYNIVERSE HOLDINGS INC.** (SVR), **PRESTIGE BRANDS HOLDINGS INC.** (PBH), **HUNTSMAN CORP.** (HUN), **WRIGHT EXPRESS CORP.** (WXS) and **DOLBY LABORATORIES INC.** (DLB).

For more information on NYSE IPOs, visit www.nyse.com/IPOshowcase.

