Tomtom’s Initial Public Offering: Dud or Nugget?

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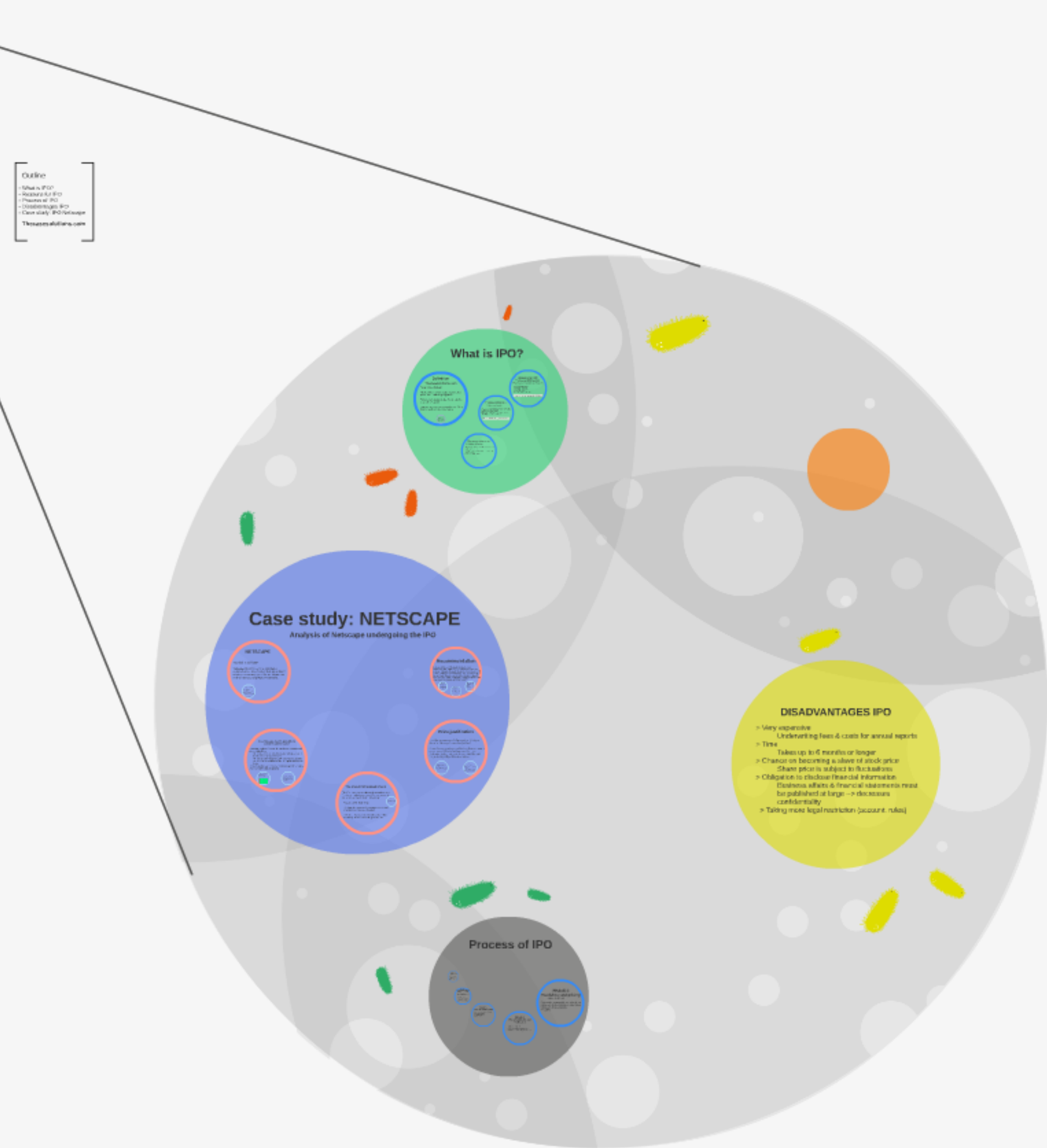

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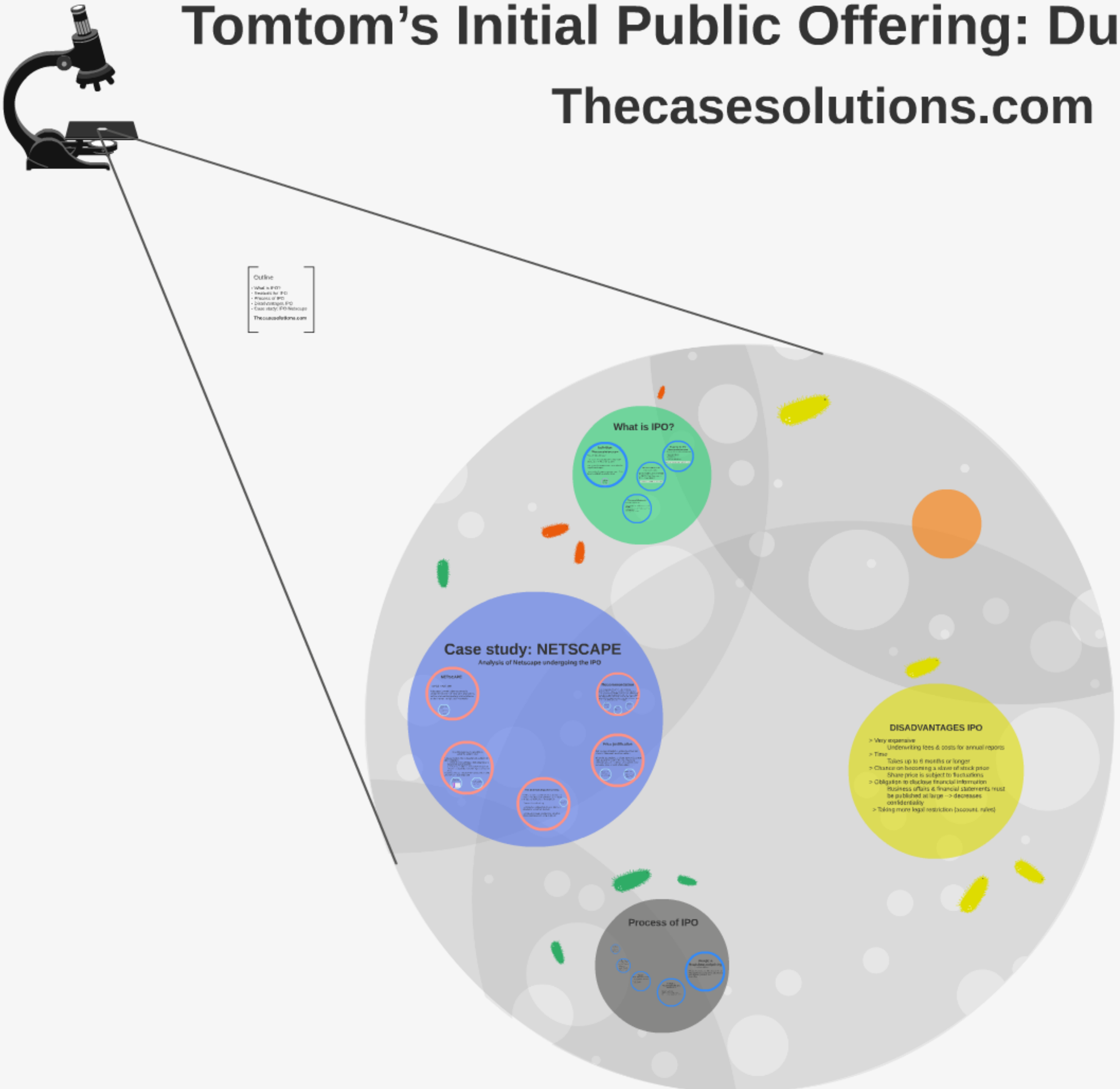

Outline

- What is IPO?
- Reasons for IPO
- Process of IPO
- Disadvantages IPO
- Case study: IPO Netscape

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Definition

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"Initial Public Offerings"

The first time a company sells stocks to the public, also known as 'going public'.

Young, small companies use IPO to raise the expansion of capital.

Large, privately owned companies use IPO to become publicly traded enterprises.

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Many companies that undertake an IPO also request the assistance of an **Investment Banking firm** acting in the capacity of an underwriter to help them correctly assess the value of their shares, that is, the **share price**.
This firm helps them take new bond or stock issues to the market.

Reasons for IPO
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1. Raise capital for growth and expansion

- Fund organic growth
- Pay back investors
- Pay back debts
- Merger and acquisitions

>> Secure the continuing growth of the firm

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>> Secure

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2. Increased liquidity

- Shares are easily traded, more marketable
- Getting more bank loans
- Opportunity for portfolio diversification, flexibility of asset allocation

>> The more liquidity, the more value

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3. Publicity and Prestige

- Generating prestige, public awareness and visibility
- Attracting and retaining qualified managers and employees
- Raising credibility ratio

INITIAL PHASE:
Pre bake-off stage

12-24 months before selecting bankers

- Foster analyst relationships
- Broaden banker relationships
- Private company forums & conferences > discussing the offering, the required registration forms...
- Improve capital base

PHASE 1:
S-1 and preparation of marketing materials

4-6 weeks

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- Select banks
- Organizational meeting
- Due diligence (banker & analyst)
  > in order to make sure that the registrations statements are accurate
- Draft S-1
- Draft management presentation