

## Healthy appetite for OpenTable offering

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Wall Street investors were treated to a rare flashback to the dotcom boom on Thursday as shares in consumer internet company OpenTable soared by almost 60 per cent on their first day of trading.

The eye-catching stock price rise for the company, which enables diners to make restaurant reservations over the internet, caps a flurry of other recent deals that has ended a long drought in new share sales. The gain came in spite of a broad retreat in financial markets on Thursday.

The first-day gain for OpenTable of 59.5 per cent was the largest of any initial public offering in more than a year and came close to the average 72 per cent first-day gain for companies that went public at the peak of the dotcom boom in 1999, according to figures compiled by Renaissance Capital, a firm that invests in initial public offerings.

Signs that demand would far outstrip the small number of shares on offer first became apparent earlier this week when the deal's bankers raised the indicated price range from \$12-\$14 a share. The stock was eventually priced at \$20 a share late on Wednesday and by the close of trading on Thursday had reached \$31.89, valuing the company at more than \$700m. It had revenues last year of \$56m and a loss of \$1m.

Like many early dotcom companies, the small size of OpenTable's IPO had magnified the price rise and left the shares more vulnerable to later declines, analysts said. With only 3m shares offered, the valuation on OpenTable's shares had quickly become stretched and trading was likely to be volatile, said Eric Guja, a research analyst at Renaissance.

Set up in 1998 and headed by Jeff Jordan, a former head of the PayPal online payments service, OpenTable claims to handle internet reservations for a third of restaurants in the US, and it recently expanded into Germany, Japan and the UK.

While its name enjoys considerable consumer recognition in the US, OpenTable's business model has little in common with the consumer internet companies of the late-1990s, many of which failed to make money from their services.

The company sells hardware and software to restaurants that use its reservation system and also generates 43 per cent of its revenues from the fees that restaurants pay for each diner.

OpenTable's debut came just a day after another technology company, SolarWinds, a system management software company, staged a more muted debut, with its shares gaining 10 per cent on their first trading day.

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