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Companies Having Second Thoughts About IPO Plunge

FINANCE: Four Firms Make Decision Not to Go Public
By **MIKE ALLEN**

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With the stock markets in turmoil for much of this year, and hyperventilating in recent weeks, more fledging companies are withdrawing from planned public stock offerings, including four in San Diego.

“There’s no appetite for risk right now, and it seems like everyone is running for the hills,” said Bud Leedom, president of Leedom Asset Management, a local investment adviser.

To underscore how dismal things have gotten, there were only five venture-backed IPOs in the third quarter, according to a recent report from Thomson Reuters and the National Venture Capital Association. That’s down from 22 in the second quarter, and 14 in the third quarter of 2010, and was the weakest showing for new stock activity since the fourth quarter of 2009.

Another view of the IPO market done by PricewaterhouseCoopers that tracks both the venture-funded companies and those backed by private equity money counted 20 IPOs which raised about \$3.1 billion in the third quarter. That compared with 34 IPOs raising \$4.8 billion in the third quarter of 2010, the PwC report said.

In San Diego, four companies withdrew their plans to issue stock, including one that accepted a buyout offer, while another company postponed its IPO.

The firms withdrawing from the IPO process are Ambit Biosciences Corp., AutoGenomics, Fallbrook Technologies Inc. and Prometheus Laboratories. The latter withdrew its plans when it agreed to be acquired by Nestlé Health Science SA, a subsidiary of Switzerland-based Nestlé SA.

Pacific Office Properties Trust, a real estate investment trust, postponed its plans.

Securing an Attractive Offer

David Titus, president of the [San Diego Venture Group](#), a trade association to the venture investment community, said while he wasn’t aware of the details in Prometheus, in many instances companies use the IPO process to advertise themselves for sale. Prometheus, a diagnostic company focused on gastrointestinal diseases, obtained an attractive offer (which was never disclosed) and made a good decision, Titus said.

Companies withdrawing from issuing stock generally declined to comment about the decision.

Bill Klehm, chief executive of Fallbrook Technologies, a maker of continuously variable transmissions used in the bicycle and auto industries, said commenting on the decision would be irresponsible. “It just seemed like, from the board’s perspective and the shareholders’ perspective, that it was in the best interests of the company,” he said.

Founded in 2000, Fallbrook Technologies had planned to raise \$50 million from investors to fund its expanding operations. The San Diego-based business increased its total staff to 143, including 30 locally, compared with having 60 total employees, including 15 locally, last year.

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