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Three U.S. IPOs Climb

By LYNN COWAN

Two technology initial public offerings and a regional-bank deal sent positive signals to the U.S. market, making strong gains and continuing a gradually improving trend that began earlier this month.

Radio-frequency semiconductor company [MaxLinear Inc.](#) closed at \$18.70 on the New York Stock Exchange, 33.6% above its initial public offering price, while broadband-access equipment maker [Calix Networks Inc.](#) closed at \$15.10 on the NYSE, up 16.2%. [First Interstate BancSystem Inc.](#) closed at \$15.70 on the Nasdaq, up 8.3%.

Both MaxLinear and Calix made their gains after pricing well, a solid indicator of investor demand. MaxLinear sold 6.4 million Class A shares, one million more than originally expected, at \$14 a share, above its expected \$11 to \$13 price range. Calix priced 6.3 million shares at \$13, the high end of its \$11 to \$13 range. First Interstate sold 1.3 million more shares than expected, but priced them at \$14.50, toward the lower end of its \$14-\$16 range.

The trio's gains follow two weeks of steadily improving signs in the U.S. IPO market. Last week, retirement adviser [Financial Engines Inc.](#) gained 44% on its first day of trading after pricing above its range. The week before saw three deals price within their expected ranges, something that hadn't happened since January.

"Investor psychology has changed all of the sudden. It's not just pricing that's improved, it's the aftermarket activity," said IPOdesktop.com President Francis Gaskins.

The outlook for another deal expected this week, Chinese hotel chain [China Lodging Group Ltd.](#), has improved steadily. Chinese deals coming to list in the U.S. generally haven't performed well in recent months, but China Lodging has been building a large base of interested investors, said Scott Sweet, managing director of research firm [IPOBoutique.com](#). He increased his rating on the deal Wednesday to a "buy" from "neutral."

The market's newfound strength was very clear in the performance of MaxLinear, which began generating buzz among investors last week, is notable because its net revenue has grown throughout the economic downturn—rising 64% to \$51 million in 2009—and it generated its first annual profit of \$4.3 million last year. The outlook for semiconductor companies in 2010 has been generally upbeat, and a substantial portion of MaxLinear's revenue last year came from digital-to-analog television converter boxes in the European Union, a trend that is expected to continue as different countries phase in digital television.

In all probability, Calix wouldn't have done as well if it had tried to go public a month ago. The company, which makes hardware and software that helps telecommunications providers deliver services over older and new networks, has never been profitable. It depends upon an improving economy to help drive it forward, but enough investors are on board with the idea that telecom spending on infrastructure will trend up this year, according to Sweet.

First Interstate BancSystem is the first bank to go public in nearly three years, according to data tracker Dealogic and Connecticut research firm Renaissance Capital LLC. The last bank IPO was in July 2007, when [Encore Bancshares Inc.](#) debuted. That stock is currently trading at half its \$21 IPO price.

Based in Billings, Mont., First Interstate's 72 branches span Montana, Wyoming and South Dakota. The three western states have all displayed stronger economic trends and asset-quality characteristics relative to the national averages during the recent economic downturn, according to First Interstate's prospectus. Total assets rose 7.7% to \$7.1 billion and deposits rose 12.6% to \$5.8 billion in 2009 compared to 2008.

But First Interstate didn't completely escape the effects of the economic downturn, experiencing deterioration in credit quality, especially in real-estate development loans. While net interest income increased 3% in 2009, higher provisions for loan losses and lower non-interest income pulled its net income down 24% to \$53.8 million from 2008.

Venture capitalists couldn't have wished for a better exit sign this week—both MaxLinear and Calix, are venture-backed deals. MaxLinear venture-capital owners who sold a portion of their stakes include U.S. Venture Partners, Battery Ventures and Mission Ventures. In Calix's case, its largest venture investors didn't sell, but will have that opportunity in a follow-on deal. Foundation Capital, Telesoft Partners, Azure Capital Partners, Meritech Capital Partners, and Redpoint Ventures all hold stakes in the company.

[Morgan Stanley](#) and [Deutsche Bank AG](#) managed MaxLinear's offering, while [Goldman Sachs Group Inc.](#) and [Morgan Stanley](#) managed Calix Networks' offering. [Barclays PLC](#)'s Barclays Capital handled First Interstate's deal.

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