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From this week's In Other News

Trustwave tests Chicago's IPO waters

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Trustwave Holdings Inc. plans to raise \$100 million by selling stock, testing the waters of an improving market for public offerings.

The maker of security-compliance software for the credit card industry is the first Chicago company to attempt an IPO so far this year.

Groupon Inc. is believed to be planning a blockbuster IPO that could raise \$1 billion or more, with a total market value of \$15 billion to \$20 billion. That would be the highest valuation since Google Inc. went public in 2004 valued at \$23 billion. Groupon has not filed a prospectus, however.

Like Google or Netscape Communications, Chicago-based Grou-pon, which pioneered the market for online daily deals, is one of those rare tech companies that could open the gates for more public offerings. As such, its IPO could finally lift Chicago's tech sector out of the funk from the dot-com crash last decade.

The Trustwave IPO is "positive because it creates demand for startups and increases the supply of money available for those startups," says Steven Kaplan, a professor at the University of Chicago's Booth School of Business.

While IPOs have been scarce here, private investment in Chicago startups is rising. In the first quarter, 19 companies received funding, according to New York-based research firm Dow Jones VentureSource, the highest number since 2007. That's up from 17 deals in the fourth quarter and just six a year earlier. The biggest investment, \$20 million, went to GrubHub Inc., a Chicago restaurant-delivery site.

The IPO market started to rebound last year from a recession-related freeze, with two Chicago companies raising money. Hospital-billing company Accretive Health Inc. raised \$120 million, and Envestnet Inc., which provides web-based services to financial advisers, raised \$63 million, according to VentureSource.

But the appetite for new public offerings has yet to get back to its pre-recession strength of 2007, when four Chicago-based companies raised a total of \$439 million.

Trustwave, which opened for business nine years ago and employs 550 people in the U.S. and abroad, filed its prospectus with the U.S. Securities and Exchange Commission last Thursday.

Its revenue soared 52% last year to \$115 million, nearly double its 2008 sales, but it remained unprofitable, posting a \$4.6-million loss.

The IPO is being led by Morgan Stanley, J. P. Morgan Chase & Co., Barclays Capital, William Blair & Co. and BMO Capital Markets. One of Trustwave's early investors, Richard Kiphart, is a longtime William Blair executive.

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