

Visa readies IPO gamble

By Madlen Read
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NEW YORK — Stocks are shaky, credit is tight, the economy may be tipping into a recession. Not the best time to be going to the markets for what could be the largest initial public offering in U.S. history.

That's the gamble Visa is taking as it gave details Monday about an IPO that could raise up to nearly \$19 billion. If it works, it could be an encouraging sign to the stock markets and may even help loosen the credit knot.

While Visa's IPO will have little direct effect on cardholders, the banks that issue the cards are expected to see a total windfall of more than \$10 billion, which might keep them from pulling back credit lines further and pushing rates higher.

"That's a good thing for the banks and a good thing for consumers. It might help ease the credit crisis a bit," said Ben Woolsey, marketing director at the card-information Web site CreditCards.com.

Banks have suffered huge losses tied to defaults on subprime mortgages and are gearing up for more as consumer credit deteriorates.

JPMorgan Chase, which has a 23 percent stake in Visa, stands to gain the most. The more cash-strapped Citigroup and Bank of America are also Visa stockholders.

Visa said Monday in a Securities and Exchange Commission filing that it will offer 406 million shares at \$37 to \$42 each. It follows rival MasterCard in shifting from being a privately held interest to a publicly traded company.

If there is enough demand for Visa stock, underwriters will have the option to buy an extra 40.6 million shares.

The San Francisco company would not say exactly when it planned to float its shares, but IPO research firm Renaissance Capital, based in Greenwich, Conn., said it believes the offering will price March 19 to begin trading March 20.

Demand for IPOs has been incredibly weak recently, reflecting nervousness among investors about placing bets in untested waters.

Last year at this time, IPO returns were outperforming the broader stock market; now, they're underperforming. The number of companies going public has dwindled to 18 so far this year from 34 at the same time in 2007, according to Renaissance Capital, which operates IPOhome.com.

A robust Visa IPO "could be the spark that is needed," said Kathy Smith, a principal at Renaissance Capital. "It shows that there is a belief that investors want to put new capital to work in this company."

Visa touts big IPO

Visa claims that it has the ability to raise almost \$19 billion from an initial public offering, easily making it the largest in history.

PROJECTED IPO

In billions of dollars

Visa

 \$18.8

TOP FIVE IPOs

In billions of dollars

AT&T Wireless

 \$10.6 raised

April 26, 2000 (date public)

Kraft Foods

 \$8.7

June 12, 2001

United Parcel Service

 \$5.5

Nov. 9, 1999

CIT Group

 \$4.6

July 1, 2002

Conoco

 \$4.4

Oct. 21, 1998

2006 CREDIT-CARD TRANSACTIONS

In billions of dollars

Visa

 \$44.0

MasterCard

 \$23.4

American Express

 \$4.5

Discover

 \$1.4

Sources: IPOHome.com,
Renaissance Capital, Visa