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IPC The Hospitalist Juices Up IPO Market

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The initial public offering market received a much-needed boost Friday, when IPC the Hospitalist Co. and RiskMetrics Group Inc. - the first venture-backed companies to debut on the public markets this year - posted double-digit gains on their first day of trading.

Medical-staffing company IPC the Hospitalist gained 28%, and risk-management firm RiskMetrics rose 36%.

IPC the Hospitalist, which provides hospital staffing services, closed at $20.48 a share on the Nasdaq, up from its IPO price of $16. A total of 5.2 million shares were sold at the midpoint of the expected $15-to-$17 price range, which was set by underwriters Credit Suisse Group and Jefferies Cos.

The company increased the number of shares it offered from 4.7 million, but kept the number being sold by its prior owners, including a group of venture capital funds, at 1.9 million.

Investors prior to the offering included Bank of America Ventures, Morgenthaler Venture Partners, Bessemer Venture Partners CB Health Ventures and Sightline Partners.

Based in North Hollywood, Calif., IPC occupies a growing health-care niche in the U.S.: hospitalist services, in which a specialized staff of physicians, nurses and assistants become the primary health-care providers for patients solely during their stay in a hospital. Hospitalists shoulder duties previously handled by a patient's own primary-care doctor or specialists, allowing those physicians to focus more on their office practices; when patients leave the hospital, they return to their doctors' care.

The specialty is growing not only because it frees up doctors but also because it is considered more efficient; a 2002 study in the Journal of the American Medical Association showed that hospitalist programs have on average reduced hospital costs by 13% and the average length of patient stays by 17%.

IPC, which was founded in 1995, provides services to more than 300 hospitals and inpatient facilities in 16 states. It claims to be the largest hospitalist company in the U.S. both in terms of revenue and number of hospitalists, with 550 affiliated medical-care professionals.

In the nine months ended Sept. 30, the company reported net revenue rose 27% to $137.4 million from the period of 2006, and operating income more than tripled to $9.6 million. An $8.8 million loss on the fair value of preferred stock warrant liabilities, along with higher income taxes, resulted in a net loss of $3.7 million in the 2007 period, compared with net income of $325,000 in the 2006 period.

Meanwhile, RiskMetrics closed at $23.75 a share on the New York Stock Exchange, up from its IPO price of $17.50. A total of 14 million shares were sold near the midpoint of their expected $17-to-$19 price range.

Of the total shares sold in the IPO, nearly a third - 4 million - came from prior shareholders, including private equity firm Spectrum Equity Investors, and so those proceeds won't benefit the company. Other investors include General Atlantic LLC and Technology Crossover Ventures.

Based in New York, RiskMetrics has two primary units. Its RiskMetrics arm offers portfolio risk-management products and services for financial institutions such as banks and hedge funds. Its ISS unit, acquired last January, provides corporate governance and proxy voting research and services to institutional investors and corporations.

The stock's debut was believed to be particularly well-timed, given the risk exposure difficulties financial firms have faced in the wake of the subprime-mortgage meltdown last year.

Both stocks' strong start come after a particularly slow beginning to the new issuance market this year. Until Friday, only one other IPO had made its debut: energy company Williams Pipeline Partners LP, which closed below its $20-a-share IPO price.

http://www.hospitalist.com

http://www.riskmetrics.com