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Analysis: Twitter gives NYSE momentum in IPO battle versus Nasdaq

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By John McCrank

NEW YORK (Reuters) - Twitter Inc's successful debut on the New York Stock Exchange could help the Big Board win a title it has never held before: the No.1 U.S. listing venue for technology companies.

Nasdaq OMX Group had easily scored the most tech initial public offerings every year from 1999 until last year, when NYSE Euronext pulled even, according to Thomson Reuters data.

Including Twitter this week, 19 tech companies have chosen to go public on the NYSE in 2013, while Nasdaq has won only 14 listings so far this year. Tech IPO proceeds also favor the NYSE over Nasdaq, at $4.6 billion to $1.9 billion, according to Thomson Reuters data.

The reversal is attributed partly to Nasdaq's high-profile bungling of Facebook Inc's debut last year, and partly to changes the NYSE made to its listing standards in 2008 to make it easier for smaller, growing companies to qualify.

"I wouldn't even say they won Twitter, I'd say we lost it," said Bruce Aust, who has headed Nasdaq's listings business for the past decade.

He said that since 2008, when the NYSE changed its listings rules and lowered requirements for market capitalization and income limits, every deal has become competitive.

"They did that because they realized that once a company lists on Nasdaq, they really stay with us," said Aust.

Facebook's $16 billion IPO was highly anticipated but a glitch in Nasdaq's fully electronic system set off a series of events that some market makers said prevented them from knowing their positions in the stock - and led to them to lose $500 million collectively.

Nasdaq is voluntarily compensating firms a total of $41.6 million, and was fined another $10 million by the U.S. Securities and Exchange Commission.

In contrast, Twitter's listing on the Big Board went off without a hitch on Thursday, with the stock gaining an eye-opening 73 percent. The NYSE, one of the last exchanges with a trading floor staffed by human beings, had the world's media observe the debut, with NYSE and Twitter executives, as well as X-Men and Star Trek actor Patrick Stewart, on hand to help promote the offering.

"Clearly, the Facebook fiasco has hurt Nasdaq and the fact that the NYSE pulled off the Twitter IPO with no technological glitches certainly is good for them," said Jay Ritter, a professor and IPO expert at the University of Florida.

Ritter said the probability was "incredibly good" that had the Twitter IPO gone to Nasdaq, it would have gone smoothly as well, and that in reality, there is not much difference to companies when it comes to listing on one exchange or the other. But the listing business is largely about prestige.

WINNING AND LOSING

This year has seen the strongest market for U.S. IPOs since 2007, as equity markets soared, helped by continued economic growth and the Federal Reserve's efforts to keep interest rates low.

The NYSE and Nasdaq have taken steps this year to form closer relationships with technology firms before they go public.

The moves come with the passing of the Jumpstart Our Business Startups (JOBS) Act last year in March, which loosened a number of securities regulations in hopes of boosting capital raising, and thereby increasing job growth.

The NYSE said in September it was getting into the $1 trillion-a-year private placement business through a minority stake in Ace Group Inc, which runs a private issuance platform for equity, debt and other securities.

Nasdaq plans to create a market for trading shares of unlisted companies in a joint venture with trading platform SharesPost Inc, which now lists more than 200 private companies, including Pinterest, Foursquare, eHarmony and Tumblr.

"We'll be involved much earlier with these private companies and eventually we hope they'll go public on Nasdaq," said Aust.

With tech giants like Apple Inc, Microsoft Corp, Google Inc, and Amazon.com Inc in its roster, Nasdaq traditionally has seemed the natural place for technology listings.

In 1999, before the dot-com bubble burst, Nasdaq had 246 technology IPOs, or 95 percent of the listings, while the NYSE had just seven, or 2.7 percent, according to Thomson Reuters data.

Fast forward to 2012, and the NYSE had caught up to Nasdaq in tech IPOs, with each recording 17, though proceeds of the NYSE listings, at 2.8 billion were eclipsed by the Nasdaq listings, at $17.5 billion, which benefited from the Facebook

IPO.

Nasdaq uses a different system for categorizing tech companies, including, for instance, telecommunications services firms in its count. Thomson Reuters only includes companies classified as high technology using the Standard Industrial Classification system, which groups telecoms separately. Using Nasdaq's methodology, it has hosted 24 technology IPOs this year, against the NYSE's 22.

The NYSE uses yet a different classification system, and says it has had 26 technology listings so far in 2013.

Doug Chu, head of the NYSE's Silicon Valley office, pointed to the Big Board's 2008 listings change as the turn-around point for technology company IPOs.

"The culture at the NYSE has changed over the last few years. We're more proactive and focused on technology and growth companies," Chu said.

(Reporting by John McCrank; Editing by Tim Dobbyn)

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