

LinkedIn: an IPO bubble that is popping or a robust stock?

✘ [LinkedIn](#), the first major US social network to go public, saw its shares more than double as they debuted on the New York Stock Exchange to a bidding frenzy from investors.

It makes Reid Hoffman, LinkedIn's founder and largest shareholder, a billionaire and comes as larger social network firms including Facebook and Groupon are lining up floats. The rise in shares is likely to drive up the prices of those sales too.

LinkedIn's stellar debut is the clearest sign yet of appetite among investors for shares in the new generation of technology and digital media companies. As companies attract ever-larger valuations, some analysts are warning of a bubble similar to the one that burst at the turn of the millennium.

Shares of job search social networking site LinkedIn have been on a wild roller-coaster ride since its , the largest Internet IPO since Google. After a mere three weeks on the market, shares have already traded in a broad range between a low of \$60.14 and a high of \$122.70. LinkedIn was initially priced at \$45 and offered mainly to large institutional investors. Everyday investors initially snatched up shares in the mid \$80s on the first day of trading, before bidding it up to its all time high above \$120 within a few hours. As expected, this was followed by a steep sell-off, with shares in a continuous decline.

This quickly prompted analysts to begin labeling LinkedIn as a "bubble stock" and proof positive of a new social media IPO bubble developing, mirroring the dot com bust a decade ago.

While the dot-com bubble was populated by hot IPOs from companies which had never made a cent, LinkedIn is an eight-year old company which generated \$243 million in revenue in fiscal 2010 through advertising and premium subscriptions. For the first quarter of fiscal 2011, the company generated \$94 million, more than double the first quarter of fiscal 2010. If the company can continue generating revenue at this rate for the entire year, it may well be on its way to justifying its sky-high valuation.

In addition, LinkedIn is an established brand and one of the flagship sites, along with Facebook, Twitter and Wikipedia, of Web 2.0, which together have dramatically changed interpersonal communications through computers and mobile devices. It is no understatement to state that LinkedIn is "Facebook for professionals." It's safe to say that LinkedIn's site, with its streamlined networking abilities and system of references and recommendations, is quickly replacing traditional resumes and cover letters as the preferred method of job applications.

Indeed, LinkedIn's IPO success, which made its insiders millionaires (and billionaires) overnight, has opened the floodgates for a flurry of social media IPOs such as [Zynga](#) and [Groupon](#), as well as a massive amount of unproven Chinese startups claiming to be the Chinese Facebook ([RenRen](#)) and the Chinese LinkedIn ([Ushi](#)) vying to gain the attention of foreign investors.

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[Via [Yahoo! Finance](#) and [Quotemedia](#)]