

Netscape's initial public offering



**ASSIGN
BUSTER**

Individual Case Questions:

“ Netscape’s Initial Public Offering” SS13 You are responsible for handing in written answers to the following questions drawn from the case “ Netscape’s Initial Public Offering. ” You can work with others on this assignment, but each individual must hand in their own set of answers. 1. The case indicates that a group of media firms made an investment in Netscape during April of 1995. Using figures from the case, what is the minimum value these investors must have assessed for Netscape’s assets when they made this investment?

The minimum value these investors must have assessed for Netscape’s assets when they made this investment was \$163, 636, 363. 60. (\$18M/. 11) I used \$18M because that would be 11% of their equity. 2. Using figures in the exhibits, estimate Microsoft’s market value of equity on June 30, 1995. Microsoft’s market value of equity on June 30, 1995 was \$56, 730, 960. (39. 00*2. 32*627, 000 shares) 3. Why would Netscape prefer an IPO to the alternative of attempting to borrow new funds from a bank?

Netscape would prefer an IPO to the alternative of attempting to borrow new funds from a bank because they wished to fund expected future growth, stockpile cash, and gain visibility. Discussion question: You do not need to answer the following question, but you should think about it in advance since we will be discussing it in class. Is \$28 the correct price for Netscape stock? What assumptions about growth rates in earnings might justify this stock price?