Marquee IPOs Target Taste for Risk

Big-Name OfferingsAnd Strong MarketTap Small Investors

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Household names such as Twitter Inc., Hilton Worldwide Holdings and Chrysler Group LLC have raised the star power of this fall's slate of initial public offerings, renewing market observers' hopes that blockbuster IPOs will draw individual investors back into the stock market.
That would mark a significant shift. While the S&P 500 is up nearly 19% so far in 2013, interest from individual investors, especially for riskier plays, has been scarce until recently, as painful memories of the 2008 financial crisis persist.

But now money is moving back into traditional U.S. stock-focused mutual funds—generally the domain of individual investors. So far this year, stock funds have taken in $151 billion more than investors pulled out, marking a rebound from a net $431 billion that headed out the door from 2008 to 2012, according to Lipper.

And as indexes have climbed to all-time highs and the wide price swings that dominated markets since the financial crisis have faded, the IPO market is having its busiest year since 2007.

So far in 2013, 156 companies have gone public in the U.S., up 47% from the same period last year, according to Dealogic.

That backdrop "sets up a really strong finish to the third quarter and strong pipeline into the fourth quarter," said Brad Miller, co-head of global equity syndicate at Deutsche Bank AG.

Among the most hotly anticipated offerings is Twitter, which has hired investment banks to manage an IPO that could come in November, The Wall Street Journal has reported. Additionally, Alibaba Group Holding Ltd., China's largest e-commerce company, is said to be pursuing an initial listing in the U.S.

Hilton, the world's largest hotel chain, has filed plans for selling at least $1.25 billion of shares. Chrysler has submitted IPO paperwork, though a dispute between its owner and main union could derail the deal.

Furthermore, there are expectations that Midasplayer International Holding Co. will soon be selling shares to the public. The maker of the wildly popular online game Candy Crush Saga already has filed confidentially with the Securities and Exchange Commission for an IPO, according to people familiar with the move. The company is aiming for a multibillion-dollar valuation, the people said.

Money managers remain keenly interested in IPOs, sending many soaring by double-digit percentages in the stocks' first days of trading. But the offerings haven't drawn much attention from individual investors who, unlike money managers, rarely get to buy shares before they publicly debut and become subject to whipsaw action in the market.

There had been hopes that Facebook Inc. FB +2.44% 's 2012 IPO could change that. But technical glitches marred the social networking company's share offering, and the stock's subsequent slide scared individuals away.

Now, with Facebook trading above its IPO price and more-familiar names among coming IPOs, there are growing expectations that individual investors could return. It helps that the shares of many newly public companies have outpaced even the broad U.S. stock market's significant gains this year. So far in September, three tech companies— Rocket Fuel Inc., FUEL -6.45% FireEye Inc. FEYE -2.04% and Benefitfocus Inc. BNFT -4.97% —saw shares rise at least 100% intraday in their trading debuts.

"You think about the forthcoming IPOs of Twitter or Alibaba, that's creating a lot of buzz among individual investors," said Jason Katz, a private wealth adviser in UBS AG's wealth-management unit, who helps oversee about $1.5 billion. "Investors are clamoring for IPOs of products and services that they're familiar with."

Steve Quirk, senior vice president of the trader group at TD Ameritrade Holding Corp., agrees, saying big-name IPOs bring individual investors "off the sidelines" and into the stock market.

Skeptics, however, argue the heightened IPO activity indicates insiders are looking to cash out. And some individual investors say they are still wary of the IPO market.

Nick Fosco, an engineer and stock investor in Arlington Heights, Ill., says big names won't make him more likely to buy IPOs, in part because he is wary of the stock market as a whole. But also, "after what happened with Facebook, there is now additional fear of IPOs," he says.

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