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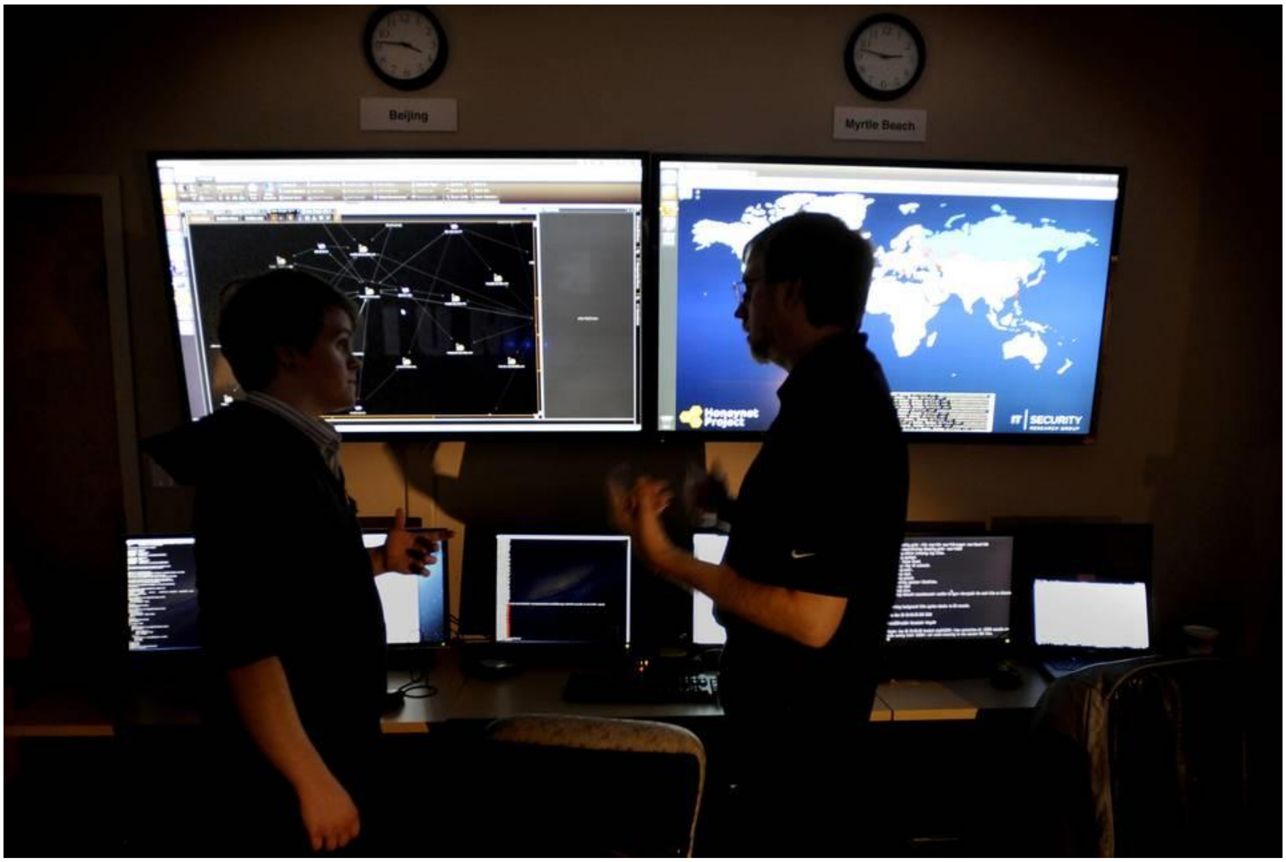
Tech Firm Is Posed to End IPO Drought

Offering would mark the first tech company this year to debut in the U.S.



Inside a SecureWorks office in South Carolina in 2013. The company will likely limit the supply of shares in the IPO amid the market uncertainty. *PHOTO: STEPHEN MORTON/BLOOMBERG NEWS*

By
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A cybersecurity firm owned by Dell Inc. is seeking to end the technology IPO drought.

SecureWorks Corp., owned by Dell's closely held parent, Denali Holding Inc., is seeking to launch its initial public offering in April, people close to the deal say. The company could begin its "roadshow" to market the stock to investors during the week of April 11, the people said. The shares are expected to trade on Nasdaq under the symbol "SCWX", according to a previous securities filing.

Should it succeed, SecureWorks, which helps corporations lock down their systems and check for computer intruders, could be the first technology company to debut on a U.S. exchange in

2016 and send a positive signal about the health of an IPO market that has been ailing amid market volatility.

No other tech firm has listed shares in the U.S. since a small Chinese company did so in mid-December.

SecureWorks will likely sell a relatively small portion of itself in the offering because of uncertainty over how investors will receive it in a tough IPO market, the people said. Limiting the supply of IPO shares could help shore up demand and increase the odds they trade well. The company could raise just $150 million, one person said.

Valuation and proceeds from an IPO are typically in flux until just before the shares begin trading.

SecureWorks is aiming for a valuation of less than $2 billion, the people said. The company had been targeting around $2 billion as of last summer, but with many of SecureWorks' rivals trading down 20% or more, its valuation expectations have come down.

Amid the absence of tech offerings—a key engine of the new-issue market—the first quarter was [one of the slowest on record] for IPOs, with only nine deals that raised a mere $1.2 billion. Market watchers have warned that this quarter may not bring much relief.

Another thing that has hurt the IPO market is a concern that many private tech companies with billion-dollar-plus valuations are overvalued. SecureWorks is different from many of those companies, as it was founded during the last tech boom and is housed inside a large, established corporate parent.

But in one respect it is similar: SecureWorks doesn't make a profit.
In fact, the company's losses have been swelling alongside its revenue. For the fiscal year ended Jan. 29, SecureWorks generated $339.5 million in revenue, up 30% from the previous year, while its net loss of $72.4 million was nearly twice as wide, according to a securities filing.
The company's expanding losses could cause concern for investors, who have been increasingly demanding a clear path to profit.

SecureWorks filed IPO papers confidentially over the summer, as The Wall Street Journal reported in October, and publicly disclosed the plan in December. Bank of America Corp. and Morgan Stanley are lead underwriters on the deal.

Earlier this week, Dell, which is working to close its $67 billion acquisition of EMC Corp., announced an agreement [to sell its information-technology-services division] to Japan's NTT Data Corp. for about $3 billion. While Dell is seeking to raise cash to finance the EMC deal, proceeds raised from an IPO of SecureWorks are earmarked for corporate purposes or acquisitions of complementary companies.
—*Telis Demos contributed to this article.*

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