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Breaking story

Telcobuy.com cancels its initial public stock offering

By Peter Shinkle

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Telcobuy.com LLC, which runs an online marketplace where businesses buy telecommunications equipment, said Thursday it has withdrawn its initial stock offering. It cited unfavorable market conditions.

Telcobuy announced in March that it hoped to raise as much as \$100 million through the stock offering. But the company put off that plan after Internet stocks slumped last spring. The decline has dragged on to the present.

The company, of Maryland Heights, is a subsidiary of World Wide Technology Inc. Telcobuy Chief Executive Jim Kavanaugh said Thursday that the market formerly raised many Internet companies' stock prices beyond their rational valuation, without distinguishing good companies from bad ones. Now it is trouncing many stocks with the same lack of discretion, he said.

"Right now the financial market is just so erratic and it's not a good time at all, as far as I'm concerned, for any company to consider going public," he said.

Kavanaugh said the company does not have a significant need for the capital it hoped to raise through the initial offering. Telcobuy raised \$27.5 million from two Boston-based venture capital funds early this year, and will not need a capital infusion for at least another two years, he said.

At least part of the reason is that Telcobuy's sales have soared. Its gross revenue rose to \$247 million last year from \$49 million in 1998. This year, it expects gross revenue to exceed \$600 million, Kavanaugh said.

Even so, the company will not record a profit this year, though it expects to do so next year, he said. This year, the company has plowed resources into improving its Internet technology and enhancing its distribution systems, building or leasing warehouse facilities in Plano, Texas, and Livermore, Calif., as well as one in Maryland Heights, Kavanaugh said. Telcobuy has 325 employees, up from 125 a year ago.

With the initial stock offering scrapped, at least for now, the company will remain under its current ownership. Kavanaugh said he owns 21 percent of its stock; company chairman Dave Steward owns 66 percent and the remaining stock is owned by the two venture capital firms or is reserved for management options.

Telcobuy may again move to issue stock by the middle of next year - if the market seems more welcoming, Kavanaugh said.