

Streetwise *Blôg*

Sprott debuts with performance pressures

Andrew Willis, May 14, 2008 at 5:05 PM EDT

Thursday is a big day for IPOs on the TSX, and we're not talking about the public market debut of PC Gold.

Sprott Asset Management starts trading in what qualifies as the biggest initial public offering seen to date this year. The hedge fund raised \$200-million by selling stock at \$10 a share, in a heavily over-subscribed offering. The deal, led by Cormark Securities and TD Securities, value the company at \$1.5-billion.

The dynamic underlying Sprott's stock price, a tension that also exists at some of the large U.S. money managers, is that the company will start trading at a healthy multiple to its performance-based fee income. Companies such Blackstone and Fortress went public last summer on the back of record performance, and have since seen their stock prices slump as the credit crunch bit into results, and into future fee income.

Sprott calls the shots on \$6.9-billion of client assets. It must continue to deliver top-notch returns on these funds to justify the lofty valuation it sports today - the stock will debut at a price that's 30 times trailing earnings.

Oh, and best of luck to junior mining play PC Gold, which steps onto the TSX after an \$11-million, Canaccord Capital-led IPO.