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MARKETS

Drkoop.com Epitomized Hype of Tech Boom and Bust

Company raised more than \$84 million in 1999 IPO



C. Everett Koop, former surgeon general, in 2000. PHOTO: REUTERS

By **CORRIE DRIEBUSCH**

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In the late 1990s, Ben Rooks was an equities analyst, spending much of his time flying around the country meeting with health-care and technology companies that could soon be going public.

He still remembers running into the chief executive officer of drkoop.com Inc., an Internet-based consumer health-care network founded by former U.S. Surgeon General Dr. C. Everett Koop. To his surprise, he learned the company was planning an initial public offering.

“I remember thinking, ‘You don’t really have a business. How can you be going public?’”

said Mr. Rooks, who now is a principal at ST Advisors, a strategic-advisory-services firm he founded.

Nonetheless, drkoop.com, raised over \$84 million in its IPO in 1999 by selling about 9.4 million shares at \$9 each, not including the overallotment option.

Its stock surged 83% to \$16.44 in the company's trading debut in June 1999 on its way to a high north of \$36 that July.

But by March 2001, dr-koop.com shares were trading at about 20 cents and faced delisting. Later that year, the company folded.

The Nasdaq Composite Index's recent ascent to new highs is taking some seasoned technology analysts and investors back to the late 1990s and early 2000—a period many would love to forget.

Looking back, some say it should have been obvious that some of the hot new tech companies coming to market would go bust. Ask analysts or fund managers who lived through the tech boom and bust, and they will be quick to share their favorite debacle from the period.

Among many, the Internet company that epitomizes the hype common during the time is drkoop.com.

“A lot of these companies were hugely speculative,” said Bob Turner, chief investment officer of Turner Investments, which manages roughly \$1 billion. “They didn't have revenues, it was kind of insane.”

When drkoop.com filed for an IPO, it reported that in 1998 it had revenue of \$43,000. Its net loss was roughly \$9 million, and its net loss attributable to common stockholders was \$23.4 million, according to its prospectus.

The company's objective was to establish the website as “the most trusted and comprehensive source of consumer healthcare information and services on the Internet,” according to its prospectus.

It boasted that by June 1, 1999, it had six million unique users and 280,000 registered users.

While Dr. Koop, who died in 2013, had a good reputation and the site attracted tens of thousands of visitors, it wasn't going to be enough to build a profitable business, said

Kim Forrest, senior equity analyst at Fort Pitt Capital Group, who was an analyst at Parker/Hunter in Pittsburgh from 1999 to 2004

“Not only was it using the kind of goofy metrics like number of eyeballs, but money was flying out the door to pay for those eyeballs,” she said.

In addition, there “was not exactly a whole bunch of high-value data on the site,” she said.

“It was a new paradigm, the Internet,” she said. “But profits always win.”

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