## AVG Technologies Announces Filing for Proposed Initial Public Offering

**Amsterdam, The Netherlands and New York, NY**: January 13, 2012 – AVG Technologies N.V. today announced that it has filed a Registration Statement on Form F-1 with the U.S. Securities and Exchange Commission in connection with the proposed initial public offering of its ordinary shares. AVG has applied to list its ordinary shares on the New York Stock Exchange under the symbol “AVG.”

The proposed offering is expected to consist of ordinary shares of AVG, including ordinary shares to be sold by AVG and ordinary shares to be sold by certain selling shareholders. Certain selling shareholders are expected to grant the underwriters an option to purchase additional ordinary shares to cover over-allotments. The number of shares to be offered and the price range for the proposed offering have not yet been determined. AVG intends to use net proceeds from the proposed offering for general corporate purposes, which may include future acquisitions. AVG will not receive any proceeds from the sale of the ordinary shares by the selling shareholders.

The book running managers for the proposed offering are Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC and Goldman, Sachs & Co. Co-managers for the proposed offering are Allen & Company LLC, Cowen and Company, LLC and JMP Securities LLC.

When available, a copy of the preliminary prospectus may be obtained from Morgan Stanley & Co. LLC, Attention: Prospectus Department, 180 Varick Street, Second Floor, New York, NY 10014, via telephone: +1 (866) 718-1649, or by e-mail: [prospectus@morganstanley.com](mailto:prospectus@morganstanley.com); J.P. Morgan Securities LLC, Attention: Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, New York 11717, or by telephone at +1 (866) 803-9204; or Goldman, Sachs & Co., Prospectus Department, 200 West Street, New York, NY 10282, via telephone: +1 (866) 471-2526, via facsimile: +1 (212) 902-9316, or by e-mail:[prospectus-ny@ny.email.gs.com](mailto:prospectus-ny@ny.email.gs.com).

A registration statement relating to the securities has been filed with the U.S. Securities and Exchange Commission but has not yet become effective. The securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state or jurisdiction.

## ABOUT AVG

AVG's mission is to simplify, optimize and secure the Internet experience, providing peace of mind to a connected world. AVG's powerful yet easy-to-use software and online services put users in control of their Internet experience. By choosing AVG's software and services, users become part of a trusted global community that benefits from inherent network effects, mutual protection and support. AVG has grown its user base to approximately 106 million active users as of September 30, 2011 and offers a product portfolio that targets the consumer and small business markets and includes Internet security, PC performance optimization, online backup, mobile security, identity protection and family safety software.

Last year, Google Inc. made its public market debut by embracing the "Dutch auction" format for its initial public offering. Now Morningstar, Inc., the well-known mutual fund rating company, is planning to follow Google's lead.

Morningstar recently announced that it was scrapping its plans for a traditional underwritten IPO in favor of working with W.R. Hambrecht & Co., a specialist in auction-format public offerings. Morningstar is hoping to raise about $100 million, and if successful its offering would be the second-largest auction IPO in U.S. history, after Google's of course.

Is this a good idea for Morningstar? Will a successful Morningstar offering lead to more auction IPOs?

Was Google's Auction Successful?

A threshold question is, was Google's August 2004 auction actually successful? Is it in fact a model worth following? The answer to these questions is not so clear. One of the major reasons Google chose to use an auction format is that it hoped to avoid having a "pop" in the price of the shares from the initial offering price through the first day or two of trading. If this rise is large, then it means that the company left a lot of money on the table, money that went to speculative traders rather than to the company's coffers.

Accordingly, Google wanted to set the auction price pretty much as high as the market would bear. The auction failed in this regard. The IPO came in priced at $85 per share (down from much higher earlier estimates of $108 - $135 per share), but in their first day of trading Google's shares opened at $100 and closed right around there, at $100.34.

This represents a "pop" of about 18%; perhaps less than Google's shares would have seen in a traditional IPO, but still significant.

Further, judging from the fact that Google's shares have continued a steady rise since then, with a high of $216.80 and a closing price on February 4 of $204.36, Google may have left a lot of money on the table when it forewent a traditional roadshow process that hypes investors' interest in the company. (Of course, Google's recent impressive earnings performance also has something to do with those numbers!)

On the other hand, another, albeit presumably less important, goal of the auction was to avoid the allocation of IPO shares among favored clients of the underwriters or other parties from whom the underwriters hope to gain business. Those favored parties are able to buy at the IPO price and profit from any pop in the beginning of trading. During the Internet boom of the late 90's, this lead to widespread abuses of the allocation process, to the disadvantage of ordinary investors. Google's IPO, which allocated shares among bidders solely on the basis of their bids, clearly met this goal.

Morningstar Switches to Auction Process

As a prelude to a public offering, Morningstar filed a registration statement with the Securities and Exchange Commission on May 6, 2004. Morningstar initially intended to conduct the offering in the traditional manner, with a syndicate of underwriters (led by Morgan Stanley) and a roadshow.

The offering has not yet occurred, however, perhaps in part because Morningstar has faced investigations by both New York State Attorney General Eliot Spitzer and the Securities and Exchange Commission into certain aspects of its business. In early January, Morningstar announced that it had decided to conduct its offering using an auction process, and that it had switched to using W.R. Hambrecht & Co. as the sole underwriter. (Hambrecht specializes in conducting offerings via online auctions.) In part, this was because the original underwriters declined to participate in an auction IPO in this particular instance.

In announcing the move, Morningstar's chairman and CEO, Joe Mansueto, explained that "[t]he key benefit of an auction is equal access to shares and information. There are no preferential allocations, and every bid is handled in the same way. This equality resonated with us, and we've been considering this option for some time. It is in keeping with our company philosophy of helping all investors-not just large ones."

It is interesting that Mr. Mansueto's statement picked up on the aspect of Google's auction that was clearly successful-the non-preferential allocation of shares-and completely ignored the not-so-successful aspect of preventing a first-day pop in the trading price. Of course, given Morningstar's emphasis on serving individual investors with its mutual fund rating products, this announcement makes perfect business sense. It is also possible, of course, that given the investigations Morningstar wanted to avoid the type of quizzing it would get from investors if it conducted a traditional roadshow.

Does Morningstar's Switch Suggest a Trend?

Morningstar's decision alone probably does not reflect a trend towards online auctions. This is because Morningstar's offering process has been somewhat troubled, given the government investigations. Further, the auction process is in a sense a natural fit for Morningstar, given its emphasis on individual investors. The fact that its original underwriters refused to participate in the auction suggests that the major underwriters are working to preserve their traditional business model against the auction upstarts, at least other than in exceptional cases such as Google's. (The bankers' fees for an auction deal are typically 3% to 4%, much lower than the standard 6% to 7% for a traditional IPO. The fees in the Google IPO were an even lower 2%, but it was 2% of a pie measured in the billions of dollars.)

That being said, if the offering is successful, meaning fully-subscribed, at a price within the original range suggested by Morningstar's prospectus, and without significant price volatility in the days and weeks after the auction, then it is likely that Morningstar's decision to proceed with an auction offering may inspire other companies to do the same. Morningstar's success would show that a company does not need to be a Google in order to make the auction process work for it. If so, then the desire for a fairer price and lower fees will almost inevitably push some companies towards the auction process. http://wraltechwire.com/business/tech\_wire/biotech/story/1162449/Posted February 10, 2005

Morningstar Follows Google Down the Auction Path to an Initial Public OfferingRESEARCH TRIANGLE PARK —Editor's Note: Amalie L. Tuffin