

March 13 (Reuters) - Castlight Health Inc's initial public offering was priced at \$16 per Class B share, slightly above the company's expected range, an underwriter told Reuters. Castlight Health raised about **\$178 million** after it sold all **11.1 million shares** offered.

<https://www.reuters.com/article/castlight-ipo/castlight-health-prices-ipo-at-16-shr-underwriter-idUSL3N0MA58F20140313>

The media has not been kind to Castlight, the cloud-based health-care tech company that had its IPO last week.

Yahoo Finance called it the "[most overpriced IPO of the century](#)."

It IPO'd at a \$1.4 billion valuation, even though it had \$13 million in revenues.

The company's losses are five times its 2013 revenues, and its marketing costs are three times its revenues.

Still, on the first day of trading, Castlight went nuts, [soaring 149%](#).

But now the stock is tanking. It's down 30% from its [post IPO high of \\$40-plus](#), and opened this morning at \$27.49.

IPO investors are still doing fine. It was priced at \$16.

In just five days, Castlight has become the poster child for people who believe the current tech boom is nuts. The [company's financials](#) are to blame. Sure, it's growing, but it's not demonstrating the scale of growth that would command the \$3 billion market cap it had a few days ago: Its \$13 million in revenue was up from \$4 million last year.

To be fair to Castlight, it's in a business that does indeed have billion-dollar potential. The company works with employers to provide a database that creates transparency and pricing information for health-care and medical procedures. If you've ever tried to figure out the cost of a health-care procedure before making an appointment, you'll know how impossible that is without something like Castlight to help.

The company says CFOs can cut employee health costs by \$10,000 per worker using Castlight. Its [clients include CVS Caremark, Microsoft, and Wal-Mart](#).

With customers of that size, and assuming Castlight's system delivers on its promises, you can see why investors believe the company may be creating a giant new health-data market.

But the skeptics are ... skeptical. Here's what they're saying:

- The Street: "Ted Tobiason, a managing director in the equity capital markets division at Deutsche Bank, said in a Wednesday client note that Castlight Health should give investors '[sufficient reason](#)' to [seriously question an IPO bubble](#)."

- Forbes: "Asked [whether the prospect of a bubble weighed on his shoulders](#), Giovanni Colella, Castlight's chief executive and a founder replied: 'We're focused on building an iconic company.' One big winner: Bryan Roberts, a venture capitalist at Venrock, and a co-founder, who bolsters his reputation as the most successful digital health investor."
- On Yahoo Finance: "It's pretty clear a bubble is inflating in this sub-sector of Internet stocks and [Castlight makes that incredibly obvious](#)."
- Fool.com: "Shares were initially priced at \$16 per share, and were nearly at \$40 per share by market close, giving the tiny company that brings in \$13 million in revenue per year a market cap of \$3 billion. Is this one clear sign that the [IPO market has shot dangerously far off into bubble territory](#)? ... it could be years before that market opportunity justifies the nosebleed-inducing \$2.5 billion valuation awarded Castlight on its first week of trading."
- Seeking Alpha: "[Castlight Health IPO May Be Goldman's Latest Mispricing This Friday](#)"
- The firm's losses were nearly five times its revenue for the year ended Dec. 31, 2013, and it has seen massively increasing losses each of the past three years. The overcompensation of CSLT's executives is especially mystifying in light of these huge losses."