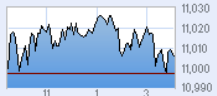


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# Metals USA Will Taint Future Private-Equity IPOs

By LYNN COWAN  
OF DOW JONES NEWSWIRES

Private-equity shops hoping to grab a premium price for the companies they trot out for IPOs will have to contend with an investor audience that is none too pleased with the latest deal's performance.

Metals USA Holdings Corp.'s (MUSA) initial public offering landed with a clang in the U.S. markets Friday, declining 8.6% on its first day of trading after pricing above its expected range and selling more shares than originally planned. The stock continued to disappoint Monday, and closed at \$19.03, down 9.4% from its IPO price of \$21 a share.

"They priced it more aggressively than they should have and took the premium out of the stock. Future private-equity deals that come out will be taken in the context of how this one performed," said Ben Holmes, publisher of research site Morningnotes.com.

Goldman Sachs Group Inc. (GS), which managed the offering, declined to comment.

Metals USA's slump could spell trouble for three larger IPOs that haven't yet filed. Private-equity firms KKR & Co. and Bain Capital Partners are prepping initial public offerings for three of their larger holdings--retailer Toys "R" Us Inc., hospital chain HCA Inc. and semiconductor business NXP Semiconductors--according to sources. It could be months before these companies are ready to launch but, even then, Metals USA's performance will be remembered, said Scott Sweet, managing director of research firm IPOBoutique.com.

"This deal had nine underwriters, and when you are hearing the same thing from nine underwriters about heavy demand, you've got to think that it's valid and bona fide. Investors were getting their requests for shares cut back tremendously. Even the billion dollar hedge funds were getting extremely small allocations all across the street," said Sweet. "These upcoming private-equity deals all have a lot of debt and they are going to face a much tougher sell."

Indeed, the poor performance of Metals USA came after a week of strong signals about demand for the company's IPO. Investors were told that orders were coming in at the high end of the range, and that they were likely to receive only a small amount--in many cases, 10%--of the total number of shares they requested.

When the deal priced above its range of \$18 to \$21 and sold 11.4 shares, nearly a million more than expected, it was viewed as a positive sign; recent deals that had priced above the expected range, such as Financial Engines Inc. (FNGN) and MaxLinear Inc. (MXL), had double-digit percentage gains during their debuts last month.

But immediately upon opening on the New York Stock Exchange, Metals USA fell, and its price only continued to deteriorate as the day wore on. Sweet, of IPOBoutique.com, fielded more than 200 emails from investors about the stock's performance, more than any other deal in the past five years, he said.

*(Peter Lattman contributed to this article.)*

---By Lynn Cowan, Dow Jones Newswires; 301-270-0323; lynn.cowan@dowjones.com

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