

Pump and valve maker Colfax enters unsteady IPO market

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NEW YORK - After a long dry spell, the market for initial public offerings is slowly coming back to life, with three deals pricing this week.

The most prominent IPO of the week, that of pump and valve manufacturer Colfax, may not be sexy, but analysts say the company's predictability is appealing in the current uncertain environment.

Colfax makes fluid-handling products, including pumps and specialty valves. It serves five core markets: commercial marine, oil and gas, power generation, global navy and general industrial.

In 2007, Colfax reported income of \$64.9 million, while its revenue rose 29 percent to \$506.3 million. About 66 percent of the company's 2007 sales came from outside the U.S, according to the company's prospectus.

Francis Gaskins, president of IPODesktop.com, said Colfax's appeal is based on its geographic diversity and slow but steady growth. While the market is recovering, Gaskins said, this is a solid deal for the current environment.

Colfax was formed in 1995 by a group of investors, including President and Chief Executive John Young. Since its founding, the company has built its business through 12 acquisitions.

In the company's roadshow presentation, Young said the company expects its growth to continue based on increasing international business, expanding naval fleets, surging demand for crude oil and growing energy infrastructures in developing regions around the world.

Scott Sweet, managing director of research firm IPO Boutique, noted that Colfax's competitors, Flowserve Corp. and Robbins & Myers Inc., are now trading at or near 52-week highs. The stocks of both companies have roughly doubled in price since last May.

"It's predictable, and people like that," Gaskins said.

Colfax expects to raise at least \$111.3 million from its portion of the IPO. The company is selling 7.8 million shares, while a group of stockholders is offering 10.9 million shares. The selling stockholders, directors Mitchell P. Rales and Steven M. Rales, will continue to own a combined total of 44 percent of the company's stock after the IPO.

Colfax expects the offering to price between \$15 and \$17 per share. Of the total proceeds, Colfax plans to use \$38.2 million to repay debt, and the rest to reimburse the selling stockholders for an underwriting discount and to pay executive bonuses and preferred dividends.

Merrill Lynch, Lehman Brothers and UBS Investment Bank are leading the team of underwriters.

David Menlow, president of IPOfinancial.com, does not expect Wall Street to give this deal a high premium. He stressed that investors are still worried about their core positions and their appetite for IPOs remains weak. "It's going to be a stock by stock situation," he said of the IPO market.

Also scheduled to debut this week is Anadarko Petroleum Corp. subsidiary Western Gas Partners LP, which expects to raise about \$337.5 million from its IPO. Real Goods Solar Inc., which installs residential solar power systems, expects its small offering this week to raise about \$49.1 million.

But while the market may be slow, Menlow said it is primed for a comeback in the second half of the year. "There's a lot of money accumulating, and it will be time later this year for that money to surface," he said.

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