Colfax CORP
Form S-1
January 04, 2008
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As filed with the Securities and Exchange Commission on January 4, 2008

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

Colfax Corporation

(Exact name of registrant as specified in its charter)

Delaware	**3561**	**54-1887631**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

8730 Stony Point Parkway, Suite 150

Richmond, VA 23235

(804) 560-4070

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

John A. Young

President and Chief Executive Officer

8730 Stony Point Parkway, Suite 150

Richmond, VA 23235

(804) 560-4070

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of Registration Fee(2)
Common Stock, $0.01 par value per share	$ 300,000,000	$ 11,790

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(2) Calculated pursuant to Rule 457(a) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion

Preliminary Prospectus dated January 4, 2008

PROSPECTUS

Shares

Common Stock

This is Colfax Corporation s initial public offering. Colfax Corporation is selling all of the shares being offered.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol CFX.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 10 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Colfax Corporation	$	$

The underwriter may also purchase up to an additional shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2008.

Merrill Lynch & Co.

The date of this prospectus is , 2008

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You should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information and the consolidated financial statements and related notes appearing elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors, our consolidated financial statements and the related notes, before making an investment decision. Unless otherwise indicated, references in this prospectus to Colfax, the company, we, our and us refer to Colfax Corporation and its subsidiaries. In this prospectus, we present Adjusted EBITDA, which we consider a key indicator of financial performance and cash flow potential. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the principal operating activities of the company. Adjusted EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measure of performance derived in accordance with GAAP. Please see note (3) to Summary Consolidated Financial and Other Information for a description of how we use Adjusted EBITDA, its limitations and a reconciliation of this non-GAAP financial measure to GAAP net income. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, discontinued operations, legacy asbestos (gain) expense, legacy legal expense and other items not related to principal operating activities.

Our Business

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. Our products are marketed principally under the Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860. For the nine months ended September 28, 2007 and the year ended December 31, 2006, we had net sales of $362.6 million and $393.6 million, net income of $35.9 million and $0.1 million and Adjusted EBITDA of $60.0 million and $65.1 million, respectively.

We serve a global customer base across multiple markets through a combination of direct sales and marketing associates and third-party distribution channels. Our customer base is highly diversified and includes commercial, industrial, marine and governmental customers such as Alfa Laval, Cummins, General Dynamics, Hyundai Heavy Industries, Siemens, Solar Turbines, Thyssenkrupp, the U.S. Navy and various sovereign navies around the world. We have a large installed base, which, combined with the critical nature of the applications in which our products are used, leads to a tendency for our customers to replace like for like products. This tendency leads to significant aftermarket demand for replacement products as well as for spare parts and maintenance service.

We employ a comprehensive set of tools and processes known as the Colfax Business System, or CBS. CBS is a disciplined strategic planning and execution methodology designed to achieve excellence and world-

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class financial performance in all aspects of our business by focusing on the *Voice of the Customer* and continuously improving quality, delivery and cost.

We have an experienced management team that has established a focused industrial manufacturing business with strong market positions within the fluid handling industry. We believe we are well positioned to continue to grow by enhancing our product offerings and expanding our customer base in each of our strategic markets. We also have successfully completed and integrated several acquisitions and expect to continue to pursue acquisitions of complementary businesses that will broaden our product portfolio, expand our geographic footprint or enhance our position in our strategic markets.

Our Market Opportunity

The global fluid handling industry is highly fragmented, with over 10,000 companies competing across numerous markets and sectors of the economy. Because fluid handling products often are used in critical applications, we believe the most successful industry participants are those that have the technical capabilities to meet customer specifications, offer products with reputations for quality and reliability and can provide timely delivery and strong aftermarket support.

We believe there is strong growth potential for our products and services in our strategic markets, which are global in nature and have a need for highly engineered, critical fluid handling solutions. We believe that our global presence positions us to compete successfully in all of our markets throughout the world.

Our Competitive Strengths

We believe that the following competitive strengths position us as a premium provider of fluid handling products and will contribute to our future growth:

Strong Market Positions, Broad Product Portfolio and Leading Brands. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We offer a broad portfolio of fluid handling products that fulfill critical needs of customers across numerous industries. Our brands are among the oldest and most recognized in the markets in which we participate.

Strong Application Expertise. We believe that our reputation for quality and technical expertise positions us as a premium supplier of fluid handling products. With over 140 years of experience, we have significant expertise in designing and manufacturing fluid handling products that are used in critical applications, such as lubricating power generation turbines, transporting crude oil through pipelines and transferring heavy fuel oil in commercial marine vessels.

Extensive Global Sales, Distribution and Manufacturing Network. We sell our products through over 300 direct sales and marketing associates and more than 500 authorized distributors in 80 countries. We believe that our global reach within the highly fragmented, worldwide fluid handling industry provides us with an ability to better serve our customers. Our European, North American and Asian manufacturing capabilities provide us with the ability to optimize material sourcing, transportation and production costs and lower foreign currency risk.

We Use CBS to Continuously Improve Our Business. CBS is our business system designed to encourage a culture of continuous improvement in all aspects of our operations and strategic planning. Modeled on the Danaher Business System, CBS focuses on conducting root-cause analysis, developing process improvements and implementing sustainable systems. Our approach addresses the entire business, not just manufacturing operations.

Large Installed Base Generating Aftermarket Sales and Service. With a product history dating back to 1860, we have a significant installed base across numerous industries. Because of the critical applications in which our products are used and the high quality and reliability of our products, we

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believe there is a tendency for our customers to replace like for like products. This tendency leads to significant aftermarket demand for replacement products as well as spare parts and for repair and maintenance service. In the nine months ended September 28, 2007, we estimate that approximately 25% of our revenues were derived from aftermarket sales and services.

Broad and Diverse Customer Base. Our customer base spans numerous industries and is geographically diverse. Approximately 66% of our sales for the first nine months of 2007 were derived from operations outside of the U.S. In addition, no single customer represented more than 3% of our sales during that period.

Management Team with Extensive Industry Experience and Focus on Strategic Development. We are led by a senior management team with an average of over 20 years of experience in industrial manufacturing. John A. Young, our President and Chief Executive Officer, is one of our founders and played a key role in developing the acquisition strategy that formed our company. Since 1995, as part of this strategy, we have acquired 12 companies and divested businesses that do not fit within our long-term growth strategy.

Our Growth Strategy

We intend to continue to increase our sales, expand our geographic reach, broaden our product offerings and improve our profitability through the following strategies:

Apply CBS to Drive Profitable Sales Growth and Increase Shareholder Value. The core element of our management philosophy is CBS, which we implement in each of our businesses. CBS is a strategic planning and execution methodology designed to achieve world-class excellence in all aspects of our business. CBS focuses our organization on continuous improvement and performance goals by empowering our associates to develop innovative strategies to meet customer needs. Rather than a static process, CBS continues to evolve as we benchmark ourselves against best-in-class industrial companies.

Execute Market Focused Strategies. We believe that our five strategic markets are attractive due to their ongoing capital expenditure requirements, growth rates and global nature.

Commercial Marine We intend to continue to increase our installed base of products and grow our aftermarket sales and service revenues. We also intend to expand our capabilities in the Asia Pacific region by utilizing our Chinese and Indian facilities to offer locally manufactured products, reduce production costs and provide local customer service and support.

Oil and Gas We intend to continue our strategy of offering oil and gas customers increased efficiency and lower total cost of ownership by replacing legacy products currently in use with our more efficient products. We also intend to capture the growing need for complex turnkey systems through the development of solutions that can undertake the difficult task of handling varying mixtures of heavy crude oil, natural gas and water at the same time. We intend to continue to target the fast growing oil and gas markets around the world, including Asia and developing nations.

Power Generation We intend to use our extensive expertise in power generation applications to continue our growth as a provider of turnkey systems in this market. We also intend to use our global presence to strengthen relationships with large original equipment manufacturers.

Global Navy We intend to continue to design, develop and manufacture high value fluid handling systems to meet the needs of evolving naval requirements worldwide. For example, we are currently working with the U.S. Navy to incorporate advanced electronics and controls into our products, and we are also focused on expanding our repair and service capabilities for naval customers.

General Industrial We intend to continue to apply our application expertise to supply our customers in diverse industries such as chemicals, pulp and paper processing and commercial construction with a portfolio of products that can solve their most critical fluid handling needs. We also intend to grow our presence in the general industrial market by targeting new applications for our existing products, deploying regionally focused strategies and utilizing our global presence and sales channels to sell our solutions worldwide.

Target Fast Growing Regions by Leveraging Our Global Manufacturing, Sales and Distribution Network. We intend to continue to utilize our strong global presence and worldwide network of distributors to capitalize on growth opportunities by selling regionally developed and marketed products and solutions throughout the world. As our customers have become increasingly global in scope, we have increased our global reach to serve our customers by maintaining a local presence in numerous markets and investing in sales and marketing capabilities worldwide. For example, we have recently expanded our manufacturing capabilities by establishing a plant in China and acquiring an Indian manufacturer of fluid handling products.

Develop New Products, Applications and Technologies. We will continue to engineer our key products to meet the needs of new and existing customers and also to improve our existing product offerings to strengthen our market position. We intend to develop technological, or SMART, solutions, which incorporate advanced electronics, sensors and controls, through the use of our *Voice of the Customer* process to solve specific customer needs. We believe our SMART solutions will reduce our customers total cost of ownership by providing real-time diagnostic capabilities to minimize downtime, increase operational efficiency and avoid unnecessary costs.

Grow Our Offerings of Systems and Solutions. We will continue to provide high value added fluid handling solutions by utilizing our engineering and application expertise and our brand recognition and sales channels to drive incremental revenue. We intend to establish regional system manufacturing capabilities to address our customers desire to purchase turnkey modules and their preference for outsourced assembly. Part of our strategy is to continue to seek a greater share of overall project value by providing complete systems and solutions, particularly where we control project design.

Continue to Pursue Strategic Acquisitions that Complement our Platform. We believe that the fragmented nature of the fluid handling industry presents substantial consolidation and growth opportunities for companies with access to capital and the management expertise to execute a disciplined acquisition and integration program. We believe that we can identify a number of attractive acquisition candidates in the future and that strategic acquisition growth will give us a competitive advantage over small competitors through greater purchasing power, a larger global sales and distribution network and a broader portfolio of products and services.

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Other Information

Company Information

We were organized as a Delaware corporation in 1998. Our principal executive offices are located at 8730 Stony Point Parkway, Suite 150, Richmond, Virginia 23235, and our main telephone number at that address is (804) 560-4070. Our corporate website address is www.colfaxcorp.com. **The contents of our website are not a part of this prospectus.**

Trademarks

We have rights to a variety of trade names, service marks and trademarks for use in our business, including Colfax, Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith in the U.S. and, where appropriate, in other countries. This prospectus also includes product names and other trade names and service marks owned by us and other companies. The trade names and service marks of other companies are the property of those other companies.

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The Offering

Common stock offered by us	shares
Common stock outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million based on the midpoint of the price range set forth on the cover page of this prospectus. We intend to use these net proceeds to repay $ million of indebtedness outstanding under our credit facility, to pay dividends to existing preferred stockholders that have been declared but unpaid in the amount of $ million, to pay special bonuses of $ million to certain of our executives under previously adopted executive compensation plans and the balance, if any, for working capital and other general corporate purposes. See Use of Proceeds below.
Reserved shares	At our request, the underwriter has reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, distributors, customers, business associates and related persons. See Underwriting.
Proposed NYSE symbol	CFX
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of the common stock.

The number of shares outstanding after the offering excludes shares reserved for issuance under our 2008 omnibus incentive plan. Unless we indicate otherwise, the information in this prospectus:

- reflects a - for -1 split of our outstanding common stock that occurred on , 2008;
- assumes the conversion of all of our outstanding preferred stock into common stock upon completion of this offering;
- assumes the application of the net proceeds of this offering in the manner described in Use of Proceeds ;
- assumes the filing of our restated certificate of incorporation and the adoption of our amended and restated bylaws immediately before the completion of this offering;
- assumes that the initial public offering price of the common stock will be $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and

assumes that the underwriter does not exercise its overallotment option.

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Summary Consolidated Financial and Other Information

The following table sets forth our summary consolidated financial and other information as of the dates for the periods indicated. The financial data for the three years in the period ended December 31, 2006 are derived from our consolidated financial statements, which have been audited by Ernst & Young LLP. The financial data for the nine months in the periods ended September 28, 2007 and September 29, 2006 are derived from our unaudited interim financial statements, which have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results of any interim period are not necessarily indicative of the results that may be expected for a full year.

You should read this information in conjunction with the consolidated financial statements and the notes to those consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

	Nine months ended		Year ended December 31,		
	September 28,	September 29,			
Dollars in thousands, except per share amounts	**2007**	**2006**	**2006**	**2005**	**2004**
Statement of Operations Data:					
Net sales	$ 362,602	$ 280,184	$ 393,604	$ 345,478	$ 309,653
Cost of sales	236,226	184,863	256,806	222,353	197,907
Gross profit	126,376	95,321	136,798	123,125	111,746
Selling, general and administrative expenses	75,277	50,777	80,103	74,594	77,434
Research and development expenses	3,075	2,490	3,336	2,855	3,175
Legacy asbestos (gain) expense	(23,714)	24,367	33,816	18,112	29,412
Operating income	71,738	17,687	19,543	27,564	1,725
Interest expense	14,416	10,416	14,186	9,026	6,918
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)
Income from continuing operations	35,890	3,871	1,491	11,631	817
Net income	35,890	3,871	94	12,247	57,306
Earnings (loss) per share from continuing operations basic and diluted[1]	13,653	2,376	915	(1,209)	(8,314)

	As of September 28, 2007	
Dollars in thousands	**Actual**	**As Adjusted[2]**
Balance Sheet Data:		
Goodwill and intangibles, net	$ 178,849	$
Asbestos insurance asset, including current portion	321,542	
Total assets	878,554	
Asbestos liability, including current portion	383,123	
Total debt, including current portion	227,437	

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Dollars in thousands	Nine months ended September 28, 2007	Nine months ended September 29, 2006	Year ended December 31, 2006	Year ended December 31, 2005	Year ended December 31, 2004
Other Data:					
Adjusted EBITDA(3)	$ 59,980	$ 41,977	$ 65,068	$ 55,780	$ 46,861

(1) Computed based on income from continuing operations available to holders of common stock.

(2) As adjusted to give effect to our sale of common stock in this offering at an assumed offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the receipt and application of the net proceeds thereof as described under Use of Proceeds.

(3) We consider Adjusted EBITDA a key indicator of financial performance and cash flow potential. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, discontinued operations, legacy asbestos (gain) expense, legacy legal expense and other items not related to principal operating activities. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the principal operating activities of the company. We use Adjusted EBITDA in our internal budgeting process, in management s consideration of performance, and as an element in determining executive compensation. Further, Adjusted EBITDA and similar measures are widely used by investors, rating agencies and securities analysts as a key measure of financial performance and debt-service capabilities.

Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measure of performance derived in accordance with GAAP. Because Adjusted EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. We believe that consideration of Adjusted EBITDA, together with a careful review of our results reported under GAAP, including net income, is the most informed method of analyzing our company.

The following table reconciles the GAAP measure of net income to Adjusted EBITDA:

Dollars in thousands	Nine months ended September 28, 2007	Nine months ended September 29, 2006	Year ended December 31, 2006	Year ended December 31, 2005	Year ended December 31, 2004
Net income	$ 35,890	$ 3,871	$ 94	$ 12,247	$ 57,306
Interest expense	14,416	10,416	14,186	9,026	6,918
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)
Discontinued operations expense (income)			1,397	(616)	(56,489)
Depreciation and amortization	11,206	8,275	11,481	11,430	9,872
Legacy asbestos (gain) expense(1)	(23,714)				