Plywood maker Boise Cascade soars after IPO

ALEX VEIGA - AP Business Writer - Associated Press

Riding a U.S. housing recovery and a booming stock market, Boise Cascade, a maker of plywood and other building materials, jumped 25 percent in its market debut Wednesday.

It's the latest solid first-day gain for an IPO, boding well for other companies that want to raise money by going public. Cruise company Norwegian Cruise Line rose 30 percent in its Jan. 18 debut, and has kept rising. Child care provider Bright Horizons gained 27 percent on Jan. 25. Homebuilder Tri Pointe added 12 percent on Jan. 31.

"It's a very healthy IPO market," said Francis Gaskins, president of researcher IPOdesktop. "The lake is rising in terms of the stock market and that brings in IPOs, and in that context, IPOs generally do quite well."

The Dow Jones industrial average, a stock market bellwether, had closed above 14,000 on Friday for the first time since the financial crisis.

When Wall Street rolls out the red carpet for companies like Boise Cascade Co. and others looking to tap the markets for money, it can have a ripple effect across the economy. Selling shares gives companies funds that they can use to grow their business and add more employees.

That path has been a difficult one since the financial crisis broke in 2007, however. Wild swings in stock market prices made investors and companies more nervous about going public, weighing on deal volume. Still, a handful of big debuts, such as the Facebook Inc. IPO last May and General Motors Co.'s return to the public markets in 2010, helped put a gloss on the market and raised the total dollar value of IPOs.

So far this year, 13 companies have raised $5.5 billion in U.S. initial public offerings of stock, according to data provider Dealogic. That's up sixfold from $909 million raised by eight companies in the same stretch last year. In all of 2012, 145 IPOs raised $47.2 billion, though IPOs all but dried up late in the year as concern over the "fiscal cliff" mounted. Lawmakers' deal over taxes at the beginning of January averted the steep tax increases and spending cuts that would have kicked in, helping rally the stock market and unthaw the IPO market.

A burst of companies went public last month — it was the biggest January, by amount of money raised, on record dating back to 1993, said data provider Dealogic. But almost half that money came from the IPO of Zoetis, Pfizer's animal health business. It raised almost $2.6 billion in the largest IPO since Facebook's $16 billion debut.

Norwegian Cruise Line Holdings Ltd. raised $514 million, while TRI Pointe Homes LLC gained $268 million in its IPO and Bright Horizons Family Solutions LLC $222 million.

Investors may have been particularly drawn to Boise Cascade and TRI Pointe as a way to bet on the housing recovery. Home sales and prices have routinely been setting multiyear highs as they come back from the real estate collapse, fueled by improvements in the job market and the overall economy, coupled with low interest rates.

Shares in the 13 biggest publicly traded U.S. builders remain well off their peak prices from 2005, during the housing boom. Still, their stocks, on average, more than doubled in 2012.

That supports demand for real estate-related IPOs, Gaskins said.

And more is likely coming. Another homebuilder, Taylor Morrison Home Corp., filed documents for an initial public offering in December. The Scottsdale, Arizona, company hopes to raise up to $250 million.

Boise Cascade isn't a homebuilder itself. Originally formed in 1913, Boise Cascade makes plywood and other wood products and building materials, supplying about 4,500 wholesalers, home improvement centers, retail lumberyards and other customers. It bought office supply chain OfficeMax in 2003. That company then sold its paper and wood products division to Madison Dearborn Partners LLC. The private equity firm took Boise Cascade to market and still owns about 70 percent of the Boise, Idaho, company after the IPO. Office supply chain OfficeMax Inc. also kept a 20 percent stake.

Boise Cascade raised $247.1 million in its IPO, which was more than it expected, from selling 11.8 million shares for $21 each. It had initially set a price range of $16 to $18, and raised that to $18 to $20 on Tuesday in a signal of healthy demand. Boise Cascade plans to use $25 million to repay debt and the rest for general corporate purposes.

Trading under the "BCC" ticker symbol on the New York Stock Exchange, Boise Cascade's stock gained $5.15 to close at $26.15.

_____

AP Business Writers Steve Rothwell and Michelle Chapman contributed to this story from New York.

Source URL (retrieved on *08/21/2014 - 1:47am*):
http://www.ecnmag.com/news/2013/02/plywood-maker-boise-cascade-soars-after-ipo?qt-recent_content=0