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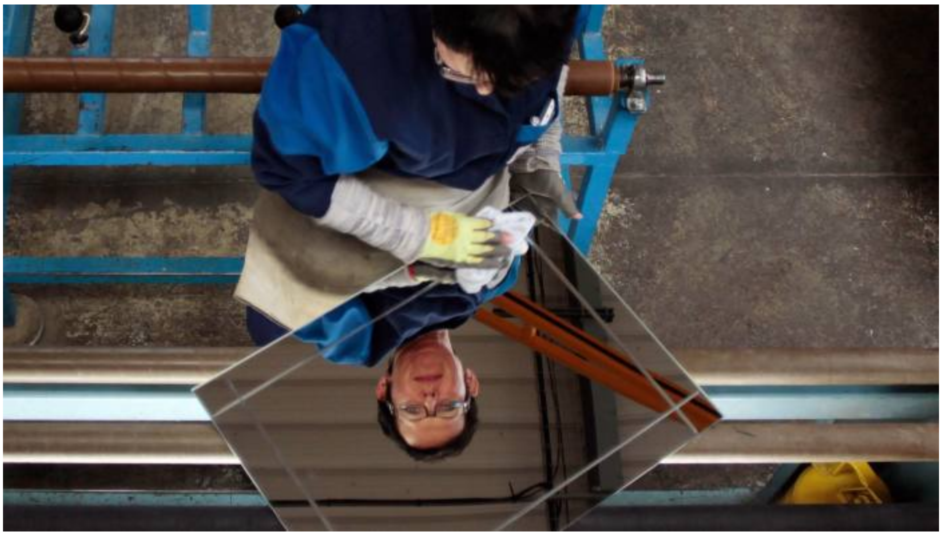
Saint-Gobain gives up fight for control of Sika

Complex deal resolves one of Europe's most contentious takeover battles



French building materials group Saint-Gobain should still make a profit on the four-year saga © AFP

Arash Massoudi in London, David Keohane in Paris and Ralph Atkins in Zurich MAY 10, 2018

Saint-Gobain, the French building materials company, has given up its fight for control of Swiss rival Sika in return for a pay-off, ending one of Europe's most contentious takeover battles.

The fight for Sika had seen Saint-Gobain tied up in Swiss courts for years as shareholders and the Swiss company's board fought back against the takeover attempt, which was launched in 2014.

The complex deal announced on Friday will see Saint-Gobain take a 10 per cent share of Sika and the Swiss chemicals maker secure its immediate independence, while allowing the Burkard family, the heirs of Sika's founder, to exit the company.

The settlement could herald fresh consolidation in the sector, with the deal freeing Sika to make acquisitions. "With the new structure we can really explore possibilities for Sika," said Paul Schuler, chief executive.

However, ending of the family's control could make the Swiss company itself a takeover target. Analysts at Bernstein said Sika would now be in a position to grow unfettered but added the deal "ironically" left "the company open to a full takeover."

Sika shares were 8 per cent higher at SFr8,110 by lunchtime in Switzerland.

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Under the multi-phase plan, first reported by the Financial Times, Saint-Gobain acquired the Burkards' stake for SFr3.2bn ($3.2bn), giving it a 17 per cent stake in the company and 52 per cent of its voting rights.

Saint-Gobain said the price was SFr500m above what was offered to the Sika heirs for their stake in 2014. Sika shares have almost doubled in value since then.

In the second step of the deal, Saint-Gobain sold a 7 per cent stake back to Sika and made a commitment to retire the outsized voting rights.

Sika will pay Saint-Gobain just over SFr2bn, a SFr795m premium to the price on May 4 to reflect the change to one share, one vote and the normalisation of certain corporate governance standards.

The agreement will allow Saint-Gobain to make a profit while retaining 10.75 per cent of Sika. The companies agreed a two-year lock-up and a six-year period during which Saint-Gobain cannot increase its ownership beyond 12.9 per cent. Sika will also have the right of first refusal if Saint-Gobain wants to sell.

"This deal . . . creates value for Saint-Gobain. Second, it puts an end to all of this uncertainty. That's what this does as all litigation is finished. And last, it's strategically important as we have 10 per cent of a great company," said Guillaume Texier, Saint-Gobain's chief financial officer.

The fight for Zug-based Sika kicked off in 2014 when Saint-Gobain agreed to buy a the Burkard family's controlling stake for SFr2.75bn. The heirs owned 16 per cent of the company through shares with super-size voting rights, plus 1 per cent through normal shares.

The agreement was designed to allow Saint-Gobain to secure control without having to make an offer for the rest of the company. However, it led to fierce protests from other shareholders, including the Bill & Melinda Gates Foundation, which accused Saint-Gobain of flouting corporate governance standards.

Sika's directors, backed by managers and employees, blocked the sale, which has been tied up in legal action ever since. In October 2016, a Swiss court agreed Sika was entitled to stop the company's family owners from selling their controlling stake, and the outcome of an appeal had been expected this month.

The family's agreement with Saint-Gobain was due to expire at the end of this year, after which it would have had to be renegotiated.

Saint-Gobain has been criticised by bankers and analysts for spending so long fighting for Sika when it could have been pursuing other takeover targets. However, the French company says it has not stopped looking for alternative deals.

Sika was advised by Perella Weinberg, with UBS providing financing. Saint-Gobain was advised by Lazard.