SABIC Acquires 24.99% Stake in Clariant

In a surprise move, Saudi Arabian petrochemicals and plastics producer SABIC has stepped in as a white knight to rescue Swiss specialty chemicals producer Clariant from the jaws of two ravenous US hedge funds.

White Tale, the acquisition vehicle of funds Corvex and 40 North, apparently did not have the appetite for a fight with Clariant’s management after achieving its goal of torpedoing the planned merger of the Swiss specialty chemicals group with US rival Huntsman.

In a deal announced on Jan. 25, the funds sold their 24.99% stake in the Swiss group to SABIC for a sum estimated by analysts at $2.5 billion.

Clariant it “intends to engage with its “chemical industry peer and partner SABIC” over the coming weeks” to discuss the future relationship. The two companies already are partners in the US-based joint venture, Scientific Design, which bills itself as a “leading licensor of chemical process technologies worldwide.”

The share purchase is the biggest for the Saudi group since it acquired GE Plastics for $11.6 billion in 2007. While SABIC stressed that it has “no plans” for a full takeover, some analysts said they thought its appetite for more could be whetted at some point in the future.

“Clariant is now marked ‘off the market,’” Baader Bank analyst Markus Mayer commented to the news agency Bloomberg, adding; “SABIC is not being a white knight to be nice guys. They’ll want to acquire Clariant at some stage.”

Prior to the maneuvers by White Tale, formerly family-owned Süd-Chemie - acquired by Clariant in 2011 for $2.3 billion - was the Swiss group’s largest shareholder, holding about 15% of its capital. Ironically, The Saudis at the time were seen to have been vying for the Munich-based chemical producer but lost out to Clariant.

SABIC said buying into Clariant is “part of its strategy to diversify its products and to provide innovative solutions to its customers.” With the purchase it will gain access to such diverse markets as cosmetic ingredients, oil and gas chemicals and
additives and colorants for plastics.

The new arrangement offers opportunities for both sides.

While giving SABIC a foothold in higher-margin plastics businesses, it offers Clariant’s management a freer hand to steer the company in its intended strategic direction. White Tale had been pushing for it to divest its plastics and coatings business as well as develop a cost-cutting strategy.

In a statement last October, Clariant CEO Hariolf Kottmann said management would consider divesting 25% of its portfolio – including its Pigments and Masterbatches businesses - following the merger with Huntsman. Under the new circumstances, this plan is likely to be off the table, even if before White Tale’s share purchase emerged, other institutional shareholders had been pressing for divestment of plastics and coatings business to boost the stock’s price.

In preparation for the fusion with Huntsman, Clariant said prospects for enhancing the current downstream presence would focus on expanding formulation- and application-based segment niches as well as high-end composites, bespoke polyurethane (PU) systems and customer-oriented and co-developed products.

Following AkzoNobel’s narrow escape from being gobbled up by PPG in March 2017, the Saudi-Swiss deal is the second major escape of an established chemicals player from an unwanted takeover attempt in the space of not quite a year.

In the latest case, observers said White Tale may have feared emerging the loser, due to Clariant’s fierce opposition to its demands. Management and supervisory boards clearly outmaneuvered the investors in their push to seat three of the hedge funds’ representatives on the board, they added.

Lending credence to this perspective, David Millstone, co-chief investment officer of 40 North, said in a joint statement with SABIC to announce the share transfer, “Sabic’s investment in Clariant is a “successful outcome.”

**Autor(en)**

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