

COMMODITIES NEWS ARTICLE

[← to news & commentary](#)

INTERVIEW-UPDATE 1-A. Schulman determined to make specialty chemicals buy

2:30PM ET on Monday Mar 11, 2013 by Thomson Reuters

- * To make another acquisition if offer for Ferro fails
- * Hopes shareholder pressure will get Ferro to talk
- * Many Ferro investors want co to sit down and talk-Schulman CEO (Adds details)

By Swetha Gopinath

March 11 (Reuters) - Chemical maker A. Schulman Inc , campaigning to buy Ferro Corp, said it would look for another specialty chemicals company to acquire if its \$563 million offer falls through.

A. Schulman Chief Executive Joseph Gingo said he had spoken to five large Ferro shareholders and would meet another three this week. He did not name the investors.

"We are hoping that shareholder pressure will get the Ferro board to talk to us," Gingo told Reuters in an interview.

"I will take this to a point where I know it is a go or no-go. And then I will move on," he said. "I will continue to investigate opportunities in the specialty chemical field."

A. Schulman, which is looking to increase its pricing power amid weak demand, has offered to buy Ferro for \$6.50 per share and has said it would be open to revising its offer if it gets to inspect Ferro's books.

Ferro has repeatedly snubbed A. Schulman's offer, saying it would be better off pursuing its own strategy of offloading unprofitable assets and reviewing its product lines.

But a Ferro shareholder group, headed by investors FrontFour Capital Group LLC and Quinpario Partners LLC, has criticized Ferro's rejection of the Schulman offer.

The group, which collectively holds 4.3 percent of Ferro's shares, has asked the company to explore a sale to A. Schulman or another potential acquirer.

"More than 50 percent of the shareholders we met said that Ferro should sit down and talk to us," said Gingo, who has held the top job at A. Schulman since January 2008.

"A lot of them (shareholders) didn't understand why they wouldn't even sit down and try to negotiate a higher price," he said.

The shareholder group, which has nominated three directors to Ferro's 10-member board, has also said A. Schulman's offer does not fully value the company.

Ferro shares are worth \$7.64 as measured by Thomson Reuters StarMine's intrinsic value model.

The model is a measure of a stock's current value when considering analysts' growth estimates for five years, and then modeling the growth trajectory over a longer period of time.

"If somebody wants \$10 to \$12 for this stock, they better find somebody else," Gingo said, without specifying how high he would be willing to go for Ferro.

Ferro shares have risen 31 percent since Schulman unveiled its proposal, and were trading above the offer price at \$6.82 Monday afternoon on the New York Stock Exchange.

"The median multiple for total enterprise value ("TEV") for closed deals in the specialty chemical space was 10.4 times EBITDA in 2012," said Allan Benton, head of the chemical industry practice at US-based investment bank Scott-Macon.

A. Schulman's offer is below that median at 9.09 times Ferro's EBITDA, according to Thomson Reuters calculations.

Ferro is looking to reduce operating costs by more than \$50 million over the next two years.

"We think whatever Ferro can save, we can add \$35 million to it," Gingo said.

Schulman shares were down less than a percent at \$31.71.
(Editing by Rodney Joyce and Sriraj Kalluvila)

