

## **Syngenta Says U.S. Talks Over ChemChina Bid 'Constructive'**

Bloomberg.com, 22nd July 2016

Syngenta AG, which has agreed to be taken over by China National Chemical Corp. for \$43 billion, said talks with regulatory authorities to win approval for the deal have been constructive and the Swiss company is confident the transaction can be closed on time.

Talks with the Committee on Foreign Investment in the U.S. are ongoing and the goal remains to complete the deal by year end, Chief Executive Officer Erik Fyrwald said in a phone interview on Friday. Basel, Switzerland-based Syngenta reported a 12 percent decline in first-half earnings before interest, taxes, depreciation and amortization to \$1.77 billion, lower than an average of \$1.91 billion predicted by analysts surveyed by Bloomberg. Sales fell 7 percent to \$7.1 billion.

The CEO is seven weeks into the role with the dual task of steering Syngenta through its takeover by the state-owned Chinese company and streamlining a cost base to adapt to increased competition. Its parent-to-be will provide a buffer at a time of weak grain prices, a lack of credit among farmers in Latin America, and a relatively benign year for pests.

"Most importantly, there's confidence in closing the ChemChina deal before year end and constructive discussions with all regulators," said Patrick Lambert, an analyst at Raymond James in London. "With lots of consolidation around, this one does not change the landscape and should actually maintain a choice of technology for farmers."

ChemChina's bid values Syngenta at about 464 francs a share, about 20 percent above the closing stock price of 387.8 francs on Thursday. The shares declined 0.5 percent to 385.80 francs by 9:08 a.m. in Zurich, snapping 10 consecutive days on gains.

### **U.S. Elections**

ChemChina is seeking regulatory approval for the purchase that will make it the world's largest supplier of pesticides and other crop-care chemicals, albeit temporarily. Dow Chemical Co.'s merger with DuPont Co. and Bayer AG's possible purchase of Monsanto Co. will reorder the rankings as the top six suppliers jostle for market share and financial power to drive research and new product releases.

Close all those tabs. Open this email.

With Syngenta, investors are focused on the process of winning approval from CFIUS in a presidential election year. The regulator can recommend a deal be blocked for reasons of national security, and this time around the panel includes the U.S. Department of Agriculture as the planned acquisition involves food security. ChemChina is periodically extending its offer until regulatory approval is obtained. Political developments surrounding the forthcoming election are a "completely separate issue" to the CFIUS review, Fyrwald said. Accepting the Republican Party's nomination, Donald Trump accused China of manipulating its currency to distort trade, and vowed to renegotiate trade deals with the nation should he win.

“CFIUS is an opaque process, people just see it as difficult to call,” said John Ramsay, who temporarily stood in as CEO and is advising Fyrwald in a hand over period.

#### Efficiency Drive

As well as overseeing the ChemChina deal, Fyrwald is pushing ahead with a \$1 billion efficiency drive. The new CEO spent 27 years at DuPont, becoming head of the agriculture and nutrition unit in 2003, before joining chemical distribution company Univar four years ago. He also knows ChemChina well as the state-owned company attempted to buy Univar while he was heading that business.

ChemChina recently bought out its Israeli partner in generic agrochemical maker Adama, though the Syngenta CEO doesn’t see that as a prelude to combining the companies as they are separate investments. Syngenta will remain focused on specialized products and even its mature agrochemicals are used in mixes for the latest technology it offers, he said.

“I’ve got to know ChemChina through the years, and have great respect for them,” Fyrwald said in the interview. “They are long term investors, and that will be the case here.”