

## **Westlake Agrees to Buy Vinyl Maker Axiall for \$2.4 Billion**

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Westlake Chemical Corp. agreed to acquire Axiall Corp. for about \$2.4 billion, burying the hatchet after a five-month takeover contest, to become the second largest North American producer of vinyl products used in pipe, siding and decks.

Westlake agreed to pay \$33 a share in cash, the companies said in a statement Friday. The deal is valued at \$3.8 billion including the assumption of debt. The companies expect the transaction, which is subject to approval by Axiall shareholders and antitrust regulators, to close by the fourth quarter.

The acquisition comes amid a record amount of deal making in the chemical industry, led by the merger of DuPont Co. and Dow Chemical Co. in December and Syngenta AG's February agreement to be acquired by China National Chemical Corp. Axiall expands Westlake's integration into raw materials such as ethylene and chlorine as well as into finished products made with PVC, a hard plastic used in construction products.

The agreement ends a battle that began in January with Westlake's \$20-a-share unsolicited bid. Axiall rejected that offer, as well as a sweetened offer in March of \$1.6 billion, or \$23.35 a share in cash and stock.

### **Axiall Premium**

The deal announced Friday represents a 9 percent premium to Axiall's 52-week share average price before the initial bid on Jan. 28, Houston-based Westlake said in a slide presentation. The price is a 18 percent discount to Atlanta-based Axiall's 52-week intraday high.

Axiall surged 26 percent to \$32.49 at 1:13 p.m. in New York after reaching as high as \$32.56, the intraday peak since July. Westlake, controlled by the billionaire Chao family, climbed 3.6 percent to \$46.70.

The deal sets up Westlake to become North America's third-largest chlorine and caustic-soda producer. Combined annual revenue was about \$7.6 billion for the 12 months through the first quarter, while earnings before interest, taxes, depreciation and amortization were \$1.5, the companies said.

"The combined company will have substantial scale advantages, options for ethylene integration and will become the second-largest U.S. PVC producer with 26.2 percent share," James Sheehan, an Atlanta-based analyst at Suntrust Robinson Humphrey, said in a note.

### **Other Suitors**

After Westlake said earlier this year it would try to replace nine of Axiall's directors with its own nominees, the target company sought other suitors. South Korea's Lotte Chemical Corp. said this week that it made a bid for Westlake, the terms of which weren't disclosed. Westlake said it plans to retain Axiall's joint venture with Lotte that is building an ethylene plant in Lake Charles, Louisiana.

With the deal, Westlake abandoned its effort to take over Axiall's board at the June 17 annual meeting. It expects to reduce annual costs in the combined company by \$100 million.

The deal is Westlake's biggest acquisition, surpassing its 2014 purchase of a German PVC maker from Advent International Corp. for 490 million euros (\$553 million). In 2012, Westlake made an unsolicited \$1.2 billion bid for Axiall, then known as Georgia Gulf Corp., a proposal rejected as too low. Axiall renamed itself in 2013 after acquiring chlorine assets from PPG Industries Inc.

Given that Westlake plans to maintain its investment-grade credit rating, Axiall's bonds should be upgraded from junk after the acquisition, Evan Mann, a senior high yield analyst at Gimme Credit, said in a note.

#### Bonds Rise

Axiall's \$450 million of 4.875 percent bonds that mature in 2023, added 1.3 cents to trade at 105 cents on the dollar and yield 4.04 percent, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority.

Westlake's financial advisers are Deutsche Bank AG and Goldman Sachs Group Inc., and its legal counsel is Cleary Gottlieb Steen & Hamilton. Morgan Stanley and Barclays Plc are Axiall's financial advisers and Jones Day is its legal counsel. Axiall's board has its own legal counsel, Weil, Gotshal & Manges.