

Cape/Altrad struck on direct approach, source says

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Cape's [LON:CIU] proposed acquisition by French construction equipment maker Altrad Investment Authority was struck in a direct approach, a source familiar and a person familiar with the matter told this news service.

The industrial service provider did not run a sale process, said the person familiar with the matter. Altrad was the only company at the table, he said. Cape was reportedly a target for private equity fund 3i in 2010.

Cape was in the middle of an asbestos claim litigation when it was approached by Altrad, and formal talks began only once the issues were resolved in March, according to the person familiar and a source familiar with the situation. The parties disclosed they had entered into a confidentiality agreement on 30 January.

Cape in March settled claims, related to its historical asbestos activities, with a group of litigant insurers by agreeing to an upfront payment of GBP 18 million and a deferred payment of as much as GBP 34.5m from 2018 to 2023. The settlement agreement protected "the Company from the potential threat of insolvency," according to a [press release \(http://www.capeplc.com/news-and-media/news-announcements/2017/03/product-liability-litigation-settlement-and-industrial-disease-claim-update.aspx\)](http://www.capeplc.com/news-and-media/news-announcements/2017/03/product-liability-litigation-settlement-and-industrial-disease-claim-update.aspx).

Altrad on 7 July said it would buy Cape for 265p in cash per share, a 46.2% premium to the stock's prior day close representing an equity value of approximately GBP 332.3m.

The company has been reaching out its shareholder base, which is largely institutional with few retail investors, the source and person familiar said. Feedback has been positive thus far, the person claimed.

The target anticipates a challenging year in 2018 without a deal due to "the expected reduction in volume from the current high level of construction activity in Asia Pacific and the effect of project delays and margin pressures in the Middle East," it said in a statement.

Cape declined to comment. Altrad was not available for comment.

by Swetha Gopinath in London