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HD **Heavyweights line up to bag Orica**

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Inside the deal It was some time coming but hard work paid off for Blackstone.

Blackstone Australia private equity boss James Carnegie finally shed the title of bridesmaid by snaring Orica's chemicals business for $750 million in November.

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The American PE heavyweight has inked property deals in Australia but Blackstone's local private equity team had never closed a deal in this market.

Carnegie, who was under pressure to bag a deal, called on JP Morgan and Ashurst to face off against its rivals.

Orica, the world's biggest supplier of mining explosives, kicked off a review of its chemicals business in 2013. Noise about a divestment started to filter through around the company's annual general meeting in late January.

Orica chief executive Ian Smith and his dealmaker and strategy head Andrew Larke, who was appointed chemicals CEO in September 2013, brought in Goldman Sachs, Citi and Lazard to run a dual-track process, code-named "Project 707". The moniker may have drawn on the Boeing 707 jet which is known for revolutionising air travel.

Goldman has long been Orica's house banker, but ex-Goldman bankers Nick Bagot and Tony Osmond have kept good ties with Orica since they defected to Citi. Nick Sims and Andrew Chong ran the ship for Goldman, while John Wylie and Charlie Whiting were on deck for Lazard.

Wylie had worked with Orica's Smith when he was running gold miner Newcrest and Lazard was brought in to help handle the trade sale strategy.

Gilbert and Tobin's Neil Pathak was Orica's legal point man.

By flagging Orica's intention to demerge the chemicals business, the banking triumvirate injected some tension into the divestment process and the inbound inquiries started flying in from PE firms and trade buyers.

Private equity is no stranger to the chemicals industry. Five of the world's top seven chemical distribution firms, including Brenntag, Univar and IMCD, are owned by private equity.

Goldman offered a stapled financing package to all bidders, providing an indication of gearing and debt terms.

Larke, who has a reputation among bankers as a tough and experienced dealmaker, had led the charge on Orica's demerger of paint maker Dulux in 2008. Dulux, which was spun out at $2.50 and is now trading around $5.73, has become something of a poster child for value-creation in demergers.

With the Dulux success story in the background, the Orica board was clearly willing to press the button on a spinoff if bids were unsatisfactory.

In August, Orica concluded the chemicals review and officially confirmed what had long been known: the business would be sold or demerged.

Analysts had been crunching the numbers and price-tags as low as $500 **million** and as high as $1.1 **billion** had been whacked on the business.

Smith said at Orica's half-year result in May he expected to have something to announce at its full-year result on November 19. The bankers called for first round-bids by October.

Global PE players Apollo, Bain, Carlyle and Blackstone as well as home grown buyout **firm**Pacific **Equity** Partners were all in the mix.

A curve ball came late in the piece when state-owned **China** National Chemical Corporation started expressing interest, but when final bids loomed on November 7 Bain, Blackstone and PEP were running a three-horse race.

Larke and Orica chemicals general manager Graham Bird were still peddling hard on the demerger option. The demerger scheme booklet had been drafted and preliminary consultations held with the Australian Tax Office.

PEP dropped out in the final days leaving Bain, Blackstone or a demerger.

Bain offered an alternative structure that would allow Orica to retain a minority **stake**. Bain had also provided an 80-page document full of quality analysis that would have proved useful for Citi, Goldman and Lazard if their client elected for a spin-off.

But Carnegie's men had done their homework, and having faced doubts early on about deal closure, Blackstone won its prize.

Bain went close but Blackstone's $750 **million** bid was cleaner and all ready to be signed off. It wasn't a knock-out bid but it was enough and Orica was happy to take a certain cash payday.

After transaction and separation costs, Orica will reap net proceeds of between $620 **million** and $650 **million** from the **sale**, which is close to the book value of the chemicals business.

The Orica team celebrated in Melbourne with a dinner at Italian restaurant Becco.

The bankers are holding fire on the celebrations until the deal closes.

Blackstone is awaiting regulatory approvals, but the deal is expected to complete early in 2015.

While the closing festivities are on hold, Lazard's Wylie and Whiting had the **firm**'s Christmas party to look forward to on Friday night.

Larke will leave Orica and stay on as chemicals CEO under Blackstone. His departure completes Orica's transition to become a pure-play **mining** services **company** after a series of transformative deals including the **acquisition** of Dyno Nobel, the divestment of Orica's fertiliser and crop protection businesses, and spinning off Dulux.

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