

Dealmaker casts hungry eye over Enodis

By Mark Odell in London

Middleby, the US food equipment maker stalking Enodis its much larger UK rival, is no stranger to transformational deals under the guidance of Selim Bassoul, its fiercely ambitious Lebanon-born chief executive.

Mr Bassoul, who took over as chief executive in 2001, but had effectively been running the Elgin, Illinois-based company for two years before, completed his first major deal less than 12 months after taking over the top job.

A \$95m bid for rival Blodgett, owned by Maytag at the time, was approved by Middleby's board just before the September 11 attacks on the US five years ago.

It took all of Mr Bassoul's determination and will power over the next four months, to convince reluctant financiers that the deal was worth backing.

In December that year he closed the deal, which saw Middleby's turnover more than double to over \$200m.

Almost five years later and the 49-year-old Mr Bassoul is sitting in the Bank of America offices in London's Canary Wharf, flanked by Timothy FitzGerald, his chief financial officer, 13

years his junior, hoping to pull off an even bigger coup.

Mr Bassoul is in town for two days of meetings with eight of Enodis's top shareholders in a bid to convince them of the rationale of Middleby's £782m (\$1.47bn) approach, which has been rejected by the London-based company's board.

At 195p per share, the indicative offer makes Enodis more than twice the size of its would-be suitor.

Mr Bassoul is taking a big risk as he looks to finance the bid by fully leveraging up the enlarged group from a pro forma combined debt level of about \$310m to \$1.8bn.

But Mr Bassoul has built his career around taking calculated risks.

As chief operating officer of Middleby in 1999, he convinced the board to allow him to shed a quarter of the company's product lines to focus on high-margin areas. So certain was he of his strategy that he remortgaged his house and started buying shares in the company.

"My wife wasn't too happy at the time," he admits with a smile. Mr Bassoul now controls 11 per cent of Middleby, including options, and the rest of his management team holds a further 9 per cent.



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Mr Bassoul must hope that his self-belief and evident enthusiasm for toasters and cookers rubs off on Enodis's shareholders, who so far appear less than impressed by the 195p per share bid.

Middleby's long-time bankers, Bank of America, already appear to be making the pips of the balance sheet squeak with the structure of the deal and it is unclear how much higher they could go.

"My message to the shareholders is if they stick with Enodis the way it is, they are going to have issues from growing competition from larger companies on the one side, as well as smaller, more nimble start-ups in places like Italy and Korea which are going after them," says Mr Bassoul.

He will argue that Enodis lacks innovation and has ignored the switch towards energy efficiency in the sector.

That argument could be somewhat blunted, however, by yesterday's announcement from Enodis of a new range of energy efficient devices.

Mr Bassoul says the offer puts its target on a 2006 price earnings multiple of 22 times, well ahead of the sector, although Enodis

disputes this, claiming it is closer to 20 times.

"We are paying a US multiple for a UK company," Mr Bassoul says.

Some analysts and bankers believe other suitors are likely to enter the fray and believe a successful offer would have to top 200p per share.

The conundrum for Middleby is that the structure of the deal means it must win Enodis's approval for any offer so that it can get access to its books and perform thorough due diligence.

Not surprisingly, Mr Bassoul believes that no other strategic bidder could achieve the same synergies, estimated at between \$50m and \$70m.

And a large chunk of those savings are being used to finance the deal. "We are taking about 50 per cent of the synergies in this bid and are offering it back to the Enodis shareholders," he says.

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