Huntsman Makes $415M Bid For Tronox Assets

TALI ARBEL AP Business Writer - August 31, 2009

NEW YORK (AP) — Chemical company Huntsman Inc. has offered to pay about $415 million for Tronox Inc.'s titanium dioxide and electrolytics businesses in a deal that would make Huntsman the world's second-biggest maker of a whitener used in products as diverse as food, plastics and paint.

Texas-based Huntsman Inc. said Monday that it signed a "stalking horse" agreement last Friday with Oklahoma City-based Tronox Inc., which filed for bankruptcy protection in January.

That means other companies may submit competing bids for Tronox's assets before a bankruptcy court auction, which will likely take place in the fourth quarter of this year.

The assets Huntsman would acquire include titanium dioxide facilities in the Netherlands and the U.S., a joint venture interest in an Australian operation and electrolytic production facilities in the U.S.

If Huntsman succeeds with its bid, the combined company will be the second-largest titanium dioxide producer, with 17 percent of the market, said Jefferies & Co. analyst Laurence Alexander. That still leaves Wilmington, Del.-based Du Pont & Co. as the No. 1 producer.

Tronox is the world's fourth-largest producer of titanium dioxide pigment, making 535,000 tonnes annually. Huntsman's pigment division makes about 560,000 tonnes of the pigment a year. A tonne is a metric ton and is slightly more than 2,200 pounds.

Titanium dioxide is an inorganic white pigment used to whiten such diverse materials as paint, coatings, plastics, printing ink and paper, cosmetics and food. Huntsman also makes chemicals for the consumer goods, construction, health care, paints and aviation sectors, among others.

Huntsman plans to finance 50 percent of the acquisition through debt.

The deal is subject to approval of the U.S. Bankruptcy Court for the Southern District of New York, where Tronox filed for Chapter 11 protection in January.

Tronox filed for bankruptcy protection to address legacy liabilities it incurred when it was spun off from former parent Kerr-McGee Corp. in 2006. The liabilities, which Tronox said are an obstacle to financial stability, include environmental remediation and litigation costs.

In a regulatory filing, Huntsman said that its bid for Tronox excluded assuming environmental liabilities related to Tronox's "past or current operations ... properties or facilities." That includes any fines imposed by a government agency.

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