Eastman Chemical Buying Solutia for about $3.38B

The Associated Press

Specialty chemical company Eastman Chemical Co. is buying Solutia Inc. in a cash-and-stock deal valued at about $3.38 billion to broaden its presence in the Asia Pacific region and other emerging markets while expanding its product offerings.

Eastman said Friday it is paying a 42 percent premium over Solutia's latest closing price and expects the deal immediately add to its earnings. Solutia makes materials and specialty chemicals used in the automotive and architectural industries.

Solutia shareholders will receive $22 in cash and 0.12 shares of Eastman stock for each share of Solutia that they own. Based on Thursday's closing prices, Solutia shareholders will receive cash and stock valued at $27.65 per Solutia share, a 42 percent premium to the company's closing price. Solutia, based in St. Louis, currently has about 122.1 million shares outstanding.

Solutia's stock jumped $7.48, or 38.3 percent, to $26.99 in premarket trading Friday.

The companies value the deal, including debt, at about $4.7 billion.

Eastman expects about $100 million in annual cost savings by the end of 2013, as the acquisition is expected to help lower corporate costs and improve manufacturing and supply chain processes.

Both companies' boards have approved the transaction, which still needs the approval of Solutia shareholders.

The acquisition is expected to close in mid-2012.

Eastman Chairman and CEO Jim Rogers said in a statement that the transaction is important in part because it will extend the company's reach into the Asia Pacific region.

Last month Eastman, which is based in Kingsport, Tenn., said that China will play a key role in its growth as it broke ground on a facility in Heifei, China. The plant, a joint venture with China National Tobacco Corp., will make acetate tow, a raw material used for cigarette filters and other purposes. The plant is projected to be operational in mid-2013.

Eastman said it plans to fund the cash portion of the buyout with available cash and debt. Citi and Barclays Capital, which are serving as financial advisors, have committed debt financing.

Eastman expects 2012 earnings of about $5 per share, excluding acquisition-related costs and charges. In addition, the company boosted its 2013 forecast to more than $6 per share. Analysts polled by FactSet forecast 2012 earnings of $4.64 per share and 2013 earnings of $4.97 per share.

In addition, Solutia provided its fourth-quarter and full-year financial results on Friday. Fourth-quarter net income rose 15 percent to $54 million, or 45 cents per share, from $47 million, or 39 cents per share, a year earlier. Revenue increased 8 percent to $526 million from $489 million.

Analysts expected earnings of 47 cents per share on revenue of $506.5 million.

For the full-year, Solutia earned $262 million, or $2.16 per share. That compares with earnings of $78 million, or 65 cents per share, in the previous year. Annual revenue climbed 8 percent to $2.1 billion from $1.95 billion.

The company maintained its 2012 forecast for adjusted earnings of $2 to $2.30 per share on revenue between $2.13 billion and $2.28 billion.

Analysts predict earnings of $2.20 per share on revenue of $2.23 billion.

Eastman has approximately 10,000 employees worldwide. Solutia has about 3,400 workers globally.

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