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Fyffes tries to woo Chiquita investors

Improved merger deal would see shareholders in Chiquita own significantly larger percentage of new company

Chiquita and Fyffes have upped the stakes in their on-going battle to convince shareholders that a proposed agreement to merge the two companies is a better option than selling Chiquita to Brazilian suitors Cutrale and Safra by sweetening the deal for Chiquita shareholders but at the same time handing them what amounts to a final deadline for making up their minds.

The prospective partners have effectively sought to head off Cutrale-Safra's offer of US$13 per share, which on paper would be more financially rewarding for investors in Chiquita, by promising to grant the US group's stakeholders one share in ChiquitaFyffes for each share they currently own.

That would mean Chiquita shareholders collectively owning approximately 59.6 per cent of ChiquitaFyffes should the deal go through, up from the 50.7 per cent outlined in the previous agreement. Fyffes shareholders would own about 40.4 per cent.

The revised terms come with an extra condition, however, namely a higher penalty payable to Fyffes should the deal fall through. Whereas the initial merger agreement stipulated this would be 1 per cent of the value of the issued share capital in Chiquita (just under 47m shares as of 8 August), this has been raised to a "more customary" 3.5 per cent.

In addition, Fyffes will now also have the right to call off the whole merger if shareholder approval isn't forthcoming. Chiquita shareholders now have a further three weeks to make up their minds after a special meeting adjourned until 3 October was put back further to 24 October, but after that date Fyffes can terminate the agreement.

In such event, the companies said in a statement, Fyffes may be entitled to a termination fee if Chiquita enters into another transaction within nine months.

Enhanced terms

"We are pleased with the increased value that these enhanced terms for Chiquita bring to our shareholders," said Ed Lonergan, Chiquita's chief executive officer. "The Fyffes transaction is a natural strategic partnership that brings together two complementary companies to create a combined company that is better positioned to succeed in a highly competitive marketplace, while driving strong performance and value for shareholders as well as immediate benefits for customers and consumers worldwide."

Chiquita said its board continued to recommend that its shareholders vote for the Fyffes deal, while Fyffes executive chairman David McCann underlined his company's determination that the original merger be carried out.

"The combination of Chiquita and Fyffes is

coming together," he said. "This revised

opportunity for both companies'

strategic and compelling, creating the number one banana company globally, with synergies that can only be achieved by these companies binding agreement, along with the additional synergies recently announced, reinforces our conviction that the Combination is the value-maximising shareholders."