GE to sell appliances business to China's Haier for $5.4 bln

http://in.reuters.com/article/ge-qingdao-haier-m-a-idINKCN0UT119

Haier Group said it would buy General Electric Co's appliance business for $5.4 billion, the Chinese company's latest attempt to boost its presence in the lucrative United States market.

Haier, which made an abortive attempt in 2008 to buy the business, has a negligible presence in the U.S. white goods market, dominated by Whirlpool Corp, Sweden's Electrolux AB and GE.

The news comes weeks after GE walked away from a deal to sell the business to Electrolux for $3.3 billion, following months of opposition from U.S. antitrust regulators.

The deal with Haier is unlikely to draw intense antitrust scrutiny, according to some antitrust experts, but may get a hard look from the Committee on Foreign Investment in the United States (CFIUS).

"Given the number of industry participants, a merger which combines a 5-percent market share participant doesn't seem to me to raise significant antitrust concerns," said Seth Bloom, a veteran of the Justice Department who now heads Bloom Strategic Counsel, a firm specializing in public policy, government relations, and antitrust analysis.

GE said the deal values the appliance business at 10 times last 12 months earnings before interest, taxes, depreciation, and amortization (EBITDA). Whirlpool Corp is valued at 7.7 times.

"This is the chance of a life-time for Haier to become big outside China and specifically US, hence they are willing to pay this very high price tag," Kepler Cheuvreux analyst Johan Eliason told Reuters.

The deal will give Haier ownership of a century-old business that makes refrigerators, freezers, clothes washers and dryers under brands such as Monogram, Cafê, Profile and Artistry. The business reported revenue of $5.9 billion last year.

Haier has been mostly present in the highly competitive, so-called "value segment" of the U.S. market and analysts expressed concern about the impact its bigger presence would have on the pricing dynamics.

"... over time I'd expect them to use GE's excellent distribution network in the U.S. to source in more of their own Chinese low-priced products which will change the dynamics to some extent," said Eliason, who is based in Stockholm.

Haier will continue to use the GE Appliances brand and retain the business's headquarters in Louisville, Kentucky and its current management team, the companies said.

GE's shares were down 0.8 percent at $23.22 in afternoon trading on Friday.

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The deal is another step in GE's push to prune its non-core assets as it transforms itself into what it calls a digital industrial company - hiring more people to write complex software codes to efficiently run its jet engines, power turbines and medical equipment.

The latest move in that direction will be moving its headquarters from Fairfield, Connecticut, to Boston, which will give it access to the talent pool in a city that is quickly becoming a leading U.S. technology hub.

GE is also selling most of its finance arm, or about $200 billion in assets. It has closed deals on about $100 billion so far and announced sales of another $50 billion.

The deal will also be subject to customary regulatory filings in China and antitrust approvals in other countries, said a person authorized to speak on behalf of Qingdao Haier Co Ltd, the Haier unit making the purchase. Haier owns 41 percent of Qingdao Haier.

Goldman Sachs was GE's finiancial adviser and Sidley Austin LLP was its legal adviser. White & Case LLP was legal adviser to Haier.

The logo of General Electric is pictured at the 26th World Gas Conference in Paris, France, June 2, 2015.