DSV to buy logistics company Panalpina in $4.6 billion deal

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Swiss logistics group Panalpina has bowed to an increased 4.6 billion Swiss francs ($4.6 billion) bid from Danish rival DSV, ending a more than two month takeover battle designed to build scale in the consolidating transport sector.

DSV, whose Chief Executive Jens Bjorn Andersen has been on the hunt for targets to broaden his company's global reach and help cut costs, said on Monday Panalpina had accepted an all-share offer of 2.375 DSV shares for each Panalpina share.

Shares in DSV rose 2.5% in early trade while Panalpina shares jumped 15%.

DSV's combination with Panalpina's air- and sea-freight operations will create the world's No. 4 freight-forwarding company, with only DHL Logistics, Kuehne & Nagel and DB Schenker now bigger.

The 20 largest freight forwarders control just a third of the market, making the industry ripe for takeovers or partnerships as companies look for ways to improve profitability and take advantage of economies of scale.

The new bid gives an implied price of 195.8 Swiss francs for each Panalpina share, compared with DSV's Feb. 15 cash offer of 180 francs per share and an initial cash and shares offer then worth 170 francs made in January.

The bid ends a fight between Panalpina's shareholder and activist investors over the company's future.

The Ernst Goehner Foundation, which has 46% of Panalpina, had previously resisted pressure from 12.3 percent shareholder Cevian Capital as well as 9.9% owner Artisan Partners to sell the company to DSV.

The Foundation and Cevian said they both backed the deal.

“We welcome the agreement between Panalpina and DSV,” Cevian co-founder Lars Forberg said in a statement. “We believe the combination has great industrial logic and will create one of the best companies in the logistics industry.”

Andersen said he believed DSV would be able to integrate Panalpina into DSV within two to three years and he felt confident that competition authorities would approve the deal.

He said he aimed to lift the profit margin of the combined company towards that of DSV but declined to give more specific guidance. DSV’s earnings before interest and tax margin was almost 7% in 2018, while Panalpina’s was around 2%, according to analysts at Sydbank.

DSV has previously managed to lift the margins of companies they have acquired, meaning shareholders will give DSV the benefit of the doubt, Sydbank Mikkel Emil Jensen analyst said.

Andersen said DSV would call a shareholders’ meeting to get their approval for the deal.

(Reuters)