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Investor seeks new buyer for Ceridian

Ackman calls \$5.3B deal inadequate

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Not satisfied with the buyer that Ceridian Corp. found for itself, activist shareholder William Ackman is going shopping for a better deal himself.

Ackman, who leads a hedge fund named Pershing Square Capital Management, doesn't support a sale of the Bloomington-based business-services provider at \$36 per share. Instead, he wants a better price and is proposing a variety of ways he can get it.

Ceridian issued a quick response Wednesday: Go right ahead and try.

Ackman's move, outlined in a letter to Ceridian shareholders late Tuesday, continues the legal and financial odyssey that the company has found itself in since Ackman first criticized its management earlier this year.

"We intend to pursue one or more value-maximizing alternatives," Ackman said in a letter to Ceridian shareholders Tuesday.

Ceridian is basically two businesses: One provides payroll processing and other human-resources services to companies; the other, called Comdata, issues credit and stored-value cards and processes payments.

Ackman complained in January that Ceridian stock was undervalued, and that shareholders could get a better return if Ceridian's more-profitable Comdata unit was spun off.

To get more value out of the sale of Ceridian, Ackman says Pershing Square either will try to sell its business units separately, get a better offer for the company as a single unit, recapitalize it by borrowing money to repurchase some of Ceridian's stock, or some combination of those strategies.

"Since the announcement of the current deal, we have received expressions of interest from both strategic buyers and financial sponsors who are interested in pursuing a variety of possible transactions," Ackman wrote in the letter to shareholders.

Pershing Square has hired Lazard Freres & Co., a high-profile mergers-and-acquisition firm, to help find a new buyer.

But Ceridian had worked with a consultant for months before finding a private-equity buyer in Thomas H. Lee Partners, and it's uncertain if a better price can be found at this date. Fidelity National Financial, a large title insurance company, is partnering with Thomas H. Lee to buy Ceridian. The deal is worth \$5.3 billion and would take Ceridian private. Current management would remain and the company would keep its headquarters in Bloomington. Ceridian has about 9,000 employees worldwide, including 1,000 in Bloomington.

The Thomas H. Lee agreement "seems to be the result of a diligent and professional process," said Christopher Kummer, a mergers-and-acquisitions expert and professor at Webster University in Vienna, Austria. "It could be very difficult, it not impossible, to find another buyer who offers more." In its response to Ackman's letter Wednesday, Ceridian said that the current deal with Thomas H. Lee offers the "greatest and most certain value of the available alternatives." Ceridian's board of directors "welcomes involvement by shareholders and is prepared to review any proposals that might result in a superior proposal," as spelled out in the agreement with Thomas H. Lee, the company said. "They don't have any choice other than to say something like that," said R. Hunt Greene, managing director of Greene Holcomb & Fisher, a mergers-and-acquisitions advisory group in Minneapolis. One key hurdle appears to be a \$165 million break-up fee outlined in the agreement between Ceridian and the buyers it has lined up. That amount apparently would have to be paid by any new buyer who surfaces.

The breakup fee could make finding a new buyer more difficult, Greene said. But at about 3 percent of the \$5.3 billion sale price, it's within a typical range and may not by itself squelch another deal. Ceridian's stock closed Wednesday at \$35.34, up 13 cents.

Ceridian also said that it would file its proxy statement in the next several days. With that document in hand, shareholders will vote on board candidates and the sale to Thomas H. Lee. The votes will be tabulated at the company's annual meeting, which has yet to be scheduled.

Ackman is running his own slate of board candidates to replace the current group.