Caterpillar To Buy Bucyrus For $7.6 Billion

Samantha Bomkamp, AP Business Writer

NEW YORK (AP) — Caterpillar, the world's largest construction and mining equipment maker, moved aggressively to capitalize on demand for commodities in emerging markets Monday with a $7.6 billion buyout of Bucyrus International.

Bucyrus makes surface mining equipment used for mining coal, copper, iron ore, oil sands and other minerals. Demand for commodities has languished in traditional markets, pushing global companies like Caterpillar Inc. further into China, India and Brazil, which need such materials to feed surging economies.

The acquisition, and what Caterpillar called a robust outlook for commodities, is being driven by those places that are rapidly "improving infrastructure, rapidly developing urban areas and industrializing their economies.

Last month Caterpillar doubled its third-quarter profit, thanks in large part to growth in those markets.

To land Bucyrus International Inc., based in South Milwaukee, Wis., Caterpillar will pay $92 per share, a 32 percent premium to Bucyrus' closing price on Friday. The deal, which is valued at $8.6 billion including debt, is expected to close in mid-2011.

Shares of Bucyrus jumped 30 percent in premarket trading to $90.26.

Caterpillar during the economic downturn made drastic cuts, vowing then that it would be in a better position when the economy rebounded. It cut 19,000 full-time and 18,000 contract and part time workers.

The company now appears ready to make good, making a strong big to grab market share anywhere that demand is strong.

"Our performance through the global economic turmoil of 2008-2009 allowed us to emerge with a strong balance sheet and the ability to make strategic investments in companies like Bucyrus," said Caterpillar Chairman and CEO Doug Oberhelman

The Peoria, Ill. company said last month it expects the global economy to grow by about 3.5 percent next year, on par with economists' forecasts. But the company predicts developing regions will grow at about double that rate. And even in the emerging economies where growth is slower, Caterpillar said the replacement of worn out machinery will drive sales even before those economies markedly improve.

The deal requires, which got the go-ahead from both company boards, still requires approval by regulators and Bucyrus shareholders. The company expects to save about $400 million a year starting in 2015 from the acquisition.

Source URL (retrieved on *11/25/2014 - 10:22pm*):
http://www.impomag.com/news/2010/11/caterpillar-buy-bucyrus-76-billion?qt-digital_editions=0