International Paper Launches Bid For Temple

MEMPHIS, Tenn. (AP) -- International Paper Co. said Monday it has launched an unsolicited tender offer for smaller rival Temple-Inland Inc. for about $3.3 billion.

The offer, at $30.60 per share in cash, is effective Tuesday and ends Aug. 9. It is a 46 percent premium to Temple-Inland's closing price on June 6, the day Temple-Inland rejected International Paper's initial offer at the same price.

Temple-Inland, based in Austin, Texas, says the offer undervalues its business. It says International Paper is acting now because Temple-Inland's building materials business has weakened in the economic downturn. The company makes particleboard, gypsum board and other building materials.

Temple-Inland also has said that the deal would likely be scrutinized by federal anti-trust regulators. Temple-Inland currently controls around 12 percent of the North American market for corrugated packaging materials. A combined company would control around 40 percent of that market, Temple-Inland said.

International Paper said it first proposed a merger verbally on May 17.

After informing International Paper in June that its board had unanimously rejected the proposed deal, Temple-Inland announced the next day that it had adopted a "poison pill" designed to prevent a hostile takeover. A poison pill makes an acquisition more expensive by increasing the number of the target company's shares.

International Paper said its offer is conditioned on Temple-Inland's board removing the poison pill.

Temple-Inland urged shareholders to take no action on the tender offer until Temple's board can review the offer. It said it would do so within 10 days of the beginning of the offer.

International Paper CEO John Faraci said in a statement that Temple-Inland's price expectations are unrealistic and its unwillingness to engage in meaningful discussions left no other option but to take the offer directly to shareholders.

"While we prefer to reach a negotiated, friendly deal, we are committed to remaining disciplined and completing this transaction at a fair price for both companies' shareholders," he said. "We are confident in our ability to secure the necessary regulatory approvals to complete this transaction in a timely manner."

International Paper said it has secured committed financing from UBS Investment Bank, and the offer will not be conditioned on financing.

Temple-Inland's shares fell 44 cents, or 1.4 percent, to close at $30.55 before the tender offer was announced. They rose 5 cents in aftermarket trading. They have traded between $15.48 and $31.32 in the past year.

Shares of International Paper, which is based in Memphis, fell 32 cents, or 1 percent, to $29.94. They were unchanged in aftermarket trading.

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