

Xerox ends merger with Fujifilm in victory for shareholders

May 14 2018, by Julie Charpentrat



Under the terms of the merger with Xerox, Fujifilm would have held 50.1 percent of Fuji Xerox while current shareholders would have received a special cash dividend of \$2.5 billion

US photocopier and printer maker Xerox on Sunday announced it was terminating a merger with Fujifilm and appointing a new chief executive after entering into a settlement with activist shareholders who had contested the takeover.

In a statement on its website, Xerox cited "material deviations" in the audited financials of an existing joint venture known as Fuji Xerox that is controlled by Fujifilm.

The move follows a lawsuit by powerful shareholders Carl Icahn and Darwin Deason, who together owned more than 15 percent of the group and had vigorously opposed the merger announced in January.

Xerox added that Jeff Jacobson had resigned from his role as the company's CEO, along with five board members who were replaced by five new members.

In Tokyo, Fujifilm disputed Xerox's "unilateral decision."

"We do not believe that Xerox has a legal right to terminate our agreement and we are reviewing all of our available options, including bringing a legal action seeking damages," the Japanese firm said in a statement.

The company called on the Xerox board of directors to "reconsider their decision."

The new board will be chaired by Keith Cozza, who is the current CEO of Icahn Enterprises, while its new CEO is set to be John Visentin.

Xerox said the board would immediately convene to "evaluate all strategic alternatives to maximize [shareholder](#) value."

"Over the past several weeks, the Xerox Board has repeatedly requested that Fujifilm immediately enter into negotiations on improved terms for a proposed transaction," the firm said.

"Despite our insistence, Fujifilm provided no assurance that it will do so within an acceptable timeframe.

"The Xerox Board believes that the transaction cannot reasonably be expected to be completed under these circumstances, particularly given the court's injunction of the transaction and the lack of shareholder support for the transaction on current terms, as well as the unresolved accounting issues at Fuji Xerox."

Latest victory for Icahn

The conflict was the latest involving a big company and a high-profile shareholder activist, in this case Icahn, a battle-tested billionaire who has aggressively challenged companies since the 1980s.

Icahn and Deason had in late April won a temporary injunction against the merger after a New York judge agreed the deal prioritized the interests of the Xerox CEO over that of the company's shareholders.

In early May, Xerox announced Jacobson would be stepping down before reversing its decision two days later.

Reacting to the news, Icahn said: "We are extremely pleased that Xerox finally terminated the ill-advised scheme to cede control of the company to Fujifilm.

"With that behind us and new shareholder-focused leadership in place, today marks a new beginning for Xerox."

Under the terms of the merger Fujifilm would have held 50.1 percent of Fuji Xerox while current shareholders would have received a special cash dividend of \$2.5 billion.

Deason and Icahn were also unhappy about a secret 2001 deal between Xerox and Fujifilm which contained a clause that prevented the Xerox board from seeking another buyer, effectively shortchanging the company's shareholders.

In the wake of the announcement of Xerox's takeover in January, Fujifilm announced a cost savings plan envisaging thousands of job cuts at Fuji Xerox.

Fuji Xerox was also weakened last year by the discovery of accounting irregularities dating back to 2010.

The deal announced Sunday is a victory for so-called activist shareholders, among whom Carl Icahn is considered one of the "fathers."

It comes after activist fund Elliott won a weeks-long power struggle with Vivendi over Telecom Italia by wresting control of the company's board in early May.

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