

## **Ultrapar expected to bid for Shell unit**

*Martin Arnold*

Ultrapar, the Brazilian fuel and chemicals distribution group, is tomorrow expected to submit a bid for Royal Dutch Shell's European liquefied petroleum gas business, which is being sold for as much as €1bn (£848m).

The auction is also likely to attract bids from a handful of private equity groups and Mexico's Grupo Zeta Gas. If Ultrapar succeeds it would be one of the biggest acquisitions by a Brazilian company in Europe.

Shell tried and failed to sell its European LPG business five years ago, when Ultrapar also bid. Bankers say Shell is unlikely to reach its target price of €1bn this time, particularly since the Greek debt crisis has hit confidence in financial markets.

The Anglo-Dutch oil group faces opposition from French unions to the sale of its LPG division in Europe, which is dominated by the Paris-based Butagaz business. One person familiar with the auction said it could be abandoned.

Many of Shell's 1,200 French employees went on strike last week in protest at the planned sale of Butagaz, which employs about 400 people and makes about €680m of revenues from selling bottled gas for rural homes and caravans.

Butagaz is the leading supplier of LPG bottles in France with a third of the market. It accounts for about 40 per cent of Shell's LPG business in Europe, which also operates in the UK, the Netherlands, Belgium, Poland and the Nordic region.

The business has faced growing competition from supermarkets, and has seen profits fall from more than €200m five years ago to about €120m last year.

Private equity bids are expected to be submitted by PAI, Advent International, Axa Private Equity, CVC Capital Partners and First Reserve in the auction, which is being run by Credit Suisse.

But bankers said the private equity groups could struggle to meet Shell's asking price as they were unlikely to raise much more than two-times operating profits in senior debt from lenders, equivalent to about €250m.

PAI already has experience of investing in the French LPG market, having bought Antargaz, the number two business in the country, from TotalFinaElf in 2001 and sold it three years later to UGI Corp of the US.

Shell expects to raise \$2bn-\$3bn this year from selling downstream assets that are not central to its growth plans.

Ultrapar is Brazil's biggest LPG distributor through its Ultragas subsidiary. The company is listed in São Paulo and New York and makes \$20bn of revenue from distributing LPG, fuel, chemicals and cargo across Latin America. All parties declined to comment.

**Fonte: Financial Times, London, May 31st 2010, UK, online.**