

Lambert Commodities

Thoughts on the ADQ/Dreyfus deal

- From Margarita's perspective - This is obviously great news for Margarita Louis-Dreyfus. ADQ is acquiring a very large but minority stake in the Group which means that MLD is not relinquishing control over the commodity trading house and therefore keeps her pledge to protect Robert-Louis children's interests. Whilst we do not know about the price paid, it is clear that, when the sale is finalized, Margarita will be in position to extinct her debt vis à vis Credit Suisse.
- But this is also excellent news for LDC. On several grounds.
 - A minimum of 800mio will be reinjected into the business and this is badly needed to accelerate the necessary business transformation aiming at shifting a largely trading model into a more integrated food and agri business.
 - Indirectly and crucially, the fact that the main shareholder will have paid her debts means that the dividend policy of LDC will likely normalise. It is expected that ADQ whilst keen to ensure a proper return on their investment will appreciate that dividends should be commensurate with the profit actually generated by the business. That had not been the case for a few years now.
 - The management's ability to manoeuvre and conduct his strategic plan should therefore be facilitated. Besides, creditors support should be strengthened accordingly. This will quite refreshing after much worries on several banks discomfort with the commodity sector.
 - Last, but not least a privileged access to the UAE agri supply shorts will be a welcome gift for the company.
- It is also a very telling deal for Abu Dhabi. Post covid and as tensions have been building with Iran, the Trump legacy is a massive cards reshuffling in the region with now overt established relationship between UAE, Israel and somehow more discreetly, KSA. The middle East is very dependent on food supply and this has never been tackled seriously. Post Covid (and we talked about this very early) dependable countries will need to build their hoarding/sourcing capabilities whilst the just in time/just in need sophisticated supply chains strategies are

being tested. This is in my view the main reason why ADQ would take such a high minority stake in LDC when it is far from certain that they secured a board position in the group. Mohammed Bin Zayed is leading an effort to build a regional champion re food and agri supply and from their perspective the stake in LDC is a mean to an end. As much as COFCO is China's agri procurement arm, LDC could become UAE and KSA one. LDC will be given the means to carry with the necessary business transformation (integrating food and ingredients) and I would not be surprised if in the next years or so, some initiatives materialise in the region under the stewardship of LDC. Naturally LDC will remain independent and continue to originate and supply all over the world but now they have a vested interest to serve this region particularly well. So long they do that ADQ may be not so demanding in terms for financial return, a price to pay for a LT strategy.

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