

Darien railroad operator to be sold in multibillion deal

Paul Schott | *July 2, 2019*

DARIEN — Railroad operator Genesee & Wyoming will be sold for \$8.4 billion, a deal that will take the firm private.

In a deal expected to close by early next year, affiliates of Brookfield Infrastructure, one of the world's largest infrastructure investors, and Singapore investment firm GIC would acquire a company with a portfolio of 120 short-line railroads serving some 3,000 customers. Mostly operating in North America, accompanied by operations in Europe and Australia, G&W provides services covering more than 16,000 miles of track.

"For our customers, employees, and Class I partners, the long-term investment horizon of Brookfield Infrastructure and GIC as seasoned infrastructure investors is perfectly aligned with the long lives of G&W railroad assets, which are integral to the local economies that we serve in North America and around the world," G&W CEO and Chairman Jack Hellmann said in a statement. "They are also fully supportive of our business plan, which will continue to be focused on safety, customer service and growing our footprint to provide more opportunity for our people.

Hellmann described the deal as "an excellent outcome for all G&W stakeholders," with company officials reporting that the sale price would offer an approximately 40 percent premium on the firm's March 8 share price.

G&W shares jumped by about 10 percent after the transaction was announced. Shares were trading midday Tuesday at about \$109, about the same as their 52-week high.

In North America, G&W operates in 41 U.S. states and four Canadian provinces, comprising 114 short-line and regional-freight railroads across more than 13,000 track-miles.

Its U.S. network includes the Connecticut Southern Railroad, whose transported goods include agricultural, food, forest, metal and petroleum products; chemicals; construction debris; minerals; pulp and paper; and scrap.

G&W subsidiaries and joint ventures also provide rail service at more than 40 major ports, rail-ferry service between the southeast U.S. and Mexico, and services including contract coal loading and industrial railcar switching and repair.

In the first quarter of this year, G&W recorded about \$558 million in revenues, compared with \$575 million in the same period in 2018.

“This is a rare opportunity to acquire a large-scale transport infrastructure business in North America,” Brookfield CEO Sam Pollock said in a statement. “G&W will be a significant addition to our global rail platform and will expand our presence in this sector to four continents.”

Officials at Greenwich-based investment firm Blue Harbour Group praised the deal. Blue Harbor describes itself as G&W’s “largest active owner,” with approximately 2 million shares, accounting for about 4 percent of the total.

“It appeared to us that the public market was misvaluing GWR’s very strategic North American short line operations, in part because of the company’s international businesses,” Blue Harbour Managing Director Robb LeMasters said in a statement. “The transaction ... unlocks the significant shareholder value that GWR’s management team has built over many years, both through acquisitions and operational execution, as they assembled the most significant short line railroad footprint in North America.”

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