

Fujifilm Takes Over Xerox In \$6.1B Joint Venture Deal

By **Matthew Guarnaccia**

Law360, New York (January 31, 2018, 2:26 PM EST) -- Fujifilm Holdings Corp. said Wednesday it will take control of Xerox Corp. through a \$6.1 billion deal that involves an existing joint venture between the companies and establishes an industry giant in the printing, document and workplace solutions market.

Under the terms of the deal, the existing joint venture, known as Fuji Xerox, will become a subsidiary of Xerox after Fujifilm sells its 75 percent stake in the joint venture. Xerox will in turn change its name to Fuji Xerox, and Fujifilm will acquire 50.1 percent of the newly created shares in the entity, using the proceeds from the sale of Fujifilm's original Fuji Xerox stake.

As part of the transaction, Xerox investors will receive a special cash dividend worth \$9.80 per share, and Xerox will take control of 49.9 percent of the new Fuji Xerox. The dividend, which will be funded through the combined entity's balance sheet, is worth \$2.5 billion total.

According to Xerox, the new company will have a combined revenue of more than \$18.2 billion, second only to HP Inc. in the printing and workplace solutions space.

"Fujifilm and Xerox have fostered an exceptional partnership through our existing Fuji Xerox joint venture, and this transaction is a strategic evolution of our alliance, Fujifilm Chairman and CEO Shigetaka Komori said in a statement Wednesday.

The companies said Wednesday that the new Fuji Xerox will draw upon the printing technology and services business and strong North American customer base of Xerox, the equipment and materials capabilities of the original Fuji Xerox joint venture, and the diverse portfolio and corporate resources of Fujifilm. The Norwalk, Connecticut, headquarters of Xerox and the Tokyo headquarters of Fuji Xerox will remain as active headquarters for the new entity.

Despite Xerox's name change, the brand will endure in current markets where it does business, including North America, Europe, and developing markets of South America and Africa. The Fuji Xerox brand will also continue to be used where it has been operating previously, namely the Asia-Pacific and Oceania regions.

The companies said the move will ultimately result in cost savings of \$1.7 billion, including \$1.2 billion by 2020. In a recent earnings presentation, the current Fuji Xerox joint venture said it will cut 10,000 jobs by 2020 as part of a "structural reform," a move that will save the company 50 billion yen (\$457.3

million)

As a part of the deal, which is slated to close in the second half of 2018, current Xerox CEO Jeff Jacobson will take over as head of the new Fuji Xerox company. The new company's board will consist of seven Fujifilm-appointed members and five independent directors from the Xerox board.

The decision comes a little more than a week after Carl Icahn and Darwin Deason — the first- and third-largest Xerox shareholders, respectively — released a joint statement calling for Jacobson to be replaced as CEO.

Icahn and Deason had said that Jacobson is “neither qualified nor capable of successfully running [Xerox]” and doubted his ability to negotiate a then-rumored deal with Fujifilm that would be more favorable to the company.

The pair had also said they would be forming a group to solicit proxies in an effort to elect four new individuals to the board of directors at Xerox's 2018 annual shareholder meeting.

Fujifilm is represented by a Morrison & Foerster LLP team led by corporate/M&A partners Gary Smith, Jeff Schrepfer and Jeff Bell, and including corporate partners Hisateru Goda, Masato Hayakawa and Scott Lesmes and counsel Rika Saeki and Yukitoshi Uwatoko, antitrust partner Jeff Jaeckel, and regulatory counsel Aki Bayz and David Newman.

Mitsubishi UFJ Morgan Stanley Securities Co. Ltd. and Morgan Stanley & Co. LLC are serving as Fujifilm's financial advisers.

Xerox is represented by a Paul Weiss Rifkind Wharton & Garrison LLP team including partners Robert Schumer and Ariel Deckelbaum and associate Michael Vogel.

Centerview Partners LLC is serving as Xerox's financial adviser.

Centerview is represented by a Sullivan & Cromwell LLP team including partners Frank Aquila and Krishna Veeraraghavan and associate Matthew B. Goodman.

--Additional reporting by Darcy Reddan. Editing by Edrienne Su.

Update: This article has been updated to add counsel information for Xerox and Fujifilm.