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With $385 Million, Gardini Can Sail Wherever He Wants

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Big Settlement With Ferruzzi Clears Decks for Ex-Chief; America's Cup Is Calling

By GUY COLLINS
Staff Reporter

MILAN – Raul Gardini is known for an ability to turn difficult situations to his advantage. This summer, that reputation caught a fresh breeze.

Barely seven weeks have passed since Mr. Gardini lost his job as head of the Serafino Ferruzzi empire, overthrown in a surprise revolt by disenchanted Ferruzzi family members. For 11 years he led the world-wide agribusiness and chemical conglomerate as its risk-taking, chain-smoking chairman.

But now, he and his wife, Idina, daughter of the group's founder, Serafino Ferruzzi, have walked away from that confrontation with a cash mountain – 505 billion lire ($385 million). That's the price agreed to by Idina's brother, Arturo, and two sisters, Alessandra and Franca, to buy out Idina's 23% stake in the family company and to exclude Mr. Gardini from any further role in its affairs.

The split, which is clean and total, was achieved with remarkable speed. Teams of lawyers representing the two sides worked round the clock since early June drawing up the settlement.

Now Mr. Gardini, 58 years old and permanently tanned, can invest and pursue business ventures wherever he likes, starting with a clean slate and using his own money. But before plotting a course for distant horizons, he aims to finish a conquest already begun – a campaign over the next nine months to win the prestigious America's Cup yacht championship in a boat designed, built and sponsored by Montedison SpA, the chemical conglomerate controlled by the Ferruzzi group.

Raul Gardini.

Despite the family split, Montedison is committed to spending a further $19 million on the sailing challenge ($40 million was budgeted), and Mr. Gardini remains president of the consortium that is coordinating the effort. Montedison regards the project as good advertising for its advanced materials.

Having won a world championship yacht race earlier this year off the California coast, Mr. Gardini's hopes of winning the America's Cup have been lifted. An improved fifth version of his successful Moro di Venezia yacht is being built for next year's championship, and if he wins, he intends to play host to the 1996 Americas Cup in Venice, where he keeps a palazzo on the Grand Canal.

Staying Silent

But while Mr. Gardini's gaze for now appears directed toward the sea, others focus on what he will do with his cash windfall. For the moment, he's staying silent. But he has a well-established network of business allies in Europe and the U.S., notably French financier Jean-Marc Vernes, and has indicated he intends to return to an active business role.

Mr. Vernes, the chairman of Ferruzzi-controlled French sugar group Beghin-Say SA, declined to comment on his future relationship with Ferruzzi or Mr. Gardini. The Ferruzzi group holds a 15% stake in Mr. Vernes' Societe Centrale d'Investissement and denies that it might sell it to Mr. Gardini.

However, Mr. Vernes is widely seen her as a key to Mr. Gardini's comeback especially since Mr. Gardini's battles wit the political and business establishment i Italy mean he is likely to concentrate o initiatives outside the country, probably i France and possibly the U.S.

If Mr. Gardini – who enjoys the Pari social circuit and speaks French well – i looking to France as a base to relaunch hi career, he may need to cultivate a more patient, diplomatic style than the colorful impulsive manner he has used in the past.

Two other Italian businessmen, televi sion magnate Silvio Berlusconi and entre preneur Carlo De Benedetti, have found that France can be a difficult place for a foreigner to make money. The French establishment's suspicion of outsiders, coupled with Mr. Gardini's determinedly free-market philosophy and lack of patience

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with those who stand in his way, could prove a volatile mixture.

But Mr. Gardini knows the French business scene well, not only through Ferruzzi's acquisition of Beghin-Say but because Paris has long been the European headquarters for Ferruzzi's commodity trading.

Whatever problems Mr. Gardini faces in building a new future, liquidity is unlikely to be one of them. He is armed with a formidable, if stormy, track record. Having married into the wealthy Ferruzzi family, he worked closely with his father-in-law, Serafino, for 20 years and persuaded the family to name him chairman when Serafino was killed in a plane crash in 1979.

With the family's backing, he transformed Ferruzzi from a successful but conservative company that traded grain and owned farming land on three continents into an aggressive conglomerate with interests from insurance to sugar refining and chemicals.

Growth came through a series of acquisitions, including the purchase of a controlling stake in Beghin-Say and the steady build-up of control of Montedison through stock-market buying between 1985 and 1987.

However, in master-minding Ferruzzi's aggressive expansion beyond its grain-trading roots, Mr. Gardini antagonized several leading figures of the Italian business world. To this list of enemies he added the Rome political establishment when, having pressed the state to pool its chemical business with much of Montedison's in the joint-owned Enimont SpA venture, he attempted to take it over.

The result was an acrimonious battle and stand-off that resulted in Montedison selling its interest to Ente Nazionale Idrocarburi for 2.8 trillion lire last November.

Following the Enimont experience, Mr. Gardini melodramatically announced it was no longer possible to do business in Italy. Resigning from all executive posts of the Ferruzzi group in Italy, he retreated to California to spend the winter indulging his passion, ocean yacht-racing.

The Enimont experience initiated the rift with the Ferruzzi family. Mr. Gardini, with his trader's flair for risk, revels in adversity and performs best with his back to the wall. However, Arturo Ferruzzi and his sisters Alessandra and Franca were uncomfortable with the constant controversy that he brought to their business.

But it was Mr. Gardini's plan to open up ownership of the Ferruzzi group's key holding company that finally brought down the curtain on one of Italy's most successful business partnerships.

Arturo and his three sisters had held total control of the master company, Serafino Ferruzzi Srl, since their father's death. Mr. Gardini proposed admitting not only himself and key business colleagues to the elite shareholding group, but also Serafino's grandchildren, including Mr. Gardini's son, Ivan. The result would have been to give Mr. Gardini and his allies control of a significant minority of the shares.

The plan was approved by the family at the start of this year, then revoked in June when they thought better of it. Mr. Gardini was abruptly deposed from leadership of the group and replaced by Arturo. At the same time Mr. Gardini's son Ivan, who had been installed as president of the Ferruzzi holding company Ferruzzi Finanziaria last year, was also voted off the board.

As a result of the accord reached last week, Arturo now controls 40% of Serafino Ferruzzi and his sisters Alessandra and France 30% each. Throughout the past two months of negotiations Arturo insisted that the Ferruzzi-Montedison group would remain intact, and that any pay-off by the family to Mr. Gardini would be in cash, not industrial assets – a line he successfully held despite some criticism.

"Ferruzzi Finanziaria from the beginning has been determined to conserve the status quo," says Paul Dionne of Milan brokers Pasfin Servizi Finanziari SpA. "But it's such a huge empire, there are so many assets that could have been spun off, it seems absurd."

Arturo has pledged that Ferruzzi will continue to follow the same strategy as before, with the same managers, and so far signs are that that will happen.

Any long-term plans of Mr. Gardini's, however, remain unclear. In addition to Mr. Vernes the financier, another longtime colleague whom he may find useful is Sergio Cragnotti, the managing director of Enimont throughout the battle with the Italian state. Mr. Cragnotti has recently founded a merchant bank – but Ferruzzi's .12% stake could complicate any future connections with Mr. Gardini.

A spokeswoman for Mr. Cragnotti declined to comment on any developments concerning Mr. Gardini, simply expressing satisfaction that a settlement had been reached in the Ferruzzi dispute.

The only clue to how Mr. Gardini may spend his money lies in a property accord parallel to the main agreement. He has an option to buy a historic palazzo in the heart of Rome and a hunting estate in Tuscany from the Ferruzzi family, at a price to be agreed over the next few months. The Ferruzzi group estimates a likely sale price of 70 to 80 billion lire.

For now, anyway, Mr. Gardini is reportedly vacationing in Jamaica before heading back to California – and more America's Cup preparations.

Charles Fleming in Paris contributed to this article.