



Bloomberg.com

NYSE Group Shareholders Approve Euronext Takeover

By Edgar Ortega

Dec. 20 (Bloomberg) -- Shareholders of NYSE Group Inc. approved the \$14.6 billion purchase of Euronext NV, paving the way for the creation of the first trans-Atlantic securities market.

An estimated 99.7 percent of the NYSE Group shares voted were cast in favor of the transaction, the exchange said in a statement today. Euronext shareholders yesterday backed the deal, scheduled to close in three months after European regulators and the Dutch Finance Ministry gave conditional approval.

NYSE Euronext will list companies with a total market value of \$25.8 trillion, including General Electric Co. and Total SA, and handle about \$100 billion in equity transactions a day along with options and futures. The new company plans to increase profits by cutting \$275 million in costs, primarily through combining computer systems.

"The cultural aspects are as important as the technology integration," said Philip Panaro, president of New York-based IM2 Consulting, a financial-services consultant that advised Deutsche Bank AG and J.P. Morgan Co. on acquisitions. "Announcing the acquisition is easy, completing the transaction is easy, but doing the integration is hard, and sustaining shareholder value is harder."

Largest Deal

The votes were a victory for NYSE Group Chief Executive Officer John Thain and his Euronext counterpart, Jean-Francois Theodore. They overcame rival bids and criticism from policy makers to prevail with their cash and stock deal. More than 75 percent of eligible shares were voted today during a meeting at the New York Stock Exchange's former luncheon club. Final results will be made available tomorrow, the company said.

NYSE Group's purchase of Euronext is the largest among almost \$50 billion of proposed mergers by exchanges worldwide over the last two years, according to data compiled by Bloomberg. Exchange operators are seeking combinations to meet demand for low-cost electronic trading of securities across the world's time zones.

As the NYSE Group moves to complete its acquisition of Euronext, the company is already considering expanding into Asia. "Between China, Japan and India, one of those places will be the source of some type of transaction," Thain told shareholders today. "There are opportunities there we are looking at."

Access to U.S. capital markets will improve for European investors after the combination is completed. The purchase of Euronext will also strengthen NYSE Group as it expands from stocks into the more profitable business of trading futures contracts on commodities and interest rates through the London-based Euronext.Liffe electronic market.

Profit Margins

Profit margins for the new company will improve from their current "mid-20s" range at NYSE Group, Thain said today.

"We are going to do a fair amount better than that when we combine our businesses," Thain said. "Futures, frankly, are a much better business."



NYSE Group and Euronext started negotiations early this year. Thain first offered to buy the European exchange in May and signed an agreement in June, which scuttled months of negotiations between Euronext and Deutsche Boerse AG. The operator of the Frankfurt exchange withdrew its bid Nov. 15 after a rally in NYSE Group shares.

NYSE Group shares fell \$1.22 to \$102.14 in composite trading at 9:50 a.m. in New York, while Euronext rose 15 cents to 91.40 euros in Paris. Shares of NYSE Group had gained 64 percent since May 22 through yesterday, outpacing the 38 percent gain of the FTSE/Mondo Visione Exchanges Index, which tracks the performance of 18 exchanges around the world. Euronext shares had risen 36 over the same period.

Deeper Markets

"Shareholders will be rewarded by both the growth outlook and cost savings of the combined business," said Atticus Capital LP, a New York-based hedge fund that will be the single-largest shareholder in the combined company, in a Dec. 18 statement. "Users will benefit from deeper and more liquid markets, covering more listed companies and potential fee reductions in the cash equities market."

NYSE Group will pay 0.98 per share and 21.32 euros in cash for each share of Euronext.

NYSE Euronext will list companies with a total market value of \$25.8 trillion, including 80 of the world's largest 100 companies, according to NYSE regulatory filings. Its closest rival will be the London Stock Exchange Plc, home to companies with a combined market value of \$9.2 trillion.

Cutting Costs

NYSE's U.S. rival, NASDAQ Stock Market Inc., has unsuccessfully tried to acquire the London exchange twice this year. LSE's CEO Clara Furse yesterday asked shareholders to reject NASDAQ's "wholly inadequate" hostile bid that values the exchange at 2.7 billion-pounds (\$5.3 billion).

The combined NYSE-Euronext will share technology between stock markets in New York, Lisbon, Paris, Brussels and Amsterdam. They will also consolidate their 10 data centers to four, allowing NYSE Euronext to save a planned total of \$250 million in technology costs in the third year after the deal. Another \$25 million will be saved by combining administrative functions, according to regulatory filings.

"It's not a question of jobs, it's a question of efficient IT integration," Euronext's Theodore said in an interview yesterday. "The work we have done since the spring, has allowed us to be even more confident of the reliability of these figures and our capacity to deliver."

To contact the reporter on this story: Edgar Ortega in New York at ebarrales@bloomberg.net .