

## BUSINESS

### DEALBOOK

# U.P.S. to Buy TNT Express for \$6.8 Billion

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United Parcel Service reached an agreement on Monday to acquire TNT Express, a Dutch shipping company, for 5.2 billion euros, or \$6.8 billion.

The deal, months in the making, would greatly increase the American company's market share in Europe and open inroads in China. The newly combined company would earn 36 percent of its combined revenues outside the United States, compared with 26 percent of U.P.S.'s current revenues, according to a statement from both companies.

The deal for TNT Express was sealed after U.P.S. raised its takeover bid to about 9.50 euros a share from 9 euros a share. It would be the largest acquisition in the 105-year history of U.P.S., whose biggest purchase to date was its \$1.2 billion takeover of the Overnight Corporation in 2005, according to data from Capital IQ.

U.P.S. has plenty of resources to pay for TNT Express, with almost \$4.3 billion of cash and short-term investments on its books as of Dec. 31. It reported \$3.8 billion in net income for 2011 on gross revenue of \$53.1 billion. The company said it would pay for the transaction with \$3 billion in cash reserves and through new bank loans.

"With this combination, both U.P.S. and TNT Express will significantly enhance their ability to serve our combined customers' complex global logistics needs," the U.P.S. chief executive, D. Scott Davis, said in a statement. "The additional capabilities and broadened global footprint will support the growth and globalization of our customers' businesses."

The transaction, which is supported by the boards of both companies, must still receive regulatory approval. U.P.S. said the deal would close by the end of September.

The company said it expected to achieve annual pretax cost savings of up to \$725 million by the end of the fourth year after completing the deal. The company added that implementation

costs related to the transaction would total \$1.3 billion over four years.

The proposed deal ends months of questions about the fate of TNT Express, which was spun off from the Dutch mail carrier TNT in May. Investors in the company have grown impatient over the lagging stock performance of TNT Express, which executives say was driven by reduced demand for air shipping amid a global economic slowdown.

TNT Express reported a loss of 270 million euros for in 2011 on revenue of 7.2 billion euros.

The activist hedge fund Jana Partners began a proxy fight in December, seeking at least two seats on the company's board in an effort to spur operational improvements and to prod TNT Express into a sale. TNT rejected Jana's candidates.

U.P.S. and its principal rival, FedEx, have pursued TNT's express mail delivery business in recent years.

Talks between TNT Express and U.P.S. appeared to stall last month over price, after the European company publicly rejected the offer of 9 euros a share as too low. The companies continued negotiations, discussing matters like job reductions and possible asset divestitures aimed at winning antitrust approval.

U.P.S. and TNT Express confirmed on Friday that they remained in "constructive discussions" on a possible union. Under Dutch takeover rules, U.P.S. had four weeks after approaching TNT to clarify its intentions for the company. Both sides have also had to contend with concerns from unions representing TNT Express workers about forced job cuts tied to any deal.

Shares in TNT Express leaped after the company acknowledged its talks with U.P.S., and have risen more than 50 percent since Feb. 17. They closed on Friday at 9.35 euros.

The proposed takeover would be one of the largest deals announced in what so far has been a tepid year for merger activity. Despite the presence of numerous factors for a healthy pace of deal-making, including ample cash on corporate balance sheets and a willingness of banks and bond investors to finance deals, merger volumes remain depressed.

About \$385.8 billion worth of deals have been announced this year, a 39 percent drop from the period a year earlier, according to data from Thomson Reuters.

Yet bankers and lawyers say they expect merger activity to rise this year as corporate management teams and boards regain the confidence needed to pursue growth through takeovers.

Morgan Stanley, UBS, Bank of America Merrill Lynch and the law firm Freshfields Bruckhaus

Deringer advised U.P.S., while Goldman Sachs, Lazard and the law firm Allen & Overy advised TNT Express and its supervisory board.

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