

The London Stock Exchange Group PLC

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Hong Kong Exchange targets LSE with bid to scupper Refinitiv deal

London Stock Exchange Group PLC (LON:LSE) has been targeted with a takeover offer from Hong Kong Exchanges and Clearing (HKEX) in a move that will challenge an agreed merger with market data firm Refinitiv.

The Asian financial giant has offered LSE shareholders 2.045p in cash and 2.495 HEKX shares for each LSE share, implying a value of 8,361p, a 23% premium on Tuesday's close price.

READ: London Stock Exchange to become financial data powerhouse with US\$27bn Refinitiv merger

Charles Li, chief executive of HKEX, said that if the offer was successful, the newly combined group would be "strong placed" to benefit from the evolving macroeconomic landscape while also enhancing the "long-term resilience and relevance of London and Hong Kong as global financial centres".

However, HKEX added that a condition of the offer would be LSE shareholders rejecting plans for a US\$27bn all-share merger with Refinitiv, which was originally announced in July, before the end of the year.

Responding to what it said was "an unsolicited, preliminary and highly conditional proposal", the LSE said it would consider the proposal but "remains committed to and continues to make good progress on its proposed acquisition of Refinitiv".

Investors seemed sceptical, with LSE's shares rising 5.6% to 7,182p in late morning on Wednesday, well off HKEX's offer price.

Bid not surprising but acquirer is, says Berenberg

Commenting on the news, analysts at Berenberg were quoted on the FT's Alphaville that an offer for the LSE was "not entirely unexpected", however it was surprising that HKEX had emerged as the potential acquirer.

The German broker added that "political objections" had traditionally been a key factor in derailing mergers in the exchange space, and that as the merger would see a Chinese company acquiring the primary equity markets of both the UK and Italy, it would face "elevated political risks" going forward.

Meanwhile, analysts over at Bank of America Merrill Lynch were also sceptical, saying the offer price was below their price objective for the LSE and that given the "regulatory complexity" they preferred the Refinitiv merger.

"More questions rather than answers"

Richard Hunter, head of markets at interactive investor, said that while a merger between the LSE and HKEX would be "totemic" and make strategic sense given the complementary strengths of the two exchanges, this "initial shot" raised more questions than answers.

"The London Stock Exchange has historically fought off approaches from overseas, preferring instead to be the

Price: £75.14

Market Cap: £26.28 billion

1 Year Share Price Graph



Share Information

Code: LSE

Listing: LSE

52 week	High	Low
	7922	3842

Sector: Financial Services

Website: www.londonstockexchange.com

Company Synopsis:

The London Stock Exchange provides services to trading, the delivery of trading systems, the organisation and regulation of markets in securities and the provision of associated information services.

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acquirer", Hunter said, adding that the merger would also raise "political questions" both in terms of historical considerations and the ongoing trade dispute between China and the United States.

In short, Hunter said the proposal was "a fascinating prospect, but far from a done deal".

--Adds Berenberg and Merrill Lynch comment--

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