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AMP sets sights on Axa

Australian Broadcasting Corporation

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Reporter: Phillip Lasker

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AMP has launched a cash and scrip bid for Axa Asia Pacific that values the company at the same \$13.3 billion as the accepted NAB bid that was blocked by the regulators.

Transcript

TICKY FULLERTON, PRESENTER: AMP is back again with a bid for AXA Asia Pacific.

The complicated cash and scrip deal values the company at \$13.3 billion - about the same as the NAB bid that was blocked by the regulators.

AMP chief executive Craig Dunn says that if the deal does go through, it'll create an effective competitor to the big four banks.

Here's Phillip Lasker.

PHILLIP LASKER, REPORTER: Here we go again: AMP is hoping it's third time lucky for its bid for AXA Asia Pacific, offering half a billion dollars more than it did less than a year ago.

The sales pitch from CEO Craig Dunn tapped into a sore point which will play well in Canberra, given this deal needs approval from Treasurer Wayne Swan as well as shareholders.

CRAIG DUNN, CEO, AMP: The combined business would be a strong non-bank competitor and would create a much-needed fifth pillar to balance the power of the banks in the Australian financial services landscape, and of course offer Australians and New Zealanders greater competition.

PHILLIP LASKER: The deal would make AMP the biggest player in all segments of Australia's \$1.2 trillion wealth management sector, whether it's private pension fund management or retail management funds. AMP will have at least 20 per cent of the market.


Under the deal, AMP will pay more than \$4 billion for AXA Asia Pacific's New Zealand and Australian businesses. AXA's French parent will pay over \$10 billion for the Asian business and more than a billion dollars in debt. AMP and AXA have offered at least \$6.43 a share to be made up of AMP shares and cash based on AMP's share price performance.

AXA Asia Pacific stocks surged nearly seven per cent. AMP was up more than two per cent. The deal will be worth even more to the takeover target's shareholders if AMP shares climb above \$5.60.

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CRAIG DUNN: And in addition, they are entitled to receive their second-half dividend up to 9.25 cents per share. So, relatively speaking, it's a very competitive offer, and as I said in my opening, it's a very fair offer.

PHILLIP LASKER: For AXA shareholders, perhaps, but not necessarily AMP, according to one analyst, who says AXA is worth considerably less given its return on equity of about 12 per cent.

ROGER MONTGOMERY, INDEPENDENT ANALYST: Significantly lower than the current price being offered by AMP. So it doesn't put AMP in a good light, in my mind. Their willingness to overpay for an asset suggests that they're going to destroy wealth rather than add to it.

PHILLIP LASKER: The Commonwealth Bank added to its wealth, delivering a quarterly profit of \$1.6 billion, up 14 per cent on the same period the previous year.

Chief executive Ralph Norris defended that controversial 45 basis point Melbourne Cup Day rate rise which attracted so much political heat.

RALPH NORRIS, CEO, COMMONWEALTH BANK: Elevated funding costs continue to impact through the September quarter, particularly in our retail bank, where margins fell by a further four basis points and remain well below pre-GFC levels. As a result, we took the decision to increase our standard variable home loan rate.

This was not a decision we took lightly, but ultimately we have an obligation to run this business in a sustainable way, balancing the needs of all of our stakeholders.

KEIRAN KELLY, SIRIUS FUND MANAGEMENT: We're going to really now have to sit down and assess whether the political risks are just getting too great. I know some of my colleagues in investment management have been significantly reducing holdings in bank stocks. We may have to do the same thing.

PHILLIP LASKER: Investors now worry more about politics than business.

