

## Technip, FMC to merge into \$13 bln oil services firm

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Oil and gas services companies Technip of France and the American FMC Technologies said Thursday they have agreed to merge, creating one of the world's top companies in a sector battered by low energy prices.

"The companies will combine to create a global leader that will drive change by redefining the production and transformation of oil and gas," they said.

The new company, called TechnipFMC, will be worth \$13 billion (11.6 billion euros) and generate sales of around \$20 billion.

This is around half of the revenues posted by global sector leader Schlumberger, with the tie-up likely to propel the combined group into the world's top five oil services providers.

Its shares are to be listed in New York and Paris.

The merger plan comes only weeks after US oil services giants Halliburton and Baker Hughes called off their own tie-up plans after strong resistance from regulators.

The company said it expected no such regulatory hurdles for their merger, and analysts agreed.

"The fact that these are two mid-sized actors should allow the operation

to win approval by the American authorities after the failure of the merger between Baker Hughes and Halliburton," said Xavier de Villepion, equity salesman at HPC.

"The market likes the operation which involves two equal partners and should lead to synergies in a sector that's not doing well," he said.

The merger deepens an existing alliance between both companies and is to generate "at least" \$400 million in annual savings from synergies within three years, the companies said.

But Technip chief executive Thierry Pilenko said that the tie-up was not just about saving money by eliminating overlapping businesses.

"It is not a combination of same activities that is purely driven by cost synergies. We are complementary companies," he told a news conference.

Most of the projected savings would come from improved purchasing clout, and streamlining joint support overheads, he said.

Both Technip and FMC provide project management, engineering and construction for the energy sector, with FMC also specialising in sub-sea systems. Together, they employ around 49,000 people.

"The combined company will offer a new generation of comprehensive solutions in sub-sea, surface and onshore/offshore to reduce the cost of producing and transforming hydrocarbons," they said.

No cash will change hands. Technip shareholders are to receive two shares in the new company for each Technip share, and the conversion rate for FMC shareholders will be one for one.

The operation will "significantly" increase earnings per share for both sets of stockholders, they said.

The new company's operational headquarters will be in Paris, but it will be registered in Britain.

"This combination is not about tax. It's an industrial project. It makes a lot of sense to be in London," said Pilenko.

Any decision by British voters to leave the EU in a referendum next month leading to Brexit "is not an issue" for the company's future location, he added.

The merger was unanimously agreed by the directors of both companies and is to close next year, subject to shareholder and regulatory approval.

The announcement sent Technip shares soaring over 14 percent on the Paris stock exchange at one point. They closed with a gain of 6.3 percent in a market down 0.9 percent overall.

FMC shares added 0.2 percent to \$45.72 in late morning trade in New York.

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