Hong Kong Stock Exchange unveils shock £32bn bid for London rival

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The Hong Kong Stock Exchange has made a blockbuster bid for the London Stock Exchange Group equivalent to $40 billion

The Hong Kong Stock Exchange has bid almost £32 billion for its London rival in a shock move Wednesday to bring together two of the world's largest financial hubs in Asia and Europe.

The blockbuster proposal including debt, worth $40 billion or 36 billion euros, is dependent on the London Stock Exchange Group (LSEG) scrapping a proposed $27-billion takeover of US financial data provider Refinitiv.

In reaction, LSEG said it would "consider the proposal" but stressed that it "remains committed" to buying Refinitiv.

The surprise news initially sent LSEG shares surging 10 percent.

The stock later stood up 4.5 percent at about £71, far below the offer price of more than £83 per share as analysts doubted the likelihood of a deal being struck given LSEG's commitment to Refinitiv.

London's benchmark FTSE 100 index was up 0.9 percent overall in late morning deals.

"Hong Kong Exchanges and Clearing Limited (HKEX) today announces that it has made a proposal to the board of LSEG to combine the two companies," it said in a statement.

The cash-and-shares offer is worth £31.6 billion including £2.0 billion of debt, HKEX added.

Connecting East with West

The Hong Kong company said a deal would create a combined group "ideally positioned to benefit from the evolving global macroeconomic landscape, connecting the established financial markets in the West with the emerging financial markets in the East, particularly in China."

HKEX chairman Laura Cha said a deal represented a "compelling" opportunity.

She added: "We believe a combination of HKEX and LSEG represents a highly compelling strategic opportunity to create a global market infrastructure group, bringing together the largest and most significant financial centres in Asia and Europe.

"Following early engagement with LSEG, we look forward to working in detail with the LSEG board to demonstrate that this transaction is in the best interests of all stakeholders, investors and both businesses."

The gigantic takeover comes just one month after the LSEG embarked upon a huge deal to acquire Refinitiv, a move that would create a market information giant to rival US titan Bloomberg.

The HKSE deal is subject to approval by both sets of shareholders, as well as the termination of the Refinitiv deal.

"'Scepticism' over deal

"The proposed offer would be totemic in terms of East-West relations," said Richard Hunter, head of markets at online broker Interactive Investor.

But he also noted that the share price has shed half of its initial gains and remains far below the bid level.

"The proposal is a fascinating prospect but far from a done deal," Hunter said.

"The fact that the LSE share price has already retreated from the initial 10-percent spike on release of the news may reflect some initial scepticism around the likelihood of the deal going through."

The Refinitiv takeover had marked a major change of LSE strategy and comes two years after its failed £21-billion merger with Germany's Deutsche Boerse.

That gigantic deal—the third failed attempt at a tie-up between the British and German stock exchange operators—was blocked by the European Commission on fears it would undercut competition.