Fiat Industrial Proposes CNH Farm Business Merger

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MILAN (AP) — Fiat Industrial Chairman Sergio Marchionne proposed a full merger with its U.S.-based CNH farm and construction business to simplify what he called its "cumbersome" corporate structure.

Under the proposal, unveiled Wednesday, the combined company's shares would be traded on the New York Stock Exchange with a secondary listing in Europe.

Marchionne argued in a four-page letter to the CNH board that the deal would unlock value in both companies, while also creating a competitor to the major North American capital goods companies both in terms of market appeal and business scale.

Fiat Industrial owns 88 percent of CNH, which is traded on the NYSE. CNH, based in the Chicago suburb of Burr Ridge, Illinois, said in a separate statement that it had no immediate position on the proposal.

Shares in Fiat Industrial rose 4.4 percent to €8.20 in early trading on the Milan Stock Exchange.

"The proposed transaction is a natural extension of the process of simplification of the Fiat world," said Marchionne.

He said the simplification would attract international investors, improve its credit rating, facilitate growth and make intra-group dealings easier.

Fiat Industrial wants to complete the transaction by the end of the year.

Because the expected cost savings are minimal, neither company would receive a premium, Fiat Industrial said. The move is also not expected to affect operations or employment levels.

Marchionne said the new structure would allow the company to be better positioned in the capital markets and allow investors "to properly assess the combined value" of Fiat Industrial and CNH.

The new company would be registered in the Netherlands. Shareholders must approve the deal.

CNH Global N.V. sells farm and construction equipment under the Case and New Holland brands in 170 countries.

Beyond its farm and construction business, Fiat Industrial makes trucks, commercial vehicles and buses under the Iveco brand along with related engines and transmissions. It has been expanding its business into emerging markets through joint ventures.

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