

FedEx Looks to Become Major European Player with TNT Express Acquisition

By Dylan Peterson, J.D. Candidate 2017 | April 15, 2015

FedEx has agreed to [acquire](#) European shipping and delivery competitor TNT Express (TNT). The \$4.8 billion deal must still receive approval from European regulators, a status that UPS failed to achieve when its proposed acquisition of TNT was [blocked](#) by these same regulators in 2013. UPS was unable to satisfy regulator's antitrust concerns because of their "[dominant](#)" position in the European ground shipping market. Substantial [similarities](#) between UPS and TNT's business offerings led to regulators' concern that the deal would result in a significant decrease in competition and an increase in prices for consumers.

The FedEx deal, announced April 7, is worth far less than UPS's [\\$6.8 billion](#) offer to buy TNT in 2012. FedEx cited the strong dollar and the newly developing European economic recovery as [reasons](#) that the timing was right for this transaction.

FedEx is looking to bolster its European business as it continues to [lag far behind](#) competitors like DHL Express and UPS. While FedEx already has a strong air business in Europe, the acquisition of TNT allows FedEx to gain access to TNT's well developed [ground delivery network](#). Currently, DHL and UPS make up approximately two-thirds of the "[express delivery market](#)" in Europe. Analysts believe that FedEx is acquiring TNT in order to improve its [strategic position](#) in Europe rather than for predominantly cost-cutting reasons.

Unlike with UPS's past efforts to acquire TNT, FedEx does not expect to run into problems with European antitrust regulators. European regulators may even find the deal [desirable](#) because the combined company will create a more formidable challenger to DHL and UPS. Consumers will likely see the benefit of increased [competition](#) through lower costs and greater choice in the marketplace. In this way, the deal will have the opposite effect that the proposed UPS acquisition of TNT would have had two years ago.

To help ensure that potential antitrust and other regulatory concerns are crushed, FedEx is searching for a buyer for [TNT's airline](#) delivery operations. These operations overlap with FedEx's strong air shipping network across the globe.

Additionally, regulators will likely take note that TNT has continued to [lose money and market share](#) to the major players in the ground shipping market since the proposed deal with UPS fell apart. The new combined company will create a far stronger challenge to DHL and UPS than two separate struggling companies. [Analysts](#) expect that if regulators approve the deal, FedEx will jump to second-place in market share in the so-called "logistics integrator" market in Europe. Currently, FedEx has only a [5% market share](#) and is one of the smallest players in this area of business while DHL and UPS have over three times this market share.

Investors reacted positively to the news as [FedEx shares](#) closed up 3% after the announcement while TNT shares enjoyed a 30% jump.