

AXA FINANCIAL CASE STUDY

If you have questions for the author of this case study, please contact him via his mailbox at the following site: www.vernimmen.net

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PRESS RELEASES both August 30, 2000

1. AXA Financial Announces Sale Of DLJ To Credit Suisse Group

New York, NY -- AXA Financial (NYSE: AXF) today announced it had reached agreement to sell majority owned Donaldson, Lufkin & Jenrette, Inc. (DLJ), its investment banking subsidiary, to Credit Suisse First Boston (CSFB), a subsidiary of Credit Suisse Group.

On a fully diluted basis, the transaction is valued at \$13.4 billion or \$90.00 per share and at 18.2x full year 2000 consensus earnings estimates. AXA Financial owns 70% or about 88.6 million shares of the primary outstanding shares of DLJ and will realize pre-tax proceeds of about \$8 billion for a pre-tax gain approximating \$6.2 billion. Under the terms of the transaction, public shareholders will receive \$90 in cash for their shares. AXA Financial will receive approximately \$2.4 billion in cash and \$5.6 billion in Credit Suisse Group stock equivalent to \$90 per share, based on an exchange rate and stock price as of the close of business on August 28.

The stock consideration equates to approximately an 8% ownership position in Credit Suisse Group on a fully diluted basis. Credit Suisse will repurchase \$1.2 billion of stock from AXA Financial at closing. Additionally, AXA Financial believes that its investment in one of the world's leading financial companies will have multiple sources of liquidity. For example, Credit Suisse annually repurchases substantial amounts of stock for its employment programs.

The transaction has been approved by the Boards of Directors of Credit Suisse Group, DLJ and AXA Financial and is expected to close in the fourth quarter subject to normal regulatory approvals.

"We have enjoyed a long and successful relationship with DLJ over the last 15 years," said Mr. Miller, President and CEO of AXA Financial, but we realize that DLJ needs a broader platform to continue to optimize its potential. This transaction creates a global powerhouse, capable of competing and winning against the top global investment banks. This transaction monetizes the significant return we have built up in DLJ while allowing DLJ to evolve to the next level.

"Finally, we believe this transaction provides us with additional capability to invest in our core businesses of distribution, asset gathering and asset management, a strategy which has produced significant success in recent years."

2. AXA Financial, Inc. Confirms Receipt Of AXA Offer To Purchase Shares Of Minority Interests

New York, NY - AXA Financial, Inc. (NYSE: AXF) announced today that it has received a proposal from AXA Group for the acquisition of all of the outstanding common shares of AXA Financial not owned by AXA Group for \$53.50 per share, based on the most recent closing price for AXA ADRs, payable 60% in cash and 40% in stock. AXA Group currently owns approximately 60.0% of the outstanding shares of common stock of AXA Financial.

The Board of Directors of AXA Financial has formed a Special Committee of independent members to evaluate the proposal received from AXA Group. The Special Committee has retained Wasserstein Perella & Co. as its financial advisor and Simpson Thacher & Bartlett as its legal advisor.

The AXA Group proposal is subject to a number of conditions, including the approval of the Special Committee of the Board of Directors, the completion of AXA Financial's sale of Donaldson, Lufkin & Jenrette, Inc. and other conditions customary to this type of transaction, and no assurance can be given that any transaction will be consummated

3. About AXA Financial (After The DLJ Sale)

AXA Financial, Inc., with \$496 billion in assets under management (giving effect to the pending acquisition of S.C. Bernstein), is one of the world's premier financial services organizations through its strong brands: The Equitable Life Assurance Society, AXA Advisors, Equitable Distributors, Alliance Capital Management and the pending acquisition of Sanford C. Bernstein. AXA Financial is a member of the global AXA Group, which has operations in approximately 60 countries and has more than \$900 billion in assets under management.

QUESTIONS

1. List the businesses of Axa Financial existing in Spring 2000 from most to least risky.
2. What do Credit Swiss's shareholders have to gain the control premium that is paid to acquire DLJ ? DLJ's share price stood at \$60 before Credit Suisse's \$90 offer.
3. The disposal of DLJ and the investment of all the proceeds in American assets of AXA, should lead to a fall or rise in AXA's cost of equity or is there no effect ? Why ?
4. DLJ was sold on a P/E 2000 de 18.2 and the minorities of Axa Financial were bought out based on a P/E of 17.5. Minorities AXA shares whose P/E 2000 was 26.3, and cash, the cost of which being 5% net of tax. Is this double transaction profit enhancing in terms of Axa's EPS stated before goodwill ? Why ?
5. In the insurance sector almost all analysts refer to profits after goodwill amortization. In this case, the squeeze out of minorities of AXA Financial enhances EPS by c. 2%. How does this fit in with the reply to question 3 ? Does this appear logical ? Why ?
6. The minority shareholders of Axa Financial were bought at \$ 53.20 per share based on the net equity value. The market price of AXA Financial's share was \$ 52.25 after the announcement of the sale of DLJ but prior to announcement of the squeeze-out of AXA Financial's minority shareholders. Does this double transaction create or destroy value for Axa's shareholders ?
7. Under which conditions can the squeeze-out of minority shareholders create value for the shareholders of the parent company ? In this light comment on the premium that AXA offered to the minority shareholders of Axa Financial.
8. Compute the change in AXA's beta following the transaction. The following information is known:

Beta of AXA Financial prior to the transaction :	1.32
Beta of DLJ :	1.92
Market capitalisation of AXA Financial :	\$ 18.1 billion
Market capitalisation of DLJ prior to the transaction :	\$ 6.9 billion
Market capitalisation of AXA prior to the transaction :	\$ 58 billion
Share of DLJ held by AXA Financial :	70%
Share of AXA Financial held by AXA :	60.3%
All proceeds from the disposal of DLJ are used to finance the squeeze-out of the minority shareholders of AXA Financial – the amounts are identical taking into account the sale of Credit Suisse shares received in exchange.	

9. If the market premium was 3%, what would be the impact of this transaction on the cost of equity for AXA ?
10. Does this imply that AXA should henceforth take into account the new cost of equity when making new investments ? Why ?

APPENDICES

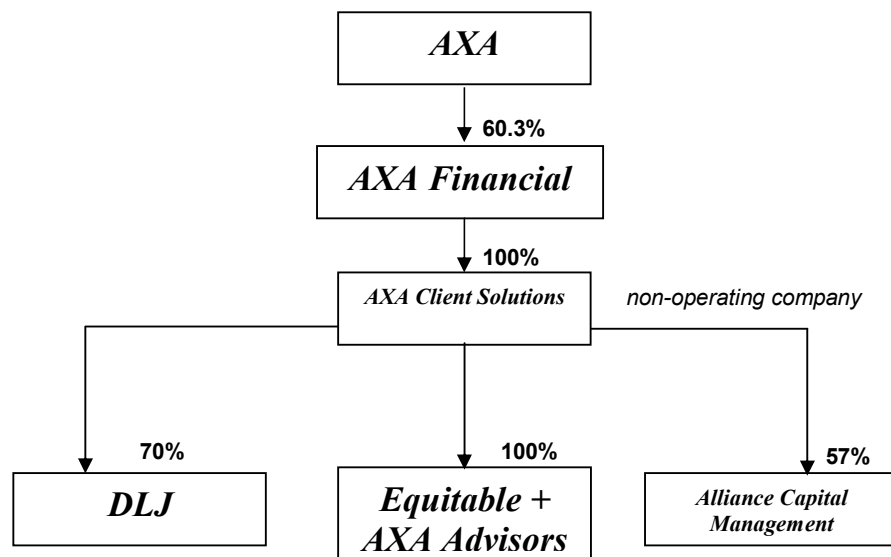
1. AXA Financial activities
2. Main consolidated financial figures for AXA Financial
3. Market position of AXA Financial's subsidiaries
4. Stock prices of DLJ and AXA Financial from 8/28 to 8/30 2000

Appendix 1 : AXA Financial activities

AXA Financial controls all the US activities of the AXA Group which owns 60.3% of its share capital.

AXA Financial is listed on the New York Stock Exchange, and at the current price stock price of \$52, its equity market value is \$ 22.8 bn

Before the disposal of a 70% stake in DLJ (a transaction to be closed beginning of November 2000), Axa Financial controls three main assets :



▪ Company profile of Equitable

The Equitable Life Assurance Society of the United States (Equitable) is one of the nation's premier providers of life insurance, annuities, and other needs-based products and services for the rapidly expanding financial services market. At year-end 1999, Equitable Life's book of business consisted of over \$ 256 bn in life insurance and \$59 bn of annuity contracts in force -- representing a customer base of millions.

As of Spring 2000, Equitable's claims-paying ratings are in the coveted "AA" range.

- **Company profile of AXA Advisors**

AXA Advisors has financial professionals in communities throughout the United States and distributes financial services and products available to individuals and small businesses including financial, retirement, and estate planning; life insurance; annuities; and mutual funds.

Equitable and AXA Advisors form the financial advisory/insurance operations division of AXA Financial.

- **Company profile of Alliance Capital**

Alliance Capital is a leading global investment management firm best known for its growth style of equity investing. Assets under management at August 30, 2000 totaled \$496 bn. Alliance Capital manages retirement assets for many of the largest public and private employee benefit plans (including 28 of the U.S. Fortune 100 companies), for public employee retirement funds in 31 out of the 50 U.S. states, and for foundations, endowments, banks, and insurance companies worldwide. Alliance Capital is also one of America's largest mutual fund sponsors, with approximately 5.8 million shareholder accounts and a family of diversified fund portfolios that are distributed globally.

- **Company profile of DLJ**

Donaldson, Lufkin & Jenrette is an integrated investment and merchant bank serving institutional, corporate government and individual clients DLJ's businesses include securities underwriting ; sales and trading ; investment and merchant banking ; financial advisory services ; investment research ; venture capital ; correspondent brokerage services ; online, interactive brokerage services ; and asset management.

Appendix 2 : Main consolidated financial figures for AXA Financial

In \$ m	1996	1997	1998	1999	H1 2000 Six months ended June*
Financial advisory/ Insurance					
Revenues					
Pre tax operating earnings		3,704 136	4,064 695	4,337 513	527
Investment management					
Revenues					
Pre tax operating earnings		1,326 363	1,329 589	1,870 463	154
Investment banking and brokerage					
Revenues		4,657	5,419	7,154	
Pre tax operating earnings		604	320	1,100	405
AXA Financial Group **					
Revenues		9,724	10,796	13,329	8,137
Post tax operating earnings	206	648	830	1,098	564

* after deduction of minority interests and consolidation eliminations.

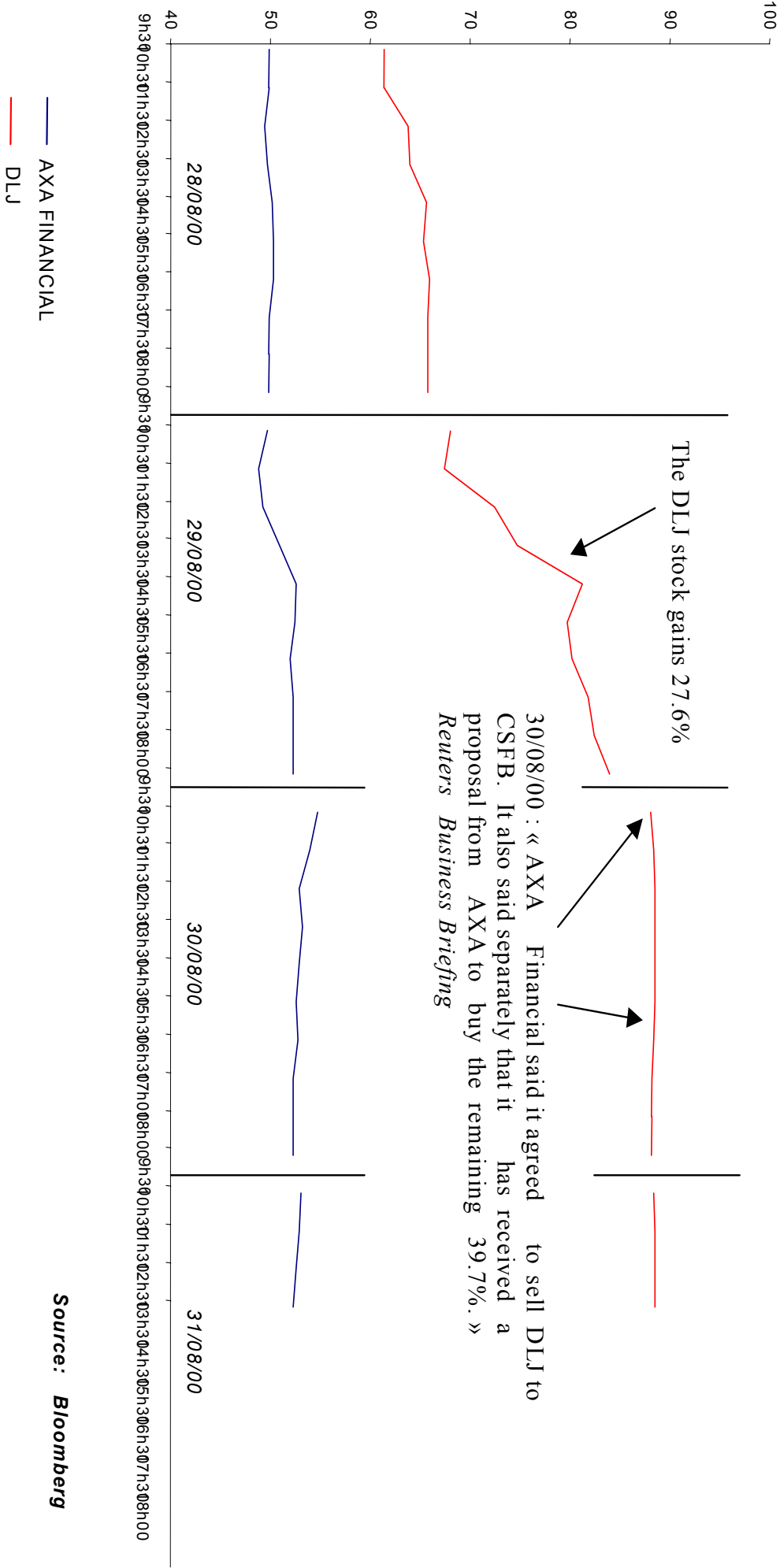
** with a pro forma tax rate of 35%.

Appendix 3 : Market position of AXA Financial's subsidiaries

- Leading U.S. provider of variable life/annuity products
 - Perceived as highly innovative provider with increasingly strong brand name
 - Strong ancillary services through affiliation with Alliance Capital, including research support and investment management expertise
- Strong distribution network
 - Over 7,500 highly trained advisors create a unique differentiating tool versus competitors
 - In addition to its strong retail effort, AXA Financial has also succeeded in building its wholesale distribution operations (\$2.3 bn in 1999 annuity product sales)
- Complementary group of financial services companies
 - Broad investment management expertise of Alliance Capital continues to provide AXA Financial with unique sales tool while also providing investment management skills to AXA Financial and its clients
 - Successfully leveraging state-of-the-art technology platform across all operating companies
- Increasing focus on retirement savings related businesses
 - Sale of DLJ consistent with strategy to focus on less volatile business opportunities
 - Acquisition of Sanford Bernstein greatly increases assets under management while providing a significant presence in value equity management and the high net worth market
 - Full ownership of AXA Financial by AXA Group may provide additional opportunities to leverage AXA's global contacts and expertise

Appendix 4 : Stock prices of DLJ and AXA Financial from 8/28 to 8/30 2000

Stock prices between 08/28/00 and 08/31/00



Source: Bloomberg