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First Niagara Hunts for More Takeovers After Biggest Bank Deal Since 2008

By Craig Trudell - Aug 20, 2010

First Niagara Financial Group Inc., the bank making the industry's biggest U.S. takeover since 2008, may consider more acquisitions, according to Chief Executive Officer John Koelmel.

"We've continued to scale and build out our business not to be ready just for the two deals we've already done but to get ready for the next two deals we're going to do," Koelmel, 57, said today in a telephone interview. "The capacity of our business to tackle another opportunity is definitively better today than what it was six, nine, or 12 months ago."

First Niagara agreed yesterday to acquire NewAlliance Bancshares Inc. in the biggest takeover of an open U.S. bank since PNC Financial Services Group Inc. agreed to buy National City Corp. in October 2008, according to data compiled by Bloomberg. The $1.5 billion takeover of New Haven, Connecticut- based NewAlliance would allow Buffalo, New York-based First Niagara to expand in the New England region.

The cash-and-stock purchase will push First Niagara's assets to $29 billion, more than 10 times what it had in 2000, ranking it among the 25 biggest U.S. lenders, the bank said. The bank took over Harleysville National Corp. in April, and purchased 57 National City branches from Pittsburgh -based PNC in September.

Integration

"Although we like this deal on its own merits, combined with the other recent acquisitions, we are concerned about the integration risk associated with three large transactions in three different markets in a short period of time," Richard Weiss, analyst at Janney Capital Markets in Philadelphia, said yesterday in a research note. He cut his rating on the shares to neutral and lowered his price estimate to $13 from $16.

Both banks posted annual profits throughout the credit crunch and recession, and NewAlliance didn't get federal bailout money. Analysts surveyed by Bloomberg were predicting profit at NewAlliance would rise 34 percent for 2010.

The merger agreement filed today with regulators includes a $60 million termination fee if either bank backs out of the deal.

“The execution risk of this deal is the lowest of the last three we’ve done,” Koelmel said. “This is a plug-and-play for us. The last couple deals, there’s been an element of fixer- upper there, and maybe one would argue more of an extreme makeover.”

First Niagara rose 13 cents, or 1.1 percent, to $12:08 at 4 p.m. in Nasdaq Stock Market trading. The shares set a 12-month low earlier today. NewAlliance gained 19 cents to $12.97; the takeover was valued at $14.09 a share.

Koelmel said he won’t rule out buying a distressed lender with help from federal regulators. Distressed banks are relatively few in the regions where First Niagara would consider buying, which limits opportunities, he said. The bank may prefer targets in or around Boston, Buffalo, Pittsburgh and Philadelphia where the lender already has a presence, and where First Niagara expects populations and incomes to grow, he said.

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