Holcim Ltd. (HOLN) and Lafarge SA (LG) agreed to form the world’s largest cement maker as they prepare to sell assets with 5 billion euros ($6.9 billion) in revenue to win regulatory approval for the biggest European deal this year.

About two-thirds of the divestments will come from Europe, according to Lafarge Chief Executive Officer Bruno Lafont, who will lead the merged company. The new entity, with $40 billion in annual revenue, may also sell assets in Canada, the U.S., Brazil, India and China, he said at a conference call today.

The merger of Jona, Switzerland-based Holcim and Paris-based Lafarge will allow the cement producers to combine some operations after the global recession eroded demand for building materials and pushed some of the industry’s kilns to run at a loss. Competitors will consider buying some of the assets, said Deutsche Bank analysts Glynis Johnson and Manu Rimpela.

“Forced disposals may offer opportunities for others to pick up assets at perhaps opportunistic prices,” the analysts said. Those who may look to pick up assets could include Germany’s HeidelbergCement AG, Ireland’s CRH Plc and Cemex SAB, the biggest cement maker in the Americas, they said.

HeidelbergCement and CRH today declined to comment on potential asset purchases. Cemex couldn’t immediately be reached.

‘Vast Task’

The deal, structured as an all-share merger, will lead to synergies of more than 1.4 billion euros and probably close in the first half of 2015, according to Holcim and Lafarge. The asset sales of the new company, to be called LafargeHolcim, will represent 800 million in earnings before interest, taxes, depreciation and amortization, the companies said.

“The task will be vast,” said Eric Lemarie, an analyst at Aurel-BGC in Paris. “But divestments and swaps are frequent in this industry.”

Lafarge shares gained as much as 5.4 percent in Paris trading while Holcim shares rose as much as 7.3 percent in Zurich. Lafarge and Holcim already surged on April 4 after they confirmed talks. Bloomberg News reported the discussions earlier that day.
The two companies have a combined market value of more than $50 billion. The transaction would be the second-biggest announced deal globally this year, after Comcast Corp.’s bid for Time Warner Cable Inc.

**Billionaire Shareholders**

At least four billionaires own shares in Holcim or Lafarge, including Egypt’s richest person Nassef Sawiris, Belgium’s Albert Frere, Switzerland’s fourth-richest individual Thomas Schmidheiny, and Georgia-born Filaret Galchev, according to Bloomberg data.

Holcim will start the public exchange offer with a ratio of one of its shares for one Lafarge share. Each Lafarge investor tendering shares will receive an equal number of newly issued Holcim shares. The offer is subject to Holcim holding at least two-thirds of the share capital and voting rights of Lafarge on a diluted basis, the companies said.

Asked whether the deal’s structure indicates that Holcim is taking over Lafarge, Lafont told journalists on a call today that the transaction is a merger of equals. He declined to elaborate. Wolfgang Reitzle, who was to become chairman of Holcim, will assume that role for the enlarged business.

At 181-year-old Lafarge, Lafont has been slashing spending, pushing sales of higher-margin services and selling assets to repair a credit rating that has fallen one level below investment grade amid a slump in European construction and rising energy prices.

**Cutting Costs**

Holcim CEO Bernard Fontana became the first outsider to lead Holcim when he joined the 102-year-old Swiss company in February 2012. Drawing on his past experience of overhauling steelmaker Aperam, the French national has embarked on a similar cost-cutting program, using the same “Leadership Journey” label he employed in his prior post.

Lafarge estimated in its 2013 annual report that last year it had a cement market share of 34 percent in France, 40 percent in the U.K. and 10 percent in Germany and Spain. It had a market share of 12 percent in the U.S. and 7 percent in Russia. Holcim didn’t provide market shares for individual markets.

An acquisition spree before the financial crisis, including Lafarge’s 10.2 billion-euro purchase of Orascom Cement in 2008 and Holcim’s $4.1 billion deal for Aggregate Industries in 2005, increased the global reach of both companies. Holcim employs 71,000 people in about 70 countries while Lafarge has about 65,000 workers in 64 markets.

The merger will also cut costs in areas such as logistics, distribution, IT, energy consumption, procurement, maintenance and general administration, the companies said.

“We strongly believe that those divestments will answer the requirements of the regulatory authorities,” Lafont said.