

Frankfurt am Main, March 26, 2018

M&A Telegram

Q1/2018

+++ The German M&A market started off with a bang in the new year. RWE and E.ON are set to swap a large part of their businesses, with E.ON now planning to concentrate on grid and energy sales, and RWE on energy generation. The complex transaction has a reported total volume of around EUR 43 bn and includes E.ON's acquisition of innogy, innogy's break-up, and RWE's approximately 16.7% participation in E.ON, plus a settlement payment to E.ON of some EUR 1.5 bn. SAP plans to acquire the U.S. cloud provider Callidus for around EUR 2 bn. HSH Nordbank will be the first German Landesbank to be privatized, transferring into the hands of a syndicate involving J.C. Flowers and Cerberus for around EUR 1 bn. Deutsche See will soon belong to the fishery Parlevliet & Van der Plas. Bosch and Continental are joining the shareholder group of the navigation service Here, and Deutsche Telekom is founding a joint venture with the Zeiss group to develop data glasses. +++

+++ Even more surprises from Chinese investors. With its 9.7% entry Chinese automobile manufacturer Geely becomes the largest Daimler shareholder. Complex derivatives transactions, a high risk-taking propensity and good timing facilitated the surprise. The proposed acquisition of a 20% holding in the high-voltage grid 50Hertz by Chinese State-owned company SGCC failed to go through, however. Not least of all urged by the German Federal Government, the Belgian grid operator Elia availed itself of its preemptive right, thereby preventing the Chinese entry. The holding was deliberately intended to remain below the relevance threshold of 25% set by German foreign trade law for investments in critical infrastructure. Further debate surrounding stricter investment control at the European level has been prompted by this transaction. +++

+++ International PE trends in Germany, too? Private equity investors are still active in Germany, but it remains to be seen whether a transaction in the two-digit billion range is also feasible here, recalling the acquisition led by Blackstone of 55% of Thomson Reuters' financial data division. Also of interest is the extent to which trends will emerge in Germany prompted by the Blackstone deal, for example, well-above-average leverage, or parallel investments by PE houses and their investors. +++

+++ Capital market still resilient. The major IPOs of the Siemens medical technology division Healthineers and Deutsche Bank Asset Management DWS were realizable before Easter, even though volumes were lower and conditions had to be adjusted to the market environment. The market ultimately also accepted DWS's corporate form of a partnership limited by shares (*KGaA - Kommanditgesellschaft auf Aktien*), which lessens the influence of its shareholders. There were also IPOs of Dermapharm, Instone and Stemmer. Further stock market listings are in preparation. +++

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This M&A Telegram is addressed to clients and friends of Cleary Gottlieb who are interested in developments in the German M&A market. It does not constitute legal advice.

