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# M&A Telegram

## 2018

+++ Major transactions dominate the German M&A market in 2018. While valuations remain at high levels, in the mid-market segment, the number of transactions declined. The big bangs in 2018 include the announced reorganization of RWE and E.ON, which involves a significant asset swap and breaking up of innogy. The construction material group Knauf is taking over its US competitor USG. HSH Nordbank is the first Landesbank to be privatized. SAP manages two US takeovers, acquiring Qualtrics and Callidus, while Merck found a buyer for its OTC business in Procter & Gamble. Signa and Hudson's Bay agree to merge Karstadt and Kaufhof, and Thor Industries acquires the Hymer RV business. +++

+++ Shareholder activism experiences a highpoint. Beside Cevian, also Elliott acquired a stake in Thyssenkrupp. At their urging, the conditions for the steel joint venture with Tata were renegotiated. The chairmen of the management and supervisory boards stepped down afterwards. Then the new chairman of the management board announced an extensive reorganization of Thyssenkrupp, aiming at breaking it up into two separate listed companies. The highly-valued elevator business is not expected to be sold in this process. +++

+++ Protectionism and active industrial policy are still on the rise. The first interdiction authorization under German foreign trade law, which is thought to no longer afford adequate protection, was issued for Leifeld Metal Spinning. The company may not be sold to Chinese investors. KfW was instructed to acquire a 20% stake in the electricity grid operator 50Hertz, which co-shareholder Elia had secured by preemptive right. The prospective Chinese buyer, whose acquisition of a stake in 50Hertz had already once been prevented by political intervention, is losing out again. The reduction of the German foreign trade law's 25% examination threshold to a maximum of 15% is in the offing, and stricter investment control is also being demanded at the European level. +++

+++ Private Equity investors manage billion euro deals. Macquarie delivers the largest PE exit in Germany to date with the sale of Techem to a consortium including the Partners Group for some EUR 4.6 billion. Implementing a "buy and build" strategy, EQT is merging its portfolio company Sivantos with competitor Widex to form one of the world's largest hearing aid manufacturers. The financial investor is also acquiring the software company Suse, and the Intermediate Capital Group is stepping up its holding in Minimax Viking to some 30%. +++

+++ Capital markets maintain their resilience. With Siemens' Healthineers, Deutsche Bank's Asset Management DWS and Knorr-Bremse, there were three successful major IPOs, with the latter prevailing in a dual track process against a sale. The Springer Nature IPO, however, was canceled at the last minute. Several smaller IPOs also took place. +++

+++ 2019 may be a good year for M&A. With the sale of Evonik's Plexiglas business, one major transaction will already be approaching the finish line in the first quarter. Following Haniel's staggered exit, a takeover offer for Metro by its new major Czech shareholder appears likely. While the commercial vehicle divisions of VW and Daimler are heading towards an IPO, the legal separation of Continental's Powertrain Division may also be preparing a sale. It remains to be seen, however, whether next year's economic and political environment will still allow mega-transactions such as the Monsanto takeover by Bayer, or the merger of Linde and Praxair. +++

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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.*

