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M&A Telegram
2024

+++ Large transactions dominate. While the M&A market was still subdued overall in 2024, various major transactions dominated the picture. Novartis acquired the German biopharmaceutical company MorphoSys for ca. EUR 2.7 billion. With an offer of ca. EUR 14.3 billion, the Danish logistics company DSV prevailed over other strategists, sovereign wealth funds and, at last, financial investor CVC, in the much-noticed bidding war for DB Schenker. Also after a long run-up, the Abu Dhabi National Oil Company finally submitted a public takeover offer for the German chemicals giant Covestro, offering shareholders EUR 62 per share. The minimum acceptance threshold of 50% plus one share has been easily exceeded. Financial investors were also involved in prominent deals in 2024. KPS Capital Partners acquired the Innomotics business from Siemens for ca. EUR 3.5 billion. Together with the Singaporean sovereign wealth fund GIC, TPG acquired the meter reading service Techem for ca. EUR 6.7 billion. In addition, TPG acquired a majority stake in the software company Aareon together with the Canadian pension fund CDPQ for ca. EUR 3.9 billion, and together with the Viessmann family, KKR took over the wind farm operator Encavis. The delisting is next. KKR also exited Axel Springer Media Group together with the Canada Pension Plan Investment Board. KKR and CPPIB retained the digital classifieds business, which is valued at ca. EUR 10 billion. **+++**

+++ Consolidation in the financial services sector. UniCredit's build-up of a stake in Commerzbank and statements by UniCredit management have fueled discussions about the European bank consolidation. Even if a takeover of Commerzbank by UniCredit seems to have been put on hold, as UniCredit is concentrating on domestic takeover target Banco BPM for the time being, the topic is not yet off the table. With the acquisition of Hauck Aufhäuser Lampe by ABN Amro, the takeover of Barclays' private client business by Austrian BAWAG, a majority stake in Aquila Capital by Commerzbank and the acquisitions by BNP Paribas of HSBC's private banking division and the asset manager AXA Investment Management, there has been some movement in the European financial services sector this year. The consolidation of asset management service providers driven by cost and fee pressure is also likely to continue in the coming year. European asset management service providers also need to grow in order to keep pace with US asset management service providers. Therefore, the Italian insurance company Generali is already considering a merger with Natixis Investment Managers. **+++**

+++ German companies invest in the US - Foreshadowing the coming year. The expectation of rising tariffs on exports to the US is prompting German companies to increasingly consider investing in the US in 2025. However, this trend could already be observed in 2024. In the search for strategic growth, German buyers' choice often fell on targets in the US. For example, Merck acquired the life science company Mirus Bio from Wisconsin for ca. EUR 560 million. Knorr Bremse acquired Alstom's US rail signaling business for ca. EUR 650 million, thereby securing its entry into the US market. Bosch agreed to acquire the residential heating and air conditioning business of Johnson Controls for ca. EUR 7.4 billion, including an air conditioning joint venture with Hitachi, making it the largest acquisition in Bosch's history. Siemens made its second largest acquisition in its history with the purchase of US software provider Altair for almost EUR 10 billion. Shortly before the end of the year, Heidelberg Materials agrees to acquire Giant Cement Holding for ca. EUR 600 million. Overall, with around EUR 25 billion the transaction volume of German companies in the USA reaches a four-year high in 2024. **+++**

+++ Cautious opening of the IPO market. At the beginning of the year, the IPOs of transmission manufacturer Renk and perfumery chain Douglas created hope for more momentum in the IPO year 2024. However, after the M&A track prevailed in major transactions, such as Nordic Capital's exit from Sunrise Medical and the search for investors at Flix, this hope seemed to have fizzled out. In the fourth quarter, however, the outlook improved after Springer Nature and Pentixapharm celebrated successful stock market debuts and the DAX index even exceeded the 20,000 point mark in December. Stada, ThyssenKrupp Marine Systems and Defense Group KNDS are already being mulled as potential IPO candidates for the coming year, while TenneT is also considering floating its German electricity grid business on the stock exchange instead of selling it to a private investor. Finally, the German government currently seems to deem the placement of shares in Uniper via the capital market in the first half of 2025 as the better option for reprivatizing the nationalized energy group. A continuing positive IPO climate would offer lucrative exit prospects via the capital market and could therefore also spur private equity investments and investments in German start-ups. **+++**

+++ Industrial policy. Due to the break-up of the German government coalition and snap elections in February 2025, a new German foreign direct investment law is not expected for the time being. Further details will also depend on the outcome of the snap elections and the government coalition resulting therefrom. However, shortly before the end of the year the current government issued a new national security and defense industry strategy. The strategy underlines the challenge posed by foreign investors in Germany and expansion efforts by German companies in third countries for Germany and Europe as a defense industry location, particularly through the potential loss of technology and know-how. While this could be meant as a reference to investments by German defense companies in the US, the strategy paper explicitly emphasizes the protection of national know-how by way of foreign direct investment control. The strategy also reiterates the intention to amend the German foreign direct investment control rules. Either way, it is therefore unlikely that German foreign direct investment control will be relaxed in the future – regardless of who will form the next German government. **+++**

+++ What to expect. 2025 could see a continuation of the current upward trend in the German M&A market. A US industrial policy envisaging widespread tariffs and deregulation is likely to lead to more outbound transactions from Germany into the US, especially by German listed companies, which could thereby raise their comparatively lower valuation through growth in the striving US market. At the same time, inbound transactions into Germany should also remain attractive. The German economy has a strong need for investment and transformation. In particular, energy infrastructure investments can only be accomplished with the help of private investors. In particular, companies in the manufacturing industry sectors, especially in automotive, chemical and engineering, are at a crossroads and need to realign themselves to master digitization trends and the energy transition – possibly through partnerships with foreign investors or by way of streamlining their own portfolio. Otherwise, they may become takeover targets themselves. Seeking growth on the US market alone may not be enough and will not always be feasible for medium-sized companies in particular. Low interest rates and the willingness of banks to provide more high-interest loans for takeovers could also contribute to an upturn in the transaction market, particularly for leveraged buy-outs. Therefore, there are ample grounds to meet the 2025 German M&A market with optimism. **+++**

Mirko von Bieberstein mvonbieberstein@cgsh.com **Dr. Nico Abel** nabel@cgsh.com

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.