

Finexpert - Value Trust German Takeover Report March 2016: Teaser

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Market Overview

In 2015, 18 primary takeover bids¹ have been published in Germany. This is a 25% (-6) decrease compared to the 2014 figures. Thus, the number of bids is similar to its lowest point in 2009 and only at 46.2% of its highest value in 2008. Figure 1 shows the development from 2008 to 2015.

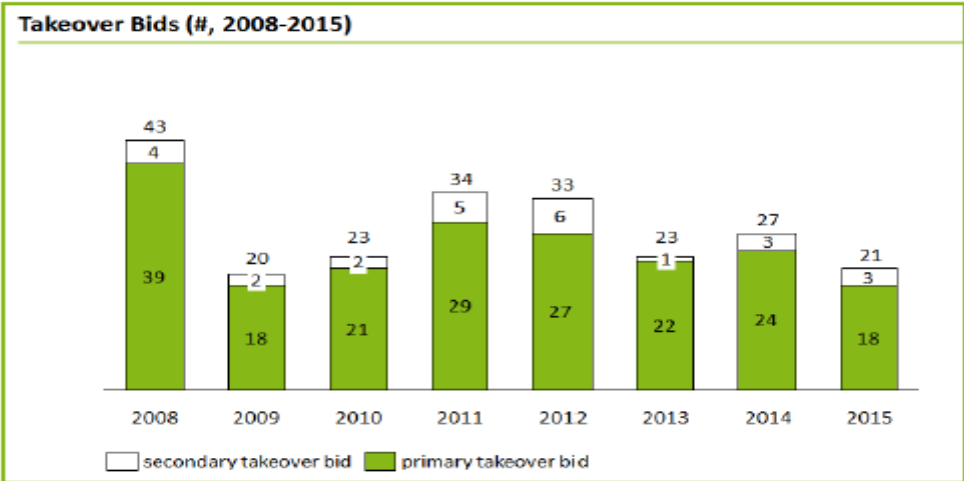


Figure 1: Takeover Bids (#, 2008-2015)

¹ A primary takeover bid denotes the initial offer, while a secondary takeover bid refers to a change of the previous offer (e.g. increase of acquisition premium, extension of deadlines).

Capital Market Reaction

To evaluate the capital market reaction on the first bids, we calculated the cumulated abnormal returns (CARs) for bidder and target companies around the day of offer publication. We concentrate on first bids where the bidder owns less than 75% of the target before the bid; beyond 75% ownership we believe that the market reaction is not representative. We calculate CARs for two different event windows: -1 to +1 days and -14 to +14 days around the day of offer publication. DAX Prime All Share index is used as a benchmark for the calculation of CARs, as this index is domestic, broad and the listed companies comply with the highest level of reporting requirements of Deutsche Börse AG.

For the target companies, we find the average CARs to be positive throughout all years and closely related to the average offer premiums. For this analysis, offer premiums are calculated based on the last observable stock price before beginning of the event window. The market reactions in 2015 contain one exceptional case: When "Livia Corporate Development Group SE" submitted a bid of EUR 13.49 per share (highest price of preemptions) to the owners of the insolvent "Softmatic AG", the share price spiked up from EUR 2.43 (-1 day) to EUR 12.50 (+1 day). The dotted boxes in figure 8 and 9 highlight the effect.



Figure 8: Average cumulated abnormal return +/-1 days for target companies (% , 2008-2015)

Statements & Fairness Opinions

Both the supervisory board and the executive board of the target company are, according to §27 WpÜG, required to issue a statement regarding the adequacy of the takeover bid. In the past few years many target companies additionally requested a Fairness Opinion by a third party to evaluate the offer's adequacy. The target company's statements as well as the Fairness Opinion are important tools for the communication between management and shareholders of the target company and influence the takeover bid's success. The supervisory and the executive board normally issue a joint statement (2011-2015: 89.1% of all statements) and the year 2015 is no exception. Only one target company issued two separate statements.

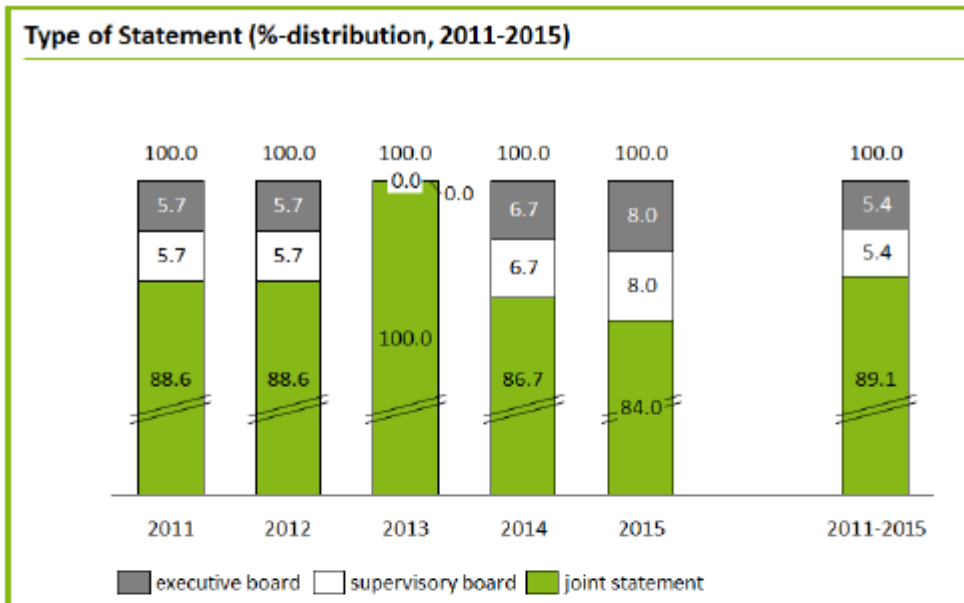


Figure 13: Type of Statement (%-distribution, 2011-2015)

Success Rates

The takeover bid success rates are of particular interest. For this analysis, we defined “success” as having reached an ownership share of at least 50% or the minimum acceptance threshold determined by the bidder within the defined term of acceptance according to WpÜG.⁵ Using this definition the success rate is at 68.3% over the past 5 years. The other 31.7% of takeover bids failed. In 2015 the success rate was above average with an acceptance rate of 78.6%.

If a bid is not successful in the first round, the likelihood of success drops significantly for subsequent rounds (2011-2015: 53.5%).

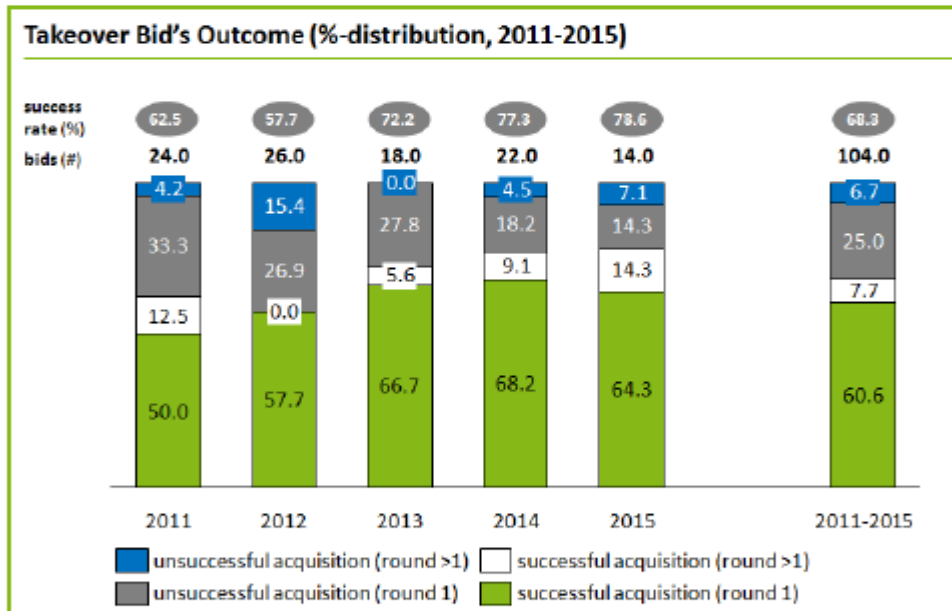


Figure 20: Takeover Bid's Outcome (%-distribution, 2011-2015)

⁵We exclude cases where the ownership share has already been above 50% prior to the six months period before the bid. Cases where the bidder has gained a majority within the six months before the bid due to buying arrangements with blockholders are considered as successful.