

German Takeover Report March 2017: Teaser

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Market Overview

The bid premiums offered, both weighted¹⁾ and unweighted, have been significantly higher than in 2015. We define the bid premium as the mark-up of the bid price compared to the three-month average stock price of the target firm prior to the bid. This definition is in accordance with the WpÜG which requires the potential acquirer to report this metric.² The average unweighted offer premium of 30.3% was 15.6 %-pts. higher than in 2015, and the weighted one even rose to 46.1% (+33.4%-pts.). The extreme increase in the weighted premium can be again explained by the merger of Deutsche Börse and London Stock Exchange (premium of 49.9%).

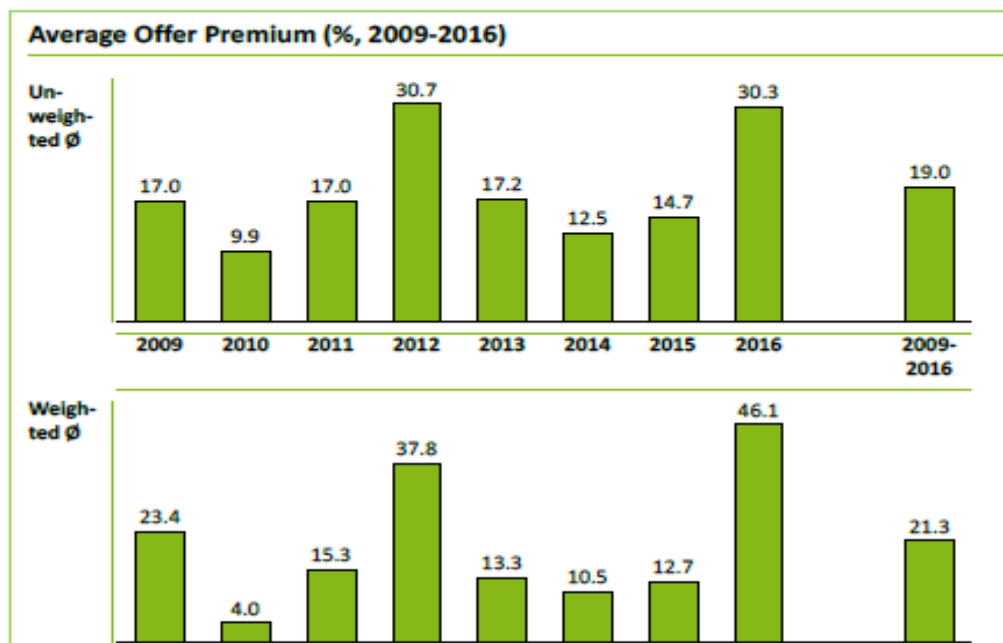


Figure 4: Average Offer Premium (% , 2009-2016)

¹ Weighted bid premiums account for the takeover value (outstanding shares not owned by the bidder times the bid price), i.e. bids with a higher takeover value are assigned a higher weight.

² The three-month average stock price prior to the bid is the minimum required bid price defined by the WpÜG and, thus, the basis for premium calculation. If the three-month average stock price is not available or not reliable, the highest price of preemptions is taken or a valuation by an independent third party in accordance with § 5 para. 4 WpÜG-AV is done.

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 -7 to +7 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.

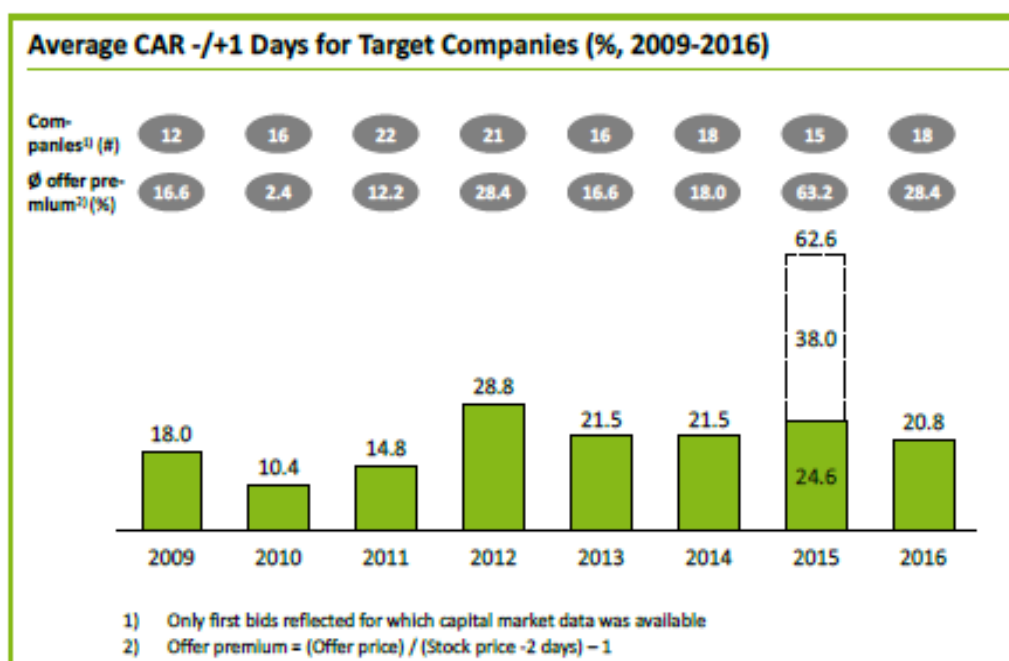


Figure 8: Average cumulated abnormal return -/+1 days for target companies (% , 2009-2016)