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finexpert-ValueTrust | German Takeover Report | Vol. 4

Market Overview

The volume of the primary takeover bids rose by 68% in 2017 (EUR 51.5bn) compared to 2016 (EUR 30.7bn) and reached the highest level over the last 10 years. This development can be explained by the merger of Linde AG and Praxair, Inc. The public exchange offer to Linde AG by Linde PLC, the new holding company, in June 2017 was valued with EUR 34.7bn. The second largest takeover offer in 2017 was made by Finnish energy firm Fortum to the Germany's energy group Uniper SE in November and contributed to the total takeover bid volume by EUR 7.8bn.

Figure 2 depicts the development of the bid volumes between 2010 and 2017.

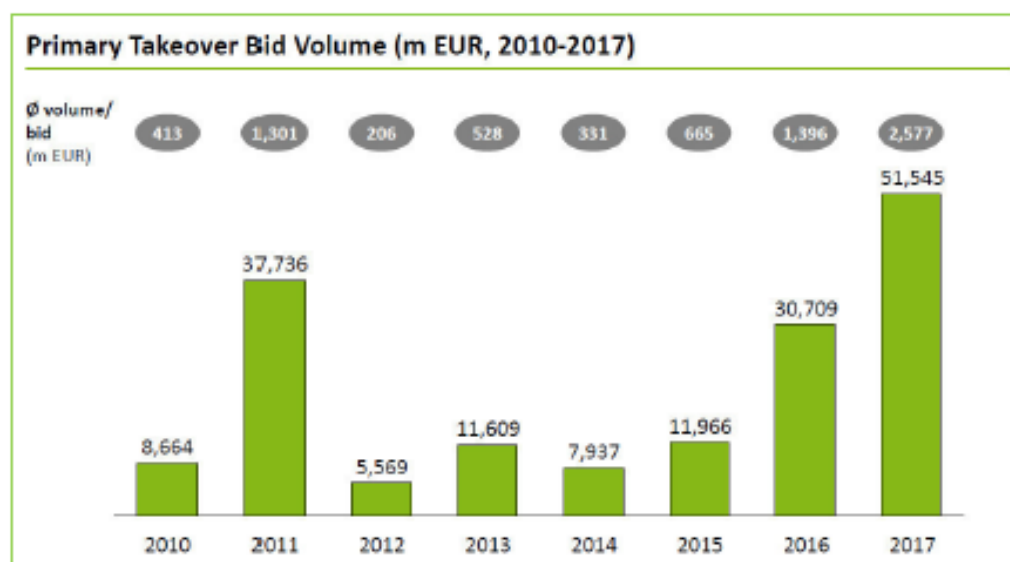


Figure 2: Primary Takeover Bid Volume (m EUR, 2010-2017)

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 **primary** 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.

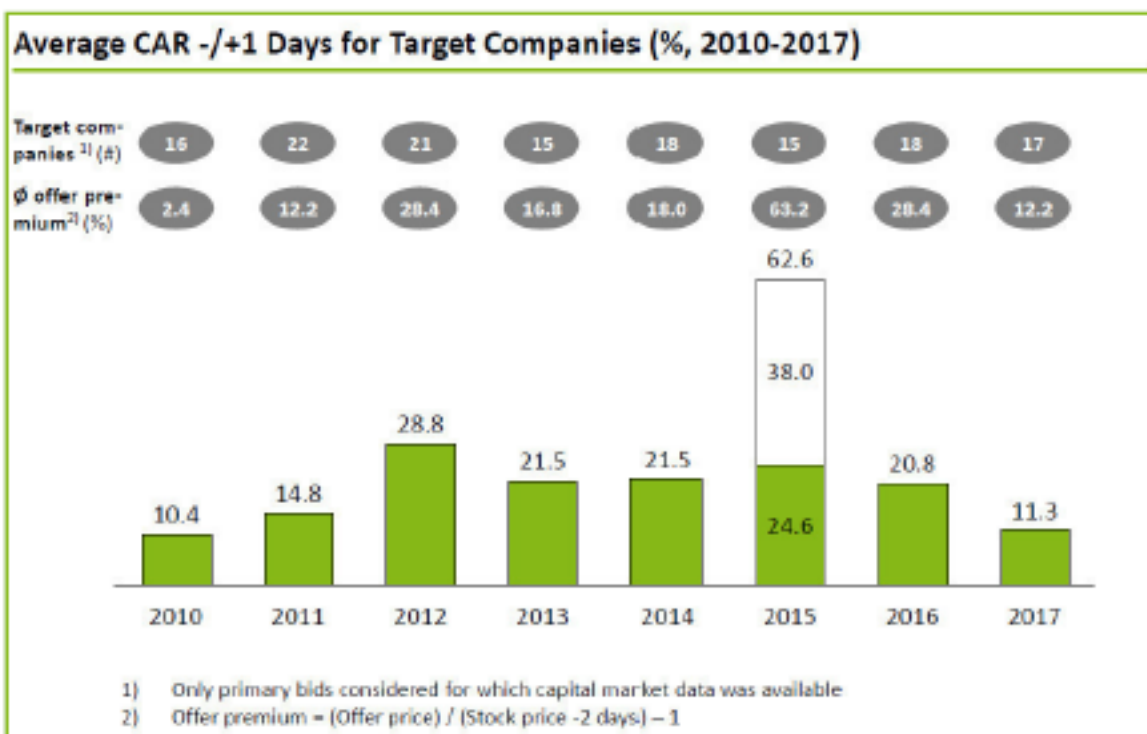


Figure 8: Average cumulated abnormal return -/+1 days for target companies (% , 2010-2017)

* 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.

Statements & Fairness Opinions

Both the supervisory board and the executive board of the target company are, according to §27 WpÜG, required to issue an opinion statement regarding the adequacy of the takeover bid. Over the last few years more and more 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 (2013-2017: 93.9% of all statements). Only few opinion statements were issued by the boards separately in 2014 and 2015, and in 2017 we observe again joint statements only.

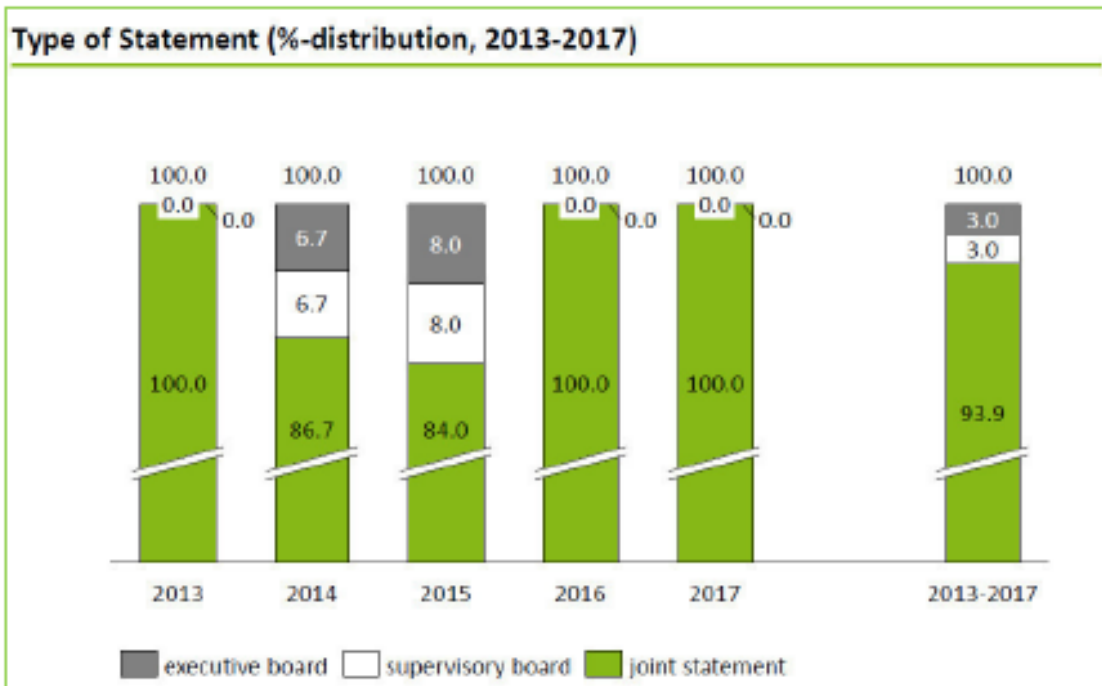


Figure 13: Type of Statement (%-distribution, 2013-2017)

Success Rates

The takeover bid success rates are of particular interest. However finding a meaningful measure for “success” is not trivial. As in the preceding reports we start by considering a takeover bid’s success in terms of two states: completed or discontinued acquisition. We define a binary variable “success” as equal to one if a bidder 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 WpÜG⁵, and zero otherwise. Using this definition, we find that 73.3% of takeover offers over the past 5 years were successful. The other 26.7% of takeover bids failed either in round one (21.1%) or thereafter (5.6%). In 2017 the distribution of takeover bid’s outcomes corresponds to the cumulated results for 2013-2017.

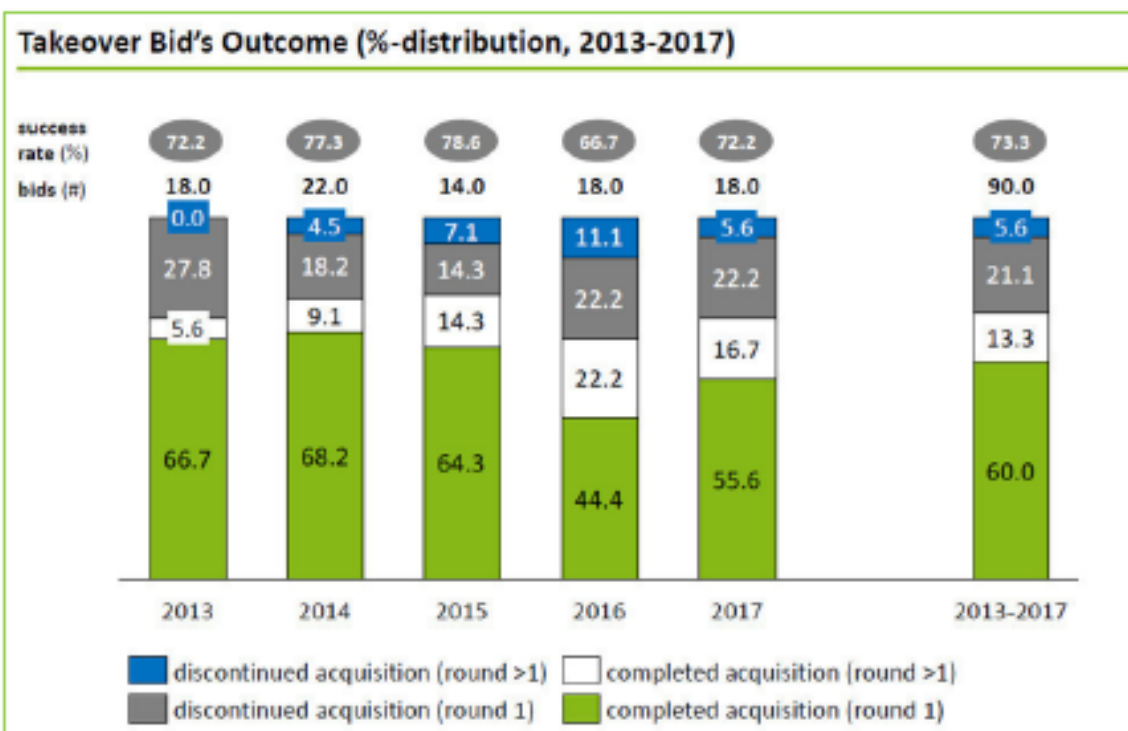


Figure 20: Takeover Bid’s Outcome (%-distribution, 2013-2017)

* As distinct from the Takeover Report 2017, one of the offers from 2016 had to be reassigned from “completed” to “discontinued”: On 2 December 2016 the president of the United States had banned by decree the takeover of Aixtron AG by the Grand Chip Investment GmbH prohibiting the planned acquisition of the associated US business. The offer was thus extinguished.

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.

Takeover Case Study: STADA Arzneimittel AG

On February 2, 2018, the extraordinary general meeting of STADA Arzneimittel AG (STADA) approved with a majority of 99.0% the conclusion of the domination and profit and loss transfer agreement (DPLTA) between Nidda Healthcare GmbH (Nidda)¹ as controlling entity and STADA as dependent company. In this context, ValueTrust acted as financial advisor to both parties of the DPLTA and determined the reasonable cash compensation and the reasonable recurring compensation payment according to sec. 305 and 304 of the German Stock Corporation Act (AktG).

Trading multiples and share price performance of STADA AG during the transaction period

- (1) Dec. 2016: Takeover rumors by Novartis and Mylan emerge
- (2) Feb. 2017: STADA confirms that it received two non-binding takeover offers
- (3) Apr. 2017: Official takeover offer by Bain Capital and Cinven
- (4) June 2017: Bain Capital and Cinven fail to reach the min. acceptance threshold of 67.5%
- (5) July 2017: Renewed takeover offer submitted by Bain Capital and Cinven
- (6) Aug. 2017: STADA announces the successful takeover by Bain Capital and Cinven. In the same month, the new owners announce to conclude a DPLTA
- (7) Sept. 2017: Activist investor Elliott announces to support the DPLTA in case minority shareholders are offered a cash compensation of at least EUR 74.4
- (8) Dec. 2017: STADA and Nidda conclude DPLTA. Shareholders' final approval is pending
- (9) Feb. 2018: A majority of 99% of the voting rights present at the extraordinary general meeting approves the DPLTA. The offered cash compensation is EUR 74.4



Source: Capital IQ, as per April 4, 2018

¹ Acquisition vehicle of the bidding consortium consisting of the private equity investors Bain Capital Private Equity, LP (Bain Capital) and Cinven Partners LLP (Cinven).