

Hollande not opposed to GE's Alstom bid

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General Electric Co Chief Executive Officer Jeffrey Immelt may be moving closer to pulling off his largest-ever acquisition, even after French officials over the weekend urged Alstom SA to consider a rival offer from Germany's Siemens AG.

The government doesn't oppose GE's proposal, and a meeting in Paris today between Immelt and President Francois Hollande focused on protecting jobs and maintaining the independence of France's nuclear industry, according to a person with knowledge of the discussions. The state doesn't favor either bid, the person said, asking not to be named as the talks weren't public.

Industry Minister Arnaud Montebourg yesterday expressed his support for a deal with Siemens, which would entail swapping some of its rail assets for Alstom's energy division and creating two "European champions."

Both GE and Siemens have taken steps to appease policymakers for a deal with Alstom, which has a market value of about 8.3 billion euros (\$11.5 billion). GE is arguing that its plan, to acquire the energy business while Alstom's transport unit is separated, would result in fewer job losses thanks to smaller overlaps of operations, said people with knowledge of the matter. Siemens is willing to make guarantees about jobs and executive positions, one person said.

"None of these big players buying Alstom is going to be a smooth ride," said Simon Toennessen, an analyst at Credit Suisse Group AG. "Siemens is seeing the competitive threat from GE as big enough to consider this step."

Hollande will also meet Siemens CEO Joe Kaeser and Chairman Gerhard Cromme today, according to another person familiar with the matter.

Beating GE

The board of Alstom, which is based on the outskirts of Paris, met yesterday to examine the approaches, and so far prefers GE's proposal — which is a binding offer, compared to Siemens's more informal expression of interest, the people said.

However, it is also considering Siemens's offer out of deference to the government's wishes, they said.

GE has conducted due diligence and received approval to proceed with the deal from its own board, the people said.

Siemens is making the case, the people said, that an asset swap would create an undisputed European leader in rail rooted in France, bringing together the German company's ICE high-speed trains with Alstom's iconic TGV.

The Munich-based company would become one of the world's largest manufacturers of equipment for power plants and electric transmission.

Paris meeting

Siemens, which was also interested in acquiring parts of Alstom over a decade ago, is willing to match or exceed the financial terms of GE's offer, the people said. The offer from Fairfield, Connecticut-based GE values the whole of Alstom at about \$13 billion excluding debt, they said.

Alstom yesterday said it's continuing to review its options and will make an announcement no later than the morning of April 30. Siemens said it's willing to discuss "strategic opportunities" with Alstom as an alternative to a GE deal, declining to comment further. A spokesman for GE declined to comment.

Montebourg, who postponed a meeting with Immelt that was scheduled for yesterday, will also meet the CEO today, as well as Martin Bouygues, whose Bouygues SA conglomerate owns 29 percent of Alstom.

French protection

As in the US, the French government can intervene to protect companies deemed to be of national importance from being acquired. In 2005, it passed an anti-takeover decree amid speculation PepsiCo Inc. was planning a bid for dairy-products maker Danone.

Alstom had to be rescued in a 4.4 billion-euro bailout by the state and banks in 2004. The company built France's power grid and the generators that produce most of the nation's electricity and has about 18,000 domestic employees.

While Hollande's government has rarely shied away from making its views known on large transactions, its instructions aren't always followed by French companies. Vivendi SA this month spurned a bid for its SFR mobile-phone unit from Bouygues that Montebourg had supported, opting for a rival offer from cable tycoon Patrick Drahi.

The French state has no direct shareholding in Alstom, although the company depends in part on orders from the government-owned SNCF railway network and from Electricite de France SA, the electric utility that's 84 percent government-owned.

Staying attractive

At the same time, Prime Minister Manuel Valls "knows that we have to have a very open economy, that we must stay very attractive," Laurence Parisot, the head of the MEDEF business lobby, said in a Bloomberg Television interview. For that reason, GE probably still has the upper hand, she said.

In making a play for Alstom's power assets, which Berenberg Bank analyst William Mackie said could be worth as much as \$14.5 billion, Immelt is looking to build on a plan to reorient GE toward manufacturing. Its finance division, GE Capital, imperiled the company during the global financial crisis, and since then he has sought to build up divisions that make capital goods like jet engines, locomotives and power equipment.

Siemens's offer is a response to the threat that would be created on its home turf, the people familiar with the matter said. The company is already cutting 1,400 jobs in its energy unit in Germany amid slumping demand for gas turbines in Europe.

The proposed deal coincides with the culmination of a strategy review at Siemens by CEO Kaeser, who will present his findings on May 7.

Siemens shares dropped as much as 2.8 percent in Frankfurt trading today. GE rose as much as 1.3 percent on Friday in New York, and Alstom jumped as much as 18

percent on April 24 after Bloomberg News reported the talks with GE. Its shares have been suspended since Friday.

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