

Alstom battle intensifies as Siemens plans counter-bid

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The battle for Alstom SA intensified after Siemens AG stepped up plans for a bid to counter General Electric Co in what would be the biggest tug of war for a French industrial company ever.

Siemens is making preparations to bid for Alstom assets, under the condition that it gains the same access to its financial information as GE has, according to people familiar with the plans, who asked not to be named as the matter is not public. Munich-based Siemens will decide on a bid after a board meeting set for today, the people said.

Alstom, a maker of power transmission gear and the high-speed TGV trains, became the object of competing interests after talks with GE progressed in recent weeks, with the US company aiming to buy its energy assets, which generate more than 70 percent of sales. Siemens chief executive officer Joe Kaeser and chairman Gerhard Cromme yesterday met with French president Francois Hollande, as did Jeffrey Immelt, GE's CEO.

Alstom, saved from bankruptcy about a decade ago by the state, employs 18,000 people in France and has a market value of about 8.3 billion euros (RM37.1 billion). The business is coveted by the government, which wants to extract the best terms from any bidder for jobs and the country's energy independence. The state doesn't prefer one bidder over the other, another person said.

Alstom, which already received a binding offer from GE, asked Siemens to send another letter with more details of its proposal before giving the German company additional information, the people said. Representatives for Siemens and Alstom declined to comment on their plans.

European Champions

Both GE and Siemens have taken steps to appease French policy makers for a deal with Alstom. GE is arguing that its plan, to acquire the energy business while

Alstom's transport unit is separated, would result in fewer job losses because of smaller operational overlaps, said people with knowledge of the matter. Siemens is willing to make guarantees about jobs and executive positions, one person said.

Siemens's proposal would probably entail swapping some of its rail assets for Alstom's energy division and creating two "European champions," industry minister Arnaud Montebourg has said. Siemens would become one of the world's largest manufacturers of equipment for power plants and electric transmissions while the companies' train assets would form a France-based rail industry leader, bringing together the German company's ICE high-speed trains with Alstom's iconic TGV.

Competitive Threat

Siemens hasn't yet decided whether to bid for all or part of the French company, one person said. GE has already conducted due diligence and received approval to proceed with the deal from its own board.

"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."

The board of Alstom, which is based on the outskirts of Paris, has met to examine the approaches, and so far prefers GE's proposal, according to people familiar with the matter. However, it is also considering Siemens's offer out of deference to the government's wishes, they said.

Hollande told Alstom to take its time weighing the offers and to not be bound by an April 30 2014 deadline the company set to make a decision, one of the people said.

GE shares rose 1% in German trading to the equivalent of US\$26.90 as of 9:35am in Frankfurt while Siemens shares dropped 0.4% to 93.20 euros. Alstom jumped as much as 18% on April 24 2014 after Bloomberg News reported the talks with GE. Its shares have been suspended since Friday.

French Protection

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 US\$13 billion (RM41.9 billion) excluding debt, they said.

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.

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.

GE Threat

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.

In making a play for Alstom's power assets, which Berenberg Bank analyst William Mackie said could be worth as much as US\$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 proposed deal coincides with the culmination of a strategy review at Siemens by CEO Kaeser, who will present his findings on May 7 2014.

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