

Alstom said poised to approve GE talks

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Apr 29, 2014

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Alstom SA is poised to approve starting talks to be acquired by General Electric Co, according to people familiar with the plans, even as Siemens AG prepares a counterbid.

The French industrial company remains open to rival offers, said the people, who asked not to be named as the matter isn't public. Munich-based Siemens, which held a board meeting today, is presenting an offer now, French industry minister Arnaud Montebourg said today in parliamentary debate.

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% of sales.

Siemens's supervisory board approved a bid for Alstom in principle at a meeting today, Handelsblatt reported. The German company won't decide on a firm offer until it has examined Alstom's books, the newspaper said.

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, one person said. Montebourg said today France wants alliances rather than break-up sales, adding that GE has been "totally correct" in its actions.

US\$13 Billion

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, people familiar with the proposal have said. The offer from Fairfield, Connecticut-based GE values the whole of Alstom at about US\$13 billion (RM41 billion) excluding debt, they 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.

In separate meetings with French president Francois Hollande yesterday, Siemens chief executive officer Joe Kaeser and chairman Gerhard Cromme and GE CEO Jeffrey Immelt have sought 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.

European Champions

Siemens's proposal would probably entail swapping some of its rail assets for Alstom's energy division and creating two "European champions," 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.

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. Alstom's board is scheduled to meet today to review the proposals, one person said. The company will also submit its divestment plan to a vote at a shareholder meeting, another person 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.

'No Smooth Ride'

"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."

Switzerland's ABB Ltd, the world's largest maker of transformers, is observing the situation, CEO Ulrich Spiesshofer says today. "At the time we have something to

say, we will come out with some comments," he said, declining to say if the company may bid for Alstom.

The French state shareholding agency never considered selling a stake in Electricite de France SA to back Alstom, a person familiar with the matter said today. Le Nouvel Observateur reported that the government was studying selling some of its holding in EDF to raise funds to buy Bouygues SA's stake in Alstom and also inject funds.

French Protection

GE shares fell 0.6% in New York trading to the US\$26.63 as of 10:29am while Siemens shares were little changed at 93.62 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.

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 Revamp

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% 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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