

Frankfurt am Main, 3 April 2025

M&A-Telegram

Q1/2025

+++ Signs of an upturn in the M&A market 2025. In the first quarter of the new year, a number of major deals have already been concluded, particularly with the involvement of financial investors, giving hope for the expected upturn in 2025. In addition, further transactions are already in the pipeline that could continue this trend in the second quarter. Facility manager Apleona, valued at around EUR 4 billion, was passed on to Bain Capital by private equity investor PAI Partners, while Mubadala acquired a minority stake. Cinven sold its stake in life insurer Viridium to a consortium of Allianz, Blackrock and T&D for EUR 3.5 billion, while insurers Generali and Hannover Re will remain investors in Viridium. Saudi investor Alat took a 15% stake in TK Elevator and at the same time intends to establish an elevator joint venture with TK Elevators. At the same time Daniel Křetínský and his EP Global Commerce are aiming to delist Metro and are offering EUR 5.33 per share. Křetínský is not initially aiming for a complete takeover. The major shareholders Meridian and Beisheim will not tender their shares and remain on board as investors. Meanwhile, the TenneT saga continues. The state-owned Dutch TenneT Holding is publicly looking for investors for its German grid operator business, which is valued at around EUR 11 billion. Apparently, infrastructure and sovereign wealth funds are showing interest. Further investment in the infrastructure sector is likely to be encouraged by the German government's new debt package. More generally, the deal environment of 2025 so far shows that following last year's takeover of Covestro by ADNOC, Germany remains an attractive market for funds from the Middle East which can be a source of necessary investment for the German economy. +++

+++ Uneasy capital markets. At the beginning of the year, there was much confidence that there would be more IPOs in 2025 than in 2024, but market volatility and higher IPO discounts have thwarted this for the time being. For example, Bain Capital and Cinven have postponed Stada's IPO planned for the window before Easter. A new attempt may be made in September, but an M&A sale is still a possibility, provided there are interested parties. The shareholders of Oldenburgische Landesbank, led by financial investor Apollo, have already decided against the long-planned IPO of OLB and in favor of a sale to Crédit Mutuel owned Targobank. It remains to be seen whether the IPOs of other candidates, such as Mobile.de and Ottobock, will merely be postponed or whether an M&A exit will be preferred, particularly in view of geopolitical developments. +++

+++ Focus on the defense industry. The (positive) impact that geopolitical developments can have on transaction activity can be seen in the defense sector. The German and European defense industry is pushing for growth, not least due to the threatened withdrawal of US military support for Europe. An alliance between France and Germany in particular could drive forward the consolidation of the European defense sector, as already demonstrated by the Franco-German joint venture for the MGCS (Main Ground Combat System) program between Rheinmetall and KNDS and the increase of KNDS's stake in the German tank transmission manufacturer Renk. At a national level, Rheinmetall continued to expand its portfolio and increased its stake in Blackned, a software manufacturer specializing in the digitalization of armed forces, to 51%. In addition, Rheinmetall intends to enter into a partnership for defense related simulation with Bohemia Interactive Simulations, a provider of simulation and training software solutions and a subsidiary of BAE Systems. However, the back-and-forth surrounding ThyssenKrupp Marine Systems shows that successful transactions in the defense sector are not guaranteed. After the financial investor Carlyle dropped out as a promising candidate in the past, Rheinmetall's entry has now failed as well because, among other things, no agreement could be reached on the German government's participation as a minority shareholder in TKMS. Overall, however, M&A activity in the defense sector should increase. This could also be facilitated by the easing of regulatory requirements, as already proposed in the Draghi Report in 2024 with regard to the European defense industry. Ultimately, however, defense deals are highly political and require foreign investment control approvals even within the EU. Member States will therefore always have the final say and it remains to be seen to what extent European governments are ultimately prepared to compromise in their domestic defense industry. +++

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This M&A Telegram is addressed to clients and friends of Cleary Gottlieb who are interested in developments in the German M&A Market. It does not constitute legal advice.

