

VALUETRUST

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German Takeover Report 2019

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Preface

Dear finexpert members,

We proudly present the 2019 issue of the finexpert German takeover report. It covers all takeover bids according to the German takeover code WpÜG of the year 2018 and provides extensive information on relevant variables like bid types, premia offered, market reaction of target's and (if available) on bidder's stock prices. In addition, our extensive database allows to compare last year's figures of these variables against the moving average of the preceding years and thus to highlight trends and long term developments. Finally, the finexpert German takeover report contains a unique and extensive analysis of fairness opinions and statements of management and supervisory board of the target company (§27 WpÜG), allowing for a detailed analysis of the relationship of these factors upon target stock price reaction and success rates of the takeover bid. After discussing potential shortcomings of "traditional" success definitions of takeover offers in this report we introduce an alternative success measure that takes potential bidder toeholds into account and perform additional analyses.

Our results indicate 2018 as a year with an exceptionally low number of offers and small average bid premium. The bid with the largest takeover offer volume was made by E.ON AG to the shareholders of Innogy SE. Unconventionally, the consideration in the tender offer of Deutsche Balaton Biotech AG to Biofrontera AG comprised an option of share re-acquisition and a cash payment.

This report contains a detailed description of events surrounding the takeover and corresponding public delisting offer for STADA Arzneimittel AG, where Value Trust was acting as financial advisor.

Finexpert members have free access to download this (and all other) finexpert reports from our website www.finexpert.info. We hope that the information provided in this report is helpful in your day to day business.



Best regards,

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Market Overview

The year 2018 is characterized by exceptionally low number of public primary takeover bids¹ in Germany. With only 13 published primary bids 2018 reports a decrease by 35% (-7) compared to the 2017 figures, and the lowest number for the last 10 years. Thus, the number of bids is generally decreasing since 2011, and currently is at 45% of it's highest value in 2011. Figure 1 shows the development from 2011 to 2018.

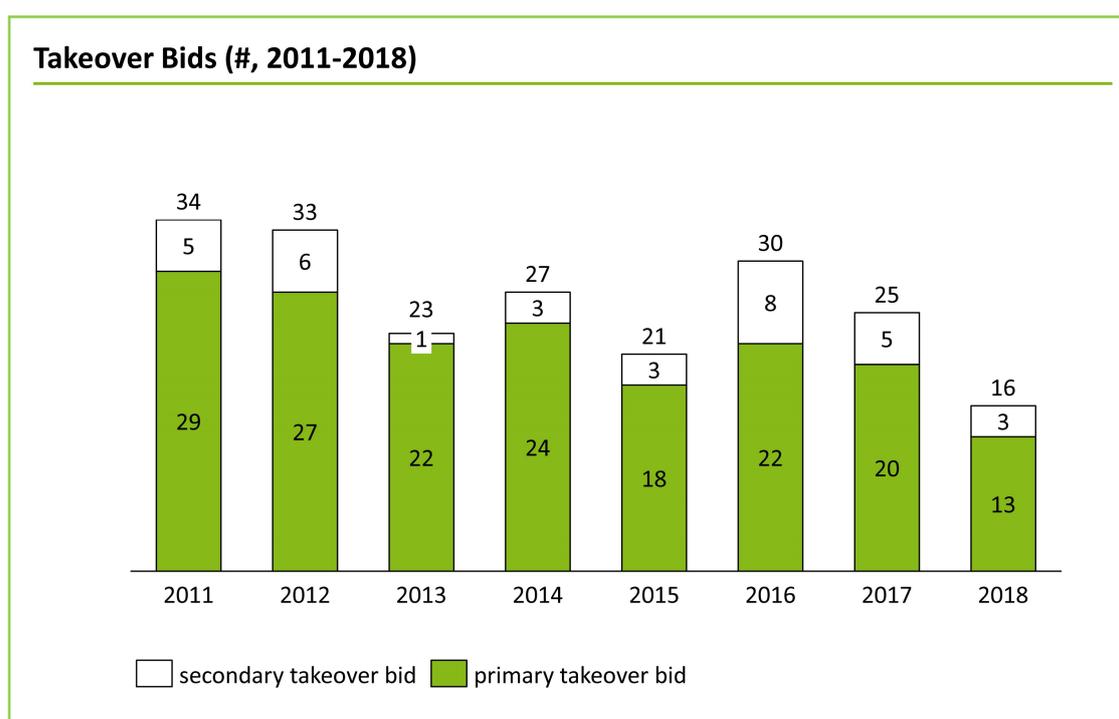


Figure 1: Takeover Bids (#, 2011-2018)

¹ A primary takeover bid denotes the initial offer, while a secondary takeover bid refers to a change of the previous offer (e.g. increase of acquisition premium, extension of deadlines).

Market Overview

Given the reduced number of published offers, the total volume of the primary takeover bids also fell by 45% in 2018 (EUR 28.3bn) compared to 2017 (EUR 51.5bn). However, the average volume of a bid is comparably high (EUR 2.1bn/bid), and the total volume is almost as high as in 2016, the year with 22 primary takeover bids. This can be explained by the takeover offer of E.ON SE to the shareholders of Innogy SE. The offer volume to Innogy SE in April 2018 amounted EUR 20.4bn. The second largest bid in 2018 was the delisting tender offer of Nidda Healthcare GmbH in November for the remaining STADA shares, which contributed to the total takeover bid volume by EUR 5.1bn.

Figure 2 depicts the development of the bid volumes between 2011 and 2018.

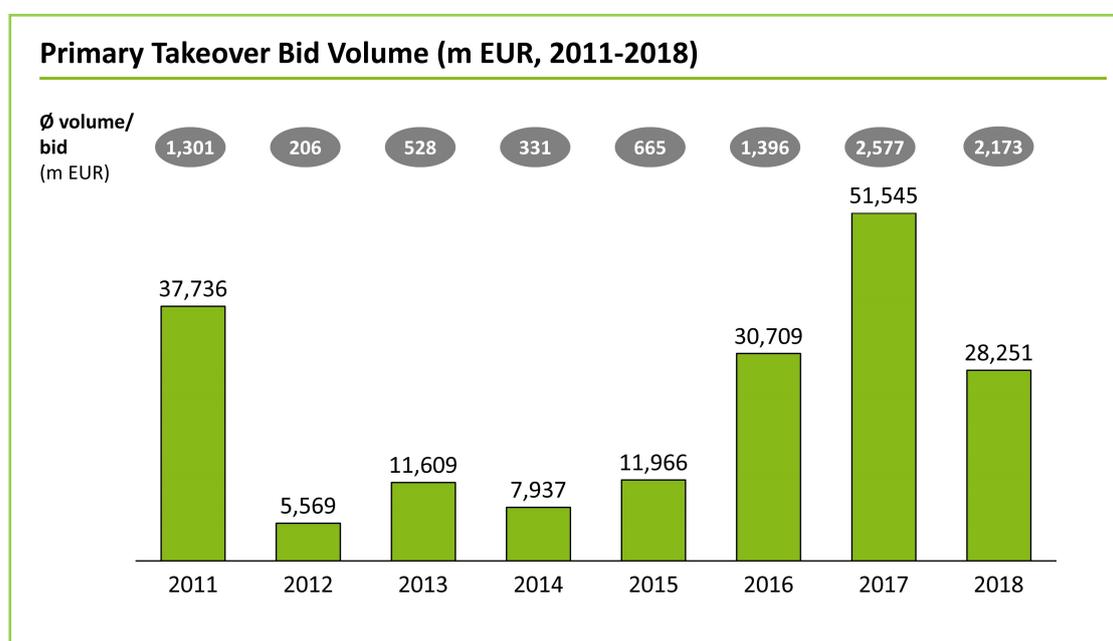


Figure 2: Primary Takeover Bid Volume (m EUR, 2011-2018)

Market Overview

When differentiating between financial and strategic investors, for the first time since 2012 we find a dominance of financial investors' bids in 2018. Breaking the longstanding trend, only 31% of primary takeover bids were made by strategic investors. However another pattern prevails: the average volume of strategic bids is significantly higher than the volume of bids made by financial investors (EUR 5,313m vs. EUR 778m). Here again the acquisition of Innogy SE by E.ON SE contributes significantly to the high average volume of strategic bids. Further, the share of bids by foreign investors in 2018 is exceptionally high with more than 65% of both financial and strategic investors being foreign.

Over the last five years, strategic investors held responsible for 56.1% of all primary takeover bids representing 88% of the total bid volume.

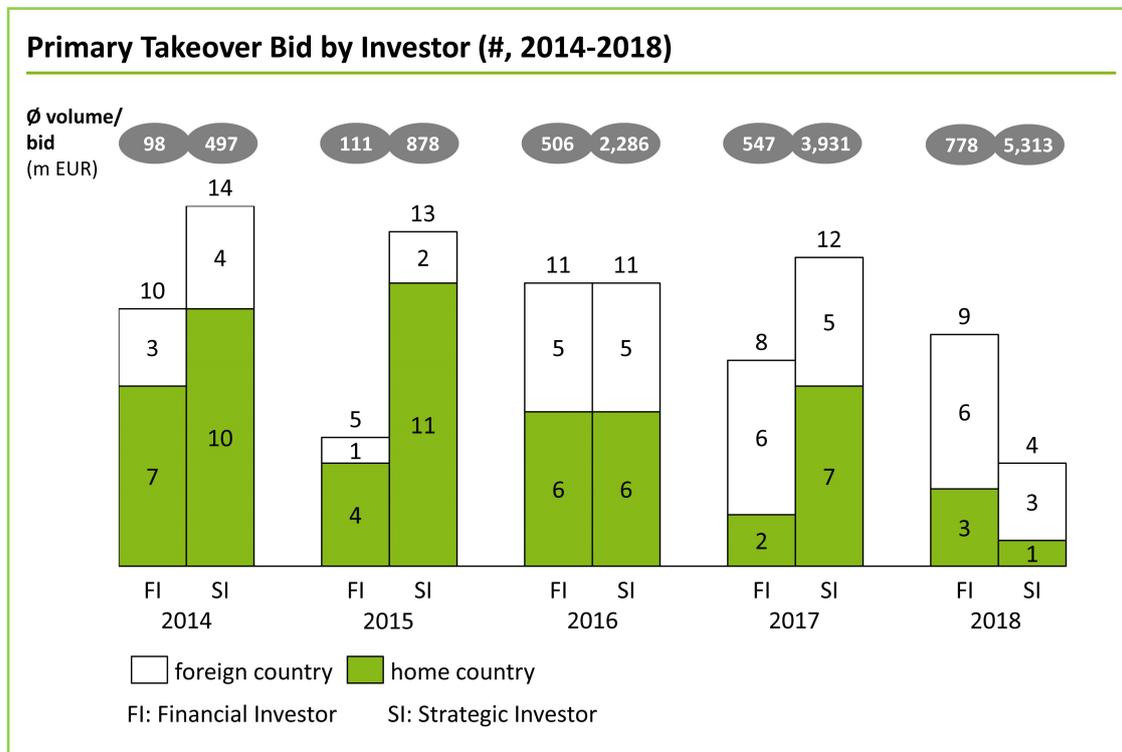


Figure 3: Primary Takeover Bid by Investor (#, 2014-2018)

Market Overview

Besides small number of takeover bids in general, 2018 became distinctive due to a significantly low average bid premium, both in weighted¹⁾ and unweighted values. We define the bid premium as the mark-up of the bid price compared to the three-month average stock price of the target firm prior to the bid. This definition is in accordance with the WpÜG which requires the potential acquirer to report this metric.² The average weighted offer premium of 9.9% was the lowest since 2010 (4.0%), and 4.9%-pts. lower than in 2017. The unweighted one fell even to 7.7% (-4.8%-pts.) being the lowest value for the last 10 years. Driven by extremely high values in 2012 and 2016, the average offer premium for 2011-2018 period remains comparably large in weighted and unweighted terms (18.5% and 18.8% respectively).



Figure 4: Average Offer Premium (% , 2011-2018)

¹ Weighted bid premiums account for the takeover value (outstanding shares not owned by the bidder times the bid price), i.e. bids with a higher takeover value are assigned a higher weight.

² The three-month average stock price prior to the bid is the minimum required bid price defined by the WpÜG and, thus, the basis for premium calculation. If the three-month average stock price is not available or not reliable, the highest price of preemptions is taken or a valuation by an independent third party in accordance with § 5 para. 4 WpÜG-AV is done.

Market Overview

Looking at the offer premiums in clustered intervals of 5% reveals that more than 30% of all bids did not offer any premium, and another 30% of all bids had an offer premium between 0% and 5%. Uncommonly, there was only one takeover bid with an offer premium above 20%, and 85% of all bids show premiums of below 15%. Among the mandatory offers in 2018 there are two delisting purchase offers with a premium of 0% and 2% resp. §39 of the Stock Exchange Act (BörsG) requires the company when applying for a delisting of its stock, to submit the compensation offer pursuant to the rules of the WpÜG.

By and large, the offer premiums cumulated for the last 8 years are distributed similarly to the figures presented in Takeover Report 2018. Figure 5 displays the distribution of offer premiums for 2018 and cumulated for the years 2011 to 2018.

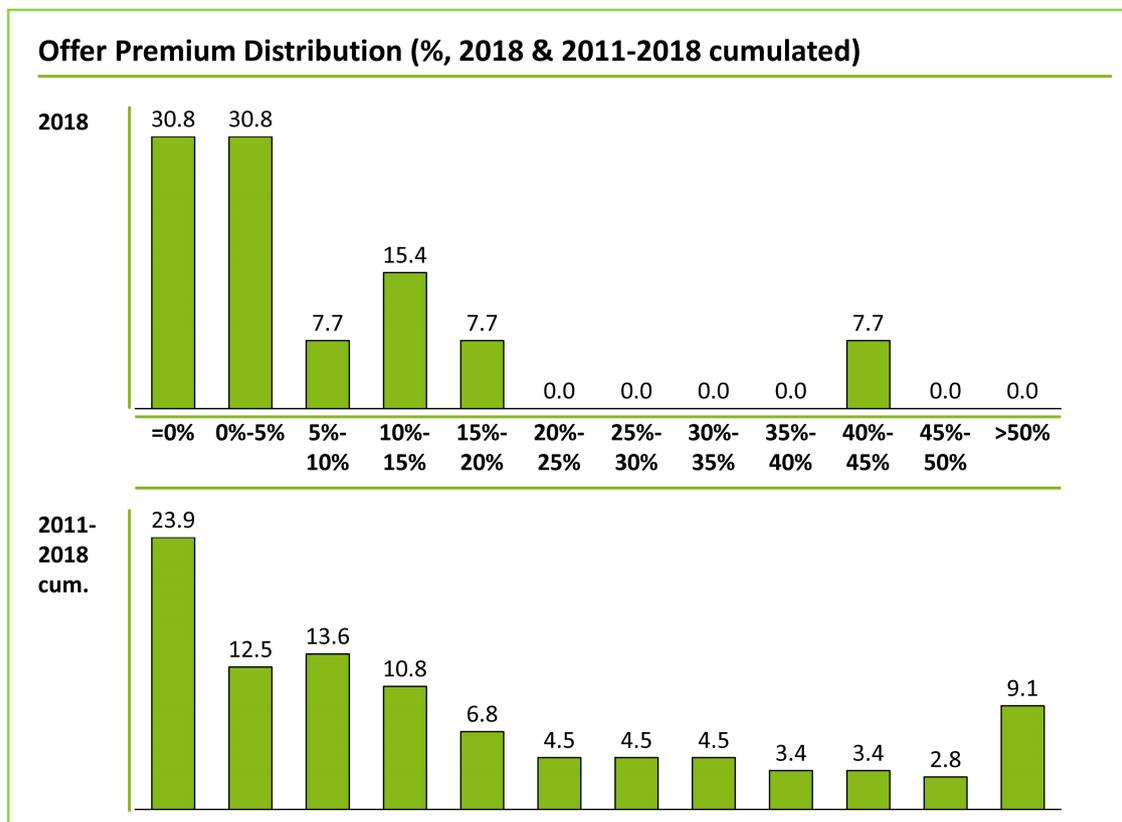


Figure 5: Offer Premium Distribution (% , 2018 & 2011-2018 cumulated)

Market Overview

A differentiated compilation of data on strategic and financial investors in 2018 demonstrates that the average offer premium in the bids of strategic investors is substantially higher than of financial investors (18.3% vs. 2.9%). Although the distribution held opposite since 2014, this development can be explained the hypothesis of strategic investors paying a higher premium due to their synergy potential. By and large, the average figure for strategic investors in 2018 is driven by a premium of 44% offered to the shareholders of Westag & Getalit AG by Broadview Industries AG. Nevertheless, we still observe slightly higher premiums by financial investors on the five years average (2014-2018: 16.8% vs. 16.0%). Examining weighted offer premiums by investor type provides us with the similar results: premiums paid by strategic investors in 2018 are on average by 11.8%-pts. higher than premiums for financial investors' bids (13.0% vs. 1.3%).

Figure 6 provides the average unweighted offer premiums by investor type over the last 5 years.

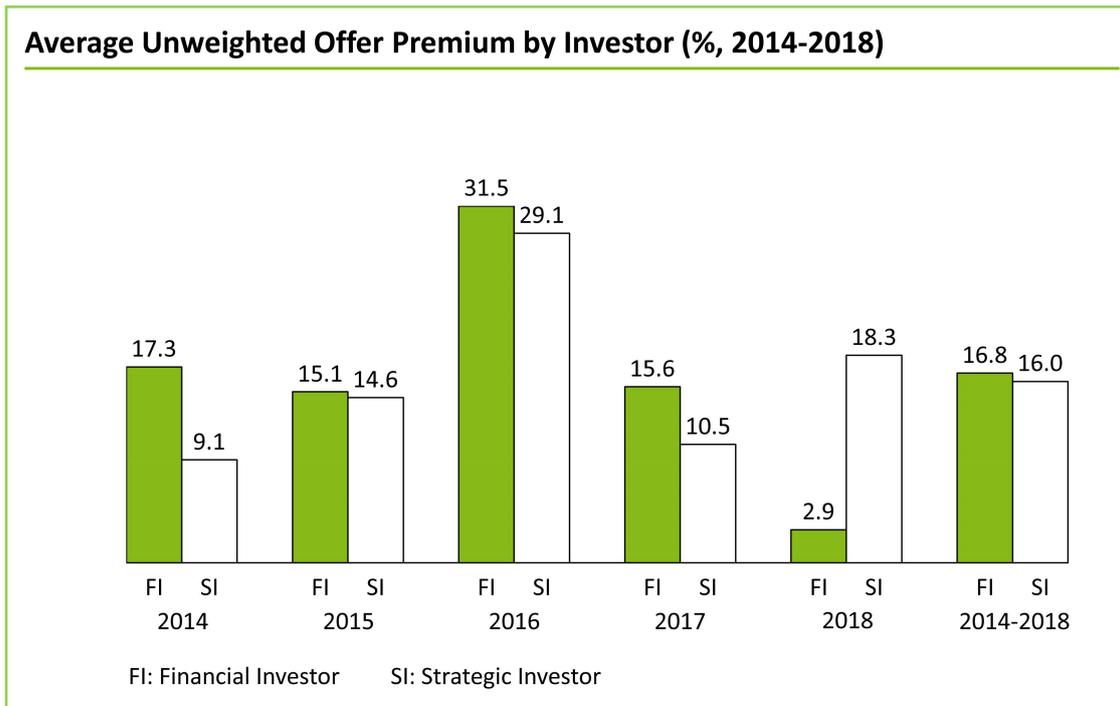


Figure 6: Average Unweighted Offer Premium by Investor (% , 2014-2018)

Market Overview

Cash is still the dominant method of payment and accounts for 92.3% in the 2018 bids. The only offer categorized as “mixed” was the tender offer made by Deutsche Balaton Biotech AG for up to 6,250,000 Biofrontera AG shares. The consideration in the primary bid comprised of two components: cash payment of 1 EUR per Biofrontera shares and an option to re-acquire one share of Biofrontera from Deutsche Balaton Biotech AG for the same price: 1 EUR. This tender offer was unsolicited and was followed by a lawsuit filed by Biofrontera AG against the bidder and its related parties. Later, Deutsche Balaton Biotech AG issued a modified offer that comprised not only the original consideration but also, as an alternative, the cash payment of 6 EUR for each Biofrontera share. Neither of the acquisition offers in 2018 was made by the offeror in return for own shares.

Figure 7 depicts the overview of the annual distribution of different payment methods with respect to all takeover bids in the previous five years.

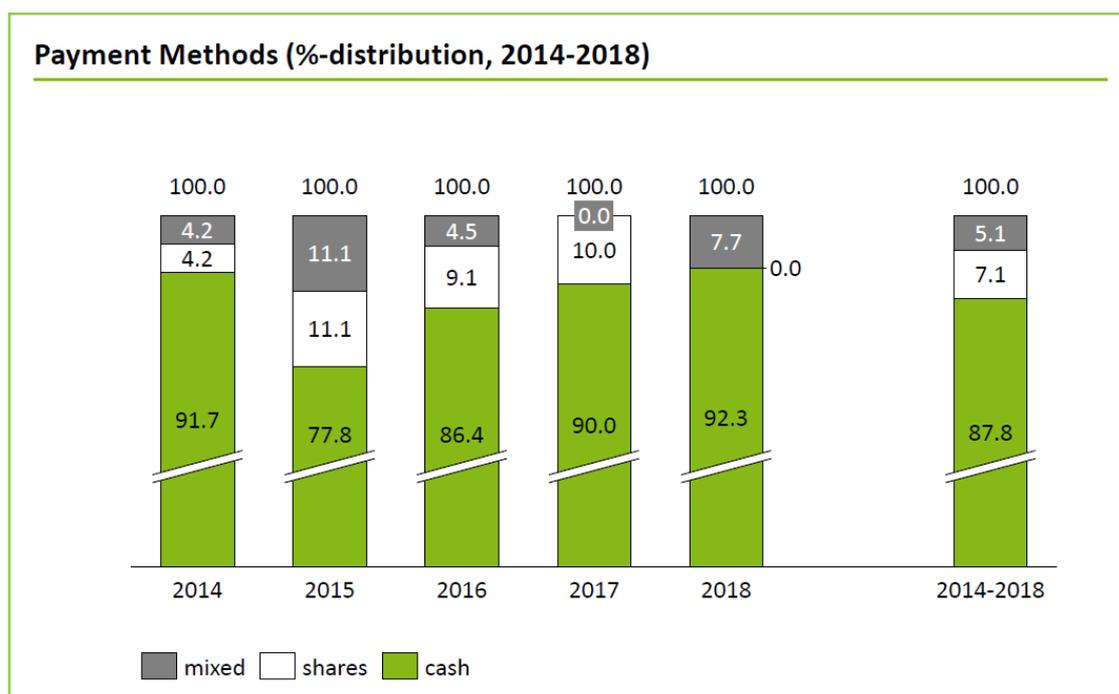


Figure 7: Payment Methods (%-distribution, 2014-2018)

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.

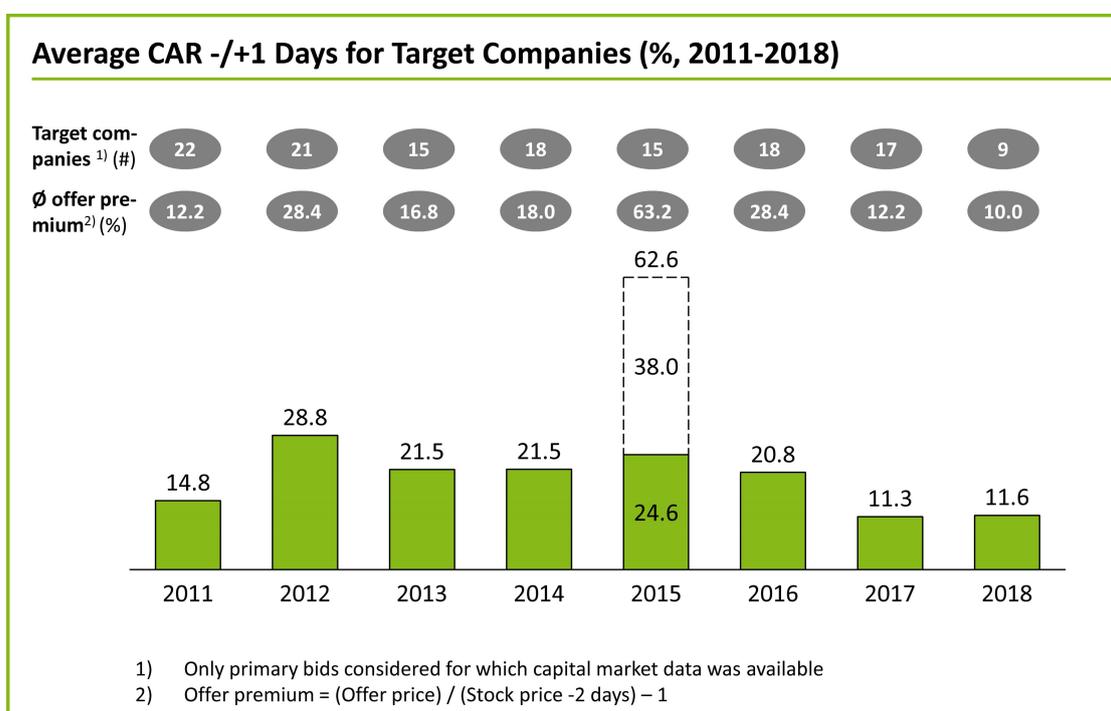


Figure 8: Average cumulated abnormal return -/+1 days for target companies (% , 2011-2018)

* 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.

Capital Market Reaction

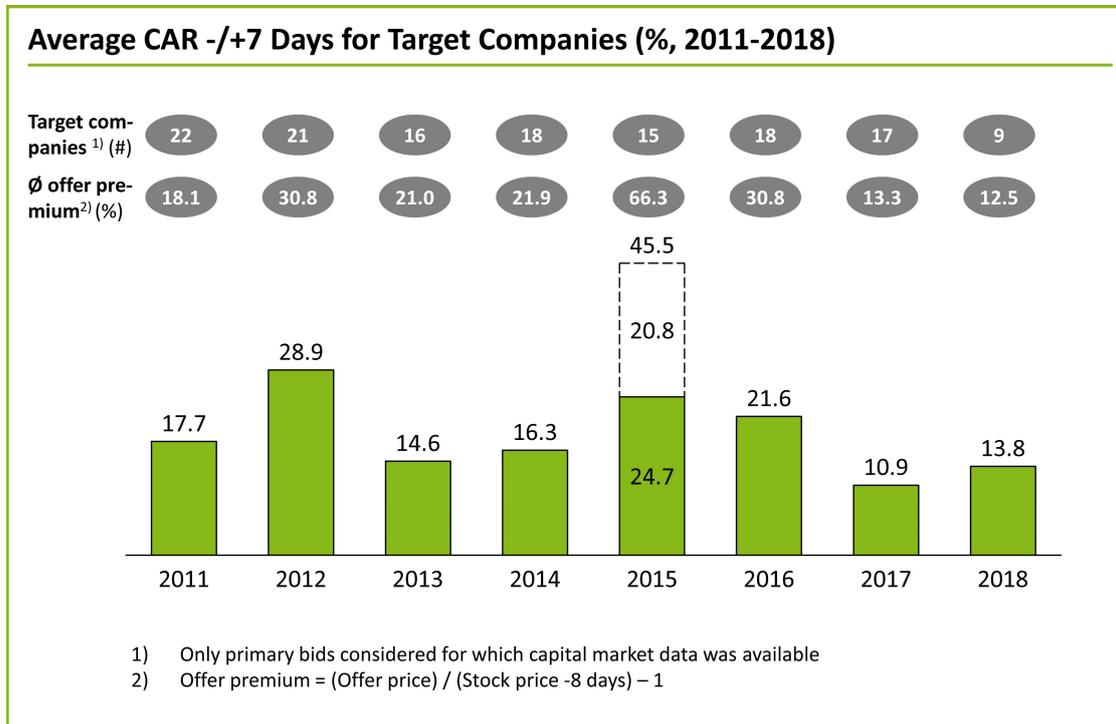


Figure 9: Average cumulated abnormal return +/-7 days for target companies (% , 2011-2018)

For the bidding firms we find different results: there are no consistent patterns of capital market reaction at the offer announcement neither over the entire range nor on an annual basis. Presumably, due to the lack of capital market availability for bidder companies, the obtained results are also below a statistical meaningful level of confidence (see figures 10 and 11).

Capital Market Reaction

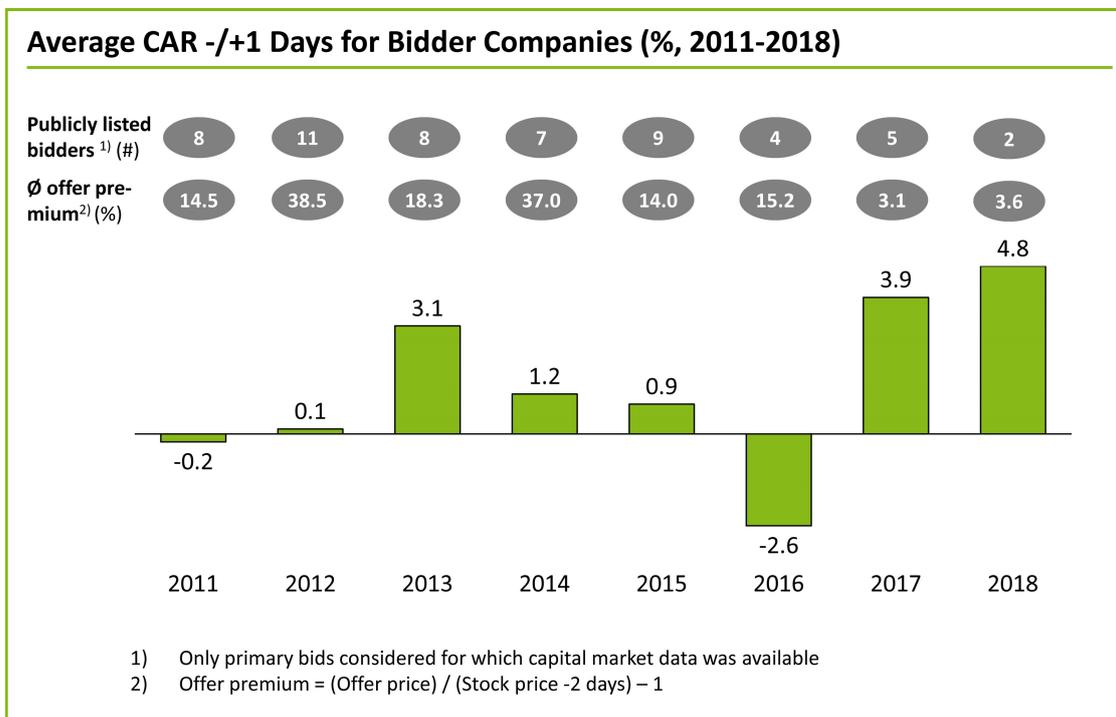


Figure 10: Average cumulated abnormal return +/-1 days for bidder companies (% , 2011-2018)

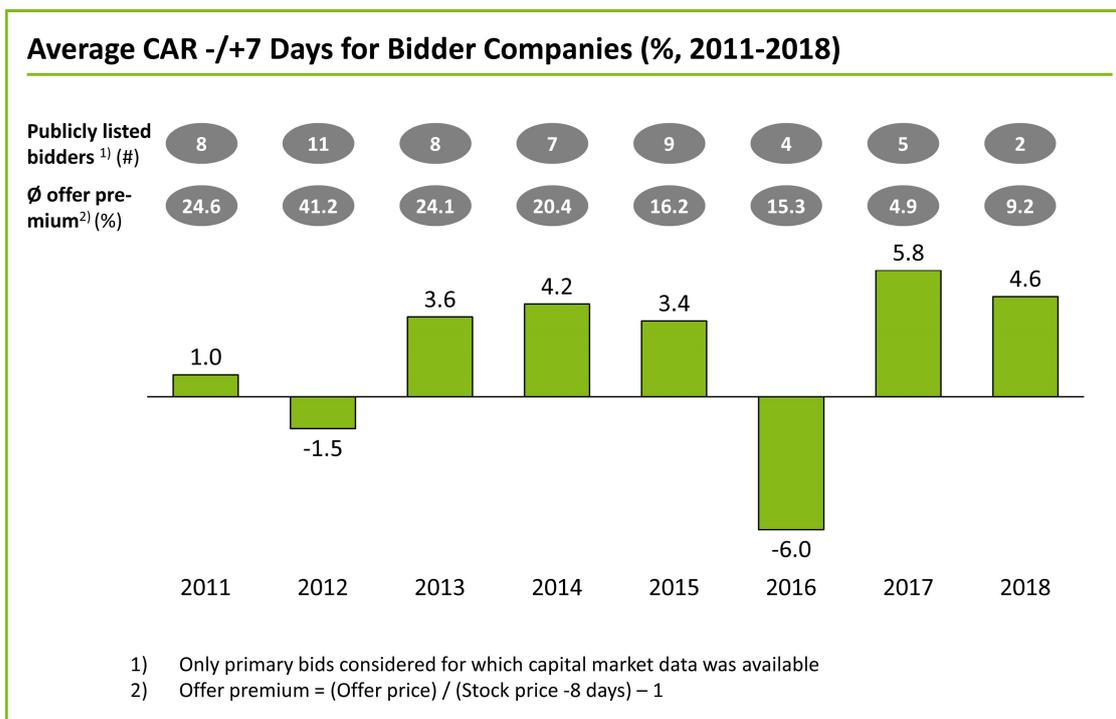


Figure 11: Average cumulated abnormal return +/-7 days for bidder companies (% , 2011-2018)

Capital Market Reaction

Finally, we plot the individual offer premiums against target CARs for the event window of $-1/+1$ day. We find a strong positive relationship shown in figure 12 (Correlation coefficient is equal to 89.9%).

Such an analysis gives insights into the market expectation on the success of the bid and is interpreted as follows: If the target CAR stays behind the offer premium, the market attaches a low probability to a successful execution of the deal. Contrary, if the target CAR is significantly above the offer premium, the capital market expects an improved offer. When target CAR and offer premium are in line, then there is a significant probability for a success of the bid.

We have tested this interpretation for the observation period 2011 to 2018, by comparing the results from figure 12 against the realized outcomes of the transactions. As we cannot assume a strict equality of offer premium and target CAR, we have put a tolerance area of $\pm 5\%$ -percentage points around the equilibrium line to measure the category “success of offer expected.” Based on this definition, the capital market would have predicted the bid outcomes correctly for 55.0% of the transactions. This value is significantly higher than the expectation of a random drawing (33.3%).

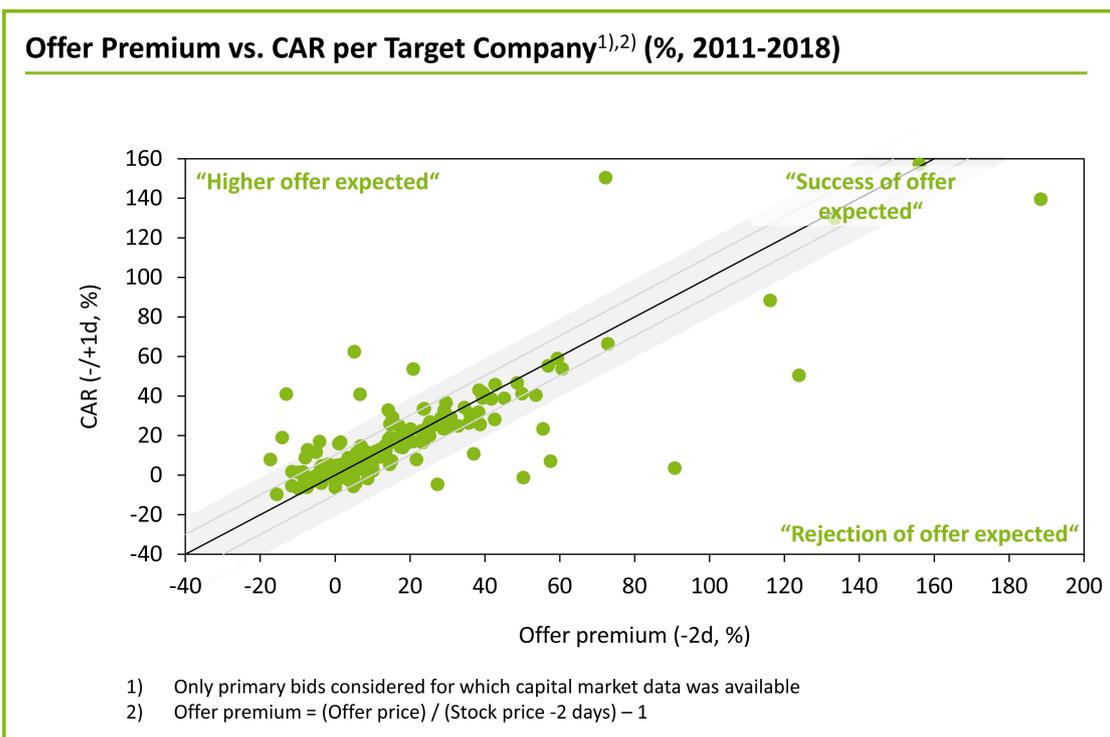


Figure 12: Offer premium vs. cumulated abnormal return per target company (% , 2011-2018)

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 (2014-2018: 93.8% of all statements). Only few opinion statements were issued by the boards separately in 2014 and 2015, and in 2018 we observe again joint statements only.

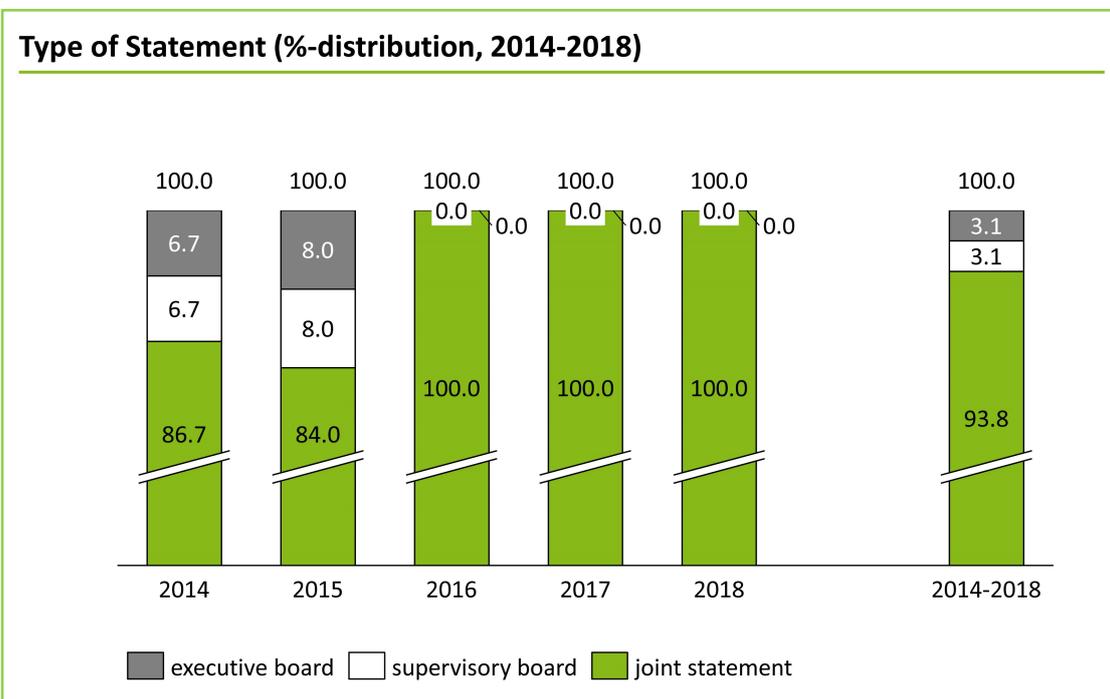


Figure 13: Type of Statement (%-distribution, 2014-2018)

Statements & Fairness Opinions

Under the §27 WpÜG the opinion statement should contain a recommendation to the shareholders whether to accept or reject the takeover bid. The supervisory and executive board's statements between 2014 and 2018 have given a distinct suggestion in 83% of all cases: 57.4% advised the shareholders to accept the offer whereas 25.6% recommended a rejection. No recommendation was given in 17.1% of all cases. The share of statements without a recommendation is relatively high in 2018 after an observed decrease over the last years: for 23.5% of all bids the statements did not advance an opinion towards the acceptance or rejection of the offer. Less than a half of the given recommendations in 2018 were to accept the offer.

Figure 14 shows the development over the past 5 years.

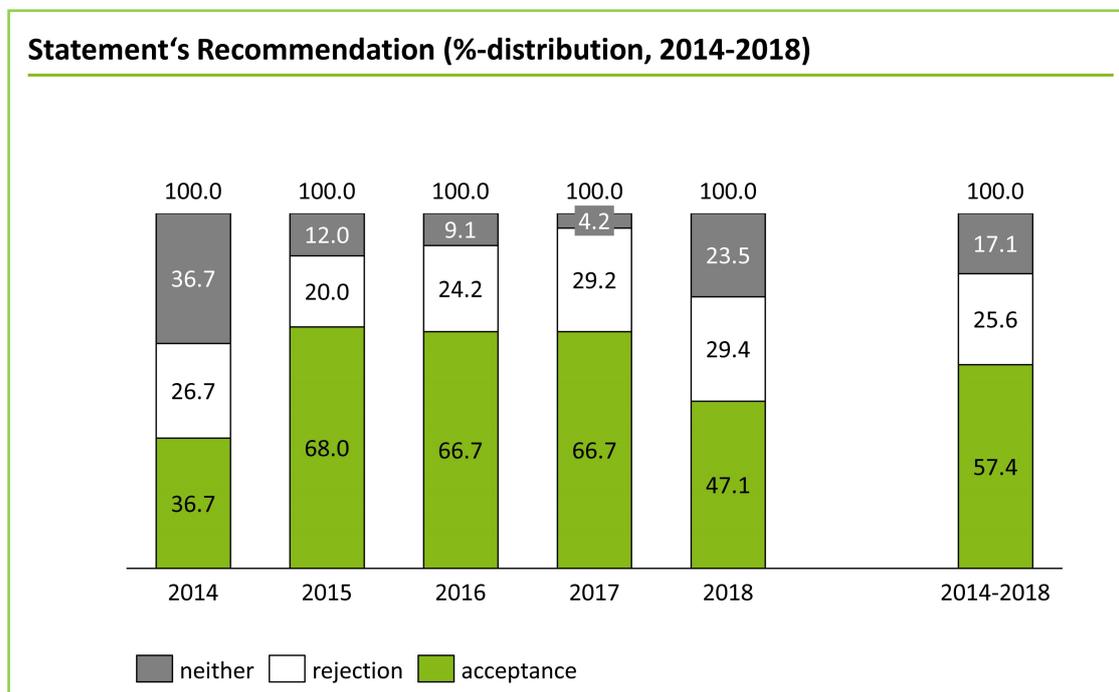


Figure 14: Statement's Recommendation (%-distribution, 2014-2018)

Statements & Fairness Opinions

Deviant recommendations from the supervisory board and the executive board are especially interesting. However, between 2014 and 2018 only three target companies issued separate statements and were in agreement two times. The only case of deviant recommendations was in 2015: Guoshi GmbH & Co. KG bidding for the remaining 29.1% of Powerland AG not yet owned by the bidder. The advisory board rejected the offer arguing that the liquidation value of the company would be above the bid, although the bid price reflects an offer premium of 60.0% compared to the three-months average price. The executive board only consists of Mr. Shunyuan Guo who is the owner of Guoshi GmbH & Co. KG. Thus, he decided to not give a recommendation due to his conflict of interest. In the end, the bid was accepted for 9.3% of the still outstanding stocks increasing the share of Guoshi GmbH & Co. KG to 80.2%.

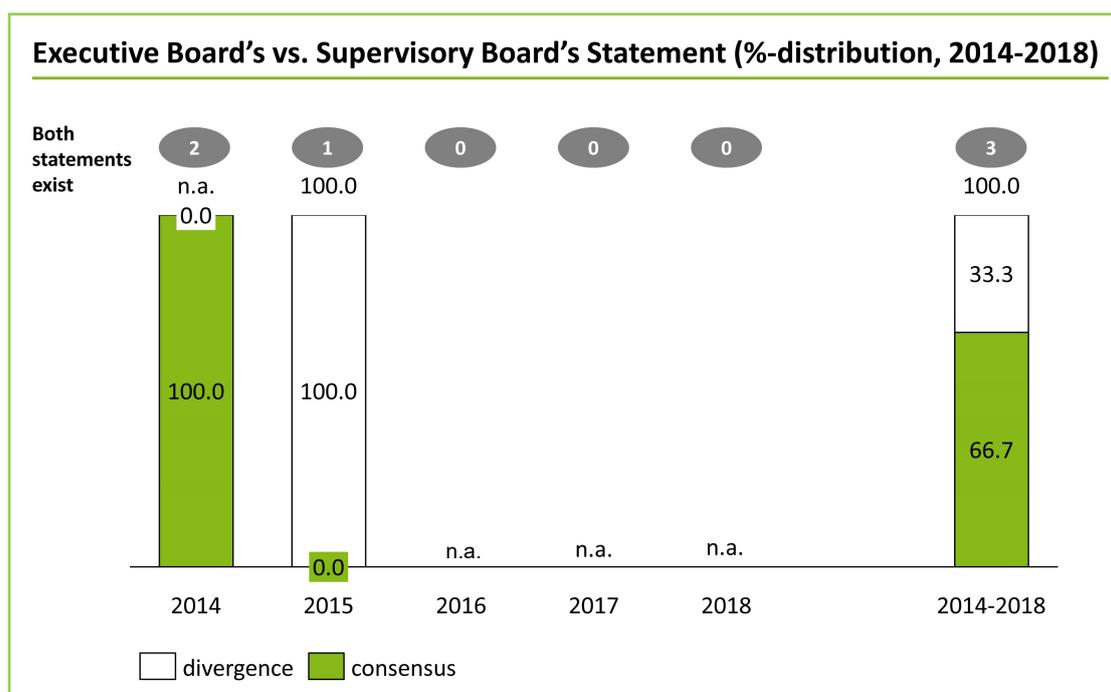


Figure 15: Executive Board's vs. Supervisory Board's Statement (%-distribution, 2014-2018)

Statements & Fairness Opinions

A Fairness Opinion is an external expert's statement regarding the adequacy of a takeover bid or of another company transaction. Investment banks or financial advisers consulting the management regarding the transaction in question usually issue these Fairness Opinions. In Germany the target companies usually obtain a Fairness opinion for legal coverage and as an independent third party opinion. The Fairness Opinion's content and requirements are not regulated by law. The DVFA³ and the IDW⁴ published guidelines concerning content, publication and the handling of conflicts of interest in a Fairness Opinion. In 2018 the adequacy of 56.3% of the takeover bids were assessed by the external experts providing Fairness Opinions. Over the past 5 years 60% of the target company's statements were complemented by Fairness Opinions. Figure 16 shows the development since 2011.

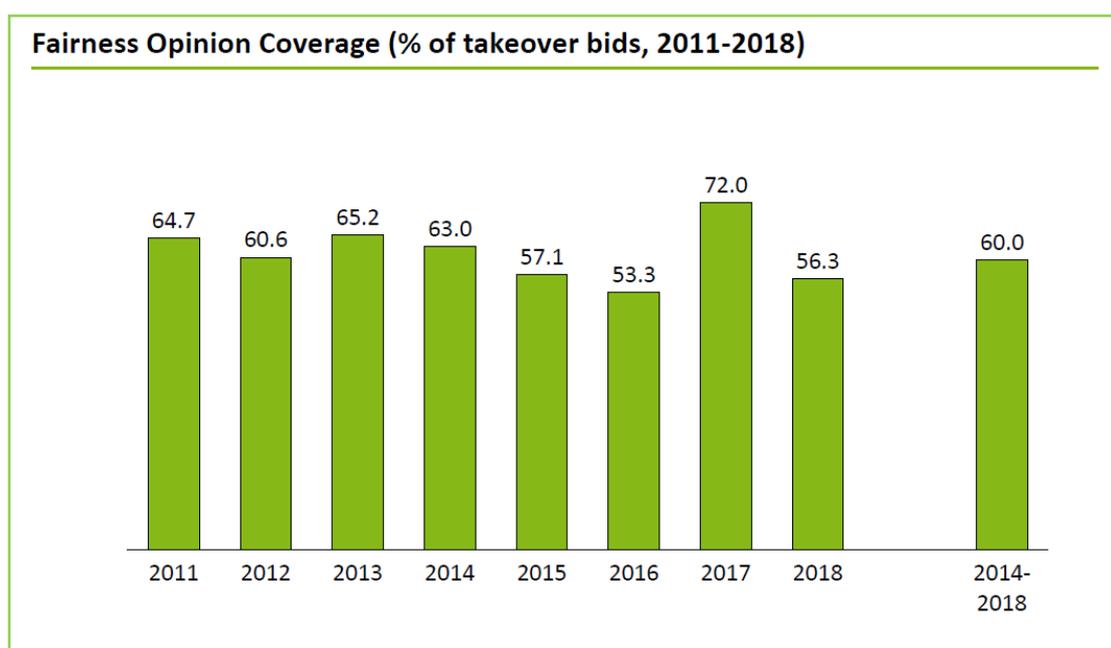


Figure 16: Fairness Opinion Coverage (% of takeover bids, 2011-2018)

³ DVFA Expert Group „Fairness Opinions“, The principles of compiling a Fairness Opinions, available online at http://www.dvfa.de/files/die_dvfa/kommissionen/application/pdf/grundsaeetze_fairness_opinions.pdf

⁴ IDW S8 “Grundsätze für die Erstellung von Fairness Opinions”

Statements & Fairness Opinions

In 2018 we observe a large share of Fairness Opinions that claimed the bidder's offer to be inappropriate: 44.4%. However, over the last 5 years the distribution over the Fairness Opinion's published judgement of the offer's adequacy is merely affected by 2018 figures: 70.8% of the evaluated takeover bids were considered adequate.

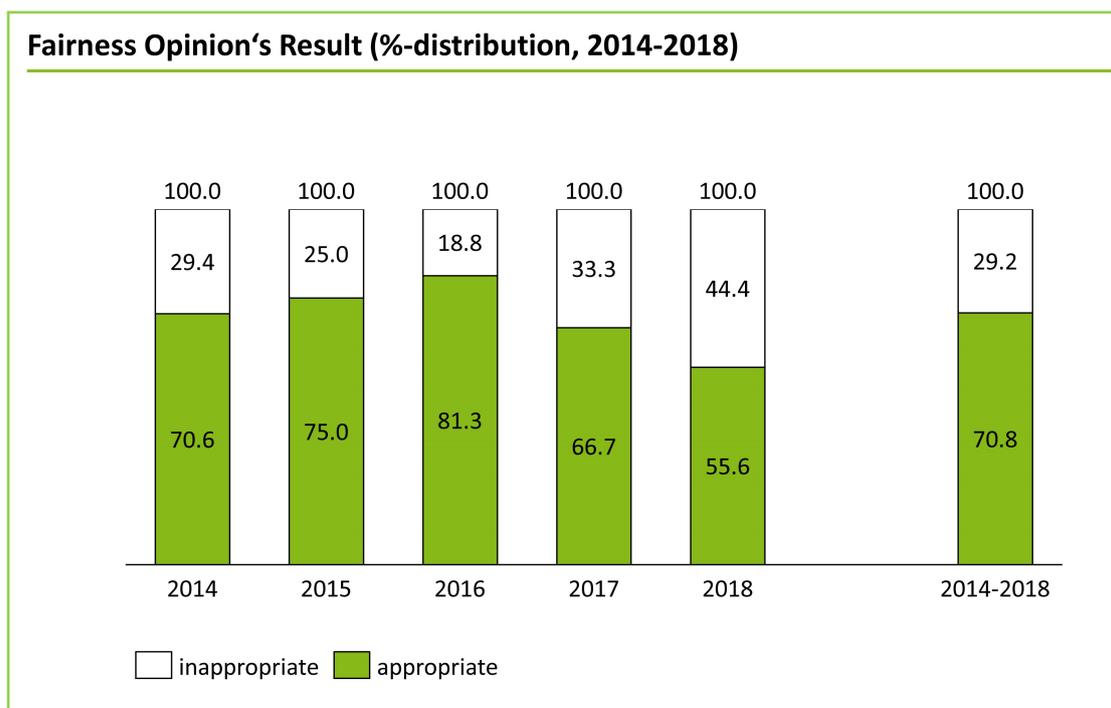


Figure 17: Fairness Opinion's Result (%-distribution, 2014-2018)

Statements & Fairness Opinions

The Fairness Opinion's result is usually in agreement with the recommendations of the target company statements as can be seen in Figure 18. Due to exceptionally large number of opinion statements without recommendation in 2018, we observe 41.7% of all the cases with divergence between fairness opinion's and statement's recommendations. In 4 cases the supervisory board and executive boards gave no recommendation to the shareholders whether to reject or accept the bid, even though the opinion writers testified the adequacy of the offer. For one of the takeover offers that had no explicit recommendation from the target's management, the fairness opinion concluded the offer price to be inappropriate.

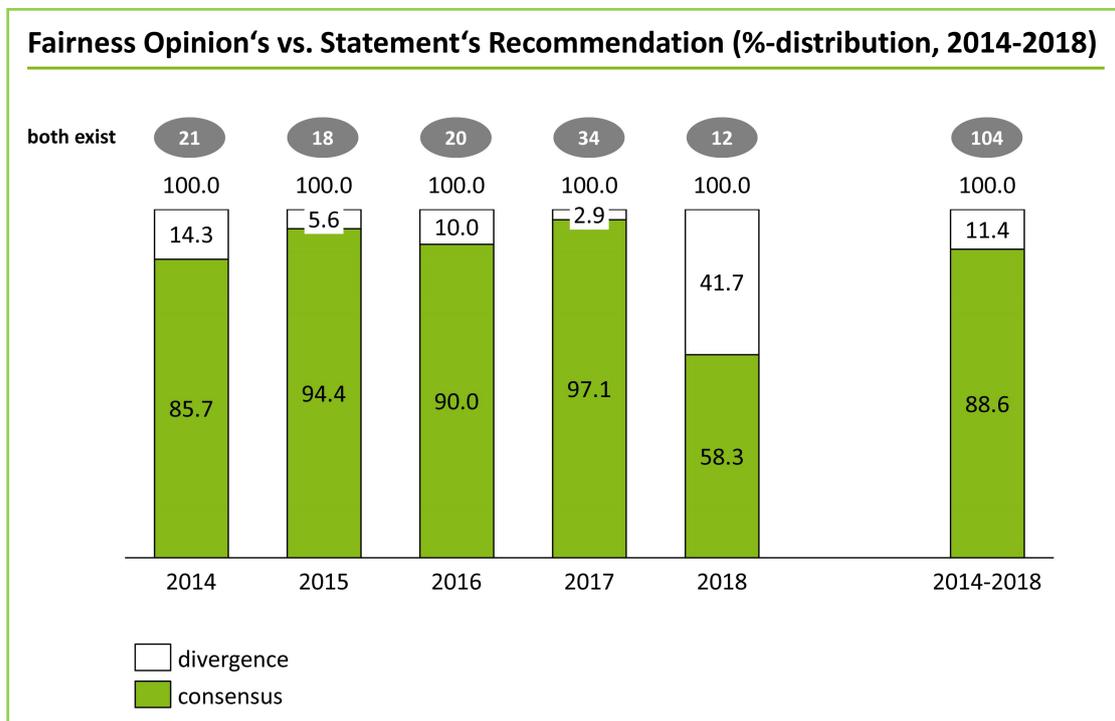


Figure 18: Fairness Opinion's vs. Statement's Recommendation (%-distribution, 2014-2018)

Statements & Fairness Opinions

Fairness opinions are written by different originators which can be divided into four groups: consultants, auditors, private banks and major banks (commercial/investment banks). The tendency of market share distribution between the opinion writer groups shows that after 2015 the share of private banks was decreasing and was not represented in 2018, whereas the market share of commercial/investment banks in turn increased up to 66.7% in 2018. The year 2018 has seen a substantial increase of the auditors' market share (by 16.2 %-points). Considering 2014 to 2018 cumulated results, almost half of all the fairness opinions were provided by major banks (48.6%) while consultants, auditors and private banks have the market shares almost equal in size. All developments over the past 5 years are shown in Figure 19.

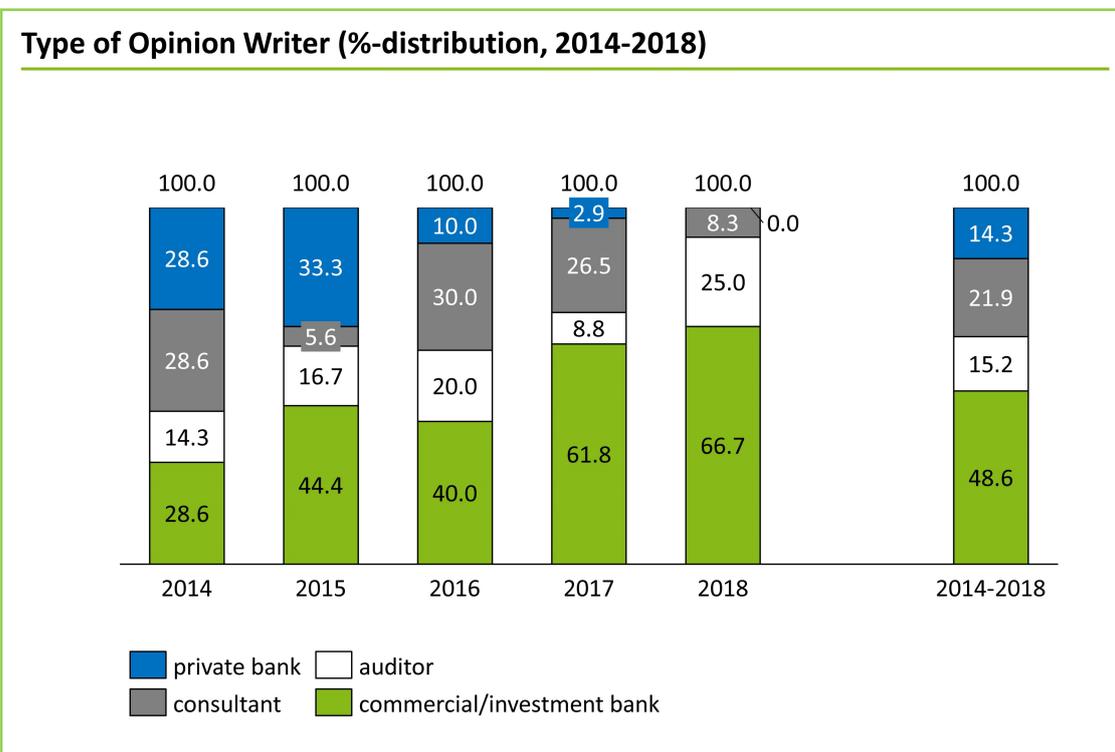


Figure 19: Type of Opinion Writer (%-distribution, 2014-2018)

* We adjusted the allocation for 1 provider in 2016.

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 72.3% of takeover offers over the past 5 years were successful. The other 27.7% of takeover bids failed either in round one (19.3%) or thereafter (8.4%). The distribution of takeover bid’s outcomes over 2014-2018 as well as the cumulated results are presented in figure 20.

In 2018 the success rate of the takeover offers was the lowest for the last five years: 63.6%. Furthermore, additional bid-rounds for most of the offers (in case available) did not lead to an acquisition success.

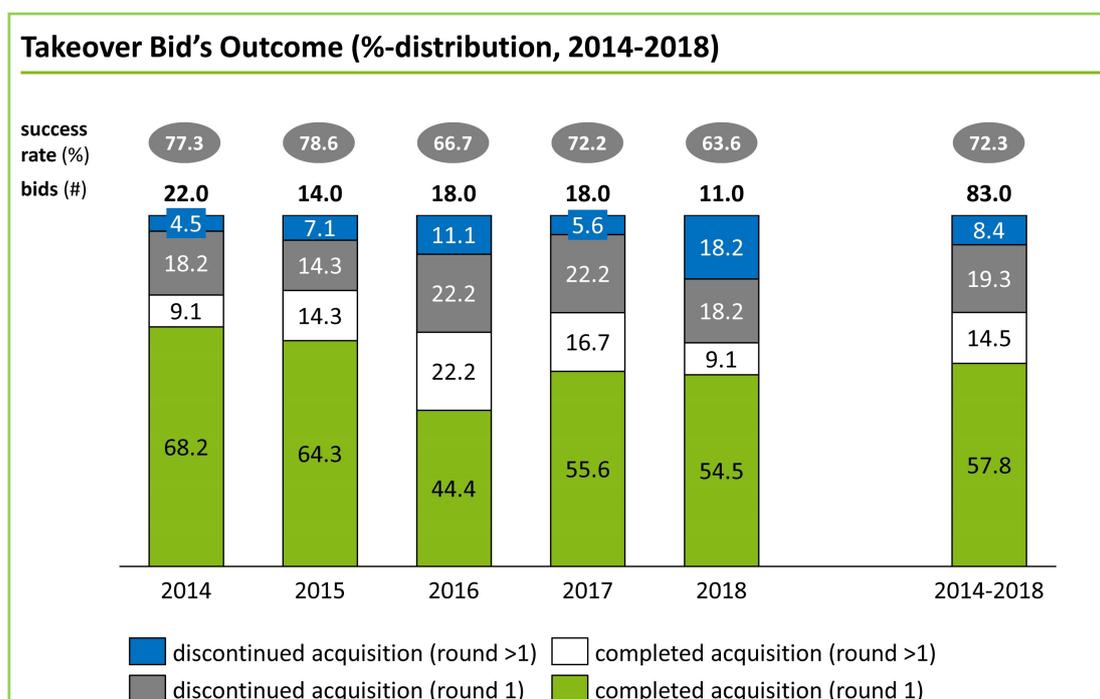


Figure 20: Takeover Bid’s Outcome (%-distribution, 2014-2018)

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.

Success Rates

Which factors influence the takeover bid's success? While academic studies dealing with this question usually perform complex multivariate analyses, this report concentrates on the offer premium as the most important factor.

Our (obvious) hypothesis is that takeover offers with higher premium c.p. have higher probability of success. Our initially defined measure "success" reflects largely the consummation of the deal regardless of the intermediate negotiation process. Thus, for 2011-2018 we observe a remarkably high share of acquisitions among takeover bids with a zero offer premium (73.3%) which are considered as "completed" according to the above measure. This can be best explained by bidder's prior arrangements with blockholders of a target company. The 2018 figures have to be interpreted with great caution, as the number of cases with premium above 5% is low. The intervals with a premium range of 5%-10%, 15%-20% and above 25% comprise of only one takeover bid; therefore, the success rates for these premium intervals are not conclusive.

Figure 21 depicts the distribution of takeover bid success in 2018 compared to the cumulated percentages of 2011 to 2018.

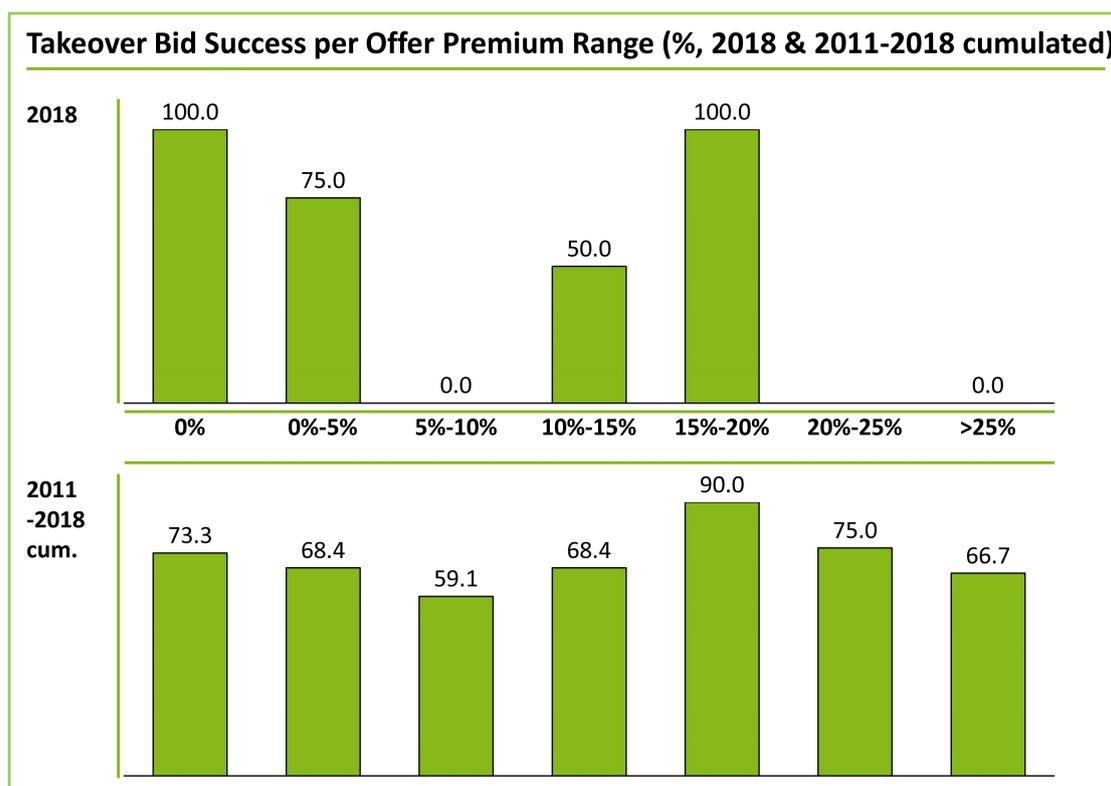


Figure 21: Takeover Bid Success per Offer Premium Range (% , 2018 & 2011-2018 cumulated)
* We aligned the clustering for the success rate to the one for the premium from above.

Success Rates

Due to the strong minority protection in the German Stock Corporation Akt (AktG) the success definition used above is ambiguous. E.g. the delisting tender offer of SBS Familien -Verwaltungs AG for Sinner AG shares was submitted with a premium of over 44% and had an acceptance rate of 1.7%. Regardless, the offer was categorized as “successful” since the bidder has gained a majority within the six months before the bid due to buying arrangements with the blockholders. On the other hand, the voluntary offer of Warwick Holding GmbH to VTG AG with a premium of 4% was accepted by 41.6% of the shareholders, but still was categorized as “unsuccessful” as the majority was not reached.

A recent academic journal article is discussing the problem of appropriately measuring “takeover success” in a German setting¹. This study analyzes 305 German takeover offers between 2005 and 2016. In 45% of the cases the offer was made while the acquirer already holds the majority of the shares of the target company. According to the German Stock Corporation Act (AktG) a domination and profit and loss transfer agreement (DPLTA), allowing for a direct influence of the majority shareholder on the business policy of the company, requires a vote of min. 75% of the shares in a shareholder meeting. This is the reason for many voluntary offers to contain a minimum acceptance threshold of 75%. On the other hand, using a minimum acceptance threshold generally as a binary success variable is not recommendable as only 28% of all offers in Germany between 2005 and 2016 contain such a threshold. (Mandatory offers are not allowed to be conditional.)

Finally, when analyzing the impact of certain variables as e.g. offer premium on takeover success the binary success variables do not always allow for meaningful results and interpretations as they do not take the toehold of the bidders when making the offer into account. Obviously crossing the 75% threshold requires a lower premium when already owning 74.5% of the shares compared to start the offer from 0% ownership. So the success measure used has to take the number and fraction of outstanding shares not yet under control of the bidder into account.

¹ Aders/Schnell/Schwetzer, Erfolgsfaktoren für Übernahmeangebote in Deutschland, Corporate Finance 2018, 53 – 60.

Success Rates

Alternative to our original success measure, we define a “success rate” variable as the number of shares acquired by the bidder during the full acceptance period divided by the number of shares not under bidders control when the offer is launched. This variable takes the bidders toehold into account and has a value range of 0% to 100% for all offers.

Figure 22 represents the average success rates of takeover bids across offer premium intervals in 2018 compared to the cumulated average values of 2011 to 2018.

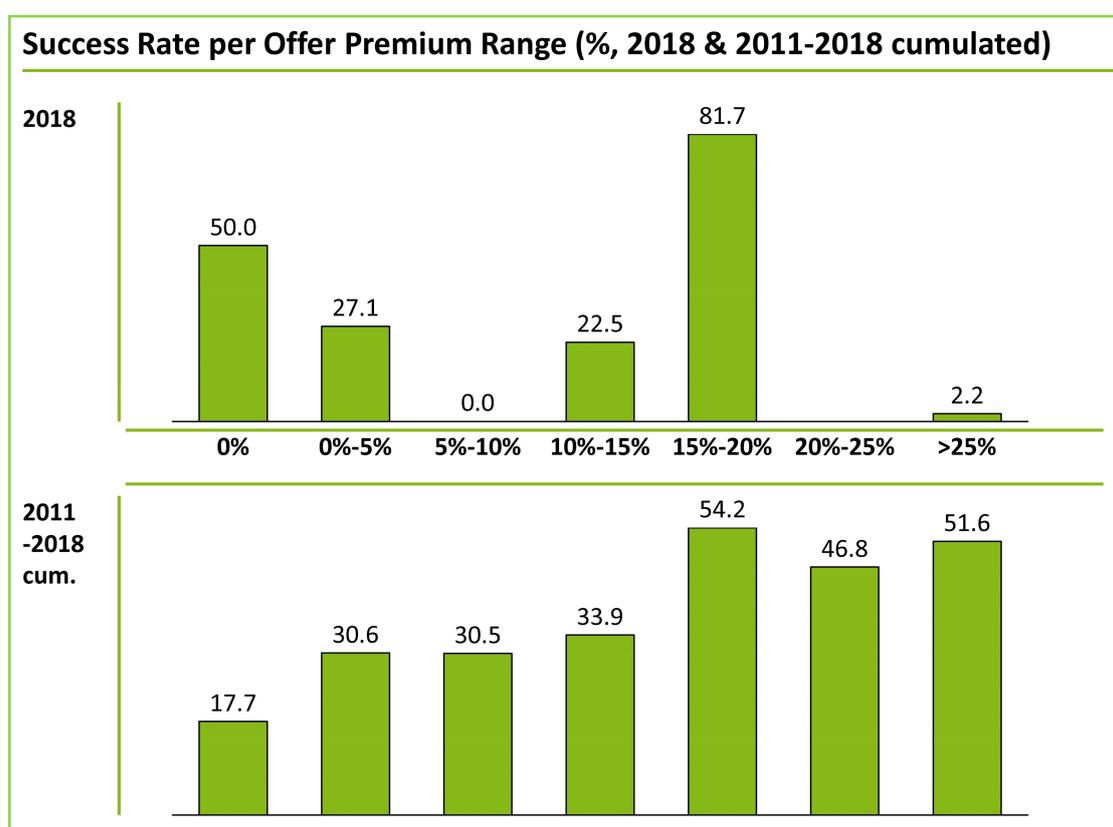


Figure 22: Success Rate per Offer Premium Range (% , 2018 & 2011-2018 cumulated)

Indeed, for 2011-2018 we observe the hypothesized relationship: cumulated average success rates are higher for the ranges with higher offer premiums in it. Yet, we also observe that an offer premium is not the only determining factor for a takeover success. In particular, Broadview Industries AG offered a premium of over 44% to the shareholders of Westag & Getalit AG which ensued in positive boards' recommendation, but has achieved only 2.2% success rate.

Success Rates

Figure 23 is a scatter plot with the trend line (line of best fit) that displays the link between success rate and offer premium of takeover bids for the cases from 2011 to 2018.

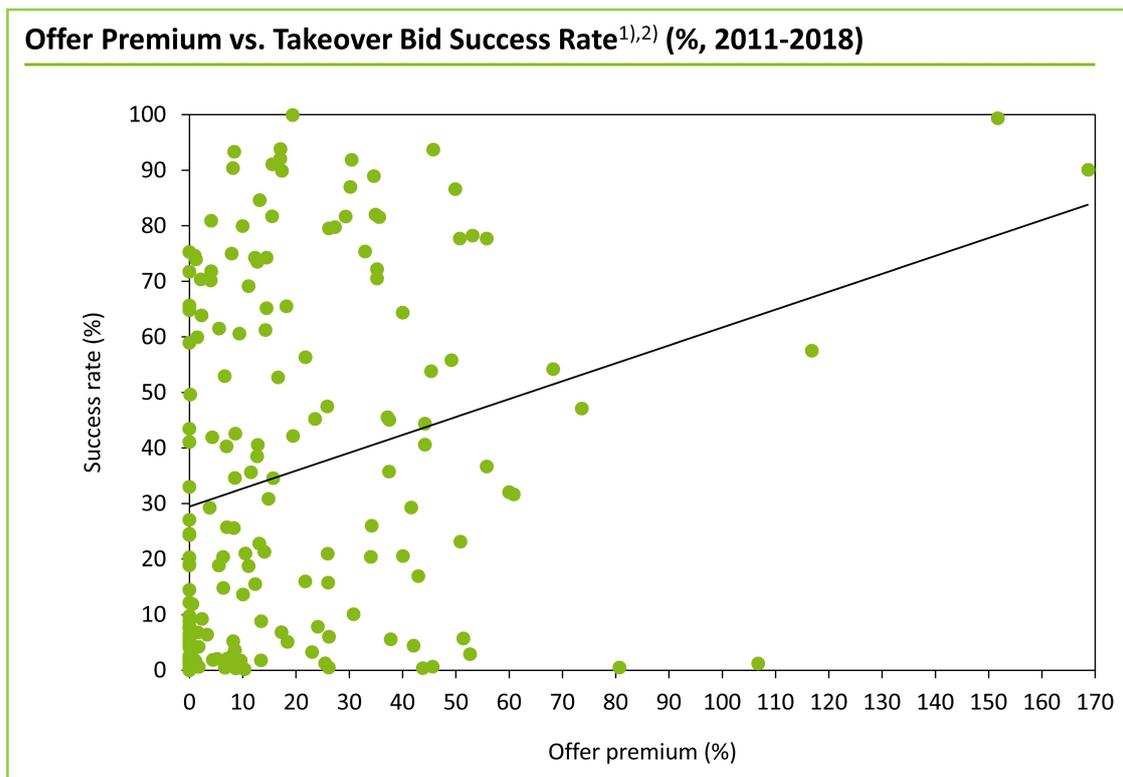


Figure 23: Offer Premium vs. Takeover Bid Success Rate (% , 2011-2018)

1) Only takeover bids considered where the ownership share has already been below 50% prior to the six months period before the bid

2) Offer premium = (Offer price) / (3-Month Weighted Average Stock Price) – 1

Success Rates

Finally, we analyze the connection between the statement's recommendations and the Fairness Opinion's results concerning the success rate of takeover bids. Figure 24 illustrates the analysis in a cross table. It shows that the success rate rises if both the statement and the Fairness Opinion give a positive recommendation (2014-2018: 50.4%). One possible explanation is the fact that target companies that recommend accepting an offer in their statement have no reason to publish a Fairness Opinion that might have a negative opinion on the adequacy of the offer. For the cases when both the target company's statement and the Fairness Opinion took a negative position, the success rate is relatively low (36.3%) but not negligible. A closer analysis of these cases reveals that a previous agreement with a large blockholder of the target company was the foundation of the bid's acceptance. More precisely, before publishing the public takeover bid, the bidder already had already collected a sufficient number of selling commitments from target blockholders to achieve the majority.

		Fairness Opinion		
		fair	not mentioned	inadequate
Statement	acceptance	50.4%	NA	NA
	neither	21.5%	NA	0.0%
	rejection	84.6%	NA	36.3%

Figure 24: Success Rate by Statement & FO recommendation (% , 2014-2018 cumulated)

* Note that this table uses the second success definition from above. This explains the (on first glance) confusing combination of a success rate of 84.6% with a positive fairness opinion and a negative management recommendation. It was a single case in 2016: The Fairness Opinion of UBS Deutschland AG concerning Marsella Holdings S.a.r.l. takeover bid for Braas Monier Building Group S.A. testified the adequacy of the offer. However, the supervisory board and executive board gave the recommendation to reject the bid. At an offer premium of 13.22% and a toehold (ownership fraction at the moment of the bid) of 36.25% the additional fraction of votes/shares obtained during the acceptance period was 53.93%. Thus, the success measure from above is $53.93\% / (100\% - 36.25\%) = 84.6\%$.

Takeover Case Study: STADA Arzneimittel AG

Part II—Delisting

In April 2017 Nidda Healthcare GmbH (Nidda), a company controlled by funds advised by Bain Capital Private Equity (Europe), LLP ("Bain Capital") and Cinven Partners LLP ("Cinven"), launched a voluntary public tender offer for the shares of STADA Arzneimittel AG (STADA). On August 18, 2017, after several adjustments to the offer, 63.9% of STADA's shares were tendered during the offer period. STADA released a press statement about the new majority shareholders' intention to establish a Domination and Profit and Loss Transfer Agreement (DPLTA) on August 24, 2017. The volume-weighted average share price over a reference period of three months prior to the press release was EUR 65.41 per STADA share. On September 3, 2017, STADA announced that its shareholder Elliott would only approve the attempted DPLTA, if the minority shareholders were offered a cash compensation of at least EUR 74.40 per share. A detailed description of the takeover process to this point is given in last years' finexpert/ValueTrust Takeover Report 2018.

In 12/2017 and 2018 Nidda continued with the taking private process of STADA: STADA announced the conclusion of the DPLTA between STADA as the controlled company and Nidda as the controlling company on December 19, 2017. Based on the value ranges determined by ValueTrust, the agreement offered minority shareholders a cash compensation of EUR 74.40 per STADA share and a recurring cash compensation of EUR 3.53 per STADA share. On February 2, 2018, the extraordinary general meeting of STADA approved the conclusion of the DPLTA with a majority of 99.0% of all voting shares present at the general meeting.

After the acceptance of the DPLTA by Elliott, the investor finally tendered its shares into the delisting offer.

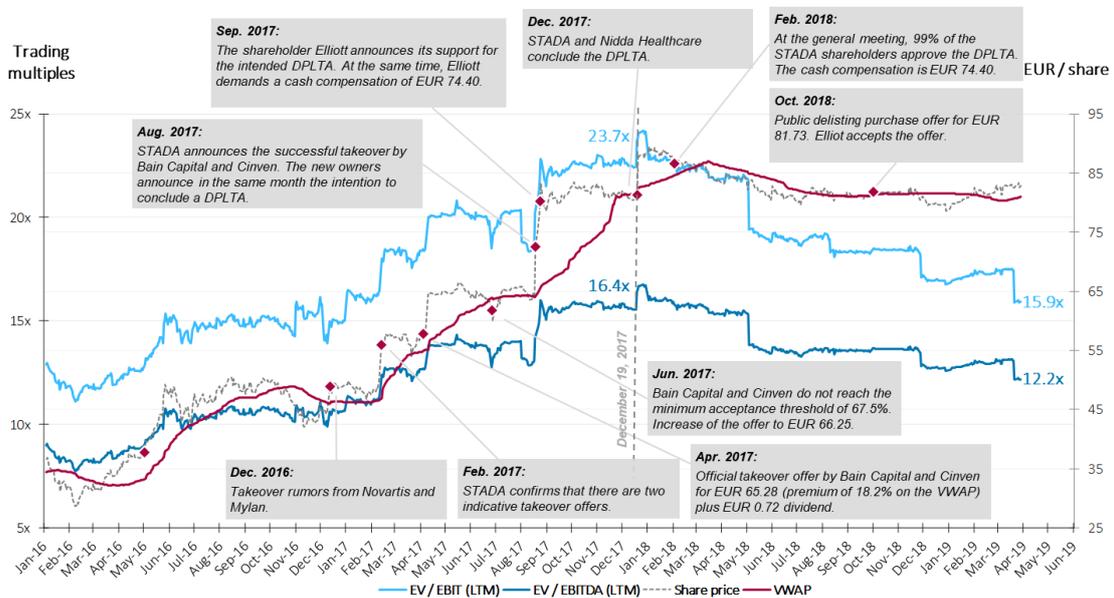
On October 01, 2018, Nidda announced its decision to launch a public delisting offer ("Offer") for all shares of STADA Arzneimittel AG. The offer price amounted to EUR 81.73 per STADA share and was based on the 6 months volume weighted average share price. The offer was accepted by approximately 28.29 percent of the share capital and the voting rights of STADA. Together with the shares already owned by the Nidda the shareholding after the delisting offer amounts to 93.61 percent of the share capital. Therefore, Nidda combines enough voting rights to proceed with a squeeze out request.

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The delisting of STADA is one of a series of structural measures for the taking private process of STADA in which, ValueTrust acted as financial advisor to both parties during the takeover offer by Nidda, the conclusion of the DPLTA and the determination of the reasonable cash compensation and the reasonable recurring compensation payment according to sec. 305 and 304 of the German Stock Corporation Act (AktG) as well as the structuring of potential measures subsequent to the DPLTA.

The following chart highlights the stock price and trading multiple development from the first takeover rumors until today.



Source: S&P Capital IQ, ValueTrust analysis, as of March 31, 2019

From the announcement of the cash compensation offered to the approval by the extraordinary general meeting, STADA's share price increased by 6.6% to EUR 86.66. Until the time of the delisting offer, the share price decreased to EUR 81.90 (-5.5%) and then remained relatively stable at this level afterwards.

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).

Takeover Case Study: STADA Arzneimittel AG

Part II—Delisting

Trading multiples followed roughly the same development as the share price until May 2018, when first quarter results were released. By the end of 2017, trading multiples increased from 16.4x to 16.7x EBITDA and from 23.7x to 24.1x EBIT due to the conclusion of the DPLTA. With the announcement of positive interim results and the delisting offer, the trading multiples gradually decreased to 15.9x EBITDA and to 12.2x EBIT. Since the delisting at the XETRA trading platform on November 27, 2018 the trading volume at the remaining stock exchanges Munich, Dusseldorf and Hamburg decreased significantly.

Transaction Details 2018

The last chapter of this report gives a detailed overview of all takeovers and takeover bids in 2018, see Figure 25. For each transaction we provide all parameters that have been analyzed on an aggregated level in the previous chapters.

Offer date	Bidder	Target	Investor type	Bid round	Payment method	Share before offer	Share before offer from major inv.	Acceptance rate	Offer premium	Take-over value (m EUR)	CAR (-/+1) Bidder	CAR (-/+1) Target
11/01/2018	Brookline Real Estate S.à r.l	Accentro Real Estate AG	FI	1	Cash	86.1%	86.1%	8.2%	0.0%	26.6		0.3%
29/03/2018	SHW Beteiligungs GmbH	SHW AG	SI	1	Cash	49.4%	47.8%	0.8%	1.2%	114.0		3.9%
16/04/2018	AEPF III 15 S. à r.l	Fair Value Reit-AG	FI	1	Cash	77.7%	0.0%	1.7%	0.0%	26.1		1.5%
16/04/2018	AEPF III 15 S. à r.l	DEMIRE Deutschland Mittelstand Real Estate AG	FI	1	Cash	63.5%	15.3%	13.0%	11.5%	94.8		9.0%
16/04/2018	Frau Qiyong Ju	Panamax Aktiengesellschaft	FI	1	Cash	76.4%	76.4%	14.1%	1.5%	0.9		-1.8%
27/04/2018	E.ON Verwaltungs SE	Innogy SE	SI	1	Cash	0.0%	0.0%	9.4%	12.8%	20,422.2	9.8%	13.8%
30/04/2018	Deutsche Balaton Aktiengesellschaft	Marenave Schifffahrts AG	FI	1	Cash	53.4%	47.9%	19.2%	0.0%	1.3	-0.2%	-6.2%
28/05/2018	Deutsche Balaton Biotech AG	Biofrontera AG	FI	1	Mixed	15.9%	0.0%	0.1%	7.5%	225.5		-2.1%
20/06/2018	Deutsche Balaton Biotech AG	Biofrontera AG	FI	2	Mixed	15.9%	0.0%	2.9%	6.8%	224.1		-2.1%
11/06/2018	Broadview Industries AG	Westag & Getalit AG	SI	1	Cash	0.0%	0.0%	2.2%	43.8%	172.9		45.8%
25/06/2018	JIYE Auto Parts GmbH	Grammer Aktiengesellschaft	SI	1	Cash	26.3%	26.3%	0.0%	15.5%	543.2		25.9%
25/06/2018	JIYE Auto Parts GmbH	Grammer Aktiengesellschaft	SI	2	Cash	26.3%	26.3%	60.2%	15.5%	543.2		25.9%
16/08/2018	SBS Familien -Verwaltungs AG	Sinner Aktiengesellschaft	FI	1	Cash	75.1%	75.1%	1.7%	1.6%	3.9		19.0%
24/08/2018	Warwick Holding GmbH	VTG Aktiengesellschaft	FI	1	Cash	29.0%	0.0%	0.0%	4.3%	1,524.1		12.2%
24/08/2018	Warwick Holding GmbH	VTG Aktiengesellschaft	FI	2	Cash	29.0%	0.0%	41.6%	4.3%	1,524.1		12.2%
11/10/2018	Nidda Healthcare Holding AG	STADA Arzneimittel Aktiengesellschaft	FI	1	Cash	65.3%	0.0%	28.3%	0.0%	5,095.2		2.3%

Figure 25: Transaction Details — Part 1

Transaction Details 2018

Offer date	Bidder	Target	State- ment Exec. Board	State- ment Super- visory Board	Joint State- ment	State- ment Exec. Board Recomm.	State- ment Super- visory Board Recomm.	Joint State- ment Recomm.	FO exists	FO result (Ade- quacy)
11/01/2018	Brookline Real Estate S.à r.l	Accentro Real Estate AG			yes			Reject	yes	no
29/03/2018	SHW Beteiligungs GmbH	SHW AG			yes			Neither nor	yes	no
16/04/2018	AEPF III 15 S. à r.l	Fair Value Reit-AG			yes			Neither nor	yes	yes
16/04/2018	AEPF III 15 S. à r.l	DEMIRE Deutschland Mittelstand Real Estate AG			yes			Accept	yes	yes
16/04/2018	Frau Qiyang Ju	Panamax Aktiengesellschaft			yes			Accept	no	
27/04/2018	E.ON Verwaltungs SE	Innogy SE			yes			Neither nor	yes	yes
30/04/2018	Deutsche Balaton Aktiengesellschaft	Marenave Schifffahrts AG			yes			Accept	no	
28/05/2018	Deutsche Balaton Biotech AG	Biofrontera AG			yes			Reject	yes	no
20/06/2018	Deutsche Balaton Biotech AG	Biofrontera AG			yes			Reject	yes	no
11/06/2018	Broadview Industries AG	Westag & Getalit AG			yes			Accept	yes	yes
25/06/2018	JIYE Auto Parts GmbH	Grammer Aktiengesellschaft			yes			Accept	yes	yes
25/06/2018	JIYE Auto Parts GmbH	Grammer Aktiengesellschaft			yes			Accept	no	
16/08/2018	SBS Familien -Verwaltungs AG	Sinner Aktiengesellschaft			yes			Accept	no	
24/08/2018	Warwick Holding GmbH	VTG Aktiengesellschaft			yes			Reject	yes	no
24/08/2018	Warwick Holding GmbH	VTG Aktiengesellschaft			yes			Reject	no	
11/10/2018	Nidda Healthcare Holding AG	STADA Arzneimittel Aktiengesellschaft			yes			Accept	no	

Figure 25: Transaction Details — Part 2

FINANCIAL EXPERTS IN ACTION

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Financial Experts in Action means acting, not reacting. When it comes to structuring and protecting financial decisions, we are the right partner for you. By conviction.

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- Takeover and delisting advisory
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- Valuation opinions regarding the determination of fair values for legal valuation purposes
- Takeover defence
- Synergy allocation and assessment
- MAC Reports

Restructuring & Reorganisation

- Fairness Opinion for Sales and Debt/Equity Swap
- Liquidation value analysis and valuation of debt capital and mezzanine
- Scenario analysis of business plans and options for action
- Financial Modelling
- Fair value appraisals for accounting and tax purposes
- Review of business plan and liquidity planning
- Capital structure analysis and optimization

Dispute & Arbitration

- Damage analysis
- Party-related valuation opinions
- Financial and economic advice in proceedings
- Expert determination (as arbitrators) and mediation consulting
- Valuations as court-appointed expert

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- Strategic portfolio and value analysis
- Value-based performance measurement and action plans
- Business planning and evaluation of corporate strategies
- CFO and corporate governance advisory
- Cost of capital and capital structure optimization
- Post-merger and exit readiness advisory

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