

The background of the slide is a photograph of a power line landscape at sunset. Several high-voltage pylons are visible, with power lines stretching across the frame. The sun is low on the horizon, creating a warm orange and yellow glow that silhouettes the pylons against the sky. The sky transitions from a deep orange near the horizon to a darker blue at the top.

Restructuring the German power sector The RWE and E.ON asset swap

20th June 2022
Entrepreneurial Finance
Professor Liu

Michael Murawski

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RWE (Rheinisch-Westfälisches Elektrizitätswerk AG)

German electricity generation giant

Factsheet (2021 Data)



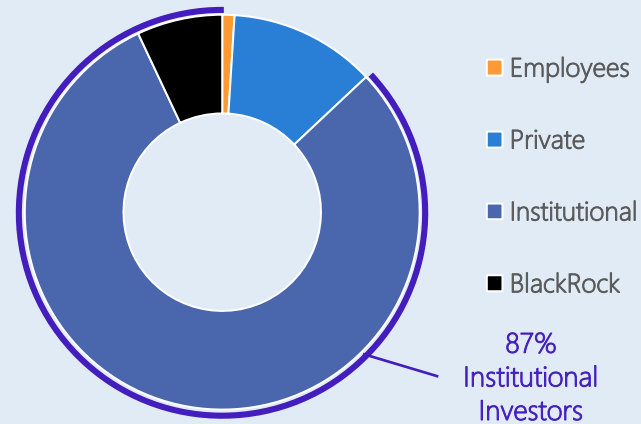
Establishment	1898
Founding country	Germany
CEO	Rolf M. Schmitz
Credit Rating	BBB+ (Fitch)
Workforce	18,246

Headquarter in Essen, Germany



Operational data

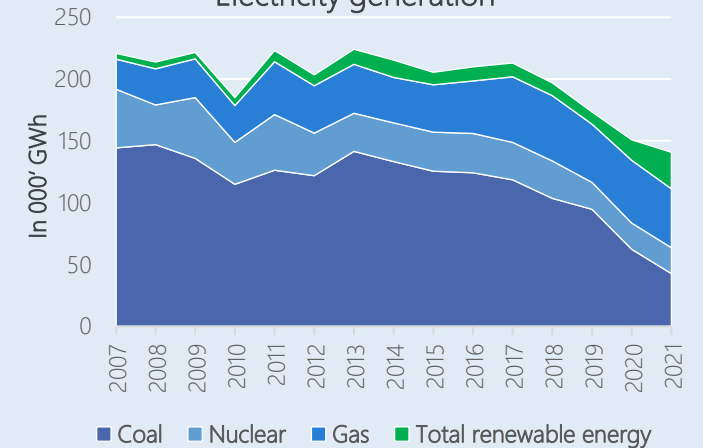
Shareholder Structure



Key markets

-  Germany
-  United Kingdom
-  The Netherlands
-  United States

Electricity generation



Current Environment:

- *Renewable Expansion – EU Green Deal*
- *Ukraine conflict - Gas Shortage*

Factsheet (2021 Data)



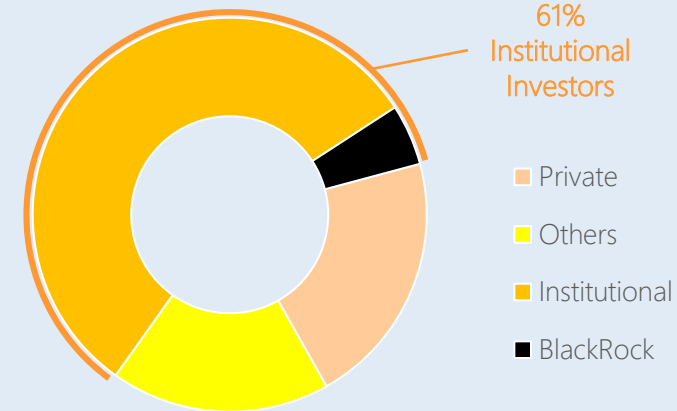
Establishment	2000 (Fusion)
Founding Country	Germany
CEO	Leonhard Birnbaum
Credit Rating	BBB+ (Fitch)
Workforce	69,733

Headquarter in Essen, Germany



Operational data

Shareholder Structure



Key markets



Current Environment:

- *Decentralization – Residential Solar*
- *Smart Grids and metering*

Deal Details

Acquirer: E.ON SE



Financial Advisor



Announcement date: March 2018

Target: Innogy SE



Approval date: September 2019

Closing Date: June 2020

Seller: RWE AG



Transaction value: EUR 43 bn.

“What we are presenting to you is one of the most creative design deals in German industrial history and a unique opportunity” - *Johannes Teyssen, former E.ON Chief Executive Officer*

Deal Details

Deal Environment

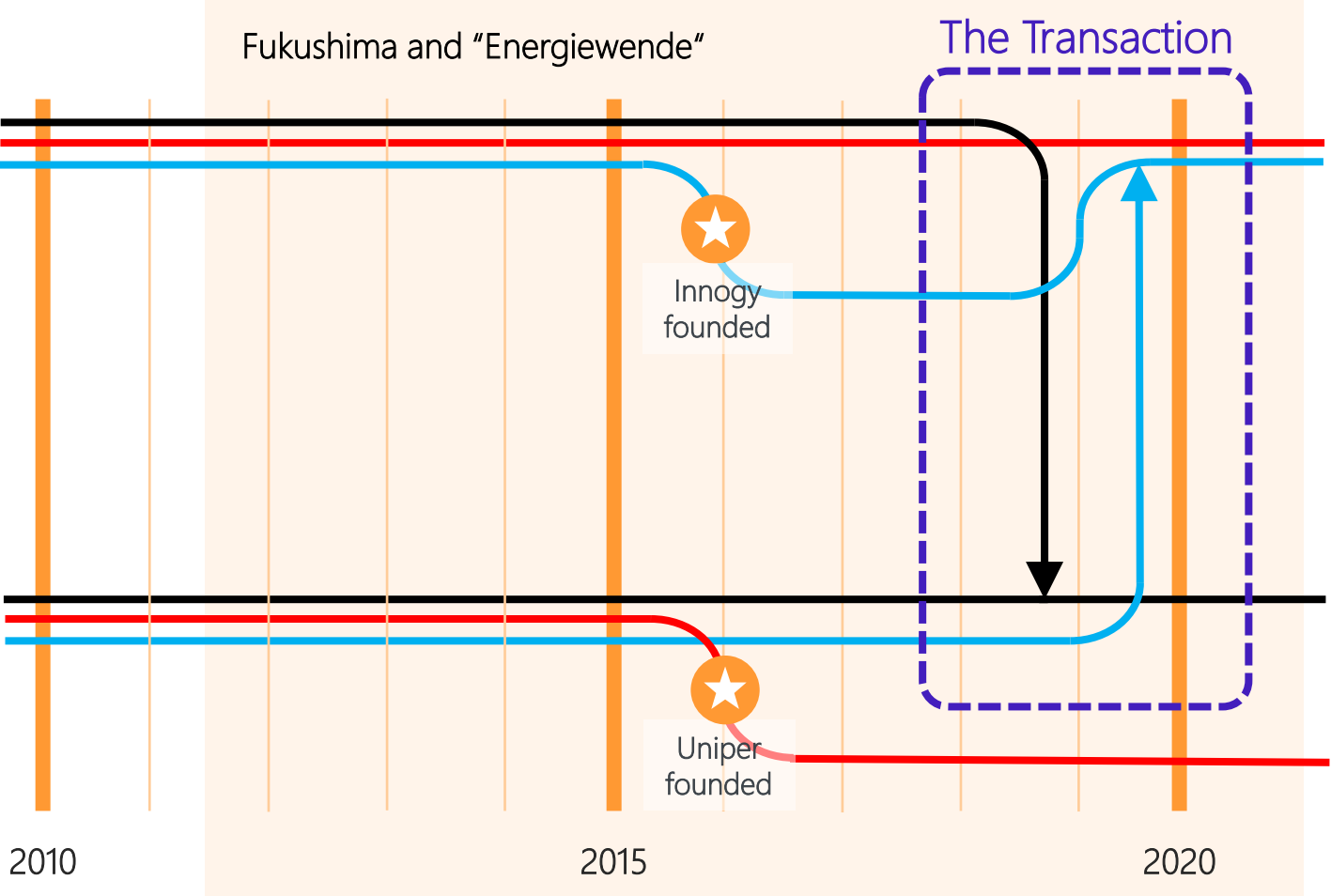
Trends for Industry Reorganization

Central to De-Central:
German Electricity
production supply

Energiewende
Retirement of coal and
nuclear instead
Renewable push

Vertical integration to
specialization
Spin-Offs as the norm

- Grid, Retail
- Conventional
- Renewable



RWE



e.on

uni
per

Deal Details

Deal Structure

Four distinct elements

Acquisition of Innogy stake, squeezing out minorities over time

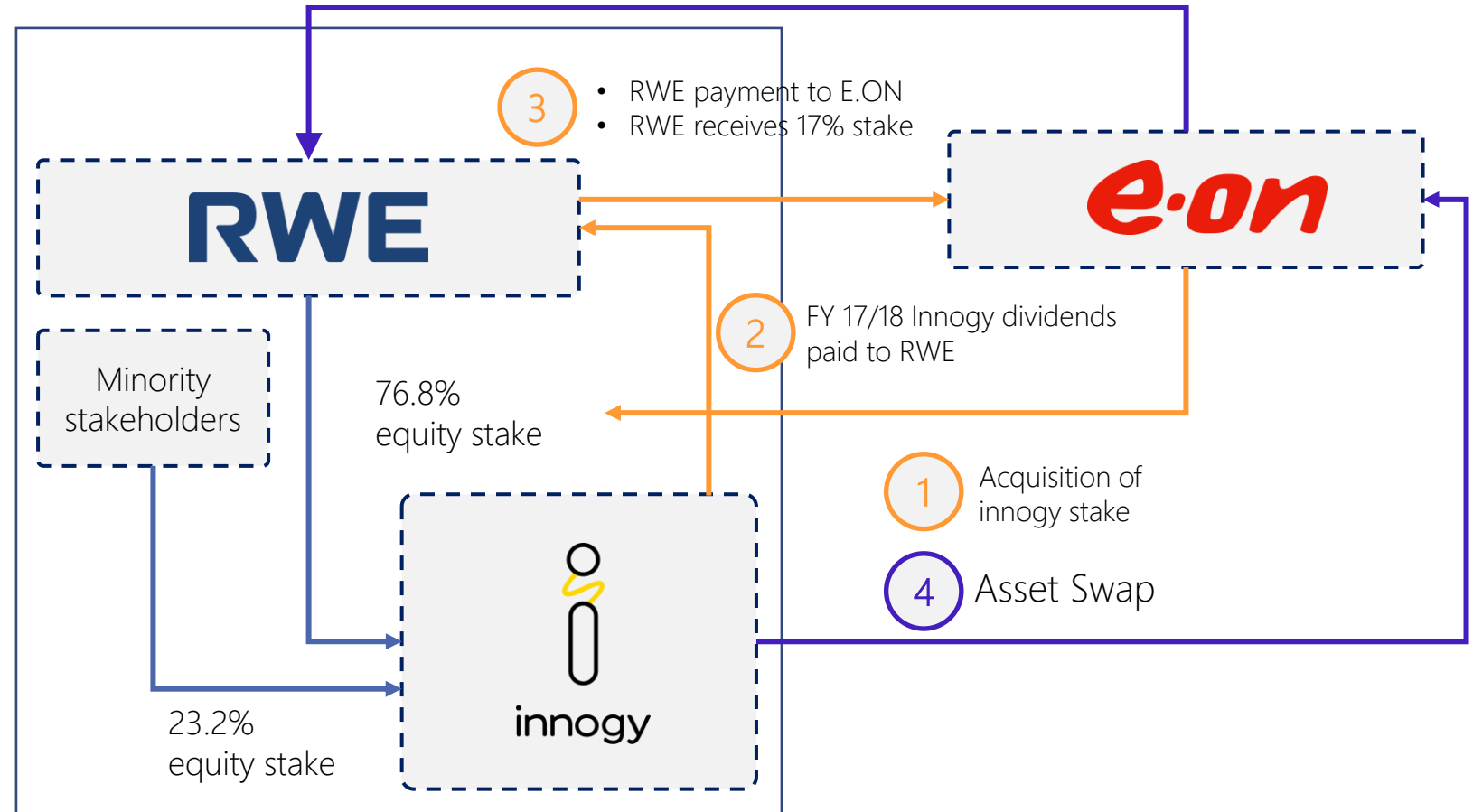
Dividend vs Cash

RWE receives dividends but pays cash to E.ON

"Stay-In-Touch" equity stake

RWE earns 17% equity of new E.ON, incentivizing future cooperation

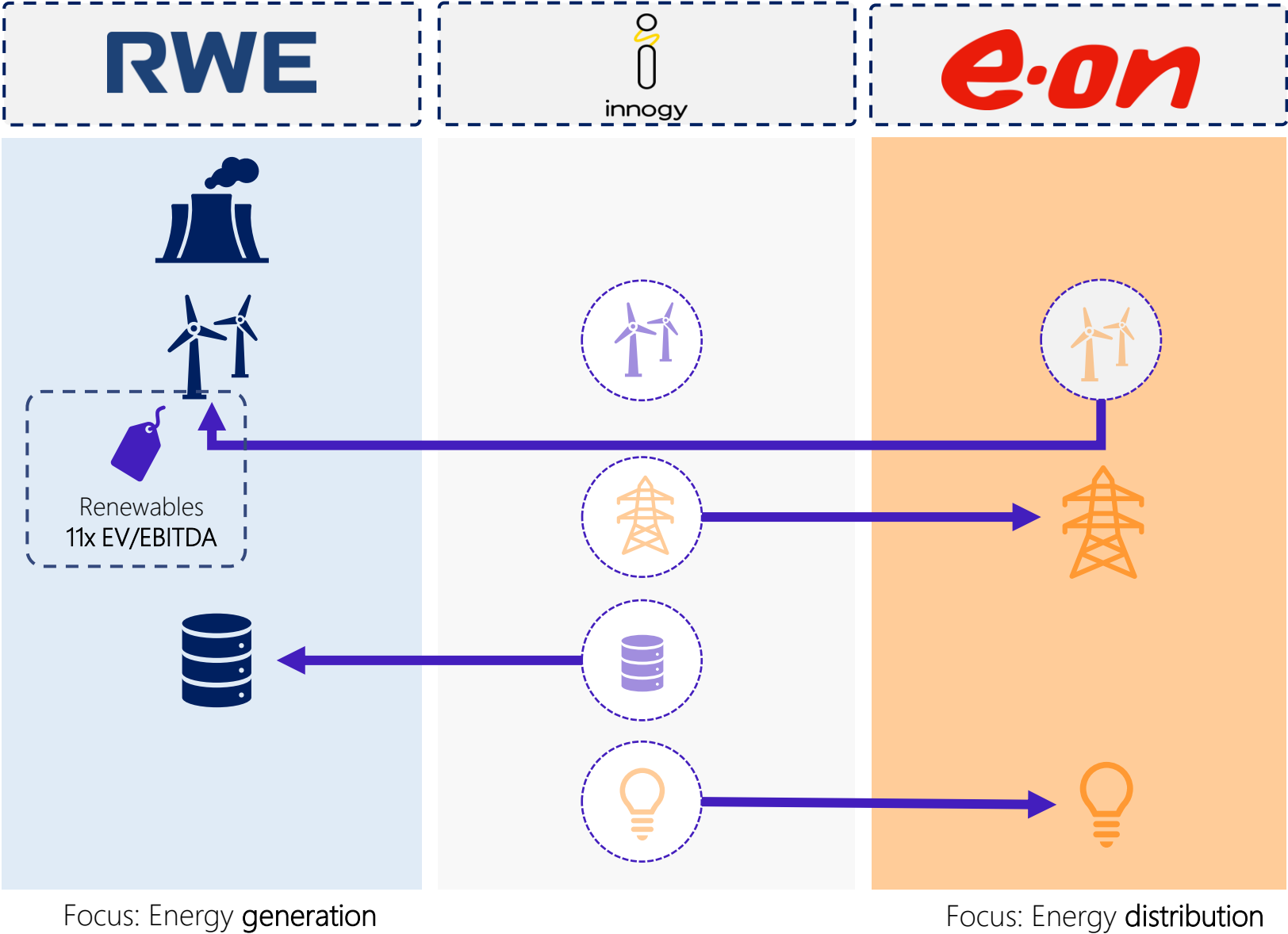
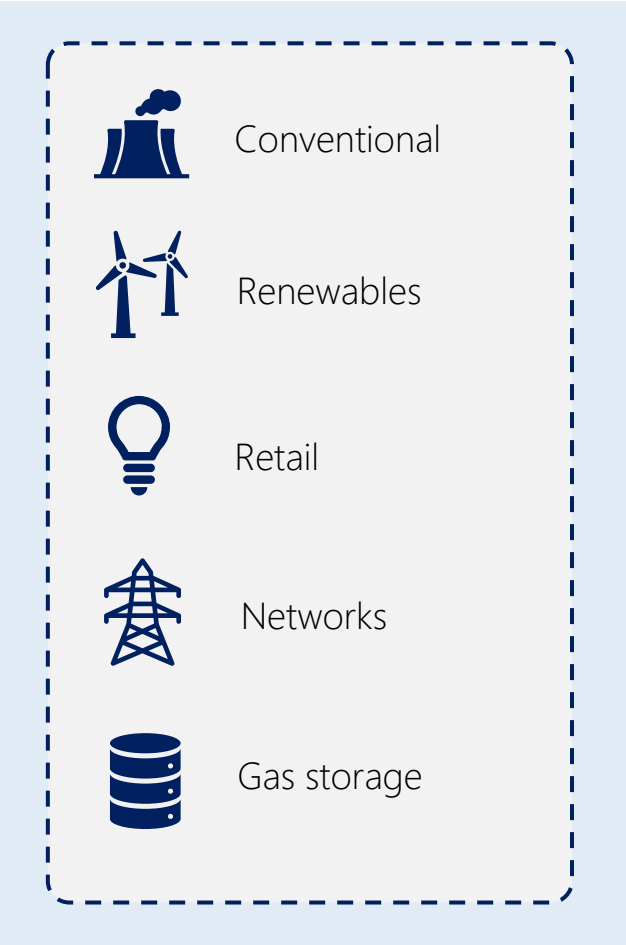
Comprehensive Asset swap



Deal Details

Asset Swap Mechanics

Business Units - Moving Pieces



Deal Details

Drivers



RWE

- **Reversal of errors**
Getting back into the Renewable Business
- **Scale and Critical Mass**
 - Market leading Renewable producer
 - Consolidations in Conventionals



e.on

- **Customer**
Significant customer base expansion and geographical diversification
- **Focus**
Energy grids and customer solution development
 - E-mobility
 - Smart grids
 - Distributed grids
- **Cost Synergies**
IT and Workforce redundance
- **Valuation**
Transition to stable, regulated asset base



BlackRock

- **Mending wounds**
BlackRock reportedly lost over USD 3bn after initial investment
- **Common Ownership Investor**
Reducing competition among investees

Outcome

Private vs. Public Interests

List of happy people...

German Government

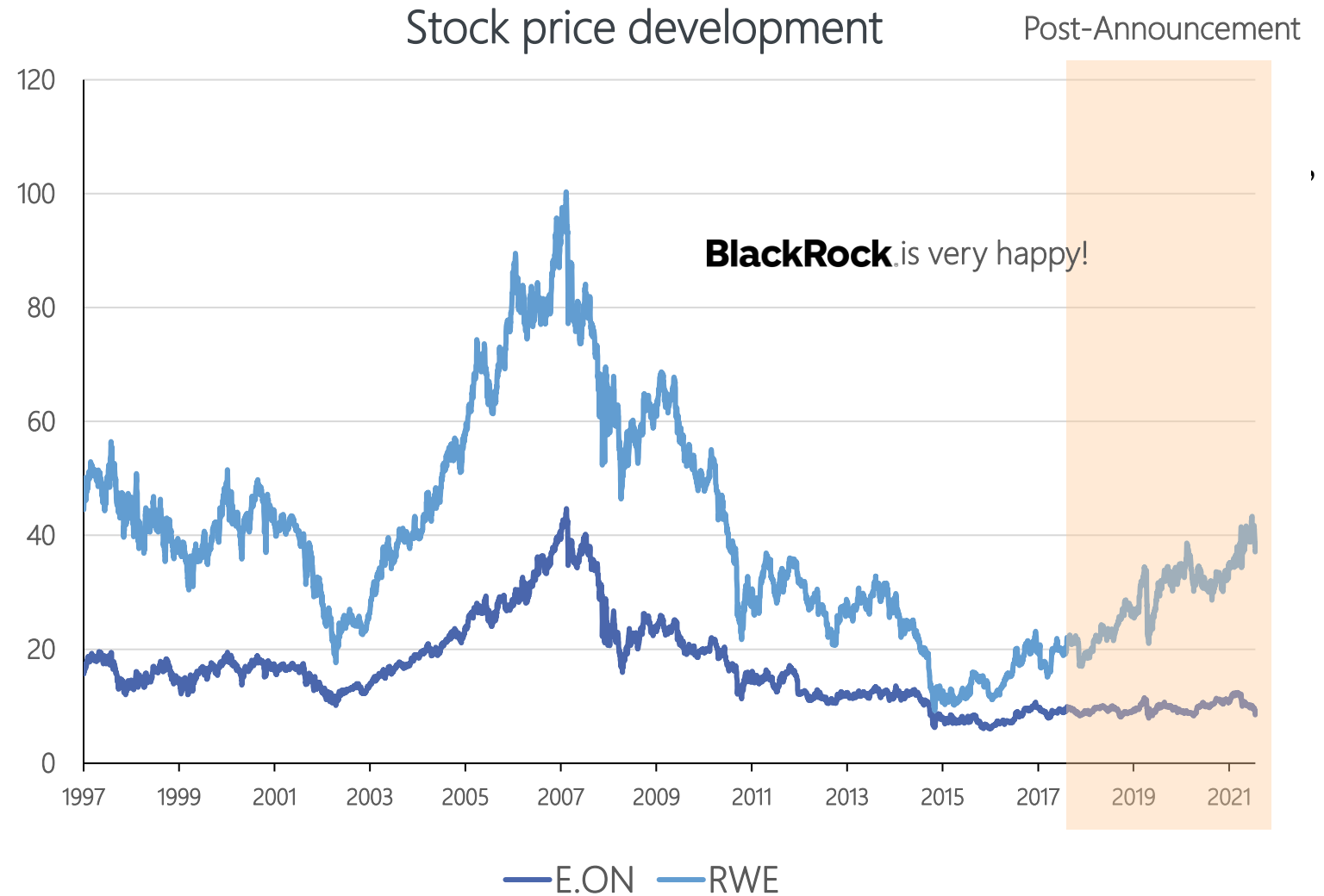
"Sounds good, we support it!"

E.ON and RWE

Finally strategic direction!

BlackRock

*Significant Share price increase!
From competitors to friends!*



Outcome

Private vs. Public Interests

List of happy people...

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"Sounds good, we support it!"

E.ON and RWE

Finally strategic direction!

BlackRock

Significant *Share price increase!*
From competitors to friends!

... everybody is happy, right?

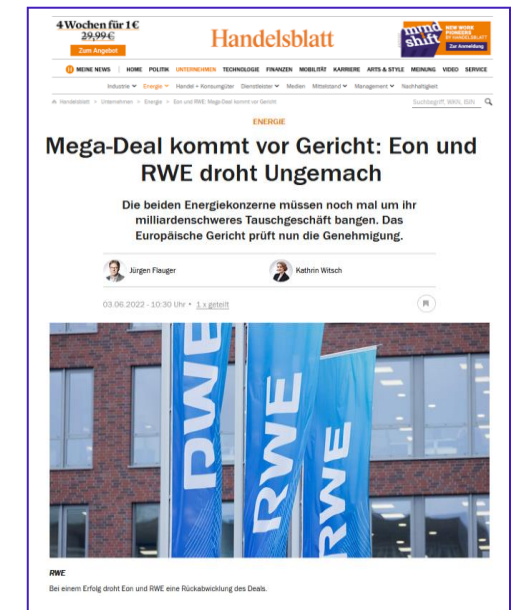
No!

Average person will likely pay more!



“E.ON is a grid monopoly”
- Lichtblick SE (Grid operator)

“Court will decide, trouble ahead”
- Major German Newspaper



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Thank you for your attention!

Any comment, question or criticism would be
highly appreciated!