

## German 2008 M&A activity to drop 35 pct-M&A banker

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By Peter Starck

FRANKFURT, July 17 (Reuters) - Corporate merger and acquisition activity (M&A) in Germany, Europe's largest economy, is likely to drop by 35 percent this year as a result of the financial market crisis, a senior M&A banker said.

A rebound can be expected in 2009 once confidence returns and debt financing becomes more readily available, the head of **Lincoln International**, M&A advisory specialists for deals worth up to around 250 million euros (\$400 million), told Reuters.

Michael Drill, Lincoln's Frankfurt chief executive, said on Thursday most of Germany's top companies had already streamlined their operations by spinning off non-core units and that the next wave, already under way, was the divestment of under-performing businesses.

The most obvious new wave example was car maker Daimler's (DAIGN.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) sale of Chrysler a year ago. The new wave, which is now swelling, had begun about 18 months ago. "This will fuel our pipeline," Drill said.

"We are clearly experiencing a trend where public German industrials are considering divestitures of under-performing assets," Lincoln said in a German M&A outlook report made available exclusively to Reuters.

Companies in Germany's top-30 DAX index [.GDAXI](#) and the 50-strong mid-cap league "need to focus more on value-enhancing portfolio decisions than in the past", Lincoln said, adding it expects around 30 so-called equity carve-outs of under-performing business units in the next two years.

Prospective buyers include private equity groups and foreign competitors keen on growth to reach critical mass, Drill said.

U.S. private equity group Cerberus Capital Management [CBS.UL] agreed to buy the majority of Daimler's struggling Chrysler Group for \$7.4 billion.

Lincoln expects "a significant increase" in both the number of M&A deals and transaction volumes next year.

"There is anecdotal evidence that large auction processes were put on hold due to the uncertainty in the global economy. But once corporate confidence and liquidity in the debt markets return, these auction processes will be restarted," it said.

Lincoln sees a private equity "exit-avalanche" as another likely M&A activity driver.

"We are expecting to see around 250 new divestment processes in the next 18 months," it said. (Editing by David Cowell)

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