

EON to Cut 5,000 Jobs in Deal to Overhaul German Utilities

By **Brian Parkin**

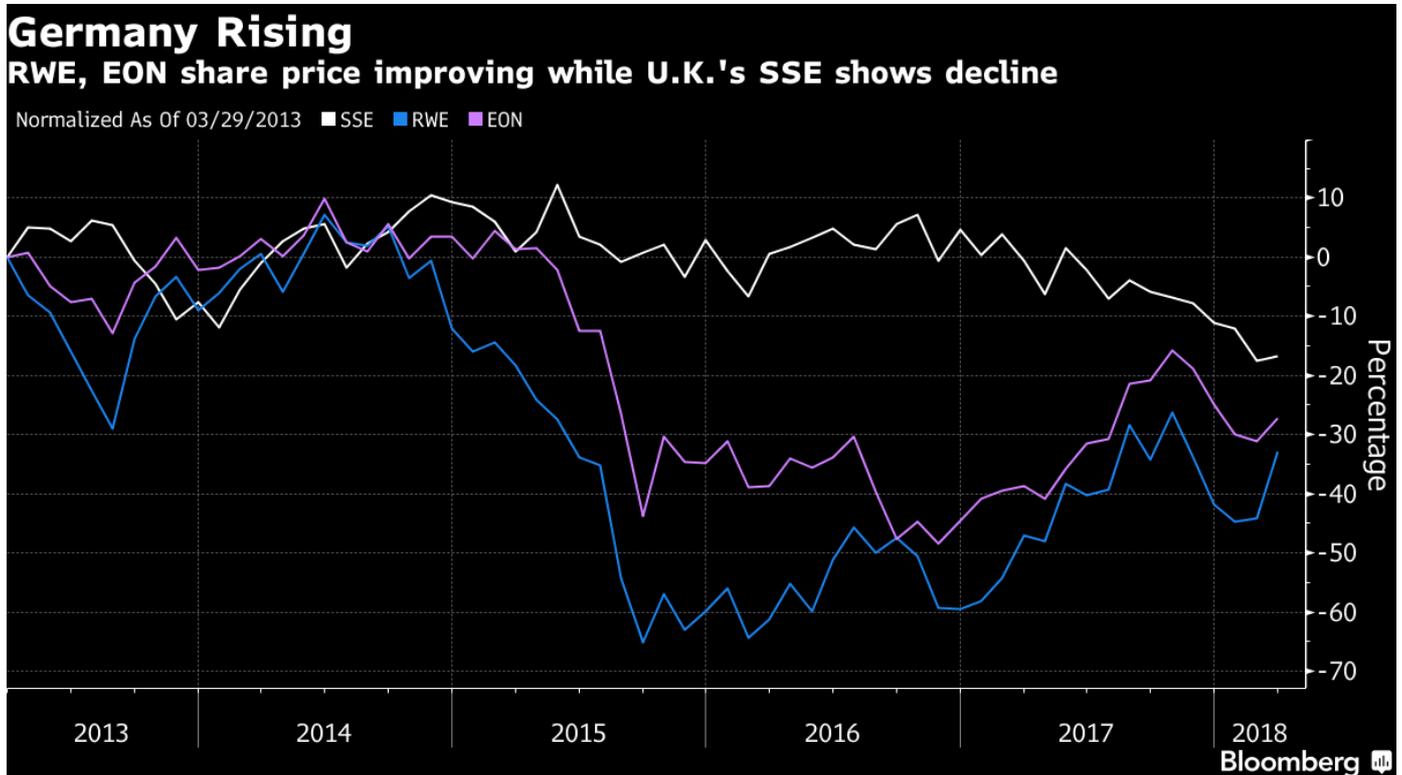
12 marzo 2018, 19:49 CET

Updated on 13 marzo 2018, 08:47 CET

- Savings for EON may reach as much as 800 million euros by 2022
- Move sharpens focus of Germany's top two energy providers

EON SE will shed as many as 5,000 jobs in the deal to take over Innogy SE, a move that marks the biggest shakeup in Germany's energy business in years.

The transaction agreed with its rival RWE AG values Innogy at 22 billion euros (\$27.1 billion) and will sharpen the focus of Germany's leading two electricity and natural gas providers, according to a joint statement on Monday. EON billed itself as the first formerly-integrated utility to focus entirely on meeting needs of 50 million customers across Europe. RWE said it doesn't expect any net job losses.

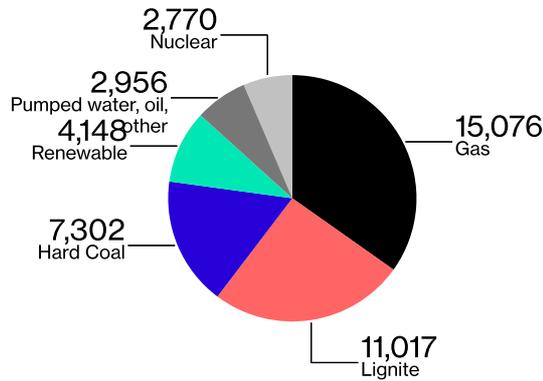


EON targets savings of 600 million euros to 800 million euros for by 2022. It would become a grid manager and power provider focused on meeting Chancellor Angela Merkel's ambitious targets to cut pollution. For RWE, which is Europe's biggest generator of electricity, the deal would provide it with renewables as an alternative to its current generation network that now is focused mainly on coal and nuclear power.

“This strategic exchange of businesses will create two highly focused companies,” EON Chief Executive Officer Johannes Teysen said in the statement. RWE CEO Rolf Martin Schmitz said “size is crucial” to exploit business opportunities as clean energy subsidies disappear and that conventional power assets will become “the beating heart of any future-proofed industrial society.”

Gas, Lignite, Coal

RWE's current power generation capacity is focused on fossil fuels



Source: RWE 2017 Annual Report
MW, as of end-2017

Merkel is seeking to phase out coal-fired power generation in Germany and wants to deliver a plan by the end of this year. RWE owns half of the nation's coal-fired power capacity.

“The new RWE and EON entities provide investors with clearer differentiated opportunities,” Jonas Rooze, an analyst at Bloomberg New Energy Finance, wrote in a note to clients. “Investors can take stakes in RWE if they want power generation exposure, and in EON for distribution and retail exposure.”

[To read how Germany is building the clout of its main energy companies, click here. <https://www.bloomberg.com/news/articles/2018-03-11/after-years-of-energy-chaos-giant-deal-gives-germany-a-champion>](https://www.bloomberg.com/news/articles/2018-03-11/after-years-of-energy-chaos-giant-deal-gives-germany-a-champion)

EON's voluntary takeover offer for Innogy will probably be completed by the middle of 2019, the companies said. RWE may take control of EON's renewable energy assets by the end of 2019, when the full transaction is due to close subject to approval from antitrust authorities.

[For a story on anti-trust hurdles for the Innogy deal, click here. <https://www.bloomberg.com/news/articles/2018-03-12/eon-innogy-energy-deal-could-spark-regulatory-power-struggle>](https://www.bloomberg.com/news/articles/2018-03-12/eon-innogy-energy-deal-could-spark-regulatory-power-struggle)

[Perella Weinberg Partners](#) and [BNP Paribas](#) advised EON, with [Linklaters](#) acting as legal council. [BofA Merrill Lynch](#) and [Citigroup](#) advised RWE, and [Rothschild](#) provided a fairness opinion to RWE's supervisory board and [Freshfields Bruckhaus Deringer](#) acting as legal council.

RWE will end up with EON's renewables business, minority stakes in two nuclear power plants, Innogy's gas storage business and a stake in an Austrian energy supplier. Including the asset swaps, the whole transaction has an enterprise value of about 60 billion euros.

[For a link to the statement from RWE and EON, click here.](#)

RWE reported an increase in full-year earnings on Tuesday while forecasting a decline in financial performance in 2018. The utility proposes a dividend of 1.5 euros for 2017, which includes a 1 euro special dividend. For 2018, the goal is to increase the ordinary dividend to

0.70 euros.

EON also released earnings for 2017 that beat analysts forecasts, bringing forward its announcement by two days. Bloomberg News first reported the deal on March 10, with confirmation from the companies on Sunday and a full statement with terms of the transaction released on Monday evening. RWE reports earnings on Tuesday.

EON said its adjusted net income was 1.5 billion euros last year, above the median forecast collected by Bloomberg for of 1.33 billion euros.

For an outlook on RWE's earnings, click here. <<https://www.bloomberg.com/news/articles/2018-03-12/german-utility-deal-turns-fossil-fuel-veteran-into-green-giant>>

For more on how Britain's energy industry will be impacted, click here. <<https://www.bloomberg.com/news/articles/2018-03-12/britain-s-energy-industry-will-be-shaken-up-by-german-mega-deal>>

— *With assistance by Chad Thomas*

Terms of Service Trademarks Privacy Policy
©2018 Bloomberg L.P. All Rights Reserved
Careers Made in NYC Advertise Ad Choices Website Feedback Help