Press Release

thyssenkrupp sells Elevator Technology business for €17.2 billion to consortium of bidders led by Advent, Cinven and RAG foundation

- Sales proceeds pave the way for further transformation of thyssenkrupp
- Cash inflow remains within the company
- Buyers give far-reaching site and employment guarantees for tk Elevator
- Closing and purchase price payment expected by the end of the current fiscal year
- Martina Merz: "With the sale of Elevator, thyssenkrupp can pick up speed again. We will reduce the company's debt as far as is necessary and at the same time invest as much as is reasonable in its further development."

thyssenkrupp sells its Elevator Technology business entirely to a consortium led by Advent, Cinven and RAG foundation. The respective Executive Board decision was approved on Thursday evening by the Supervisory Board of thyssenkrupp AG. The purchase agreement has been signed. Closing of the transaction is expected by the end of the current fiscal year. The purchase price[1] is €17.2 billion. thyssenkrupp will reinvest part of the purchase price (€1.25 billion) in a stake in the elevator business. The transaction is subject to merger control approvals, although thyssenkrupp does not expect the competent authorities to have any reservations. The proceeds from the transaction will remain within the company and are to be used to the extent necessary to strengthen the balance sheet. Alongside this, the proceeds shall be used to advance the development of the remaining businesses and the portfolio. As announced at the Annual General Meeting at the end of January, thyssenkrupp is proceeding the analysis phase so that a decision on the concrete use of funds can be taken in May.

Martina Merz, CEO of thyssenkrupp AG: "With the sale, we are paving the way for thyssenkrupp to become successful. Not only have we obtained a very good selling price, we will also be able to complete the transaction quickly. It is now crucial for us to find the best possible balance for the use of the funds. We will reduce thyssenkrupp's debt as far as is necessary and at the same time invest as much as is reasonable in developing the company. With this, thyssenkrupp can pick up speed again."

[1] assuming closing on June 30, 2020

The sale of Elevator is a favorable solution not only for the company, its shareholders, customers and employees, but also for the elevator business itself. In the consortium, thyssenkrupp has found new owners for the elevator business who have extensive industrial expertise and offer the workforce a high degree of security. The buyers have a strong track record in profitably growing and nurturing companies to become global champions.

In negotiations with employee representatives and the IG Metall trade union, the buyers have committed to far-reaching site and employment guarantees. In addition, it was agreed that the buyers will continue to manage thyssenkrupp Elevator as a global group. The company will also remain based in Germany and employee co-determination will continue. That means the solution is in line with thyssenkrupp's understanding of corporate and social responsibility.

“We are not pleased to part with our employees and the elevator business. Nevertheless, today is a good day for everyone involved. With this step, we are opening up real prospects for the future: for the elevator business as an independent company and, with the financial solidity we have gained, also for all other areas of thyssenkrupp," Martina Merz added.

Transaction strengthens thyssenkrupp’s equity base

thyssenkrupp aims to use the cash inflow to the extent necessary to cut debt and to lower structural costs. Specifically, the company’s pension obligations are to be partially funded. For this purpose, funds shall be brought under a legally independent trust. It is planned that alongside cash the reinvestment in the elevator business will be transferred to the trust so that it can participate in the expected value uplift of the business. Furthermore, thyssenkrupp plans to use a part of the proceeds to reduce financial debt significantly. As a result, annual cash outflow for interest and pension payments are expected to be significantly reduced. Thus, the company’s structural costs could be considerably lowered. This would largely compensate for the future loss of positive cash contributions from the elevator business.

Upon closing of the transaction, thyssenkrupp AG’s equity base will be significantly strengthened. The company is aiming for an investment-grade rating. In addition, thyssenkrupp works towards regaining the ability for a regular dividend payout. Free cash flow before M&A is to be improved and brought into positive figures within the next two years.

Rapid implementation of Group restructuring targeted

With its regained financial solidity, thyssenkrupp will have greater scope to implement its transformation. The primary goal is rapid and substantial improvement in the performance of the businesses (“performance first”). The necessary measures are by large extent already identified and are currently being implemented.

In addition, thyssenkrupp has announced that it will draw up specific plans for the further development of the various businesses and present them to the Supervisory Board in May. On this basis, thyssenkrupp then intends to make portfolio decisions such as which businesses it will continue to develop on its own, which are more likely to attain a leading position in an alliance and which would develop better under new ownership. thyssenkrupp will thus be in a position to consequently move forward with the implementation of the measures and the restructuring of the company once payment of the purchase price has been received.

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