

The public takeover of Alpiq, Switzerland

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As Switzerland phases out coal-fired and nuclear generation capacity, the country's dependence on hydropower increases. This development has made local energy company Alpiq an attractive asset, and its public takeover, a harbinger for Switzerland's increasing reliance on hydropower.

In the transition to a more sustainable energy market, hydropower gets less media attention than wind and solar but represents 16.4% of the world's electricity generation. It offers stable, predictable returns through a long-proven technology, large storage capacity and low operating and maintenance costs.

Hydropower is dependent on the right geography and investors willing to pay the heavy capex to develop the plants, however, Switzerland is particularly suited to accommodate these requirements. The mountainous Alpine state has a wealth of flowing rivers and a growing number of investors who understand the potential of hydro.

Credit Suisse Energy Infrastructure Partners (CSEIP) is one of these investors. The renewables arm of Credit Suisse Investment Foundation has created an unlisted open-ended fund whose two strategic pillars of investment are energy distribution and hydropower, and its latest acquisition brings hydropower a step closer to becoming the most important aspect of Swiss energy.

The asset

Swiss energy utility Alpiq has a market share of 15-20% of total Swiss energy production.

The firm generates 4,230GWh with an installed capacity of 2.7GW of hydropower production which – due to its carbon-free, efficient and highly flexible nature – is its main source of energy. All of Alpiq's hydropower plants are in Switzerland.

Alpiq also holds stakes in small-scale hydropower, wind and solar PV generation assets with a combined installed capacity of 328MW and two nuclear plants in Switzerland – Gösgen and Leibstadt – which have a combined installed capacity of 738MW.

Shortly before CSEIP's investment, [Alpiq divested two Czech coal](#) fired power plants – Kladno and Zlín – to Sev.en Energy for €280 million (\$313 million). This divestment reduced Alpiq's carbon footprint by 60% and meant it had exited entirely from conventional thermal power assets.

A year before the divestment in July 2018, Alpiq also [sold Alpiq InTec and Alpiq Kraftanlagen München](#) – its engineering and services business – to focus solely on its energy trading, solutions and power generation businesses.

These two transactions transformed Alpiq into a hydropower-focused renewable energy utility and also into a very attractive investment for CSEIP.

The target

The deal began when [EDF signed on a divestment of its 25.04% stake](#) in Alpiq on 4 April (2019) to EOS Holding and Primeo Energie for Swfr489 million (\$493 million) at Swfr70 per share. EOS Holding is a firm that represents the major electricity companies in Western Switzerland. Each firm bought 50% of EDF's shares.

After the closing of the deal the shareholding makeup of the company was:

- 43.96% – EOS Holding
- 26.17% – Primeo Energie
- 12.09% – public shareholders
- 7.13% – EBL (Genossenschaft Elektra Basselland)
- 5.61% – Canton of Solothurn
- 2.13% – Aziende Industriali de Lugano
- 2.00% – Eniwa
- 0.91% – WWZ

The deal was financed with mandatory exchange loans from CSEIP, repayable with Alpiq shares upon maturity.

CSEIP did not purchase a stake in Alpiq outright because EDF wished to divest to existing shareholders who had preemptive rights. However, due to the size of EDF's stake, many existing investors did not have the financial resources to cover the cost, leading to CSEIP acting as a lender.

Following the deal a joint statement made by the investors of Alpiq said that the company will focus primarily on the preservation and further development of hydro in Switzerland.

On 30 May, a subsidiary of CSEIP named Schweizer Kraftwerksbeteiligungs, EOS Holding and the consortium of Swiss minority shareholders jointly announced [the voluntary takeover](#) of Alpiq's remaining 12.09% of public shares listed on the SIX Swiss Exchange.

EDF's 25.04% of shares and 12.09% of public shares will go to CSEIP where a shareholder hybrid loan will be converted into shares to dilute their holdings to 33%. Each group is expected to own a third of the company making the shareholder breakdown:

- 33.3% – Credit Suisse Energy Infrastructure Switzerland
- 33.3% – EOS Holding
- 33.3% – a consortium of minority Swiss shareholders (i.e. Primeo Energie, EBL, Canton of Solothurn Aziende Industriali de Lugano, Eniwa, WWZ)

The takeover shares will be offered at the current share price which is also the same price EDF sold their shares for, Swfr70. By CSEIP providing mandatory exchange loans, it was able to structure the sale as a deal among shareholders, before launching its own takeover.

The offer period is expected to begin on 24 July, and the public takeover is expected to be completed on 9 October. Following that, Alpiq Holding will be delisted from the SIX Swiss Exchange.

The acquisition of shares is subject to approval by the German Bundeskartellamt.

Buy-side advisers on the deal included:

- Credit Suisse – financial to CSEIP
- Baer & Karrer – legal to Primeo Energie and CSEIP
- Baker McKenzie – legal to CSEIP

Changing supply to meet greater demand

This deal means one of the largest power generators in Switzerland is now in all Swiss hands. With hydropower now a

priority, Alpiq is only expected to grow as Switzerland moves away from fossil fuels and nuclear power.

To curb CO2 emissions in Switzerland, heavy levies are being imposed on fossil fuels. The government aims to reduce thermal power generation and emissions by 20% and increase renewable energy generation by 50%. There is also financial pressure to close the five working nuclear reactors down to avoid the spending that will be needed to refurbish them and keep them in operation, progressively reducing Switzerland's reliance on nuclear power as well.

A majority of the country's energy used for heating, mobility and industrial use – 65% – is supplied by fossil fuels imported from international markets. Domestic energy only generates 25% of Swiss energy demand used in electricity – two-thirds of which is generated by hydropower and a third of which is generated by nuclear power.

Only 2.3% of electricity is generated by wind, biomass and solar energy. Non-hydro renewables have not historically been favoured in Switzerland, with wind farms in particular attracting public criticism for spoiling landscapes. Geothermal is also mistrusted due to fears the technology may cause earthquakes.

Managing director of CSEIP, Dominik Bollier, said: "When you look at how energy is being transformed in Europe, nuclear and coal energy are being phased out while a stochastic energy is replacing it, you need something that stabilizes the system."

With the limits placed on fossil fuels, the natural decline in nuclear power and the lacklustre growth in other renewables, hydropower is the only feasible option to bridge the gap into a more renewable Switzerland.

Bollier further stated that he is "confident and convinced that hydropower will become the most important aspect of Switzerland's energy."

And with sardonic irony, hydropower can only get better as climate change gets worse. Temperatures will rise and more water will flow from the Swiss Alps, making Switzerland a privileged centre for new, clean energy in the dirtier days ahead.

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