What’s driving utility industry consolidation?

Panellists

- Joseph E. Fontana
  Global Utilities Transaction
  Advisory Services Leader
  Ernst & Young, USA

- Robert Seiter
  Director Transaction Advisory Services
  Ernst & Young, Germany

- Dr. Rainer Nitsche
  Managing Director
  ESMT Competition Analysis, Germany

- Forces driving the mergers boom
- Barriers to further consolidation: US and Europe
- The future: M&A trends in utilities
- Questions
What’s driving utility consolidation?

Forces driving the mergers boom

- Mature industry, limited opportunities for organic growth
- Changing regulatory landscape
- Need to improve investment returns/control costs
- Need stable cashflow to finance capital-intensive investments
- Two ways to grow: stick to what you know/branch into new areas
- US utilities: domestic M&A focus
- Europe: success outside home territory
What’s driving utility consolidation?

Barriers to further consolidation: US/ Europe

- Regulatory
  - **International**: “national champions” vs “global champions”; importance of market definition
  - **Horizontal**: dominance and coordinated effects; interconnection
  - **Vertical**: foreclosure vs efficiencies; impact of EC energy unbundling proposals
  - **Conglomerate**: where to draw the line?

- Other
  - Financial constraints
  - Business case
What’s driving utility consolidation?

The future: M&A trends in utilities

• Is the industry going global?
• More diversification into renewable and clean energy?
• Multi-utility and multi-energy?
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