Investor News

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Covestro signs an Investment Agreement with ADNOC and supports ADNOC's public takeover offer to all Covestro shareholders

- ADNOC International Germany Holding AG makes a takeover offer at €62.00 per Covestro share
- The Investment Agreement defines key aspects of the strategic partnership, including clear commitments by ADNOC International to fully support the 'Sustainable Future' growth strategy and to maintain the established governance of Covestro
- With ADNOC International's support, Covestro gains an even stronger foundation for sustainable growth in highly attractive sectors
- In this context, ADNOC International Germany Holding AG shall subscribe to new Covestro shares at the offer price via a capital increase
- At an offer price of €62.00, this will result in €1.17 billion proceeds, which Covestro will use to foster the further implementation of its strategy
- Covestro supports the offer based on the Investment Agreement
- Shareholders benefit from a premium of 54 percent on the unaffected share price, prior to any media coverage of a potential transaction

Covestro AG ("Covestro" or "Company") today signed an Investment Agreement with certain entities of the ADNOC Group, including ADNOC International Limited ("ADNOC International") and its subsidiary, ADNOC International Germany Holding AG ("Bidder"). The agreement stipulates, among other items, that the Bidder will make a public takeover offer for all outstanding shares of Covestro at a price of €62.00 per share. In addition, ADNOC International is committing itself to fully supporting the Company's "Sustainable Future" strategy. At the same time, the Board of Management and the Supervisory Board of Covestro decided today that upon completion of the transaction, the Company's share capital shall be increased by 10% (18.900.000 shares) and that, at and subject to closing, the new shares shall be issued to the Bidder against payment of a price per share equal to the offer price, thus, based on an offer price of €62.00 against a total amount of €1.17 billion, under simplified exclusion of subscription rights.

Dr. Markus Steilemann, CEO of Covestro, said: "We are convinced that the agreement reached today with ADNOC International is in the best interest of Covestro, our employees, our shareholders, and all other stakeholders. With ADNOC International's support, we will have an even stronger foundation for sustainable growth in highly attractive sectors and can make an even greater contribution to the green transformation. We regard ADNOC International as a financially strong and long-term oriented partner with whom we will further drive our successful “Sustainable Future” strategy in all market conditions. Our complementary growth strategies, shared commitment to advanced technologies, innovation and sustainability are key cornerstones of our partnership.”

His Excellency Dr. Sultan Ahmed Al Jaber, ADNOC Managing Director and Group CEO, said: “As a global leader and industrial pioneer in chemicals, Covestro brings unmatched expertise in high-tech specialty chemicals and materials, using advanced technologies including AI. This strategic partnership is a natural fit and aligns seamlessly with ADNOC’s ongoing smart growth and future proofing strategy and our vision to become a top 5 global chemicals company. It represents a pivotal step for both organizations and embodies our disciplined approach to investing in strategic assets that drive long-term value and unlock new growth opportunities, while reinforcing our commitment to diversifying ADNOC’s portfolio. Our aligned strategies uniquely position us to meet the growing global demand for energy and chemical products, while accelerating the transition to a circular economy.”

Key transaction details
The Bidder intends to make a cash offer to Covestro shareholders of €62.00 per share. This price implies an equity value for Covestro of approximately €11.7 billion and represents a premium of approximately 54 percent to the unaffected closing price on June 19, 2023, the day prior to any media coverage of a potential transaction, and a premium of 21 percent to the closing price on June 23, 2024, the last share price prior to Covestro announcing the beginning of the confirmatory due diligence and the start of concrete negotiations.

The offer will be subject to a minimum acceptance level of 50 percent plus one share and customary closing conditions, including merger control, foreign investment control, EU foreign subsidies clearances.

In compliance with the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG), the offer document, which is expected to be available within six weeks, and other information pertaining to the Bidder’s public takeover offer will be made available on the following website after approval by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht): www.covestro-offer.com.

After thorough consideration, the Supervisory Board and the Board of Management of Covestro welcome and support the Bidder’s announced takeover offer. Both boards will carefully review the offer document after its publication and will issue their reasoned statements pursuant to Section 27 WpÜG shortly after. Subject to the review of the offer document, the Board of Management and the Supervisory Board assume that they will recommend the acceptance of the offer to the Company’s shareholders.

Partnership enables expansion of Covestro's excellent position in attractive growth markets

Covestro has a clear growth strategy and is already making significant progress in its strategic transformation that will further expand its excellent position in attractive growth markets. ADNOC International sees Covestro as the foundational platform of its Performance Materials and Specialty Chemicals business and is convinced of Covestro's strategic perspective and its vision to become fully circular.

In the joint Investment Agreement, which runs until the end of 2028, Covestro and certain entities of the ADNOC Group, including ADNOC International, have agreed on the main cornerstones of the partnership. In particular, the agreement contains several obligations on the part of ADNOC International to maintain Covestro's existing business activities, corporate governance and organizational business structure.

ADNOC International has assured Covestro of its full support for Covestro's “Sustainable Future” strategy and intends to fully support Covestro in further executing on this strategy. To this end, the Bidder shall subscribe to new Covestro shares at the offer price via an increase of the Company’s share capital by 10% under simplified exclusion of subscription upon the completion of the transaction, this will result in an amount of €1.17 billion proceeds at an offer price of €62.00 which Covestro will use to foster the further implementation of its growth strategy.

In the agreement, ADNOC International commits, among other items, to recognizing the German governance regulations and to retaining the co-determined Supervisory Board. An important component is also the commitment that two members of the Supervisory Board on the shareholder representatives' side will remain independent of ADNOC Group after the takeover offer has been completed.

The Investment Agreement also contains ADNOC International's explicit recognition of the existing general works agreements, collective bargaining agreements and the rights of the works councils in Germany. In addition, there are no plans to sell, close or significantly reduce Covestro's business activities as part of the transaction and ADNOC International undertakes in the Investment Agreement not to initiate any of the above. The Investment Agreement also contains a commitment to protect Covestro's technology and intellectual property.

Furthermore, ADNOC International undertakes in the Investment Agreement that Covestro will continue to be managed as a stock corporation and that no domination and/or profit and loss transfer agreement will be concluded with Covestro.

The Investment Agreement and ADNOC International's commitments therein express ADNOC International's utmost trust and confidence in Covestro's management team. Covestro's Board of Management in its current composition will, therefore, continue to be responsible for the operational management and strategic direction of the Company.

Covestro’s Board of Management has agreed, subject to its fiduciary duties, to support a delisting offer and/or squeeze-out if ADNOC International intends to execute either. However, the Investment Agreement stipulates that even after a potential delisting and/or a squeeze-out, Covestro will continue to be managed as a stock corporation under German law with the same governance as before, a co-determined Supervisory Board with two Supervisory Board members who are independent of ADNOC International and its registered headquarters in Leverkusen.

In connection with the conclusion of the Investment Agreement, the Board of Management, with the support of the Supervisory Board, has also decided to not propose a dividend payment until the transaction has been completed or until the expiration of the period for regulatory approvals or a termination of the Investment Agreement.

Goldman Sachs and Perella Weinberg are acting as financial advisors to Covestro’s Board of Management on the transaction, with Linklaters acting as legal advisor. For Covestro’s Supervisory Board, Rothschild & Co and Macquarie Capital are acting as financial advisors, and SZA Schilling, Zutt & Anschütz as legal advisors.

About ADNOC International:
ADNOC International holds assets and investments across sectors spanning energy, chemicals and low-carbon solutions globally.

About Covestro:
Covestro is one of the world’s leading manufacturers of high-quality polymer materials and their components. With its innovative products, processes and methods, the company helps enhance sustainability and the quality of life in many areas. Covestro supplies customers around the world in key industries such as mobility, building and living, as well as the electrical and electronics sector. In addition, polymers from Covestro are also used in sectors such as sports and leisure, telecommunications and health, as well as in the chemical industry itself.

The company is geared completely to the circular economy. In addition, Covestro aims to achieve climate neutrality for its Scope 1 and Scope 2 emissions by 2035, and the Group's Scope 3 emissions are also set to be climate neutral by 2050. Covestro generated sales of EUR 14.4 billion in fiscal year 2023. At the end of 2023, the company had 48 production sites worldwide and employed approximately 17,500 people (calculated as full-time equivalents).

Find more information at the Covestro´s IR Website.
Read our Corporate Blog.
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