



## Transaction Report - Sector: Water / Support Services SUEZ SA (100%)

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### Summary

<b>Target</b>	<b>SUEZ SA</b>		
<b>Industrial Sector</b>	Water / Support Services	<b>SIC Codes</b>	4941 4952 4953 5093
<b>Activities</b>	WATER & WASTE MANAGEMENT	<b>Country</b>	France
<b>Stock Exchange Index</b>	CAC Next 20		
<b>Bidder</b>	<b>VEOLIA ENVIRONNEMENT SA</b>		
<b>Country</b>	France	<b>SIC Codes</b>	4941 4952 4953 4911 8748
<b>Activities</b>	WATER, ENVIRONMENTAL & ENERGY SERVICES		
<b>Date Announced</b>	05/10/2020	<b>Date Completed</b>	27/01/2022
<b>Deal Status</b>	Completed	<b>Deal Type</b>	Public
<b>Deal Attitude</b>	Initially Hostile	<b>Cross Border</b>	No
<b>% Capital Owned</b>	0	<b>% Capital Bid For</b>	100
<b>Competitive Status</b>	Single Bidder	<b>French Public Type</b>	Offre Publique d'Achat (OPA)
<b>Regulatory Referral</b>	No Referral		
<b>Consideration Type</b>	Cash		

	Deal Value(m)		Target Financials (m)	
	1) EUR	2) STG	1) EUR	2) STG
	Exchange Rate to Sterling ("STG") = 1.100		Exchange Rate to Sterling ("STG") = 1.100	
<b>Ordinary Offer Value</b>	12942.319	11765.745	<b>Sales</b>	17525.9
<b>Other Equity Value</b>	0	0	<b>EBITDA</b>	2600.7
<b>Total Equity Value</b>	12942.319	11765.745	<b>EBITA</b>	0
<b>Net Debt</b>	10957.1	9961	<b>Operating Profit</b>	837.2
<b>Lease Liabilities</b>	1442.2	1311.091	<b>Net Profit Before Tax</b>	-9.4
<b>Minorities</b>	2731.4	2483.091	<b>Net Profit After Tax</b>	-237
<b>Enterprise Value</b>	26630.819	24209.835	<b>Net Income (Earnings)</b>	-398.1
			<b>Shareholders Funds</b>	5483.3
				4984.818

Equity Value Ratios		Enterprise Value Ratios	
<b>Price / Sales</b>	0.74	<b>Enterprise Value / Sales</b>	1.52
<b>Price / Net Profit before Tax</b>	0	<b>Enterprise Value / EBITDA</b>	10.24
<b>Price / Earnings</b>	0	<b>Enterprise Value / EBITA</b>	0
<b>Price / Book</b>	2.36	<b>Enterprise Value / EBIT</b>	31.81

<b>Accounts Source</b>	SUEZ INTERIM REPORT (TRAILING 12 MONTHS)	<b>Reliability</b>	Un-Audited
<b>Deal Value Source</b>	VEOLIA PRESS RELEASE (13/04/21)	<b>Reliability</b>	Accurate

### Advisors

<b>Advisors</b>	<b>To bidder</b>	<b>To Target/Divestor</b>
<b>Financial</b>	Messier Maris and Perella Weinberg Partners and Citi and Crédit Agricole CIB and HSBC Investment Bank	Goldman Sachs and JP Morgan and Société Générale and Rothschild
<b>Legal</b>	Cleary, Gottlieb, Steen & Hamilton and Hogan Lovells and Gide	

## Target Financials

Income Statement	30/06/2020	Balance Sheet	30/06/2020
In Millions		In Millions	
<b>TURNOVER</b>	17525.9	<b>Tangible Assets</b>	9889.4
<b>Cost of Sales</b>	3607.4	<b>Fixed Investments / Assoc.Comp</b>	3506.6
<b>Gross Profit</b>	13918.5	<b>Intangible Assets</b>	9961.4
<b>Other Income</b>	0	<b>TOTAL FIXED ASSETS</b>	23357.4
<b>Associated Income</b>	159.1		
<b>EBITDA</b>	2600.7	<b>Cash &amp; Marketable Securities</b>	5107.9
<b>Depreciation</b>	0	<b>Debtors</b>	4315.1
<b>EBITA</b>	0	<b>Stock</b>	555.8
<b>Amortisation</b>	0	<b>Other Current Assets</b>	2411.9
<b>Depreciation and Amortisation</b>	1763.5	<b>TOTAL CURRENT ASSETS</b>	12390.7
<b>OPERATING PROFIT</b>	837.2		
<b>Interest Income</b>	83.5	<b>Creditors</b>	8449.6
<b>Interest Expense</b>	570.8	<b>Short Term Financial Debt</b>	3704.8
<b>Exceptionals</b>	-359.3	<b>Long Term Financial Debt</b>	12360.2
<b>Impairment of goodwill</b>	0	<b>Other Liabilities / Provisions</b>	3018.8
<b>Non-Recurring Items</b>	0	<b>TOTAL LIABILITIES (Excl. SHF)</b>	27533.4
<b>Other items, net</b>	0		
<b>NET PROFIT BEFORE TAX</b>	-9.4		
<b>Tax</b>	227.6	<b>SHAREHOLDER FUNDS</b>	5483.3
<b>NET PROFIT AFTER TAX</b>	-237	<b>Minority Interests</b>	2731.4
<b>Minority Items</b>	161.1	<b>TOTAL ASSETS</b>	35748.1
<b>Extraordinary Items</b>	0		
<b>NET INCOME</b>	-398.1	<b>Exchange Rate to £ STG</b>	1.1
<b>Financial Currency</b>	EUR		

<b>Accounts Source</b>	SUEZ INTERIM REPORT (TRAILING 12 MONTHS)	<b>Reliability</b>	Un-Audited
<b>Deal Value Source</b>	VEOLIA PRESS RELEASE (13/04/21)	<b>Reliability</b>	Accurate

## Deal Value

<b>Deal Value Source</b>	VEOLIA PRESS RELEASE (13/04/21)
<b>Deal Value Reliability</b>	Accurate
<b>Deal Value Currency</b>	EUR

	Deal Value Breakdown	
	Value of Cash Offer (m)	Value of Share Offer (m)
Ordinary Shares	12942.319	0
Ordinary Shares Agreement	0	0
Options	0	0
Preference Shares	0	0
Convertible Shares	0	0
Redeemable Shares	0	0
Other Equity Shares	0	0
<b>Total Equity Value</b>	12942.319	0
<b>Net Debt</b>	0.000	0.000
<b>Lease Liabilities</b>	0.000	0.000
<b>Minorities</b>	0.000	0.000
<b>Enterprise Value</b>	26630.819	0

## Share Data

<b>No. of Ordinary Shares</b>	631332629	<b>Currency of Cash/Share Offer</b>	EUR
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	Initial	Final
Cash Offer Value	18	20.5
Share Offer Value	0	0
	Target Shares	Bidder Shares
Initial Offer Ratio	0	0
Final Offer Ratio	0	0
	Initial	Final
Extra Payment Value	0	0
Ratio For Ords	0	0
Ratio For Prefs	0	0
Ratio For Others	0	0
	Number of Options	Exercise Price of Options
1)	0	0
2)	0	0
3)	0	0

Type	Number of	Cash Offer Per Share	Share Ratio	
			Target	Bidder
Preference Shares	0	0	0	0
Convertible Shares	0	0	0	0
Redeemable Shares	0	0	0	0
Other Equity Shares	0	0	0	0

## Share Prices

Time	BEFORE			AFTER		
	Target	Bidder	Bid Premia %	Target	Bidder	Bid Premia %
1 Day	16.07	18.63	27.57	16.105	18.81	27.29
1 Week	14.65	18.275	39.93	15.88	18.76	29.09
2 Weeks	14.835	18.35	38.19	15.71	17.63	30.49
3 Weeks	15.2	19.315	34.87	15.595	17.12	31.45
4 Weeks	15.215	19.94	34.74	15.75	16.6	30.16
30 Day Average	14.587	19.08	40.54	-	-	-
2 Months	11.13	-	84.19	-	-	-
3 Months	10.53	-	94.68	-	-	-
Day Before Final Increased Offer	-	22.57	-	-	-	-
1 Day Before Completion	-	-	-	19.88	31.8	3.12
Target's Share Prices Currency	EUR					
Bidder's Share Prices Currency	EUR					

### Pre-Bid Speculation Data

Pre-Bid Speculation Date	Target Share Price	Bid Premia %
30/07/2020	10.31	98.84

## Offer History

	Date	Cash Value	Share Value
First Offer	05/10/2020	18	0
Second Offer	12/04/2021	20.5	0
Third Offer		0	0
Fourth Offer		0	0
Fifth Offer		0	0

## Disclosure Table (or Equivalent) /Indicative Offer Data

Date Added	Date Removed			
Offeror Named				
	Date	Cash Value	Share Value	Published?
Indicative Offer 1	30/08/2020	15.5	0	YES
Indicative Offer 2	30/09/2020	18	0	YES
Indicative Offer 3		0	0	NO
Indicative Offer 4		0	0	NO
Indicative Offer 5		0	0	NO

## PUSU Details

PUSU ?	PUSU Deadline Extended ?	Offer Made ?	

## Synergy Data & Industry Specific Multiples

Synergy Data (m)			Industry Specific Multiples (ISM)	
	Exchange Rate to Sterling ("STG") = 1.120		ISM Term	
	1) EUR	2) STG		
Reported Revenue Synergies	0	0	ISM in Native Currency (Enterprise Value Basis)	0.00
One Off Charge	0	0	ISM in Native Currency (Equity Value Basis)	0.00
Reported Cost Synergies	500	446.429	ISM in Sterling (Enterprise Value Basis)	0.00
Total Synergies	500	446.429	ISM in Sterling (Equity Value Basis)	0.00
Date Synergies Achieved by	31/12/2025		ISM Native Currency	
			ISM Native Currency X Rate / STG	0

## Comments

### OVERVIEW

On 5 October 2020, the quoted French environmental services and utilities group Veolia Environnement SA ("Veolia") announced that it had agreed to acquire the 29.9% stake held by Engie SA ("Engie") in the quoted French water and waste management group Suez SA ("Suez"). Veolia would pay €18 per share, or €3.4 billion in total.

Following the acquisition of the 29.9% stake, Veolia intended to file a voluntary public offer for the remaining Suez shares at the same price of €18 per share. The filing of this public offer would take place at the latest when the necessary regulatory authorizations were obtained, within 12 to 18 months. However, Veolia's public offer would only take place once recommended by Suez's board of directors, as Veolia had committed to Engie not to make a hostile offer (see "Background").

However subsequently on the same day, the Suez Board declared that the Veolia approach was hostile, both as regards the purchase of the initial 29.9% stake as well as the overall project. The Board deplored the unnecessary precipitation of Engie Board members in refusing to consider and discuss an alternative project that would be in the corporate interest of Suez along with its shareholders and all stakeholders, employees and customers. In order to preserve the interest of all its shareholders and stakeholders, the Suez Board confirmed that it would put all the means at its disposal to avoid a creeping takeover or de facto control.

Also on 5 October 2020, the French private equity firm Ardian Holding SAS ("Ardian"), which had been considering an offer for Suez, announced that it had decided not to submit an offer to allow time for ongoing discussions.

On 17 January 2021, Suez announced that it had received a letter of intent from Ardian and Global Infrastructure Partners ("GIP") regarding a joint offer by Ardian and GIP at a price of €18 per share. The proposal was subject in particular to the completion of confirmatory due diligence. On the same day, Veolia declared that its 29.9% stake in Suez was not for sale.

On 7 February 2021, Veolia announced the formal filing of its offer, modifying its declaration of intent dated 5 October 2020, by no longer requiring that the offer was subject to the approval by Suez's Board

of Directors. Veolia stated that the formal filing of the offer was the only decision likely to respond both to the repeated requests of Suez's management (to be presented with a formal offer) and to provide employees, customers and shareholders of both groups with an unambiguous, transparent and definitive clarification.

On 8 February 2021, Suez announced that the Nanterre Commercial Court had on that day forbidden Veolia from filing its hostile public offer, following Veolia's attempt to violate its commitment to amicability. Suez reiterated its determination to defend, by all means, the interests of its stakeholders, shareholders, employees and customers.

On 21 March 2021, Ardian and GIP announced that they had made a firm offer to acquire a substantial part of Suez for an enterprise value of €15.8 billion, equivalent to a value of €20 per share. Ardian, GIP and Suez stated that the offer was intended to facilitate a negotiated solution. The proposal made by the Ardian-GIP consortium had been unanimously approved by the Suez Board of Directors, which was proposing entering into negotiations on this basis, with the aim of finalising a transaction as soon as possible and no later than 20 April 2021. Under the proposed transaction, Veolia would be required to increase its offer to €20 per share. This transaction has been written up elsewhere by M&A Monitor.

Later on 21 March 2021, Veolia announced that it was not interested in the proposed "dismantling of Suez". Veolia also stated that there could not be any discussions with the management of Suez:

- until the Board of Directors of Suez had formally agreed to the scope of the new Suez proposed by Veolia;
- until the Dutch entity (see "Background"), which was seriously undermining the corporate interests and value of Suez, had been dissolved;
- until the rushed sales of Suez's strategic international assets had been suspended;
- until the legal proceedings launched by Suez had been withdrawn.

On 6 April 2021, Suez announced that it had agreed to sell its Recycling and Recovery business in Australia to Cleanaway Waste Management Limited for an enterprise value of A\$ 2.52 billion. Suez stated that the terms of the sale left Veolia the opportunity to acquire this business, as it would terminate should an agreement be negotiated between Suez and Veolia.

Also on 6 April 2021, Suez reiterated its objective to find a negotiated solution with Veolia as soon as possible, and proposed once again to meet with Veolia's Chairman and CEO in the coming days. Veolia responded stating that Suez "still seemed to want to do everything possible to make it impossible to reach an agreement with Veolia". Moreover, the Australian Recycling and Recovery business had been clearly identified as strategic by Veolia, and it continued to use all legal means to prevent the sale of these strategic assets and, if necessary, to have them cancelled.

On 12 April 2021, Veolia and Suez announced that they had reached an agreement in principle, with a view to entering into definitive merger agreements by 14 May 2021. Veolia would make a recommended offer at €20.50 per share, whilst certain of Suez's assets (with revenues of around €7 billion) would be transferred to a "new Suez", which would be owned by a group of shareholders including financial partners from both groups and by employees (the exact details of its proposed ownership were not detailed at this stage). Suez and Veolia had also agreed (inter alia) that:

- the sale of the Australian business to Cleanaway would be cancelled;
- ongoing legal proceedings would be cancelled; and
- the Dutch foundation established to hold the French Water business would be deactivated.

On 14 May 2021, Suez, Veolia and an investor consortium announced that they had signed a memorandum of understanding regarding the creation of the new Suez. At the same time as the closing of Veolia's public offer, GIP and Meridiam, each with a 40% stake, and the Caisse des Dépôts et Consignations Group (including CNP Assurances), with a 20% stake, would become shareholders of the new Suez. The consortium would also provide for an initial employee shareholding of 3%, which could be increased to 10% of the capital within 7 years.

On 29 June 2021, it was announced that the investor consortium had submitted its binding final offer to Veolia and Suez to purchase the new Suez for an enterprise value of €10.4 billion (as written up elsewhere by M&A Monitor). This agreement enabled Veolia to formally increase its offer to €20.50 per Suez share and to publish an offer document. The Suez Board recommended that its shareholders accepted this offer.

The offer period closed on 27 January 2022. Veolia had received acceptances in respect of 613,682,445 Suez shares representing 95.95% of Suez's share capital and voting rights. Veolia would proceed with a mandatory squeeze-out procedure on the remaining Suez shares on 18 February 2022.

#### COMPETITION CONCERNS (AS OF 5 OCTOBER 2020 ANNOUNCEMENT)

Veolia had identified "limited" antitrust issues that the transaction would entail, and had anticipated remedies. In this context, Veolia had identified an acquirer for Suez's French water activities, Meridiam, a French infrastructure management company, capable of preserving competition and employment. Meridiam had made a formal commitment to this acquisition. All of Suez's French water activities, under the name Suez Eau France, as well as the engineering and R&D teams related to this division, would be acquired by Meridiam.

Meridiam had committed to preserving all jobs and social benefits, to take over the R&D centre of Suez and to double the investments planned and to inject €800 million into this new scope within 5 to 7 years. The only conditions for this acquisition would be obtaining the required authorisations for merger control and the settlement and delivery of Veolia's public offer for Suez. Meridiam's offer was valid until 31 December 2022.

In addition, the other identified areas of competition would concern certain waste management activities in France and a very few cases outside France.

## BIDDER PROFILE

### 1) Business profile

Veolia was a French environmental services group with a presence in 47 countries and over 178,000 employees. It operated three complementary business activities: water, waste and energy management. Veolia treated and recycled around 6 million tons of hazardous waste for over 100,000 industrial, commercial or household clients, and operated a network of more than 140 facilities on five continents. In Europe, Veolia operated two large hazardous waste treatment sites. In North America, Veolia's hazardous waste operations supported industries from pharmaceutical to petrochemical and other generators ranging from defence, healthcare and universities to households. The company operated four major incineration facilities on two sites in Texas and Illinois. Whenever possible, Veolia North America recovered and regenerated materials. In 2019, Veolia had supplied 98 million people with drinking water and 67 million people with wastewater services, produced 41 million MW hours of energy and converted 50 million metric tons of waste into new materials and energy. It was listed on the Paris Stock Exchange. For the financial year 2019, Veolia recorded consolidated revenue of €27.19 billion, EBITDA of €4.02 billion and net income for the period of €760.6 million.

### 2) Segment information

Veolia provided the following breakdown of its revenue:

\* by geographic region:

Y/E 31/12 € million	2019	2018
France	5,611.5	5,499.3
Europe, excl. France	9,501.1	9,136.1
Rest of the world	7,303.5	6,619.7
Global businesses	4,733.8	4,665.5
Other	38.8	30.7
Group total	27,188.7	25,951.3

\* by operating segment:

Y/E 31/12 € million	2019	2018
Water	11,142.1	10,894.1
Waste	10,166.7	9,598.6
Energy	5,879.9	5,458.6
Group total	27,188.7	25,951.3

## BACKGROUND

### 1) Recently announced divestments by Suez

On 18 August 2020, Veolia announced that it had entered into an agreement to acquire Suez RV OSIS, a French company specialised in the maintenance of sanitation networks and infrastructure and on-site industrial services, from Suez for €298 million. The transaction, whose completion was subject to regulatory approval and customary closing conditions including the consultation of employee representative bodies, was expected to be completed in the first half of 2021.

On 11 September 2020, the quoted Canadian utility group Algonquin Power & Utilities Corp announced that it had agreed to acquire 53.51% of Empresa de Servicios Sanitarios de Los Lagos SA ("ESSAL"), a Chilean water company, from Aguas Andinas SA, a subsidiary of Suez, for a purchase price of US\$ 92.3 million. The transaction, which had an enterprise value of US\$ 295 million, was expected to complete in 2020.

On 16 September 2020, Suez announced that it had entered into exclusive negotiations for the sale of its Recycling & Recovery operations in the Netherlands, Luxembourg, Germany and Poland, to GreenCycle Stiftung & Co KG (trading as "PreZero"), a subsidiary of Schwarz GmbH & Co KG. The transaction valued the business transferred at €1,100 million. The transaction was expected to be completed in the first quarter of 2021.

On 21 September 2020, Suez announced that it had entered into exclusive negotiations for the sale of its Recycling & Recovery operations in Sweden to PreZero. The transaction valued the business at SEK 3,700 million. The transaction was expected to be completed by the end of 2020, subject to regulatory approval and customary closing conditions.

The above divestments were part of Suez's commitment to delivering on its asset rotation plan deployed in the scope of its "Suez 2030" strategy.

### 2) Initial approach

On 30 August 2020, Veolia announced that it had made an offer to acquire Engie's 29.9% stake in Suez. This offer followed Engie's announcement on 31 July 2020 of the launch of a strategic review including its stake in Suez. This offer at a price of €15.50 per Suez share, which could be implemented immediately, was valid until 30 September 2020. If it was accepted by Engie, Veolia intended, following the acquisition of the 29.9% stake, to file a voluntary offer for the remaining Suez shares. The indicative offer terms valued 100% of Suez's equity at €9.8 billion.

The events that followed are summarised below:

\* Later on the same day, Engie announced that it would study this proposal in the coming weeks. Engie would give preference to the most attractive solution for its shareholders, with due respect to the stakeholders, and after taking into consideration the quality of the industrial project.

\* On 10 September 2020, Suez announced that its Board of Directors had unanimously concluded that Veolia's "hostile" approach, was against the best interests of Suez and all its stakeholders, and in particular its shareholders, its employees and its clients.

\* On 17 September 2020, Engie announced that its Board of Directors had requested an improvement of the terms proposed by Veolia and was open to alternative offers.

\* On 30 September 2020, Veolia announced that it was improving the price of its offer to €18 per share (including dividend). Veolia had also committed, in case it would take full control of Suez, to maintain full employment in France, and that all employees would also keep their social status, including both individual and collective benefits. This revised offer would expire at midnight.

\* Later on 30 September 2020, Engie's Board stated that it welcomed the improved offer. The Board considered that this new offer was in line with its expectations in terms of price and social guarantees. Considering the importance of the transaction for all stakeholders, the Board requested that Veolia extended the validity period of its new offer until 5 October 2020 in order that Veolia formalised its unconditional commitment not to launch a public offer which would not be friendly. Veolia subsequently agreed to extend the validity period of its offer until 5 October 2020.

\* Also on 30 September 2020, Suez stated that the proposals made by Veolia remained vague and did not guarantee the interests of the shareholders and stakeholders that the Board was responsible for defending. The Suez Board asked Engie not to decide on the future of Suez under the conditions and timetable dictated by Veolia.

\* On 1 October 2020, Ardian announced that it had made known its interest to Engie regarding the acquisition of its 29.9% stake in Suez. This approach was supported by Suez's Board and employee representatives. Ardian stated that it hoped to build a consortium of institutional investors, predominantly French, that would make a recommended public offer for Suez. No potential terms of such a transaction were provided.

\* On 4 October 2020, Veolia announced that it had held constructive discussions with the management of the Suez group since 1 October, and announced that it unconditionally committed not to file a hostile takeover bid following the sale of the shares held by Engie in Suez. Any public takeover bid on Suez's remaining capital would therefore require a prior favourable reception from Suez's board of directors. Veolia had accordingly provided the guarantee required by Engie's board of directors.

### 3) Defensive measures taken by Suez

On 23 September 2020, Suez announced that it believed, in the context of Veolia's hostile project, that a potential transfer of Suez Eau France to Meridiam would be against the company's purpose and the corporate interest of Suez, as well as against the interest of its stakeholders and particularly its employees. Therefore, the Board of Directors had decided that the sustainability of Suez Eau France within Suez group was to be legally protected.

A foundation (a Dutch entity) managed by a majority of representatives or former representatives of Suez's employees, had, from that day, the mission to preserve, in the interest of Suez, the integrity of the French Water activity within the Suez group. For the next four years and unless otherwise decided by the Board of Directors, Suez Eau France, as well as its assets, would be non-transferable in the absence of prior approval of the Suez Eau France shareholders under certain conditions, and in any case, the foundation's prior approval.

On 21 March 2021, Suez stated that it was increasingly concerned that Veolia, a direct competitor, was seeking creeping control of Suez. This was evidenced by 1) the breach of Veolia commitments to amicability, 2) its refusal to put an appropriate value on the table 3) its attempts on questionable grounds to recover its voting rights suspended pursuant to antitrust rules and impose itself, directly or indirectly, at the upcoming shareholders' meeting and 4) its threats to both Suez and to potential buyers to prevent Suez from carrying through disposals, as part of Suez's plan announced in October 2019 and redeveloped in further details in September 2020, which would create value directly for Suez's shareholders.

In this context, Suez's Board of Directors had decided in order to preserve the corporate interest of Suez, and effective as of 21 March 2021, to make irreversible until September 2024 the safeguarding mechanism of the "Water France" activity within the Suez Group. At the same time, the scope of this safeguarding mechanism had been amended and as a result, the foundation (the Dutch entity) would be dissolved in each of the following cases:

a. If (i) at the latest on 20 April 2021, Suez found an agreement on the main terms of a transaction comprising a potential tender offer on Suez, and then (ii) at the latest on 20 May 2021 Suez entered into a definitive agreement consistent with such main terms, and (iii) the contemplated transaction was completed prior to 30 September 2022.

b. If a qualifying offer had occurred, i.e. a full-cash public offer to acquire all the shares issued by Suez for an offer price at least equal to €22.5 per Suez share, which was the subject matter of a public commitment of an offeror no later than 5 May 2021, was approved by the AMF at the latest by 29 June 2021 and had a successful outcome at the latest by 30 September 2022.

### REASONS FOR TRANSACTION

By combining the very solid skills of Suez and Veolia, this transaction would be able to significantly accelerate the development of the new entity in the face of growing competition, and would enable the

industry in France, Europe and the world to meet the environmental challenges of the 21st century.

\* Broader expertise and an enlarged commercial offer

The two companies, which shared a common nationality, corporate culture and know-how, were also complementary in water treatment and distribution, waste collection and recovery, particularly hazardous and toxic waste, plastics recycling, soil remediation, air quality and optimization of energy consumption. All these skills, brought together under the same brand name and supported by a team united by the same values, provided a complete range of solutions at a time when public authorities and industrial clients alike were seeking to make their activities cleaner, more efficient and more virtuous.

\* An increased capacity for innovation

In a particularly fragmented volume market, innovation was fundamental to inventing and developing the technologies that were still missing to fully succeed in the ecological transformation. The combination of talent and research skills would accelerate the development of these forward-looking solutions and enable a better return on the necessary investments. This enhanced capacity for innovation would also be supported in particular by French small and medium-sized companies working on innovation in the major areas of ecological transformation, through a support fund set up by the new entity.

In addition, the transaction would lead to the establishment of a new professional training centre, providing all the necessary levels of skills for the new professions that would be created by the ecological transformation, and thus launch a dedicated European school of ecological transformation in France.

\* Strengthened geographical positions

Both because of the complementary nature of Suez's and Veolia's different geographies, but also by consolidating the key geographies in which the two groups operated, the new group's international footprint would be strengthened, with a significantly increased share of the world's fast-growing regions.

Veolia was particularly well established in Central and Eastern Europe and the United Kingdom, while Suez's historical geographies were in Spain and Northern Europe. Outside Europe, where the main growth regions for the businesses were located, the company would double in size in South America and Australia, while significantly strengthening its positions in North America and Asia.

\* A natural combination of forces

The sale by Engie of its stake in Suez would take place at the ideal time to complete this combination: the reorganisations carried out in recent years by the two groups make them more compatible and complementary than ever. Indeed, their new strategic plans, Shaping 2030 for Suez and Impact 2023 for Veolia, were convergent and both clearly oriented towards international markets with high growth and innovation potential.

\* A transaction that created value for all stakeholders

For employees, this new, more innovative and international entity would offer even more perspectives and opportunities. The transaction would be carried out without any negative impact on employment in France. In addition, all customers, local authorities and industrial clients, would find in this new entity a partner that would enable them to achieve their own ecological transformation objectives much more quickly.

Finally, this transaction would create value for Veolia shareholders from the very first year, thanks in particular to operating and purchasing synergies estimated at €500 million, which had been taken into account in the price offered to Engie. These cost synergies were expected to be achieved within four years of completion: €100 million in year 1, €300 million in year 2, €400 million in year 3 and the full €500 million in year 5.

This exciting project would be fully in line with Veolia's corporate purpose, and would ideally position the new entity to meet the main challenge of this century: ecological transformation.

#### REASONS FOR DIVESTMENT

Engie gave the following reasons for selling its 29.9% stake in Suez:

\* The disposal of Engie's stake in Suez was an important first step in the Group's implementation of its new strategic orientations announced at the end of July 2020.

\* It would enable Engie to clarify its profile and boost its capacity to invest in renewable energies and infrastructure - the two growth areas it was focusing on to support the energy transition.

\* This transaction represented disposal proceeds of €3.4 billion and would generate a pre-tax capital gain of €1.8 billion, to be booked in the 2020 financial results.

\* The Board had taken note of Veolia's commitments, and notably its unconditional commitment not to file a hostile takeover bid, once it had acquired Engie's stake in Suez, and discussions started between the parties in recent days concerning the industrial project.

#### REASONS FOR REJECTING INITIAL OFFER

Suez stated that the overall structure of the transaction contemplated by Veolia was questionable and exposed Suez and its shareholders to a long period of disruption for the Group with a risk of a

takeover on an unacceptable basis:

\* Veolia's takeover project came with major antitrust and regulatory issues in France and abroad; specifically, the acquisition of the 29.9% stake would be, according to Suez, subject to several specific regulatory approvals;

\* The concept of a "Global Champion" lacked fundamental substance in the environmental services industry, and as such Veolia's project ignored major execution risks and dissynergies. It would lead to a break-up of Suez group with substantial asset disposals that would put the Group's footprint and technological know-how at risk. This could weaken its position for upcoming contract renewals;

\* The value creation strategy of the contemplated project was primarily driven by significant cost synergies which had led Suez's 90,000 employees to voice valid concerns over their employment and future within the Group;

\* Clients, municipalities and communities in France and abroad, with whom Suez interacted on a daily basis, expressed strong reluctance about Veolia's project as it threatened to destabilize the competitive dynamics at play and put at risk the quality of service and innovation legitimately expected by end-consumers;

\* Concerning Suez's French water business, the intended disposal process for these activities to Meridiam was not clear; its specific terms should had been made public. It was doubtful that it brought the appropriate level of credibility to make it an acceptable remedy to comply with antitrust rules and reassure Suez's clients who had already voiced their opposition to this project.

#### RECOMMENDATION OF INCREASED OFFER

Suez made the following comments in response to the increased offer:

\* In accordance with the terms of the merger agreement, the Board of Directors of Suez, having taken note of the fairness opinion of the independent expert (Finexsi), which concluded that the financial terms of the offer were fair and that the sale price of the new Suez was consistent with the offer price, recommended that its shareholders tender their shares to the Veolia public offer.

\* The public offer for Veolia recommended by the Board of Directors and the proposal to purchase the new Suez would enable both companies to carry out their respective projects. The Board was satisfied that the interests of all of its stakeholders were assured.

\* The agreement created value for Suez shareholders, guaranteed jobs and allowed the emergence of a new player in essential services thanks to the creation of the new Suez, with strong French roots. The strength of this new company guaranteed innovative competition that would contribute to the preservation and restoration of the environment, the challenge of the century.

#### EMPLOYEE COMMITMENTS

Veolia formally confirmed its employee commitments, which had been handed over to Engie and the French Minister of the Economy, Finance and Recovery. Veolia had made a commitment that the merger transaction would not have a negative impact on employment in France. It had guaranteed 100% of jobs and social benefits for all Suez employees in France.

Regarding the activities in France that would have to be sold to enable Veolia to obtain regulatory authorizations, Veolia undertook that the chosen buyers would make the same employee commitments. On bringing together the management teams to form the new group, Veolia was committed to integrating Suez executives into the management bodies in a spirit of balance and on the basis of competence criteria.

## Payment Details

#### OVERVIEW

Veolia's offer for Suez consisted of a cash offer, with no alternative form of consideration available. The initial offer terms valued the entire share capital of Suez at €11.4 billion, and the increased offer terms at €12.9 billion.

#### OFFER TERMS

The terms of the offer were as follows:

##### 1) Initial offer

for each Suez share            €18 in cash

##### 2) Increased offer

for each Suez share            €20.50 in cash

N.B. The increased offer price was subsequently adjusted downwards for a €0.65 per share dividend declared by Suez (to €19.85).

#### EQUITY VALUE

M&A Monitor has calculated an equity value for Suez by reference to:

- \* the increased offer terms; and
- \* Suez's 631,332,629 ordinary shares in issue at 30 June 2020.

N.B. No recent information was available as to Suez's options in issue.

#### NET DEBT/FUNDS

M&A Monitor has calculated the net debt figure for Suez from its 30 June 2020 balance sheet, as follows:

As at 30/06 € millions	2020
Cash and cash equivalents	5,107.9
Short-term debt	(3,409.0)
Short-term lease liabilities	(295.8)
Long-term debt	(11,213.8)
Long-term lease liabilities	(1,146.4)
Net debt	(10,957.1)

#### FINANCING

The acquisition of the 29.9% stake was financed from Veolia's own resources. The financing of the offer would be provided by a bridge loan concluded with a banking syndicate. It was expected that this loan would be refinanced in part by the proceeds from the sale of the remedial assets and, possibly, by the issue of equity securities or giving access to the capital (depending in particular on the amount of the disposals and a possible part offered in Veolia shares in the public offer) with a view to preserving the current credit rating and maintaining the extended group's net financial debt / EBITDA ratio below 3.0x in the medium term in accordance with the group's objectives

#### BID PREMIA / SHARE DATA PAGE

The following points relate to the bid premia and the share data from which they were calculated:

##### 1) Basis of calculation

Bid premia figures on the M&A Monitor database are based on the closing share prices of a target company during a defined period or in relation to a defined date, rather than on the basis of weighted average prices of trades in a target company's shares during a defined period or on a defined date.

##### 2) Source of share prices/Currency

Share prices on the Share Data page for Suez and Veolia have been taken from Euronext Paris, in euros.

##### 3) Pre-bid speculation share price

The pre-bid speculation share price relates to 30 July 2020, the last day of trading before Engie announced a strategic review regarding its 29.9% stake in Suez.

#### TARGET FINANCIALS

The income statement figures are for the 12 months trailing 30 June 2020, as calculated from figures provided in Suez's annual and quarterly reports, as shown below:

€ millions	6 months ending 30/06/2020	6 months ending 30/06/2019	12 months ending 31/12/2019	12 months trailing 30/06/2020
Turnover	8,166.6	8,656.0	18,015.3	17,525.9
Cost of sales	1,684.8	1,798.1	3,720.7	3,607.4
Gross profit	6,481.8	6,857.9	14,294.6	13,918.5
Associated income[1]	55.3	94.5	198.3	159.1
Depreciation/amortisation	975.6	743.8	1,531.7	1,763.5
Operating profit	30.0	599.5	1,406.7	837.2
Financial income	33.6	39.9	89.8	83.5

Financial expense	252.1	285.1	603.8	570.8
Exceptional items	-271.1	144.7	56.5	-359.3
Profit before tax	-459.6	499.0	949.2	-9.4
Tax	44.6	157.0	340.0	227.6
Profit after tax	-504.2	342.0	609.2	-237.0
Minority interests	34.0	130.4	257.5	161.1
Net income	-538.2	211.6	351.7	-398.1

[1] This item has been restated above the operating profit line by M&A Monitor, together with an upward adjustment to operating profit.

## Target Details

### OVERVIEW

Suez was a French utility group focused on water treatment and supply and waste management. In 2019, Suez delivered sanitation services to 64 million people and produced 4.2 million tons of secondary raw materials and 7.1 billion m3 of drinking water. Suez had a presence on all five continents and employed around 90,000 people that served more than 450,000 industrial and business customers. Suez's shares were traded on Euronext Paris. In 2019, the group recorded revenues of €18 billion, an operating profit of €1.3 billion and a net profit of €609.2 million.

### OPERATIONS

Suez had the following operating segments:

\* Water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services were rendered to individuals, local authorities and industrial clients.

\* Recycling and Recovery Europe: waste collection and treatment services for local authorities and industrial clients. These services included collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste.

\* International: The group was expanding in these business segments, depending on the opportunities that arose, in the areas of water, waste and engineering services, with a special focus on risk - management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

\* WTS: The segment included all water services for the industrial customer segment.

\* Other: The segment was made up of holding companies, including Suez, as well as Suez Consulting, a consulting subsidiary of the group.

### SEGMENT INFORMATION

The following table shows a breakdown of Suez's revenues by operating segment:

Y-E 31/12 € millions	2019	2018
Water Europe	4,703.3	4,683.0
Recycling and Recovery Europe	6,545.7	6,265.2
International	4,198.4	3,992.1
WTS	2,658.5	2,456.8
Other	278.1	241.7
Eliminations	(368.7)	(307.7)
Total	18,015.3	17,331.1

The following table shows a breakdown of Suez's revenues by geographical area:

Y-E 31/12 € millions	2019	2018
France	5,075.2	5,059.7
Europe	5,825.8	5,583.5
International	7,114.3	6,687.9
Total	18,015.3	17,331.1

## FINANCIAL PERFORMANCE

Suez's consolidated income statement for 2018 and 2019 is shown below:

Y-E 31/12 € millions	2019	2018
Revenues	18,015.3	17,331.1
Purchases	(3,720.7)	(3,648.6)
Personnel costs	(4,701.4)	(4,598.4)
Depreciation, amortisation and provisions	(1,531.7)	(1,167.7)
Other operating expenses	(7,089.8)	(6,999.2)
Other operating income	236.7	225.2
	-----	-----
Current operating profit	1,208.4	1,142.4
Income on operating financial instruments	3.7	(0.8)
Impairment	(64.8)	(25.6)
Restructuring costs	(132.3)	(87.6)
Scope effects	8.4	(6.2)
Other non-recurring items	26.6	60.1
Aguas Argentinas dispute settlement	214.9	-
	-----	-----
Income from operating activities	1,264.9	1,082.3
Share in net income of associates & JVs	198.3	192.9
Financial expenses	(603.8)	(555.6)
Financial income	89.8	90.2
Income tax expense	(340.0)	(244.0)
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Net income	609.2	565.8
- Of which: Group share	351.7	334.9
- Non-controlling interests	257.5	230.9

## SOURCES USED

Suez annual report 31-12-19  
 Suez interim report 30-06-20  
 Veolia annual report 31-12-19  
 Veolia press release 30-08-20  
 Veolia presentation 31-08-20  
 Veolia press release 30-09-20  
 Veolia press release 04-10-20  
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 AMF announcement 27-01-22

[www.veolia.com](http://www.veolia.com)  
[www.suez.com](http://www.suez.com)

## Further Information on M&A Monitor Ltd.

M&A Monitor produces a database which analyses selected corporate mergers and acquisitions. This can be found at [www.ma-monitor.co.uk](http://www.ma-monitor.co.uk). The M&A Monitor database was launched as a web-based product in the second half of 1997, since which time it has established itself as the most reliable source commercially available for analytically rigorous M&A data. The database analyses and interprets all relevant publicly available information about a transaction and presents it in a user-friendly format which combines rigorous valuation analysis with detailed textual sections, thus providing a "one-stop-shop" for deal specific information. Different sector and deal-specific templates are used to reflect the type of transaction (e.g Public or Private) and target sector (e.g. Banking or Industrial). The information used on the database for transaction analysis is sourced from original materials published by the parties to

the transaction and regulatory bodies including additional information which comes into the public domain subsequent to completion of a transaction. Transactions are typically analysed by analysts with the necessary language skills or sector experience. M&A Monitor can be contacted on (+44) 20 8944 9700 and at [enquiries@ma-monitor.co.uk](mailto:enquiries@ma-monitor.co.uk)