

Siemens' health unit shares surge in Frankfurt debut (Update)

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The market launch of Siemens Healthineers was one of Germany's biggest in recent years

Shares in Siemens' Healthineers unit surged in their debut on the Frankfurt stock exchange Friday, after the industrial giant raised 4.2

billion euros in a more muted than expected initial public offering.

Shares jumped more than eight percent to close at 30.38 euros (\$37.34) on the first day of trading, whose start was delayed by some 45 minutes because of a technical hitch.

The market launch was one of Germany's biggest in recent years, but nevertheless fell below expectations after Siemens priced the 150 million shares up for grabs—representing a 15-percent stake in Healthineers—at 28 euros each.

The price came in at the bottom end of Siemens' initial guidance range of 26 to 31 euros per share, and values the medical company at some 28 billion euros.

One of Siemens' largest and most valuable divisions, Healthineers supplies hospitals around the world with everything from X-ray and MRI machines to lab diagnostics gear and robotic arms used in the operating theatre.

It's in robust health, achieving an operating profit margin of around 18 percent last year and revenues of 13.8 billion euros, second only to Siemens' flagship but troubled power and gas unit.

Market volatility

Its flotation comes as the sprawling Siemens conglomerate seeks to become more nimble in response to changing markets and stronger competition.



From left to right, Healthineers chairman Bernd Montag and CFO Jochen Schmitz, Siemens AG CFO Ralf Thomas, Healthineers supervisory board chairman Michael Sen and board member Michael Reitermann gather at the stock exchange after the IPO

Last year, the group announced a tie-up of its train construction business with French rival Alstom to create a European rail giant, merged its wind energy unit with Spain's Gamesa and unveiled plans to slash some 7,000 energy jobs due to falling global demand for its power plant turbines.

Healthineers' initial public offering (IPO) was tipped to be the largest on Frankfurt's blue-chip Dax index in over two decades when it was first announced by Siemens late last year, with analysts estimating the offering would generate some nine billion euros.

But those expectations were dashed when Siemens this month said it would offer the stock at the lower-than-expected range of between 26 and 31 euros per share, partly because of a spike in market volatility in recent weeks that has sapped investor demand.

The last Frankfurt IPO of a similar size was 2016's listing of RWE's renewables spin-off Innogy, which raised around 4.6 billion euros.

Healthineers' chief executive Bernd Montag has said the flotation would allow the unit to focus on being "a pure medical technology company", giving it "more flexibility" and the ability to raise its own capital for any future takeovers.

Healthineers is a world leader in medical imaging products in terms of annual revenues.

But it lags behind competitors such as General Electric, Roche and Philips in the areas of diagnostics—which includes machines to analyse blood and urine tests—and advanced therapies, which focus on enabling minimally invasive medical procedures.



Bernd Montag, chairman of Siemens' Healthineers unit, launches the IPO at the stock exchange

'One step at a time'

As for Siemens, observers say the parent company may use the IPO proceeds to support some of its less impressively performing offspring, notably the giant gas and power unit currently undergoing a painful restructuring.

Siemens' chief financial officer Ralf Thomas, who helped ring the opening bell, expressed satisfaction at Healthineers' debut, saying the group looked forward to the company's development "to the benefit of all shareholders".

But he was coy about what Siemens would spend the IPO windfall on.

"We always take one step at a time. When we have something to say, we'll say it," he told reporters in Frankfurt.

The changes sweeping Siemens come as conglomerates around the world are rethinking their strategies, offloading units and reshaping unwieldy businesses in a bid to keep pace with fast-changing industry landscapes.

Siemens' CEO Joe Kaeser told German media last year his aim was to make the group more agile.

"Today we are a single tanker. We must become a coordinated and efficient fleet of ships."

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