Volkswagen aims USD 4.3 billion in cost savings from Porsche merger

Monday, 17 Aug, 2009

Bloomberg quoted Mr Hans Dieter Poetsch CFO of Volkswagen AG as saying that it aims to achieve EUR 3 billion in cost savings from merging with Porsche SE.

Mr Poetsch said that Volkswagen, which will pay EUR 3.3 billion for 42% of Porsche's automotive unit as a first step in the merger, will issue as much as EUR 4 billion in new preferred shares in the first half of 2010 to help fund the purchase.

The combination would end a 4 year feud for control that led to Porsche amassing at least EUR 10 billion in debt to buy a 51% holding in Volkswagen, its biggest supplier, in a failed takeover attempt. Porsche halted the effort to acquire VW in May, and the companies outlined plans last month for a transaction that would also include investments by Qatar.

Ms Stephanie Brinley analyst at AutoPacific Inc said that "The merger seems kind of odd because the companies work together anyway, so they clearly don't need to own one another to work together. The story reads like a personal war instead of a strategic purchase, but that doesn't mean VW can't make it work."

Mr Martin Winterkorn CEO of Volkswagen will take the CEO post at Porsche and Mr Poetsch will become head of finance there as of September 15th 2009. Mr Wendelin Wiedeking CEO of Porsche and Mr Holger Haerter CFO of Porsche stepped down on July 23rd 2009 when the companies agreed to merge.

Volkswagen said that the combination, which the companies aim to complete sometime in 2011, will boost operating profit by EUR 700 million annually.

(Sourced from www.bloomberg.net)