

Leica 's Rejection Definite

Leica Geosystems AG (Switzerland) is rejecting the bid by Hexagon of Sweden as it undervalues the company and materially reduces its growth and development prospects. A combination with Hexagon would not be value-additive to the Company and its employees and will potentially reverse the Company's successful strategy.

Monday 13th June the Board of Leica Geosystems rejected the unsolicited takeover bid by Sweden's Hexagon AB because it did not fully value Leica and its outstanding growth prospects.

The Board has concluded that there is no apparent compelling strategic rationale for such a combination. Such a transaction would not be in the interests of Leica's stakeholders including its shareholders in the event Hexagon includes a stock component as part of its offer, as was suggested by Hexagon earlier in the week.

The technology-driven strategy of a conglomerate specializing in macro, micro and nano-measurement which Hexagon presented would take Leica Geosystems back to the '80s and an old strategy abandoned years ago after many bad experiences. As far as Leica Geosystems is concerned, Hexagon's plans definitely represent a step backwards.

In the late '80s, what was then Wild-Leitz consisted of three divisions: microscopy (nano-measurement), metrology (micro-measurement) and geodesy (macro-measurement), the latter the precursor of Leica Geosystems. The original group was based on diverse sectors sharing a uniform technology base. The concept was abandoned after only a few years. The lack of synergies led to a reorientation, in the '90s, to reflect customer and market segments, and a split into three specialized companies, Leica Geosystems, Leica Microsystems and Leica Camera.

Today Leica Geosystems is clearly positioned and focused on measurement technology. Its divisions Surveying & Engineering, High Definition Surveying - HDS, GIS & Mapping and Consumer Products combine segments that give rise to various synergetic effects, and account for more than 90% of sales. Shared customers and marketing channels produce some of these synergies.

The strategic turnaround and focusing has contributed materially to Leica Geosystems' success and rapid growth in the past ten years. Integration in a less-focused industrial conglomerate such as Hexagon would represent a step backward, from which neither 90% of Leica Geosystems' customers nor 90% of its business could possibly benefit.

Based on this analysis of the Hexagon bid's strategic and development aspects and decades of knowledge and experience in measuring technology and the market, the Board has also rejected the takeover bid unanimously because of its reduced growth and development prospects.

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