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## What the future holds for Innomotics after its spin-off from Siemens

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Company Industry  
Technology

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**After being sold to a financial investor, drive specialist Innomotics wants to work on its profitability—and, according to industry circles, offers guarantees for locations and jobs.**

After being sold to a financial investor for several billion euros, Siemens' former drive division seeks to increase the speed of its growth.

"Independence will spur us on," explains Innomotics CEO Michael Reichle to Handelsblatt. The unit can now focus on its core business and act faster. There are said to be guarantees for employees and locations.

In mid-May, Siemens announced the sale to KPS Capital Partners. The deal valued Innomotics at approx. EUR 3.5 billion. Innomotics produces large motors, e.g., for use in factories, mines, treatment plants and submarines, and converters. With 15,000 employees, the company last generated approx. EUR 3.3 billion in revenue. Innomotics has 16 factories across the world, 5 of which are in Germany.

Innomotics is a world market leader in four of its five business areas and technologically ahead with its energy-efficient motors and converters, says Reichle. According to experts, the market is expected to grow approx. 4% per year on average. "Of course we want stronger growth to obtain more market share." Profitability also has "room for growth," says the CEO.

Employees were initially critical of the spin-off. But they were properly included in the sales process, says Germany's largest metalworkers' union, IG Metall. "Due to its previous acquisitions, KPS has a reputation of pursuing long-term industrial interests."

#### **"No need to restructure"**

Short-term profit maximisation at any cost is not to be expected, say the employees. However, developments will be followed carefully. Since BenQ, Siemens' former cell phone division which went broke just 1 year after being sold, the union and the company have been paying close attention to buyer solidity.

According to information Handelsblatt received from financial circles, bidders included Japanese competitor Nidec which considers itself the world's number one motor manufacturer.

According to information Handelsblatt obtained from industrial circles, the KPS takeover guaranteed to maintain jobs and locations for 2 – 3 years. Innomotics CEO Reichle merely stated that the company was well-positioned and on a path to growth. Employees would benefit from this as well.

Siemens' supervisory board, which approved the sale, is confident about the division's future prospects under its new owner. The business was solid when given independence and is active in growth markets, according to the supervisory committee.

The industry's main focus is energy efficiency. "For example, we help copper mine operators achieve this with maximum efficiency." For this, Innomotics even developed cloud-based digital solutions for anticipated maintenance and more efficient use of machines.

#### **How the collaboration with Siemens will continue**

An important future growth market is hydrogen—for which Innomotics is developing technology for, e.g., compressor systems used in pipeline transport. Converts may be used for electrolyser feed-ins.

KPS co-founder Michael Psaros said, "We are happy to invest in Innomotics and, building on 150 years of extraordinary technological innovation, create a successful independent company." The financial investor will work closely with management "to accelerate the company's growth trajectory and increase its value significantly."

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KPS manages investment funds worth approx. USD 21.4 billion. In Europe, the financial investor acquired 17 businesses with a total value of more than USD 11.5 billion in the last 4 years. KPS' portfolio includes fitness equipment maker Life Fitness, oil producer and former Baker Hughes subsidiary Lufkin and gasoline engine manufacturer Briggs & Stratton.

Innomotics' core is Siemens' drive division Large Drives (LDA). To increase the value of the sales candidate, the DAX-listed business also brought the subsidiary Sykatec, the low-voltage and geared motors of Motion Control and the specialised business for highly-precise motor spindles of Weiss Spindeltechnologie into the company.

Close collaboration with Siemens will continue. For example, the product partnership for low-voltage drives of the former parent company is being maintained. "This sends an important signal to our customers and employees."

The market notes that Innomotics is large enough to be listed on the MDAX. However, the KPS sale currently does not include plans to go public. "We are focusing on the tasks at hand."

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*Höpner, Axel*

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