



**Corporate Finance Awards** The award winners (2) Private Equity

## „There was mutual trust from start to finish“

KPS Capital Partners from New York is the winner in the private equity category of this year's Corporate Finance Awards from Börsen-Zeitung. Its acquisition of Innomotics, a supplier of electric motors and large drive systems, is the largest private equity deal in the European industrial sector in the last three years.

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KPS co-founder Michael Psaros

Photo: KPS Capital Partners

In May last year, private equity firm company KPS Capital Parters acquired Innomotics. Although the purchase price of 3.5 billion euros is itself impressive, KPS co-founder and partner Michael Psaros emphasises a non-financial aspect of the deal – namely that Siemens was an exceptional partner as a seller. „There was mutual trust from start to finish," he told Börsen-Zeitung. Trust is crucial for KPS in such billion-euro transactions. He has been very fortunate to have been involved in numerous transactions of this kind, says Psaros: „But this was absolutely one of the best.“

The supplier of motor and large drive systems, Innomotics, has only existed as an independent company since July 2023, but its history goes back around 150 years to the early days of Siemens. Electric motors were once part of the company's DNA. However, as the Siemens Large Drive Applications unit, which formed the core of Innomotics, the activities recently led a shadowy existence – and appeared to have been loss-making in this part of the company. The margin of the Digital Industries division rose by 0.8 percentage points to 23.4% when the majority of today's Innomotics business was no longer allocated to the division and was ultimately spun off.

In 2025, Börsen-Zeitung will present the annual Corporate Finance Awards for the 15th time. Outstanding transactions from the previous year are honoured. The selection criteria for the prominent jury headed by Sebastian Schmid, Editor-in-Chief of Börsen-Zeitung, are the size, complexity and originality of the transactions and, of course, the entrepreneurial approach behind them. The winners in the six categories are: Renk (IPO), Schaeffler (M&A), Adnoc (large caps), Viessmann and KKR (mid/small caps), DeepL (digital) and KPS Capital Partners (private equity). The winning transactions will be presented in the Börsen-Zeitung as part of a series and will then have their unfiltered say in the podcast „Corporate Finance Award: Nachgefragt“. The award ceremony is planned for 28 April together with our event partner PwC. Further information on the Corporate Finance Award, the past winners and an overview of all series articles on the winning transactions published up to the award ceremony can be found online at [www.boersenzeitung.de/finance-award](http://www.boersenzeitung.de/finance-award).

Innomotics generates annual sales of over 3 billion euros in around 50 countries, with employees in 17 factories and its headquarters in Nuremberg. The company is active in five business areas: Low-voltage motors, high-voltage motors, medium-voltage converters, solutions and customer service. Michael Reichle, who joined Siemens in 1997 and headed the Siemens Logistics unit, among others, before being promoted to CEO of Large Drive Applications at the beginning of 2023, will lead the company as CEO.

### **„With absolute professionalism“**

What were the success factors for the transaction? In addition to trust, KPS partner Psaros mentions the direct, bilateral negotiations without intermediaries, saying „that was very important.“ Although Siemens had two investment banks as representatives, it was essentially a personal negotiation, directly between himself and his KPS partner Kyle Mumford and the Siemens managers: „Both sides handled it with absolute professionalism.“, he says.

The third success factor was that Siemens had done an impressive job of setting up the business internally as an independent unit: „I have never seen a selling company prepare a business to be spun off as professionally as Siemens," says Psaros. The company invested many millions of euros in the spin-off. Innomotics was therefore well organised, had a management team and a brand identity. Siemens had also thought very carefully about every element of the Transition Service Agreement that the new company would need.

### **Industry expertise important**

Siemens CEO Roland Busch is also extremely satisfied. He praised KPS as the ideal buyer for Innomotics shortly after the transaction was announced. The time leading up to the closing was also ideal. The new owner has an excellent track record in acquiring companies in the manufacturing industry: „KPS has in-depth, cross-company expertise in manufacturing processes and will support Innomotics in maintaining its global market leadership", says Busch. Siemens realised a book profit of 2.1 billion euros.

According to Psaros, Siemens chose KPS for four reasons. KPS not only had to prevail against private equity competition, but also against the Japanese motor manufacturer Nidec. Firstly, it was the track record in the industrial sector, after all KPS is not a generalist buy-out fund: „I couldn't look Siemens, Bosch or Thyssenkrupp in the eye if my partners and I were to invest in healthcare, IT or artificial intelligence at the same time. I am an industrial entrepreneur – and Siemens has understood that.“

### **IG Metall on board**

Secondly, global spin-offs are KPS' core expertise and Siemens was also able to negotiate directly with partners. There are no time-consuming enquiries to investment committees. The fourth factor: „Our relationship with IG Metall.“ KPS has a framework agreement with the union, which is unique for a buy-out fund.

Psaros emphasises the speed with which decisions were made. His first call to Siemens took place in the week before Christmas 2023. The company then started the sales process in January 2024. KPS submitted a fully financed offer in April and signed a binding purchase agreement in May. KPS carried out due diligence with a local presence around the world, which was a challenge: „We practically lived on a plane for five months.“

## Quick decisions

Why did KPS decide in favour of Innomotics? „If you believe in the electrification of the world, then this is the one company you want to own,“ Psaros is convinced. Around 70% of the electricity consumed worldwide flows through motors and drives. Innomotics is a key company for megatrends such as decarbonisation.

KPS always has a plan for improvements when making acquisitions, emphasizes Psaros: „This involves both organic growth and growth through acquisitions.“ KPS now brings speed to its decision-making processes, and this is a decisive competitive advantage: „There's no waiting for monthly calls with senior management or quarterly board meetings.“ Furthermore, Innomotics is now consistently focused on growth. KPS won't consider an exit for at least a few years, says Psaros: „But of course, an IPO is always an option – whether in Germany or elsewhere.“

KPS manages a total of approximately 21 billion dollars in assets. 80% of all investments made by KPS over the past 30 years have flowed into spun-off former group companies, reports Psaros. Since 2021, the company has acquired companies and assets valued at more than 12 billion dollars in Europe – including Eviosys (acquired by Crown Holdings in 2021) and Speira (acquired by Norsk Hydro in 2021).

## All from a single source

Since opening its Frankfurt office in 2010, KPS has, among other things, founded Chassis Brakes International in Germany to take over Robert Bosch's global brake business, the KPS co-founder explains. Waupaca Foundry was acquired from Thyssenkrupp in 2012, and later sold. TaylorMade was acquired from Adidas, and was later exited.

KPS investment returns are exceptionally good, says Psaros. The reason for this is that KPS does all the work itself: „We don't outsource anything to consulting firms.“ The intellectual structure behind every improvement program for its portfolio companies is always 100% KPS.