

1BN) Siemens to Dip Into Cash for 3 Billion-Euro Share Buybacks (2)

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(Updates with analyst comment in fourth paragraph.)

By Sheenagh Matthews and Alex Webb

Aug. 3 (Bloomberg) -- Siemens AG, Europe's largest engineering company, will repurchase as much as 3 billion euros (\$3.65 billion) in stock by year-end as the company seeks to boost returns for investors stung by deteriorating earnings.

The buybacks will be used to reduce capital stock, to issue shares to employees and board members and to back convertible bonds and warrants, the Munich-based company said in a statement late yesterday. The manufacturer will also cancel 33 million shares held in treasury.

Siemens, which had cash of 8.96 billion euros at the end of June, has spent about 1.45 billion euros on acquisitions in the past 12 months, according to data compiled by Bloomberg. Loescher, who has so far opted for bolt-on acquisitions, had shareholders approve a stock repurchase program at the annual meeting in January. ABB Ltd., a competitor in power gear, has spent almost \$4 billion this year alone on takeovers.

"It's signaling that they'll be less active in M&A, because if there were plenty of opportunities they wouldn't have done this," said Martin Prozesky, a London-based Sanford Bernstein analyst with an outperform recommendation on the stock. The buyback will probably boost earnings per share about 2.5 percent, he said.

Shares Rise

The stock gained as much as 5 percent, the most in 10 months, and was trading 4.2 percent higher at 71.18 euros as of 9:44 a.m. in Frankfurt, valuing the company at 65.1 billion euros. The shares had lost 7.6 percent this year through yesterday³, making it the fifth-worst performer on Germany's benchmark DAX index.

Siemens said it will reduce its capital stock to 881 million shares from 914 million euros via the buybacks. With the repurchase amount, the company would be able to buy back 43.9 million shares, or 4.8 percent of outstanding shares, at yesterday's closing price.

"The current debt markets environment for Siemens in combination with its current valuation of its shares offers a unique opportunity for value creation in the long-term," the company said.

Siemens said last month that its target of 5.2 billion euros to 5.4 billion euros in annual net income from continuing operations had become "clearly more ambitious." Siemens reported profit of 1.23 billion euros in the three months ended June 30, trailing an average estimate of 1.4 billion euros, according to data compiled by Bloomberg.

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