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RWE Delays Unit's IPO: Cites State of U.S. Market

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FRANKFURT -- RWE AG postponed the initial public offering of shares in its American Water Works unit, citing unfavorable conditions in the U.S. capital market.

Germany's largest power producer by generation capacity said that because it was delaying the IPO, it is no longer planning an increased dividend payout ratio or a share buyback this year.

RWE still intends to sell the unit through an IPO, Chief Financial Officer Rolf Pohlig said in a conference call with reporters, adding that the company hasn't decided on a new time frame.

Mr. Pohlig ruled out the possibility that RWE would divest itself of the U.S. water unit through a trade sale to an investor. He said RWE received approval from U.S. antitrust authorities for an IPO, and doesn't plan to seek approval for a trade sale.

Analysts at Sal. Oppenheim have estimated that American Water has an equity value of around \$5.4 billion.

In Frankfurt yesterday, RWE shares fell 6% to €88.68 (\$129.50) in a firmer broad market.

"The schedule for the IPO was ambitious to start with, but the postponement is certainly a surprise," said Sal. Oppenheim analyst Matthias Heck.

Mr. Pohlig declined to comment on RWE's likely dividend payout ratio for the year.

RWE previously planned to float at least a majority of American Water by the end of 2007, which would have triggered an increased dividend payout ratio of between 70% and 80% of recurrent net profit for 2007 and a share buyback.

The Essen-based company also said third-quarter net profit dropped 54% to €198 million from €433 million a year earlier, hit by a €256 million charge on deferred taxes related to German corporate-tax changes. Sales declined 2.3% to €8.6 billion from €8.81 billion.

RWE reiterated its full-year outlook, saying it expects operating profit to grow by between 10% and 15% from a year earlier, while recurrent net profit is expected to increase by at least 15%.