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Chinese Outbound: Germany M&A Report 2017
Executive summary

- At the end of 2016, China tightened administrative reviews for capital outflows, which has slowed down the pace of Chinese outbound M&A activity in the first half of 2017 in Germany.

- The new deal activity in 1H 2017 also shows a smaller average deal size compared to 2016 with a series of mega deals (e.g. Kuka/ Midea, KraussMaffei/ ChemChina, etc.)

- The 2016 M&A boom was largely driven by private companies, whereas the first half of 2017 shows a new rise of state-owned companies.

- The new investment environment also had an impact on the industry composition of the target companies in Germany and Europe: while the M&A activity has fallen in most sectors, industrials, high-tech and health/ medical are most resilient.

- Due to investment restrictions, the completion time for Sino-German deals has increased. The risk of not moving towards closing is still high, but after closing the development is more sustainable.

- Outlook for 2H 2017: resilient but further positive M&A activity.
## Top M&A deals in Germany first half 2017

<table>
<thead>
<tr>
<th>Target company</th>
<th>Industry</th>
<th>Buyer</th>
<th>Type of acquirer</th>
<th>Deal value in EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Bank</td>
<td>Financials</td>
<td>HNA Group</td>
<td>Listed company</td>
<td>&gt; 3,000</td>
</tr>
<tr>
<td>Biotest AG</td>
<td>Healthcare</td>
<td>Creat Group</td>
<td>Listed company</td>
<td>1,300</td>
</tr>
<tr>
<td>Robert Bosch Starter Motors</td>
<td>Energy &amp; Power</td>
<td>Zhengzhou Coal Mining &amp; China Renaissance Capital</td>
<td>SOE</td>
<td>545</td>
</tr>
<tr>
<td>Romaco Pharmatechnik GmbH</td>
<td>Healthcare</td>
<td>Truking Technology Ltd.</td>
<td>Listed company</td>
<td>150</td>
</tr>
<tr>
<td>In-tech GmbH</td>
<td>Automotive/ IT</td>
<td>Beijing BDStar Navigation Co. Ltd.</td>
<td>Listed company</td>
<td>80</td>
</tr>
<tr>
<td>Grammer AG</td>
<td>Automotive</td>
<td>Ningbo Jifeng Auto Parts Co. Ltd.</td>
<td>Listed company</td>
<td>60</td>
</tr>
<tr>
<td>SMA Railway Technology GmbH</td>
<td>Railway Technology</td>
<td>Beijing Dinghan Technology Co.Ltd.</td>
<td>Listed company</td>
<td>23</td>
</tr>
</tbody>
</table>
## Top M&A deals in Germany 2011-2016

<table>
<thead>
<tr>
<th>Target company</th>
<th>Industry</th>
<th>Buyer</th>
<th>Type of acquirer</th>
<th>Deal value in EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kion Group</td>
<td>Industrials</td>
<td>Weichai Power</td>
<td>Listed company</td>
<td>2255.1</td>
</tr>
<tr>
<td>EEW Energy</td>
<td>Renewable Energies</td>
<td>Beijing Enterprise</td>
<td>Listed company</td>
<td>1438</td>
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<tr>
<td>KraussMaffei</td>
<td>Heavy Machinery</td>
<td>ChemChina/ AGIC</td>
<td>SOE/ PE</td>
<td>925</td>
</tr>
<tr>
<td>Medion AG</td>
<td>IT</td>
<td>Lenovo</td>
<td>Listed company</td>
<td>627.7</td>
</tr>
<tr>
<td>Örlikon</td>
<td>Industrials</td>
<td>Jinshen Group</td>
<td>PE</td>
<td>540</td>
</tr>
<tr>
<td>普茨迈斯特</td>
<td>Industrials</td>
<td>Sany</td>
<td>Listed company</td>
<td>525</td>
</tr>
<tr>
<td>BHF Bank</td>
<td>金融</td>
<td>Fosun</td>
<td>PE</td>
<td>513.6</td>
</tr>
<tr>
<td>Hilite International</td>
<td>Automotive</td>
<td>AVIC</td>
<td>SOE</td>
<td>473</td>
</tr>
<tr>
<td>KHD Humboldt Wedag</td>
<td>Industrials</td>
<td>AVIC</td>
<td>SOE</td>
<td>471.3</td>
</tr>
<tr>
<td>Schwing</td>
<td>Industrials</td>
<td>XCMG</td>
<td>SOE</td>
<td>423.1</td>
</tr>
</tbody>
</table>
Chinese investment in Germany

Deal value of Chinese FDI in Germany (in 100 million EUR)

Source: own research
Chinese investment in Europe

Deal value of FDI between China and European Union (in billion EUR)

- Investment of EU countries in Europe
- Chinese investment in EU countries

Source: own research
First half-year 2017 compared to same period 2016

Total of M&A transactions in Germany

- Despite foreign exchange control Chinese Outbound investment still on high level
- FDI in first half year of 2017 about 5.5 billion EUR compared to 8.6 billion EUR same period 2016
- High rise because of HNA investment in Deutsche Bank worth 3.3 billion EUR
- First half-year 2017 counts 23 M&A transactions compared to 23 to same period 2016

Source: dealogic, Platform M&A China/Germany
Chinese Outbound investment in Europe

Germany took an outsized role in attracting Chinese investment in 2016 and was the largest recipient of Chinese FDI.

- In 1H 2017 Germany is still leading slightly before in terms of amount of deals.
- Regarding the total investment volume UK is leading due to mega deal of China's CIC EUR12bn takeover of Blackstone's Logicor.

Source: dealogic, own research
German industry trends 2014 - 2016

- Mechanical engineering, health care and automotive sectors remain stable since 2014
- Germany’s strong industrial manufacturing and automotive industries offer attractive investment opportunities for Chinese companies seeking growth and know-how
- Sino-German investments has grown by over 130% in 2014 over the past five years


Source: dealogic, own research
Industry trends 2016 - 2017

Recent M&A industry trends show acquisitions of large industrial players and technology leaders

Popular target companies are in the areas of mechanical engineering, health care/medical and automotive

Renewable energies as well as energy and power sector and automation are moving more and more into focus of Chinese investors

Chinese outbound M&A Germany: Target industry transactions

Source: dealogic, Platform M&A China/Germany
Sino-German transactions in Germany / Europe first half 2017

Germany

- Industrials: 16
- Healthcare/Medical: 2
- Energy and Power: 2
- High Technology: 3
- Financials: 2

Europe

- Industrials: 41
- High Technology: 16
- Financials: 18
- Healthcare-Medical: 6
- Materials: 11
- Media and Entertainment: 7
- Consumer Staples: 6
- Energy and Powers: 11
- Consumer Products & Services: 5
- Retail: 4

Three Sino-German transactions are among the top 10 China outbound deals in Europe in 1H 2017

- Especially in the industrial sector German and European targets are attractive investment targets

- Due to Brexit, investment activity in Germany will further increase and shifts of European HQ from UK to Germany to be expected

Source: dealogic, own research
Industry focus Made in China 2025 – perfect match with Germany

Made in China 2025 key technologies
- High-end computerized machines and robots
- Space and aviation
- Maritime equipment and high-tech ships
- Advanced railway transportation equipment
- New energy and energy-saving vehicles
- Energy equipment
- Agricultural machines
- New materials
- Biopharma and high-tech medical devices

Source: Merics “Made in China 2025”
Distressed M&A in Germany: Chinese investors on the rise

From which regions do you expect investment activities in the German distressed M&A market?

- Finance and M&A experts predict a new rise of Chinese investors in the market of companies in special situations / distressed M&A in Germany
- 88% forecast new competitors from China, while only 51% say that German investors show a high interest in distressed targets
- Overall higher competition in bidding on distressed targets is predicted

Source: Roland Berger “Distressed M&A-Survey 2017”
## Listing of M&A transactions in the automotive industry in Germany 2014-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (million €)</th>
<th>Target</th>
<th>Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>60</td>
<td>Grammer AG</td>
<td>Ningbo Jifeng Auto Parts Co., Ltd.</td>
</tr>
<tr>
<td>2017</td>
<td>N/A</td>
<td>Fineba Automotive GmbH</td>
<td>China National Machinery Industry Corp (Sinomach)</td>
</tr>
<tr>
<td>2016</td>
<td>170</td>
<td>TriStone Flowtech S.A.S.</td>
<td>Anhui Zhongding Sealing Parts Co., Ltd.</td>
</tr>
<tr>
<td>2016</td>
<td>200</td>
<td>Caracoustics International GmbH</td>
<td>Liaoning Dare Industrial Company Ltd.</td>
</tr>
<tr>
<td>2016</td>
<td>N/A</td>
<td>Sideo Vogt GmbH, Hermann Vogt GmbH &amp; Co. KG</td>
<td>Shenzhen Kaizhong Precision Technology Co., Ltd.</td>
</tr>
<tr>
<td>2016</td>
<td>130</td>
<td>AMK Holding GmbH &amp; Co. KG</td>
<td>Anhui Zhongding Sealing Parts Co., Ltd.</td>
</tr>
<tr>
<td>2016</td>
<td>N/A</td>
<td>Metalsa Automotive GmbH</td>
<td>China National Machinery Industry Corp (Sinomach)</td>
</tr>
<tr>
<td>2016</td>
<td>180</td>
<td>TechniSat Automotive</td>
<td>Ningbo Joyson Electronics Corp., Preh Holding GmbH</td>
</tr>
<tr>
<td>2015</td>
<td>N/A</td>
<td>Elektrofahrzeuge Stuttgart (EFA-S) GmbH</td>
<td>Beijing Zhonghuan Investment Management Co., Ltd.</td>
</tr>
<tr>
<td>2015</td>
<td>N/A</td>
<td>WhiteSell Germany GmbH &amp; Co. KG, Werke in Beckingen und Schroeb</td>
<td>Shanghai Prime Machinery Co., Ltd.</td>
</tr>
<tr>
<td>2015</td>
<td>N/A</td>
<td>Mercedes-Benz Vertriebsgesellschaft mbH</td>
<td>Lai Shing Hong Ltd., Hongkong</td>
</tr>
<tr>
<td>2015</td>
<td>3.5</td>
<td>Waldaschaff Automotive GmbH</td>
<td>Lingyun Industrial Corp. Ltd.</td>
</tr>
<tr>
<td>2015</td>
<td>95</td>
<td>Wegu Holding GmbH</td>
<td>Anhui Zhongding Holding (Group) Co., Ltd.</td>
</tr>
<tr>
<td>2014</td>
<td>N/A</td>
<td>Russ &amp; Janet GmbH (Tochter der Daimler AG)</td>
<td>Lai Shing Hong Ltd., Hongkong</td>
</tr>
<tr>
<td>2014</td>
<td>90</td>
<td>Quin GmbH</td>
<td>Ningbo Joyson Holding Group Co., Ltd.</td>
</tr>
<tr>
<td>2014</td>
<td>0.9</td>
<td>Alterprodia GmbH</td>
<td>Ningbo Huaxiang Electric Co. (NBHX)</td>
</tr>
<tr>
<td>2014</td>
<td>N/A</td>
<td>KS Aluminium und Technologie GmbH</td>
<td>Shanghai Automotive Industry Corp (SAIC)</td>
</tr>
<tr>
<td>2014</td>
<td>N/A</td>
<td>KACO GmbH + Co. KG</td>
<td>AVIC Electromechanical Systems Co., Ltd.</td>
</tr>
<tr>
<td>2014</td>
<td>3</td>
<td>Schumag AG</td>
<td>AVIC Electromechanical Systems Co., Ltd.</td>
</tr>
<tr>
<td>2014</td>
<td>N/A</td>
<td>Kokinetics GmbH</td>
<td>AVIC Electromechanical Systems Co., Ltd.</td>
</tr>
<tr>
<td>2014</td>
<td>473</td>
<td>Hilti International</td>
<td>AVIC Electromechanical Systems Co., Ltd.</td>
</tr>
</tbody>
</table>

Source: dealogic, own research
*Red marked buyer have invested several times in Germany. N/A = not available

- Among Chinese investors who acquired German OEM suppliers are several serial investors like AVIC, Anhui Zhongding or Joyson.
- Through the acquisition they took the next step to become the world's most successful automotive suppliers.
Minority vs. majority investments

Total transactions 1st half year 2017

Total transactions 2016

- In 2016 a clear trend of majority share deals have been observed in Sino-German M&A transactions
- In the first half of 2017 there seems to be a slight shift that Chinese buyers tend to minority investments which might be linked to the new political environment

Source: Platform M&A China/ Germany
Analysis of the Chinese big buyers in Germany

SOE or POE (2011-2016)

- Among SOE’s the ratio of serial investors is notably high.
- The majority of SOE are originated in the industrials are, whereas most of the private companies are focused on automotive.
- As the 2016 M&A boom was largely driven by private companies, experts predict that state investors are staging a comeback starting from 2017.

Source: Bloomberg, Rhodium Group

Source: Bloomberg, Rhodium Group
Target structure in Germany

Chinese Majority Holdings in Germany 2016

- Family-owned: 1
- Listed: 4
- Distressed: 2
- Private: 39

Chinese Majority Holdings in Germany 1st Half Year 2017

- Listed: 1
- Distressed: 3
- Private: 12

Source: Platform M&A China/ Germany, own research
Leading clusters in Germany

- The most popular cities for foreign investors are Munich, Dusseldorf, Berlin and Frankfurt
- The top provinces are Northrhine-Westphalia, state of Baden-Wurttemberg and Bavaria
- Chinese investors are tightly located in Northrhine-Westphalia and Frankfurt area
- Apx. 900 Chinese companies are located in Germany

Source: Germany Trade and Invest

* Investment projects defined as greenfield and M&A
M&A outlook & trends from the German perspective

- In general, the amount of cross-border deals between China and Europe is expected to increase. Germany will continue to attract investors looking to acquire advanced technology.

- Financial investors will play even a stronger role in the future, either through buy-outs or as co-investors.

- There will be fewer big-ticket deals, whereas the investments in mid and small-cap targets will increase.

- German sellers tend to have a quite strong position in the market since the demand is much higher than the supply which leads to the fact that in some cases buyers are willing to overpay fair values of target.

- Since 95% of all German companies are family-owned, many entrepreneurs encounter difficulties with finding a successor who will lead their company onto the next generation. This gap will be a key driver for foreign investors in the future.

- The rise of China as an investor and the commensurate shift in Chinese preferences also opens up a unique window of opportunity to improve investment governance in Europe and globally.
About Rödl & Partner
Your partner for cross-border M&A transactions

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- Consult
- Develop
- Operate

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Tax consulting, BPO

Audit

Corporate and IT consulting

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- ONE firm, family-owned, no network or franchise-system
- More than 20 years of China experience
- Tailor-made solutions for international engaged enterprises

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all locations including cooperation partners available at www.roedl.com/locations.html
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Seamless teamwork of a multinational team of professionals

- Team Shanghai
- Team Munich
- Team Frankfurt
- Team Cologne
- Team Beijing

Transaction Services
- Due Diligence
- Valuation
- M&A
- PMI

Private Equity
Corporates
Due Diligence
Valuation Services
PMI
Best practice (non exhaustive)

- **ESTUN AUTOMATION**
  - Transaction support for Estun Automation Co., Ltd. in acquiring British Trio Motion Technology Ltd.
  - Rödl & Partner

- **Skyworth**
  - Transaction support for acquiring a UK company in the area of smart TV
  - Rödl & Partner

- **Skyworth**
  - Transaction support for Skyworth in acquiring TV division of Metz
  - Rödl & Partner

- **Bilfinger**
  - Advising Bilfinger in Post Merger Integration (acquired by Techcent)
  - Rödl & Partner

- **cybex**
  - Advising Cybex in Post Merger Integration (acquired by Goodbaby)
  - Rödl & Partner

- **NBHX**
  - Advising Ningbo Huaxiang Electronic Co., Ltd. in acquiring Sellner Group
  - Rödl & Partner

- **WEGU**
  - Advising WEGU in Post Merger Integration (acquired by Anhui Zhongding Group)
  - Rödl & Partner

- **Kunststofftechnik GmbH**
  - Transaction support for SuK (acquired by Shenzhen Luxshare Precision Industry Co., Ltd.)
  - Rödl & Partner
Your contact

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Consultant
China Practice, M&A

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