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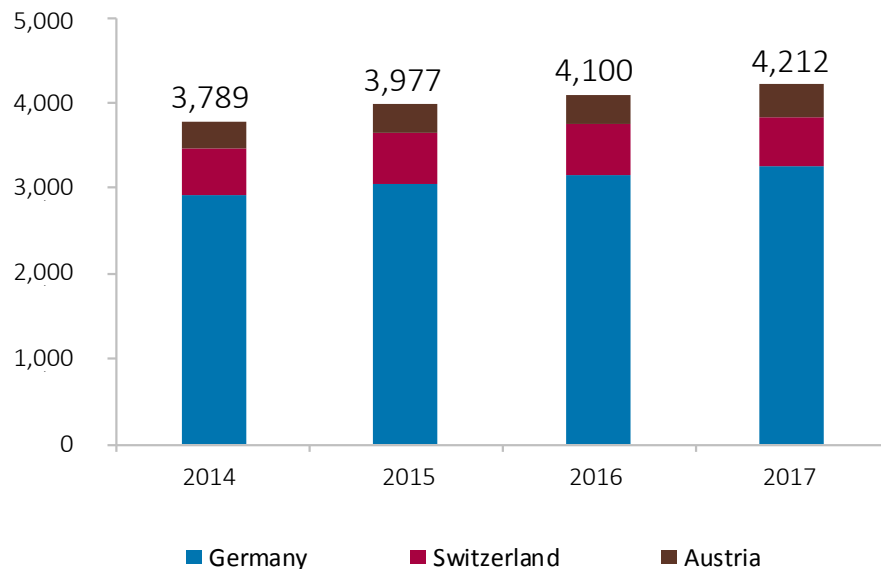
Industrialization through investments – DACH industry structure and success factors for direct investments

Prof. Dr. Christian Aders

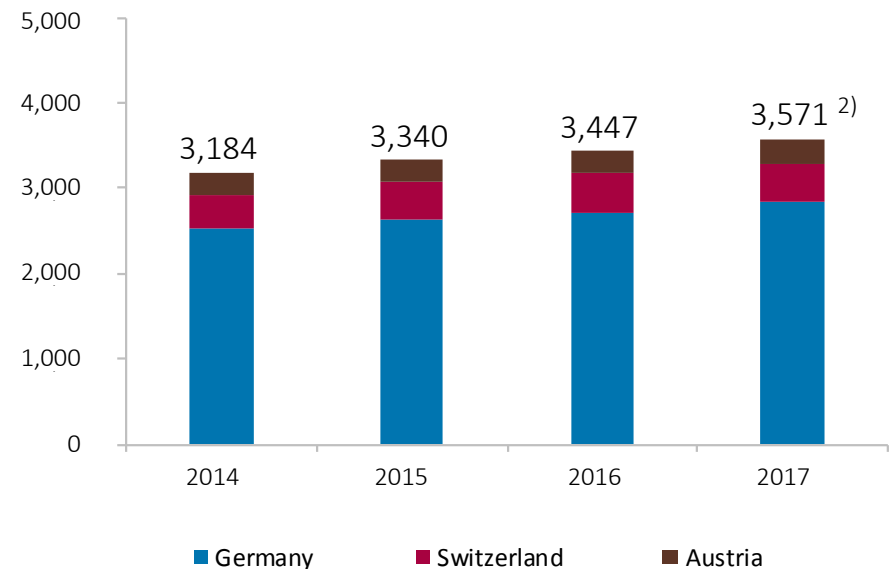


Economic basis: Strong GDP in the DACH region (Germany, Austria and Switzerland)

Total GDP¹⁾ in DACH region (EUR bn)



GDP DACH w/o infrastructure & financial services²⁾ (EUR bn)



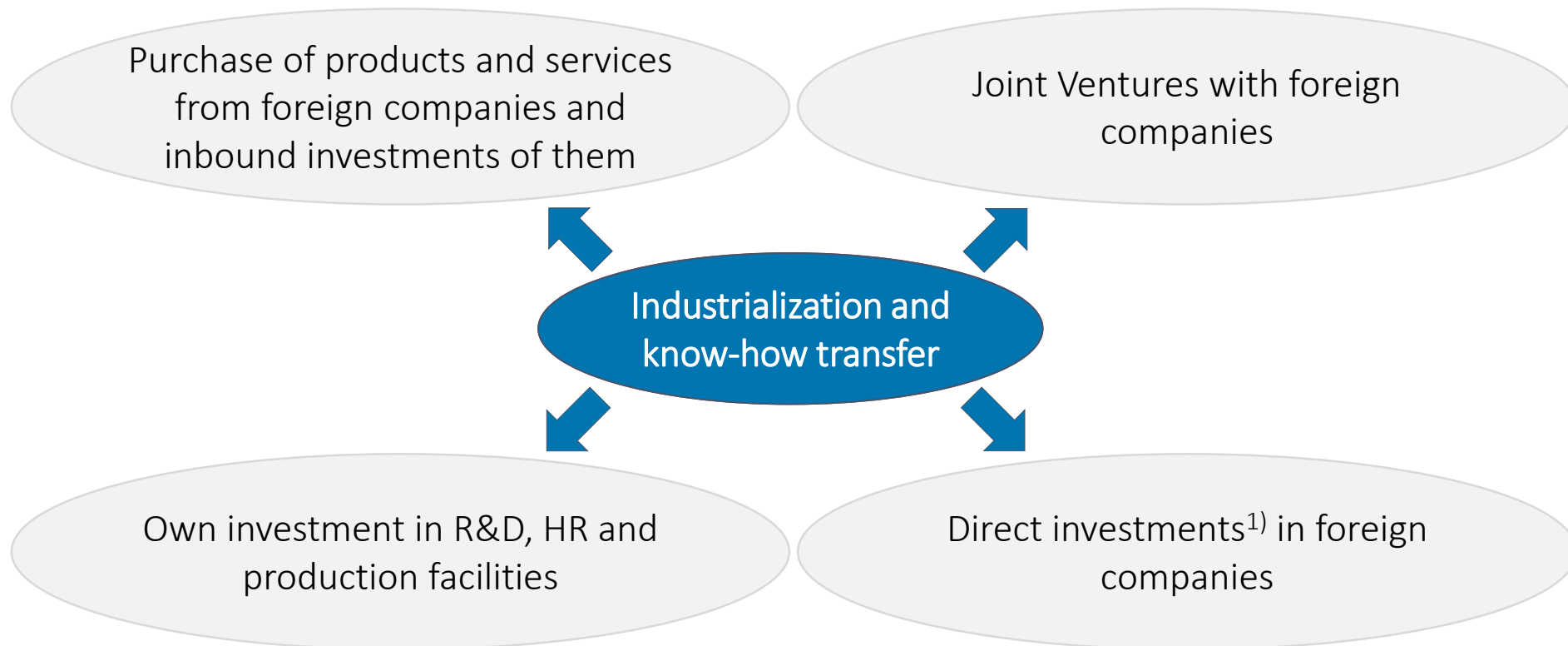
Growing GDP (ca. 4% p.a.) in DACH region exceeded EUR 4,200 bn in 2017. The largest GDP share is contributed by Germany.

Source: Statistisches Bundesamt, UBS, WKO, IMF.

¹⁾ Gross domestic product (GDP) is a key measure of the economic performance of a national economy and includes all goods and services produced within the geographical borders of an economy in a given period and valued at market prices, apart from intermediate goods used to produce other goods and services.

²⁾ No data available for Switzerland in 2017; figures from previous year were assumed.

Four strategic approaches exist to accelerate industrialization and know-how transfer into Arab world



High demand from foreign investors for companies “made in DACH” region due to leading edge technology & production know-how is one of the key drivers for M&A activity in the region.

¹⁾ Direct investments are defined by equity participations over 20%, which allow to influence company strategy, e.g. to invest in foreign production facilities to realize market synergies in foreign markets.

A case study: The public takeover of a leading automotive components provider GRAMMER by a Chinese investor for about 0.8 bn

“Jifeng is under pressure to succeed.

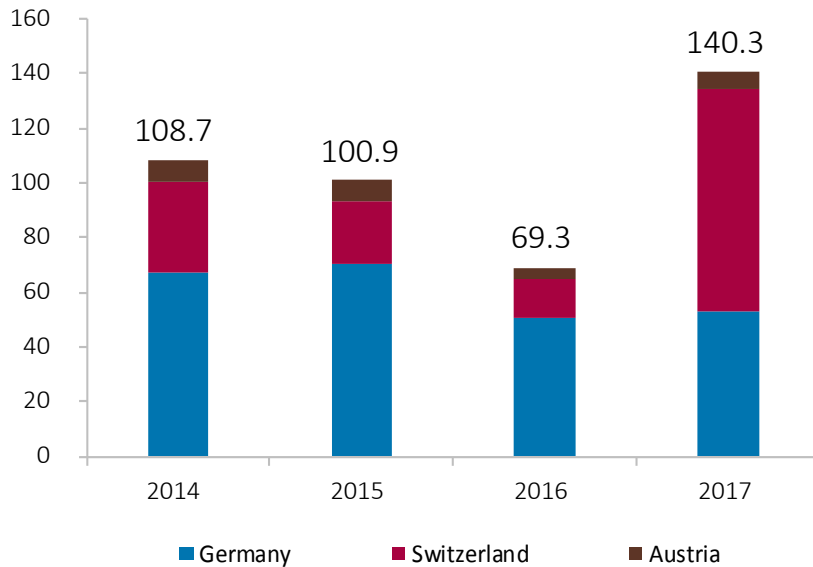
Their expansion is a building block in Beijing's strategy to significantly improve the quality of its own economy.

The automotive industry is a key factor here. Therefore, Jifeng could possibly finance the takeover with loans from Chinese state banks.”

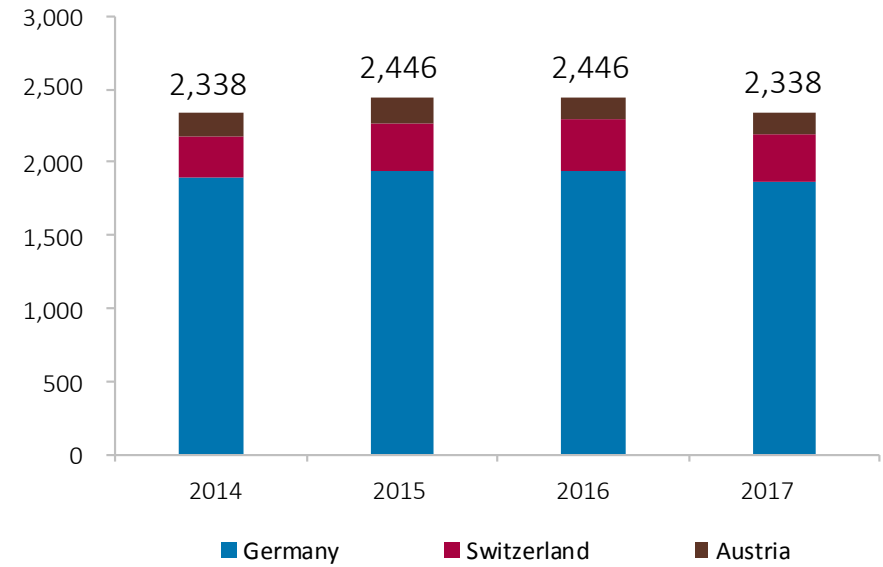
Foreign investors do continuously direct investments to accelerate know-how transfer.

Overall transactions in the DACH region of the last four years show a stable high volume and number of M&A transactions

Deal volume of DACH-M&A transactions in last 4 years (EUR bn)



Number of DACH-M&A transactions in last four years



Ø EUR 105 bn p.a.

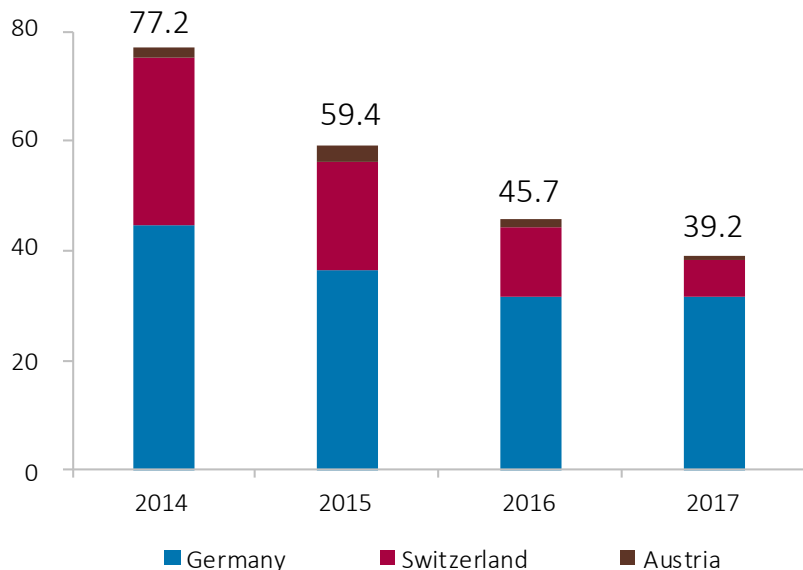
Ø 2,400 transactions p.a.

Ø EUR 45 m per target

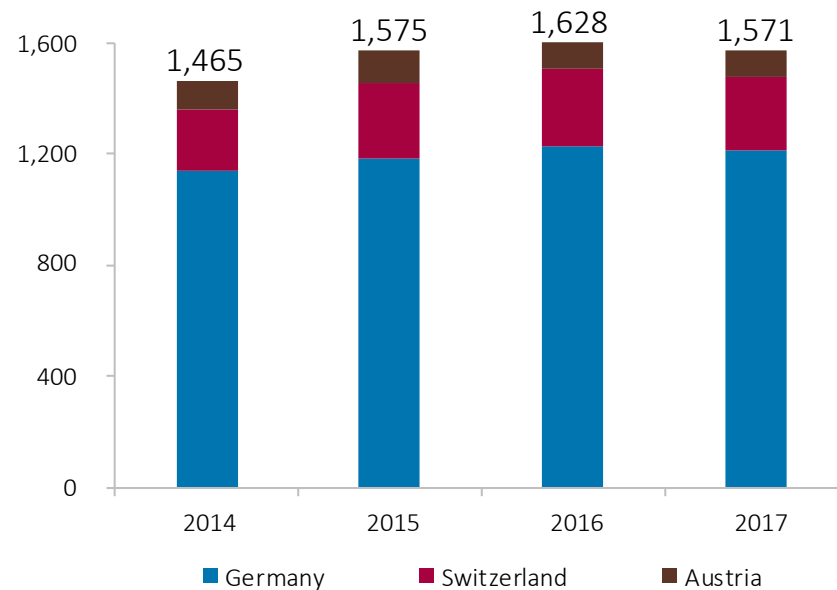
Large number of overall M&A transactions in DACH region.

Transaction landscape shows a decreasing deal volume when excluding real estate and financial targets as well as two Swiss mega transactions

Deal volume of DACH-M&A transactions in last 4 years (EUR bn)¹



Number of DACH-M&A transactions in last 4 years¹



Ø EUR 55 bn p.a.

Ø 1,600 transactions p.a.

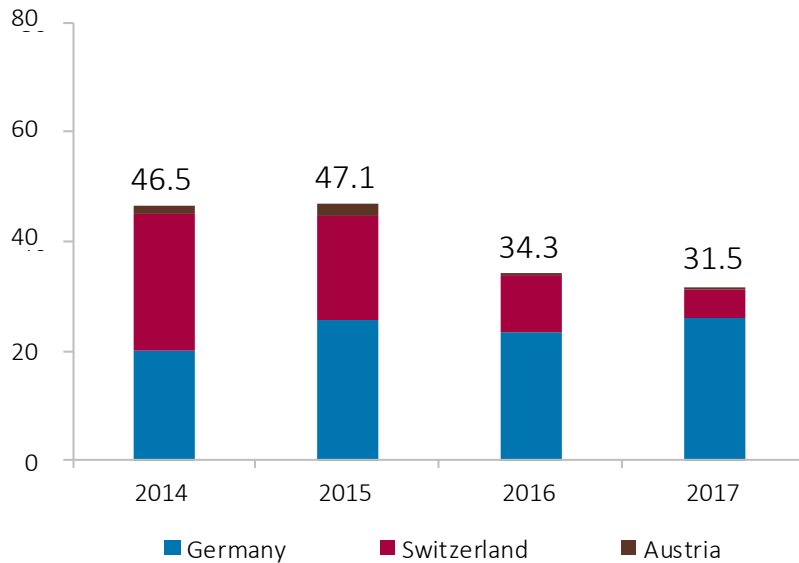
Ø EUR 35 m per target

Stable amount of transactions of which about 30% are inbound.

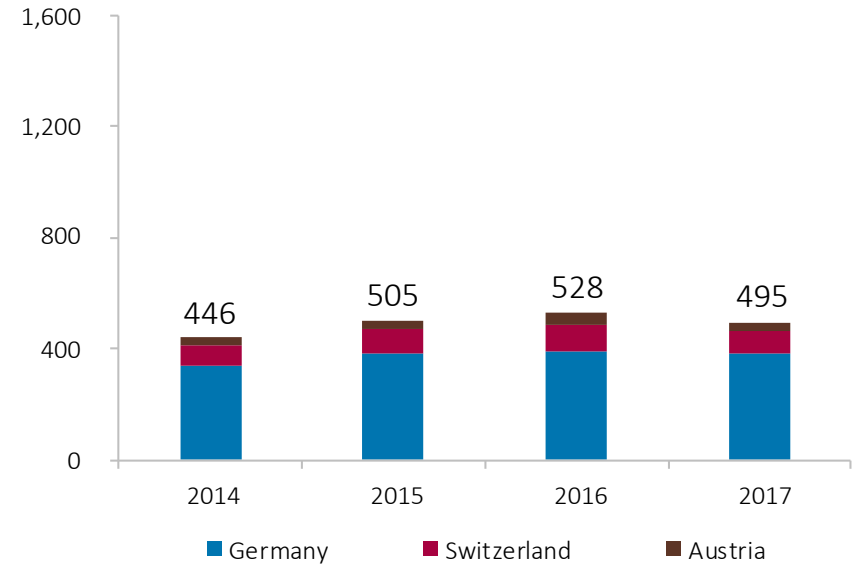
Source: S&P Capital IQ, ValueTrust Analysis; ¹ excl. real estate & financial target; excl. EUR 41 bn Syngenta and EUR 27 bn Actelion transaction in Switzerland in 2017.

High and persistent levels of inbound M&A transactions into DACH region

Deal volume of DACH-M&A transactions in last 4 years (EUR bn)¹



Number of DACH-M&A transactions in last 4 years¹



Ø EUR 40 bn p.a.

Ø 500 transactions p.a.

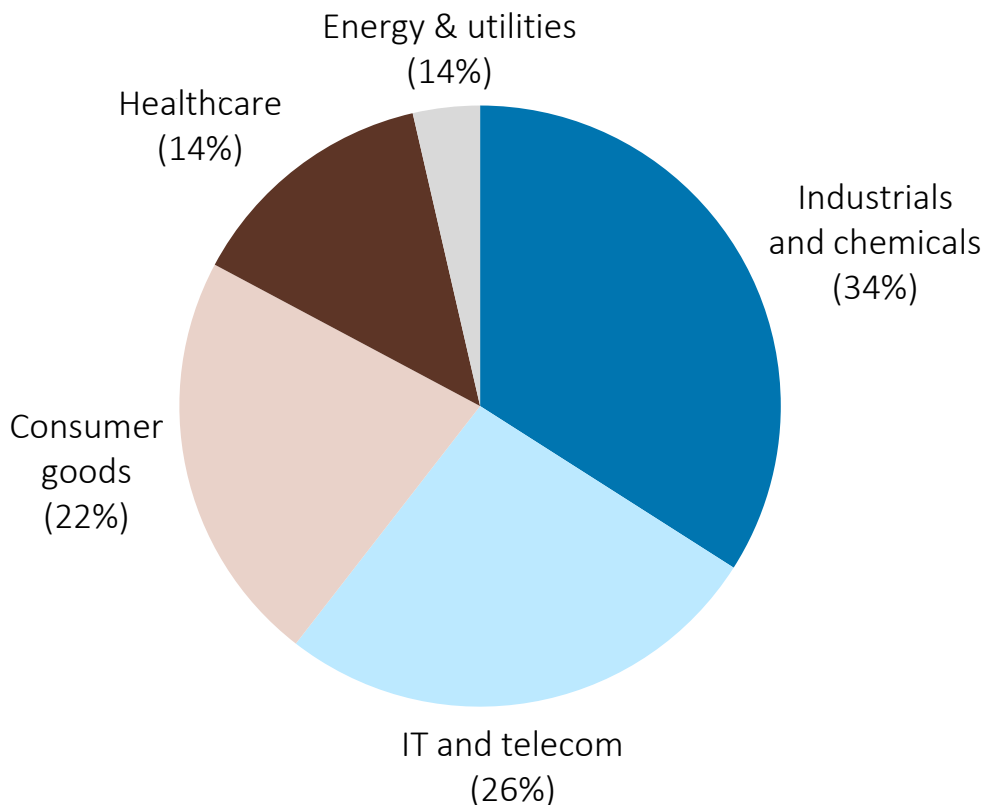
Ø EUR 80 m per target

Higher deal volume of 80 m per target for inbound M&A transactions in DACH region.

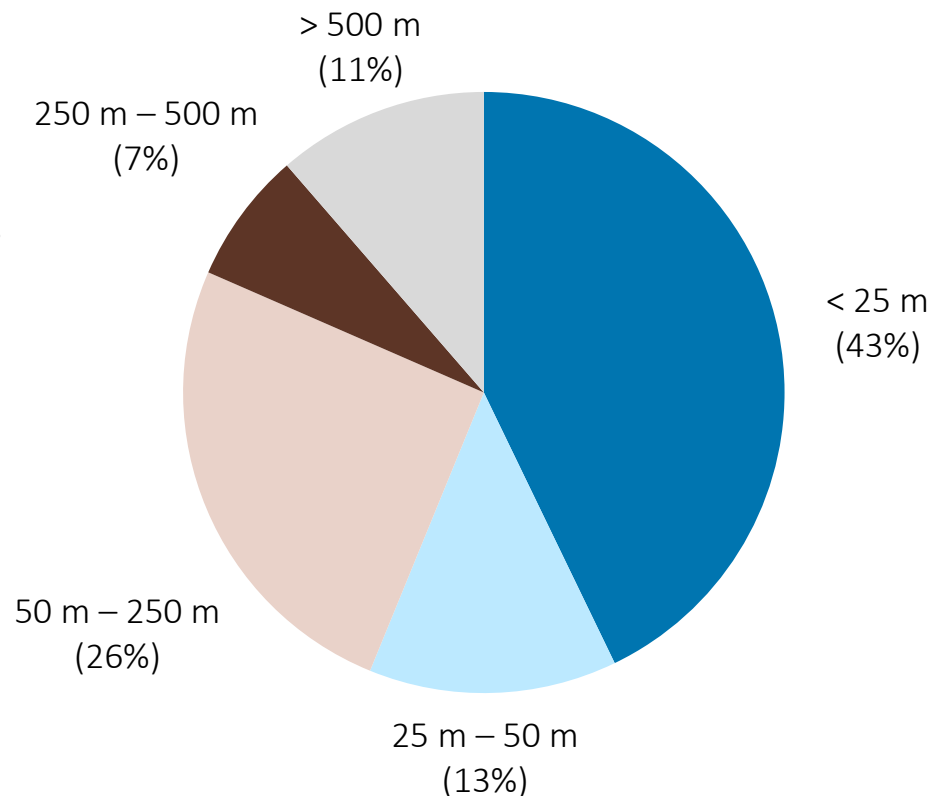
Source: S&P Capital IQ, ValueTrust Analysis; ¹ excl. real estate & financial target; excl. EUR 41 bn Syngenta and EUR 27 bn Actelion transaction in Switzerland in 2017.

Most inbound M&A transactions are small sized and within three industries

Targets by industry



Size classes of targets in EUR (by number of deals, 2014-2017)



About 75% of all inbound M&A-targets are operating in the industries industrials, IT and consumer goods. More than 50% of deals are below EUR 50 m.

M&A activities focus on the hot spots in the DACH region. The “Hidden Champion Belt” is an attraction point for domestic and foreign investments

Geographical distribution of targets in DACH region¹⁾

- Inbound transactions
- Intra-DACH-transactions

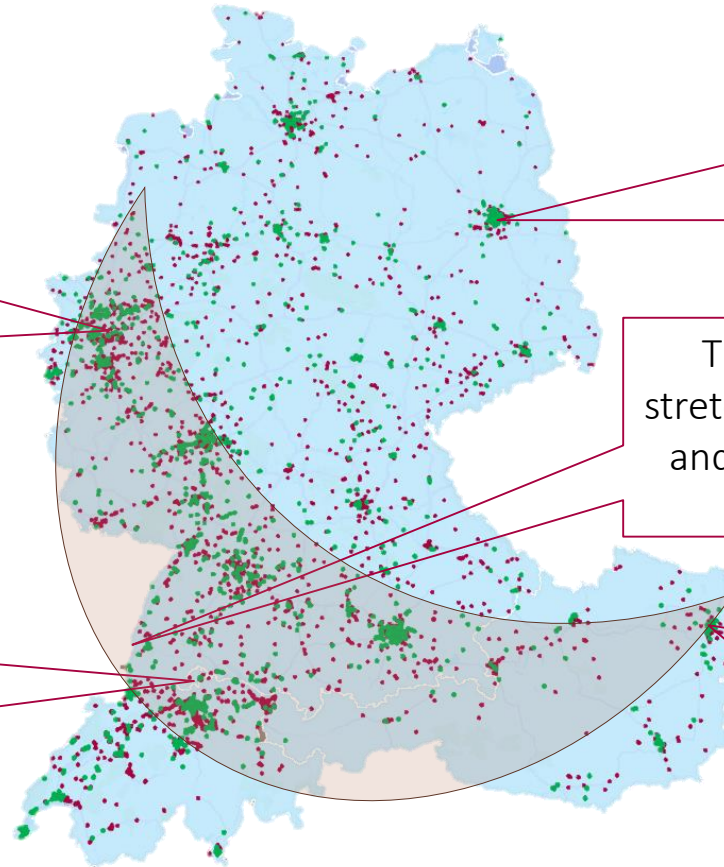
Berlin is one of Europe’s greatest hubs for start-up and IT companies, displaying high M&A activity in this domain

North Rhine-Westphalia as the most populous state of Germany shows high M&A activity

M&A activity in Switzerland focuses on the northern part and peaks in the Zurich area

The “**Hidden Champion Belt**” stretches from southwest Germany and northern Switzerland across Munich area to Vienna

In Austria the focus of M&A transactions is on the cities Vienna, Salzburg, Innsbruck and Graz

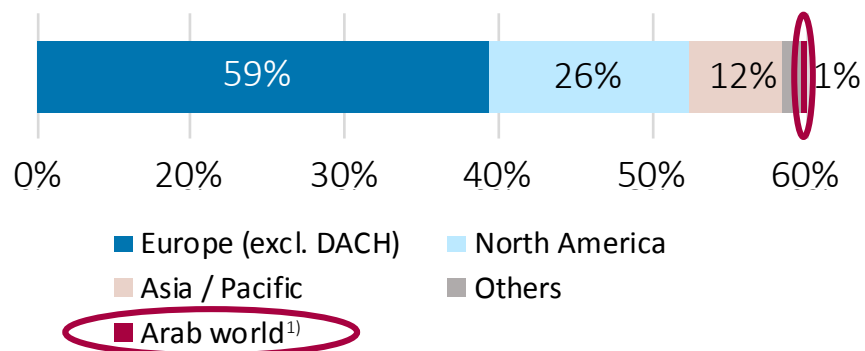


The “**Hidden Champion Belt**” has a high density of world-leading SME technology companies, which attracts large domestic and foreign investments.

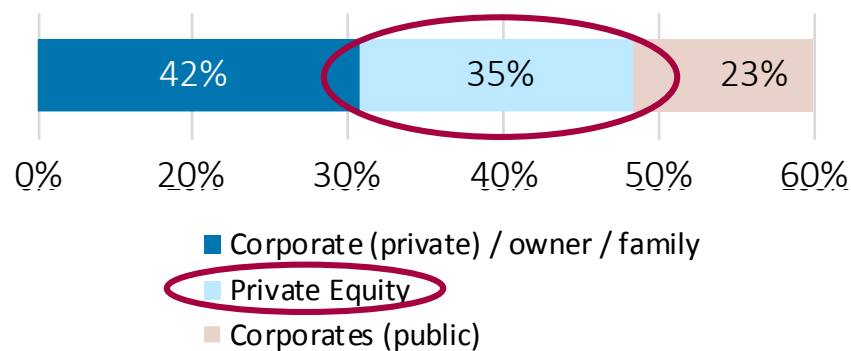
Source: ValueTrust Analysis, S&P Capital IQ; ¹⁾Data over the last 4 years, excl. real estate and financial targets.

Mainly Europeans and Americans - investing in diverse range of industries

Buyers by geography



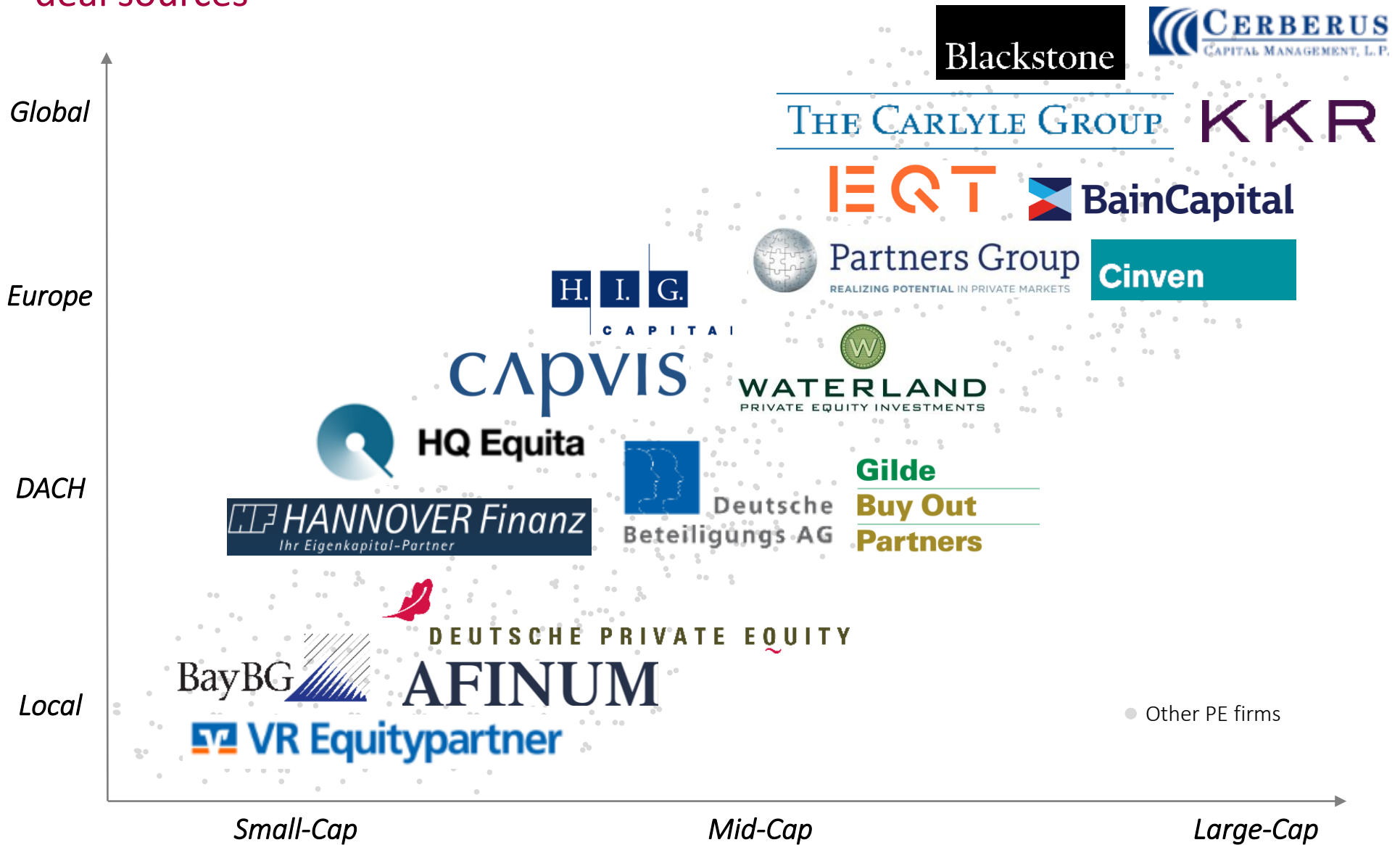
Sellers by type



Investments from Arab world¹⁾ are falling massive behind.
The second largest seller group Private Equity (PE) is a natural source of deals to catch up fast and to buy well developed and excellent performing companies.

¹⁾ "Arab world" defined as Ghorfa members.

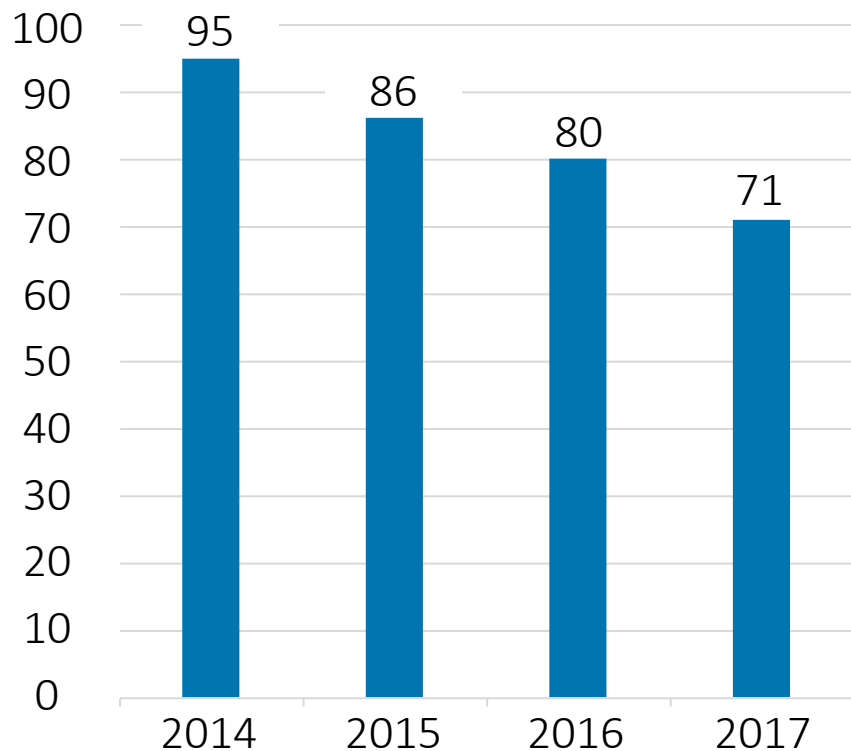
DACH region provides a diverse universe of Private Equity funds as potential deal sources



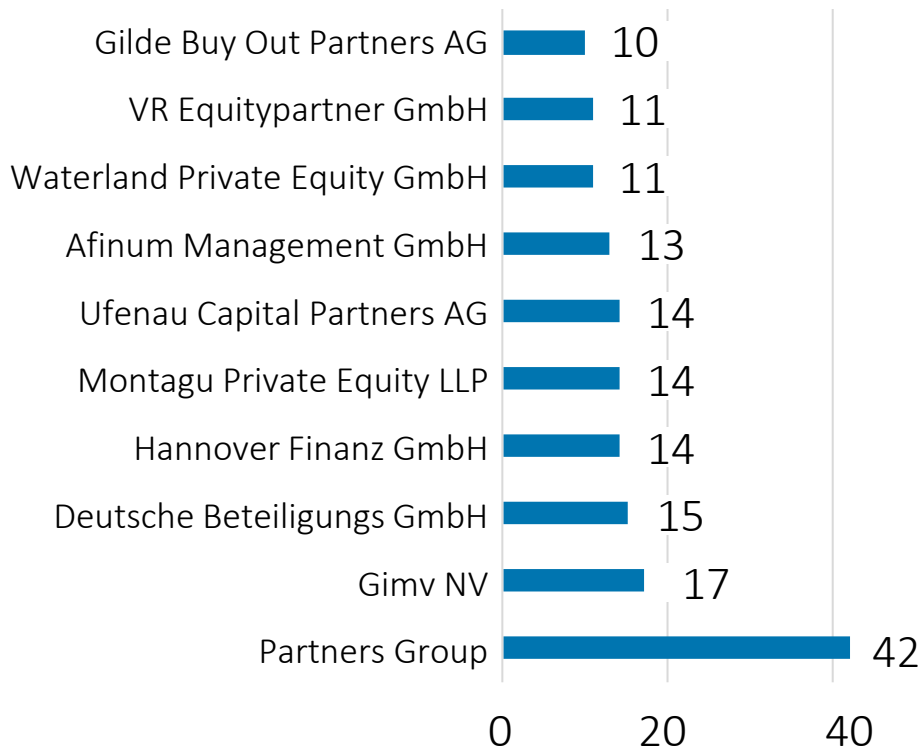
Source: ValueTrust Analysis, S&P Capital IQ.

Large number of acquisitions shows stable interest in DACH companies from Private Equity (PE)

Total number of DACH PE fund acquisitions (2014-2017)¹⁾



Number of acquisitions per Top 10 DACH PE funds (2014-2017)¹⁾

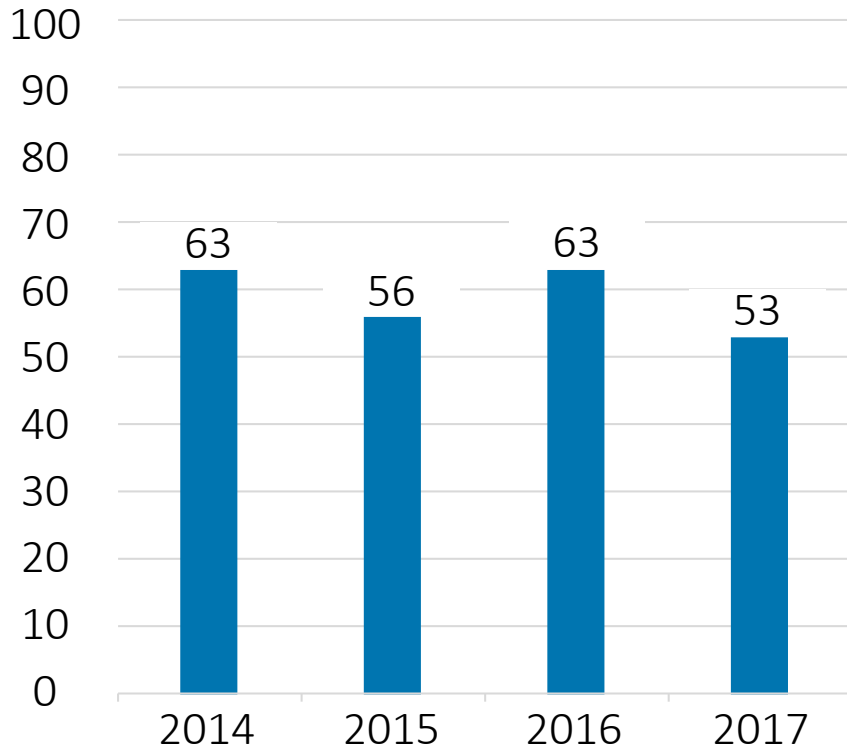


DACH Private Equity funds have stable investment portfolios throughout recent years and exit investments due to their business model on average after 5 years.

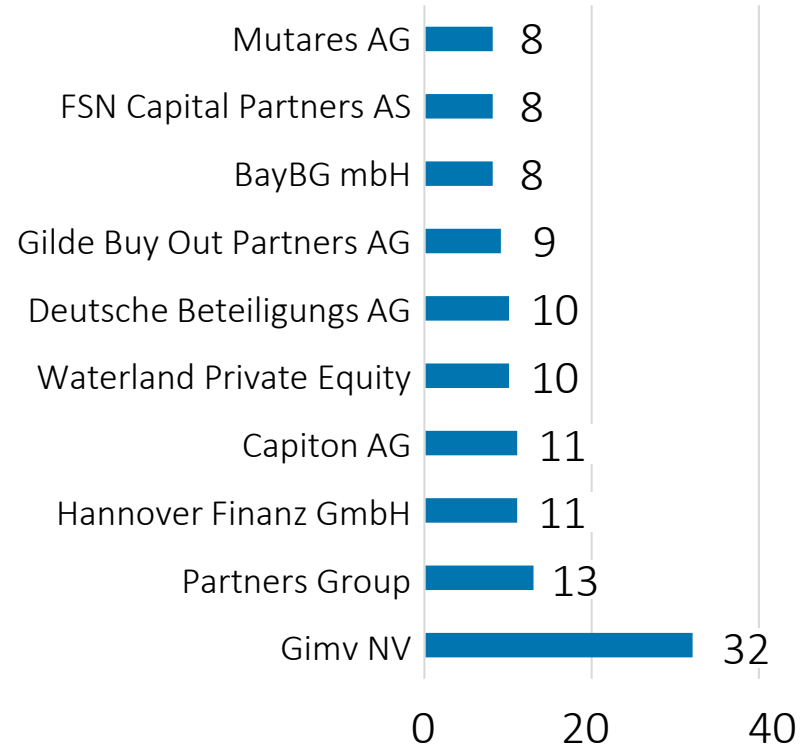
Source: ValueTrust Analysis, S&P Capital IQ; Note: ¹⁾ According to number of acquisitions.

Divestments universe of Top 10 DACH Private Equity (PE) funds shows stable number of divestments

Total number of DACH PE fund divestments (2014-2017)¹⁾



Number of divestments per Top 10 DACH PE funds (2014-2017)¹⁾

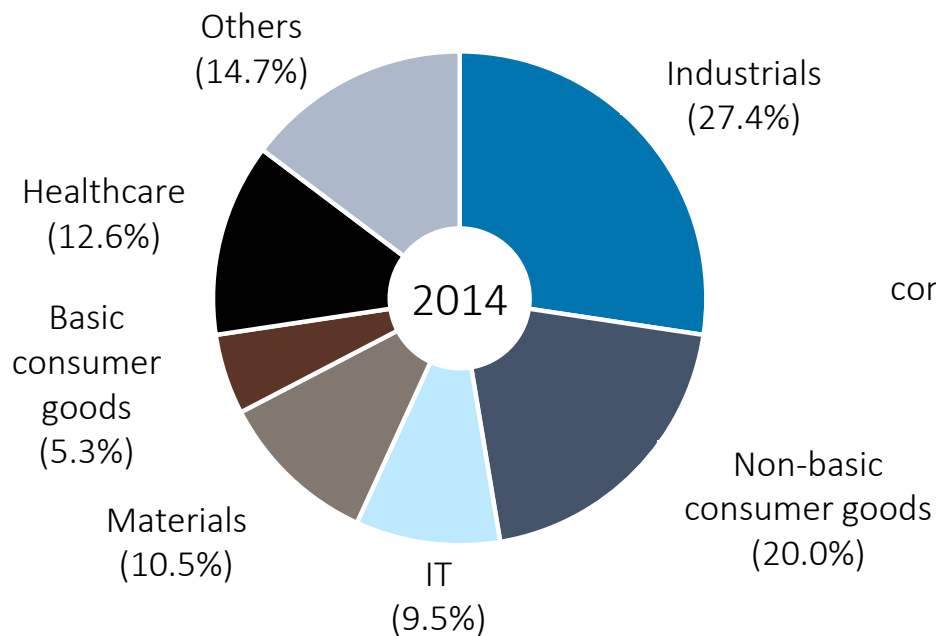


Stable number of DACH Private Equity (PE) divestments can be used as an entry point for investors from Arab world.

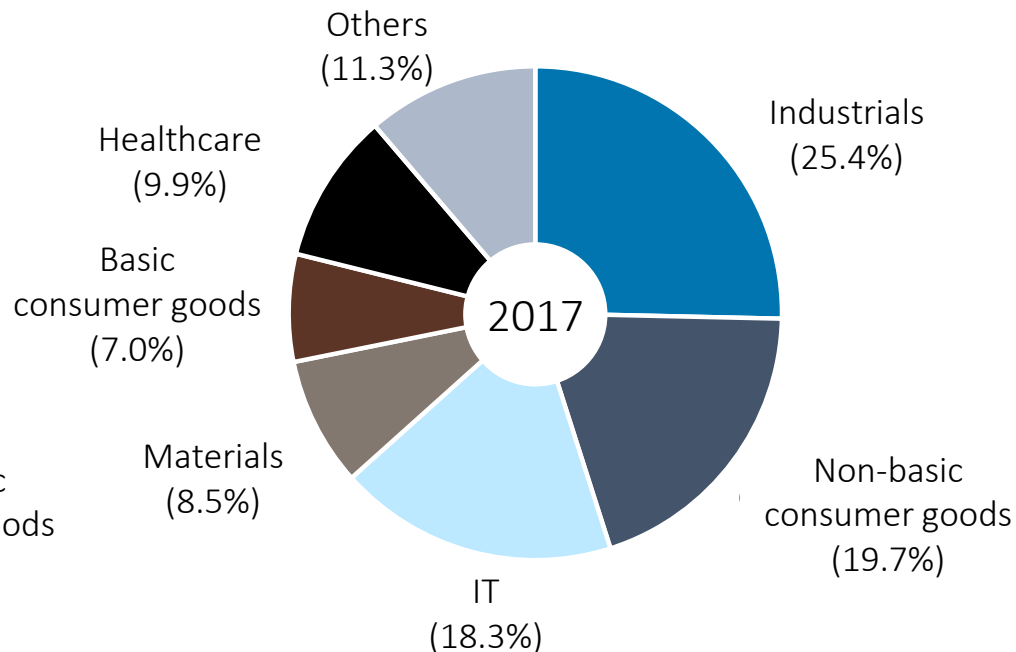
Source: ValueTrust Analysis, S&P Capital IQ; Note: ¹⁾ According to number of divestments.

Divestment universe of DACH Private Equity (PE) funds shows focus on three main sectors

Divestment industries of all DACH PE funds (2014)

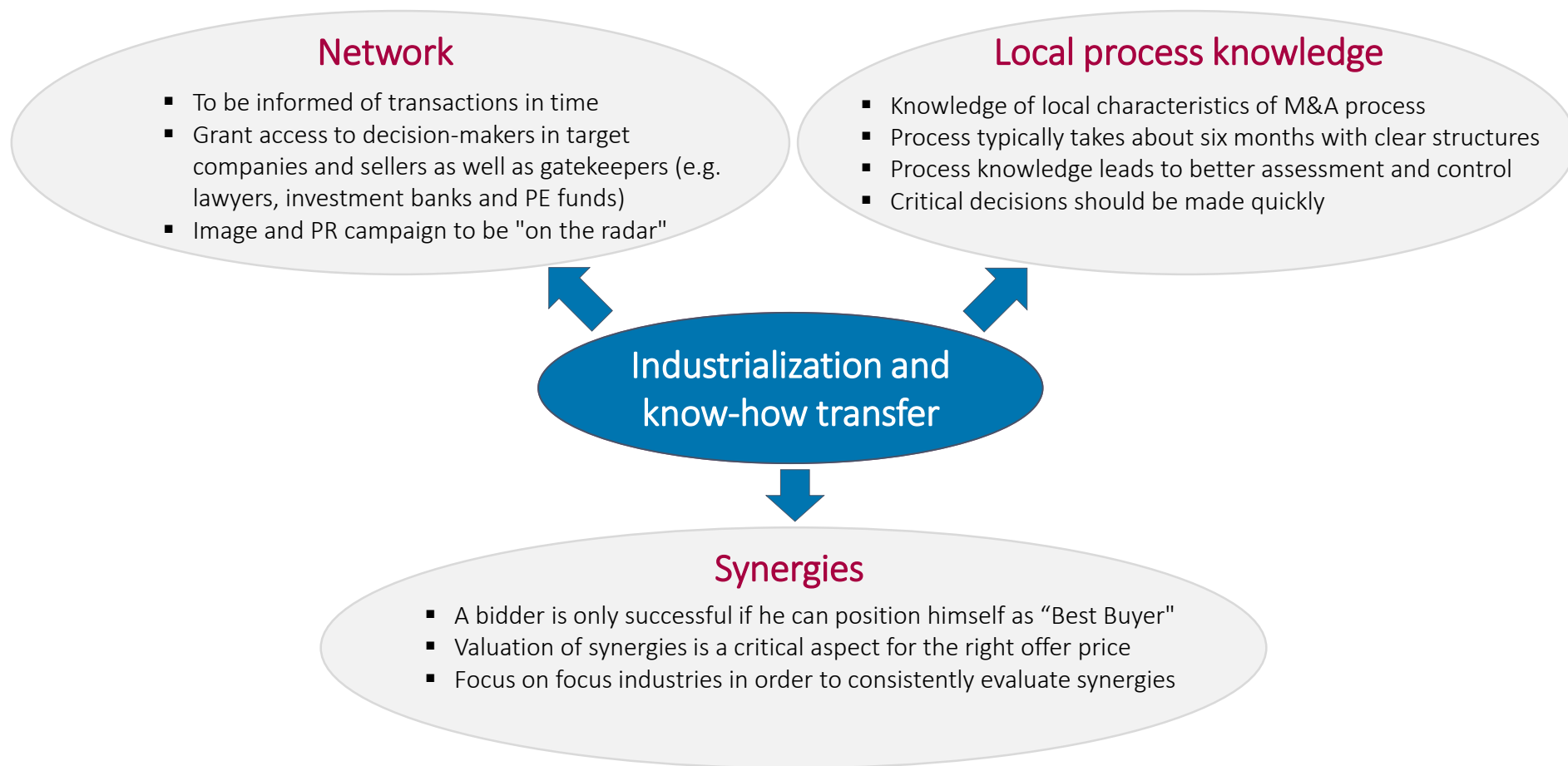


Divestment industries of all DACH PE funds (2017)



Divestments as a basis for Arab world's direct investments in the most relevant target industries: industrials, consumer goods and IT.

Success factors for Arab investors to do direct investments



Key success factors are a local acquisition team with competence to make quick decisions and an acquisition strategy, which is based on Arab world's industrialization strategy to be the **"Best Buyer"** with highest synergies and a competitive bid price.

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