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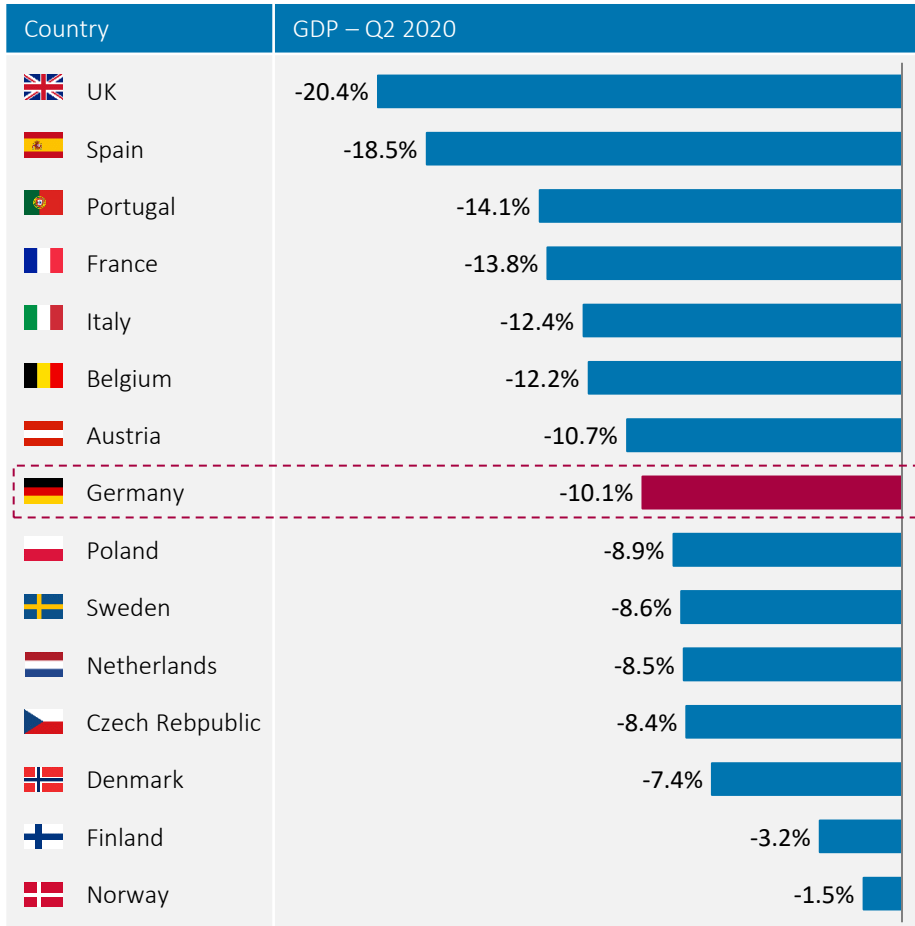
Post Covid19 investment opportunities and challenges in Germany

Prof. Dr. Christian Aders

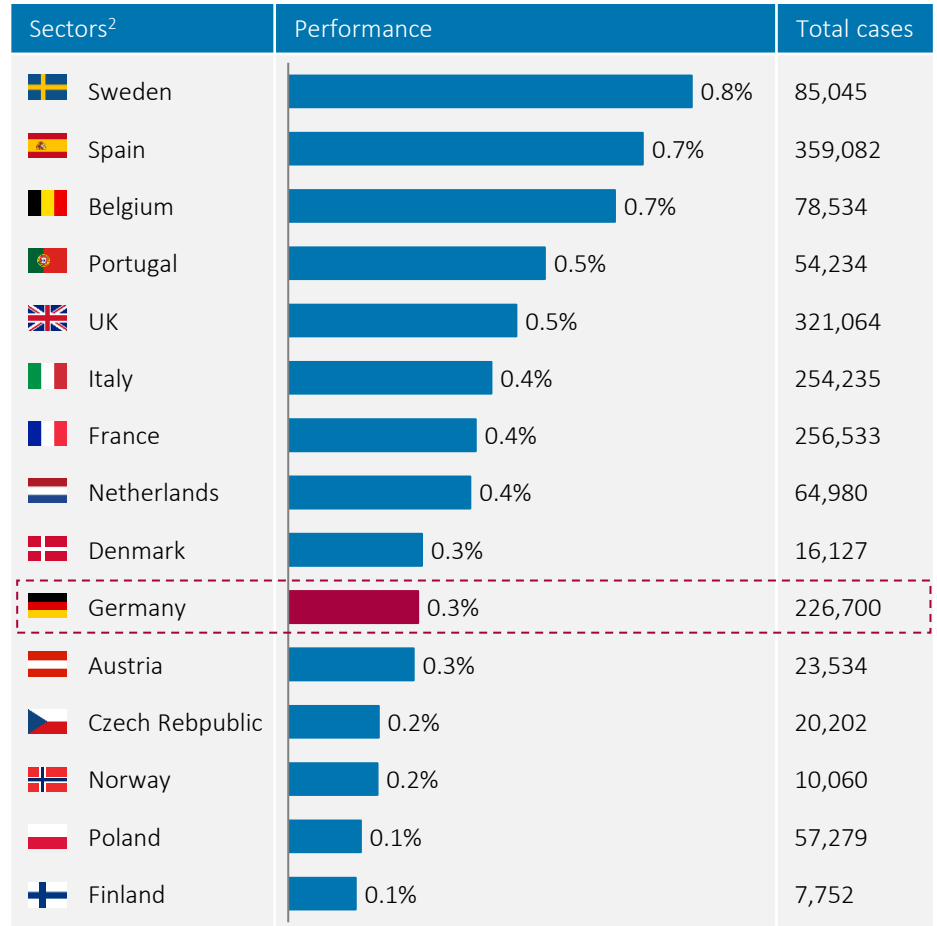
August 20, 2020

Admits the COVID19 pandemic the German economy remained remarkably stable as contingency measures led to one of the lowest number of cases per capita across European countries

GDP growth Q2 2020¹



COVID19 per capita²

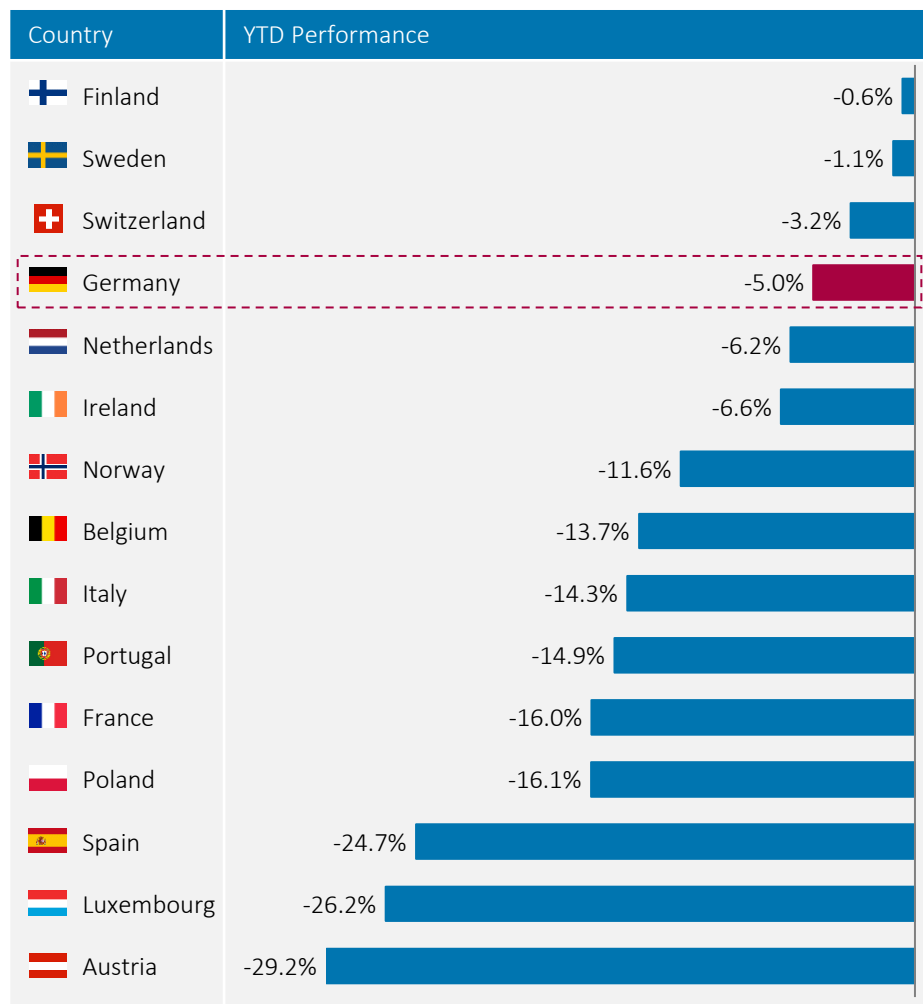


Following release of lock-down leading measures such as industrial order intake point to a V-shaped recovery for Germany

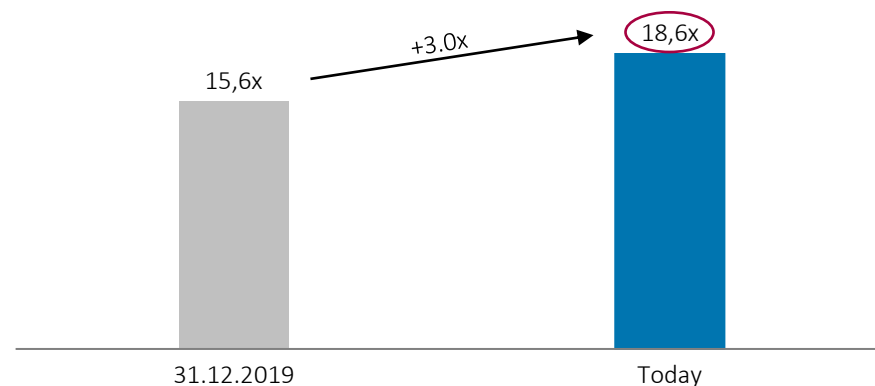
(1) Source: <https://countryeconomy.com/gdp/>; (2) Source: <https://coronavirus.jhu.edu/region>

The German stock market still attracts significant capital inflows leading to high resilience and increasing trading multiples, however equity research analysts continue to see upside in German stocks based on fundamental valuation techniques

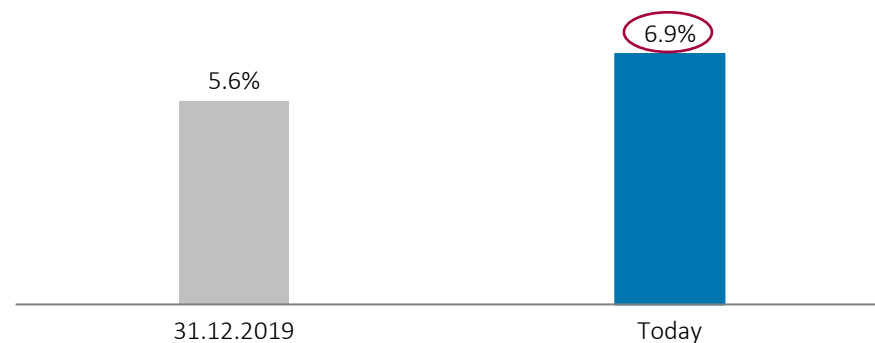
German stock market among the most resilient in Europe¹



P/E Multiples have increased...^{1,2}

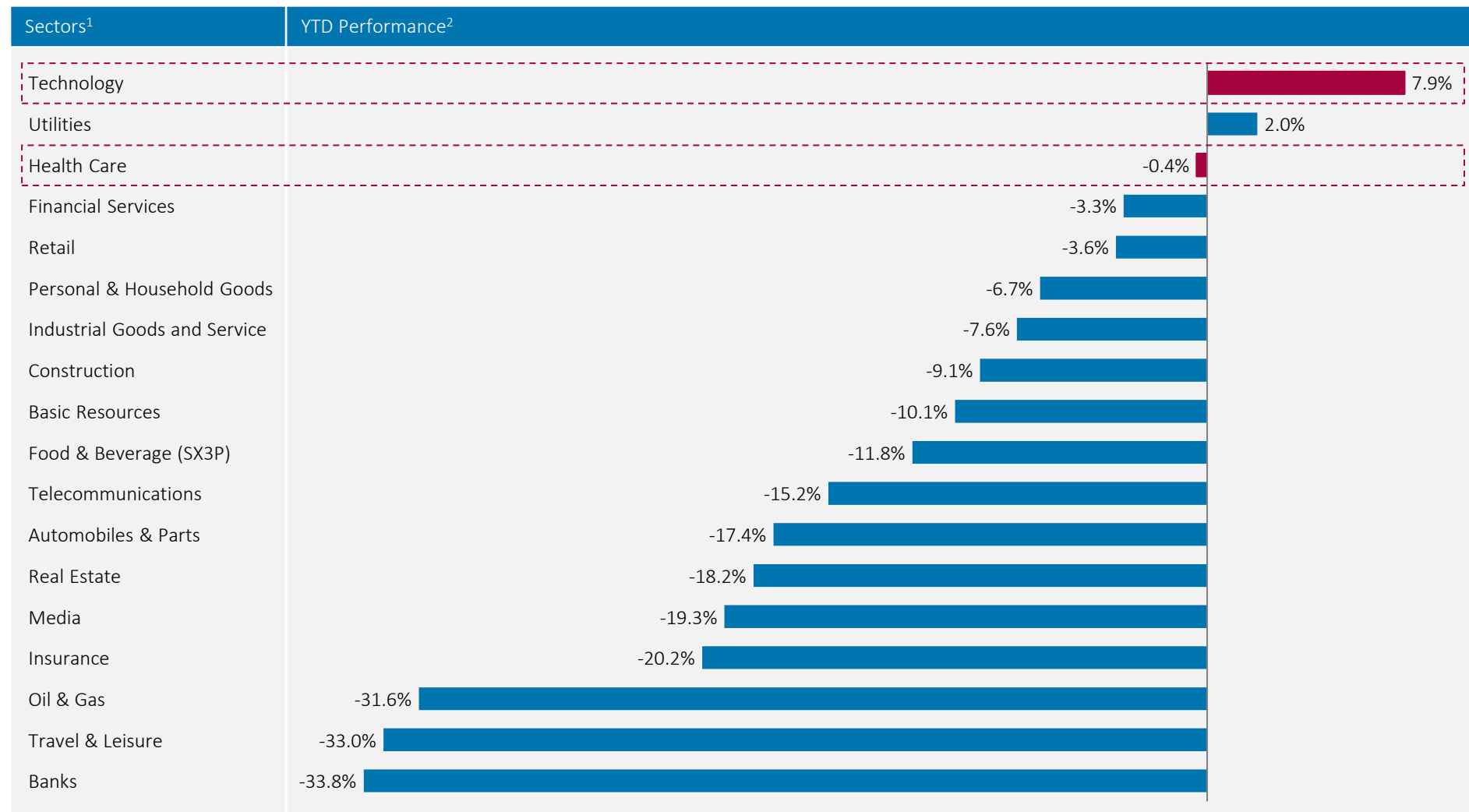


...however based on fundamental valuation metrics equity research analysts continue to see upside^{1,3}



(1) Source: CapitalIQ, as of 14/08/20; (2) Average DAX P/E Multiple, excl. Wirecard; (3) Average Broker Target Price Upside (= Broker Target Price/Share price -1), excl. Wirecard

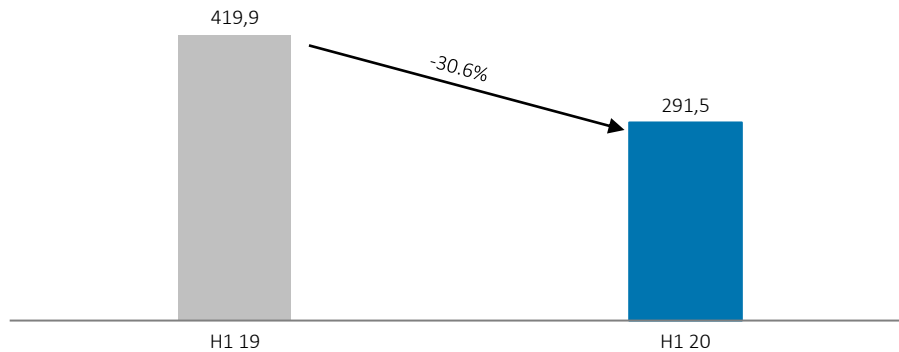
Technology and healthcare are clearly the winners of recent sector rotation opening up opportunities in other sectors, e.g. industrials



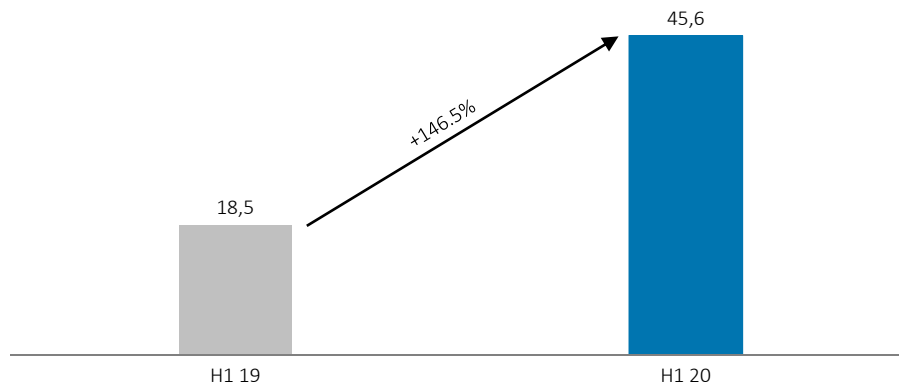
(1) According to STOXX Europe 600 classification; (2) Source: CapitalIQ, as of 14/08/20

Overall M&A deal volumes are down y-o-y, however activity is picking up driven by Tech M&A, financial sponsor and corporate carve-out activity

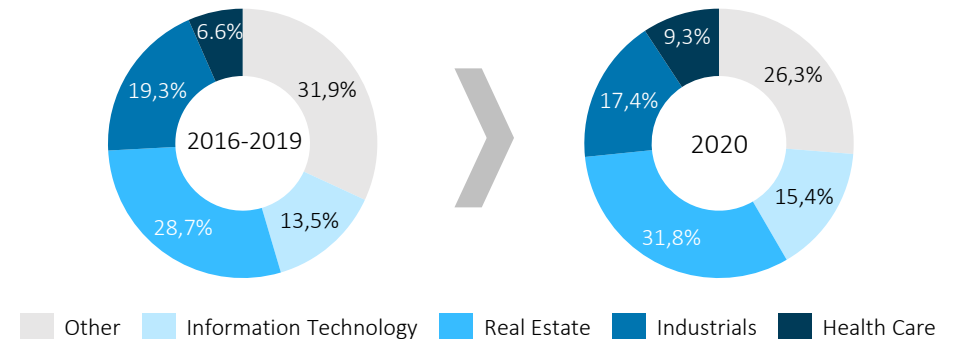
M&A volumes are down c. 30% across Europe... (in USDbn)¹



...German volume is up¹ while deal count is down by 12.8% (in EURbn)^{2,3}



German Tech and Healthcare M&A have significantly increased its share³



Carve-out activity in Germany is picking-up⁴

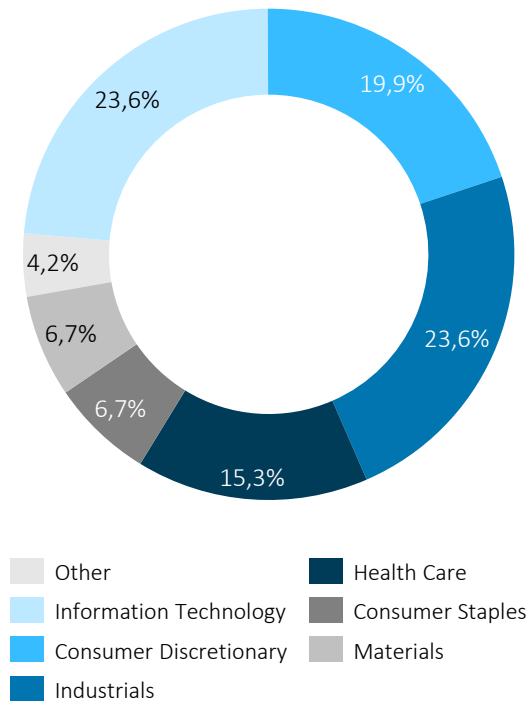
Date	Seller	Buyer	Description
14/08/2020	Aareal Aareon	Advent International GLOBAL PRIVATE EQUITY	Advent acquires a 30% stake in Aareon, valuing the IT subsidiary at close to EUR 1bn
10/08/2020	otto group Hermes	Advent International GLOBAL PRIVATE EQUITY	Advent acquires a 75% stake in Hermes Parcelnet Ltd (Hermes UK) and a 25% stake in Hermes Germany. The transaction is estimated to be around EUR 1bn
31/07/2020	thyssenkrupp	Advent International GLOBAL PRIVATE EQUITY Cinven RAGSTIFTUNG	The elevator business of ThyssenKrupp was acquired by a consortium of investors for EUR 17.2bn

- As Corporates in their response to the COVID19 crisis have to increase liquidity, delever and need to streamline operations to improve performance carve-out activity will materially pick-up
- Tech sector M&A activity is among the highest on record and demonstrates the continued push for digitalisation
- Shift from more cyclical industries as investment capital is increasingly allocated to the Healthcare and Tech sectors opening up opportunities in other more traditional sectors

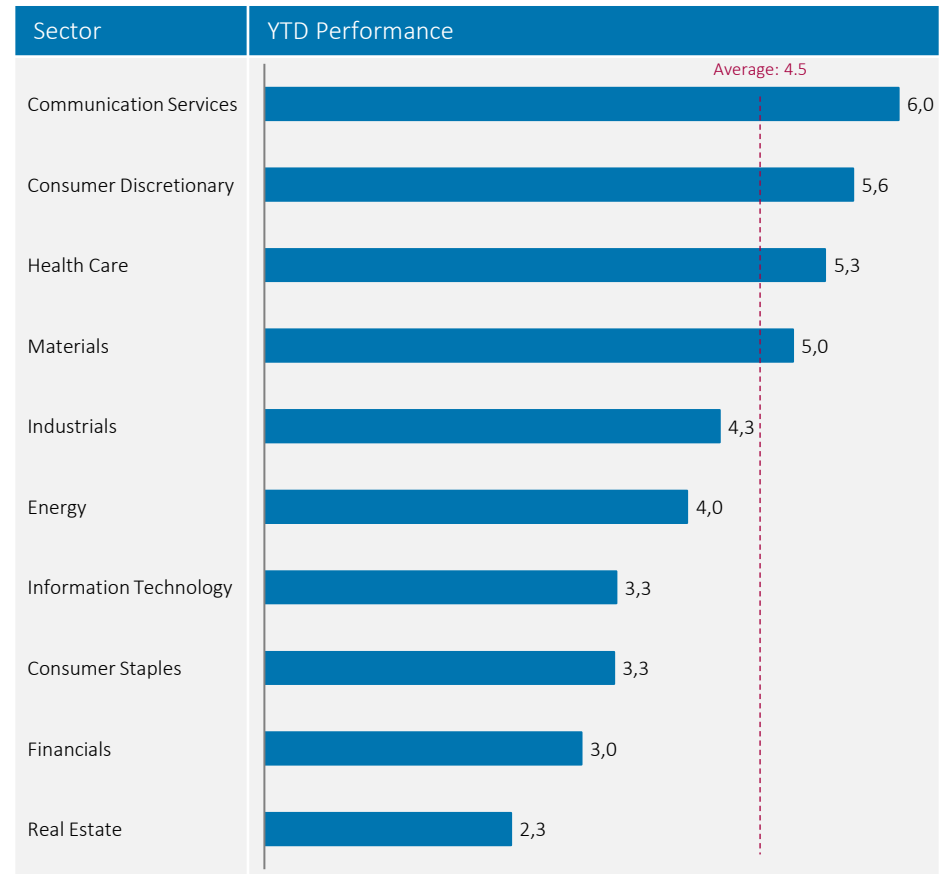
(1) Source: Mergermarket, Global & Regional M&A Report 1H20; (2) High deal volume is driven by a few sizeable transactions; (3) Source: CapitalIQ, as of 14/08/20; (4) Source: Mergermarket

As Private Equity activity remains high private equity sellers remain an important deal source

Active Private Equity Investments by industry^{1,2}



Average holding period in years by industry^{1,2}



- c. 200 assets have been within the respective PE portfolio for more than 3 years and will come to market in the short-to-medium term
- The average holding period of assets from small-and midcap focused PEs is 4.5 years

(1) Source: CapitalIQ, as of 14/08/2020, (2) Analysing 26 PE funds highly specialized on the Mittelstand within the GAS region

Summary

In summary the COVID 19 crisis has opened up a number of investment opportunities as,

- ... companies intend to raise capital either from a position of strength to accelerate growth or more defensive to repair their increasingly levered balance sheets,
- ... carve-out activity will pick up as Corporates need to focus their operations, delever their balance sheets and raise liquidity,...
- ... the succession trend and problem of the German Mittelstand remains intact, and
- ... opportunities in sectors which are fundamentally strong, have a strong innovation potential but have fallen out of investor favour open up
- ... Private Equity sellers remain an important deal source for direct investments

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