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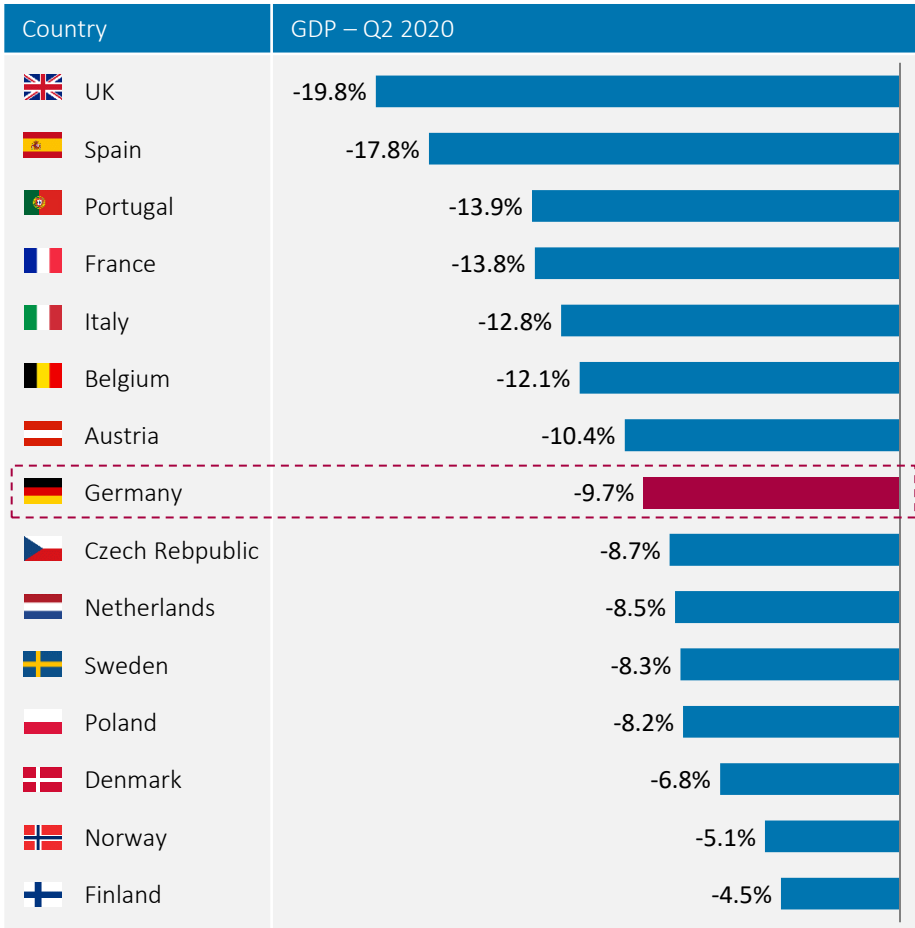
Post COVID-19 investment opportunities and challenges in Germany

Prof. Dr. Christian Aders

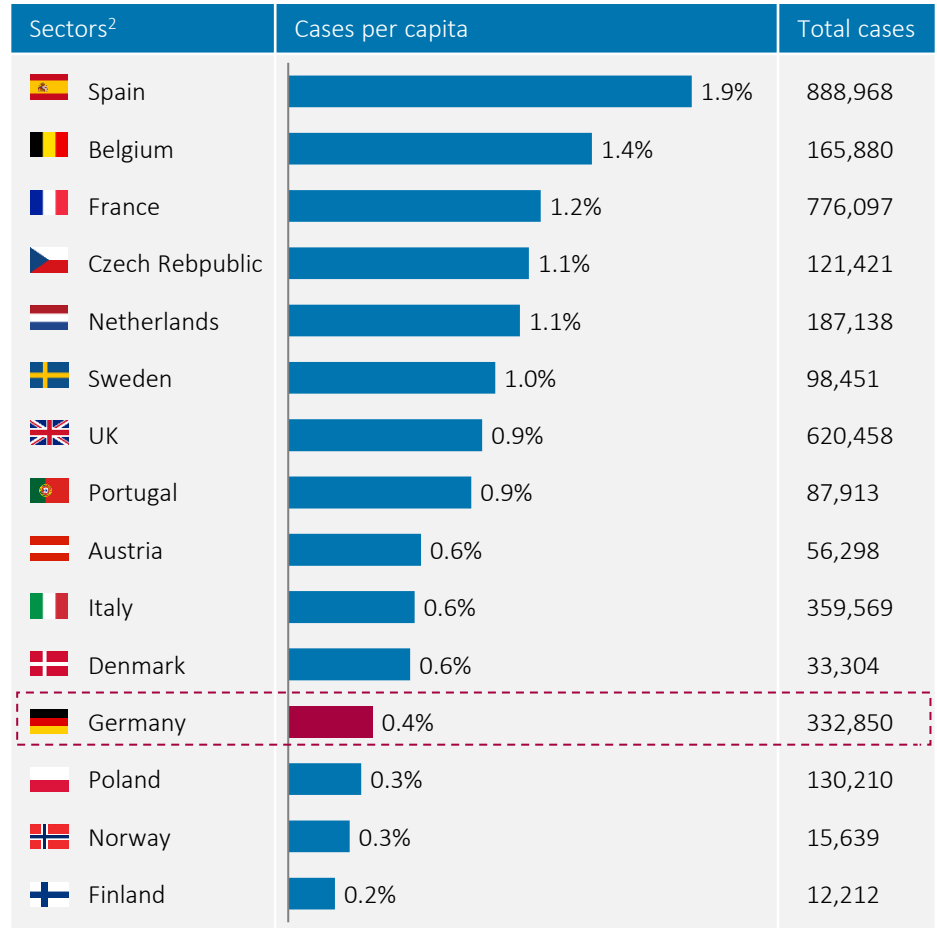
October 26, 2020

Amidst the COVID-19 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



COVID-19 per capita²

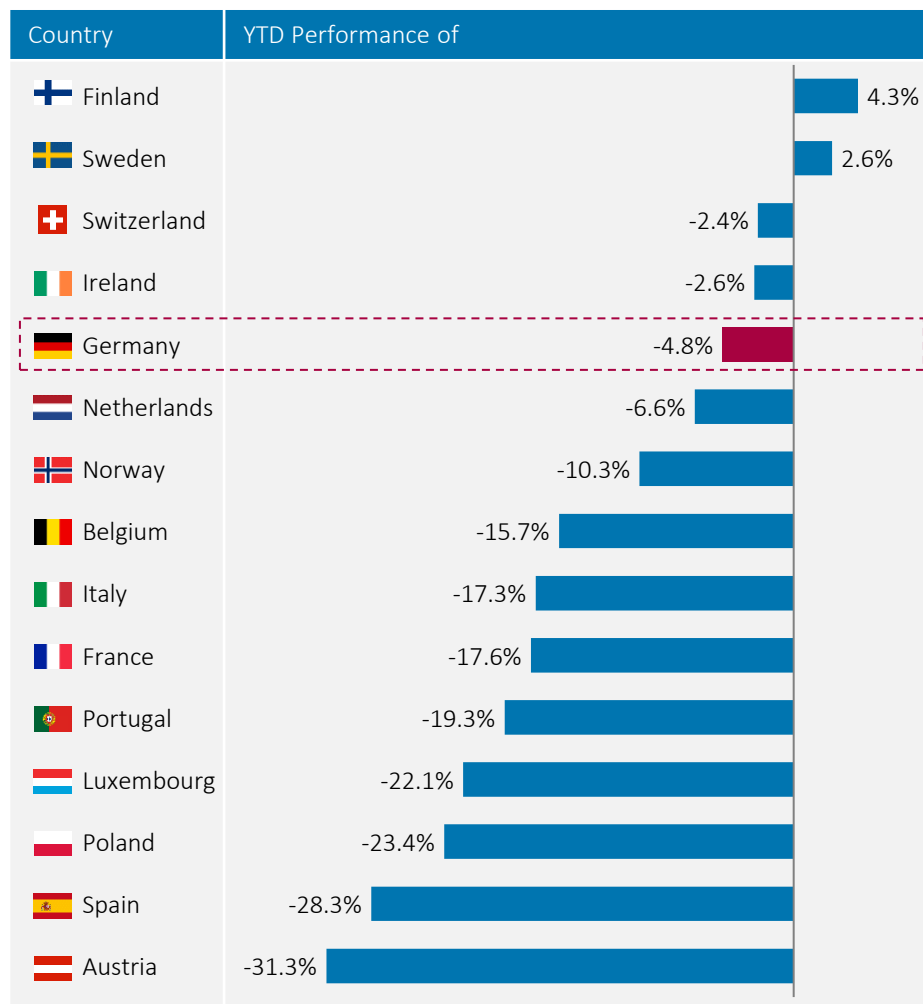


Following release of lock-down leading indicators such as industrial order intake point to a V-shaped recovery for Germany

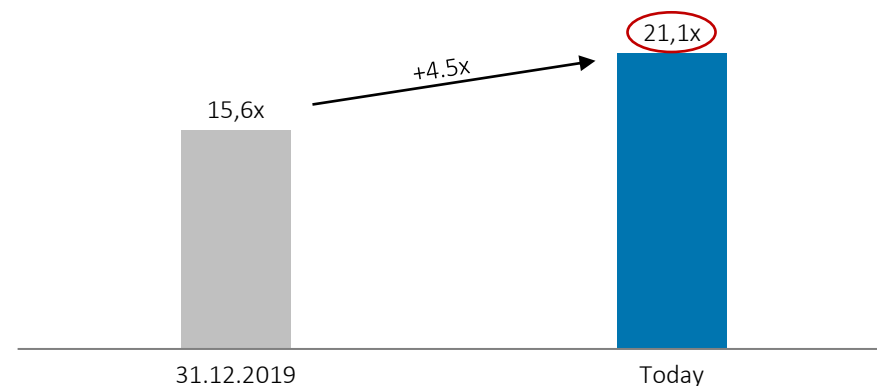
(1) Source: Countryeconomy.com, as of October 12, 2020; (2) Source: Johns Hopkins Coronavirus Resource Center, as of October 12, 2020

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

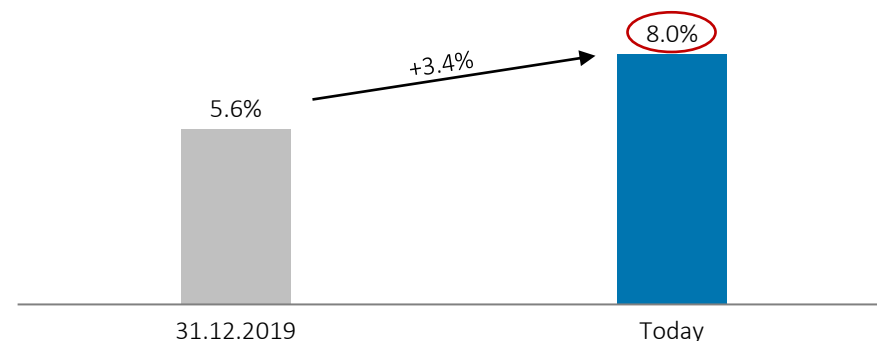
German stock market among the most resilient in Europe¹



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

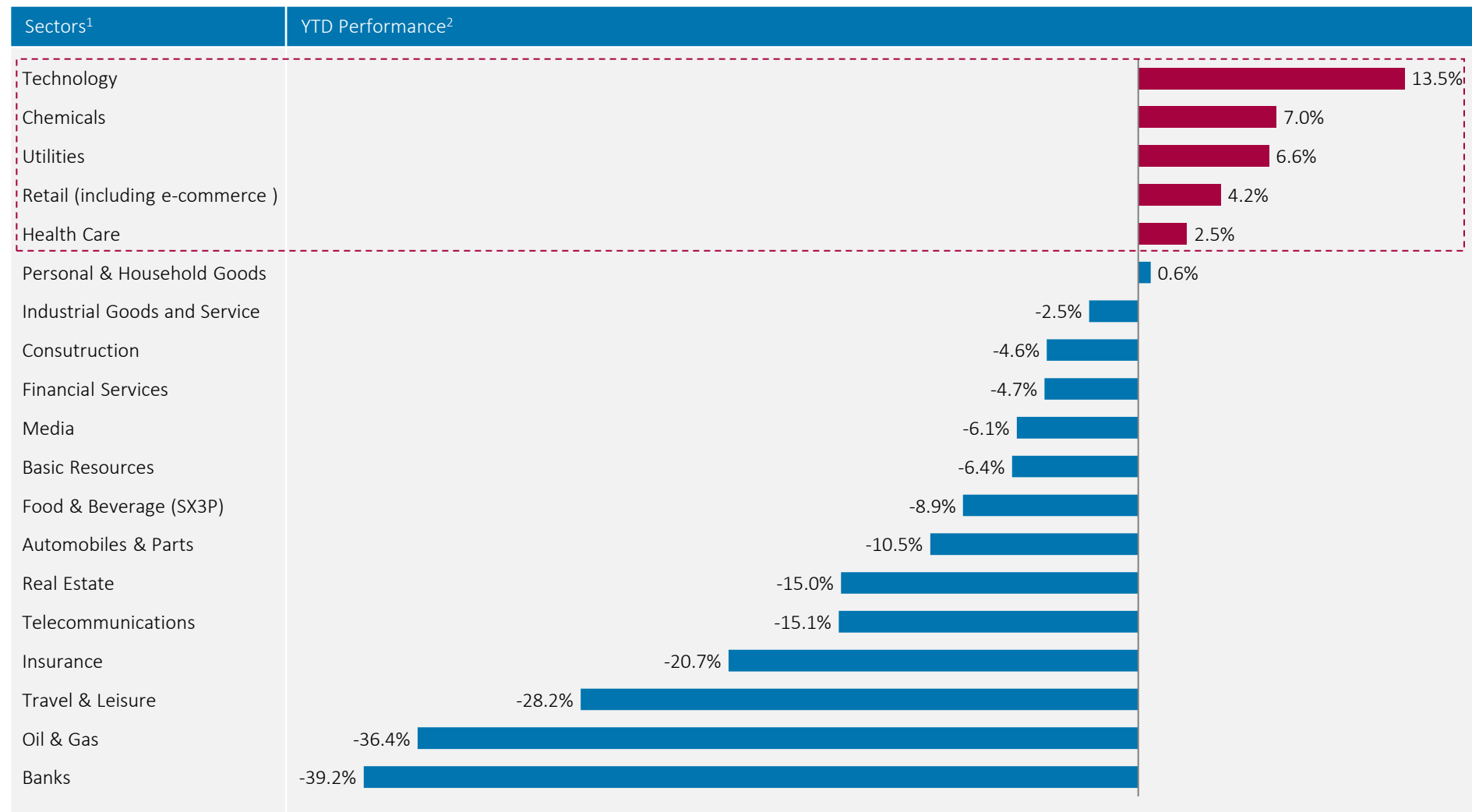


...however based on fundamental valuation metrics equity research analysts continue to see upside^{1,3}



(1) Source: CapitalIQ, as of October 12, 2020 - based on national indices; (2) Average DAX P/E Multiple, excl. Wirecard; (3) Average Broker Target Price Upside (= Broker Target Price/Share price -1), excl. Wirecard

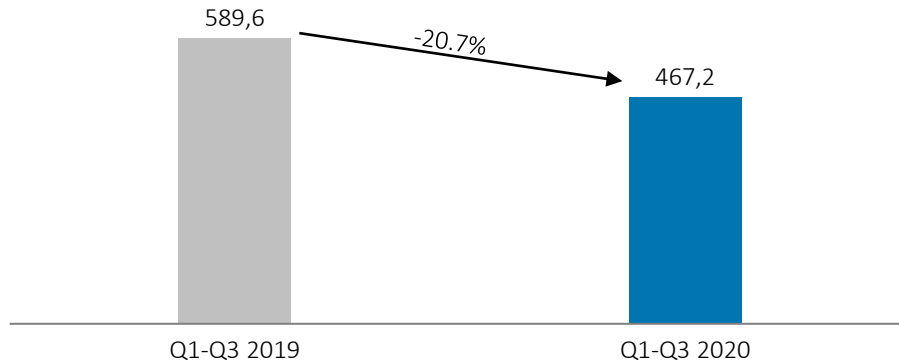
Technology, chemicals, utilities and health care are clearly the winners of the recent sector rotation opening up opportunities in other sectors, e.g. industrials



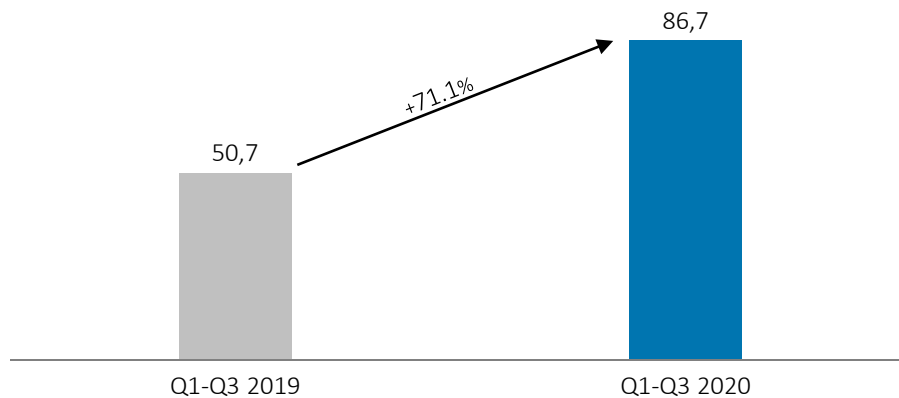
(1) According to STOXX Europe 600 classification; (2) Source: CapitalIQ, as of October 12, 2020, Total Gross Return

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

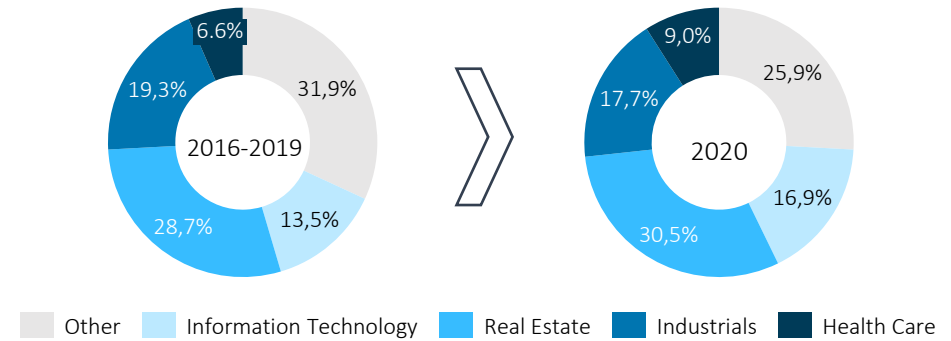
M&A volumes are down by 20.7% across Europe... (in USD bn)¹



...German volume is up¹ while deal count is down by 20.3% (in EUR bn)^{2,3}



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



Carve-out activity in Germany is picking-up⁴

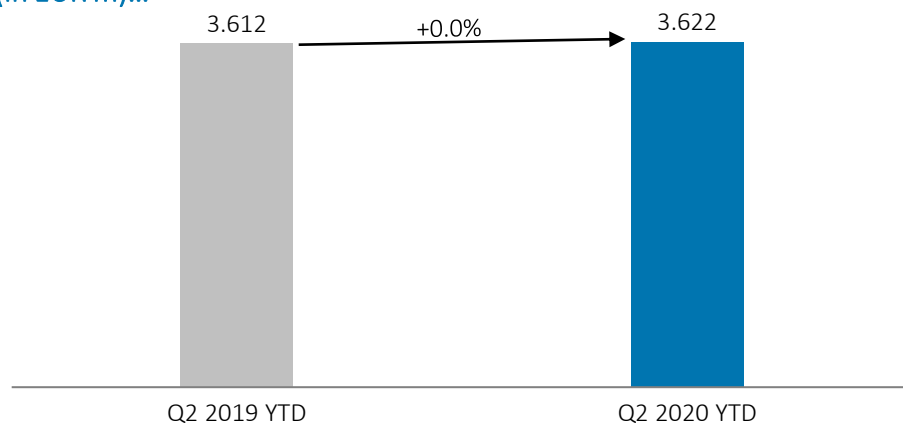
Date	Seller	Buyer	Description	Deal value
05/10/20	K+S Americas salt business	STONE CANYON Mark Demetree	K+S (Americas salt business) was acquired by Stone Canyon Industries Holdings and Mark Demetree	c. EUR 2.7 bn
22/09/20	GEA ROCK	NORD	Bock Group was acquired by NORD Holding Unternehmensbeteiligungsgesellschaft mbH	Not disclosed
14/08/20	Aareal Aareon	Advent International close, private court	Advent acquires a 30% stake in Aareon, valuing the IT subsidiary at close to EUR 1 bn	c. EUR 260 m
10/08/20	otto group Hermes	Advent International close, private court	Advent acquires a 75% stake in Hermes Parcelnet Ltd (Hermes UK) and a 25% stake in Hermes Germany.	c. EUR 1 bn
31/07/20	Elevator business	Advent International close, private court Cinven PRESTIFUNG ALDIA	The elevator business of ThyssenKrupp was acquired by a consortium of investors	c. EUR 17.2 bn

- As Corporates in their response to the COVID-19 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 1Q-3Q20; (2) High deal volume is driven by a few sizeable transactions; (3) Source: CapitalIQ, as of October 12, 2020; (4) Source: Mergermarket

Capital raising activity is yet to pick up, however gaining momentum recently with few visible capital increases

Capital increase volumes have remained constant compared to last year (in EUR m)...



➤ So far limited rescue rights issue activity giving governance measures providing liquidity

...while gaining momentum recently

Issuer	Sector	Volume (in EUR m)	Volume (in % of outstanding capital)
Covestro	Chemicals	447	6%
Evotec	Health Care	250	7%
CytoTools	Health Care	4	10%
BioNTech	Health Care	223	1%
LEG IMMOBILIEN	Real Estate	273	3%
CompuGroup	IT	341	1%
Infineon	IT	1,062	4%
Delivery Hero	Retail	72	1%
Dräger	Health Care	77	6%

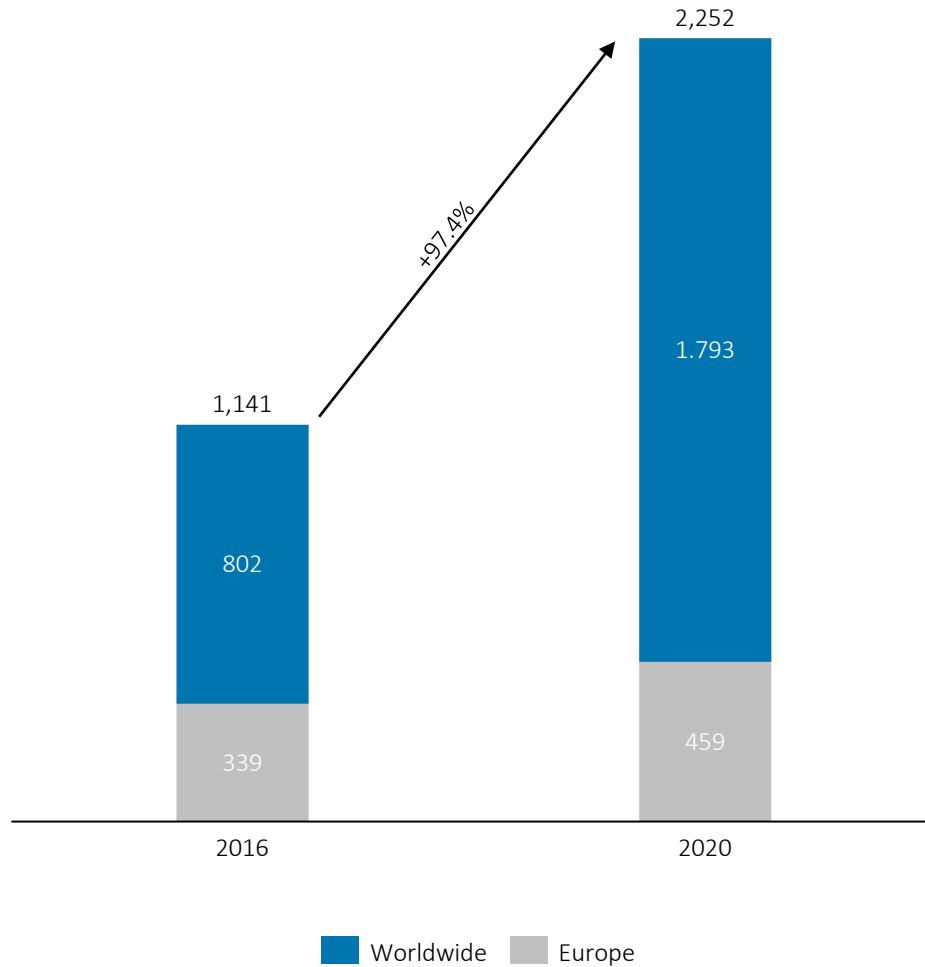
➤ Companies building on current capital markets strength to raise capital for M&A or to fund growth initiatives

➤ Significant increase in the Tech and Health Care sectors

Source: PwC - Emissionsmarkt Q2 2020, ValueTrust Research

Given dry powder development private equity activity expected to remain high with also a few sizeable exits coming to the market...

Capital commitment for PE industry (in USD bn)

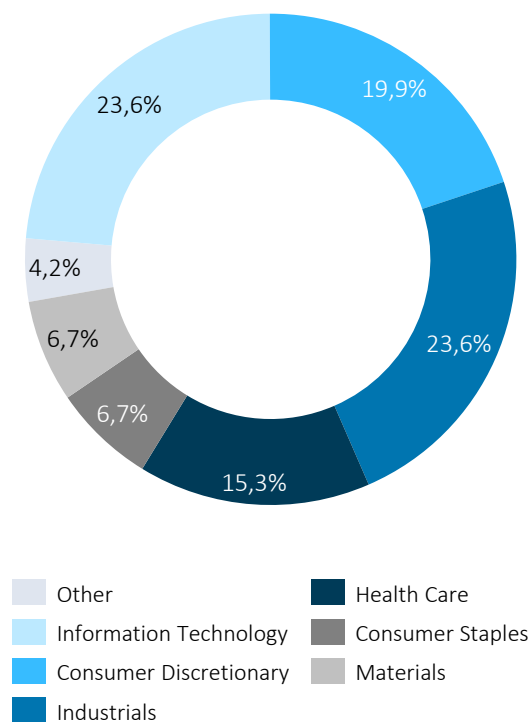


- Exit activity has recently gained momentum in Q3 and Q4
- Corona crisis in H1 has led to significant backlog
- PE have strong emphasis on dual track exit pursuing sale and IPO at the same time
 - Typically IPO as lead track with in parallel running sell-side auction
- Current dual track candidates include:
 - Synlab (owned by Cinven) – estimated value of c. 7.0 USD bn
 - Ceramtec (owned BC Partners) – c. 3.0 USD bn
 - Apleona (owned by EQT) – c. 1.8 USD bn
- Potential other Private Equity Exits
 - Clariant’s pigment business (TSG Consumer Partners) – c. 1.2 USD bn
 - Canyon Bicycles (TSG Consumer Partners) – c. 0.9 USD bn
 - Douglas (CVC) – Deal value (2015): c. 3.1 USD bn
 - MG Industries (CVC) – c. 3.7 USD bn
 - Springer Nature (BC Partners) – c. 8.2 USD bn

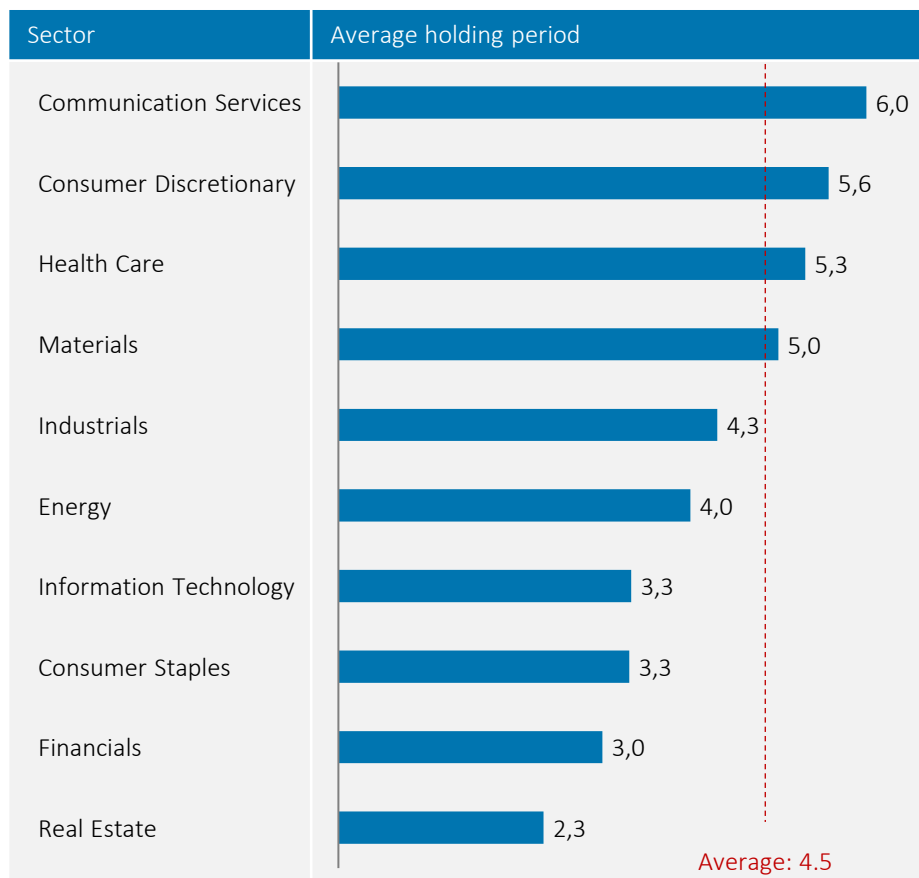
Source: Börsen-Zeitung, October 15, 2020

...therefore 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 October 12, 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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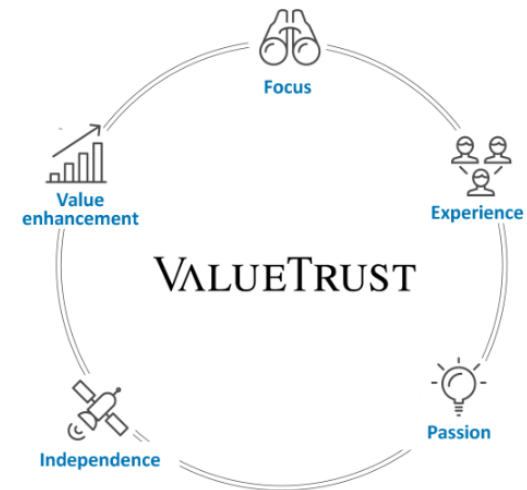
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- Pharma & Healthcare
- Utilities & Energy

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- KPMG

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- Certified Valuation Analyst (CVA)
- Certified EFFAS Financial Analyst (CEFA)

Knowledge of languages

- German
- English

Publications

- [List of publications Prof. Dr. Christian Aders](#)

Memberships

- EFFAS, DVFA, DVFA Expert Groups "Fairness Opinions" and "Best Practice Recommendation Company Valuation"
- Founding member EACVA Germany




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- Business Services

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- Lazard
- Gleiss Lutz

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- Doctorate in law

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- English

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- Several articles on M&A related topics

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- Telecommunications
- Technology
- Healthcare
- Consumer & Retail

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Qualifications

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