



Mergermarket
In-depth

GERMANY

Comprehensive market intelligence

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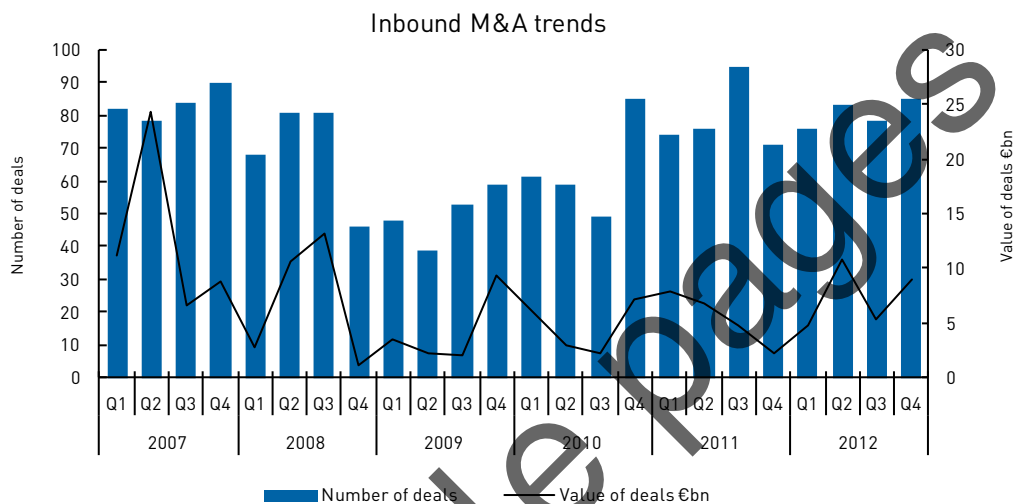
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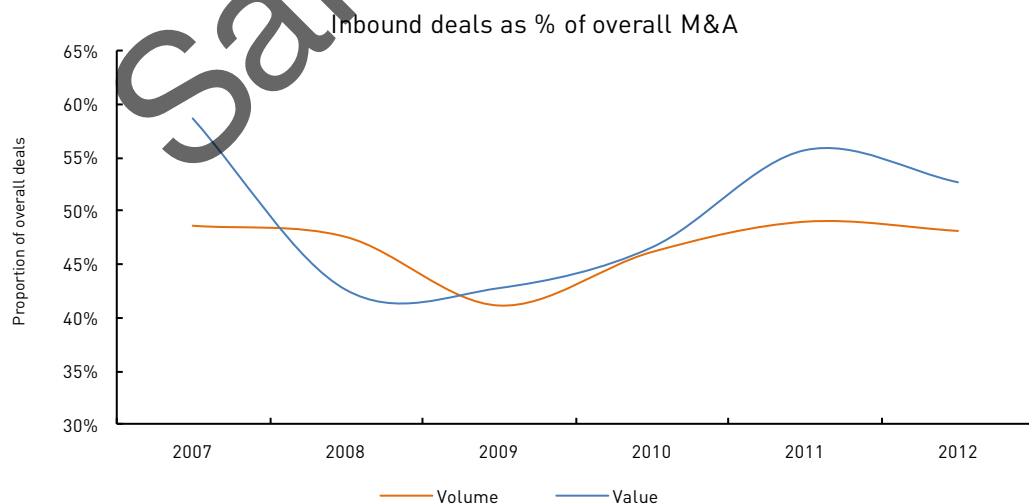
Deal value tells a different story with a large proportion of value more heavily weighted toward inbound and outbound transactions. Typically, international deals are larger, because companies are less likely to look across borders for small, add-on acquisitions. Yet, with the advent of the crisis, acquirers coming into and out of Germany formed much smaller portions of overall M&A. The share of domestic deal value nearly doubled from 19% in 2007 to 39% in 2008. In the recovery period, the value proportion has grown for inbound (32%) and outbound (39%) M&A – pointing to a gradual return to pre-crisis dealmaking patterns.

INBOUND M&A

Like German M&A overall, inbound transaction activity has bounced back from the gloom of 2009. Inbound M&A activity rose by 62% to 322 deals in 2012 over a low of 199 in 2009. Over the same period value has nearly increased twofold to €29.9bn. International acquirers have viewed Germany as a harbour of stability in an otherwise turbulent euro area. The past year saw a modest gain in the number of announced deals at 2% year on year, while value rose by over a third (39%).

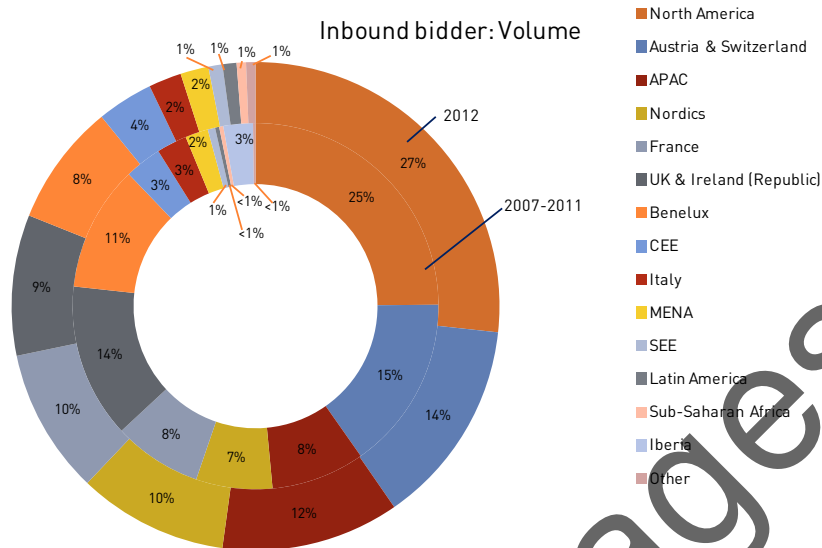


As a proportion of M&A in Germany – i.e. only for domestic and inbound M&A – transactions undertaken by foreign acquirers have nearly returned to pre-crisis levels: while the share of inbound dealmaking was 48.5% in 2007, it registered 48.1% in 2012. The share for deal value has been slower to rebound, with the 2012 figure six percentage points below that in 2007.



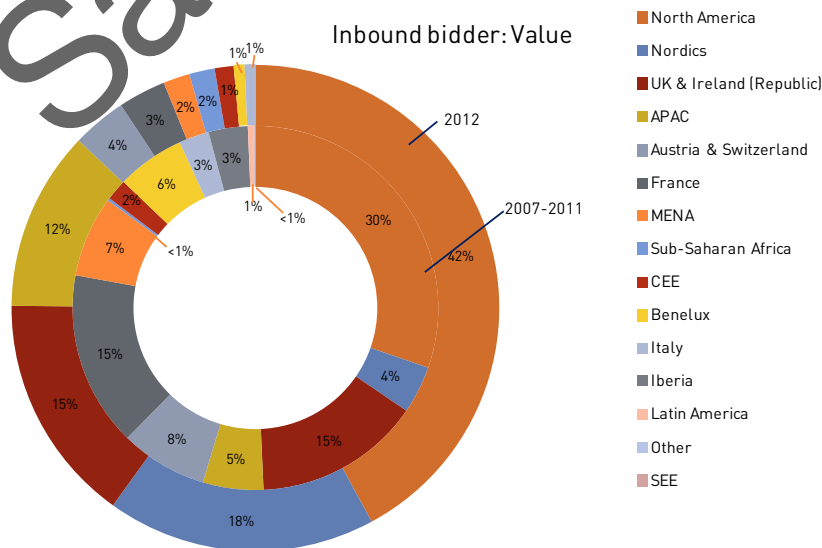
Regarding bidder regions, Germany experienced some telling shifts in 2012. For starters, the volume and value of Asia-Pacific deals have grown dramatically, with increases from 8% to 12% in volume and 5% to 12% in value. There has been growing buzz surrounding Asian acquirers moving into Europe, and specifically Chinese buyers into Germany.

Chinese acquirers are particularly active in scooping up German automotive businesses, as 38% of Chinese inbound deals in 2012 were automotive plays. Notable examples from this past year include Weichai Power's €738m acquisition of a 25% stake in industrial trucks, forklifts and warehouse equipment manufacturer Kion Group, as well as a 70% stake in one of the Kion Group's subsidiaries, Linde Hydraulics, and Wuhan Iron and Steel's €260m purchase of ThyssenKrupp's Tailored Blanks unit. While this trend is only in its infancy, it bodes well for a fully solidified, mutually beneficial relationship in the future.



There has been growth in inbound M&A from elsewhere, particularly North American buyers. The share of deals with bidders from the region has risen from 25% between 2007 and 2011, to 27% in 2012. In value terms, North American acquisitions in the country increased more dramatically, from 30% to 42%.

While some overseas buyers saw their share of German inbound deals grow, the activity of several of Germany's neighbours has dropped off. Deals with Austrian and Swiss bidders have historically been of smaller sizes, but volume has been relatively high: between 2007 and 2011, 15% of inbound M&A had Austrian or Swiss buyers. Yet in 2012, only 14% of inbound buyers hailed from Austria or Switzerland. Benelux and Iberian countries, along with the UK & Ireland, all generated fewer deals with German targets in 2012. This is perhaps due to protracted distress in many parts of Europe, and among those countries that have fared relatively well, a concern over exposure to distress.



Illustrating the abundance of large-cap deals with North American acquirers, five of the top ten inbound M&A transactions had bidders from the region. The largest inbound deal of the year saw a buyer consortium in which the British Columbia Investor Consortium took the largest stake (32.15%) in Open Grid Europe in a transaction valued at €2.9bn.

Top 10 Inbound M&A Deals, 2012

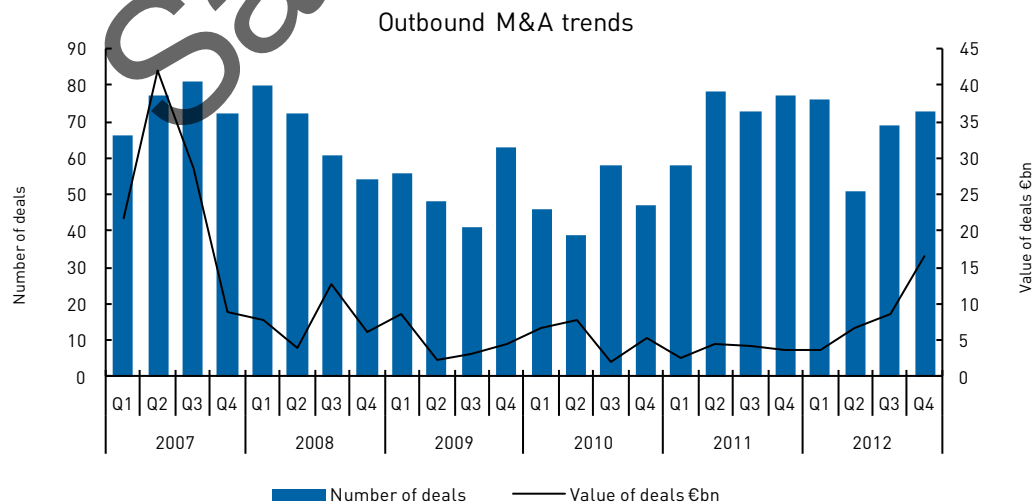
| Announced Date | Status | Target Company | Target Sector | Target Country | Bidder Company | Bidder Country | Seller Company | Seller Country | Deal Value €bn |
|----------------|--------|---|----------------------------|----------------|---|----------------|---|----------------|----------------|
| May-12 | C | Open Grid Europe GmbH | Energy, Mining & Utilities | Germany | Macquarie Group Limited; Abu Dhabi Investment Authority; Meag Munich Ergo Asset Management GmbH; British Columbia Investment Management Corporation | Canada | E.ON AG | Germany | 2,900 |
| Jan-12 | C | Inoxum | Industrials & Chemicals | Germany | Outokumpu Oyj | Finland | ThyssenKrupp AG | Germany | 2,384 |
| Jun-12 | C | Elster Group SE | Industrials & Chemicals | Germany | Melrose Plc | United Kingdom | CVC Capital Partners Limited; Rembrandt Holdings SA | Luxembourg | 2,219 |
| Jun-12 | C | BSN medical GmbH | Pharma, Medical & Biotech | Germany | EQT Partners AB | Sweden | Montagu Private Equity LLP | United Kingdom | 1,800 |
| Oct-12 | C | Douglas Holding AG | Consumer | Germany | Advent International Corporation | USA | | | 1,641 |
| Dec-12 | C | TLG Immobilien GmbH | Real Estate | Germany | Lone Star Funds | USA | Government of Germany | Germany | 1,094 |
| Aug-12 | P | Kion Group GmbH (25% Stake); Linde Hydraulics (70% Stake) | Industrials & Chemicals | Germany | Weichai Power Co Ltd | China | | | 738 |
| Jul-12 | P | BARTEC Holding GmbH | Industrials & Chemicals | Germany | Charterhouse Capital Partners LLP | United Kingdom | Capus Equity Partners AG | Switzerland | 733 |
| Oct-12 | P | Ruetgers Chemicals AG | Industrials & Chemicals | Germany | Rain CII Carbon LLC | USA | Triton Partners | Germany | 702 |
| Nov-12 | P | Dematic GmbH & Co. KG | Industrials & Chemicals | Germany | AEA Investors LP; Teachers Private Capital | USA | Triton Partners | United Kingdom | 700 |

C = Complete; P = Pending

The highest-value inbound deals of 2012 have a similar breakdown to the top bidder countries, with five deals with North American bidders, two from the United Kingdom, and two from Nordic countries. Only one of the top deals, Weichai Power's acquisition of the Kion Group, has a buyer from an emerging market, that being China.

OUTBOUND M&A

Germany's position as one of the world's premier exporters leaves the country with a sizable trade surplus and a positive cash balance for investing in overseas markets. Outbound M&A activity is dominated by strategic corporate acquirers, which have accounted for over 90% of total outbound deal volume and value over the past six years.



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