

Guideline for Companies in China

Successful Takeover of European Companies

Munich, June 2013



1. Why are Chinese Companies Buying European Companies?	2
2. How to Buy a European Company?	9
3. What is the Role of M&A Consultants?	13



1. Why are Chinese Companies Buying European Companies?

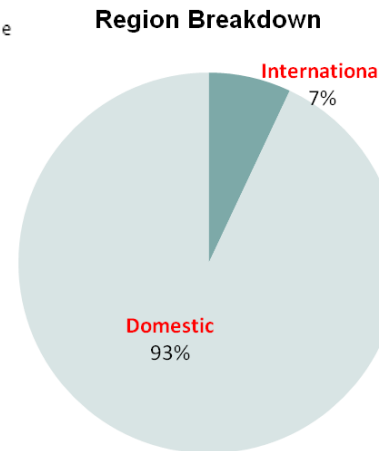
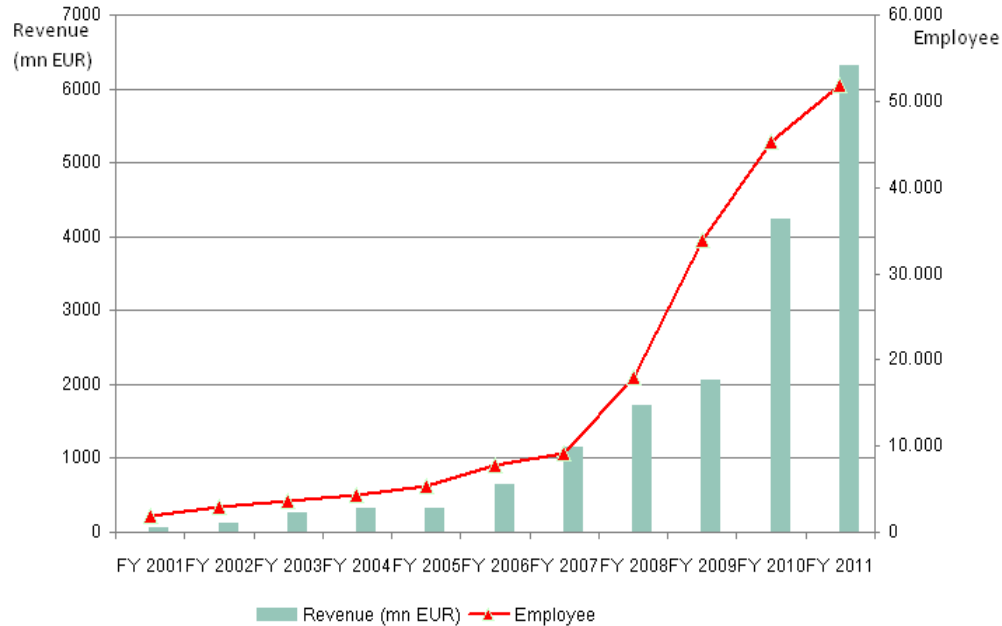
Acquisitions are a way for successful company growth



- **Acquisition of a company (buying of an existing company) is a way for quick growth.**
- **In general, the acquisition and disposal of companies is an important instrument for the development of companies.**
- **„M&A“ („Mergers & Acquisitions“) means buying and selling of companies, part of companies, formation of joint ventures or merging two or more companies (please see the glossary at the end of this paper).**
- **M&A is involved with chances, opportunities, risks and substantial amounts of money. Therefore, a professional approach is necessary to make M&A transactions a success.**

Source: Raffel CD

Example **SANY** takeover of German **Putzmeister**



- **SANY brand is hardly known outside China.**
- **SANY is looking for a brand which is known in the world.**

Source: SANY annual report; Raffel CD

April, 2012 **SANY** of China → takes over → **Putzmeister** of Germany

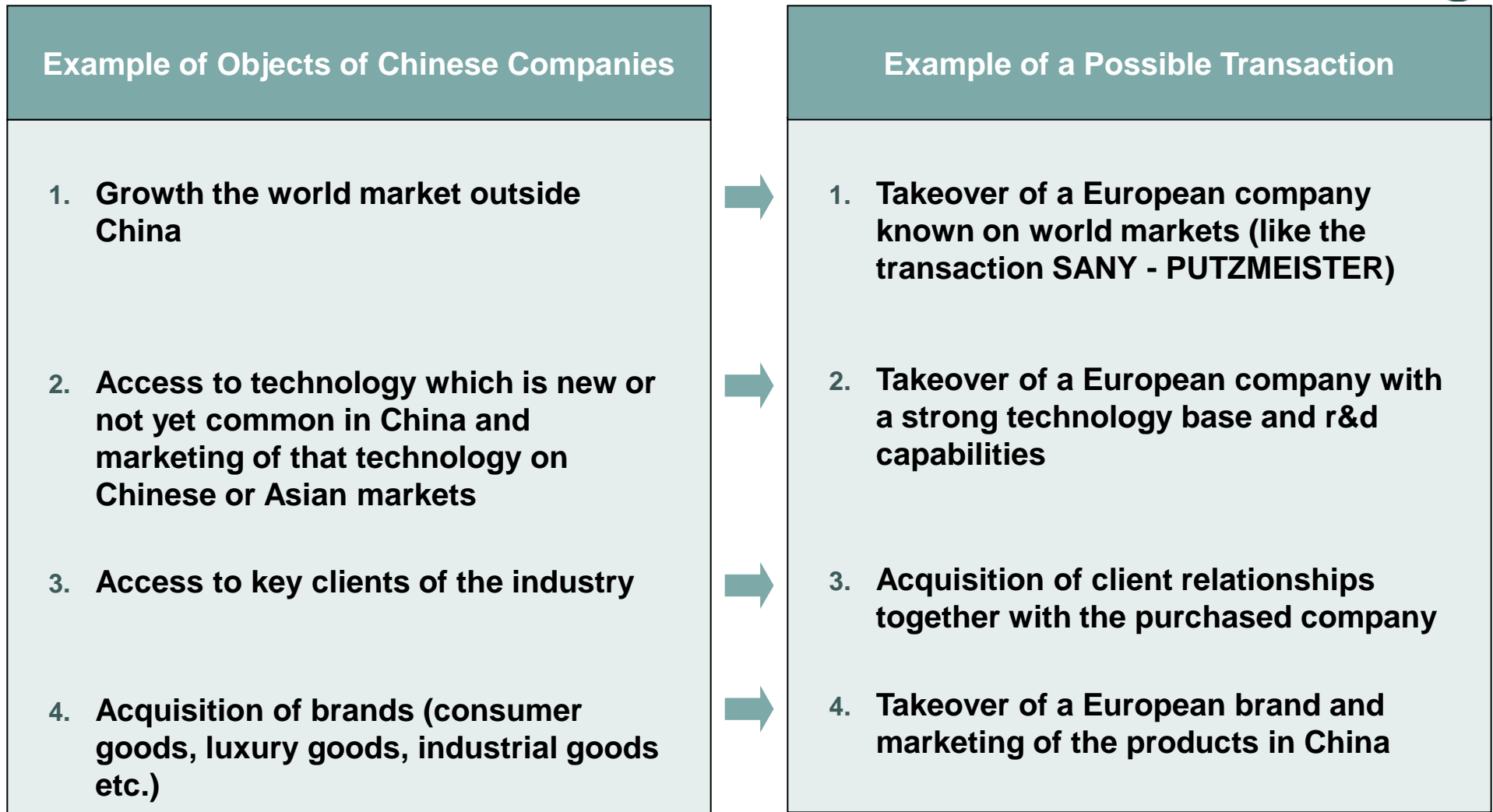
Turnover: 500 mn EUR

Purchasing price: 324 mn EUR

With the acquisition of PUTZMEISTER, SANY is able to expand on the world sales.

Source: Raffel CD

Why do Chinese companies take over European companies?

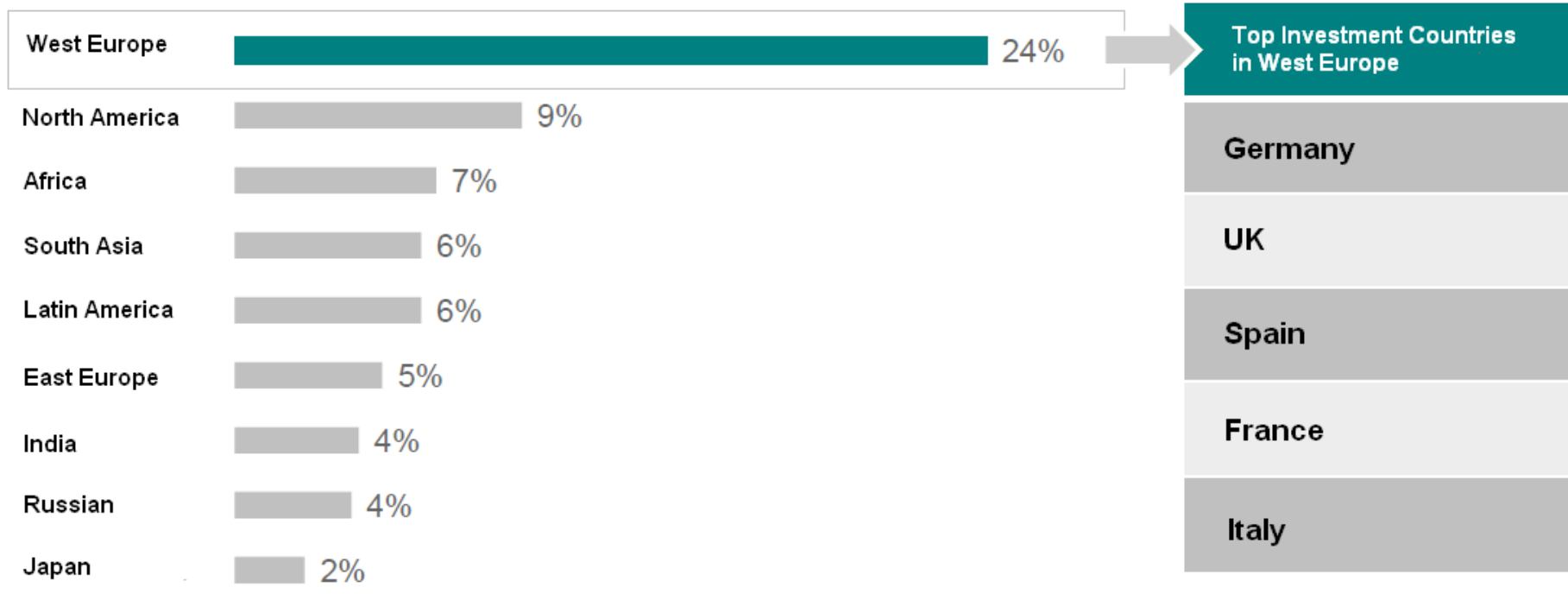


Source: Raffel CD

West Europe – and Germany – are Number One Regions for Future Investments



„ Do you plan to invest in following regions? “



Source: Study in which 400 Chinese managers (large) companies participated (2012)

Germany lists in No. 1 in focus countries for Chinese companies.



2. How to Buy a European Company?

Main points for a successful company acquisition



1. Right strategy and objectives

- What to do with the company after takeover?

2. Right price for the shares of the company

- What is the value and the price to be paid?

3. Right project management and process of the acquisition

- What are the steps required?

4. Right „post merger integration“

- How to integrate the acquired company?



Required:

Tools, techniques and know-how for successful acquisitions (process overview on following pages)

Source: Raffel CD

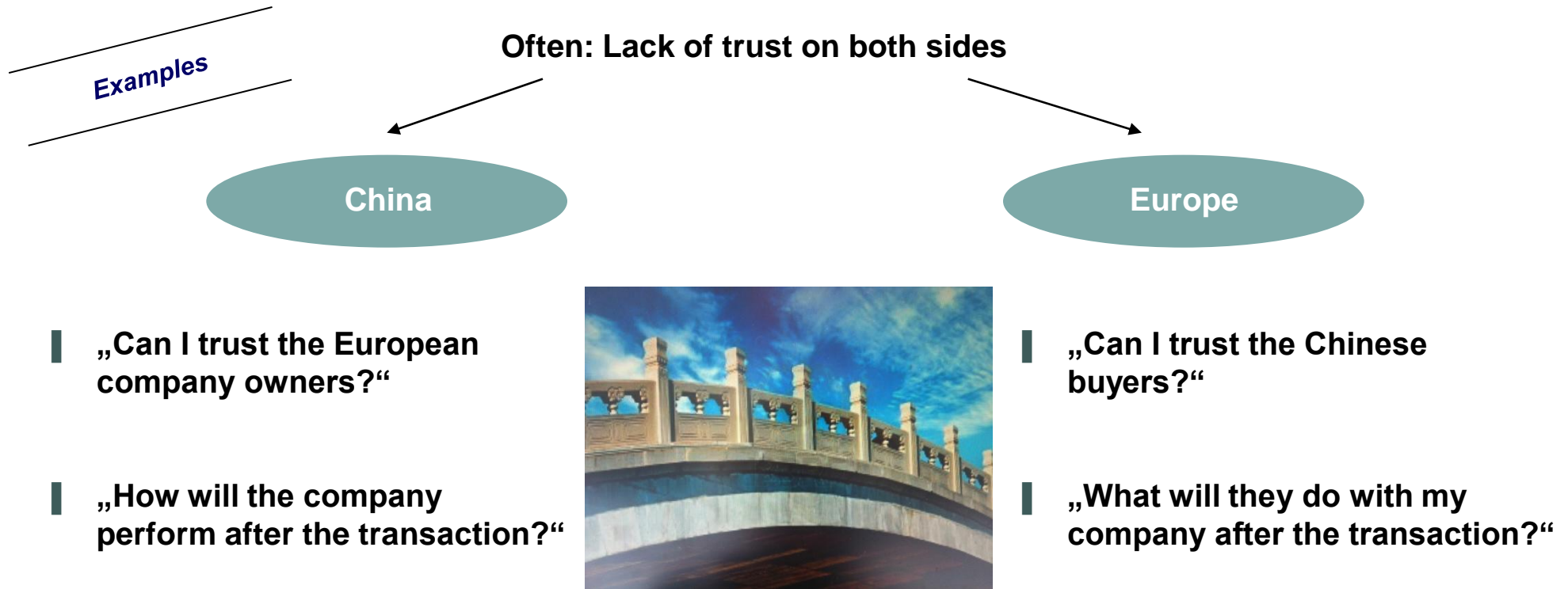
Overview: Process of a company acquisition (please refer to the glossary)



- Getting in touch with the company to be acquired („acquisition target“)
- Information about the acquisition target (facts and figures)
- First negotiations with the owners of the acquisition target
- „Letter of Intent“
- Legal, financial and commercial due diligence
- In-depth-check of the acquisition target
- Final company valuation
- Negotiation of conditions such as price of company, warranties of seller and purchaser, terms of payment etc.
- sometimes complex negotiations
- Signing of the contract of both parties
- closing of the transaction

Source: Raffel CD

For company acquisitions in Europe, building trust is important



For successful China-Europe transactions, a solid bridge is necessary.

Source: Raffel CD



3. What is the Role of M&A Consultants?

A successful company transaction requires professional consultants



Role of consultants in company transactions (overview)

- 1. project management: co-ordination of all parties involved (owners + managers of buyer and seller, lawyers, auditors etc.)**
- 2. finding the right value for the acquisition target**
- 3. negotiation of price and all other conditions of the transaction**
- 4. conflict solving**
- 5. „ building bridges“**

How to hire an M&A consultant

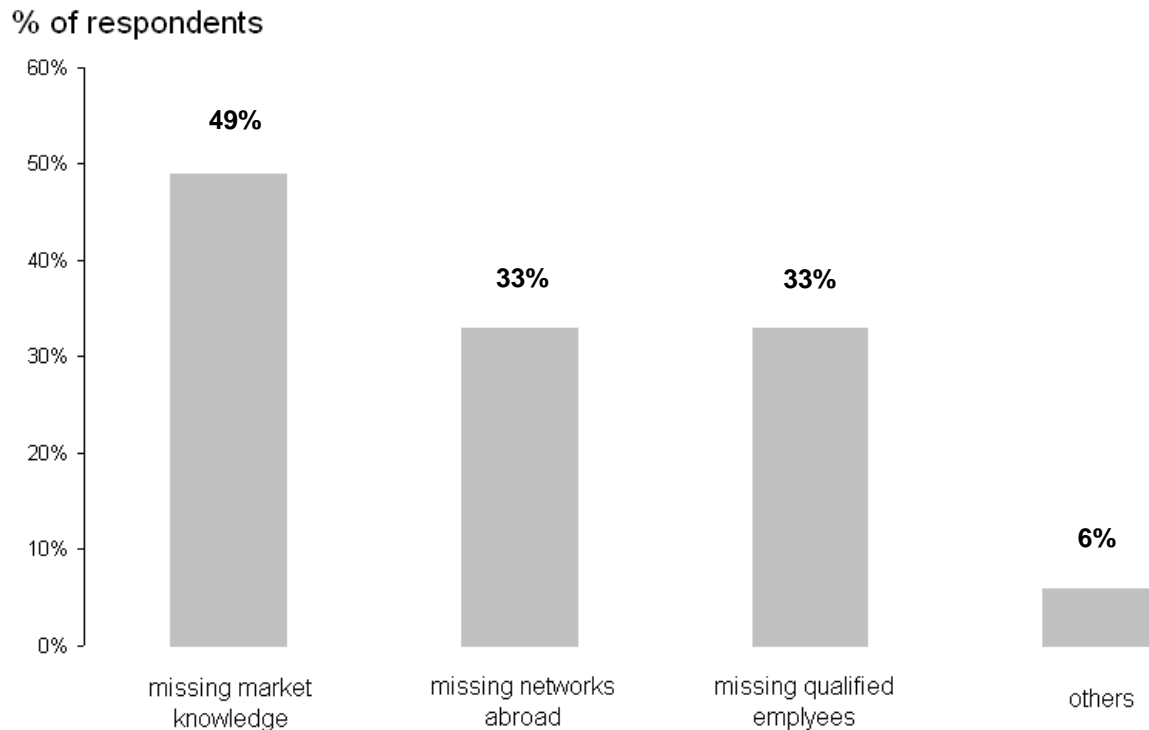
- 1. it is strongly advised to make use of a consultant for M&A transactions (acquisition or disposal of companies)**
- 2. a professional consultant will work for either the buyer or the seller and not for both parties at one time**
- 3. consultants usually will ask for a monthly fee plus a success based fee after signing of the contract.**

Source: Raffel CD

Consultants will help with the main problems



Main Problems of Chinese Companies when investing abroad (USA, Europe etc)



All of the main problems stated by Chinese managers can be eliminated with the help of consultants.

Source: Study in which 400 Chinese managers (large) companies participated (2012)

In future, Chinese companies intent to hire consultants for international transactions.

MelchersRaffel is the company for successful Euro-China transactions



a Joint Venture of



- Know-how and network of 1,700 employees in technology, consumer and luxury markets in Europe and in 25 offices in Asia
- Experience from 150 years of successful business in China
- Offices in Shanghai, Hongkong, Singapore and Munich, Germany
- Client Service:
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Designing Business Models
 - **M&A**
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Structuring Joint Ventures and Alliances
- Contact:
 - **www.melchersraffel.com**
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- Founded: 1806 in Bremen, Germany
- Group Companies: more than 50 in the world – focusing on Europe, Southeast Asia, and Greater China
- Branches and representative offices in Asia: 25
- Other locations: South Africa, Ethiopia
- Employees in Europe: ca. 600 (ca. 500 in Germany)
- Employees worldwide: 1,700 (1,000 in Asia).



- Experience in advising companies in the larger middle class. The employees of Raffel CD have both industrial and consulting experience in the international environment.
- For M&A activities (purchase and sale of companies and business units), Raffel CD combines the necessary M&A technique, strong strategy and market expertise. This allows the creation of outstanding value for the customer.

Source: Raffel CD