

# Guideline for Companies in China

## Successful Takeover of European Companies

**Munich, June 2013**



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## 1. Why are Chinese Companies Buying European Companies?

# Acquisitions are a way for successful company growth

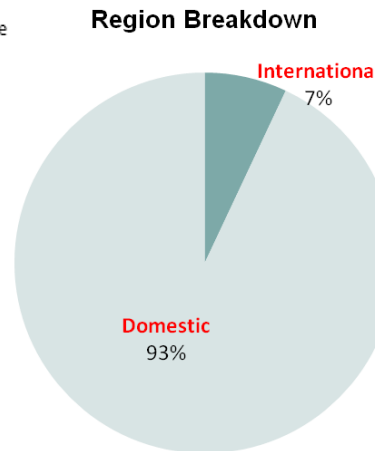
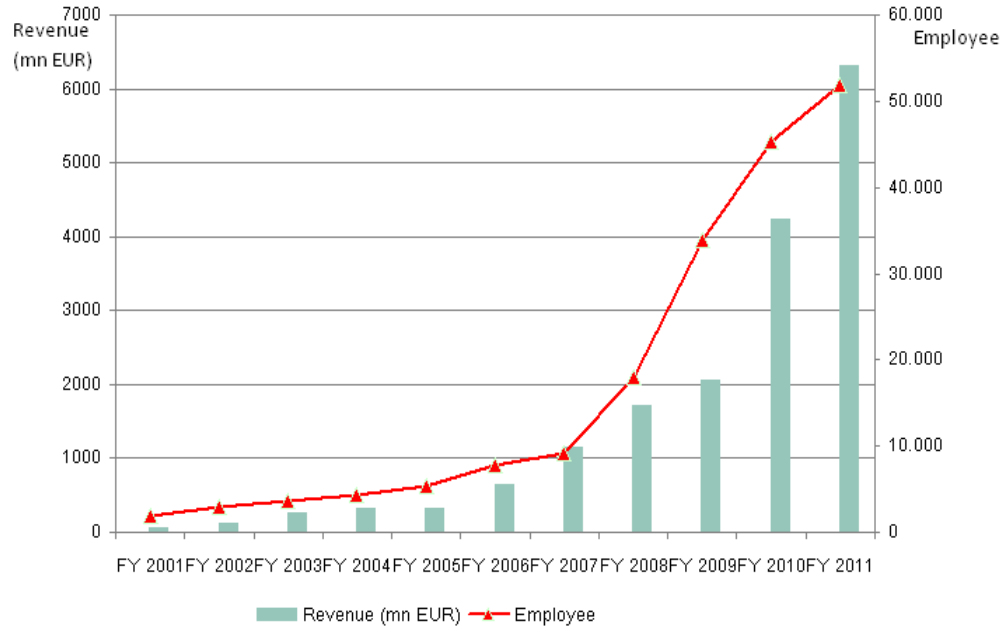
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- **Acquisition of a company (buying of an existing company) is a way for quick growth.**
- **In general, the acquisition and disposal of companies is an important instrument for the development of companies.**
- **„M&A“ („Mergers & Acquisitions“) 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



## 中联重科并购CIFA三年“挂果” 技术与市场都给力

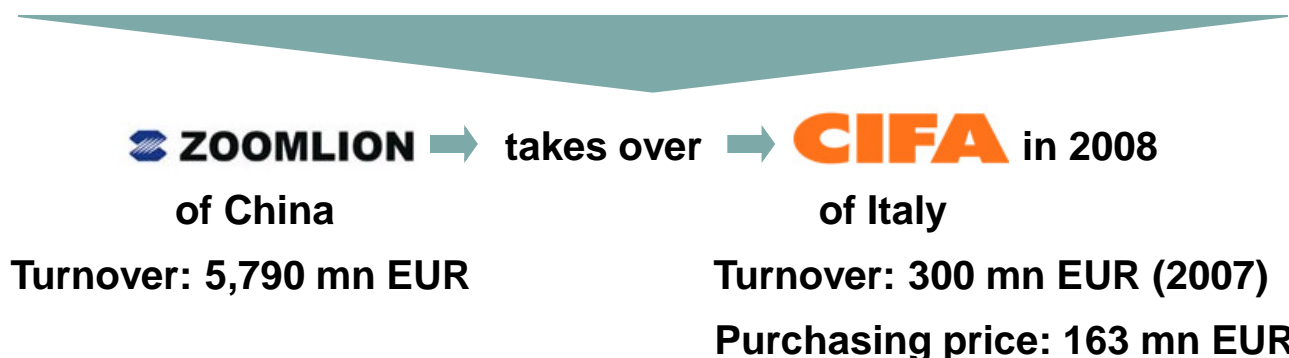
文章来源：证券日报 更新时间：2012-02-06 01:55

**Headline: Economic and Technical Synergy of Zoomlion's Acquisition of Italian CIFA**

**Post Date: 06-02-2012**

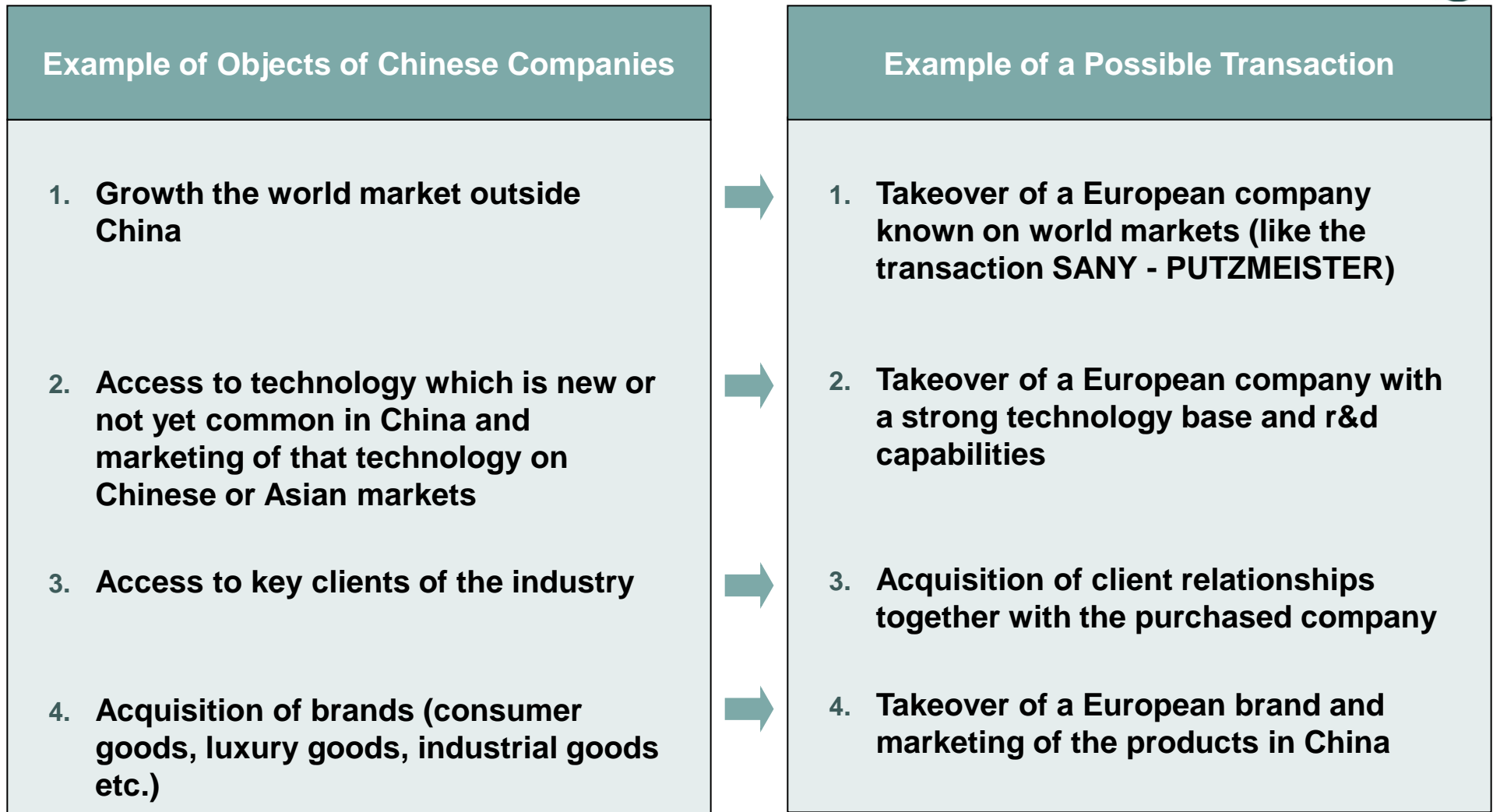
**Source: Security Daily**

In 2008 Zoomlion purchased 100% shares of the Italian company CIFA (€ 271 million) with Goldman Sachs, Mandarin Capital and Honey Future Investment (Zoomlion obtained 60% in € 163 million). CIFA has successfully eliminated negative impact of economic crisis and began to make profit in 2011. On the other hand, Zoomlion received the support of advanced technology and international marketing network.



Source: MelchersRaffel Research

# Why do Chinese companies take over European companies?

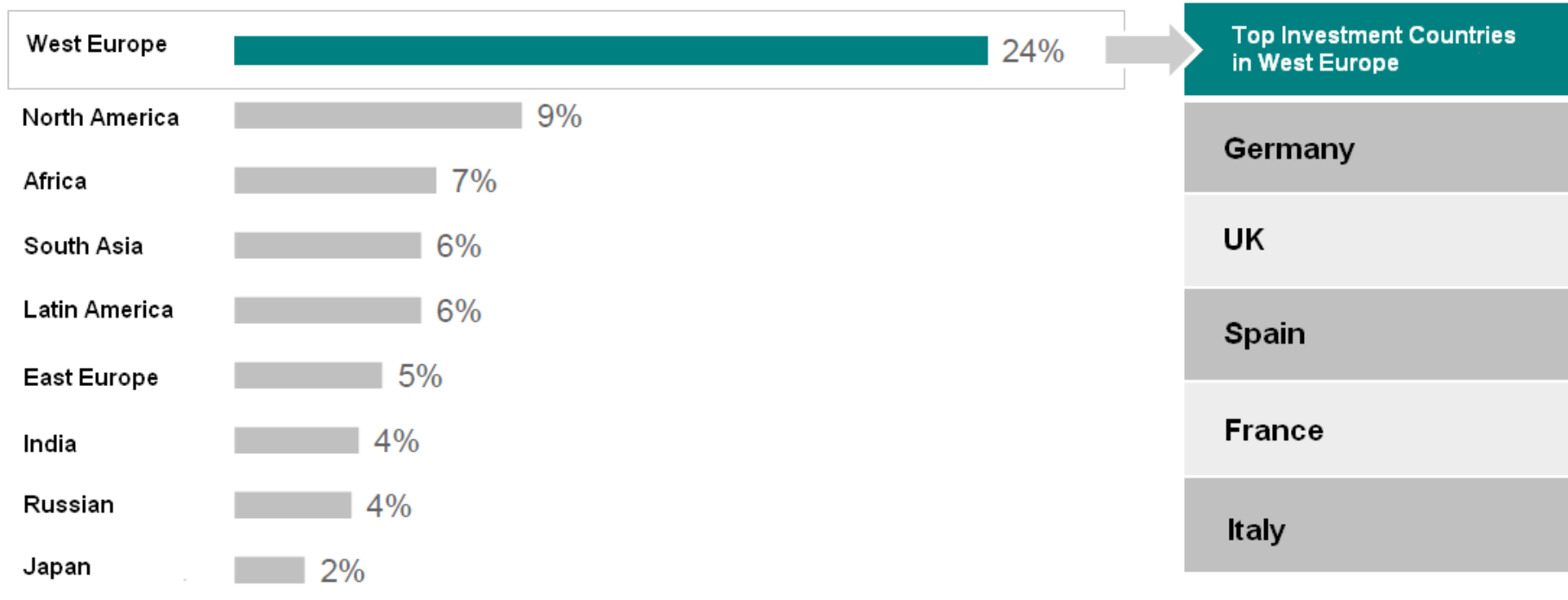


Source: Raffel CD

# 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.**





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## 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

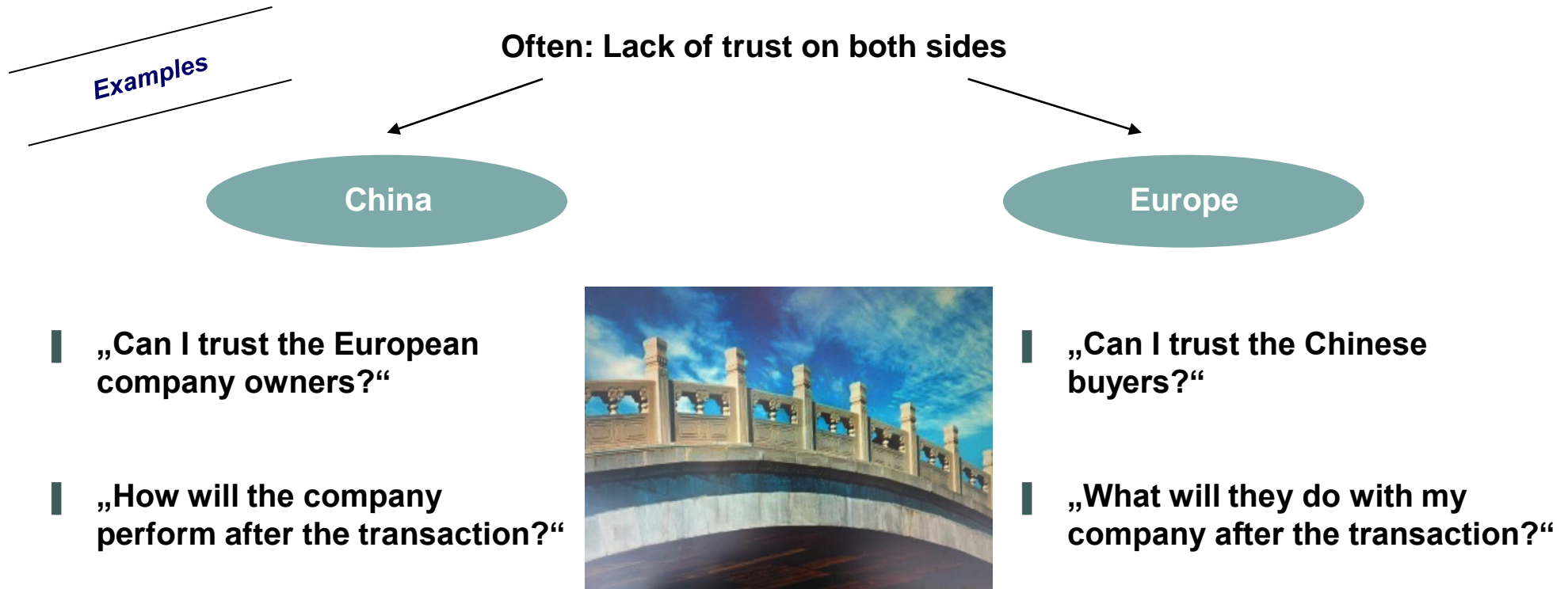
# Overview: Process of a company acquisition (please refer to the glossary)



- 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



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### 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

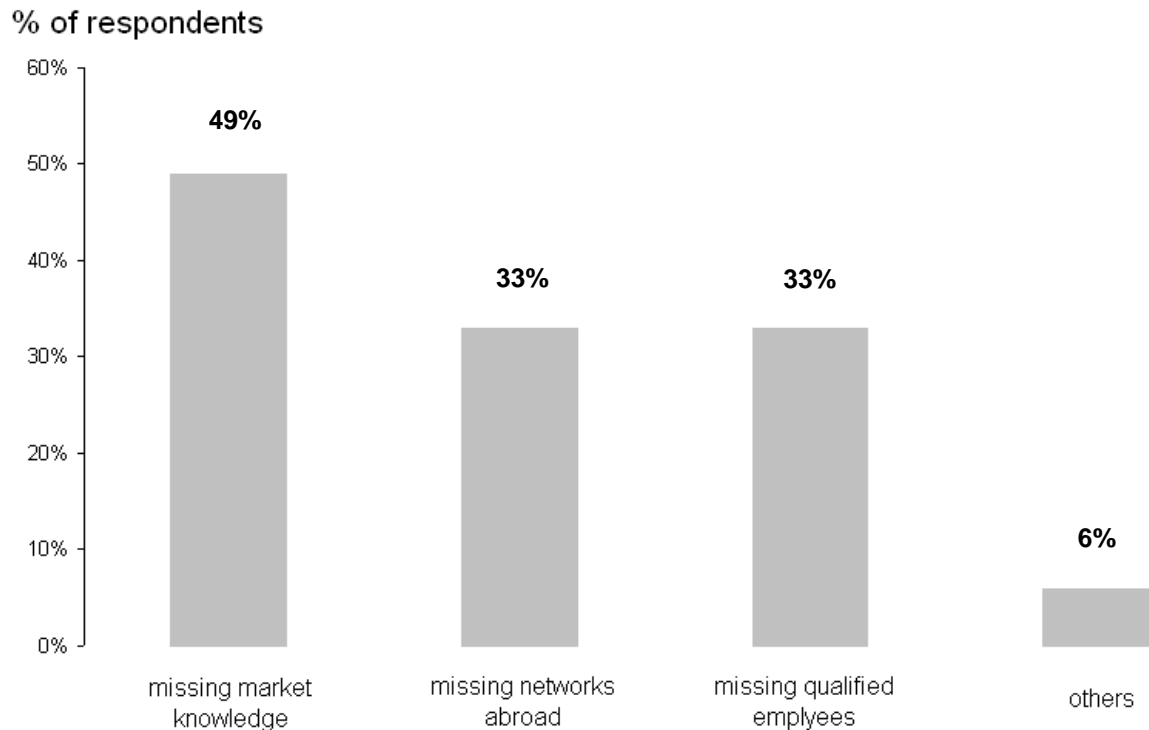
- 1. it is strongly advised to make use of a consultant for M&A transactions (acquisition or disposal of companies)**
- 2. a professional consultant will work for either the buyer or the seller and not for both parties at one time**
- 3. consultants usually will ask for a monthly fee plus a success based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



- Access to 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:  
**Strategy**  
Business Development  
Designing Business Models

## M&A

Acquisition and Desinvestment of Companies  
Structuring Joint Ventures and Alliances

- Contact:  
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E-mail: [info@melchersraffel.com](mailto:info@melchersraffel.com)

- Founded: 1806 in Bremen, Germany
- Experience from 150 years of successful business in China
- 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 with strong strategy and market expertise. This allows the creation of outstanding value for the client.



Source: Raffel CD

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