



**上海华然投资咨询有限公司**

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M&A ADVISORY

COMMERCIAL DUE DILIGENCE

POST-MERGER INTEGRATION

STRATEGY CONSULTING



# China M&A Transaction Research (China-Outbound)

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Prepared By

Huaran Consulting

## PRC M&A Outlook

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Macro Environment

Local Manufacturer

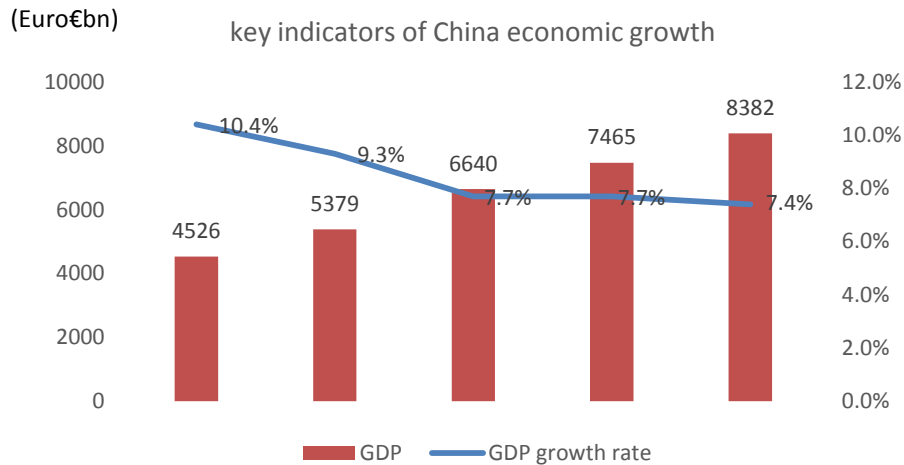
Emerging Buy-side Demands

China-Outbound M&A Outlook

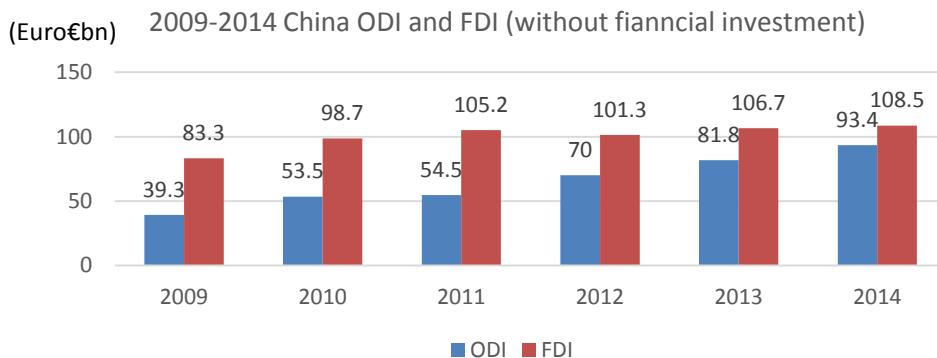
2014 China-Germany M&A Transactions

## Macro-Economics Overall

- The growth trend of China macro-economic remains at relatively moderate speed. According to the official data, the GDP growth rate of 2014 is 7.4% .



- Based on government data, the overseas direct investment (ODI) peaks to \$102.9bn in 2014, with 14.1% growth rate compared to the ODI 2013.



## Manufacturing Environment

- Traditional China manufacturing enterprises face the following huge challenges:

- ✓ Increasing labor costs and turnover
- ✓ Higher material costs
- ✓ Strict environment protection regulations
- ✓ Unstable foreign currency exchange rate
- ✓ Low technology entry requirements
- ✓ Fierce competition
- ✓ Innovation encouragement and requirements



## Industrial Revolution

- Traditional China manufacturing enterprises are experiencing an industrial revolution that aims to
- ✓ Create higher production value
  - ✓ Encourage more innovation
  - ✓ Acquire the core technology improvement
  - ✓ Upgrade relevant machinery and equipment
  - ✓ Evolve from OEM to ODM
  - ✓ Develop their own brand and good will

## Industrial Revolution

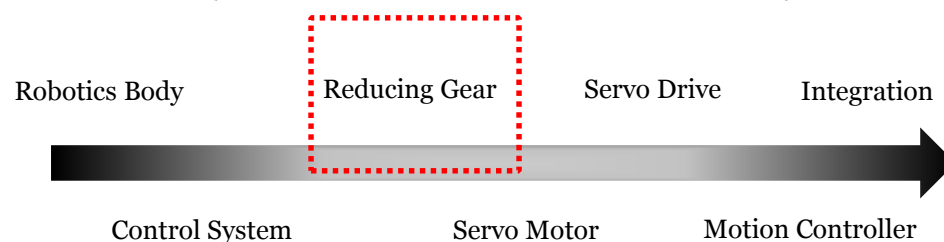
The trend of industrial revolution stimulate the demand of advanced production machinery, equipment, technology and management team etc.

### 2014 China manufacturing Outlook:

- Wenzhou City, Zhejiang Province:  
Around 500 manufacturing corporations invest in industrial robotics to replace human labor force.
- Dongguan City, Guangdong Province:  
About 70% manufacturing firms invest in industrial robotics to replace human labor force.
- Wenzhou and Dongguan are the major industrial cities along the Chinese coastlines. Both of them enjoy a sound reputation for manufacturing low-end goods to advanced machineries.
- First half of 2014: the total number of imported robots is 34,714, increased 92% from what in 2013.

## Intelligent Manufacturing Demands

### Local Manufacturer role (Robotics Industrial Chain)



### Higher costs

#### Production costs comparison of spot welding robot (165kg)

(Euro€)	Spot Welding Robot(165kg)			
	Foreign Robot	Breakdown(%)	Local Robot	Breakdown(%)
Total costs	23,654	100%	42,099	100%
Body	6,618	28%	9,152	22%
Reducing gear	2,957	13%	12,954	31%
Servo motor	3,520	15%	6,054	14%
Servo drive	2,675	11%	5,210	12%
Motion controller	704	3%	1,830	4%
Others	7,181	30%	6,899	16%

## Booming Automation/Intelligent Manufacturing Equipment Market (Cases)

- Most local industrial robotics manufacturers are involved in the production of **Main Body and system integration**, some outstanding firms perform well in the R&D of controller and servo motor.
- The most substantial costs of producing an robot for Chinese firms: **Reducing gear** (imported from Japan, R&D fees etc)

### Conclusion:

- Lacking the key technology of robot core parts
- Relying on imported core parts
- Low Added -Value (integration and body parts)

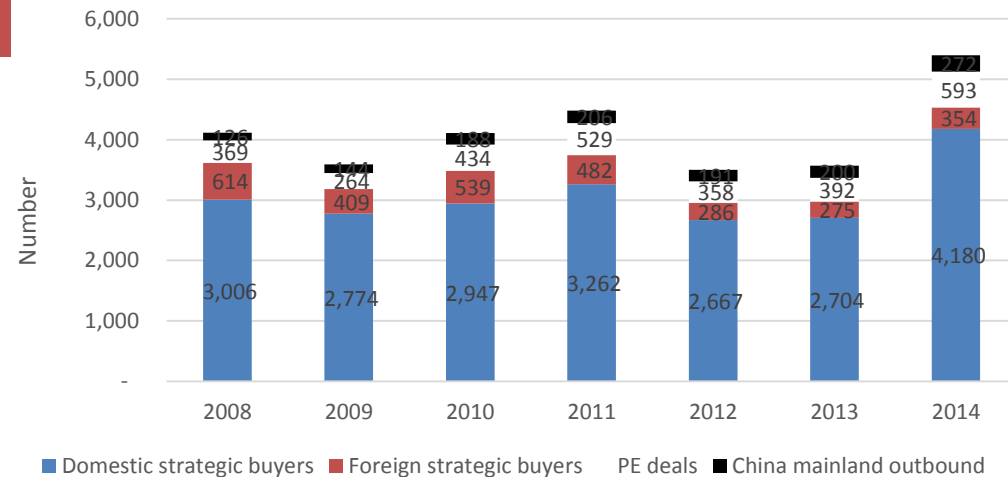
## China Buyer-side Demands (Source: Huaran Consulting)

#	Sector	Business Description	Expected Deal Size (EUR)
1	Servo Motor	Manufacturing Servo Motor or key component of any advanced motor for industrial purposes. Advanced R&D capability.	5M ~ 200M
2	Sensor	Sensor for any purpose with advanced technologies.	5M ~ 200M
3	Industrial Vision	Integrated solution for “Software + Hardware” of sensor application in automation.	No limit
4	Industrial Robot	Integration (Welding, logistic, healthcare, Service), or any key component of Industrial robot	No limit

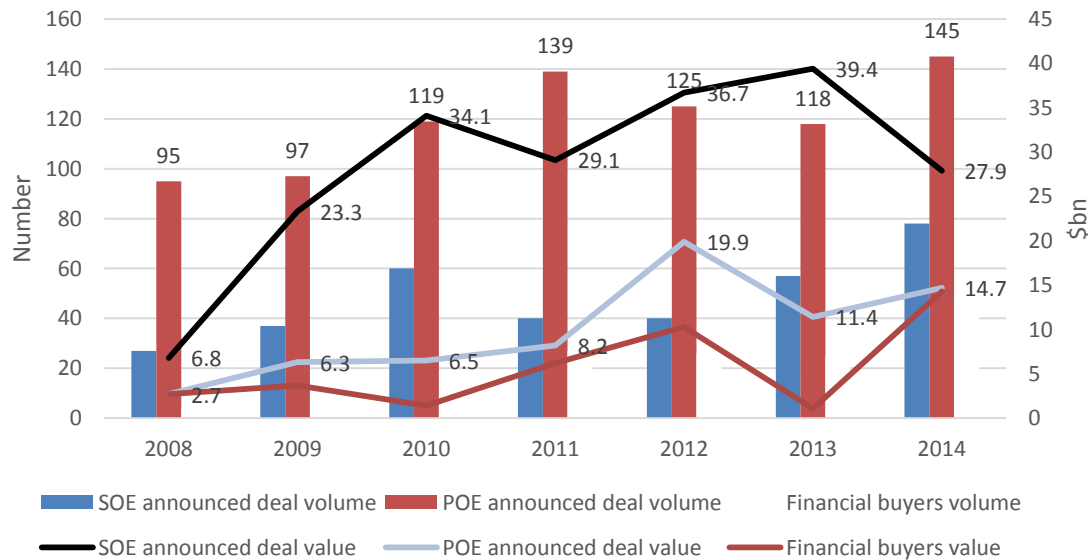
## China outbound M&A transactions

- China M&A surged by 55% in both volume and value terms to reach record levels in 2014.

2008-2014 Deal volume by main category



2008-2014 China mainland outbound deals



- The number of China outbound transactions surged by more than a third to reach a record high at US\$56.9bn; and the total number of outbound transactions increase from 126 (Y2008) to 272 (Y2014)

## China-Outbound M&A deal size: by industry (Category examples)

Industry	Number of Deals	Deal Value(Euro€M)
energy/resources	41	5864.44
Manufacturing	34	1413.7
Medical	13	3049.4
auto	11	1507
chemical	6	451

- Outbound M&A transactions mainly focus on Energy, Manufacturing, IT and Internet. The sum of the investment in these 4 industries occupy more than half of the total outbound M&A transaction value.

## 2013-2014 all China M&A Transactions

- In Manufacturing-mechanical and equipment sector:**

	2013	2014
Deal volume	260	271
Deal value (Euro€million)	9217	9681.55

## China-Germany M&A deals

- Germany becomes **the first choice** for Chinese investment in Europe
- Chinese enterprises had closed **36 M&A transactions**; Details of the transactions will be shown on the next slide.

#	Time	Deal value (Euro€million)	Target company	Industry	Acquirer
1	2014.12.19	undisclosed	Russ&Janot GmbH	Auto	LEI SHING HONG LIMITED
2	2014.12.15	90	Quin GmbH	Auto	Ningbo Joyson Electronic Corp.
3	2014.12.8	975	Hanwha Q CELLS GmbH	Energy	Hanwha SolarOne Co Ltd(Jiangsu)
4	2014.11.27	undisclosed	EyeSense AG(some)	Medical devices	Lee's Pharmaceutical Holdings Limited
5	2014.11.18	undisclosed	Albert Ziegler GmbH&Co KG (40%)	Auto	China Fire Safety Enterprise Group Limited (CFE)
6	2014.10.31	1	Deutsche Mechatronics GmbH	Metal processing	MultiDimension Technology Co., Ltd.
7	2014.10.30	2	Renesas Semiconductor Europe (Lands-hut) GmbH	Technology	Tianma Microelectronics Co., Ltd.
8	2014.10.23	undisclosed	Laukötter Dessau GmbH	Metal processing	undisclosed
9	2014.9.24	25	Dürkopp Adler AG (29%)	Mechanical engineering	Shang Gong (Europe) Group Co., Ltd.
10	2014.9.4	undisclosed	KÜNKEL WAGNER Germany GmbH	Metal processing	Qingdao Machinery Industry Corporation
11	2014.8.30	65	SAG Solarstrom AG	Energy	Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.
12	2014.8.29	0.05	Selig&Boettcher GmbH & Co.KG	Mechanical engineering	Jiangsu SEUIC Technology Co., Ltd
13	2014.8.21	0.9	Alterprodia GmbH(75%)	Auto	Ningbo Huaxiang Electronic Co.,Ltd
14	2014.8.1	undisclosed	Deutsche Mechatronics GmbH (60%)	Metal processing	MultiDimension Technology Co., Ltd.
15	2014.7.30	87	TOM TAILOR Holding AG (23.16%)	Retail	Fosun Group
16	2014.7.28	25	Heidelberger Druckmaschinen AG	Mechanical engineering	Masterwork Machinery Co., Ltd.
17	2014.7.22	undisclosed	KS Aluminium-und Technologie GmbH (50%)	Auto	Huayu Automotive Systems Company Limited
18	2014.7.21	undisclosed	Lübeck Airport	Transportation	China PR Group Co.Ltd



# 2014 China-Germany M&A Transactions

#	Time	Deal value (Euro€million)	Target company	Industry	Acquirer
19	2014.7.18	4	Schweizer Electronic AG	Technology	WUS Printed Circuit.Co Ltd
20	2014.7.17	undisclosed	Koki Technik Transmission Systems GmbH	Auto	AVIC Electromechanical Systems Co Ltd
21	2014.7.4	undisclosed	Steigenberger Hotel(Deidesheim)	Hotel	A Capital Group Ltd.,Louvre Hotels SAS
22	2014.7.2	undisclosed	miacom diagnostics GmbH(37%)	Medical Devices	Shanghai Fosun Pharmaceutical (Group) Limited by Share Ltd
23	2014.7.1	undisclosed	KACO GmbH+Co.KG(80%)	Auto	Anhui Zhongding Holding (Group)Co.,Ltd
24	2014.6.17	20	IMA Automation GmbH	Mechanical engineering	Ningbo Joyson Electronic Corp.
25	2014.6.10	3	Schumag AG(54.58%)	Auto	Shenzhen Meikai Electronics Stock Co., Ltd.
26	2014.6.6	undisclosed	Falcom Wireless Communications GmbH	Technology	Maestro Wireless Solution Ltd.(HK)
27	2014.6.3	undisclosed	Kokinetics GmbH	Auto	AVIC Electromechanical Systems Co Ltd
28	2014.5.29	473	Hilite International	Auto	Aviation Industry Corporation of China
29	2014.4.23	undisclosed	AVANCIS GmbH&Co KG	Energy	China National Building Materials Group Corporation (CNBM)
30	2014.4.4	undisclosed	Sunways AG	Energy	Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.
31	2014.2.21	undisclosed	Wilbert Turmkrane GmbH	Mechanical engineering	Nanyang Guoyu Seal Development Co. Ltd.
32	2014.1.28	71	Columbus Holding GmbH	Consumption	Goodbaby International Holdings Limited
33	2014.1.28	undisclosed	Peine GmbH	Mechanical engineering	Shandong Ruyi Science & Technology Group
34	2014.1.15	95	KION GROUP AG(33.3%)	Mechanical engineering	Weichai Power Co Ltd.
35	2014.1.13	13	pentahotels Germany GmbH	Hotel	New World China Land Limited
36	2014.1.10	undisclosed	SGL Rotec GmbH&Co.KG	Mechanical engineering	BetterLife Group

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