Destination Deutschland

M&A Activity of Foreign Investors in Germany in 2020
Despite the decrease in the amount of transactions in 2017-2018 compared to 2016 and the current developments, deals with foreign investors have always played an important role in Germany. In 2019, the activity reached a new peak of 912 deals, which represents an increase of 9% compared to 2018 and an all time high. Due to the unique global situation of 2020, we forecast that the deals for the year will reach to 852, which represents 7% decrease compared to the previous one. Nevertheless, this is still over and above the total deal number in 2018 by 2%.

The year 2020 was characterised by severe uncertainty caused by the outbreak of the pandemic (COVID-19), which impacted deal-making significantly. The presidential vote in the USA also led to temporary breaks in deals activity.

The lockdown to prevent the further outbreak of the pandemic generated a negative impact in the country’s economy. In 2020, the German GDP is forecast to decline to around 6.5%; while in 2009, the worst recession after the WWII, it declined 5.7%.

For 2020, a decline is expected both for Private Equity (PE) and Strategic investments compared with 2019, breaking the positive trend shown in previous years. Nevertheless, when comparing the numbers with the years prior to the boom year of 2019 – deal making has been on a very high level defying the unprecedented pandemic.
Deal Activity since Q1 2016

By number and value of announced deals from 2016 to YTD20*

- Total number of deals with German targets YTD20* amounted to 745 and are thus slightly below the prior year level of 757. The main reasons for this was the outbreak of the pandemic, that caused a severe global economic recession.

- In terms of total deal value, after the peak in 2017 of €104bn, it has been decreasing at a 21% CAGR (2017-2019). For 2020, we expect the total deal value to reach €61bn, a decrease of only 6% compared to the prior year.

- Even with the COVID-19 outbreak, the average deal value of €234m per deal in YTD20* is higher than the €211m achieved in the full previous year. Thus, albeit the uncertainty spread during the COVID-19 pandemic and resulting lockdowns, Germany has remained high on investors agenda and seen as a safe haven for investing, which has all held the level of deal doing high.

*Deals from January to 15 November 2020
**Forecast is based on average historical values for December
Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Deals with German Targets 2020*

Number and value of signed deals in 2020 by country of origin of the investor

North American Investors
167 Deals, €23.7 bn
(Prior Year: 219 Deals, €26.2 bn)

African Investors
4 Deals, €0.0 bn
(Prior Year: 6 Deals, €0.0 bn)

Asia & Pacific Investors
93 Deals, €2.6 bn
(Prior Year: 136 Deals, €11.1 bn)

European Investors (incl. Russia)
481 Deals, €26.6 bn
(Prior Year: 551 Deals, €27.4 bn)

*Deals from January to 15 November 2020
Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Deals by Country of Origin

Number and value of deals according to the headquarters

- Based on the number of transactions, German targets are mainly of interest to US investors: with 155 deals in YTD20* and a total deal value of €23.8bn, they rank first in the league table. The US buyers alone account for 20.8% of total amount of deals and a share of 44.3% of the total deal value. A clear driver behind this year’s deal value was the Thyssenkrupp AG-Elevator Tech deal, with a value of €17.2bn.

- Switzerland accounted for 9.5% of total amount of deals but only 2.6% of total deal value. These figures continue the trend of large amount of small-sized deals showed in YTD19** with 67 deals and a total deal value of €1.3bn.

- French investors increased their involvement from 59 deals in YTD19** to 70 in YTD20*, which represents a change of 18.6% YoY. The invested amount increased significantly from €1.2bn to €9.1bn. Main driver behind this development was the acquisition of Bombardier GmbH by Alstom for €6.9bn.

- The UK ranked second in YTD20* with 89 announced deals (11.9% of total), but adding only €2.4bn in deal value, compared to 111 announced deals and €4.3bn in deal value for YTD19**. The most important transaction was the Real GmbH deal, that accounted for more than 14% of UK’s total deal value. This development is also a result of the ongoing Brexit negotiation uncertainty and the threat of a hard Brexit.

*Deals from January to 15 November 2020
**Deals from January to 15 November 2019

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Deals by Origin of Investor Economy

By number of announced deals from 2017 to YTD20*

- Historically, nine out of ten deals with foreign investors originate from developed economies. Since 2017, this trend intensified further until 2018, when only 9.2% of all deals were made by buyers from developing countries. This trend maintains for YTD20*, where the share of developing and emerging economies increases only to 9.4% (0.2% percent points from previous year), remaining below 10% of all announced deals.

- The activity of investors from the European Union also increased continuously over the past years. The relative development has been steady in years 2017-2019, going from 46% to 49% of total deals and in YTD20* the share increased slightly to 52%.

- While in 2019 a percentage of 52% of the transactions were done by acquirers from G7 countries, in YTD20* there have been 365 of such transactions (472 in 2019) representing only a percentage of 49%. On the other hand, investors from the Eurozone are expanding their activity in the German transaction market (230 deals vs 256 deals in 2019), proportionally rising from 28% in 2019 to 31% of all deals in YTD20*.

*Deals from January to 15 November 2020

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Deals by EU and Non-EU Investors

By number of announced deals from 2017 to YTD20*

- In the period 2017-2019, the number of deals with EU investors has increased continuously, reaching their peak in 2019. Even though the amount of EU investors transactions decreased in YTD20*, the proportion from total deals increased slightly from 49% to 52%, compared to previous year. In terms of deal value, following the downward trend in 2019, we observe a positive development this year – buyers from the EU were responsible for 46% of the total deal value in YTD20*, while in 2019 they accounted only for 39%.

- The total value of the announced deals with buyers outside the EU reached an all-time high of €73.1bn or 70% of the total value in 2017. In the following years, after this peak in 2017, the non-EU investors’ total deal value decreased sharply in 2018 and kept decreasing but at a much lower rate, reaching to €39.5bn in 2019. The US was the most relevant country in terms of amount of deals and total deal value for the non-EU investors, representing 44% of the transactions and 82% of deal value in YTD20*.

*Deals from January to 15 November 2020

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Distribution of Deals

By number of announced deals from 2017 to YTD20*

- The deals for German Retail & Consumer targets increased from 156 in 2019 to 175 in YTD20*, that represents a growth of 12%.
- For the Industrial Production sector, historically always the number one sector for deal doing in Germany, the number of deals declined from 179 in 2019 to 140 YTD20*, representing a 22% fall. This sector has made way to the technology sector, which has become more in focus.

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>YTD20*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>128</td>
<td>132</td>
<td>146</td>
<td>185</td>
</tr>
<tr>
<td>Retail &amp; Consumer</td>
<td>152</td>
<td>161</td>
<td>156</td>
<td>175</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>196</td>
<td>181</td>
<td>179</td>
<td>140</td>
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<tr>
<td>Healthcare</td>
<td>71</td>
<td>69</td>
<td>78</td>
<td>77</td>
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<tr>
<td>Real Estate</td>
<td>55</td>
<td>69</td>
<td>78</td>
<td>41</td>
</tr>
<tr>
<td>Media &amp; Entertainment</td>
<td>52</td>
<td>60</td>
<td>77</td>
<td>34</td>
</tr>
<tr>
<td>Financial Services</td>
<td>44</td>
<td>52</td>
<td>48</td>
<td>32</td>
</tr>
<tr>
<td>Energy</td>
<td>42</td>
<td>28</td>
<td>52</td>
<td>28</td>
</tr>
<tr>
<td>Others***</td>
<td>78</td>
<td>94</td>
<td>99</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>818</td>
<td>837</td>
<td>912</td>
<td>745</td>
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### Industry Sector Focus of Selected Investors

#### By number of deals YTD20*

<table>
<thead>
<tr>
<th>Industry</th>
<th>US</th>
<th>UK</th>
<th>CH</th>
<th>FR</th>
<th>NL</th>
<th>CN/HK</th>
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</thead>
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<tr>
<td>Industrial Production</td>
<td>14</td>
<td>10</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>8</td>
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<tr>
<td>Technology</td>
<td>37</td>
<td>17</td>
<td>18</td>
<td>2</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Retail &amp; Consumer</td>
<td>11</td>
<td>15</td>
<td>16</td>
<td>8</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Media &amp; Entertainment</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Healthcare</td>
<td>12</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Materials</td>
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<td>4</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate</td>
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<td>5</td>
<td>5</td>
<td>2</td>
<td>1</td>
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<tr>
<td>Others**</td>
<td>8</td>
<td>4</td>
<td>7</td>
<td>9</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155</strong></td>
<td><strong>89</strong></td>
<td><strong>71</strong></td>
<td><strong>70</strong></td>
<td><strong>50</strong></td>
<td><strong>34</strong></td>
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</tbody>
</table>

*Private Equity Transactions in grey

*Deals January to 15 November 2020

**Government and Agencies, Energy, Telecommunication and Financial Services

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket

### US Investments

**Industrial Production**
- Thyssenkrupp AG (100% stake) for €17.2bn
- Flender GmbH (100% stake) for €2bn
- DURA Automotive Systems-Europe

**Technology**
- Exocad GmbH (100% stake) for €0.4bn
- Aareon AG (30% stake) for €0.3bn

**Healthcare**
- Biontech SE-mRNA Vaccine Techn (100% stake) for €0.7bn
- Immatics Biotechnologies GmbH (100% stake) for €0.2bn
- Lanxess-Leather Chemicals Busi (100% stake) for €0.2bn

- Due to COVID-19 effect, US investors were focussed on Technology and Healthcare (47.7% of total number of US investments)

### UK Investments

**Retail & Consumer**
- Hugo Boss AG (minority stake) for €0.2bn
- CureVac BV (10% stake) for €0.2bn

**Technology**
- Tier Mobility GmbH (minority stake) for €0.2bn
- Taxfix GmbH (series C) for €0.1bn
- Around 66% of all Buyers from Great Britain were PE investors, which also were mainly focussed on Retail & Consumer and Industrials

### Dutch Investments

**Industrial Production**
- E. Ziegler Metallbearbeitung GmbH as well as e-bility GmbH

**Retail & Consumer**
- NWT GmbH as well as BIOTECON Diagnostics GmbH

### Swiss & France Investments

**Retail & Consumer**
- Just Spices GmbH
- Cableway AG

**Technology**
- RIB Software SE (50% stake) for €1.4bn
- ElringKlinger AG (40% stake) for €0.1bn

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*Deals January to 15 November 2020

** Government and Agencies, Energy, Telecommunication and Financial Services

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket

PwC Destination Deutschland Analysis 2020
Top 10 announced Deals in 2020*

10 largest cross-border deals by deal value*

<table>
<thead>
<tr>
<th>Signing Date</th>
<th>Closing Date</th>
<th>Deal Status</th>
<th>Target Name</th>
<th>Acquirer Name</th>
<th>Acquirer Nation</th>
<th>Investor Type</th>
<th>Deal-Volume (€bn)</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 20</td>
<td>Jul 20</td>
<td>Completed</td>
<td>Thyssenkrupp AG-Elevator Tech</td>
<td>Advent International Corp</td>
<td>US</td>
<td>PE</td>
<td>17.2</td>
<td>Industrial Products</td>
</tr>
<tr>
<td>Feb 20</td>
<td>-</td>
<td>Pending</td>
<td>Bombardier Transportation GmbH</td>
<td>Alstom SA</td>
<td>FR</td>
<td>Strategic investor</td>
<td>6.6</td>
<td>Industrial Products</td>
</tr>
<tr>
<td>Feb 20</td>
<td>-</td>
<td>Pending</td>
<td>Deutsche Glasfaser Hldg GmbH</td>
<td>EQT and OMERS</td>
<td>SE</td>
<td>PE</td>
<td>2.8</td>
<td>Industrial Products</td>
</tr>
<tr>
<td>Sep 20</td>
<td>-</td>
<td>Pending</td>
<td>METRO AG</td>
<td>EP Global Commerce as</td>
<td>CZ</td>
<td>Strategic investor</td>
<td>2.2</td>
<td>Retail &amp; Consumer</td>
</tr>
<tr>
<td>Oct 20</td>
<td>-</td>
<td>Pending</td>
<td>Flender GmbH</td>
<td>The Carlyle Group</td>
<td>US</td>
<td>PE</td>
<td>2.0</td>
<td>Industrials</td>
</tr>
<tr>
<td>Jun 20</td>
<td>Sep 20</td>
<td>Completed</td>
<td>Telefonica SA-Cellphone Towers</td>
<td>Telefonica SA</td>
<td>ES</td>
<td>Strategic investor</td>
<td>1.5</td>
<td>Energy</td>
</tr>
<tr>
<td>Feb 20</td>
<td>Jul 20</td>
<td>Completed</td>
<td>RIB Software SE</td>
<td>Schneider Electric SE</td>
<td>FR</td>
<td>Strategic investor</td>
<td>1.4</td>
<td>Technology</td>
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<tr>
<td>Feb 20</td>
<td>-</td>
<td>Pending</td>
<td>ISRA Vision AG</td>
<td>Atlas Copco AB</td>
<td>SE</td>
<td>Strategic investor</td>
<td>1.1</td>
<td>Technology</td>
</tr>
<tr>
<td>Apr 20</td>
<td>Aug 20</td>
<td>Completed</td>
<td>Schuelke &amp; Mayr GmbH</td>
<td>EQT</td>
<td>SE</td>
<td>PE</td>
<td>1.0</td>
<td>Materials</td>
</tr>
<tr>
<td>Feb 20</td>
<td>-</td>
<td>Completed</td>
<td>Real GmbH</td>
<td>SCP Group S.A.R.L; X+Bricks AG</td>
<td>LU</td>
<td>Strategic investor</td>
<td>1.0</td>
<td>Retail &amp; Consumer</td>
</tr>
</tbody>
</table>

*Pending*: Awaiting regulatory approval

*Deals with disclosed deal value, January to 15 November 2020

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergermarket
Deals by Size and Volume

By number of announced deals from 2017 to YTD20*

- In YTD20* there have been only 226 deals with a disclosed deal value versus 519 deals where no transaction value was disclosed. These 226 deals represent a 30% of total deals in YTD20*, which is slightly below the average of 34% of deals with disclosed value in the prior years.

- In YTD20* there have been 10 mega deals with a total deal value of €36.8bn. From these 10 mega deals, 50% of them are already completed and the rest are still pending (please refer to the table on p. 10).

- Small deals accounted for 63.3% of deals with disclosed value while large or mega deals together account for 11.5% of deals with disclosed value and medium sized deals accounts for the remaining 25.2%.

*Deals from January to 15 November 2020

Source: PwC Analysis based on M&A data from Thomson Reuters and Mergemarket
Methodology

This report is an analysis of transaction activity of foreign investors in Germany. The fundamental data used for this analysis has been collected from ThomsonReuters, Preqin and Mergermarket and includes all announced deals, where the target is headquartered in Germany and the investors is headquartered in a country outside of Germany.

This analysis includes all mergers, acquisitions and disposals, leveraged buyouts, spin-offs, privatisations and acquisitions of minorities, which have been announced between 1 January 2016 and 15 November 2020, excluding those deals, which have been cancelled or terminated in the meanwhile.

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