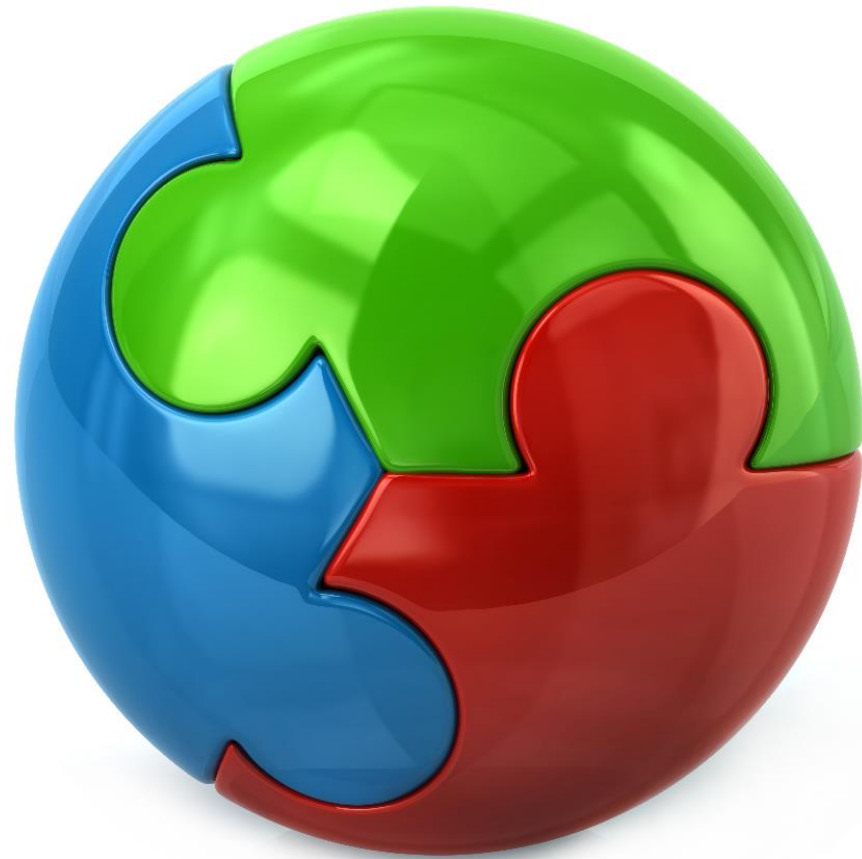


Deloitte.



Germany: Cross Border M&A Yearbook
2017 Edition

April 2018

Foreword

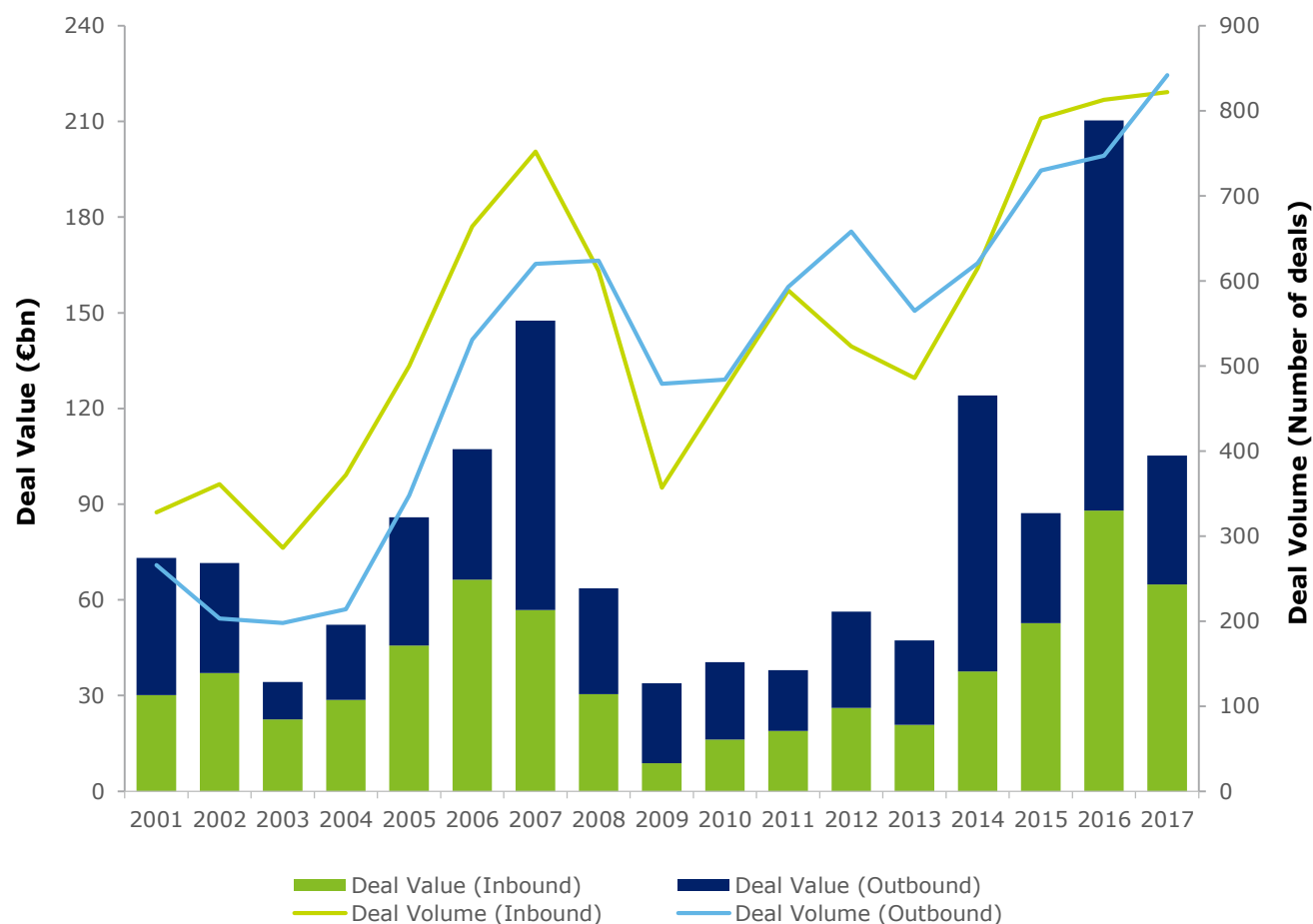
Welcome to the fourth edition of Deloitte Corporate Finance's "Cross Border M&A Yearbook" for Germany. This report provides a general overview of German cross border M&A activity from a regional, industry, and investor type perspective over the last three years.

Germany's cross border M&A activity registered again a respectable nominal 6.7% YoY growth in total deal volume in 2017, while total deal value decreased by 49.9% mainly due to the absence of mega deals, such as the €58.3bn Monsanto - Bayer and the €42.2bn Linde - Praxair transactions seen in 2016. Despite some uncertainties in Germany and Europe due to new government regulations restricting foreign investments, ongoing BREXIT discussions or global geopolitical instabilities, M&A activity remained strong.

The year 2017 witnessed a significant increase in financial investor led activities, with 461 deals in 2017, compared to 334 such deals in 2016. The U.S. continued to be the top acquirer as well as target in the German cross border M&A market and Europe continued to dominate both inbound and outbound deal activity in terms of both value and volume. Consumer Business dominated outbound deal activity in terms of volume, while Real Estate dominated outbound deal activity in terms of value.

2018 is expected to be another strong year for notable transactions. Germany is likely to continue as a lucrative deal destination for foreign investors, notably from Europe. Expected economic growth across the globe, the lingering 'Amazon effect', declining U.S. corporate taxes, the ease of corporate profit repatriation, and the stability following German and French elections is expected to boost M&A activity in 2018. The TMT industry is likely to be the growth driver, driven by inorganic investments in mobile, social, and digital technologies, with a view towards automation of business processes.

Cross Border M&A Activity in Germany since 2001



Source: S&P Capital IQ / Deloitte Analysis

Industry Expert Speaks



Every industry is being disrupted, everyone is trying to respond to technological changes, nobody wants to be left out and that's why many companies are buying strategic assets to better position themselves to compete on a global scale.

- Eileen Nugent, M&A Partner at Skadden, December 2017

Most of 2017 has been a slow year for mega deals ... We believe the momentum around large deal activity will continue into next year as we see a number of industries undergoing massive strategic shifts and further consolidation.

- Marc Nachmann, Co-head of Global Investment Banking at Goldman Sachs, December 2017



The M&A environment is complex. While we have been seeing rapid transaction processes and high valuation multiples (arguably above 2007 levels), the macroeconomic factors are challenging — North Korea, terrorism, Brexit, the U.S. political environment, and privacy and cybersecurity concerns, to name a few.

- Richard Youle, Private Equity Investor, January 2018

... "wait and see" approach from firms had congested the M&A pipeline with activity down by nearly a quarter by value, for the first half of the year compared to the six months prior ...

- Clifford Chance LLP, September 2017



Many multinationals continue to observe the "regular flow of geopolitical chaos", while outbound foreign investment restrictions in China had put "a strong brake" on Chinese investment overseas.

- Guy Norman, Global Head of Corporate at Clifford Chance LLP, September 2017



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Cross Border M&A: Key Trends

While deal volume registered a respectable nominal growth in 2017, deal value decreased following the significant surge of 2016; Europe dominated both inbound and outbound activity; PE activity experienced remarkable growth



- Compared to 2016's remarkable growth, **Germany's cross border M&A activity registered a respectable nominal 6.7% growth in deal volume in 2017, while deal value decreased by 49.9%**. In 2017, both inbound deal volumes and outbound deal volumes increased by 1.1% and 12.7%, respectively. In the same period, deal value decreased by 26.3% (inbound) and 66.9% (outbound); respectively. Despite the chance that foreign direct investments are more frequently reviewed and regulated by the German Federal Ministry of Economics, M&A activity remained strong.
- **2017 witnessed a decline in average deal value of mega deals** (which we define as a deal greater than €5.0bn) from €30.2bn in 2016 to €7.6bn in 2017. The decrease in average mega deal value can be attributed to absence of huge mega deals, such as the €58.3bn Monsanto - Bayer and the €42.2bn Linde - Praxair deals of 2016.



- The **U.S. continued to be the top acquirer as well as target in the German cross border M&A market**, accounting for 23.3% of total inbound deal value and 30.1% of total outbound value. In 2017, outbound deals to the U.S. increased by 18.5% (volume) and decreased by 84.5% (deal value) compared to 2016. New opportunities are anticipated to emerge from modest regulation modifications, cash repatriation and corporate tax reform.



- **Europe continued to dominate both inbound and outbound deal activity in terms of both deal value and volume**, accounting for 60.1% of total deal value and 69.5% of total deal volume in 2017. Uncertainty surrounding pan-EU trade regime framework, weak Sterling in Great Britain, modification of national foreign investment laws and, optimistic approach to inbound investment created an opportunity for acquirers to invest in European assets.
- During 2016-2017, **South America registered significant growth as a target**, 26.7% in terms of volume due to new reforms in some Southern American markets, while still on an overall very low level. Robust economic reforms proposition and strong M&A prospects, especially in Brazil and Argentina lured German investors to this region. Soaring demand and aggregating commodity prices, developments in Brazilian economic reforms, and the positive outlook resulting from upcoming elections in this region have drawn investments.



- **CB dominated outbound deal activity in terms of deal volume**, accounting for 25.0% of total outbound deal volume in 2017, while **Real Estate dominated outbound deal activity in terms of deal value**, accounting for 36.3% of total outbound deal value in 2017.
- **Real Estate also emerged strong in numbers for inbound activity**, with 24.9% of total inbound deal volume in 2017. This was encouraged by the retail industry, attractiveness of German assets and vertical consolidation. **Manufacturing witnessed the highest inbound activity in terms of deal value**, (29.5% of total inbound deal value), fueled by expansion of geographical footprint and new technological advancements.
- **2017 witnessed a significant increase in private equity (PE) activity** in terms of deal volume (2016: 334, 2017: 461). On the other hand, activity by corporate investors decreased (deal volume - 2016: 1,227, 2017: 1,203; The increase in private equity activity can be attributed to several years of fundraising and the growing need to deploy accumulated capital.

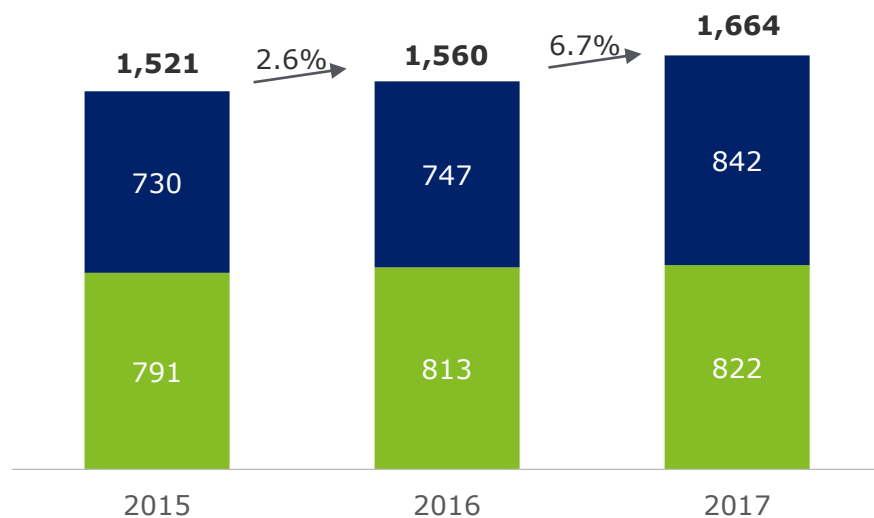


- **M&A deal activity is expected to rise in 2018. Expected economic growth across the globe** is likely to propel deal making. The **'Amazon effect'** is expected to result in unconventional deals, driven by the 'necessity to adapt to changing demographics, consumer behavior, and technological innovation'. **Declining U.S. corporate taxes** and the **ease of corporate profit repatriation** is expected to boost U.S. acquisitions in Europe.
- **Geopolitical instability**, along with, **growing investor activism**, is **expected to slightly dampen** the positive deal making environment.

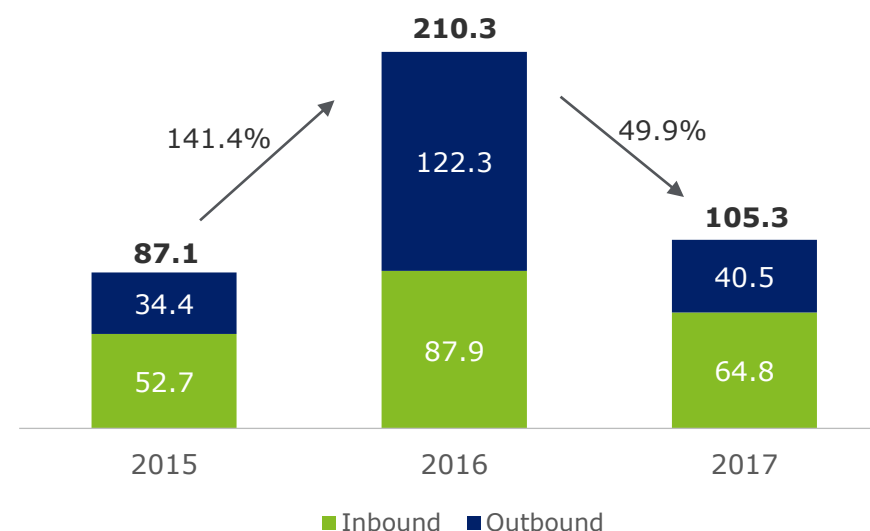
Cross Border M&A: Deal Activity by Deal Volume and Deal Value

In 2017, deal value of cross border M&A declined by 49.9% YoY (inbound:26.3%, outbound: 66.9%) due to the previous remarkable growth by 141.3% in 2016

Deal Volume (absolute number, 2015-2017)



Deal Value (€bn, 2015-2017)



German M&A Deal Activity: Deal Volume and Deal Value Growth

	Inbound Deals					Outbound Deals					Total Deals				
	2015	2016	YoY	2017	YoY	2015	2016	YoY	2017	YoY	2015	2016	YoY	2017	YoY
Deal Volume	791	813	2.8%	822	1.1%	730	747	2.3%	842	12.7%	1,521	1,560	2.6%	1,664	6.7%
Deal Volume with disclosed deal value	239	235	(1.7%)	191	(18.7%)	200	218	9.0%	151	(30.7%)	439	453	3.2%	342	(24.5%)
Deal Value (€bn)	52.7	87.9	66.8%	64.8	(26.3%)	34.4	122.3	255.5%	40.5	(66.9%)	87.1	210.3	141.3%	105.2	(49.9%)

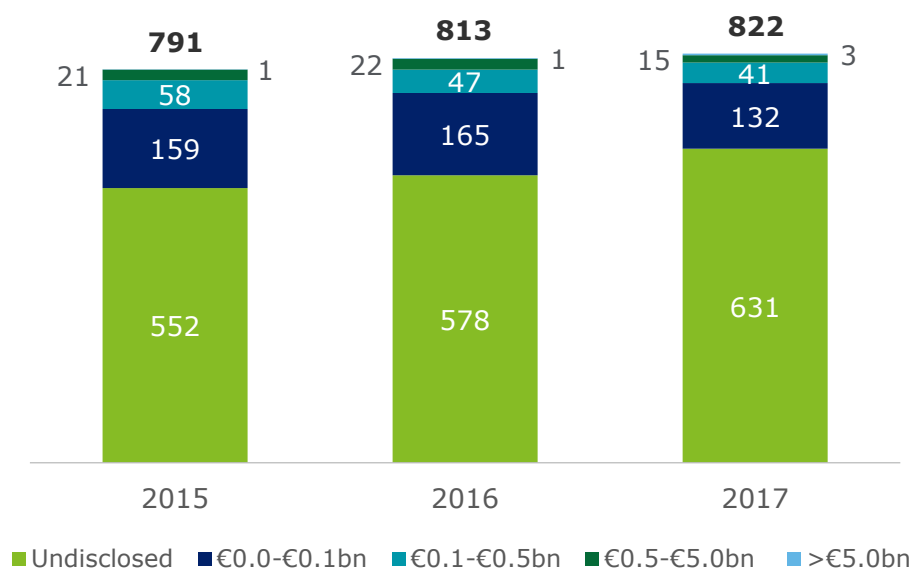
Source: S&P Capital IQ / Deloitte Analysis

Cross Border M&A: Deal Volume by Deal Size

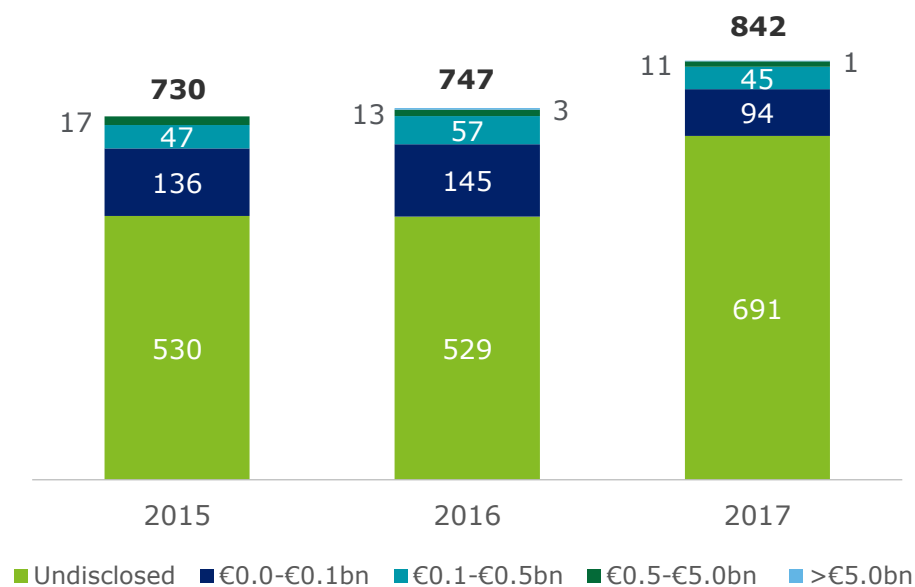
Overall deal volume recorded an uptick, noticeably the 12.7% growth in outbound deal volume in 2017

Deal Volume by Size (absolute number, 2015-2017)

Inbound Deals (units)



Outbound Deals



Key Observations

- In line with 2016's performance, deal volume in 2017 continued to remain robust. 2017 witnessed a 12.7% YoY increase in number of outbound deal volume, vis-à-vis the 1.1% increase in inbound deal volume.
- Deal volume growth (inbound and outbound) is mainly driven by increased deal volume of lower (or non-disclosed) value deals, the trend being evitable from outbound activity. The total number of outbound deals increased from 747 in 2016 to 842 in 2017.
- The number of inbound deals increased by 1.1% in 2017 (2016: 813 deals, 2017: 822 deals), which was marginally below the growth rate of 2016 (2.8%). This is also attributable to Germany's new foreign trade laws, which have increased the time frame and regulations governing completion of deals flowing into Germany.

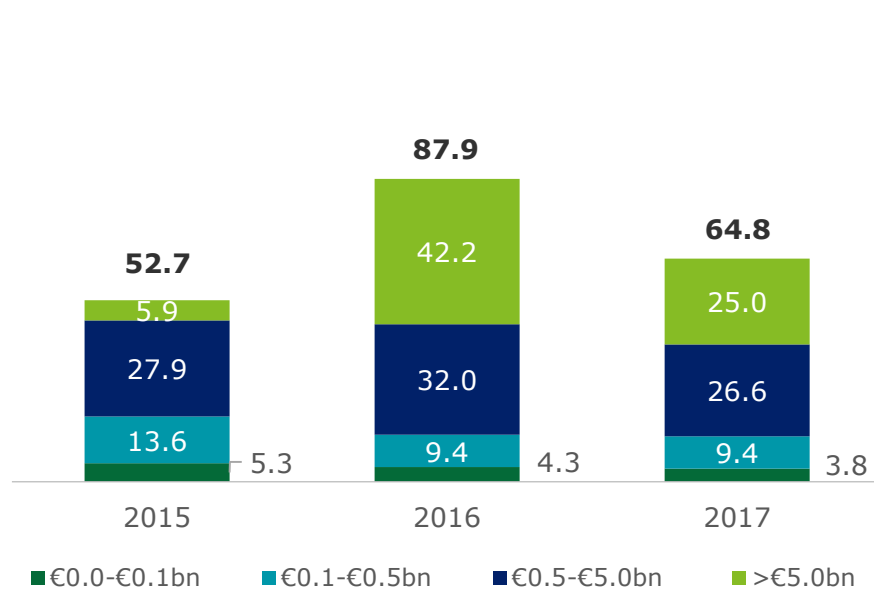
Source: S&P Capital IQ / Deloitte Analysis

Cross Border M&A: Deal Value by Deal Size

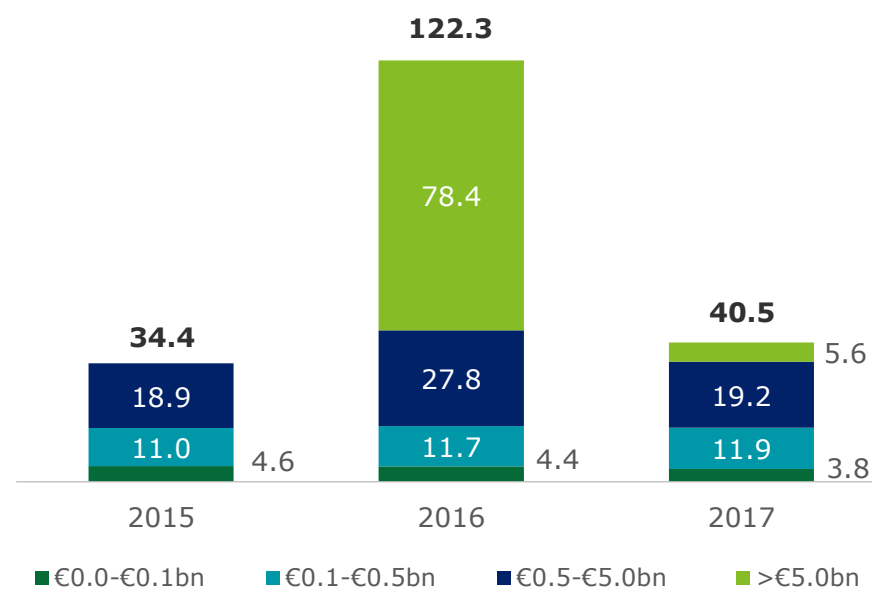
Owing to absence of many high value deals, 2017 experienced a decline in the aggregate value of mega deals

Deal Value by Size (€bn, 2015-2017)

Inbound Deals (units)



Outbound Deals



Key Observations

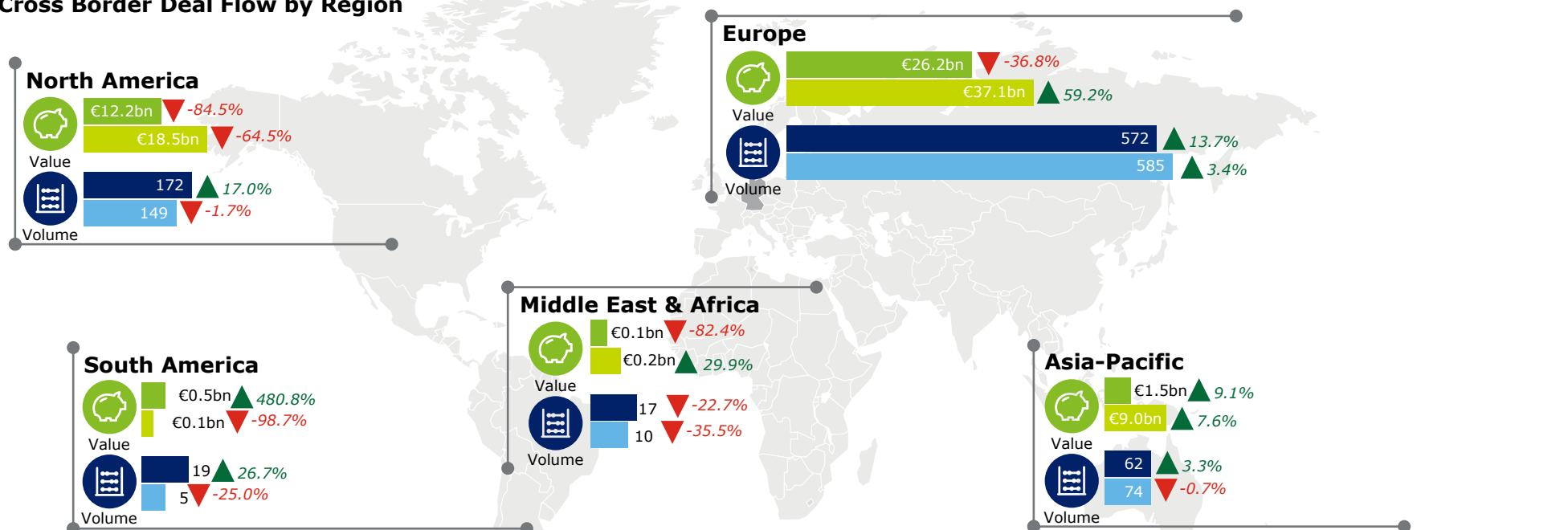
- In terms of deal value, 2017 witnessed a 49.9% YoY decline (inbound: 26.3%, outbound: 66.9%), in comparison to 2016's record-high growth of 141.4% YoY (inbound: 66.8%, outbound: 255.5%)— the decline being attributable to the absence of mega deals (the €58.3bn Monsanto – Bayer deal and the €42.2bn Linde - Praxair deal of 2016).
 - 2017's largest disclosed inbound deal was the €11.0bn purchase of Uniper SE, a German power company, by Fortum Participation Limited, to form a potential merger of equals. Another significant inbound deal recorded this year was acquisition of Siemens AG, Mobility solutions business by Alstom SA for €8.2bn.
 - Only one outbound mega deal was recorded in 2017, which was the BUWOG AG - Vonovia SE deal for €5.6bn. In contrast, in 2016, three outbound mega deals were recorded.

Source: S&P Capital IQ / Deloitte Analysis

Cross Border Deal Flow by Region

Europe continued as the prime investor in Germany, both in terms of deal value and deal volume

2017 Cross Border Deal Flow by Region



Key Observations

- In 2017, Europe continued to be the most sought after target and acquirer for German deal activity, both in terms of deal value and deal volume. It accounted for 60.1% of total deal value and 69.5% of deal volume. It was followed by North America, with 22.3% of total deal value and 19.3% of deal volume.
- Higher share of deal value in Europe (inbound share: 64.7%, outbound share: 57.2%) is the result of some notable mega deals, which were part of 2017 deal scope.
 - Acquisition of Uniper SE, an Irish power and utilities company, for €11.0bn by Fortum and the €8.2bn Siemens AG, Mobility solutions business – Alstom SA deal dominated the German-European inbound ecosystem.
 - The list of European outbound deals was dominated by comparatively lower value acquisitions of Elenia Oy by private equity investor, and BUWOG AG and Akorn, Inc. by German corporate buyers.

Source: S&P Capital IQ / Deloitte Analysis

Top 10 Countries as Acquirers and Targets

The U.S. and the UK dominated inbound and outbound deal volume, with mostly European nations in the top-10; Ireland and Austria emerged as major inbound and outbound value drivers, respectively, owing to high value deals

Inbound Deals

Top Countries by Deal Volume

Country	2016 Volume	YoY	2017 Volume	Share
United States	130	(2.3%)	127	15.4%
United Kingdom	110	5.5%	116	14.1%
Switzerland	62	54.8%	96	11.7%
France	88	0.6%	89	10.8%
Luxembourg	43	30.2%	56	6.8%
Austria	44	(4.5%)	42	5.1%
Netherlands	52	(22.1%)	41	4.9%
Sweden	55	(37.6%)	34	4.1%
China	30	1.7%	30	3.6%
Belgium	21	12.2%	23	2.8%
Others	180	(5.8%)	170	20.6%
Total	813	1.1%	822	100.0%

Top Countries by Deal Value (€bn)

Country	2016 Volume	YoY	2017 Volume	Share
United States	52.0	(71.0%)	15.1	23.3%
Ireland	0.2	5,161.9%	11.4	17.7%
France	6.2	68.9%	10.5	16.3%
Hong Kong	1.8	309.8%	7.5	11.5%
Austria	0.2	2,608.5%	4.9	7.5%
Canada	0.3	1,193.1%	3.5	5.4%
United Kingdom	1.9	70.1%	3.3	5.0%
Channel Islands	0.2	1,508.2%	2.7	4.2%
Luxembourg	1.1	18.8%	1.3	2.0%
Switzerland	0.7	12.0%	0.7	1.1%
Others	23.4	(83.4%)	3.9	6.0%
Total	87.9	(26.3%)	64.8	100.0%

Outbound Deals

Top Countries by Deal Volume

Country	2016 Volume	YoY	2017 Volume	Share
United States	130	18.5%	154	18.3%
United Kingdom	84	10.7%	93	11.0%
Netherlands	43	32.6%	57	6.8%
France	51	2.0%	52	6.2%
Switzerland	31	54.8%	48	5.7%
Austria	39	17.9%	46	5.5%
Italy	34	29.4%	44	5.2%
Spain	42	2.4%	43	5.1%
Sweden	20	20.0%	24	2.9%
Belgium	18	16.7%	21	2.5%
Others	255	2.0%	260	30.9%
Total	747	12.7%	842	100.0%

Top Countries by Deal Value (€bn)

Country	2016 Volume	YoY	2017 Volume	Share
United States	78.3	(84.5%)	12.2	30.1%
Austria	4.1	113.9%	8.8	21.8%
United Kingdom	20.8	(72.7%)	5.7	14.0%
Finland	0.1	2,764.6%	3.7	9.2%
Belgium	0.3	568.5%	1.7	4.2%
Switzerland	0.3	370.9%	1.2	3.1%
France	0.6	120.4%	1.2	3.1%
India	0.6	33.8%	0.8	2.1%
Sweden	0.9	(43.7%)	0.5	1.3%
Ireland	1.8	(75.3%)	0.5	1.1%
Others	14.5	(71.7%)	4.1	10.1%
Total	122.3	(66.9%)	40.5	100.0%

Source: S&P Capital IQ/ Deloitte Analysis

Top 10 Inbound Deals by Value in 2017

European strategic buyers, especially, players in the manufacturing and Real Estate sectors, dominated the top-10 inbound deals list; European power sector consolidation led to the highest valued Uniper deal

Top 10 Inbound Deals by Value in 2017

Announcement	Sector	Acquirer	Acquirer Country	Target	Deal Value (€bn)	Percent Sought	Buyer Type
26-Sep-17	Independent Power Producers and Energy Traders	Fortum Participation Limited		Uniper SE	11.0	100.0%	Strategic Buyer
26-Sep-17	Construction Machinery and Heavy Trucks	Alstom SA		Siemens AG. Mobility solutions business	8.2	100.0%	Strategic Buyer
27-Jul-17	Electronic Equipment and Instruments	CK Infrastructure Holdings Limited. CK Asset Holdings Limited		ista international	5.8	81.1%	Strategic Buyer
1-Jun-17	Construction Machinery and Heavy Trucks	Deere & Company		WIRTGEN GROUP Holding GmbH	4.5	100.0%	Strategic Buyer
10-Jul-17	Pharmaceuticals	Multiple acquirers ⁽¹⁾		STADA Arzneimittel Aktiengesellschaft	4.2	100.0%	Financial Buyer
1-Nov-17	Real Estate Operating Companies	SIGNA Holding GmbH		Galeria Kaufhof and 63% of Kaufhof Real Estate	3.0	100.0%	Strategic Buyer
11-Oct-17	Specialty Chemicals	BC Partners; Ontario Teachers' Pension Plan Board; Public Sector Pension Investment Board		CeramTec GmbH	2.6	80.0%	Financial Buyer
9-Nov-17	Real Estate Operating Companies	SIGNA Prime Selection AG		Portfolio of Five Prestigious Properties in Large Cities	1.5	100.0%	Strategic Buyer
11-Dec-17	Distributors	LKQ Corporation		STAHLGRUBER GmbH	1.5	100.0%	Strategic Buyer
29-Mar-17	Biotechnology	Tiancheng International Investment Limited		Biotest Aktiengesellschaft	1.3	100.0%	Strategic Buyer

Note: (1) Multiple acquirers constitute a consortium of (i) Bain Capital Private Equity, LP and (ii) Cinven Capital Management (Vi) Limited Partnership Incorporated

Source: S&P Capital IQ / Deloitte Analysis

Top 10 Outbound Deals by Value in 2017

Top deals comprised of strategic acquisitions by German corporate buyers, such as new technology acquisitions by Fresenius Kabi; Top E&R deals included financial investments into various electric and water utility targets

Top 10 Outbound Deals by Value in 2017

Announcement	Sector	Acquirer	Acquirer Country	Target	Deal Value (€bn)	Percent Sought	Buyer Type
18-Dec-17	Real Estate Operating Companies	BUWOG AG		Vonovia SE	5.6	100.0%	Strategic Buyer
24-Apr-17	Pharmaceuticals	Akorn. Inc.		Fresenius Kabi USA. LLC	4.7	100.0%	Strategic Buyer
13-Dec-17	Electric Utilities	Elenia Oy		Allianz SE; The State Pension Fund (VER); Macquarie Infrastructure & Real Assets	3.5	100.0%	Financial Buyer
2-May-17	Water Utilities	Multiple acquirers ⁽¹⁾		Affinity Water Limited	1.9	100.0%	Financial Buyer
22-Dec-17	Alternative Carriers	UPC Austria GmbH		T-Mobile Austria GmbH	1.9	100.0%	Strategic Buyer
7-Aug-17	Healthcare Equipment	Nxstage Medical. Inc.		Fresenius Medical Care Holdings. Inc.	1.8	100.0%	Strategic Buyer
19-Sep-17	Commodity Chemicals	Solvay SA. Polyamide Business		BASF SE	1.6	100.0%	Strategic Buyer
30-Jun-17	Railroads	NACCO S.A.S.		VTG Aktiengesellschaft	1.0	100.0%	Strategic Buyer
2-Mar-17	Specialty Chemicals	Grace Darex Packaging Technologies		Henkel AG & Co. KGaA	1.0	100.0%	Strategic Buyer
24-Apr-17	Life Sciences Tools and Services	Merck Kommanditgesellschaft auf Aktien. Biosimilars Business		Fresenius Kabi AG	0.7	100.0%	Strategic Buyer

























Note: (1) Multiple acquirers constitute a consortium of (i) Allianz Capital Partners GmbH, (ii) HICL Infrastructure Company Limited, (iii) InfraRed Capital Partners, and (iv) Dutch Infrastructure Fund B.V.

Source: S&P Capital IQ / Deloitte Analysis






























Inbound M&A Activity by Industry in 2017

Inbound deal volume was dominated by Real Estate; 2017 also witnessed many CB and TMT deals; Manufacturing and E&R dominated inbound deal value

Inbound Deal Value (€bn)

	NA	Europe	MEA	APAC	SA	Total
Mfg	 6.1	 11.6	 0.1	 1.3	-	19.1 <i>58.6%</i>
ER	 2.7	 11.0	-	-	-	13.7 <i>(70.9%)</i>
Real Estate	 2.1	 9.2	 0.1	 0.4	-	11.8 <i>15.4%</i>
LSHC	 4.6	 2.5	-	 1.4	-	8.4 <i>49.7%</i>
TMT	 0.4	 1.8	 0.01	 5.8	 0.1	8.1 <i>167.6%</i>
CB	 2.7	 0.9	-	 0.003	-	3.6 <i>(62.1%)</i>
FSI	 0.1	 0.1	-	 0.1	-	0.2 <i>(71.0%)</i>

Inbound Deal Volume

	NA	Europe	MEA	APAC	SA	Total
Real Estate	 25	 168	 2	 11	-	205 <i>(10.9%)</i>
CB	 17	 139	 3	 8	 2	168 <i>5.0%</i>
TMT	 42	 105	 2	 11	 1	161 <i>3.9%</i>
Mfg	 22	 72	 2	 31	-	127 <i>(5.2%)</i>
LSHC	 26	 50	 1	 7	-	83 <i>16.9%</i>
FSI	 10	 32	-	 4	 2	47 <i>34.3%</i>
ER	 8	 20	-	 3	-	31 <i>10.7%</i>

 Share of total deal value/ volume

Key Observations

- In terms of deal value, Manufacturing emerged as the leading sector, with the highest aggregate inbound deal value (€19.1bn), representing 29.4% of the total inbound deal value in 2017. The deal contributing to this increase was the €8.2bn acquisition of the mobility solutions business of Siemens AG by Alstom SA, which was aimed at consolidating the operations of major global players to fuel the vertical integration and geographical footprint expansion with the European transportation industry.
- Real Estate dominated with the highest number of deals, accounting for 24.9% of the total inbound deal volume in 2017. The 15.4% YoY growth in Real Estate inbound deal value was driven by the increased demand for German real estate assets, especially by capital investors. This was due to the increased risk associated with Brexit, which had rendered assets in UK less lucrative, increasing the demand for German assets.
- FSI witnessed a growth 34.3% YoY in terms of inbound deal volume. This increase was driven by the improved focus of European investors on financing of technological innovation, emergence of 'Fintech', and the ongoing European financial sector consolidation.
- TMT witnessed the highest growth rate of 167.6% YoY in terms of inbound deal value, which was stimulated by accelerated deals in Internet of Things, big data, artificial intelligence, and emerging payment service technologies.
























Note: NA – North America, MEA – Middle East and Africa, APAC –Asia-Pacific, SA –South America; Numbers in italics represent YoY growth rate

Source: S&P Capital IQ / Deloitte Analysis

































Outbound M&A Activity by Industry in 2017

Outbound deal volume was dominated by CB and TMT; Real Estate and LSHC led the deal value, fueled by horizontal merger for expansion of portfolios and acquisitions of innovative medical technology, respectively

Outbound Deal Value (€bn)

	NA	Europe	MEA	APAC	SA	Total
Real Estate	 2.4	 11.7	-	 0.6	 0.04	14.7 <i>23.9%</i>
LSHC	 7.0	 0.7	-	-	-	7.7 <i>15.9%</i>
ER	-	 5.9	-	 0.00	 0.4	6.3 <i>12.5%</i>
Mfg	 1.3	 2.2	-	 0.8	-	4.3 <i>(93.5%)</i>
TMT	 0.6	 3.1	-	 0.03	-	3.8 <i>(61.6%)</i>
CB	 0.9	 1.8	 0.1	 0.03	 0.01	2.8 <i>(57.1%)</i>
FSI	-	 0.8	-	 -	 0.03	0.8 <i>(94.4%)</i>

Outbound Deal Volume

	NA	Europe	MEA	APAC	SA	Total
CB	 25	 160	 6	 11	 8	210 <i>11.7%</i>
TMT	 50	 111	 8	 15	 2	186 <i>24.0%</i>
Mfg	 47	 89	 2	 17	 4	159 <i>19.5%</i>
Real Estate	 16	 101	-	 8	 1	126 <i>(10.0%)</i>
ER	 6	 49	-	 5	 2	62 <i>24.0%</i>
LSHC	 24	 32	-	 3	 1	60 <i>39.5%</i>
FSI	 4	 30	 1	 3	 1	39 <i>(9.3%)</i>

 Share of total deal value/ volume

Key Observations

- Real Estate led outbound activity in terms of deal value, accounting for 36.4% of total outbound deal value in 2017. The industry also witnessed the highest growth of 23.9% YoY in deal value, although deal volume declined by 10%. 2017 was marked by fewer, but higher value deals – including the €5.6bn acquisition of BUWOG AG.
- CB led deal volume in terms of aggregate deal volume, accounting for 24.9% of total deal volume in 2017. The industry witnessed deal volume increase of 11.7% YoY, driven by multiple strategic acquisitions in packaged food segment (15.2% share), including food retail and food distribution. Similarly, acquisitions of software providers were popular in TMT sector, which was second highest in deal volume.
- LSHC's high growth of 39.5% YoY by deal volume, was driven mainly by rising demand for digitized healthcare facilities and services, making it necessary for players in the sector to seek newer and efficient medical technologies to secure positive growth rate (For instance, acquisitions of Akorn and NxStage Medical by Fresenius).
- Manufacturing sector witnessed a decline of 93.5% in deal value, however, was the third highest in terms of deal volume with 159 deals. In 2017, the decline in deal value was due to the absence of Monsanto-Bayer mega deal of €58.3bn. Similarly, FSI witnessed a decline of 94.4% in terms of deal value, due to the absence of a few mega deals.

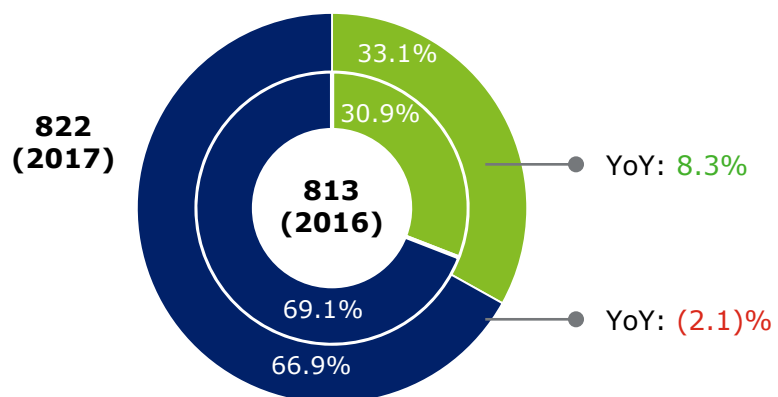
Note: NA – North America, MEA – Middle East and Africa, APAC –Asia-Pacific, SA –South America; Numbers in italics represent YoY growth rate

Source: S&P Capital IQ / Deloitte Analysis

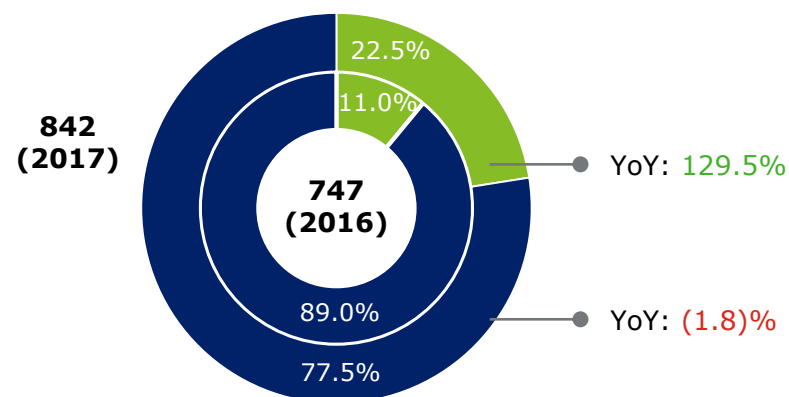
Cross Border M&A Activity by Investor Type in 2017

Financial investors increased investments in lower percentage ownership deals; increase in debt funds and cheap financing offered structural flexibility to financial investors

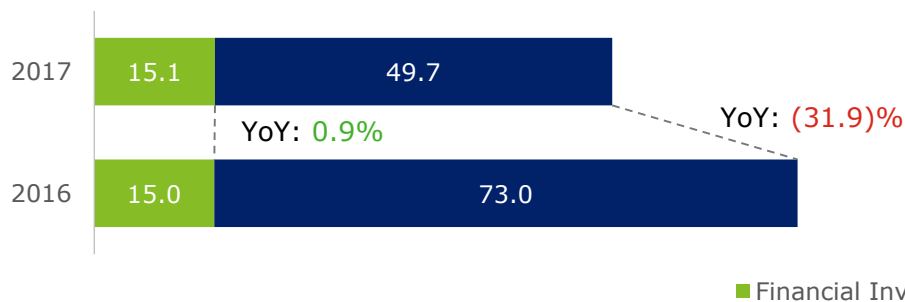
Inbound Deals



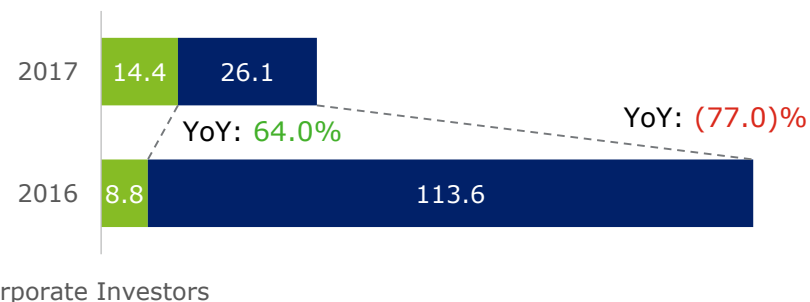
Outbound Deals



Inbound Deals



Outbound Deals



Key Observations

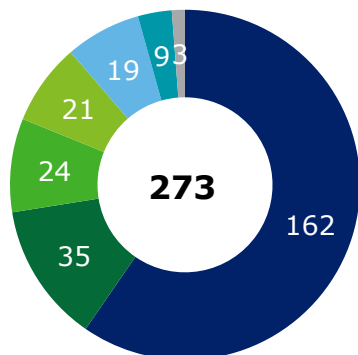
- Deal activity by financial investors, in 2017, witnessed an uptick, unlike the decline experienced in 2016. Total private equity volume increased by 38.0% (inbound:8.3%, outbound:129.5%), while private equity value increased by 23.9% (inbound: 0.9%, outbound: 64.0%) in 2017.
- Deal activity by corporate investors witnessed a decline in 2017, stimulated by the increased deployment of accumulated private equity funds.

Source: S&P Capital IQ / Deloitte Analysis

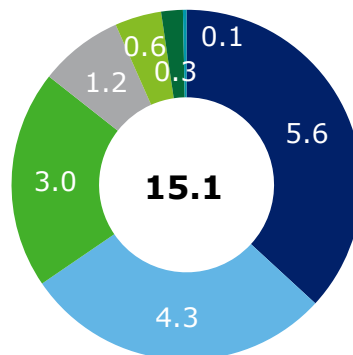
Inbound M&A Activity by Industry and Investor Type in 2017

Real Estate was the major focus for financial buyers, with Manufacturing and LHSC also contributing to the share; Manufacturing and TMT were of particular importance for strategic investors

**Financial Buyers:
Activity by Deal Volume**



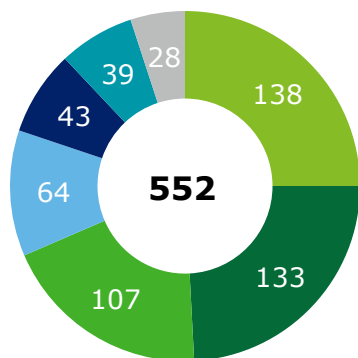
**Financial Buyers:
Activity by Deal Value (€bn)**



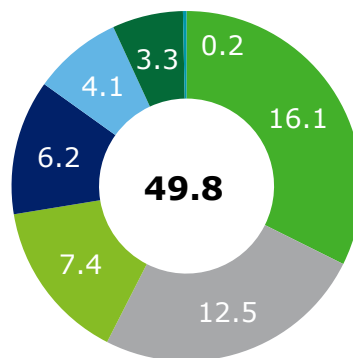
Financial Buyers: Key Observations

- German Real Estate, with continued focus on low interest rates, higher liquidity, and increasing demand for high quality real estate assets, dominated in terms of deal value and deal volume. Brexit and weakening of Euro made German real estate lucrative for foreign financial buyers.
- LSHC witnessed an upswing in deal value, driven by technological advancements and accelerating healthcare industry consolidation, which soared the prevalence of higher value deals in medical technology.

**Strategic Buyers:
Activity by Deal Volume**



**Strategic Buyers:
Activity by Deal Value (€bn)**



Strategic Buyers: Key Observations

- Manufacturing was the top sector in terms of deal value, which recorded the largest deal between Alstom SA and Siemens AG, Mobility solutions. Uptick in deal volume is attributable to increased need to differentiate products and services through customer and geographical expansion, which made Germany lucrative for foreign strategic buyers.
- TMT dominated in terms of deal volume as foreign strategic investors across all sectors, driven by the rise in mobile and social, and digitization and automation of business processes, inclined towards German technological expertise.
- Deal value in E&R was driven by corporate restructuring and divestment programs led by foreign strategic buyers. Increase in deal value is due to the collaboration of network infrastructure companies, such as the €11.0bn Uniper SE deal.

Note: 1.The figures represent percentage share and actual numbers. 2.The totals may vary due to rounding.
3.The number of deals with undisclosed value is 197 and 434 for financial and strategic buyers, respectively.

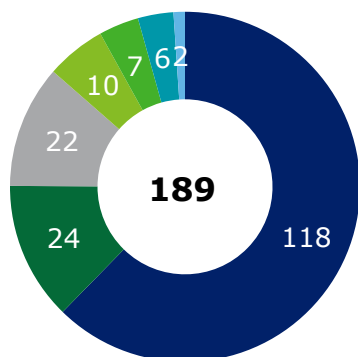
Source: S&P Capital IQ / Deloitte Analysis



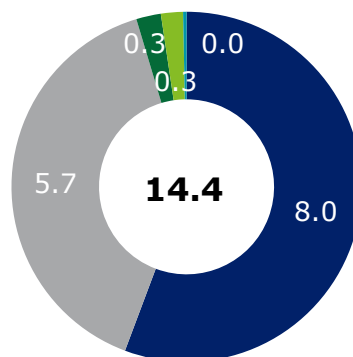
Outbound M&A Activity by Industry and Investor Type in 2017

Strategic buyers focused on CB, TMT, and Manufacturing. Generics and 'medtech' drove many strategic LHSC deals; financial buyers accelerated their activity in Real Estate and E&R

Financial Buyers: Activity by Deal Volume



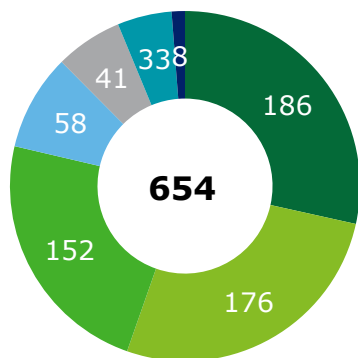
Financial Buyers: Activity by Deal Value (€bn)



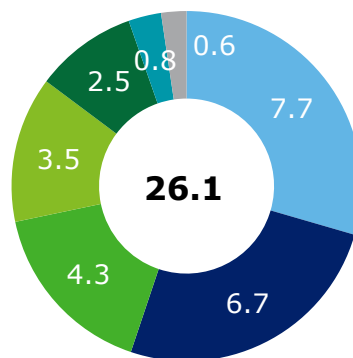
Financial Buyers: Key Observations

- Real Estate emerged as the leading sector in terms of both deal value and deal volume, as German investors sought to tap opportunity as a result of declining market prices of foreign real estate properties, especially related to consumer retail.
- In E&R, there is an increasing demand for renewable resources propelled by the stringent EU environmental targets. This has resulted in German financial buyers acquiring high return European renewable assets, such as, the acquisition of Elenia Oy by Allianz SE and others for a deal amount of €3.5bn.
- CB witnessed a surge in deal volume driven by innovation, new growth opportunities, and declining role of middle market in consumer and retail sector.

Strategic Buyers: Activity by Deal Volume



Strategic Buyers: Activity by Deal Value (€bn)



Strategic Buyers: Key Observations

- LSHC contributed the highest in terms of deal value. German strategic buyers focused on acquiring generic pharma providers and new digitized healthcare services, with major acquisitions being those of Akorn, Inc., Nxstage Medical, Inc., and Merck KGaA.
- Manufacturing also witnessed significant deal activity both in terms of deal value and deal volume, owing to acquisitions of industrial machinery manufacturers, followed by commodity and specialty chemical making targets.
- CB dominated outbound deal volume, driven by asset consolidation, divestments, and acquisition of new expertise in consumer and retail businesses. German strategic buyers were motivated by synergistic consolidation and slashed costs of the retail, consumer, and leisure industries.
- High volume of deals in TMT is a result of the expanding array of digital markets, with deals driven by vertical integration of digital marketing and e-commerce.

Note: 1.The figures represent percentage share and actual numbers. 2.The totals may vary due to rounding. 3.The number of deals with undisclosed value is 197 and 434 for financial and strategic buyers, respectively.

Source: S&P Capital IQ / Deloitte Analysis



Cross Border Quarterly M&A Activity

Average inbound deal value witnessed a sharp decline in Q4 2017 over Q4 2016; outbound deal activity in first half of 2017 was slightly higher than that of the same period in 2016

Quarterly Deal Activity By Investor Type: Inbound

	2015					YoY	2016					YoY	2017			
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4	Q1	Q2		Q3	Q4		
Total Deal Volume	206	209	176	200	2.8%	195	205	198	215	1.1%	221	193	218	190		
Total Disclosed Value deals	68	56	44	71		62	57	48	68		47	49	48	47		
Total Deal Value (€bn)	8.2	14.9	15.3	14.3	66.8%	7.2	12.8	5.0	62.9	(26.3%)	6.2	8.8	35.8	14.0		
Thereof PE (€bn)	5.2	9.3	1.4	7.0		3.4	2.5	2.3	6.8		1.8	1.0	7.7	4.6		
Average Deal Value (€bn)	0.1	0.3	0.3	0.2	69.6%	0.1	0.2	0.1	0.9	(9.3%)	0.1	0.2	0.7	0.3		

Quarterly Deal Activity By Investor Type: Outbound

	2015					YoY	2016					YoY	2017			
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4	Q1	Q2		Q3	Q4		
Total Deal Volume	181	165	209	175	2.3%	191	176	201	179	12.7%	224	228	193	197		
Total Disclosed Value deals	48	50	57	45		58	50	55	59		87	102	47	78		
Total Deal Value (€bn)	8.0	6.6	13.7	6.1	255.5%	20.2	72.0	17.6	12.5	(66.9%)	4.4	13.0	8.9	14.2		
Thereof PE (€bn)	5.7	3.1	3.9	3.1		1.0	1.0	0.8	6.0		2.3	2.3	2.3	5.8		
Average Deal Value (€bn)	0.2	0.1	0.2	0.1	220.3%	0.3	1.4	0.3	0.2	(76.6%)	0.1	0.1	0.2	0.2		

Inbound Deals

□ Increase in total and average deal value in Q3 2017 over Q3 2016, is attributable to the mega deal count — three >€5.0bn deals in 2017 (€11bn, Target: Uniper SE Acquirer: Fortum Participation Ltd; €8.2bn, Target: Siemens AG, mobility solutions Acquirer: Alstom SA; €5.8bn, Target: ista International Acquirer: CK Infrastructure Ltd and CK Asset Holdings Ltd) versus one in 2016.

□ Decrease in total and average deal value in Q4 2017 over Q4 2016 is attributable to absence of high value deals, such as the €42.2bn Linde - Praxair mega deal.

Outbound Deals

□ Decrease in total deal value in Q1 2017 over the same period last year is due to — one >€5.0bn deal in 2017 (€5.6bn, Target: BUWOG AG Acquirer: Vonovia SE) versus two in 2016.

□ The distorted comparability of Q2 2017's total and average deal value versus Q2 2016, is the result of the absence of the €58.3bn Monsanto - Bayer mega deal.

Source: S&P Capital IQ / Deloitte Analysis

Methodology



Data Screening Criteria

Primary Source: S&P CapitalIQ

Deal Type: Mergers & Acquisitions

Deal Status: Closed or Announced

Minority Deals: Excluded less than 25% stake deals

Geography: Target or Acquirer (or Acquirer's Parent) from Germany

Time Period: 01/01/2015 – 31/12/2017

Definitions

Inbound Deals: Deals with Germany as target geography

Outbound Deals: Deals with Germany as acquirer or parent of acquirer's geography

Deal Value: Total gross transaction value of inbound/outbound deals

Acronyms:

- RE – Real Estate
- CB – Consumer Business
- Mfg – Manufacturing
- LSHC – Life Sciences and Health Care
- TMT – Technology, Media and Telecom
- ER – Energy and Resources
- FSI – Financial Services Industry

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