# Press release

## New study shows no evidence of German 'industrial crown jewels' sell off to China

**Schwäbisch Hall, January 23, 2013:**

Over the past ten years, a total of only 59 German companies have been taken over by Chinese companies. Given the relatively small number of acquisitions and the low average deal values to date, talk of a 'sell-off' of German industry to China is precipitate. The 16 acquisitions or significant investments realised in 2012 only represent around 1.3% of all acquisitions in Germany.

These findings by Professor Gert Bruche and Professor Bernd Venohr are based on a BGM Associates study analysing takeovers of German firms by Chinese and Indian companies over the past ten years (2002-2012).[1] Bruche and Venohr, two business school professors and management consultants, also interviewed a number of acquired companies to gain a greater insight into collaboration with Chinese or Indian acquirers. On the basis of the study and interviews, they arrived at the following conclusions:

***Sectoral focus***

Chinese acquisitions in Germany were focused on the mechanical engineering and automotive supply sectors. Renewable energy companies have also become an interesting target. In a ranking of the 25 largest companies (information on transaction values is available for around half of 59 cases reviewed), 21 of the 25 transactions have taken place in these sectors alone (see table).

These transactions are mainly targeted at acquiring technologies, knowledge and brands, with the objective of facilitating access of the Chinese buyers to advanced Western markets. The acquirers are also pursuing the aim of strengthening their position on their home market in China. Their sectoral focus in Germany is, on the one hand, the result of the acquiring companies' internal strategies and, on the other, due to 'policy guidance' by the Chinese

[1] BGM Associates (Bruche, G./Wallner, B.): Dragons and tigers hunting in Germany: Chinese and Indian acquisitions of German firms 2002-2012. Berlin 2013. Available for download at: www.bgmassociates.com/publications.html

**Ranking of the 25 most important corporate acquisitions and investments by Chinese companies in Germany 2002-2012**

| German company | Chinese acquirer | Sector | Year of takeover | Transaction value in € mill.* |
|---|---|---|---|---|
| **Kion Group** | Weichai Power | Industrial machinery & equipment | 2012 | 738 |
| **Medion** | Lenovo | Electronics | 2011 | 629 |
| **Putzmeister** | Sany Heavy Industries | Industrial machinery & equipment | 2012 | 360 |
| **KSM Castings** | Citic Dicastal Wheel Manufacturing | Automotive | 2011 | 300 |
| **Thyssenkrupp Tailored Blanks** | Wuhan Iron and Steel Group | Automotive | 2012 | 300 |
| **Schwing** | Xuzhou Construction Machinery Group (XCMG) | Industrial machinery & equipment | 2012 | 300 |
| **Kiekert AG** | CNGC Hebei Lingyun Industrial Group | Automotive | 2012 | 250-300** |
| **Emag** | Jiangsu Jinsheng Industry | Industrial machinery & equipment | 2010 | 100** |
| **FPM Flughafen Parchim** | LinkGlobal Logistics | Other | 2007 | 96 |
| **SaarGummi** | CQLT | Automotive | 2011 | 64 |
| **KHD Humboldt Wedag** | AVIC International Beijing Company Limited | Industrial machinery & equipment | 2011 | 45 |
| **Vensys Energy** | Xinjiang Goldwind | Renewable energies | 2008 | 41 |
| **Aweco** | Zhejiang Sanhua | Other | 2012 | 38 |
| **KSL-Kuttler Automation Systems** | Suntech Power | Renewable energies | 2008 | 34 |
| **Waldrich Coburg** | Beijing No.1 Machine Tool Plant | Industrial machinery & equipment | 2005 | 30-40** |
| **Dürkopp Adler** | SGSB (Shanggong) | Industrial machinery & equipment | 2004 | 28 |
| **Sellner GmbH** | Ningbo Huaxing Electronics | Automotive | 2011 | 19 |
| **Kelch** | Harbin Measuring & Cutting Tool Group | Industrial machinery & equipment | 2005 | 9 |
| **Schneider Electronics** | TCL International | Electronics | 2002 | 8 |
| **Intermix GmbH** | Sany Heavy Industries | Industrial machinery & equipment | 2012 | 8 |
| **Schiess AG** | Shenyang Machine Tool | Industrial machinery & equipment | 2004 | 8 |
| **Wumag Texroll** | Fudi (Zhejiang) | Industrial machinery & equipment | 2012 | 8 |
| **Zhafir Plastics Machinery** | Haitian International | Industrial machinery & equipment | 2007 | 7 |
| **Assyst/Bullmer/TopCut** | Zhejiang New Jack Sewing Machine Company | Industrial machinery & equipment | 2009 | 5 |
| **Welz Gas Cylinder** | Huapeng Trading GmbH | Industrial machinery & equipment | 2003 | 4 |

*Rounded figures;**Estimate by BGM Research

Government which issues recommendations to invest in specific sectors for different target countries. This 'guidance' provides a strong signal in the acquisition policy, at least for state companies.

**Acquired German companies and collaboration**

Most of the acquired German companies were in financial difficulties, or even insolvent. By contrast, takeovers of flourishing medium-sized German companies were rare. To date the Chinese buyers, often state-owned companies with no experience of managing acquired foreign companies, have generally pursued a somewhat cautious approach to integration after takeover, giving acquired companies the chance to continue to manage themselves relatively independently as well as the benefit of fresh resources. However, since such an approach is not usually successful with insolvent or very weak companies, this might explain why Chinese buyers seem to be shifting their focus to more financially stable companies. Very different management cultures frequently clash after the acquisition phase, making collaboration difficult. Chinese buyers' interest in gaining complete access to German companies' technological resources also encounters resistance in German companies.

**Scepticism over a ‘Chinese acquisition wave’ of German Mittelstand Champions**

Various forecasts predict a considerable increase in Chinese foreign investments leading to, among other things, a significant increase in Chinese acquisitions in developed countries. Some estimates forecast cumulative Chinese outward direct investments of between $1 trillion and $2 trillion in the period between 2010 and 2020. It can be assumed, that the financial resources for such investments are available, and that the Chinese state will support such a wave of takeovers. Bruche and Venohr findings suggest, however, that it is very questionable whether the current owners of German 'Mittelstand' companies are prepared to sell their healthy firms to potential Chinese buyers. Instead, it seems that many German family-owned companies are currently sceptical about such moves.

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