
CAPITAL MARKET

A SURVEY OF INVESTMENT BANKERS IN GERMANY

PANEL II/2017

Developments in the German M&A market

White paper on capital market-relevant
backgrounds · theses · opinions · statistics

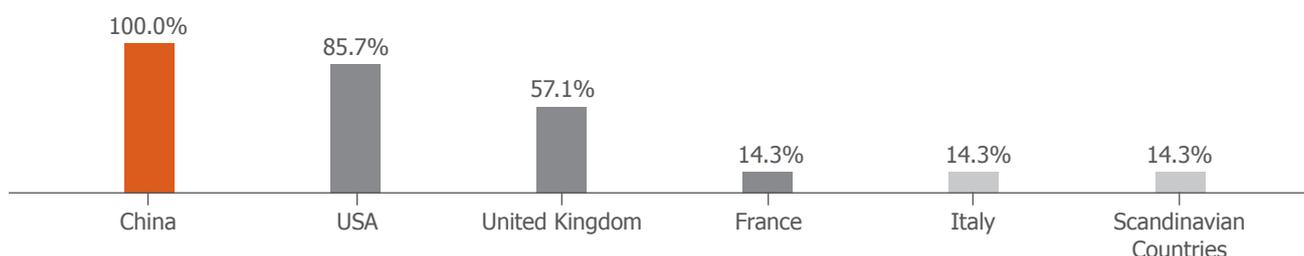
H2/2017 : Current opinion on the capital market and M&A special

Key Findings Capital Markets Panel H2/2017:

- Factors influencing the development of the German capital markets:** As in the last issue of the Capital Market Panel, participants ascribe the **greatest influence** to the **fundamental data of the companies** with 75% (H1/2017: 78%). **Global economic** environment comes second, as in the previous issue, and was mentioned somewhat more frequently at 62.5% (H1/2017: 56%). This year, the **market psychology is in line with global economic environment**. At 62.5%, participants attribute to her a **much greater influence than in the last issue** (H1/2017: 33%).
- Industry outlook: Technology** (1.0), **Health Care** (1.25) and **Industrials** (1.25) once again occupy **leading positions in the expected sector development**. Banks (2.13) and insurances (2.38) continue to be in the rear positions. The **biggest relegation** is the **automotive industry** (2.63), which is moving from the rear midfield to the last place.
- IPOs:** Respondents expect a **further recovery of the primary market** this year. In the last panel, they expected a majority of one to five IPOs for both half years in 2017. In the **first half of 2018**, just under **63% of those surveyed are now expecting 6 to 10 IPOs**.
- M&A activity:** Nearly **88% of respondents** expect the number of **completed M&A transactions** in Germany to **increase slightly** in 2018. One in eight respondents even expects a sharp increase in M&A transactions. This creates a **comparent picture** to our latest survey of M&A transactions in 2014, when **participants' expectations were met:** According to the consulting firm pwc, there were 1,689 M&A transactions in Germany in 2014, whereas a total of 2,803 transactions are recorded for 2015.
- Cross-border acquisitions:** All respondents (100%) believe the **biggest buyers** of German companies to be located **in China**. This year's **runners-up are the USA** (85.7%), **followed by the United Kingdom** (57.1%). This means that the **ranking has changed significantly since 2014**, when the Americans were awarded the highest M&A potential.
- M&A drivers:** From the perspective of respondents, **macroeconomic factors** are the main reasons for the increase in M&A transactions. The top 3 are the **currently favourable interest rate environment for refinancing** (100%), the **high liquidity levels of the companies** (71.4%) and the **comparatively high growth expectations of buying and selling shareholders** (43%).

¹ See pwc: M&A transactions in Germany and France in 2016. URL: <https://www.pwc.de/de/deals/ma-transaktionen.pdf>

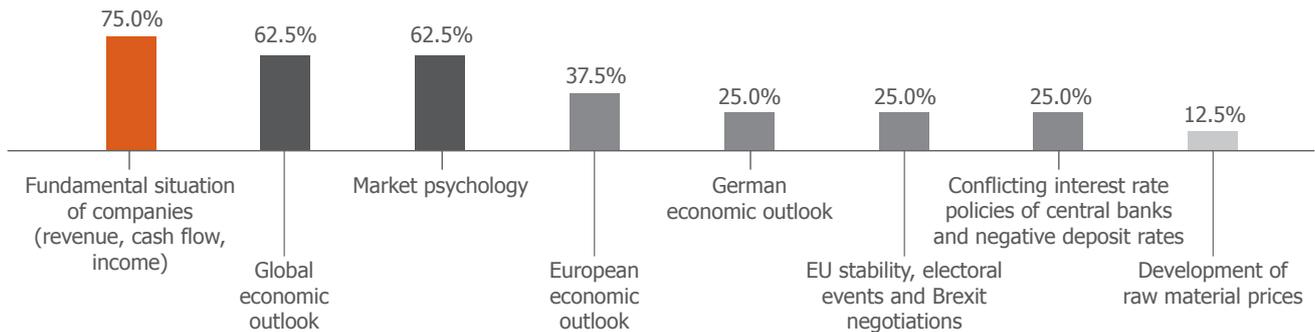
Cross-border acquisitions



H2/2017 | General Section

Question 1:

In your opinion, what are the decisive influencing factors for the capital market development in Germany over the next six months?

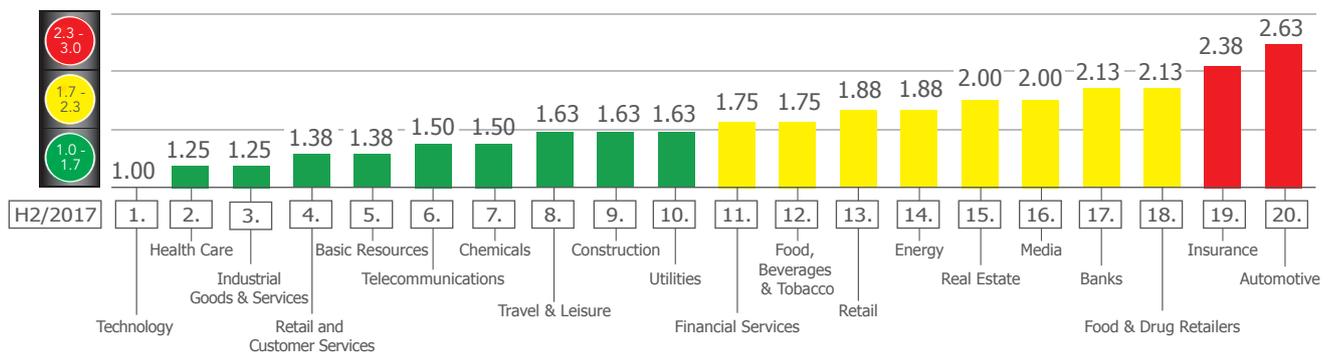


Commentary

From the perspective of the respondents, it is still the fundamental situation of the companies that has the greatest influence on capital market development (75%, H1/2017: 78%). At 62.5%, the development of the global economic environment is considered to be even more significant than at the beginning of the year (H1/2017: 56%). Market psychology (62.5%, H1 2017: 33%) is considered to be equally relevant. The economic outlook in Europe (37.5%) and the stability of the EU (25%) are seen as important factors influencing capital market development as well. The interest rate policy decisions of the central banks (25%, H1/2017: 56%) continue to be relevant for a quarter of those surveyed. According to the respondents, economic development in China is currently irrelevant (0%; H1/2017: 0%).

Question 2:

How do you assess the prospects for the next six months in the following industries?



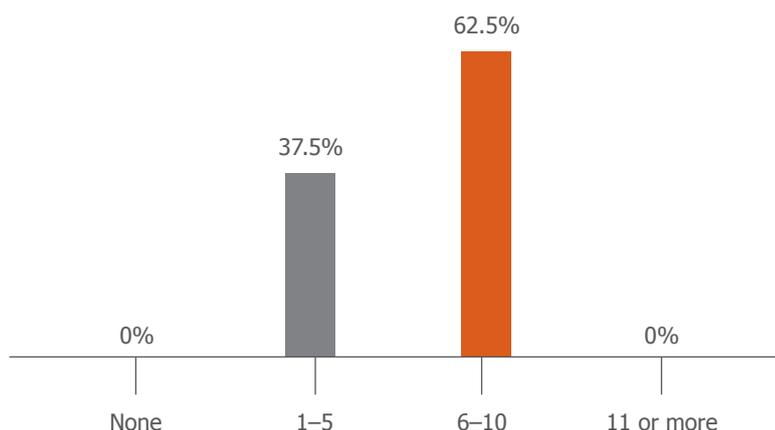
Commentary

In terms of industry prospects, the sectors Technology (1.0), Health Care (1.25) and Industrial Goods & Services (1.25) are among the leaders. Even in the last panel they were among the top 5. On the other hand, banks and insurance companies continue to be included in the bottom section. In view of the ongoing debate on diesel vehicles, however, the prospects for the automotive industry are seen as negative. It slipped from the rear midfield to the last place.

H2/2017 | General Section

Question 3:

How many IPOs do you expect to see in Germany in the first half of 2018?

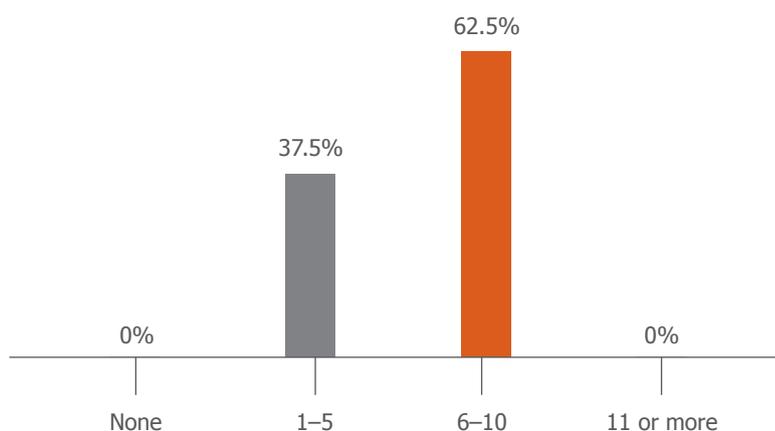


Commentary

In the last panel, the majority of respondents expected one to five IPOs for the first half of 2017. In 2017, a total of 12 companies in Germany made it to the Scale and Prime Standard segments of the Frankfurt Stock Exchange. With X-Fab Silicon Foundries on the Euronext and Infl arx on the Nasdaq, a total of 14 German companies ventured onto the trading floor. Respondents expect the IPO market to pick up again in 2018. The majority expects 6 to 10 IPOs in the first half of 2018.

Question 4:

How many SME bond issues do you expect to see in Germany in the first half of 2018?



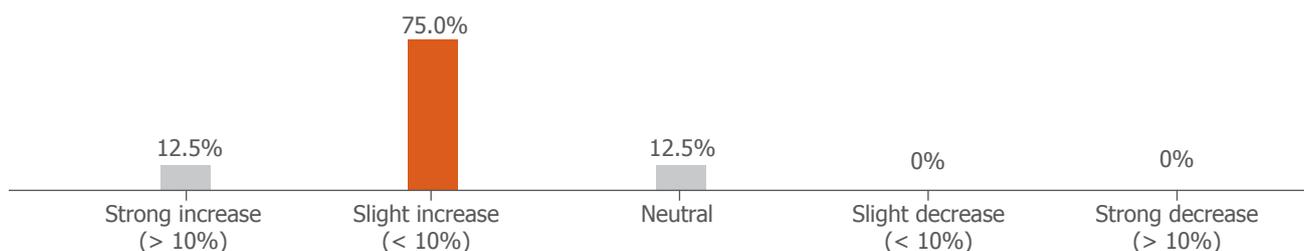
Commentary

The German market for SME bonds stabilized in 2017 with 20 issues with a volume of around EUR 800 million. Two-thirds of respondents expect 1 to 5 bond issues in the first half of 2018, while only a quarter expect 6 to 10 bond issues, which is similar to the number of SME bonds issued in 2017.

H2/2017 | M&A special

Question 1:

How do you expect the number of completed M&A transactions in Germany to change over the next 12 months?



Commentary

The majority of respondents (75%) assume that the number of completed M&A transactions in Germany will increase slightly in 2018. 12.5% of those surveyed even expect a strong increase in M&A transactions. This corresponds to our latest survey of M&A transactions in 2014, where 3 out of 4 respondents expected at least a slight increase in completed M&A transactions in the following year.

Question 2:

If you expect an increase in M&A transactions, what are in your opinion the most important reasons?



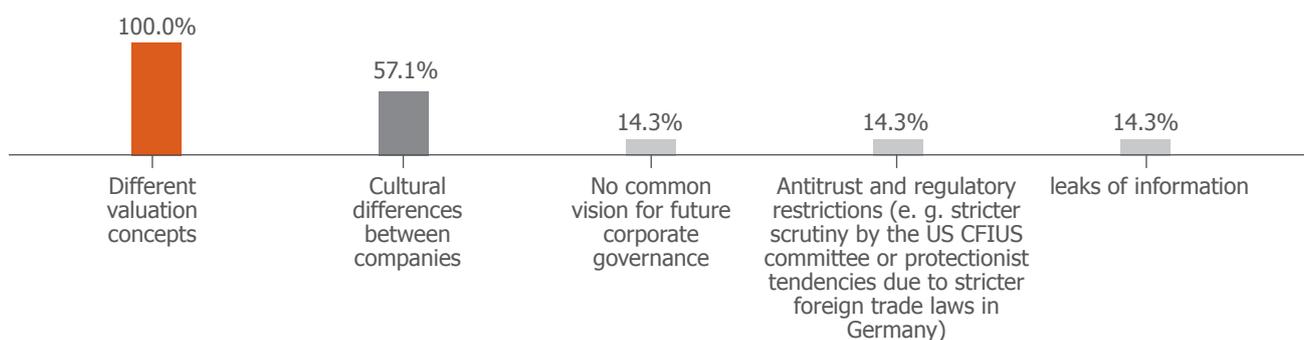
Commentary

According to the respondents, macroeconomic factors are the main reasons for the increase in M&A transactions. As the number one reason respondents (100%) cite the currently favorable interest rate environment for refinancing. The high liquidity level of companies is placed second (71.4%). Respondents cited the comparatively high growth expectations of shareholders as third most frequent reason (43%) this year. Thus, the current opinion corresponds to that of 2014. Back then, however, respondents ranked the consolidation pressure in individual sectors third.

H2/2017 | M&A special

Question 3:

Which problems do you see in M&A transactions with German targets?

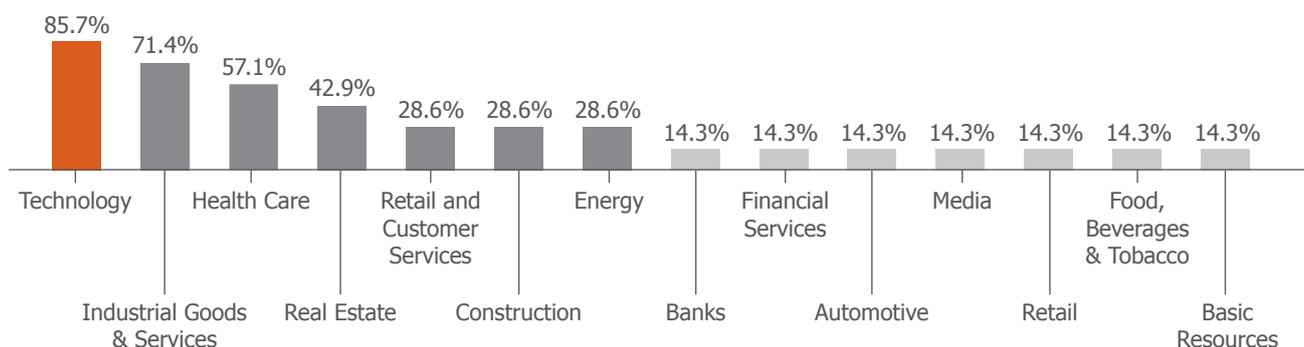


Commentary

All of the respondents (100%) see an obstacle to M&A transactions with German targets for 2018 in the different valuation expectations of the participating parties. If buyers come from abroad, the panel participants also believe that cultural differences (57.1%) can hinder the conclusion of the transaction. In addition, 14% of the respondents cited differing views on future corporate governance, antitrust and regulatory restrictions or information leaks as problem areas. This means that the results are similar to 2014.

Question 4:

In which industries do you expect the largest share of M&A activity in Germany over the next 12 months?



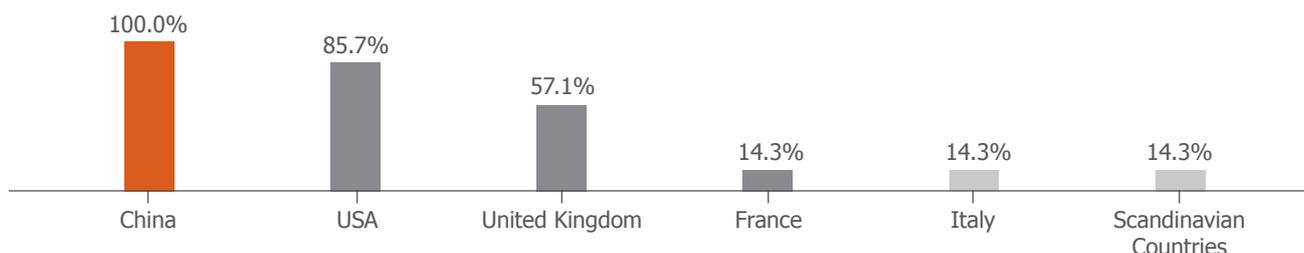
Commentary

The positive expectations for the technology sector (see question 2) are also reflected in the answers to the sectors with the greatest M&A potential. 85.7% of the respondents see the „hottest“ candidates here. This was already the case in 2014. Furthermore, the respondents consider industrial goods & services (71.4%), healthcare (57.1%) and real estate (42.7%) to be predestined sectors for M&A transactions.

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Question 5:

From Investors or companies from which countries are you expecting the largest share of cross-border M&A activity in Germany over the next 12 months?

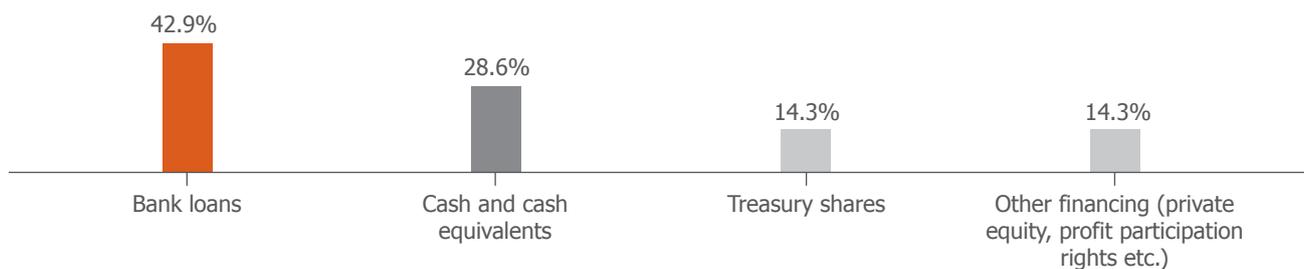


Commentary

According to the respondents, this year the potentially hungriest buyers of German companies come from China. All of them (100%) assign the largest purchasing capacity to investors from the Far East. The USA are this year's runners-up (85.7%), followed by the United Kingdom (57.1%). This means that the ranking has changed significantly since 2014. At that time, they ranked the US as the potential frontrunner, with China coming second and the French, British and Italians third.

Question 6:

How do you see acquisitions preferentially financed over the next 12 months?



Commentary

According to the survey participants' forecasts, as in 2014, financing will be provided mainly by bank loans (42.9%). This year, cash and cash equivalents ranked second (28.6%), while three years ago they were classified as the third most important means of financing. Other financing options such as private equity, profit-sharing rights, etc. have also changed places compared to 2014. Back then they were still in second place, but today they occupy the third place in the survey (14.3%).

CAPITAL MARKET PANEL

A survey of investment bankers in Germany



H2/2017 | Current opinion on the capital market and M&A special

cometis AG

Profile

Since 2000, cometis AG has been active as a consulting firm for strategic and operative financial communications. Our team of more than 25 employees consists of economists, journalists, business lawyers and designers. Our predominantly medium-sized clients benefit from our in-depth experience gained from more than 500 completed capital market projects. In recent years, we have successfully completed 23 IPOs. We also managed the communication of our clients in numerous corporate finance and M&A transactions as well as in special situations. Our services range from the development of the investor relations and communication strategy over the preparation of annual reports, presentations, announcements and websites to management coaching in preparation for meetings with investors, journalists and analysts. Through our membership in the Public Relations Global Network (PRGN), which unites more than 40 owner-managed PR & IR consultancies on all continents, we also offer our services on a global level.

Core competences

- 1 Strategic Investor Relations
- 2 Media & public relations
- 3 Personal coaching
- 4 Reporting, documents, compliance
- 5 Transactions & special situations

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