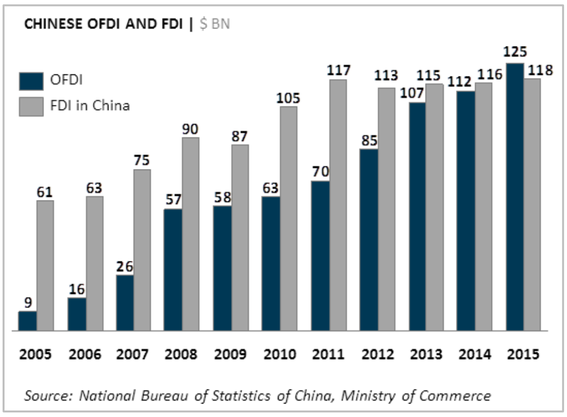
Advancy PE expertise

Advancy has established strong expertise in Private Equity over the past 10 years. We have completed over 150 engagements for leading mid-market market and large cap private equity funds in Europe, Asia and Australia along all stages of the investment life cycle: strategic due diligence, PMI, portfolio work and vendor due diligence.

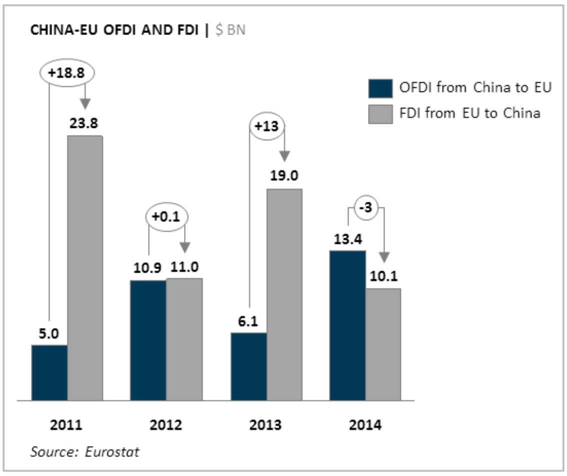
Our due diligence approach aims at testing thoroughly and objectively the investment thesis whilst uncovering areas of risks and opportunities. We usually combine external and internal interviews with an in-depth analysis of key drivers and modelling of the target's value creation potential. Our skills rely on leveraging senior sector and functional expertise to work effectively with our private equity client and the management of the target company.

Chinese Private Equity Funds - a revitalized investment hype for Europe with Germany as most fertile soil

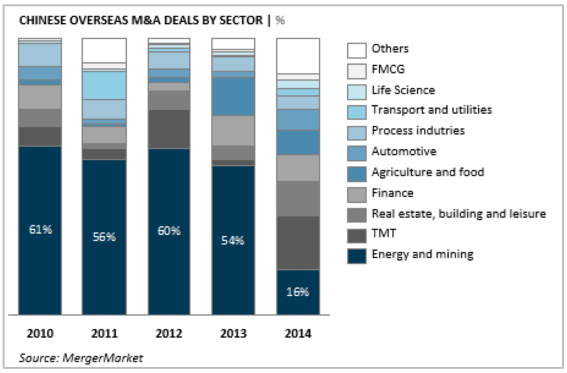
Chinese investment model is at a major crossroad. In 2000, after two decades with large waves of inward foreign direct investments, the Chinese government launched the so-called "Going-out" strategy. Since then Chinese outward foreign direct investments (OFDI) have dramatically increased on a year to year basis. 2015 will be a key milestone in this trend, as the National Office of Statistics expects China to show a positive net capital outflow for the first time.



This critical step has already been reached last year in EU-China capital exchange flow.



In addition to this surge of Chinese OFDI there is also a deep shift in their targeted business sectors. Previously Chinese investors focused on energy, metals and mining to secure supply and guarantee the growth of China as "factory of the world". China has taken path of modernization though with an upselling of its products and an emerging class of 300 to 400 million new consumers. The increasing domestic demand for brands, technology and service is currently not matching the local range of offerings, explaining Chinese investment activities in technology, finance, travel & leisure, food & beverage and health care sectors.



Investments in foreign markets are pursued to gain access to customers and technical know-how – to climb up in the global supply chain the Chinese government encourages companies to produce higher value products and drive innovations. Driving force besides the willingness to gain access to markets and sales structures is the need to ensure resource and energy supply. As an export economy, China depends heavily on sales in foreign markets and the local risks. This fact is problematic due to the lack of own efficient structures for international sales. Chinese process industry is part of cross-border production lines, production and export companies manufacture originals for foreign brands most of the times. Chinese manufacturers cannot control their sales channels abroad and establish an exclusive market entry there. Cross-border acquisition deals offer the opportunity to coordinate international business and establish own sales structures abroad.

Along with this shift in investments strategy, the Chinese investors profile has changed. Overseas mergers and acquisitions have been dominated by Chinese state-owned enterprises for a long period given they have easy access to capital, are large in size and have resources and connections. Today, China's private companies play a more important role in overseas acquisitions and they are willing to partner with financial investors, e.g. CITIC PE supporting Sany in the acquisition of Putzmeister. Chinese Private Equity players have also taken the front-seat when targeting overseas businesses.

Chinese Private Equity players have also taken the front-seat when targeting overseas businesses

Recent M&A operations overseas confirm these trends. Chinese PE funds aim at acquiring global brands in order to bring them home and build growing businesses. Thus, Hony Capital, one of the largest PE investors with $7Bn under management, wants to build all its investments around what China needs. Hony's portfolio now includes overseas investments in hotels, food, health care and technology. The same strategy applies for the Chinese conglomerate Fosun who won a bidding war for Club Méditerranée and is now pushing its development in China, benefiting from Chinese shortage of quality resorts and aiming to make China the group's second largest market. In August 2014 Fosun acquired - via its Portuguese subsidiary Caixa Seguros e Saude - a quarter of the German fashion chain Tom Tailor. In finance, the BHF-deal is still pending. Through the acquisition of the private bank, Fosun wants to funnel rich Chinese people's money to Europe. The fund communicated it would rise its share in BHF from 19.5% to 28%. Over 2014 as a whole, Fosun has realised a number of other deals in Europe with an investment volume surpassing €1Bn.

A recent incident reveals that Fosun's activities in Europe are not without controversy: Caritas withdrew from its intention to become client of BHF due to the Fosun acquisition plan. The welfare organisation clearly dissociates from China and aligned enterprises due the human rights situation in the country.

SELECTED CHINESE INVESTMENTS IN GERMANY | € M

TARGET COMPANY	BUSINESS SECTOR	DEAL VALUE	ACQUIRER	DATE
BHF BANK	Finance	675	Fosun, already 20% stake-owner	*Pending*
Hauck & Aufhäuser	Finance	210	Fosun	17/04/2015
Tom Tailor	Retail	88	Fosun	15/01/2015
KION Group	Process industry	738	Weichai Power	14/02/2015
PFAFF	Process industry	28	Shanggong Shenbei	16/03/2015
kiekert	Automotive	Undisclosed	Norinco Group	12/06/2015
sunways	Energy	24	LDK Solar	15/06/2015
Putzmeister	Construction equipment	324	CITIC PE / Sany Heavy Industry	15/06/2015

Chinese foreign investments will reach 125 Billion US Dollar in 2015. For Private Equity funds, investing overseas is also a safe, cheap and smart way to diversify their asset class risk. Especially in times of political turmoil, with active anti-corruption policies, a Euro weak against RMB and stretched valuations, when a third of Shanghai stocks with earnings estimates, and half of Shenzhen's trade at above 50 times forward earnings estimates.

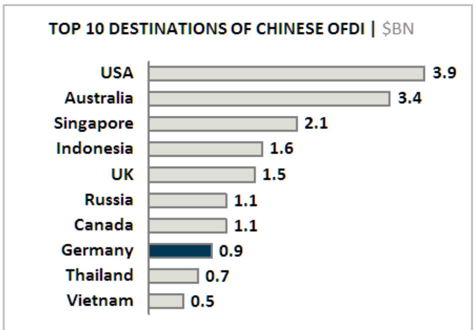
Regulation

A new set of regulations is implemented to foster outbound investments, and especially private investment activity. Chinese Going-out strategy supports investments from China and is integrated part of the national reform programme. Chinese companies receive support in six areas of foreign activities:

1. Resource access in foreign countries that are of major importance for the Chinese development and internally rare
2. Projects to support export of Chinese technologies, products and machines with comparative advantage as well as placement of Chinese workers abroad
3. Establishment of R&D centres abroad to make better usage of local high technologies, management expertise and HR
4. Expansion of financing possibilities on international capital markets
5. Strengthen technological cooperation abroad
6. Increase international competitiveness via development of foreign markets, establishment of own brands and creation of global sales structures

The implementation of the going out strategy is ruled via two types of measures: liberalisation of approval procedures and support of corporate investment plans via state services.

A new set of policies are implemented to foster outbound investments, and especially with private funding. Since 2014, the approval system for investment projects less than $1Bn has been eliminated and a unique registration system has been established with the National Development and Reform Commission (NDRC) for all overseas investment projects - except for some sensitive projects - and the approval process has been shortened. State council has also broadened access to capital, encouraging banks and Private Equity funds to directly invest overseas or partner with national industrial leaders for bolt-on acquisitions abroad.



Source: Chinese Ministry of Commerce

Among other Western countries, Germany is considered as the most fertile soil by Chinese investors. Germany is now in the top 10 destinations of Chinese OFDI, with c. $1Bn invested in 2014. Chinese investment flows to Germany have grown on an annual average of 66 percent since 2003. Target regions of particular interest are Nordrhein-Westfalen, Hessen, Hamburg and Bayern. Important drivers for Chinese investments in Germany are brands, products and high-tech. In China increasing labour costs, competitive pressure and increasing technological requirements are prevalent. Not only access to the German market but a better positioning at home with the quality signal "Made in Germany" is a crucial motive to make the step to Germany. Most of the times an acquisition is followed by further greenfield investments. China is especially hungry for technology to solve environmental issues and gain competitiveness in manufacturing. Germany has expertise in these areas and Chinese enterprises have a deep respect for German engineering. Chinese corporations go beyond manufacturing and use

German companies as launch pads for European expansion. As China's growth slows down, the stable German economy is attractive. Strong sign for the Chinese perception of Germany as most fertile soil in Europe is the increasing attractiveness of the country as favoured place of residence: 30.000 Chinese student are living in Germany at the moment with rising tendency forecasted in the upcoming years and more and more staying in the country – in some cases parents follow with their check books which is already remarkable in a boosted German property interest.

"Recent Shenzhen stock exchange crisis and drop in Chinese company valuation do not put into question the positive trend of Chinese OFDI in Europe. Indeed, economics fundamentals are still present: a strong RMB, a consumption-driven local demand and significant amount of cash detained by Chinese investors. In addition to this, new cross-investment initiatives between China and Europe are undertaken, like the launch of the Sino-France PE fund with Cathay Capital and BPI France"

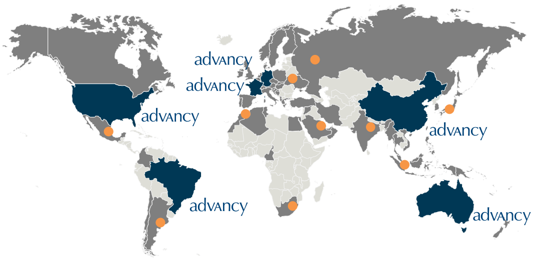
Zhang Wei, Senior Manager, Advancy Shanghai office

Advancy is a true partner for the top management in various sectors

KEY FACTS

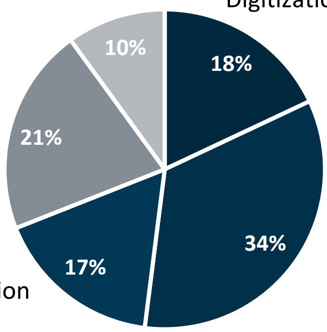
- A team of more than **150 professionals**
- Over **1,500 assignments** since 1999
- **Düsseldorf, Munich, Paris, Chicago, São Paulo, Shanghai, Sydney**
- An additional network of 10 partners around the world
- **100% loyalty rate** and one key client per sector
- **Focused teams**: on average 3 consultants per project

INTERNATIONAL FOOTPRINT

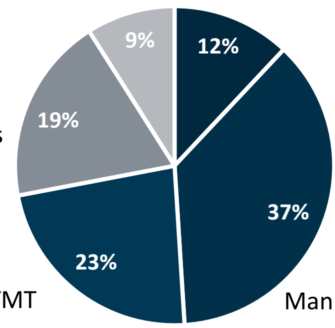


■ Advancy offices ■ Advancy projects
● Network of partners

ENGAGEMENTS



INDUSTRY EXPERIENCE



Advancy is unique and has established a strong reputation in the private equity field

IMPACT

*"**After five years**, we are still using the methods and procedures we jointly came up with during the project. You really are the reference in management consulting. This project is **our success story of the year**"*

INNOVATION

*"You encourage us to **think differently** and provided us with all the **intelligence needed to make the investment decision. Breakthrough recommendations** driven by thorough analysis. Amazing. It looked **simple at the end**… but we were so far from it upfront"*

DIFFERENTIATION

*"You're never generic, your solutions are always **100% customized to our company.** I see you as a **special forces unit**: you do what it takes to get the job done"*

advancy | Driving Strategy To Results

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