Chinese firms pay record sums for European companies, especially in Germany and the UK

- In 2017, companies from China made around 250 acquisitions in Europe (20% less than in the previous year)
- This involved an investment of over USD 57 billion, mostly in Germany and the UK
- Seven transactions concerned Swiss companies, with the largest being the acquisition of Glencore Storage & Logistics by HNA
- In 2017, the largest foreign investors in Switzerland were German and American companies, with China coming in sixth

ZURICH, 2 FEBRUARY 2018 – In 2017, Chinese companies made fewer acquisitions throughout Europe – 247 in total, 20% less than in the previous year – and these accounted for a lower overall value: while Chinese companies invested a total of USD 85.8 billion in 2016, their investment in 2017 amounted to only USD 57.6 billion, representing a decline of one third (although it should be noted that the major transaction with Syngenta alone accounted for USD 43 billion in the previous year). Once again, Chinese companies were especially drawn to Germany, which took first place in the country ranking with 54 transactions, followed by the UK (44) and Italy (24). The only clear increase in activities was observed in Russia (where the number of transactions rose from 8 to 14) and in Sweden (from 2 to 11 transactions). There were seven transactions in Switzerland (after 17 in 2016, and 7 “Swiss” deals in 2015). Those are the results of a recent study by the audit and advisory firm EY, examining the M&A investments on the part of Chinese companies in Europe.

“"The number of transactions undertaken by Chinese companies in Europe noticeably declined last year, but was still at the second highest level ever recorded in terms of value," notes
Ronald Sauser, Head of M&A Advisory at EY Switzerland. He attributes the decline to several factors: “The Chinese supervisory authorities have introduced stricter controls for acquisitions abroad, and have adopted requirements for controlling the flow of capital to other countries. Also, the regulatory requirements on the European side have sharpened, which has caused some deals to fall through. What is more, Chinese companies are now tending to take a closer look at acquisition candidates.”

It is also the case that most of the larger transactions last year stemmed from financial investors based in Hong Kong, which is not affected by the stricter capital controls in effect since the end of November 2016, adds Yi Sun, Head of China Business Services for Germany, Austria and Switzerland at EY: “This means that last year saw a clear decrease both in the number and value of transactions originating on the Chinese mainland – and over the course of the year, there was a growing tendency for European sellers to demand a large sum as security when signing the purchase agreement, as they were concerned about problems in transferring the purchase price to Europe.”

However, Ronald Sauser thinks that Chinese companies will continue to be active M&A players in 2018: “Chinese investors are still poised to take advantage of any interesting opportunities. In the coming 12 months, we will again see more deals in the high three-digit million range with Chinese participation in Europe. In addition to standard industrial investments, there is also an increasing focus on fashion/retail, nutrition and pharmaceuticals.”

“We are seeing the first signs that the Chinese government is slowly opening the door again, especially when it comes to attractive target companies – such as in the context of the ‘One Belt, One Road’ project,” adds Yi Sun. This refers to the establishment of an intercontinental infrastructure network between China, Europe and certain African countries. “We will also see more and more Chinese sovereign wealth funds investing here in Europe, either alone or in cooperation with strategic Chinese investors.”

**One transaction in Switzerland among the top 15 in Europe**

Last year, Chinese buyers focused in particular on industrial companies, acquiring 79 industrial firms in Europe, with 28 of these in Germany. Meanwhile, across Europe, many technology
companies (32) and financial companies (29) also passed into Chinese hands. But the largest
deal in Europe concerned a logistics company: the purchase of the Blackstone subsidiary and
logistics platform Logicor by the Chinese sovereign wealth fund China Investment Corporation,
for a price of around USD 13.7 billion. In second place came the purchase of a stake in the
Russian company Rosneft, for USD 9.3 billion, by CEFC China Energy. Third was the
acquisition of a German energy services provider by Cheung Kong Property Holding, for USD
6.7 billion.

One of the 15 largest transactions by Chinese firms concerned a Swiss company: Glencore
Storage & Logistics was acquired by Hainan Province Cihang, via its subsidiary HNA, for a
transaction volume of USD 775 million. The other six deals with Swiss companies were as
follows: Hainan Province Cihang, via HNA, also gained a larger stake in the Swiss company
Dufry last year. In 2017, the Chinese company Cedarlake Capital Partners acquired the two
Swiss companies Bartholet Maschinenbau AG and Montratex AG, while the Alibaba Group
bought the company Way Ray SA, Beijing Sanlian Hope New took over Polymetrix Holding AG,
and the Phoenix Green Group acquired Ernest Borel Holdings.

However, in the ranking of the largest investors in Switzerland, China only reached sixth place
in 2017. Companies from Germany and the US carried out 34 transactions each in 2017, while
the UK accounted for 17, France for 13, Japan for 10, and Italy for 9.

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