

MRL Research

Non-EU investors in DACH/EU transactions (specifically Chinese origin)

Shanghai/ Hong Kong/ Munich, Sep. 2024



Summary interpretation by MRL: Sale of businesses to China is not under higher restriction than to others (non-EU)

- Foreign Direct Investments (FDI) are an important indicator for the attractiveness of an economy. One of the main instruments of FDI is the acquisition of companies in the target country – here we speak about Germany – from abroad.
- In recent years, due to governmental measures and media publications, a considerable uncertainty regarding the regulation for the sale of businesses to international investors, particularly to investors from China, has been evolved.
- To achieve a fact-based, neutral discussion platform, and for the increase information level for decision making regarding international investor approach of MRL clients, MRL Advisors has prepared this study.
- As a result of the research, we can summarize as following:
 - Among the national (German) FDI screening cases in 2023, top 3 are ICT, Healthcare & biotech, and energy sectors.
 - While no. of filed FDI cases has doubled-tripled since 2021, **China still accounts for minority and in total only a few cases**. C. 10-12 (4-5%) were restricted p.a. regardless of investors origin, mostly semi-conductors related.
 - **Only 8% of filed cases** under German national FDI screening procedure received an opening notice (Phase II); and to only 5% of all screened cases restrictive measures were applied.
 - Looking forward, AI, semi-conductors, quantum & biotech are now under EU FDI review discussion. Professional advisor's support in gov. & public relations handling, lobbying with lawyers, etc. is suggested.
- All in all, number of cases is low, and deals of Chinese investors are by far not the largest group under evaluation. An individual risk rating is suggested.

To start with: recent German biotech/medical transactions:

CN investors have been able to acquire DE biotech/medical assets & business in past few years, even the blocked Heyer case might go through after Berlin court ruling in Nov 2023.

Examples of German biotech/medical transactions by Chinese investors

Not exhaustive



Date	Target	Target business	CN Investor/buyer
Dec 2023	100% shares of Eucatech AG (against EUR 2.4mn, insolvency)	R&D, production & distribution of mini. Invasive cardiovas. & endovascular products (DEB, etc.)	OrbusNeich, a cardio player with RMB 2.5bn mkt cap.
Jan 2023	100% of assets of CoDon AG	Cartilage repair cell therapy player (1 of the 2 with EU & FDA approval in the world)	ReLive Biotech, founded by Dr. Xing ZHAO in US in 2021, funded by CN VCs
Mid 2022	35% of Heidelberg Pharma (against EUR 105mn)	Biotech player focused on cancer therapies	Haudong Medicine, whereas Hangzhou gov. holds 16.5% share
Dec 2020	DE Factory of Bayer (against EUR 150mn)	Vaccine manufacturing plant in Wuppertal	Wuxi Biologics, CN-based global CDMO player with >RMB 40bn mkt cap.

Biotech

Medtech

Date	Target	Target business	CN Investor
Apr 2022 (Closing in 2019, blocked by BMWK in 2022)	Heyer Medical (100% share)	R&D and producer of ventilators for treatment of respiratory diseases and anesthesia Sales: ▪ 2018FY: 6.2mn EUR ▪ 2020FY: EUR 42mn Filed insolvency in Oct 2018	Beijing based Aeonmed Group, similar manufacturer

German court overturns in Nov 2023 – procedural issues

Recent European biotech/medical transactions:

CN investors have managed to invest/ acquire medical factory/ business in other European countries such as UK, Italy and Switzerland in the past few years.

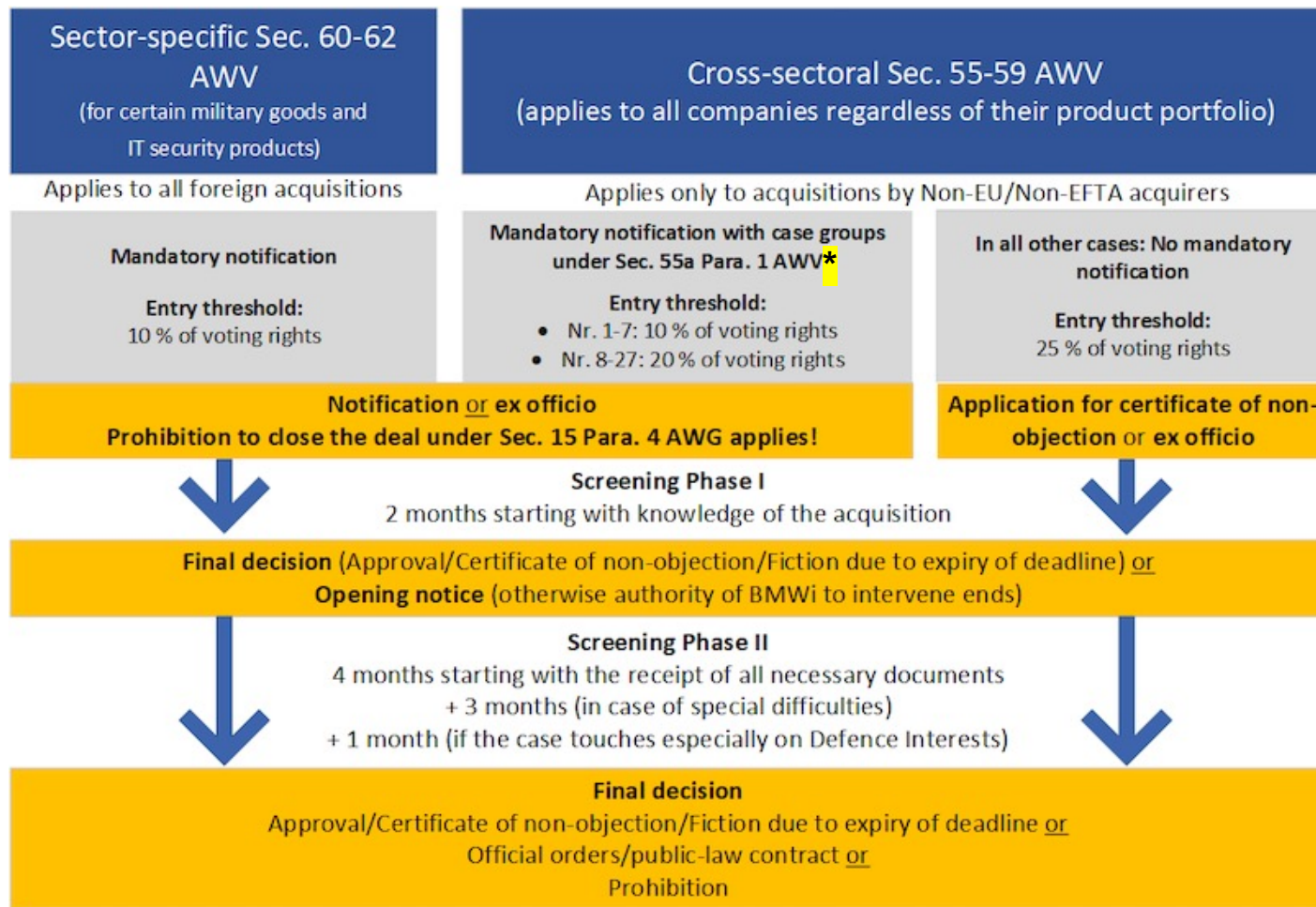
Examples of European biotech/medical transactions by Chinese investors

Not exhaustive



Date	Target	Target business	CN Investor/ buyer
May 2024	Pfizer's factory in UK 	Small molecule API pilot plant and its R&D lab at Sandwich Site	Asymchem Lab, based in Tianjin, a global CDMO player
Apr 2024	100% shares of EB Neuro S.p.A. 	Design and manufacturing of systems Neurodiagnostic, Neuro rehabilitation, Research and portable ECG	Hanix, a Shenzhen-based brain-science & neuroscience solution provider
May 2022	100% shares of Italian Haemotronic Group (against EUR 212mn) 	A supplier of advanced filtration solutions in critical applications and a specialist producer of components and bags for the medical industry	GVS, Suzhou based filtration solution producer
Aug 2021	Bristol Myers Squibb Manufacturing Facility 	State-of-the-art tablet & capsule manufacturing and packaging facility opened in 2018 in Couvet, Switzerland	WuXi STA – a subsidiary of WuXi AppTec, a global CDMO player with a mkt. cap. of >RMB 100bn
Jun 2020	100% shares of New Valve (against RMB 1.39bn) 	A Swiss transcatheter interventional heart valve R&D and production company	BlueSail Medical, based in Shandong, manufactures and sells PVC gloves and other plastic products, Market cap. of RMB 4.6bn
Dec 2019	Cellestia Biotech AG, Basel based 	Notch Inhibition drugs for Cancer	Co-investors for Series B: FC Capital, Beijing based financial investor since 2015

Quick overview – Germany's FDI approval process



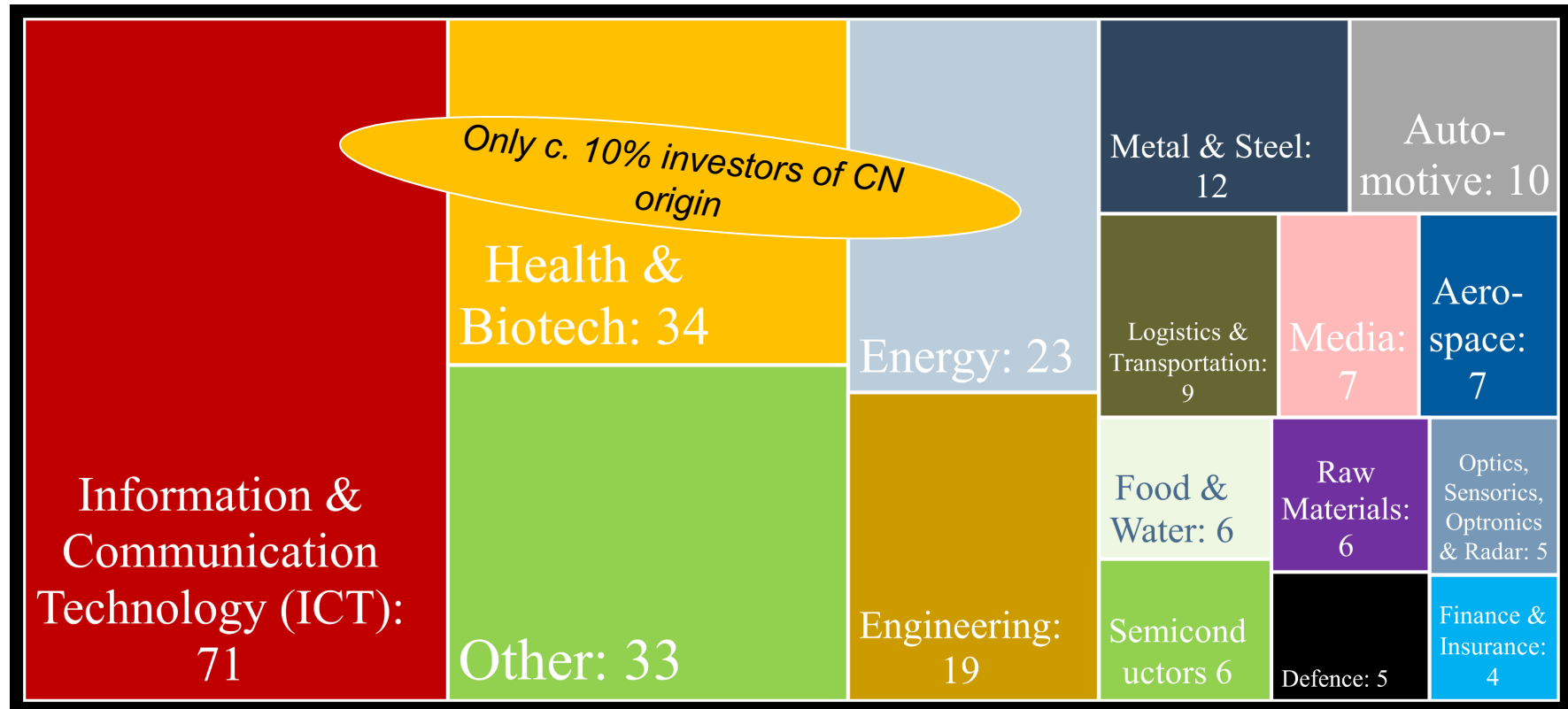
* for case groups, refer to following slide

German FDI screening filings:

Among the national (German) FDI screening cases in 2023, top 3 are ICT, Healthcare & biotech, and energy sectors.

Overview of cases filed under German national FDI screening procedure*, 2019 – 2023 – 1/2

Basis = 257 National (German) FDI Screening Cases in 2023



*Data points do not incl. transactions notified by other EU Member States to the BMWK under the EU FDI Screening Regulation.

In 2023, the BMWK reviewed a total of 537 transactions of which 257 were national FDI reviews and 280 from EU FDI.

“BMWK” stands for Bundesministerium für Wirtschaft und Klimaschutz; German Federal Ministry for Economic Affairs and Climate Action

Source: BMWK; MRL analysis

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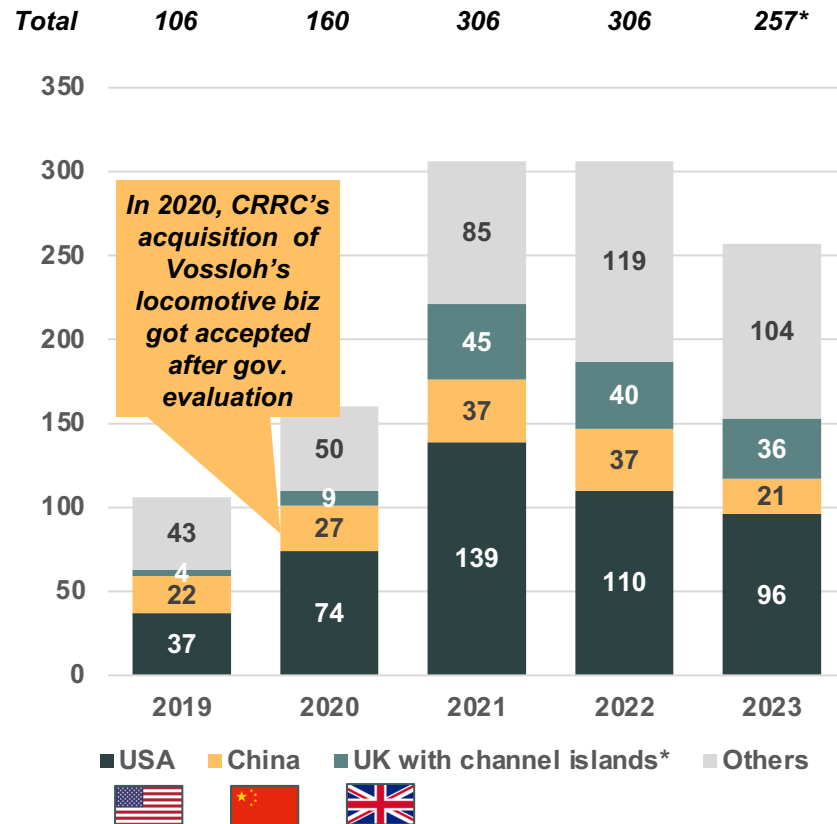
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German FDI screening filings:

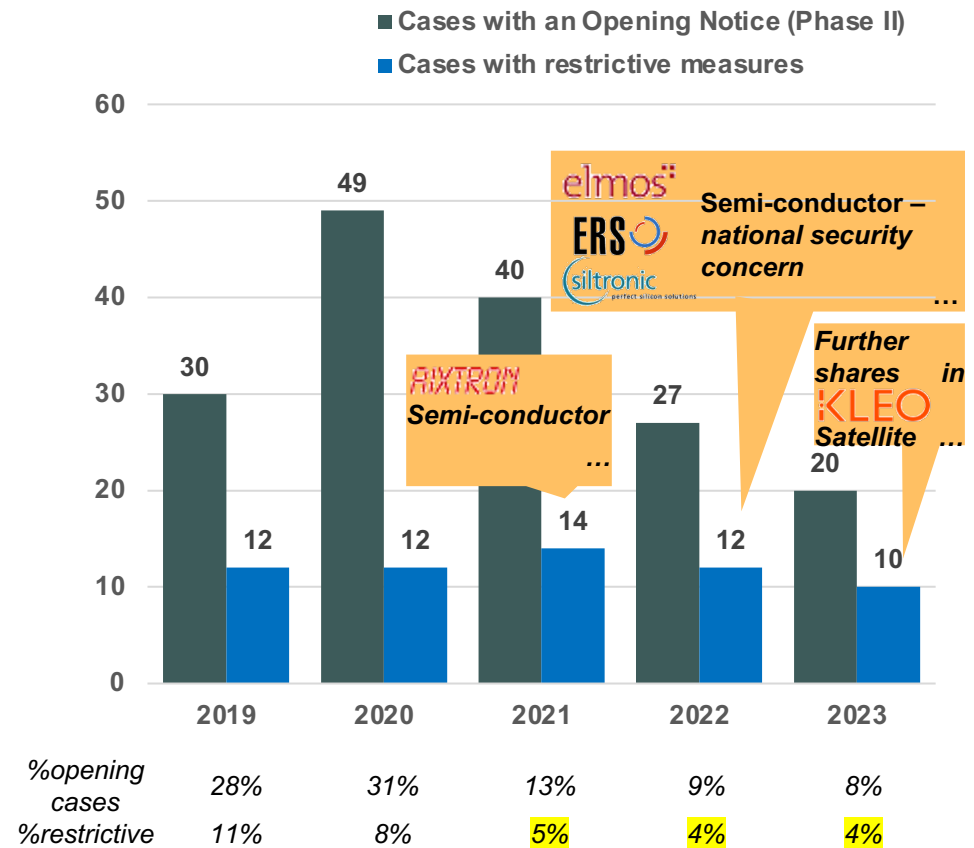
While no. of filed FDI cases has doubled-tripled since 2021, CN still accounts for minority and in total only a few cases, c. 10-12 (4-5%) were restricted p.a., mostly semi-conductors related.

Overview of cases filed under German national FDI screening procedure*, 2019 – 2023 – 2/2

By investor origin



By reviewing & restrictive measures**



*Data points do not incl. transactions notified by other EU Member States to the BMWK under the EU FDI Screening Regulation.

In 2023, the BMWK reviewed a total of 537 transactions of which 257 were national FDI reviews and 280 from EU FDI.

**This encompasses prohibitions, side conditions, public-legal contracts and administrative orders.

Source: BMWK; MRL analysis

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German FDI screening amendments:

Since Jun 2020, German gov. has extended FDI review to healthcare sector and since May 2021, 16 new sectors such as AI, semiconductors, quantum, critical infrastructure, etc. are added.

Highlights of amendments to the German FDI screening mechanism

Timeline	Key changes	Details
May 2021	Germany: Introducing 16 new types of entities for mandatory filing	Mandatory filing for non-EU investors to acquire >20% voting rights 1) Satellite technology operations, artificial intelligence, robotics, semiconductors 2) Cyber security, aerospace, space travel, quantum and nuclear technology 3) Autonomous driving and aerial systems, optoelectronics and additive manufacturing 4) Critical infrastructure, network technology, smart meters 5) Critical raw materials, products that can access sensitive information, food security
Jun 2020	Germany: Extends FDI review mechanism to the healthcare sector	The list of target companies that trigger a notification in case of an (indirect) acquisition reaching or exceeding 10% of the voting rights now includes: ▪ state communications infrastructures; ▪ personal protective equipment ▪ medicinal products which are essential for ensuring public health care ▪ medical devices related to life-threatening and highly contagious infectious diseases; ▪ in vitro diagnostic medical devices related to life-threatening and highly contagious infectious diseases.

Covid related

Looking forward:

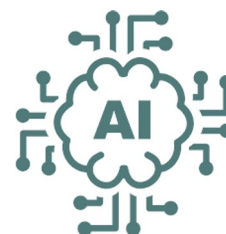
AI, semi-conductors, quantum & biotech are now under EU FDI review discussion. Professional advisor's support in gov. & public relations handling, lobbying with lawyers, etc. is suggested.

Highlights of on-going discussions on the EU FDI screening mechanism – 2024

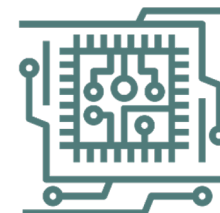


Source: Margrethe Vestager, the European Commission's vice president for digital and competition at a press conference, Jan 2024

- To monitor and potentially block foreign takeovers of tech businesses in the four areas the EU considers most sensitive —



AI



Advanced semiconductors



Quantum



Biotech

- **It's expected that the German FDI regime might be further revised in 2024.**

Next steps

- **MRL suggests to present the findings for instance in a video call.**
- **Most important is the application of the measures on specific assets and the impact estimation. MRL would be prepared for a rating of one or more / multiple assets in this way.**
- **Furthermore, to start a market sounding exercise of a portfolio company who's looking for investors in China (or globally).**
- **Specifically for MIG, next steps are suggested separately.**

About MRL

MRL Advisors is a global advisory boutique with extensive experience and networks in attractive technology sectors



**MRL Advisors - founded 20 years ago in Munich;
team recruited in China 12 years ago**

Main advisory services:

- M&A, Joint Ventures
- Strategic advice
- Management of investments, incl. own co-shareholdings

Transaction volume and client groups:

- Transaction volume between 5 and 250 mn EUR
- Corporate clients with a turnover of 10 mn to 5 bn EUR
- Financial investor clients (PE, VC) and their portfolios

Team locations:

- Munich, Germany (HQ)
- Shanghai own professional team, key team members > 10 years with MRL)
- Network with experienced professionals Southeast Asia
- Network with boutique firms for further relevant locations in the world.

Focus sectors:

- Technology (medical technology, biotechnology, industrial technology incl. chemicals, etc.)
- Consumer goods

The MRL team has project experience in four key sectors

MRL Advisors

— Munich Shanghai —

Life sciences

Project experience e.g.

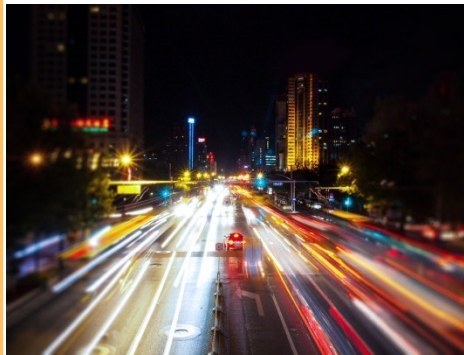
- MedTech incl. dental products
- Pharma and biotech
- Healthcare services (e.g. hospitals)
- Animal health



Industry & Technology

Project experience e.g.

- Automotive industry
- Semiconductors
- Machinery
- B2B suppliers
- New energy
- Software



Consumer

Project experience e.g.

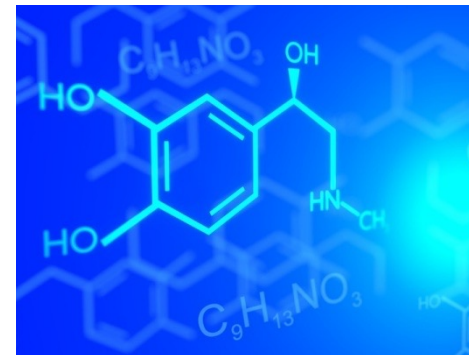
- Durable consumer goods
- Food and other FMCG
- Apparel
- Education and training
- Luxury goods



Chemistry

Project experience e.g.

- Specialty chemicals
- New materials



Source: MRL

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