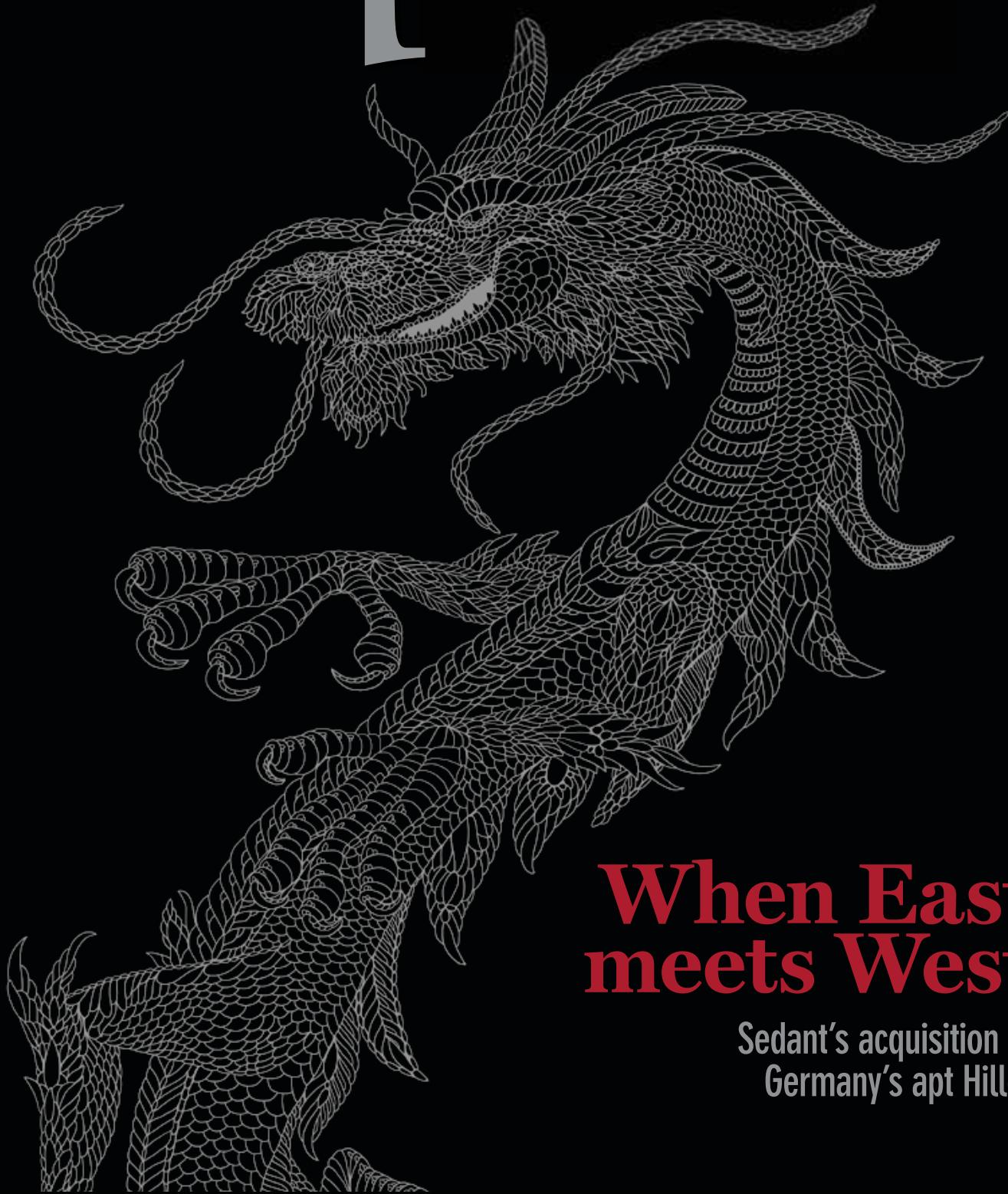


The Acquirer

AUTUMN 2015

The corporate finance magazine from Livingstone



When East meets West

Sedant's acquisition of
Germany's apt Hiller

PLUS: CYBERSECURITY. THE GRASS IS GREENER FOR IDVERDE. SECTOR FOCUS: ECOMMERCE

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Looking at global deal activity, it should be a very active M&A market across the Nordic region. And for sure, it's been a busy year. Interestingly, in the last 12 months we have seen record levels of international buyers looking to enter the region in search of growth investments that are not cheap, but still one to two turns of EBITDA multiple lower than in the US.

Of course, the individual Nordic countries behave differently. Norway has been impacted by the fall in the oil price, whereas Finland has suffered from deteriorating relations with Russia, a key business partner and source of spending for the Finnish economy. Denmark is performing averagely and Sweden is proving to be as resilient as ever. With the Swedish Central Bank lowering the repo rate in July to an unprecedented -0.35%, money has been flooding the markets.

In Sweden, sellers have more options than ever – an overheating stock market is generating premium valuations and becoming a more attractive option for business owners seeking an exit. The M&A market has been more 'two-speed': the highest quality assets have changed hands at record valuations, boosted by buoyant bank and bond markets, whereas more middle-of-the-road opportunities have been a tougher sell.

So what does the crystal ball show? Following strong second-quarter reports from major industrial groups such as Atlas Copco, Ericsson, Hexagon and Alfa Laval, albeit flattered by currency effects, business confidence is on the rise. Our Nordic clients confirm the positive trend, building particularly on improvements across the Eurozone.

Consequently, Nordic corporates are ramping up their acquisition budgets and M&A activity is increasing. For the time being, opportunities abound for both sellers and growth-seeking investors, and we foresee continued interest from European, North American and Asian buyers seeking exposure to the favourable Nordic (economic) climate. This is where Livingstone is adding value as a trusted adviser with 'boots on the ground', and the local contacts and expertise that come with that.

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\$1.10tn

The total volume of cross-border M&A in 2014 was \$1.10tn, up from \$775.3bn in 2013 and the highest annual figure since 2008.

Source: Acquisition International

Online opinion

Go to livingstonepartners.com for news, blogs and more

Graham Carberry comments on the UK Government's new scheme to protect small businesses from cyber attacks (see page 8 for more)

The UK cybersecurity industry is strong and growing – worth £17.6bn and employing over 40,000 people – but more skilled people are needed to help protect the nation as the UK goes digital and adopts new technologies.

The new 'Inspired Careers' online skills and career hub has been developed by industry body CREST and the Government to tackle the skills shortage in cybersecurity. It is good to see that the Government recognises that SMEs are key to the IP supply chain and need to support the building of IT security at all levels of the business community. This is a small gesture, but a step in the right direction.

Anand Parekh explains how omni-channel is driving the convergence of retail and technology

Omni-channel implies a seamless, integrated retail experience for consumers spanning the online, mobile and physical shopping channels. This is particularly prevalent in UK retail, where a mature ecommerce market and demanding consumers are forcing retailers to differentiate themselves through customer experience, and to do so consistently across all consumer touch points. This helps drive sales across all channels.

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Livingstone is an international mid-market M&A and Debt Advisory firm, with offices in Beijing, Chicago, Düsseldorf, London, Madrid and Stockholm. Its 100 staff complete 40 to 50 deals per annum.

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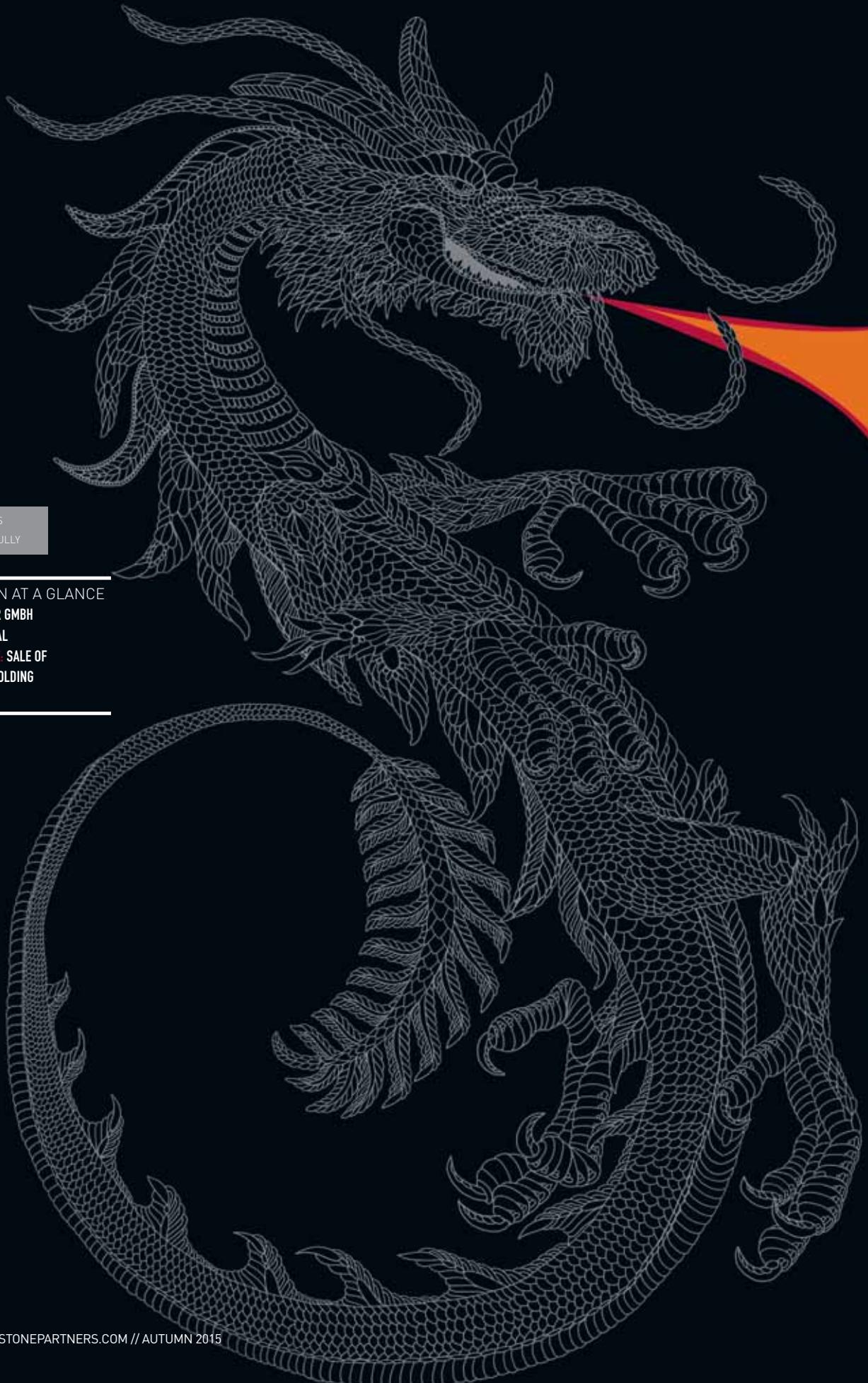
TRANSACTION AT A GLANCE

CLIENT: APT HILLER GMBH

SECTOR: INDUSTRIAL

TRANSACTION TYPE: SALE OF
MAJORITY SHAREHOLDING

ACQUIRER: SEDANT



Enter the dragon

In completing the sale of a majority stake in German company apt Hiller to Chinese conglomerate Sedant, Livingstone demonstrated its ability to bridge the cultural divide

It is always challenging to bring together two companies with very different cultures, and even more so when they are based thousands of miles apart on different continents and must build a strong working relationship on the basis of a few face-to-face meetings.

With the sale of a majority stake in German *Mittelstand* manufacturer apt Hiller to Sedant, a Beijing-based Chinese conglomerate, Livingstone's Düsseldorf and Beijing offices demonstrated their ability to identify a potential acquirer with the right priorities, help the two sides bridge the cultural divide to forge a mutual

Chinese employees here in Düsseldorf and in Beijing, under the Managing Director of Livingstone China, Baoshan Bao."

The cultural challenge was not the only complex aspect of this transaction. apt Hiller's CEO, who held a large minority shareholding, intended to remain with the business and retain a shareholding, so any transaction would necessarily preclude an outright takeover.

Livingstone, however, thought that for a Chinese acquirer looking to establish a significant position in Europe, these conditions might well represent an attraction rather than a barrier. And so it proved.

for a wide variety of industrial uses including motor housings and cooling devices.

By 2014, the company had annual sales of €205m and 800 staff at four locations: extrusion plants at Monheim in Germany and Roermond in the Netherlands, and product finishing plants at Eckental in Germany and Cheb in the Czech Republic. Over more than four decades, apt Hiller had grown to become the largest independent manufacturer of aluminium profiles in Germany and one of the largest in Europe, with a market share of around 6-8%. It was therefore an extremely attractive asset for a buyer looking to enter the market, according to Jochen Hense, Partner at Livingstone Düsseldorf.

Over the past 15 years, says Hense, Werner Hiller had stepped back from running apt Hiller day-to-day, moving to the supervisory board and bringing in Frans Kurvers as CEO to expand the business further. Kurvers oversaw a series of acquisitions and ultimately acquired 45% of the shares in the company, with the founder holding the balance. In early 2014, Hiller, by now in his early 80s, decided the time was right to concentrate on his ambitions as a philanthropist.

"Mr Hiller had no children, and his main motivation was to sell his share in the business and donate most of the money to set up the Hiller Institute at the University of Düsseldorf, for the study of rheumatic diseases," Hense explains. "This was very important to him, and thankfully we were able to help him."

The Livingstone team began discussing potential acquirers with Kurvers, who planned to stay with the business and retain a significant shareholding. "Given the importance of China for German

THE TEAM'S ABILITY TO UNDERSTAND THE PRIORITIES OF TWO SUCH DIFFERENT COMPANIES PROVED CRUCIAL IN BUILDING TRUST BETWEEN BUYER AND SELLER

understanding, and guide the sale process through to completion in a short space of time. The team's ability to understand the priorities of two such different companies proved crucial in building trust between buyer and seller, without which no deal could go ahead, and enabled the process to move quickly.

It was a brief that most advisers could not have taken on, says Christian Grandin, Partner at Livingstone Düsseldorf: "We were well suited for this appointment because we are one of the few advisers that has its own

A HIGH PROFILE

apt Hiller was founded by Werner Hiller in 1972 in Monheim am Rhein in Germany's industrial heartland. It specialises in manufacturing high-specification aluminium profiles using machines that shape the metal under high pressure, a process known as extrusion. (The 'apt' part of the company name stands for 'alu-profil-technik' – 'aluminium profile technology' in English.) The profiles are used in car and truck manufacturing, for aluminium architectural components such as windows, doors and structural elements, and



industry," says Grandin, "we investigated the appetite and levels of interest of investors and strategic players within the region. We wanted to try to find a buyer who would take a majority stake in the business and work with the CEO to explore opportunities in the Chinese market and strengthen the business further in Europe."

This approach made sense because Chinese companies tend to prefer to retain local management when acquiring a European company. Any deal with a Chinese partner would be more likely to succeed, the team reasoned, if the European company had a strong and committed local management that were incentivised to remain with the business and to help master the important post-merger integration process.

A DEEP UNDERSTANDING OF CHINESE BUSINESS CULTURE WAS CRUCIAL

Furthermore, the potential gains for a Chinese acquirer were significant, since most of the industrial machinery used to produce aluminium profiles in China had been purchased from German companies, but Chinese manufacturers generally lacked the skill to operate these machines efficiently and profitably. Gaining access to apt Hiller's technical expertise could give a Chinese acquirer a major advantage in its huge domestic market.

CULTURAL CHALLENGES

While the logic of trying to locate a Chinese partner was clear, the practical challenges remained significant, given the huge distances and the gulf in culture between China and Europe. Over the years, apt Hiller had been approached by a number of Chinese companies and Livingstone followed up on these contacts, as well as using its own Chinese relationships to identify other possible acquirers. These included the eventual acquirer, Sedant, a privately owned industrial conglomerate based in Beijing, with 1,000 employees and an annual turnover of about €500m. Sedant offered a strong industrial

fit, being one of China's leading makers of energy-efficient construction components.

Bao says that a deep understanding of Chinese business culture was crucial in helping to identify the most suitable partner. "I knew there were a lot of potential Chinese acquirers with very strong financial backgrounds, some of which were state-owned enterprises, but you need a good instinct to help identify which are the most appropriate ones to speak to. I advised our client that Sedant offered the best strategic and cultural fit."

The negotiations involved several meetings between the two teams in China and Germany, each lasting several days. It was during these extended meetings that the two sides built the crucial trust that would enable them to conclude a transaction. Here, Livingstone's

understanding of the different business cultures helped to bridge the gap.

Bao explains that for Chinese business people, creating trust and building relationships is essential, and much of this takes place outside formal meetings. "The Chinese want to get to know people, to understand them and work out how to negotiate effectively with them. If they don't like you, they won't do business," he says.

"Between 8am and 6pm is work time in China. We would have discussions, and sometimes there would be disagreements or misunderstandings because of differences in business culture. But the Chinese investor will always say, 'Don't worry. Let's stop talking about this and discuss it over dinner.' Here in Europe, we carry on negotiating in the meeting room until midnight, but the Chinese try to find a better atmosphere and negotiate during golf, over dinner, or even at karaoke."

Because of the need for people to get to know each other, transactions between European and Chinese companies often take a long time to negotiate, but this is changing. This transaction is a good example, says Grandin: "We started talks in spring 2014 and

we signed the definitive agreement before the year-end. For a German-Chinese transaction, that is very fast."

Ultimately, Sedant acquired Werner Hiller's 55% stake in apt Hiller, along with a further 20% from Kurvers. That left the German CEO with a 25% shareholding and a commitment from his Chinese partner to invest further in the company to expand its presence in Europe, as well as opening up the huge Chinese market for its high-specification products.

For Kurvers, the outcome proved the worth of hiring the right adviser. "From the very beginning, this transaction was greatly supported by the Livingstone team," he says. "Their presence in both China and Europe was crucial to its successful completion."

Werner Hiller also pays tribute to Livingstone. "During the entire sale process, the team took all the necessary steps to protect my personal interests and those of the company," he says.

It was a transaction that required a unique solution in order to satisfy everybody, and one that demanded the ability to find common ground between two very different business cultures, says Grandin. "It was reminiscent of the way transactions used to be done in Europe 20 years ago," he adds, "where people would meet socially over dinner and try to find a mutually acceptable solution." ☐

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We've achieved results for these clients. What can we do for you?



memorial stationery provider
has been sold to



paediatric home infusion business
has been sold to



major assets of a leading manufacturer of
bathroom furniture have been sold to



major assets of a leading provider of winter
maintenance solutions have been sold to



leading provider of B2B agriculture-focused media
assets has been the subject of a buy-out backed by



majority stake in the leading manufacturer of quality
aluminium extrusion profiles has been sold to



specialist residential care
provider has been sold to



leading provider of digital traffic
enforcement systems has been sold to

