



German American
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Expansion USA

Mergers & Acquisitions





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Mergers & Acquisitions in the US

The American Midwest remains an attractive investment location for German business. Especially in the manufacturing industry, we have seen a trend towards building German-owned production facilities in the US. The American heartland has plenty of factors that draw investments from across the globe: outstanding infrastructure, a diverse and skilled workforce, and a business-friendly environment.

The 2018 Site Selection Magazine Governor's Cup, a ranking of new and expanded facilities in the US, reflects the Midwest's flourishing business environment. Chicago has once again been named Top Metro for new and expanding companies. Additionally, the number one spots in all three population categories for the "top metro areas for corporate facility investment" are all found in GACC Midwest territory. Six out of the ten top states ranked by projects per capita in Site Selection Magazine are also in the Midwestern region.

In line with the growing number of investments in the past years, we anticipate continued record activity in M&A deal flow in 2019 and beyond. With global economic uncertainty and capital market as the leading obstacles, the US is still on a near-record pace for M&A activities.

Leading reasons for M&A activity include technology acquisitions and portfolio diversification. Furthermore, expanding customer bases and entering new geographic markets are among the top drivers of M&A deals. Business-friendly initiatives like the US tax reform have incentivized M&A transactions as well.

This brochure is your go-to resource to support you in making the right decisions when considering M&A transactions. Learn about key trends in M&A, potential pitfalls of cross-border transactions, and get to know trusted professional service providers from our network that can accompany you alongside the entire M&A process.

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2018: US Most Targeted Nation Among German M&A Dealmakers

Mergers & Acquisitions require various factors and trends to be considered for a lasting successful deal. As in past years, German acquirers are seeing the highest potential in the United States. With 12.5%, the US is the leading nation among German M&A dealmakers, as Figure 1 illustrates.

Deals by German Acquirers Abroad by Target Nation

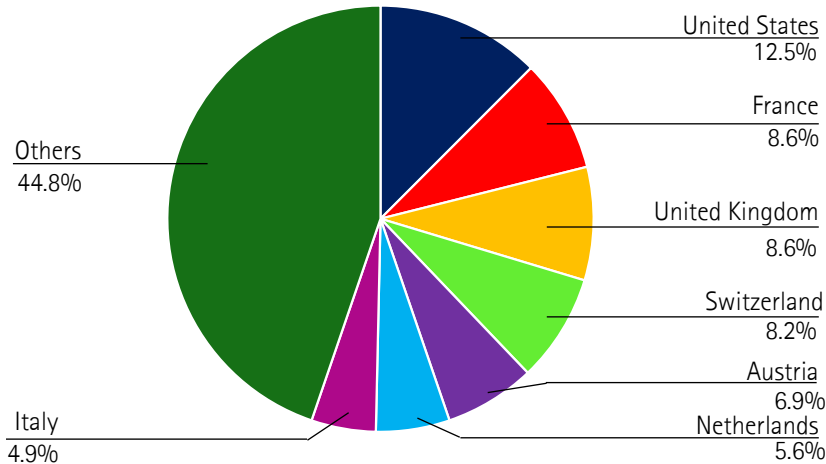


Figure 1: Institute for Mergers, Acquisitions and Alliances (IMAA)

German companies cite the following reasons for their current and planned investments in the US:

- customer demand
- proximity to the customer base
- relative market stability

As part of their continued growth, they are taking advantage of measures like the tax reform to spur investments in M&A activities as well as in business diversification.

2019: Expectations of Significant Growth

The US has been the leading country for German M&A activity and will keep the lead in 2019 according to our German American Business Outlook (GABO) 2019. Despite global political tensions, trade conflicts, and volatile markets, GABO showcases an increase in German subsidiaries that are planning to diversify their business. In 2019, one in five participating companies plan to expand their business through M&A, up from 8% executed in 2017 and 9% executed in 2018 (Figure 2).

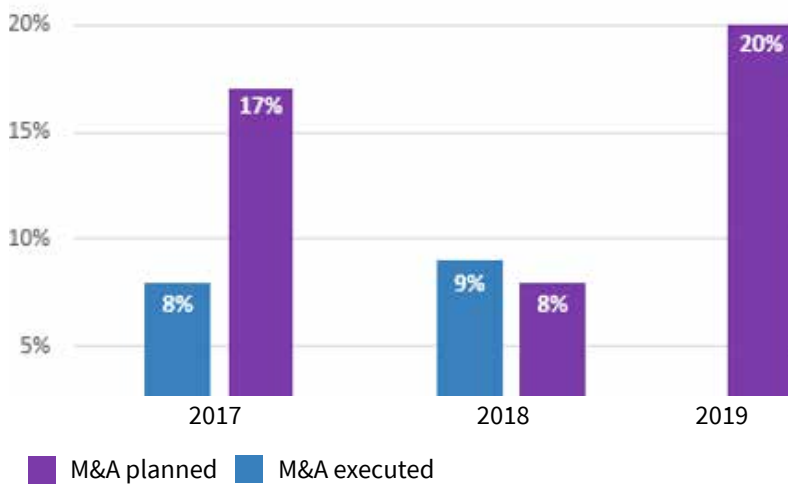


Figure 2: German expansion through M&A in the US 2017, 2018 and 2019

Deloitte echoed GABO 2019 within their 2019 M&A trends report. 79% of Deloitte's 1000 respondents are expecting an increased number of deals in 2019, up from 70% in 2018. The nature of deal-making faces a transition from technology purchases towards diversification of products and services.

Three factors are fueling optimism among US deal-makers: the tax reform, a more relaxed US regulatory climate, and growing cash reserves.

Multiples and Valuation in Cross-Border M&A Deals

An exchange with Thomas Richter, Managing Partner, Andrea Luehmann, Ltd.

Why are multiples useful? What are the disadvantages?

“A value identified as the key multiple among the various companies is applied to the corresponding value of the company under analysis to estimate its value. A prerequisite is that the target company is in fact similar to the respective peer group. Often times, certain facts and circumstances distort the comparability and as a result may not provide the best valuation price.”

What is a peer group and how does it affect valuation?

“Finding comparable assets / companies (the peer group) that share similar business models, asset structures, and ownership is common in valuation models. Identifying peer groups allows effective comparisons (“vergleichen is bewerten”) between similar entities within the same industries, external factors, suppliers, customers, etc. There is a variety of key performance indicators that are used, such as earnings, cash flow, or expected sales growth rates for start-ups (forward looking).”

Are there any trends in analysis based on multiples?

“Valuation trends seemingly move to a more ‘holistic’ approach by shifting focus away from historic KPIs to non-financial data such as areas that potentially have future disruptive effects on business plans. Blurring boundaries between the various experts of valuation teams will become the ‘new normal’ to determine the reasonableness and viability of the target’s future business model. In other words, a shift from a mere financial due diligence based on historic data to a thorough understanding of the target’s business model and a commercial due diligence thereof will be inevitable.

The infinite life of a target company’s business model has typically been assumed in traditional valuation models. Current trends in disruptions of outdated industries due to new technologies, changed consumer behavior trends, digitalization, and fast-growing personal data-based online platforms have become challenging factors in determining future profits and returns on investments.”

What are specific things to keep in mind for M&A transactions in the US?

“Many transatlantic deals of privately-owned SMEs play in the field of operations with niche markets, specialized products, and unique business models. A ‘cookie cutter’ valuation process is often not the approach that leads to a successful transaction. A carefully-crafted valuation approach including considerations of special circumstances of the target company, including pre-existing relationships with the buyer are essential prerequisites all participants should consider. Despite global economic uncertainties, valuations in the US should be benefiting from the 2018 tax reform which lowered corporate tax rates to 21%.”

Multiples

A multiple is a ratio calculated by dividing the value of an asset by a specific item on the financial statements. It is used in comparable analysis or as a relative valuation technique, which allows the valuation of similar companies using the same financial metrics.

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Negotiating M&A Deals and Preparing for Deal Disputes

Business leaders approach potential deals and new ventures with great optimism. They seek a favorable price and terms through negotiations, yet tend to generally trust the people they do business with and anticipate that things will work out for the best. But disputes happen.

When working with a transactional attorney on a merger, acquisition or other type of deal, the lawyer's job is to anticipate what types of disputes might happen and help you negotiate and prepare an agreement that will leave you in the best position and with most leverage possible should there be a post-transaction dispute. These can include challenges to earn-out calculations of earnings, revenues or working capital, a violation of a post-transaction covenant by the seller, or a breach of representation by the seller. Sometimes a buyer may decide that it cannot close because there has been an adverse material change, but the seller does not agree.

To serve your needs and meet your objectives, our transactional attorneys work hand in hand with our litigators. One of the best ways to help you avoid post-deal disputes is for the attorneys negotiating your deal and preparing documents to work with attorneys who have dealt with these disputes. This cross-discipline approach will help ensure that a working capital provision not only matches the business operations, but also minimizes the risk of a challenge to the final calculation. The choice of law provision for disputes should not be boilerplate. They should be crafted to give you the most favorable law in the event of a dispute. Arbitration or forum selection clauses should be carefully considered so that the person deciding any dispute, be it a panel, single arbitrator, or judge is mostly likely to understand the issues and provide a fair and reasonable result given the nature of the business and the dispute.

These are just some of the many details that deserve thoughtful attention by both the transactional attorneys who draft the terms of your deal and the litigators who might have to enforce those terms, should a dispute arise.

This article should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult your own lawyer on any specific legal questions you may have concerning your situation.

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Rödl & Partner

THE DIFFERENCE BETWEEN ASSET DEAL VS. SHARE DEAL: HOW TO AVOID MISTAKES IN THE BEGINNING

An interview with Frank Breitenfeldt, Head of Transaction Services at Rödl & Partner USA

GACC: *Mr. Breitenfeldt, what is typically the first advice you give to clients when they call you to discuss a potential acquisition?*

Frank Breitenfeldt: The one aspect that is often overlooked and usually dealt with too late in the process is the potential structure of the Transaction. We regularly recommend discussing the Transaction Structure with the Seller of the Target Company prior to agreeing to a **Letter of Intent** (“LOI”).

Frank Breitenfeldt: Apart from the legal consequences, there are significant tax consequences for the Buyer and sometimes also for the Seller.

GACC: *Why is the structure such an important element of a Transaction?*

GACC: *Is there a preferred structure for the Seller?*

Frank Breitenfeldt: There are legal consequences that are primarily related to the transfer of certifications and contracts, change-of-control-clauses and the ability to pick and choose both assets and liabilities (“cherry picking”). **Most Sellers prefer a Share Deal** as it seems to be the less complex structure.

Frank Breitenfeldt: An Asset Deal is advantageous from a tax point-of-view. It allows the Buyer to **step up the tax basis** of the assets purchased to Fair Market Value (“FMV”) at the time of Closing. A Share Deal only allows for a carry-over of the Seller’s tax basis. In simple terms, it means that the value of the assets of the Target Company will be reassessed and therefore may allow for greater depreciation and amortization deductions and consequently lower taxable income over the remaining useful lives of the assets.

GACC: *However, does an Asset Deal have advantages for the Buyer?*



Frank Breitenfeldt - WP, StB and CPA - Head of Transaction Services at Rödl & Partner in the United States.

Frank moved to the U.S. in 2005 and has dual U.S.-German citizenship since 2014. He has managed over 400 transactions during his almost 20-year-career in Transaction Services, primarily supporting German companies in their Transactions in North America.

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GACC: *Is the step-up of the assets the main tax benefit of an Asset Deal?*

Frank Breitenfeldt: In many cases, the ability to amortize the portion of the Purchase Price allocated to **Goodwill and other intangible assets over 15 years for tax purposes** is the advantage. If a Buyer was to acquire a Target Company for \$20 million whose assets' FMV are \$5 million, then \$15 million would be allocated to Goodwill and other intangibles. At an estimated tax rate of 25% it represents an additional \$3.75 million of potential tax savings over 15 years, as compared with a Share Deal.

Frank Breitenfeldt: While an Asset Deal can greatly benefit the Buyer, **it may or may not result in additional tax burden for the Seller.** (Lower) Capital Gains Tax Rates may not be applicable to all gains on assets sold in an Asset Deal. This depends on the type of asset, the ownership structure and the tax status of the Target Company. Often, the "recapture of depreciation" is taxed at (higher) Ordinary Income Tax Rates rather than the Capital Gains Tax Rate. State taxes may also be impacted, depending on the type of entity, the residence of the owners, the states in which the Target Company is subject to tax, as well as other factors.

GACC: *Coming back to your earlier comment, why is it important to make this decision early in the process?*

GACC: *Understanding the Seller's tax situation is therefore important?*

Frank Breitenfeldt: Yes, many German inbound deals involve acquisitions of **family owned partnerships, LLCs or S Corporations** in which the benefit of a tax basis step-up can be maximized and the tax cost to the Sellers minimized with careful planning. In any case, it is always beneficial to discuss the possibility of doing an Asset Deal early with the Seller in order to avoid any hassle in the final stages of the Transaction.

Frank Breitenfeldt: Yes and no. While the tax consequences of a Share Deal vs Asset Deal are similar for the Buyer, the U.S. tax code includes a unique specialty: the 338(h)10 or 336(e) election. **This allows certain Share Deals to be treated as Asset Deals for tax purposes** if a joint election is filed by the Buyer and Seller. The legal consequences are identical to a Share Deal. However, because the Share Deal is treated as an Asset Deal for tax purposes, the aforementioned tax deductibility of the Purchase Price Premium is also applicable. In many cases, this structuring alternative combines the advantages of a Share Deal for the Seller with the tax advantages for the Buyer.

GACC: *Is this situation similar to a Transaction in Germany?*

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Rödl Langford de Kock LLP is a member of Rödl & Partner, one of the leading international audit and tax consulting firms of German origin, providing

- International and Domestic Tax Consulting / Tax Compliance
- Audit and Accounting
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- Business Process Outsourcing
- Transaction Services

Case Study Praxair-Linde: One of the Largest German-American Mergers Ever

In 2019, German company Linde AG successfully merged with Praxair, Inc. to form Linde plc - one of the largest German-American mergers in history, with a volume of \$90bn. Following full global integration of operations, Linde plc is now the world's largest industrial gas company, with an estimated global market share of nearly 35%. It will generate approximately \$27bn in revenue and employ over 80,000 people in 100 countries, supplying oxygen and other gases to industrial users throughout the world. Linde plc has indicated that they will realize roughly \$1.2bn annually in synergies over the next three years thanks to savings on costs and increased efficiency.

Merging Corporate and National Cultures



Images by Praxair and Linde AG

Discussions for the deal began in 2016 but fell apart repeatedly, partially due to Praxair's initial expectations for the partnership. Although roughly equal in size, it was reported that Praxair wanted to assume complete control from its Connecticut headquarters. Daniela Bergdolt of the DSW German Shareholders Association was quoted as saying that "mergers with American companies are particularly difficult." She cited the differences in union importance


between German and American companies. Addressing deals like this, Andre Spicer of Cass Business School in London explained, "You not only have two corporate cultures, you are also merging two different national cultures." Other factors leading to complications included the fact that Linde AG had larger revenues, but weaker profit margins. Despite its higher sales, Linde also had a lower market valuation than Praxair. Differences in expected revenues, profits, and valuation for companies of seemingly equal size may make international mergers especially difficult.

After two failed sets of negotiations, Praxair and Linde came to a tentative agreement in mid-2017. Over the course of the next 18 months, both companies worked to address differences so that no uncertainties about leadership or logistics would remain after the deal. Linde and Praxair were eventually able to complete the merger as "equal entities," with Praxair contributing its CEO, Steve Angel, and Linde providing its Chairman of the Board, Dr. Wolfgang Reitzle. Positions on the management board will be split evenly between the two former companies.

M&A Investigations by European and American Anti-Trust Authorities

After the company structure was finalized, approval was sought from the European and American antitrust authorities. Following the divestiture of assets demanded by the US Federal Trade Commission (FTC) and European Commission, the companies were able to begin integrating all services. In the process, Linde sold roughly \$3.3bn in assets, as well as many of its US operations, while Praxair unloaded its European industrial gas business for nearly \$6bn. Although the relevant organizations were satisfied with their progress, some critics remain skeptical: Dr. Reitzle was scrutinized by German unions for moving forward with the deal against the wishes of his employees. Praxair also faced criticism in that labor unions in Europe could increase costs and reduce efficiency for an American company.

This cross-border M&A deal emphasizes that beyond due diligence, regulatory compliance, and structural integration, it is highly important to consider intercultural challenges. GACC Midwest is your trusted partner to address international M&A processes holistically.



Professionals in Cross
Border M&A Services

Whether it is acquisitions, dispositions, recapitalizations, mergers, reorganizations, formations or other significant transactions you are faced with, PKF is here to assist in maximizing the benefits and advantages of an M&A transaction while minimizing your overall risks as a buyer or seller in the deal. Our professionals can assist you with pre-deal analysis, business valuation of the target, various due diligence reviews, structuring of the deal itself, and post-closing follow up.

To explore more about PKF's transactional services contact:

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IS A JOINT VENTURE PREFERABLE TO A MERGER/ACQUISITION?

As a business owner, you have probably considered whether a joint venture (“JV”), merger or acquisition would help your company grow. If you do not have enough capital for an acquisition, are unsure about the U.S. market and potential U.S. customers, or are looking to co-develop new products or technology with a partner in the U.S., then a JV may be the right option for expanding your business in the U.S. Pre-planning for a successful JV involves many facets not only of the intended partner¹ and its business, but also legal considerations. This article summarizes a few key legal considerations for a German company looking to establish a JV in the U.S.

CFIUS JV Loophole Is Closed

The Committee on Foreign Investment in the United States (“CFIUS”) is empowered to review and investigate certain “covered transactions” that threaten to impair the national security of the U.S. Prior to the enactment of the Foreign Investment Risk Review Modernization Act of 2018 (“FIRMMA”), CFIUS was charged solely with review of transactions which could result in foreign control of a U.S. business. This excluded from CFIUS’s purview non-controlling investments, investments which involved the acquisition of discrete assets or rights (but not a business), and changes in existing investments which could result in foreign control of a U.S. business. These limitations allowed certain types of sensitive foreign investment to proceed without the same CFIUS scrutiny as a more straightforward asset or equity sale or merger. That loop hole previously used by some JVs to avoid CFIUS review is now closed under FIRMMA.

If the reason for the JV is to gain access to or create new “critical technology” or “critical infrastructure,” filing for CFIUS review may be required or advised. Further details and filing requirements can be found at <https://www.masudafunai.com/articles/firmma-and-changes-to-cfius-review-of-cross-border-investments>.

Thus, it is more important now for JV parties to review with their legal counsel and determine in advance if CFIUS filing is required or advised because the CFIUS review process will extend the timeframe for completing the JV even if the JV is approved by CFIUS.

Immigration

Another factor in forming a JV in the U.S. is obtaining visas for key German employees that will come to the U.S. to work at the JV. Denial rates for visas have increased under President Trump’s administration. Thus, it is important to structure the JV to increase the U.S. visas available to those key German employees of your company. For example, certain visa categories, such as the E category can only be applied for by a German JV partner if the German JV partner owns and controls at least 50% of the JV. If the success of the JV will depend upon a few key German employees working at the JV in the U.S., then those employees’ credentials should be reviewed by one of our immigration attorneys to determine the visa categories available.

¹ Note, the term “partner” is used as a general term and not indicative of the entity used to form the JV. It is more likely that the JV entity would be a Delaware limited liability company, and the technical term for the owners would be “member”.

Export Control

When a German company enters into a JV in the U.S., export control laws need to be reviewed by legal counsel to determine if a license is required to transfer “technology” to the German partner or German employees working at the JV in the U.S. In this context, “technology” means information necessary for the development, production or use of an item subject to control under the Export Administration Regulations. A deemed export of technology occurs when the technology is released and made available to a foreign person in the U.S. In addition, U.S. export control laws prohibit dealing with prohibited end-users or end-users. Other export control laws may require a license if assets or technology are exported to Germany. Some visa categories, such as the L-1 and H-1, require the German company to certify that it has reviewed the U.S. export control laws and that no export license is required for German employees to work in the U.S. at the JV.

Unfortunately or Fortunately, All Things Do End

CFIUS review, immigration and export control considerations are similar for JVs, mergers and acquisitions. However, unlike mergers or acquisitions, JVs eventually end. When you are entering into a JV, it is an opportune time to discuss the terms for the end of the JV because the partners are on friendly terms and no partner knows what their economic position will be at the end of the JV. Thus, the parties are more likely to negotiate fairly.

If the issues and concerns are addressed up front and a procedure to address such issues is included in the JV agreement, the JV agreement becomes an effective tool to reduce disagreements and address major issues. It also provides for a more orderly termination of the JV so that you can focus on your future business instead of being distracted by lengthy negotiations or legal battles. If you cannot talk about these items now with your potential JV partner, that partner might not be the best partner going forward:

- What intellectual property, assets, etc. will each partner contribute or license to the JV?
- Who will own or be provided a license to the jointly developed intellectual property or products when the JV terminates?
- Will any non-compete or non-solicitations provisions be in the JV agreement and/or survive after the JV is terminated?
- What happens if there is a change in control of one of the JV partners, potentially to a competitor?
- Who controls the JV entity taking into consideration immigration, tax and other business considerations?
- How will disputes be resolved?
- Is each partner required to remain in the JV for a period of time unless there is a default or breach of the JV agreement? What happens if one partner defaults or breaches the JV agreement?
- How will the entity terminate? Will the German partner be entitled to buyout the U.S. partner? Will each partner have a right to outbid the other partner to own the entire JV?

Each of the above points has multiple legal solutions that are too numerous to list in this article. However, in our experience, discussing the solutions with counsel in the beginning and negotiating a solution included in the JV agreement reduces discord and provides for an orderly end of the JV.

Masuda, Funai, Eifert & Mitchell has been advising companies like yours for more than 90 years on JVs, mergers, acquisitions, and other transactions to help them leverage their opportunities and achieve their strategic goals. For further information, please contact Reinhold F. Krammer or Jennifer R. Watson, Co-Chair of the Business Group, at 312-245-7531/312-245-2524 or at rkrammer@masudafunai.com / jwatson@masudafunai.com.

Wisconsin's industry strengths serve up opportunities for German collaboration

WATER TECHNOLOGY

230+
COMPANIES 

FOOD AND BEVERAGE

NEARLY
1,400
COMPANIES 

Strong cultural and trade connections between Wisconsin and Germany, which have persisted since German immigrants settled in Wisconsin, have led the two economies to remain closely connected as they developed. Today they exhibit complementary strengths that present opportunities for productive collaboration.

Many synergies between Wisconsin and Germany are emerging in the manufacturing sector, where Wisconsin is ahead of many other U.S. states in adopting the standards of Industrie 4.0, a trend of automation and data sharing in which smart devices and systems communicate with one another and the cloud to improve efficiencies and increase quality.

Subsectors with particularly strong potential for collaboration include the water technology and food and beverage sectors. These sectors contain vibrant industry clusters with companies already sharing ideas and innovating together within the cluster—thus making them attractive partners and a resource for German companies to tap into by locating their U.S. or North America offices in Wisconsin.

Water technology

With more than 230 companies with ties to the water technology industry, which together employ 23,000 people and generate \$15.7 billion in annual sales, Wisconsin is a global hub for water technology. Recognizing Wisconsin's strength in this area, in 2016 the German Water Partnership signed a memorandum of understanding with The Water Council, a Milwaukee-based organization with worldwide membership of water technology companies as well as education institutions and public utilities.

The agreement is leading to tangible results. Representatives of the German Water Partnership plan to attend the Water Leaders Summit in Milwaukee in June. The Water Council has two German members—Blucher GmbH and Raedlinger Primus Line—and anticipates that more will join after conversations at WEFTEC, a major water technology trade show held in October in New Orleans. The Water Council is well connected, with a total of 17 international agreements, and can connect companies to their counterparts (as well as research and innovation) not just in Wisconsin but around the world.



A rendering of HARIBO's planned factory in Pleasant Prairie, expected to be completed in 2020.

Food and beverage

With strong roots in agriculture and beer brewing, Wisconsin's food and beverage industry has broadened to encompass every aspect of the supply chain, from ingredients and flavorings to food processing machinery and packaging. Nearly 1,400 food and beverage companies call Wisconsin home, and the state's food and beverage sector accounts for 93,000 jobs in Wisconsin. The state's food processing sales alone amount to \$67.8 billion annually.

Notably, German candy-maker HARIBO chose Wisconsin as the location of its first U.S. manufacturing plant. When complete, the \$242 million project is expected to be one of the largest facilities in the global confectionery industry.

FaB Wisconsin, the industry organization for the food and beverage sector, has three German members that all have a presence in Wisconsin: Suedpack, which has a packaging plant in Oak Creek; Krones, which has its U.S. headquarters in Franklin; and KHS, which has its U.S. manufacturing and administrative headquarters in Waukesha. In addition, the German conglomerate Siemens participated in a technology transfer discussion hosted by FaB Wisconsin and is continuing discussions regarding further collaboration with Wisconsin's food and beverage cluster.

Advanced manufacturing

Wisconsin has the second-highest manufacturing employment concentration of any U.S. state, and is placing specific emphasis on helping Wisconsin companies modernize and adapt to Industry 4.0 and the industrial internet of things (IIoT), with initiatives such as the Transformational Productivity Initiative and the Connected Systems Institute.



The Transformational Productivity Initiative, led by the Wisconsin Manufacturing Extension Partnership, aims to help Wisconsin companies improve productivity by learning from

the best practices of their peers, thus capturing the most effective innovative practices for the benefit of the industry as a whole.

The Connected Systems Institute, currently under development on the University of Wisconsin-Milwaukee campus, will be a place where companies and researchers can collaborate on IIoT technologies. When complete, the institute will house state-of-the-art simulation lab facilities that will allow companies to test end-to-end product solutions, from suppliers to customers, and will also help ensure that Wisconsin continues to meet the evolving demands of increasingly technical advanced manufacturing jobs.

As Foxconn Technology Group constructs a manufacturing campus, it's a particularly exciting moment for advanced manufacturing in Wisconsin. The Wisconsin Economic Development Corporation (WEDC) maintains a Supply Chain Marketplace website (found at wisupplychainmarketplace.com) where Foxconn and other manufacturers can search for suppliers based in Wisconsin. This tool is particularly useful for manufacturers considering locating in Wisconsin, as companies can use the site for research and to contact potential suppliers to help inform their location decision.

In addition to water technology, food and beverage, and advanced manufacturing, Wisconsin's industries of strength include aerospace and aviation; energy, power and controls; and biohealth. German companies can contact WEDC for more information on connecting with Wisconsin companies in their field.



The Oasis coworking space at the Global Water Center in Milwaukee provides a "soft landing" spot for water technology entrepreneurs considering moving to Wisconsin from other locations.

GERMAN COMPANIES INVEST IN WISCONSIN: Examples

Advanced manufacturing

- Thyssenkrupp
- Robert Bosch, Bosch Rexroth
- Contitech

Biohealth

- EMD Millipore, a subsidiary of Merck KGaA
- Merz
- Dr Willmar Schwabe GmbH

Energy, power and controls

- Kuka Roboter
- Semikron
- Wago Kontakttechnik

Food and beverage

- HARIBO
- KHS
- Krones



A strong bilateral relationship

Wisconsin-Germany connections are strong in both directions, with Germany ranking as the state's largest source of foreign direct investment (FDI) in terms of the number of projects. Since 2003, a total of 21 German FDI greenfield and expansion projects have taken place in Wisconsin, accounting for just over \$1 billion in capital investment and over 3,000 jobs.

While the training models in many Wisconsin professions were based on the German apprenticeship system of 100 years ago, those training models had diverged from the German versions and developed on a separate path. Last year, Hermle Machine—which has its North America headquarters in Franklin, Wisconsin—announced plans to bridge this gap with a new apprenticeship program modeled and benchmarked on the dual education system that currently exists in Germany. The ICATT program, which was developed in collaboration with the German-American Chamber of Commerce—lasts three years, and students receive an associate degree and German DIHK certification along with a two-year employment guarantee at the end. During the program, students spend three days a week with the company and two days in school while being paid for both.

WEDC regularly leads global trade ventures to Germany to help Wisconsin companies make contacts in the market for the purpose of exporting. WEDC Vice President of International Business Development Katy Sinnott has plans to develop bilateral programs in which Wisconsin and German companies travel together to a third market (such as China, for example). These programs would target companies with complementary technologies that, working together, could offer highly developed solutions to business challenges in the target market. The companies could also potentially develop a partner relationship to represent one another in Wisconsin and Germany, respectively.

To stay in the loop with WEDC's international programs, including upcoming opportunities relating to Germany, please visit wedc.org/export

To learn more about international business development opportunities in Wisconsin, please visit Invest.InWisconsin.com or contact:



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GACC Midwest Supports Your M&A Projects



GACC Midwest in Chicago and Detroit has broad experience and knowledge of the market conditions in the US and in Germany. In our role as an advisor, we help to develop and execute strategies for successful acquisitions.

Our focus is to help our clients find a seller that provides a platform for future growth. In buy-side projects, we focus not only on companies that have expressed an intention to sell, but also identify companies based on determined synergies between both firms. These commonalities could include similar technology, complementary equipment and fixed assets, or a highly-skilled workforce, knowing that these factors will be

crucial for the success of the consolidated firm. In our role as the official representative of German industry abroad, we proceed from a neutral perspective and are a serious and reliable inquirer for the contacted companies, thus sparking their interest.

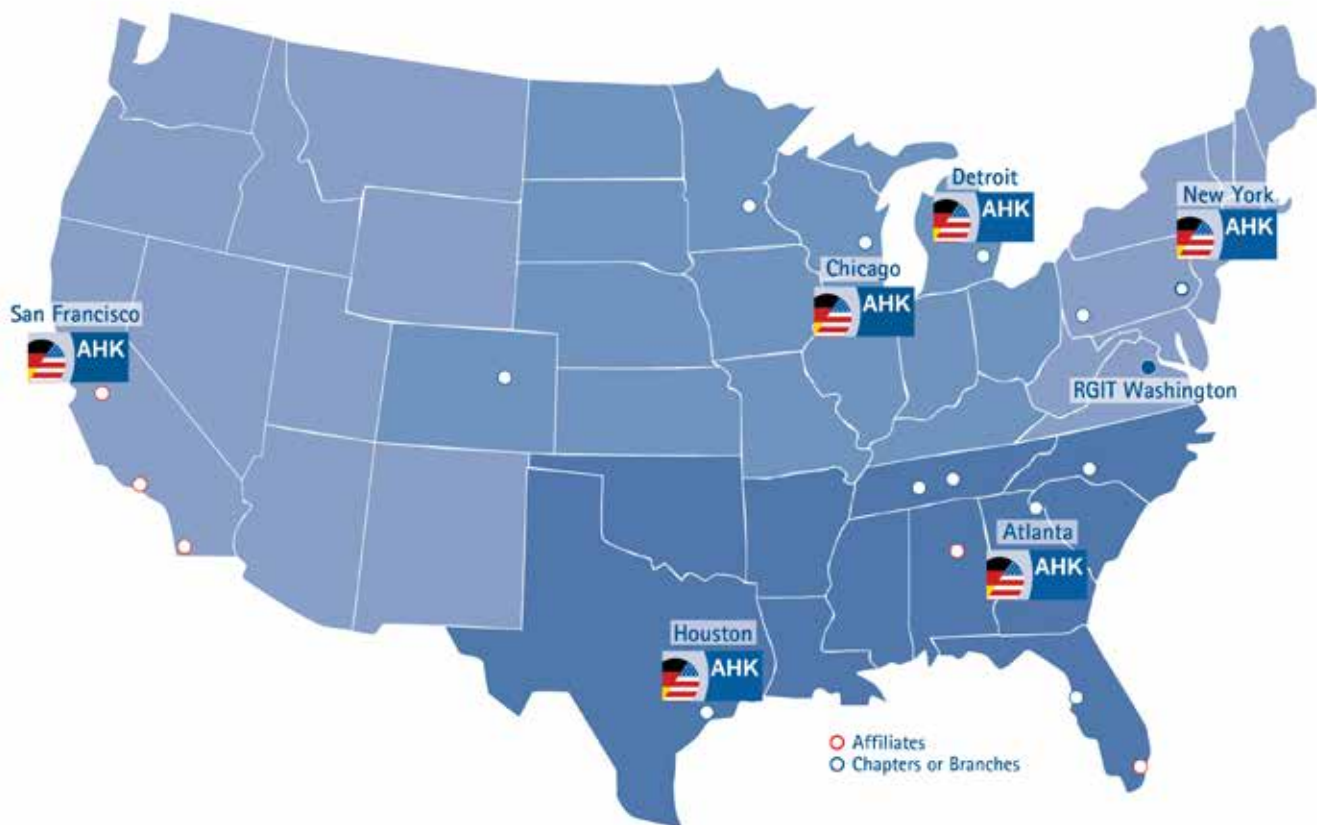
Our Services

- Research of success factors for your market entry into the US
- Support in the development of your location criteria catalog for the new US operations. In the process, we conduct business analytics regarding infrastructure, product line, workforce, customer base, industry reputation, distribution and sales channels as well as economic figures (e.g. Revenue, EBIT, EBITDA, typical industry multipliers, size of acquisition)
- Identification, analysis and comparison of companies according to the established requirements
- Identification and establishment of contact to decision makers inside or outside the target company (directors, shareholders, external investors, etc.)
- Company presentation and formation of a relationship of trust with stakeholders and shareholders
- If desired, on-site visits and inspection of the building, machinery and production capabilities
- Procurement of financial statements and customer lists
- Organization of on-site visits and negotiations between seller and buyer
- Representation of your interests vis-à-vis public incentive programs together with attorneys and/or tax advisors
- Advice during the process until closing

About GACC Midwest

The German American Chamber of Commerce® of the Midwest (GACC Midwest), headquartered in Chicago with a branch office in Detroit and an extensive chapter network across the American heartland, was founded in 1963. GACC Midwest is an integral part of the German Chamber Network (AHKs) with 140 offices in 92 countries around the globe.

Our continuing mission is to further, promote, and assist in the expansion of bilateral trade and investment between Germany and the United States, especially the Midwest. Our organization combines elements of a trade commission, a membership association, and a professional consultancy - quite a unique concept in international trade promotion.





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