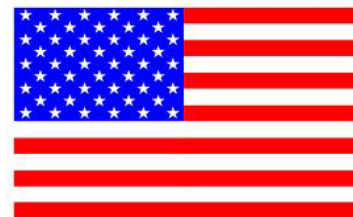




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## Expanding Your Business in the U.S.





# Agenda

- Defining Goals for Expanding in the U.S.
- Market Entry Methodology
- Market Opportunities and Trends
- The *Make* versus *Buy* versus *Partner* Decision
- Capital Sources
- Case Study Examples
- Summary

- Fully understand and define **why** you want to enter the U.S.
- Some answers:
  - Differentiated product in demand in U.S.
  - Cost advantage versus competitors selling in the U.S.
  - Saturated market in EU and opportunity to achieve scale economies with expansion in the U.S.
- Then plan for success by answering **how, where, who, etc.**

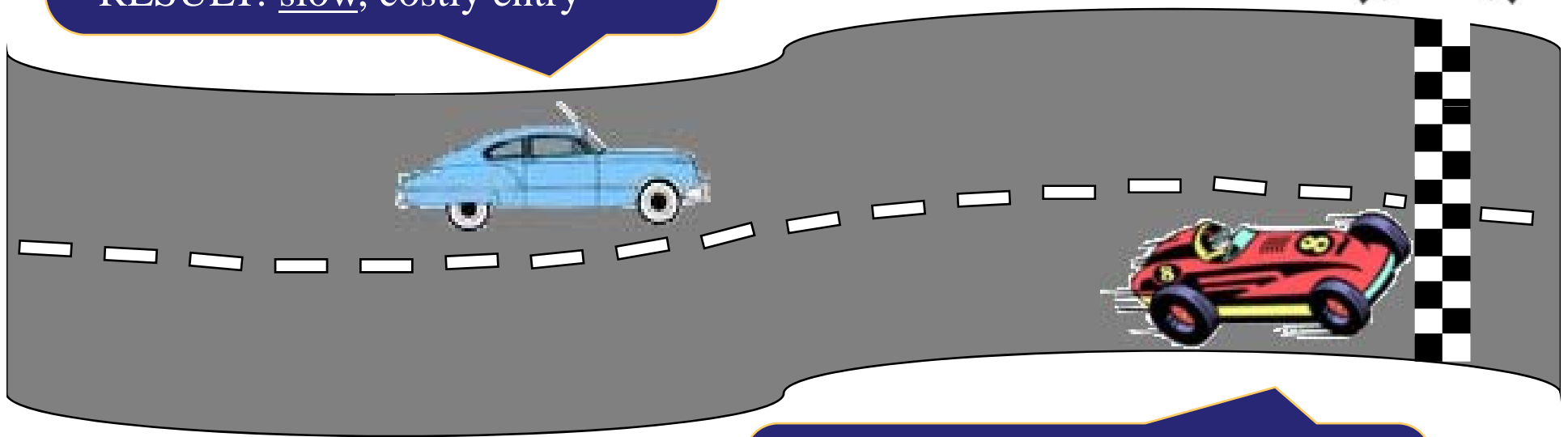


Animation

# Expansion Challenges

- Unanticipated obstacles
- Slow customer adoption
- Project delays and cost overruns
- **RESULT:** slow, costly entry

**Sales!**



- Efficient and coordinated launch
- Effective marketing and sales
- **RESULT:** fast, profitable entry

## **Ready!**

### Market Research

- Define goals and key objectives
- Assess corporate core competencies
- Analyze market and segment dynamics
- Analyze value chain and routes to market
- Review competitive landscape

## **Aim!**

### Entry Planning

- Develop market entry timeline & milestones
- Design sales force structure/organization
- Identify alliance candidates
- Prepare budget and projections
- Location selection and operations

## **Fire!**

### Implementation

- Establish local presence
- Hire initial staff
- Train new and relocating workforce
- Launch operations
- Initiate alliances
- Begin sales and marketing effort





# Doing Business in America

- U.S. is largest single consumer of goods and services in the world
- Shorter decision-making cycles
- Strong focus on consumer/customer-service
- Quality is assumed
- Price and delivery are key
- German technology and quality has good reputation
- Networking and relationships are required to conduct business
- The term “Time is Money” is taken seriously.





# Northeast U.S. Megalopolis

- Over 20% of the entire U.S. population and GDP within six state region from NY to VA
  - Projected to exceed 58 million people by 2025
- Large concentration of technology and manufacturing, including pharmaceutical, biotech, chemical, advance materials, software, electronics, energy, etc.
- Multiple international airports with direct flights to major German cities and efficient local transportation system
- Excellent educational system and available workforce
- Eastern time zone is only six hours to Germany
- High quality of life: history, recreation, climate, etc. and cultural, financial, and political capitals.





# Regional Production

## Gross Metropolitan Product (\$ billions)

	2010	2011	2012
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,256.5	1,287.6	1,329.9
Los Angeles-Long Beach-Santa Ana, CA	726.6	755.0	783.2
Chicago-Naperville-Joliet, IL-IN-WI	527.9	546.8	564.2
Washington-Arlington-Alexandria, DC-VA-MD-WV	422.2	433.8	446.8
Houston-Sugar Land-Baytown, TX	389.6	420.4	445.2
Dallas-Fort Worth-Arlington, TX	378.8	401.3	419.4
Greater Philadelphia Region	367.5	377.1	388.2
San Francisco-Oakland-Fremont, CA	321.9	335.3	351.6
Boston-Cambridge-Quincy, MA-NH	313.5	326.0	340.5
Atlanta-Sandy Springs-Marietta, GA	272.5	283.8	294.3
Miami-Fort Lauderdale-Miami Beach, FL	253.5	260.0	268.2
Seattle-Tacoma-Bellevue, WA	230.8	242.0	253.6
Minneapolis-St. Paul-Bloomington, MN-WI	200.1	208.5	215.0
Detroit-Warren-Livonia, MI	189.6	198.8	206.1
Phoenix-Mesa-Scottsdale, AZ	187.8	194.4	203.5
San Diego-Carlsbad-San Marcos, CA	169.4	175.0	181.6



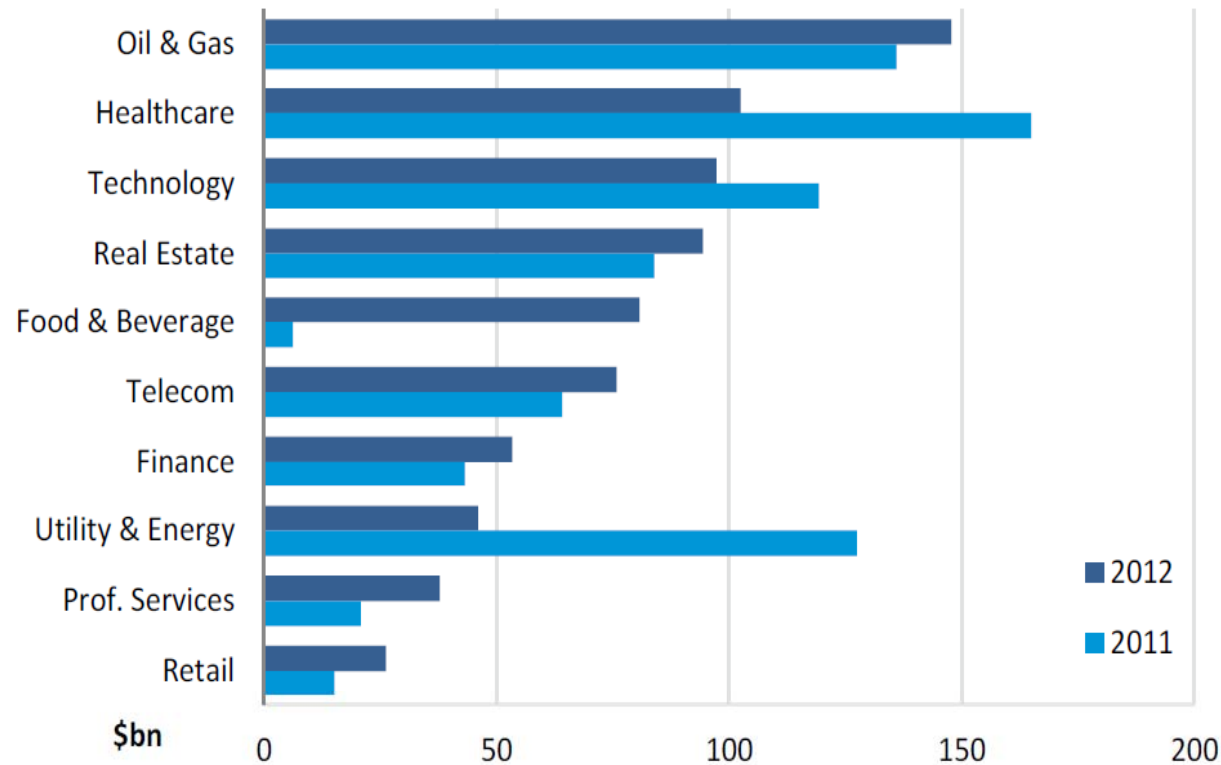


**GATES**  
AND COMPANY

# VC Investments 4Q 2012

Industries Defined	Total \$ Invested	Average \$ Per Deal	Deals	
All	\$6,396,804,300	\$6,608,269	968	
		Amount	% of Total Deals	
Software		\$2089M	32.66%	368
Biotechnology		\$1290M	20.16%	135
Medical Devices and Equipment		\$581M	9.08%	74
Consumer Products and Services		\$512M	8.00%	48
Industrial/Energy		\$483M	7.56%	64
IT Services		\$380M	5.94%	68
Media and Entertainment		\$346M	5.41%	91
Semiconductors		\$202M	3.15%	20
Healthcare Services		\$143M	2.24%	12
Telecommunications		\$68M	1.07%	16
Computers and Peripherals		\$66M	1.03%	10
Electronics/Instrumentation		\$64M	1.00%	15
Networking and Equipment		\$52M	0.81%	4
Retailing/Distribution		\$45M	0.71%	14
Business Products and Services		\$41M	0.64%	10
Financial Services		\$33M	0.51%	8
Other		\$2M	0.03%	11

Top 10 US Target Sectors 2011 - 2012

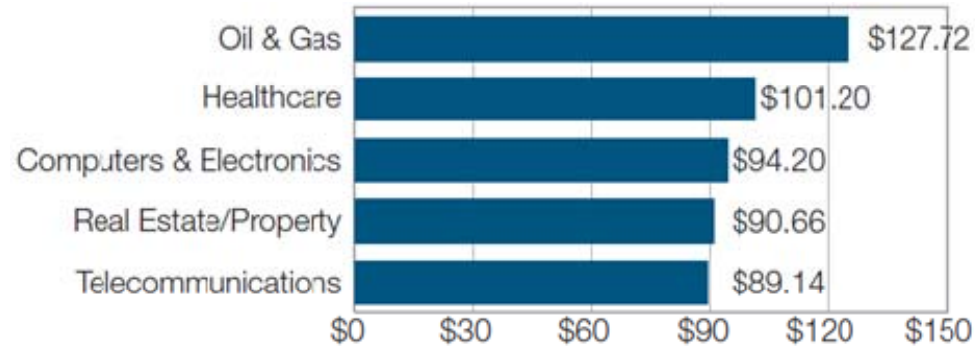


Source: Dealogic

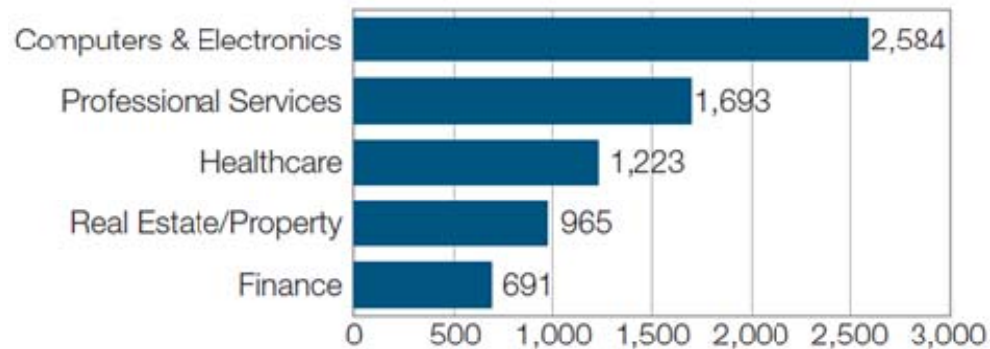


# U.S. M&A (last 12 months)

## By Volume (US \$B)

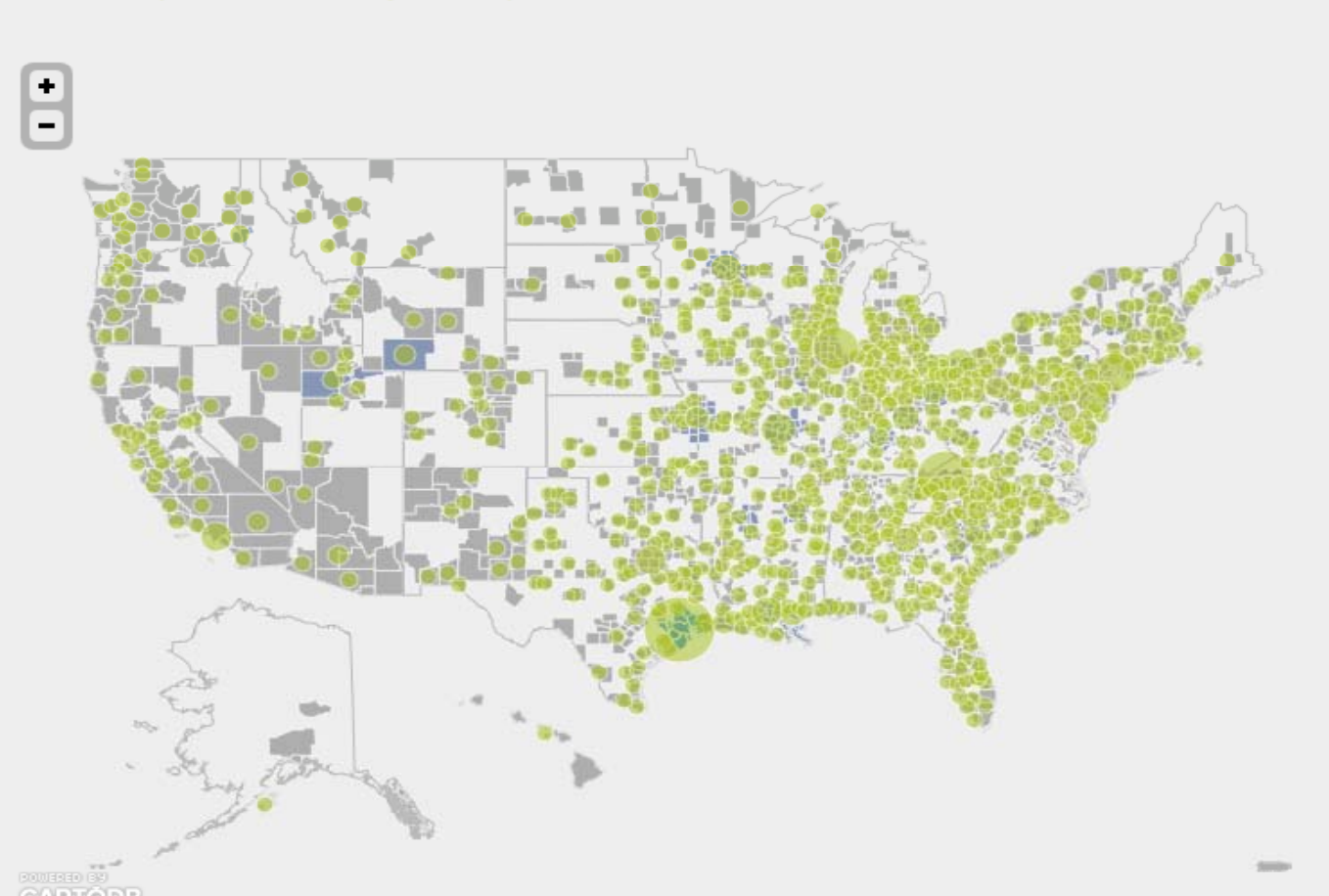


## By Number of Deals



Source: Dealogic

Chemical Products Cluster  
Cluster Specialization by Metropolitan Statistical Area, 2010





# Options for Market Entry

- **Make**
  - Sales through regional distributor/reseller/agent
  - Establishing office for direct (and channel) sales
- **Partnership**
  - Co-development/co-marketing/co-selling arrangements
  - Joint Venture
- **Buy**
  - Acquire an existing business
  - Acquire a portion of the assets of an existing business



- “Co” Arrangements
  - Governed by contracts
  - Gain experience in new market
  - Lower margins
  - Results highly dependent on nature of partner
  - Performance requirements
- Joint Ventures
  - Requires forming new entity
  - Not always 50/50 relationships (different “contributions”)
  - Better margins
  - Strong, regular, and trusted governance a must
  - Historic results are very mixed

- Best margins
- Criteria development
  - Product and/or technology
  - Size (revenue, # employees, ...)
  - Target market sectors
  - Geographic considerations
  - Seek *fits* and/or *gaps*
- Scout for targets ... methods for identification:
  - Proprietary database and market research
  - Venture capital and private equity firms
  - Trade associations
- Initiate contact and execute NDAs with interested targets



- Starts with “Non-Binding”
- Form of transaction
- Purchase price
- Access to company
- Representations and warranties
- Exclusivity (a.k.a. “No-Shop”)
- Conditions to closing
- Confidentiality and Disclosure
- Issues to consider during and after Closing:
  - Cross-cultural sensitivities
  - Integrate management into both businesses
  - Establish and regularly review performance metrics





- Range of options priced based on risk
- Spectrum includes:
  - Seller financing
  - Senior debt
  - Alternative financing
  - Mezzanine
  - Equity
  - Governmental grants and loans
- Requires thorough business plan and financials
- Some options require “personal guarantees”
- Strength and history of parent company important





# German-American Outlook

- German firms are bullish about the 2013 U.S. market
  - 95% expect business growth in 2013
  - 76% plan to hire, creating new jobs
- Majority are well positioned to focus on growth, expansion, and innovation
  - New product lines
  - Optimized processes
  - Growth in workforce
- Many report fairly stable financing conditions and strong to moderate strategic capital investment

Source: *German-American Business Outlook 2013*, German-American Chamber of Commerce



# Northeast Success Stories

- Siemens (NY)
- BASF (NJ)
- BMW (NJ)
- Allianz (NY)
- Bayer (PA)
- Heraeus (NY)
- Volkswagen (VA)
- K+S (NY)
- Knorr Bremse (NY)
- Metabo (PA)
- SAP (PA)
- Münchner Re (PA)
- Evonik (NJ)
- Bertelsmann (NY)
- Linde (NJ)
- Lanxess (PA)
- Stihl (VA)
- Schott (NY)
- B.Braun (PA)
- Adidas (PA)



## Case Study: Soluziona

- Soluziona acquired Software Consulting Group
- Soluziona is a Spanish company (part of Union Fenosa) and provides enterprise solutions to utilities
- Soluziona's answer to **why**:
  - Ability to leverage EU success into large market in U.S.
  - Limited experience and penetration in U.S. market
  - Product required high levels of integration and customization
  - Gained sales force and extensive delivery team
  - SCG's headquarters near Philadelphia provided access to the largest concentration of utility companies

**soluziona**





# Case Study: Zentis

- November 2012: Zentis acquired Sweet Ovarations LLC
- Zentis is a German jam and confectionery manufacturer headquartered in Aachen
- Zentis' answer to **why**:
  - “Expands the customer portfolio and generates synergies to use resources more efficiently.”
  - Desire to develop markets outside of Europe
  - Gain strong R&D collaboration and depth
  - Manufacturing operations on near Philadelphia and Los Angeles



- Clearly define goals for expanding in the U.S.
- Understand market opportunities and trends
- Evaluate *Make* versus *Buy* versus *Partner* and consider more than one approach over time
- Understand the processes for each approach and select a local team to support the process
- Be prepared! It is the best way to succeed!





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