

# Q&A with Dirk Krämer, head of corporate M&A at Vossloh

Vossloh AG (FRA:VOS) is a leading global rail technology company with annual revenues of nearly one billion euros. How has this multinational business dealt with the turbulence of the past year and what is ahead for the industrial sector and M&A?



*Dirk Krämer is the head of corporate M&A at Vossloh with long experience in M&A and a deep knowledge of rail markets.*

**Vossloh is a multinational company. How were you initially affected by the pandemic?**

Vossloh is very much a multinational company with production sites in many parts of the world. So our first hit of COVID was of course in China. When the wave came to Europe, we soon sent all knowledge workers into remote work. Production facilities remained open, except for a few temporary shut-downs in France

and India. We enforced our prevention program and so we were lucky to have had only a few infected employees.

The COVID situation slowed down all processes that were not closely related to the so-called “real work”. In our M&A department, some projects were cancelled and others were delayed. In particular, the merger control and foreign direct investment processes for the sale of our Locomotives unit suffered under the new situation, as you at Clairfield well know. Meetings were postponed and response time increased due to the new working conditions and routines. Even so, in Q1 Vossloh still completed a couple of smaller divestments and in April 2020 we finally received clearance from the German federal competition authorities for the

Locomotives transaction. The closing of this transaction was even more difficult as we were selling to a Chinese buyer and absolutely no one was able to travel to or from China. All meetings and even site visits were conducted over Zoom. However, closing was finally achieved in May 2020.

**Were you able to prepare for shutdowns and subsequent upheaval?**

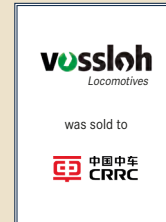
Fortunately, Vossloh had no serious shut-downs of production facilities. However, we did suffer some losses due to cancelled projects. Surprisingly, the roll-out of new software for video communication went very smoothly. Everybody quickly got used to the new way of working.

**Did the pandemic affect your business decisions?**

Right before the start of the pandemic, Vossloh had decided to rework our corporate strategy and we had a number of divestments and acquisitions planned. When the shut-down was declared, our first thought was to halt this strategy project and instead focus on counter measures. However, in the end we decided to view the pandemic-related changes as opportunities and we went on to execute our strategy work. The completely new situation made us aware of vulnerabilities and weak points and we tried to integrate this into our strategy. Vossloh returns from this pandemic with a new strategy and a clear plan for the future.

Luckily our industry of rail infrastructure was not greatly affected by the pandemic. Only a few projects have been postponed





**Clairfield advised Vossloh on divestment of business unit to Chinese rail giant CRRC**

Vossloh AG sold its business unit Vossloh Locomotives to CRRC Zhuzhou Locomotive Co., Ltd., Zhuzhou, China (CRRC ZELC).

Vossloh AG (FRA:VOS) is a leading global rail technology company with annual revenues of EUR 865 million. Rail infrastructure is the core business of the Group. Vossloh Locomotives, headquartered in Kiel, Germany, develops and produces state-of-the-art shunting locomotives and offers related maintenance and repair services.

Vossloh's divestment of its Locomotives business unit was part of its strategy to focus on its core business of rail infrastructure and smart rail track. A strong strategic partner was found for Vossloh Locomotives in CRRC Zhuzhou Locomotive Co., Ltd., a subsidiary of China Railway Rolling Stock Corporation Ltd. (CRRC), the largest manufacturer of rail vehicles in the world. Headquartered in Beijing, CRRC Corporation Limited has 46 wholly-owned & majority-owned subsidiaries and over 180,000 employees.

Clairfield International worked with Vossloh on this compelling divestiture, running a limited global auction through its local offices granting direct C-level access to all relevant players from the industry. The Locomotives business unit offered attractive technology but needed substantial financial investment. CRRC ZELC ultimately offered the strongest match in terms of European foothold, drive technology, and additional sales opportunities.

Clairfield's proven contacts and knowledge of the railway industry, the specialization on noncore disposals, and integrated China Desk proved instrumental in managing the complexity of this deal.

but others have even been brought forward. So for Vossloh, the pandemic had only a small impact (also looking forward).

**How have you noted the entry into 2021?**

Unfortunately we are not yet seeing a return to normality. Many knowledge workers are still working from home and business trips are not possible. However, we already started some new acquisition projects and will have to find new ways and procedures to execute them.

**How do you see M&A at Vossloh and in your industry in 2021?**

M&A always played an important role for Vossloh when it comes to strategy execution and that will not change in the upcoming year. Within the industry I see two drivers for future M&A: consolidation and digitization. However, I would not expect bigger transactions within the rail infrastructure sector.

I think the upheaval has made a permanent change in corporate M&A procedures. We will not see so many business trips as in the past and people are used to meeting

virtually. For those who have adapted to the new working environment, this can be much more efficient. However, in our business, a personal meeting is very important to "feel" the vibes during negotiations. Also, I think that M&A processes will be much more digitized. This already started before the pandemic with virtual data rooms but might be extended into other tasks and procedures.

**What opportunities have you identified ahead?**

The biggest "opportunities" in light of the pandemic is certainly the faster deployment of digitization. This will leave footsteps in the ground for future development. In addition to the pandemic, the rail industry is also affected by trends that have been noted by all industrial companies. These include the use of artificial intelligence and the Internet of Things to create systems that are efficient and reliable. The rollout of 5G technology will enhance railway communications systems and big data analytics allow for the collection of data from multiple points to improve safety and better plan for repairs. We are also proud to be a key element of any zero-emissions initiative. ■