

Technology Acquisition-Based Cross-Border M&A: A Case Study of Midea Group's Acquisition of KUKA

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Abstract: In the context of the intelligent transformation of the manufacturing industry and the restructuring of global industrial chains, technology acquisition-based cross-border mergers and acquisitions (M&A) have become an important way for Chinese manufacturing enterprises to overcome technological bottlenecks and expand into high-end manufacturing fields. This paper takes Midea Group's acquisition of Germany's KUKA Group as a case study and analyzes the motivations, major risks, and post-acquisition outcomes of the transaction. The study finds that Midea's acquisition of KUKA was mainly driven by the need to acquire core industrial robot technologies, improve intelligent manufacturing capabilities, achieve industrial synergy, and expand its high-end manufacturing business. However, the acquisition also involved risks related to legal and regulatory scrutiny, exchange rate fluctuations, loss of key technical personnel and cross-cultural integration. After the acquisition, Midea made progress in intelligent manufacturing layout, production efficiency improvement and robotics business expansion, while KUKA further expanded its market space by leveraging Midea's channels and resources in China. The study suggests that the key to technology acquisition-based cross-border M&A lies not only in completing equity acquisition, but also in post-acquisition technology absorption, resource integration and market localization. This paper provides a reference for Chinese manufacturing enterprises seeking to conduct cross-border M&A in high-end manufacturing sectors.

Keywords: Technology acquisition-based M&A; Cross-border mergers and acquisitions; Midea Group; KUKA Group; Post-acquisition integration; Synergy effects

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1. Case background and M&A process

1.1. Theoretical basis

Technology-acquisition cross-border mergers and acquisitions (M&A) refers to a type of M&A behavior in which companies acquire overseas companies with core technologies, R&D capabilities, or high-end manufacturing resources to make up for their own technological shortcomings and enhance industrial competitiveness. Different from market expansion M&A, technology acquisition M&A puts more emphasis

on the absorption, transformation, and application of technical resources after the M&A. Therefore, to judge whether such mergers and acquisitions are effective, we must not only focus on whether the transaction itself is completed, but also whether the two parties can form synergies in terms of technology, market, management and culture. Midea's acquisition of KUKA is a typical case of Chinese manufacturing companies using cross-border mergers and acquisitions to enter the high-end manufacturing field. This study contributes to the literature on technology-seeking cross-border M&A by showing that post-acquisition value creation depends not only on equity control, but also on technology absorption, market localization, and organizational integration.

1.2. M&A background

From a global perspective, cross-border mergers and acquisitions have become a key path for companies to acquire core technologies and expand overseas markets. In the field of high-end manufacturing, the technological advantages of enterprises in developed countries and the vast consumption space of enterprises in emerging markets are significantly complementary, driving a large number of cross-border M&A transactions. As far as China's manufacturing industry is concerned, intelligent transformation and intelligent manufacturing have become the core focus for enterprises to break through. As the core equipment of intelligent manufacturing, the technical level of industrial robots directly determines the effectiveness of transformation. However, most domestic companies have insufficient technology accumulation in this field, and absorbing the technology of leading overseas companies through cross-border mergers and acquisitions has gradually become a common choice in the industry. Against this background, Midea's acquisition of KUKA combines the typical characteristics of technology-acquisition mergers with core issues such as cultural integration and market synergy in cross-border mergers and acquisitions, and has important research value.

1.3. Overview of the M&A parties

Midea Group was born in 1968 and is one of the leading companies in China's home appliance manufacturing industry. Its business territory is expanding globally and showing a trend of diversification. From a product perspective, Midea covers multiple categories of household appliances and home appliances, which are deeply favored by consumers. In addition, Midea has also made active arrangements in the field of robots and automation systems, and is committed to promoting intelligent upgrading of production and manufacturing and enhancing the company's comprehensive competitiveness.

KUKA, a German company founded in 1898, is a world-renowned supplier of top robotics and automation equipment and solutions. KUKA leads the digital development of German industrial production processes, actively promotes the digital transformation of German and global manufacturing industries with its advanced technology and innovative solutions, and plays an important role in promoting the future development of industrial production ^[1].

1.4. M&A process

Midea's acquisition of KUKA was not completed in one go, but went through three stages: strategic shareholding, public offer, and full control. Midea entered the KUKA shareholder system through equity investment in the early stage and gradually established capital connections. In 2016, Midea formally proposed a public tender offer to acquire KUKA shares at a price of 115 euros per share, and promised to ensure KUKA's operational independence, retain its German headquarters and core R&D team, and

respect KUKA's original technology system and customer relationships. The acquisition was affected by factors such as German regulatory review, European industrial security concerns, and competition from local companies, reflecting the complexity of cross-border mergers and acquisitions by high-end manufacturing companies. Since then, Midea has continued to promote equity integration and finally achieved full control of KUKA. Overall, this merger has a clear technology acquisition orientation. Its core goal is not short-term financial investment returns, but to leverage KUKA's technical advantages in industrial robots and automation to promote Midea's expansion into the field of intelligent manufacturing.

2. Analysis of the motivations behind Midea Group's acquisition of KUKA Group

2.1. Obtaining core technologies and promoting the transformation of intelligent manufacturing

Competition in the home appliance industry is fierce, and continuous upgrading of technology is the key for companies to maintain competitiveness. The "smart home + smart manufacturing" dual intelligence strategy proposed by Midea Group aims to deeply integrate smart manufacturing and smart home to achieve the transformation from a home appliance manufacturer to a smart manufacturing solution provider ^[2]. Industrial robotics is a key support in this transformation process. KUKA's core technology directly complements Midea's strategic shortcomings. Through the acquisition of KUKA, Midea can obtain the advanced technology and rich experience accumulated by KUKA in the fields of automation and industrial robots, thereby quickly entering the high-end manufacturing field.

After the acquisition, Midea's production efficiency has been significantly improved. In terms of product research and development, Midea leverages KUKA's R&D advantages in the field of robotics to accelerate the innovation of new products, expand high-value-added markets, and consolidate its leading position in global home appliances. The company also carries out innovative work in green manufacturing and sustainable development, promoting the application of environmentally friendly technologies in the home appliance industry.

2.2. Achieving industrial synergy and improving operating efficiency

In the wave of transformation and upgrading of the global manufacturing industry, industrial collaboration and operating efficiency have become important ways for enterprises to enhance their competitiveness. After entering the Chinese market, KUKA leveraged Midea's channel advantages to rapidly expand its business, with revenue reaching 6.3 billion yuan in 2024 ^[3], about twice as much as in 2020 ^[4]. At the same time, Midea applied KUKA robots to its own production lines, increasing the production line automation rate from 16.9% to 51.2% ^[5]. The labor cost of a single production line is reduced by 30%, and the production efficiency is greatly improved ^[6]. This mutually beneficial two-way economic gain is an important driving force for the smooth progress of this merger. From the perspective of the core logic of mergers and acquisitions, the economic benefits of mergers and acquisitions essentially come from the business growth of the enterprise and the cost optimization of the main merging party. KUKA leveraged Midea's channel resources to achieve business growth, while Midea relied on KUKA's technological advantages to optimize costs and improve efficiency. The two parties complemented each other through industrial synergy, creating value beyond what either company could have achieved independently. This synergy was an important reason why Midea chose to acquire KUKA and why KUKA accepted the merger. To illustrate the synergy effects after the acquisition, **Figure 1** presents

selected indicators for KUKA China revenue and Midea's production line automation rate in 2016, 2020, and 2024.

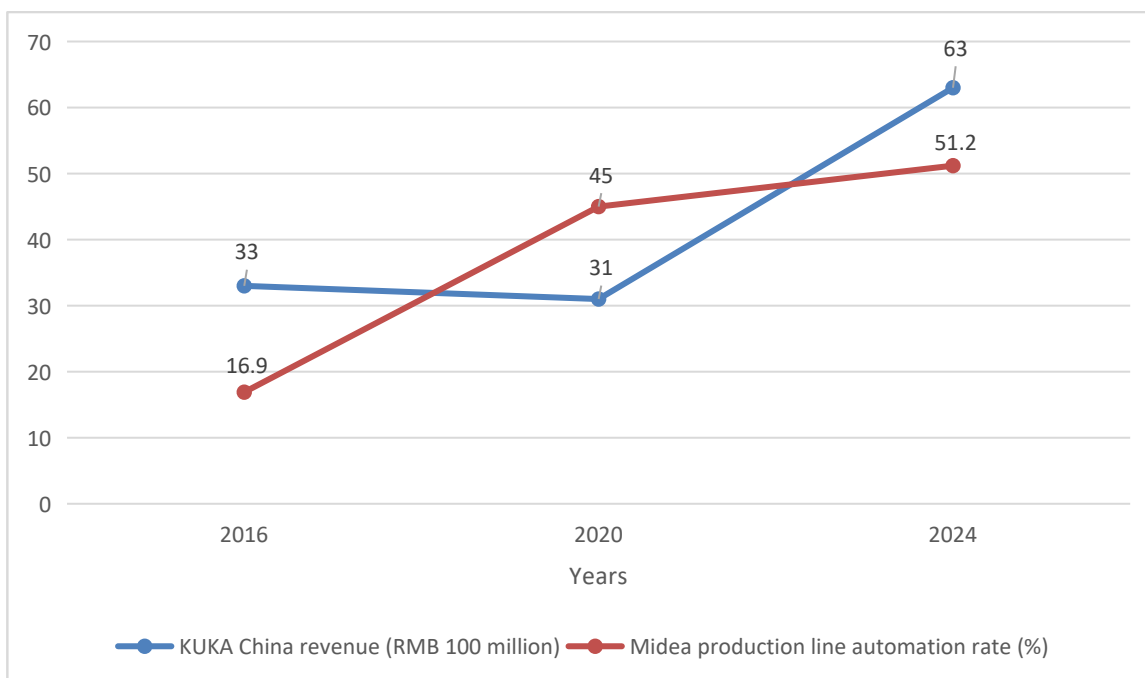


Figure 1. Selected indicators of synergy effects between Midea and KUKA in 2016, 2020, and 2024

2.3. Expanding high-end manufacturing tracks and enhancing international competitiveness

Against the macro backdrop of intensified global competition, accelerating the deployment of high-end manufacturing is the core strategy to break through growth bottlenecks and build global advantages. As the home appliance industry gradually enters a mature stage, problems such as increasing market saturation and serious product homogeneity have become increasingly prominent, and the overall profit margin of the industry continues to narrow. Affected by the industry environment, Midea Group's traditional business growth momentum has weakened, and it is urgent to achieve transformation breakthroughs through upgrading the industrial structure.

As a key component of high-end equipment manufacturing, industrial robots are technology-intensive and have high added value. The industry has high technical barriers and strong growth potential. Through its strategic merger with Germany's KUKA Group, Midea has successfully entered the field of robotics with high gross profit margins and high technical barriers, achieving a strategic extension from traditional home appliance manufacturing to intelligent manufacturing. After the merger, KUKA's global market share has increased, and the companies of both parties have in-depth linkage, effectively improving the overall anti-risk capability and international competitiveness.

3. Analysis of the main risks of Midea's acquisition of KUKA

3.1. Legal and regulatory risks

Cross-border acquisitions of high-tech companies usually face strict foreign investment supervision in the host country, and compliance is an important prerequisite for the advancement of mergers and acquisitions.

As a German high-tech enterprise, KUKA faces regulatory pressure from the German government and fierce competition from local German companies in its acquisition process, making the merger and acquisition process even more difficult ^[7]. Based on the considerations of national industrial security and core technology protection, the German government requires Midea to make a clear commitment to “not transfer KUKA’s equity within 10 years and retain its German headquarters and core technical team.” This regulatory requirement directly limits Midea’s control over KUKA, affects the advancement of some integration measures, and also highlights the importance of legal compliance management in the process of cross-border mergers and acquisitions.

3.2. Exchange rate fluctuations and financial risks

Chinese companies must use foreign currencies such as US dollars and euros when conducting overseas mergers and acquisitions. The real-time variability of foreign exchange rates makes exchange rate fluctuations a source of financial risks that cannot be ignored in cross-border mergers and acquisitions ^[8]. The funds for Midea’s acquisition of KUKA were settled in euros. During 2016–2017, the exchange rate of the euro fluctuated, and the fluctuations in the exchange rate between the RMB and the euro may push up the actual payment costs and put pressure on corporate capital arrangements, which fully reflects the impact of foreign exchange risks on the financial costs of cross-border mergers and acquisitions. From the perspective of the impact of the environment on financial risks, these potential risks caused by the complexity of the cross-border M&A environment are issues that need to be focused on in current overseas M&A.

3.3. Risks of personnel and culture integration

The integration risks brought about by cultural differences were prominent in this merger. KUKA’s core engineers were worried about Midea’s excessive interference in its core technology research and development work and its original research and development model, and there was an obvious phenomenon of leaving the company. The loss of core technical talents had a certain impact on the company’s research and development strength. At the level of technology research and development, KUKA adheres to the R&D concept of “test cycle of more than 6 months” and tends to ensure product quality and technology stability through sufficient test cycles. Midea pays more attention to the speed of market response and requires “adaptation needs within 3 months” to speed up product adaptation and seize market opportunities. This disagreement caused delays in some projects. Personnel turnover and cultural conflicts have seriously affected the integration efficiency in the early stages of mergers and acquisitions, indicating the core position of personnel and cultural integration in cross-border mergers and acquisitions.

4. Effects and enlightenments of Midea’s acquisition of KUKA

4.1. Synergistic effects of technology and market integration

Following the merger and integration of Midea and KUKA, both parties leveraged their respective core strengths to achieve mutual empowerment and synergistic development. KUKA, utilizing Midea’s mature channels and market experience, broke through development bottlenecks in the Chinese market, successfully expanded its industrial robot market presence in China, and joined the ranks of the leading companies in the Chinese industrial robot market. Simultaneously, KUKA’s global market layout was further optimized, and its market competitiveness was effectively enhanced.

Midea's successful entry into the global high-end robot field improved its own industrial layout, promoted the improvement of its industrial automation level, and further realized the globalization of its business. In the process of resource integration after the merger, both parties fully utilized their respective advantages in channels, technology, and markets, breaking through the limitations of KUKA's previous development in the Chinese market, promoting Midea's industrial upgrading, and achieving mutual benefit and sustainable development for both parties.

4.2. Strategic value enhancement effects

From a strategic value perspective, the acquisition of KUKA extended Midea's business boundaries from traditional home appliance manufacturing to the field of robotics and automation, enhancing its layout capabilities in the intelligent manufacturing industry chain. Compared to relying solely on internal R&D, the acquisition allowed Midea to quickly access KUKA's mature industrial robot technology, brand resources, and international customer network, helping to enhance its strategic position in the high-end manufacturing sector. Simultaneously, KUKA's technological resources supported Midea's own automation transformation of its production processes, ensuring the acquisition's value was reflected not only in external business expansion but also in improved internal manufacturing efficiency.

4.3. Changes in financial performance

Following the acquisition of KUKA, Midea Group and KUKA achieved significant positive profit synergies. Looking at Midea Group's own development, from 2016 to 2024, the company's revenue increased from RMB 159.841 billion to RMB 407.15 billion, and net profit increased from RMB 14.684 billion to RMB 38.757 billion, both showing steady growth. Leveraging KUKA's advanced robot technology, Midea Group significantly increased its production line automation rate to 51.2%, reducing manufacturing costs and successfully pioneering the high-margin smart manufacturing sector, which now generates over RMB 31 billion in annual revenue, further driving the group's overall profitability^[9].

For KUKA, leveraging Midea's localized resources in China has led to continuous optimization of its profit structure. KUKA's revenue share in China increased from 16% before the acquisition to 30%^[10], effectively reducing its reliance on overseas markets in Europe. The localization rate of core components reached 85%, changing the situation of heavy dependence on imports from Germany for core parts, resulting in a nearly 30% cost reduction. These changes indicate that the acquisition contributed to KUKA's market localization and cost optimization, while also supporting Midea's expansion in intelligent manufacturing. To illustrate the post-acquisition integration outcomes, **Figure 2** presents selected indicators for KUKA in 2016, 2020, and 2024. **Figure 3** shows Midea's revenue and net profit in 2016, 2020, and 2024.

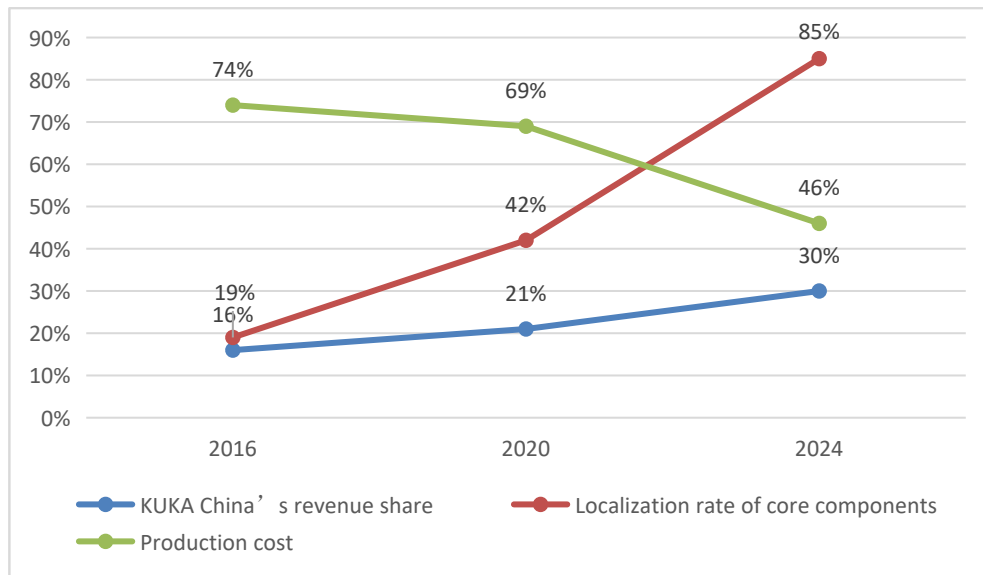


Figure 2. Selected indicators of KUKA's post-acquisition integration in 2016, 2020, and 2024

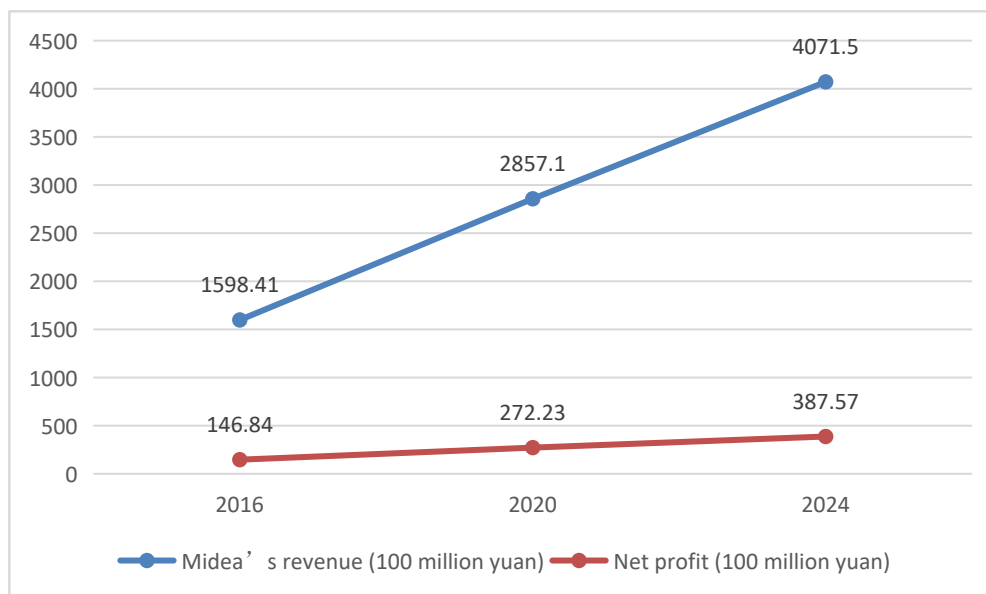


Figure 3. Midea's revenue and net profit in 2016, 2020, and 2024

4.4. Case lessons learned

4.4.1. Acquisition targets must be based on long-term corporate strategy

Midea's core objective of its "Dual-Intelligence Strategy" is technological breakthrough, and KUKA's technological advantages precisely filled this strategic gap. This precise target matching the company's long-term development needs, rather than short-term gains, is a clear match. Conversely, a common pitfall in many Chinese companies' cross-border acquisitions is the lack of a clear strategic direction, ultimately hindering the realization of acquisition value. Midea's experience demonstrates that target selection must align with the company's long-term strategy to ensure successful acquisitions. In subsequent work, the success can be further consolidated by increasing the localization of KUKA's core components.

4.4.2. The core of success or failure in cross-border acquisitions lies in subsequent resource integration

After acquiring KUKA, Midea adopted a flexible approach of “technology isolation + scenario co-creation,” preserving the technical decision-making power of KUKA’s German team while promoting the adaptation of technology to the Chinese market, effectively resolving conflicts arising from cultural and management differences between China and other countries. In terms of actual results, Midea achieved synergistic improvements in financial performance, market operations, and internal management. This is a direct result of refined integration. Going forward, Midea can optimize KUKA’s European business layout, focusing on high-margin areas to enhance profitability stability.

4.4.3. Technology acquisition mergers and acquisitions should adhere to a long-term strategy

Midea’s core objective in acquiring KUKA was to acquire technology; therefore, it did not pursue short-term financial returns, giving KUKA ample time for technology adaptation and market expansion, ultimately achieving a win-win situation for both parties. This demonstrates that technology acquisition-oriented cross-border mergers and acquisitions can only truly unleash their core value by abandoning the obsession with short-term profits and focusing on enhancing core capabilities. Simultaneously, optimizing capital structure and strengthening brand differentiation can further enhance financial stability and market competitiveness.

5. Conclusion

Taking Midea’s acquisition of Kuka as a case study, this research analyzes the motivations, risks, and outcomes of technology-seeking cross-border M&A. The motivations included acquiring core technologies, achieving industrial synergies, and expanding into high-end manufacturing; the process involved risks such as legal and regulatory hurdles, exchange rate fluctuations, and cultural integration challenges; and post-acquisition results demonstrated synergies in both technology and markets. The study suggests that M&A activities should align with long-term strategies, prioritize resource integration, and adhere to a long-term perspective.

Disclosure statement

The authors declare no conflict of interest.

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