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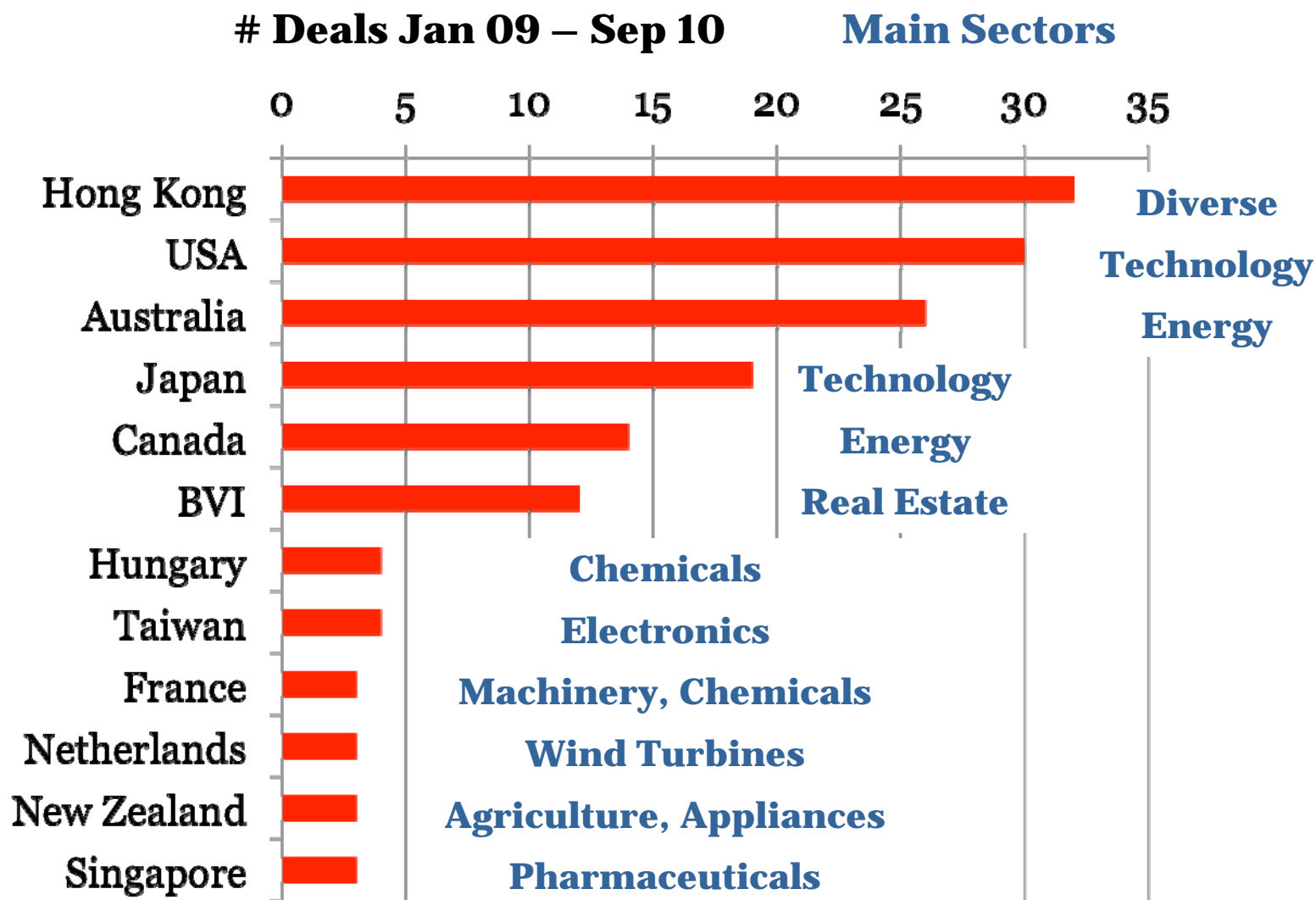
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Interim Report on Research Results of the XBMA PhD Fellows

**New York University
October 19, 2010**

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Focus of the Research So Far has Been on Chinese Outbound Deals



Eg: Zhejiang Geely Holding's Acquisition of Volvo from Ford for \$1.8 billion Completed in August 2010

Top priority is strengthening Geely's position in the China market

On 20th September 2010, Geely announced plans to build three plants to produce 300,000 Volvos in China per annum (almost equal to Volvo's current global output).



Eg: Xi'an Aircraft Industry Co. Acquired the Austrian Advanced Materials Company FACC in December 2009

Breaking into the “tier 1” global supply chain

FACC is a “Tier 1” supplier to the global aircraft industry including Airbus, Boeing, Bombardier and Embraer.



Gaining access to technology

It develops and produces advanced fibre composite components used in fuselage, wings and engines as well as complete passenger cabin interiors, 91% sold for €100m



Strengthening the business in China

XAIC, part of the AVIC Group, is heavily involved in the Chinese ARJ21 regional jet programme as well as making components for the Airbus A320 and Boeing 737.



Eg: Beijing West Industries Acquired Delphi's Brake and Suspension Systems Business in November 2009

Strengthening the car parts industry in China

BWI is owned by Shougang Steel (51%), Beijing city government (25%) and Chinese car-parts maker Temp (24%)

By gaining leading-edge technology

The acquisition for US\$100 million gave it ownership of *MagneRide* that the German Car Forum describes as “the world’s most advanced suspension control system” used in Porsche, Audi, and Ferrari

And a global network of R&D centres

BWI also acquired R&D centres in North America, China, Japan, France and Poland as well as applications support centres in Australia, Germany, India, Taiwan and the UK.



DELPHI

Eg Bright Food (Shanghai) in Exclusive Talks to Buy UK's United Biscuits

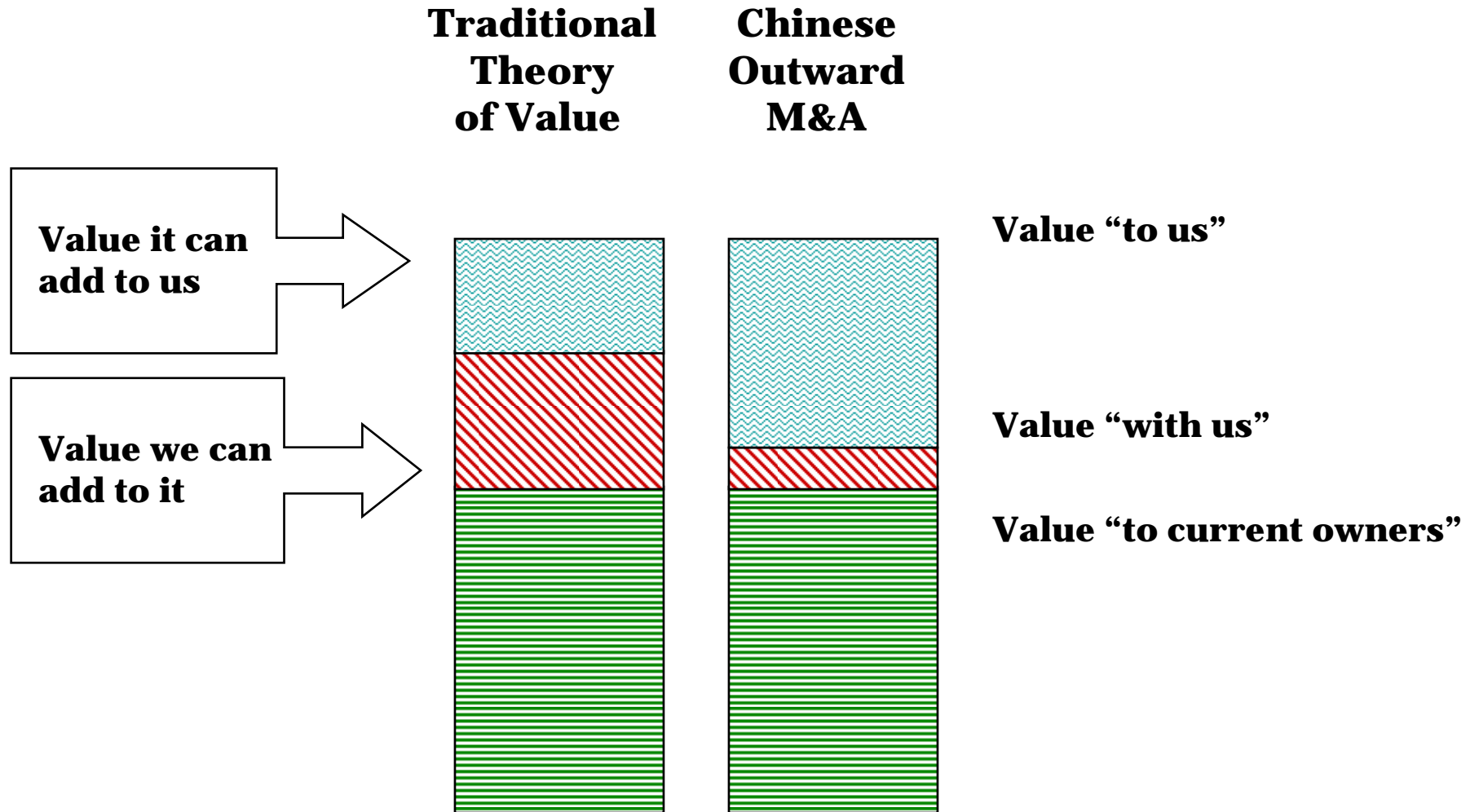
Bright Food's plan is to "expand the biscuit business into emerging markets, particularly China"

United Biscuits had 2009 sales of £1.2 billion and employs 7,000 people in 14 locations in the UK

Currently owned by Blackstone and the French buy-out firm PAI Partners



Sources of Acquisition Value in Recent Chinese Outbound Acquisitions



Two-Stage Value Creation Many Recent Chinese Outbound Acquisitions



This Often Makes These Deals More Attractive to Existing Management

Not only is existing management of the target usually left in place, it is often charged with running the overlapping activities within the new parent's China operation

- A kind of “reverse takeover” (in the traditional managerial sense)
- Eg the heads of Adisseo and former Rhodia Silicone acquisitions are now responsible for ChemChina's equivalent business units in China as well as overseas
- MG Rover with 300 engineers and 30 designers in Birmingham has become a key design centre for SAIC's vehicles in the Chinese market

Cost-sensitive activities moved to China, while often fully maintaining capacity and employees within the acquired company's overseas units

- Huge growth potential of the Chinese market avoiding the need for net cuts, despite restructuring (eg AVIC guarantees all FACC jobs in Austria)

In stage 2 (global market push) the Chinese invest heavily overseas

Future Research Will Explore Interactions Between Chinese Outbound and Inbound M&A and the Chinese and Global Markets

