

THE M&A ADVISOR SYMPOSIUM REPORT

Featuring



Alex Ditchfield
Vice President
BDA Partners



Selig Sacks
Managing Director
General Counsel
Ruton Capital



Venkat Swaminathan
Managing Director
M&A and Strategy
Deloitte Consulting LLP



Ryoshin Nakade
Secretary
Asia M&A Association



Weihang Wang
President
Beijing Teamsun Technology



Shuo Zhang
CEO and Managing Partner
Renascia Partners

> STALWARTS ROUNDTABLE CHINA'S ROLE IN THE FUTURE OF FINANCE: ONE BELT. ONE ROAD. GLOBAL LEADERSHIP

At The M&A Advisor's recent annual Summit in New York, NY, Selig Sacks, managing director and general counsel of Ruton Capital LLC, chaired a Stalwarts Roundtable discussion titled "China's Role in the Future of Finance: One Belt. One Road. Global Leadership."

Sacks and five high-level professionals—Shuo Zhang, CEO and managing partner of Renascia Partners; Weihang Wang, chairman and president of Beijing Teamsun Technology Co.; Venkat Swaminathan, managing director in Deloitte's Strategy and Operations practice; Ryoshin Nakade, secretary, Asia M&A Association; and Alexander Ditchfield, vice president of BDA Partners—discussed issues involved in both inbound and outbound China M&A deals.

In this dynamic roundtable panel, our discussion centered around the following topics:

- China's outbound and inbound M&A
- China's Belt and Road Initiative
- The outlook for China in 2018

We hope that the report is informative and proves valuable. As always, we encourage you to share your thoughts on China's role in the future of finance.

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David Fergusson
President and Co-Chief Executive Officer
The M&A Advisor



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Introduction

Under the Belt and Road Initiative started several years ago, China is underwriting billions of dollars of infrastructure investment in countries along the old Silk Road, linking it with Europe. The aim is to link China with Asia, the Middle East, Europe, and Africa with a transport and logistics network. The initiative involves 65 countries.

At the M&A Advisor's Annual M&A Summit in New York, **Selig Sacks, managing director and general counsel of Ruton Capital LLC**, chaired a Stalwarts Roundtable discussion titled "China's Role in the Future of Finance: One Belt. One Road. Global Leadership."

The panelists were as follows:

- **Shuo Zhang, CEO and managing partner of Renscia Partners;**
- **Weihang Wang, chairman and president of Beijing Teamsun Technology Co.;**
- **Venkat Swaminathan, managing director in Deloitte's Strategy and Operations practice;**
- **Ryoshin Nakade, secretary, Asia M&A Association; and**
- **Alexander Ditchfield, vice president of BDA Partners**

Inbound And Outbound Shifts

"Outbound China M&A over the past five years has been nothing short of spectacular", said Venkat Swaminathan, a managing director in Deloitte's Strategy and Operations practice. "This year, because of regulations both within China and in the United States, there's been a catching of your collective breath, if you will. I think globalization's here to stay, and China's global M&A is here to stay."

Chinese cross-border M&A deals plunged 67 percent during the first three quarters of 2017, noted Selig D. Sacks, managing director and general counsel of Ruton Capital LLC. China introduced currency controls and a more rigorous process in terms of evaluating Chinese investment outside the country.

Chinese regulators are making it difficult for acquirers to move money overseas. Foreign sellers have also imposed new hurdles after some Chinese companies cancelled deals. Some companies are forcing Chinese buyers to pay unusually large penalties if offers fall through.

Chinese authorities are approving deals that are seen as important for Chinese economic development. To get around capital controls, some acquirers have tried to secure financing from the overseas branches of Chinese lenders by pledging their onshore assets as collateral. Other strategies include smaller deals and teaming up with offshore private-equity firms.

China And U.S. Compatible

Last year, Chinese companies spent \$12.11 billion on consumer companies, \$11.32 billion on energy and utility companies, and \$5.32 billion on communication and tech companies overseas, according to figures through May 10, 2017, as provided by Bloomberg.

China and the United States are the two biggest markets, and there is a great deal of compatibility, said Weihang Wang, president of Beijing Teamsun Technology Co. "The United States has very innovative technologies, and China is very good at dramatic volume production and creativity for applications like mobile phones and FinTech." Both parties get the benefit of this interconnectivity, Wang noted.

"Outbound China M&A over the past five years has been nothing short of spectacular."
- Venkat Swaminathan

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Types of Deals

China is investing significant amounts of money into buying U.S.-based tech companies as well as Chinese startups, noted Shuo Zhang, CEO and managing partner of Renascia Partners. She sees money flowing from China for partial investment in technology companies in Silicon Valley as well as money flowing into China. "The belt road is a globalization of money flow that I've never seen in my life," she said.

"In terms of the marketplace, we are seeing the whole gamut of dealmaking, from 100% ownership to companies taking a stake, joint ventures, and taking early stage capital and late-stage capital," Swaminathan said. There is much activity in the financial community from private equity to state players. "What I'm seeing among my clients is a greater appetite for dealmaking both for inbound deals and outbound deals with China."

"The interest from China's companies in U.S. companies has really only increased," said Alexander Ditchfield, vice president of BDA Partners, based in New York. "First, I think compared to investment opportunities in China, investment opportunities in the United States are seen now as having a better return. People are looking more outside of China and also what companies in the United States are bringing to China, particularly in advanced materials, advanced technologies."

M&A Hurdles

Almost in parallel with the interest and the rationale increasing for cross-border China deals, the actual mechanics of getting a deal done with a Chinese counterparty, particularly from a regulatory side, have become more difficult, Ditchfield said. "It's not impossible, and often that extra price can justify jumping through the extra hurdles."

Currency controls continue to be an issue. "Chinese companies will generally profess to having very good local connections, and they can get the money out," he said. "This may be true. In our experience, you never really know until you actually go to the bank and ask what the conditions are going to be on that particular day."

Cross-border M&A has the challenge of integrating foreign-based companies into China, such as the management team, retaining the talent pool, and being able to operate efficiently under the new management team in China.

"Information sharing is not always easy or facilitated well with Chinese companies", Swaminathan said. There are also cultural barriers to deal with, and talking about price and trying to agree on value are issues. "When you actually get into the post-merger involvement, when you're trying to integrate organizations and systems and cultures and processes—this presents enormous challenges for all the players involved," he said.

"People think that as soon as the deal is done and is signed, it's all done, and we can walk away." But that's when many of the challenges begin, he said. "Seventy percent of the work is done after the deal is signed in terms of bringing these companies operationally together to make them hum and live up to the deal potential that they signed up for."

"Currency controls continue to be an issue. Chinese companies will generally profess to having very good local connections, and they can get the money out."

- Alex Ditchfield

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One of the things BDA tells clients is that it's definitely of value to include China's advisory in the process, Ditchfield said. "We generally like to start with them as early as we can to try and quantify these and other issues up front."

Apparently, the barriers prohibiting financial services companies from owning a majority in a joint venture are coming down. For example, Goldman Sachs will be able to go from 49% to a majority position in its joint venture in China. "We are seeing certain relaxation. Hopefully, that will be far broader in the pharma area, in the agriculture area, where I think you're hearing it's time to have a far more level playing field in terms of international access to Chinese markets themselves."

China Outlook

"Looking at 2018, opportunities will continue in the semiconductor or electronics industry as well as the enterprise IT area, where some of the advanced development that is happening in the United States is finding its way into China", Zhang said.

And with the "one road" policy in full force, this will spur joint ventures between China and other countries. Sectors aligned with the Belt and Road Initiative, such as infrastructure, natural resources, agriculture, trade, culture, and logistics will be in a particularly good position to benefit from China.

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Video Interviews

To watch exclusive M&A Advisor interviews with these industry experts on "China's Role In The Future of Finance: One Belt. One Road. Global Leadership," click on the following images:



Venkat Swaminathan
Managing Director M&A and Strategy
Deloitte Consulting LLP



Weihang Wang
President
Beijing Teamsun Technology



Shuo Zhang
CEO and Managing Partner
Renascia Partners

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Symposium Session Video

To watch the Stalwarts Roundtable discussion titled “China’s Role In The Future of Finance: One Belt. One Road. Global Leadership” click on the image below:



China’s Role In The Future of Finance: One Belt. One Road. Global Leadership

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Contributors' Profiles



Alex Ditchfield
Vice President
BDA Partners

Alexander Ditchfield is a Vice President of BDA Partners based in New York. He joined BDA in 2008. Before joining BDA, he worked on policy for the European Union's SWITCH-Asia and Asia Invest projects, promoting sustainable development, trade and investment flow between EU and Asia, at the EU Project Incubation (EUPIC) Centre in Chengdu, China. Mr. Ditchfield graduated with a BSc in Economics from Cardiff University in the UK. He speaks Mandarin and English.



Ryoshin Nakade
Secretary
Asia M&A Association

Ryoshin Nakade is the founder of Japan-China M&A Association, secretary of Asia M&A Association and general manager of SAMURAI Securities Ltd in Japan. He has worked for several Japanese financial institutions and participated in more than a dozen M&A projects in Japan with equity issuance, split off and merging. He has tense experience in financial innovation, M&A, corporate revitalization and tax planning of investment funds. He serves as advisors of several multinational companies and a private representative of some head of state. He has also led the regeneration of a Japanese University and been a specially appointed professor of universities in Japan and China and a senior researcher of MIT in US. He translated and published several China books into Japanese including China Engine of Industry Integration 2015, China Engine of Industry Integration 2017, Management of Public Sentiment.



Selig Sacks
MD and General Counsel
Ruton Capital

Selig D. Sacks is Managing Director and General Counsel of Ruton Capital LLC. Prior to joining Ruton, Selig was a Partner at Foley & Lardner LLP where he served as Co-Chair of the International Practice, Chief Representative in China, and Chair of Business Law in New York. Selig has been recognized as one of the leading Merger & Acquisition Lawyers in North America by The Legal 500 United States and other M&A organizations. In December 2016 in The Great Hall of the People, Selig was presented with the prestigious China-US Friendship Award by the 103-year-old Western Returned Scholars Association. Selig is also the recipient of the 2013 Leadership Award by The M&A Advisor and has been inducted into The M&A Advisor Hall of Fame. Selig serves on the Board of Advisors of Stanford Law School and as Executive Chair of its 29 Alumni Chapters throughout the world. He is also on the Regional Leadership Council of Northwestern University. He is also an original thought leader for #GivingTuesday.



Venkat Swaminathan
 Managing Director
 M&A and Strategy
 Deloitte Consulting LLP

Venkat Swaminathan is a Managing Director in Deloitte's Strategy and Operations practice with over 13 years experience in advising clients on large complex global M&A transactions. His prior experience includes advising a fortune 50 company on one of the largest separations in Corporate M&A and on advising on the carve out of a \$4B business unit and setting up of a joint venture in China. His expertise spans developing integration and separation strategy and blueprint, detailed plans, managing execution, synergy management, minimizing stranded costs and identifying post-close performance improvement opportunities. He has also advised leading private equity investors and their portfolio companies on pre-deal operational diligence, estimation of separation costs, separation strategy, and negotiating transition services. Venkat holds an MBA from MIT's Sloan School of Management, a Masters in Operations Research from the University of Texas at Austin and a Bachelors in Mechanical Engineering from IIT Kanpur.



Ryoshin Nakade
 founder
 Japan-China M&A Association
 secretary
 Asia M&A Association
 general manager

Weihang Wang is the President of Beijing Teamsun Technology Co., Ltd. Mr. Wang has been Executive Director of Automated Systems Holdings Limited since May 23, 2014. He served as General Manager of Beijing Teamsun Technology Co., Ltd. He has been the Chairman at Beijing Teamsun Technology Co., Ltd., since March 14, 2014 and served as its Vice Chairman. Mr. Wang serves as a Director at Teamsun Technology (HK) Limited and Grid Dynamics International, Inc. He serves as Sole Director of Hong Kong Teamsun. Mr. Wang served as Non Executive Director of Automated Systems Holdings Limited from September 29, 2009 to May 23, 2014. He was also awarded the "Innovation Outstanding Personality of Chinese Brand Award" in 2011. He was awarded China Software Industry Outstanding Entrepreneur Laureate and China Software Industry Prestige Award Laureate by China Software Industry Association in 2009. He received an Executive Master's Degree in Business Administration from Tsinghua University in the PRC and a Master's Degree in Semi-Conductor Materials and Microelectronic Technology from the Information and Electronic Engineering Department of Zhejiang University in the PRC.



Shuo Zhang
 CEO and Managing Partner
 Renascia Partners

Shuo Zhang is the CEO and Management Partner of Renascia Partners, a M&A consulting firm that focuses on TMT strategic development. She is also an Advisory Partner with Benhamou Global Venture. She currently serves as the supervisory board director of Ampleon, Grid Dynamics, two of the recent Chinese international acquisitions. She is also a Board Director of Glo AB. She worked in the capacity of Business General Manager, executive and management positions in Cypress Semiconductors, Avago Technologies (Broadcom), Altera Corporation and LSI Logic during her career. Shuo is a strong business leader with close to 30 years of success in building businesses and organizations. Extensive experience in semiconductor business management, and strategic business development. Excellent track record in domestic and international partnership establishment.

About the Sponsor



BDA Partners

BDA Partners ("BDA") is a leader in cross-border investment banking. BDA advises on M&A, capital raising, and restructuring. BDA has been consistently owned and managed by the same team since 1996. It has a track record of providing independent advice to blue-chip corporate and financial sponsor clients from North America, Europe and Asia. BDA was named Investment Banking Firm of the Year at the ACG Champion's Awards in 2014. It is headquartered in New York with offices in London, Bahrain, Mumbai, Ho Chi Minh City, Hong Kong, Shanghai, Beijing, Seoul and Tokyo. BDA formed a partnership with William Blair & Company in 2011. BDA carries out its US securities business through BDA Advisors Inc., a broker-dealer registered with the US Securities and Exchange Commission (SEC) and a member of FINRA and SIPC. BDA's UK subsidiary is authorised and regulated by the Financial Conduct Authority (FCA). www.bdapartners.com

About the Publisher



The M&A Advisor

The M&A Advisor was founded in 1998 to offer insights and intelligence on M&A activities. Over the past twenty years we have established a premier network of M&A, Turnaround and Finance professionals. Today we have the privilege of presenting, recognizing the achievements of and facilitating connections among between the industry's top performers throughout the world with a comprehensive range of services. These include:

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M&A Deals. The global deal-making platform for M&A professionals.

M&A Links. The industry's largest network of M&A, financing and turnaround professionals.

Upcoming Events

Global Corporate Growth Summit and Awards Gala – New York, NY – June 18, 2018

Emerging Leaders Forum and Awards Gala – London, UK – September, 2018

Emerging Leaders Awards Gala – New York, NY – September 18, 2018

Annual M&A Advisor Summit and Awards Gala – New York, NY – November 6, 2018

Distressed Investing Summit and Awards Gala – Palm Beach, FL – March 2019

Corporate Growth Forum and Corporate Development Awards Gala – London, UK – April 2019

For additional information about The M&A Advisor's leadership services, contact Liuda Pisareva at lpisareva@maadvisor.com.