

THE M&A ADVISOR SYMPOSIUM REPORT

Featuring



Robin Johnson

Partner and Chair of
Cross Border/International M&A
Eversheds



Andrew Huntley

Co-Founder
Sr. Managing Director
BDA



Mario Garnero

Founder & Chairman of the
Board Brasilinvest Group



Sev Vettivetpillai

Chairman of Partner's Council
Head of Global Fundraising
The Abraaj Group



**His Excellency
Roberto Jaguaribe**

Ambassador of Brazil to
the United Kingdom of
Great Britain and
Northern Ireland

> STALWARTS ROUNDTABLE – CROSSING THE EMERGING MARKET BORDER

At the M&A Advisor's International Financial Forum in London, on 22nd October 2014, Robin Johnson, Partner and Chair of Cross Border / International M&A at UK law firm Eversheds, chaired a roundtable discussion on cross border M&A.

The discussion took place against the background of an exceptionally lively period in international M&A. 2014 may turn out to be a landmark year. The panel was made up of cross border investors, each with a particular geographical focus, perspective and experience derived over many years and market cycles.

The session covered:

- The major trends in largely outbound M&A from the leading economies in Asia
- The rapidly changing scene in Latin America, outlining the growing range of opportunities in Brazil but also across a variety of other countries
- The vibrant market in new M&A transactions in Africa, driven by new sources of funding
- Future potential trends in emerging market M&A across all of these regions

This exclusive report gives an up-to-date view of the post-crisis M&A scene across the emerging markets. It will benefit those who may be considering growing their activities in the emerging markets, along with experienced M&A professionals who will value this rapid update on the state of the market.

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Executive summary

In emerging market M&A, the tide has turned from European or North American investors acquiring or investing in operations in emerging markets.

Instead, acquirers from Far Eastern markets are increasingly investing in western businesses and technology. In Africa the trend is in cross border acquisitions and investment between sub-Saharan countries. In Latin America, Brazil still offers a wide range of acquisition opportunities. However, rapid deregulation in other markets south of the U.S. border are opening up new avenues for intra-Latin American acquisitions.

Introduction

At the M&A Advisor's International Financial Forum in London, on 22nd October 2014, a panel of experts discussed the fast pace of change in emerging markets M&A. The panel included:

Robin Johnson | Partner and Chair of Cross Border / International M&A, Eversheds
Andrew Huntley | Co-Founder and Senior Managing Director, BDA
Mario Garnero | Founder and Chairman of the Board, Brasilinvest Group
Sev Vettivetpillai | Chairman of Partner's Council, Head of Global Fundraising, The Abraaj Group
His Excellency Roberto Jaguaribe | Ambassador of Brazil to the United Kingdom of Great Britain and Northern Ireland

Robin Johnson asked each of the panellists to summarise the current state of M&A in their respective market regions. Andrew Huntley began by speaking about each of the leading economies in Asia, noting that overall there was a 'steady drumbeat of outbound acquisitions' from across the region.

Japan

While inbound acquisitions into Japan faced what amounts to a locked door, outbound transactions were driven by large Japanese corporate groups seeking growth opportunities.

Despite fluctuations in the value of the yen, the quest for new bolt-on and strategic acquisitions continues. Targets may be elsewhere in Asia or in the west, but are now emerging in India, where a celebrated relationship between Japanese and Indian heads of state is paving the way for closer business relations.

Japanese companies remain keen acquirers as they wrestle with how to add new capabilities to and draw additional value from their large infrastructures, something that they cannot achieve from within their home market.

China

Turning his attention to China, Mr. Huntley noted the buoyancy of the M&A market within China itself. Internationally, Chinese companies were increasingly active in acquiring overseas businesses.

He noted that with experience and perhaps a measure of maturity, the approach of Chinese companies towards valuations had become more realistic. He drew attention to a new trend in partnering between private and state sector Chinese business to make acquisitions abroad.

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In general, Chinese companies tend to prefer to acquire European businesses rather than North American ones, as in the U.S., Chinese companies may encounter local political sensitivities. Challenges remain in the timing, the acquisition process and the ability to execute transactions, Huntley said. Nonetheless, Huntley noted a steady improvement in these areas as Chinese acquirers had learned from previous experience.

He added that there was still a lot of inbound activity among foreign businesses seeking to acquire in China. It has become a noticeable trend, however, that transactions have become fewer but larger in size.

India

Mr. Huntley described outward acquisitions from India as having been bruised by the state of the Indian economy, but also said that the market was slowly becoming more active. His fear, however, was that once the flow of transactions became stronger there could be a return to unrealistic price expectations, which characterized the previous period of buoyant market activity.

Korea

Korea's technical manufacturing giants, such as Samsung and Hyundai, were continuing to show great appetite for acquiring overseas technology businesses. Mr. Huntley noted the competitive pressures that these businesses faced in the international market versus companies such as Apple and Toyota, respectively. At the same time as the need to keep very large numbers of local sub-suppliers with work to do, Korea itself faced demographic pressures to grow its economy. He added that it was Korean government policy to promote overseas expansion and M&A played a key role in this.

Africa – local businesses build scale

Following Andrew Huntley's remarks, Robin Johnson invited Sev Vettivetpillai of The Abraaj Group to describe the current M&A scene on the African continent.

Mr. Vettivetpillai began by recording that before the financial crisis, Africa was experiencing around 1,000 inbound M&A transactions per annum. Now, 6 years later, volumes had returned – but the character of the transactions had changed considerably. Today, the scene was dominated by cross border deals within Africa, as African businesses looked to build scale.

While Japanese and Korean investors had become more active, in general there was a lack of standard due diligence information that often frustrates overseas companies. It means that counterparty risk is higher for those acquirers. Mr. Vettivetpillai admitted that acquiring local businesses in Sub-Saharan Africa was difficult, and it was essential to forge bonds with trustworthy local partners. Even South African businesses tend not to go out on their own in the rest of the African continent without such partnerships in place.

He noted some dynamic changes that are happening, which Mr. Vettivetpillai believes points to a very active M&A scene in the future. South Africans were the largest investors in Sub-Saharan Africa. Moreover the deregulation of South African pension funds could release as much as \$200 billion for investment throughout Africa choosing Africa as a strategic destination for their investments rather than the traditional markets of Europe and North America.

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Later in the discussion, Mr. Vettivetpillai noted that, in general, transactions required a high level of equity commitment, even in cash-rich and highly active markets such as Nigeria. In general, raising leverage was not easy to do and to achieve more 50% leverage would be rare.

However, he did point out that a number of major private equity providers had raised funds for investment in African opportunities, including Carlyle, Blackstone, KKR and TPG. He concluded by adding that Africa in general lacks the depth of local M&A ability and experience in implementation of transactions. Nonetheless, he restated, Africa was becoming a very active region in emerging market M&A.

Latin America

In an earlier address, His Excellency Roberto Jaguaribe, Brazil's Ambassador to the UK, had pointed out the substantial investment opportunities his country now offers. Noting that Brazil is now among the top five recipients of foreign direct investment, he added that his country had changed to an investment-driven growth economy.

The areas that offered the largest opportunities were in Brazil's offshore oil sector in the so-called "pre-salt area." Political moves towards social integration and social inclusion were opening up opportunities in health and education sectors. Meanwhile auctions were now taking place to apportion development contracts throughout Brazil's infrastructure including airports, transport, communications and roads, among others.

His Excellency's views were in many ways echoed by Mario Garnero of the Brasilinvest Group, who also drew attention to the M&A opportunities opening in the wider Latin American theatre.

Mr. Garnero emphasised the opportunities available in two Brazilian sectors in particular: oil and gas services, and agriculture. Both of these offered M&A opportunities, as they are both consolidating, currently being comprised of many small, disparate businesses. In addition, the existing infrastructure offered enormous scope, enough for private enterprises to put pressure on politicians to adopt business-friendly legislation.

The bigger Latin American picture is far more exciting, Mr. Garnero added. Whereas Brazil was formerly the locomotive of corporate finance operations on the continent, now transactions between businesses from across Latin America were building momentum, as opposed to the traditional model of western investment into individual countries.

Countries that were formerly off the radar, Mr. Garnero explained, are now doing very well. Some countries are experiencing 6-7% economic growth rates. Countries such as Bolivia, Paraguay, Peru and Colombia are now becoming very active M&A markets. Many Latin American countries, including Mexico and those in Central America, are now undergoing significant deregulation. This is creating an environment that is more encouraging for businesses and more conducive to cross border deal-making.

Endorsing Mr. Garnero's views, Mr. Vettivetpillai (whose Abraaj group is also active in Latin America), pointed out that the countries of the Pacific Alliance – Chile, Colombia, Mexico and Peru – now offered as big a cross border M&A market as Brazil. Furthermore, the pace at which they were deregulating was faster.

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In a final question, the moderator asked the panel's views on a documentation issue brought to light by the Ali Baba IPO earlier this year. At that time, it had been suggested by Ali Baba that reliance on western documentation for corporate finance operations was coming to an end.

Andrew Huntley noted that because of Ali Baba's size and influence, it could dictate terms on matters such as this to a much larger degree than most businesses. He did not see that wholesale change was at all likely, but did add that perhaps the use of new and additional types of documentation could develop over time.

He further noted that, while American or British English documentation was in general tried and tested, and had proved to be the most efficient and appropriate, it might well be practical for additional terms to be included to reflect the involvement of large Chinese businesses and those from other countries in emerging market, cross border M&A transactions.

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Video interviews

To watch exclusive M&A Advisor interviews with these industry experts on “Crossing the Emerging Market Border” click on the following images:



Mario Garnero

Founder & Chairman
of the Board
Brasilinvest Group



Sev Vettivetpillai

Chairman of Partner’s Council
Head of Global Fundraising
The Abraaj Group



Andrew Huntley

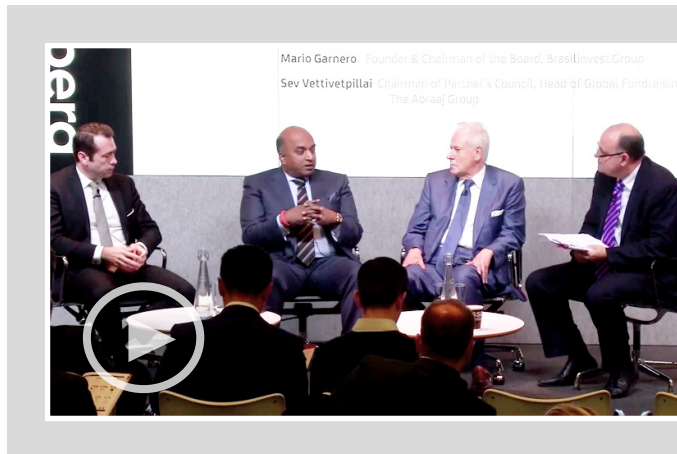
Co-Founder
Sr. Managing Director
BDA

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Symposium session video

To watch Stalwarts Roundtable “Crossing the Emerging Market Border” at M&A Advisor’s International Financial Forum in London, click on the following



Crossing the Emerging Market Border

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Contributors' profiles



Robin Johnson
Partner and Chair of
Cross Border/
International M&A
Eversheds

Robin Johnson is a Co-Chair of Eversheds' Cross Border M&A Team and runs a team across 30 jurisdictions of over 100 lawyers. He is also Sector Chair of the Diversified Industrial Sector Group. Mergermarket has placed Robin regularly in the top 10 of their Rainmaker leagues in the last 8 years. Legal Business in the UK recently voted Robin as one of the top ten M&A lawyers in the UK. In 2010-2011, Robin had a secondment to Parker Hannifin to assist in a major European restructure and in 2013, he spent 4 months as Interim European and Asian GC for Archer Daniels Midland. In 2012, Robin spent 4 months researching and writing Eversheds award winning "M&A Blueprint: Inception to Integration" report. Robin has authored many articles including being published in the Baird Monthly M&A Monitor, International Financial Law Review, The Journal of Private Equity and the Metropolitan Corporate Counsel and European Private Equity Journal. He recently spoke on an ACC webcast on "Top 10 Tips in M&A" and Robin has also spoken on similar topics for the American Bar Association, National Directors' Institute of Chicago and the Manufacturer's Alliance. He was asked by Wall Street Journal to write an "opinion piece" in January 2010. He wrote the chapter on international joint ventures in the UK in the ABA International Joint Ventures the Transactional Guide for US Lawyers. Robin is a member of the ABA International M&A Task Force and a member of the Canadian Chamber of Commerce.



Andrew Huntley
Co-Founder and Sr.
Managing Director
BDA

Andrew Huntley is Senior Managing Director of BDA, based in London. Having joined in 1998, soon after BDA's founding, and based in Singapore he established BDA's first Asian offices and pioneered BDA's entry to China. Mr Huntley has advised clients and led transactions across Asia in China, Japan, Korea, South East Asia, India and in the Middle East, as well as extensive experience on in-bound and out-bound transactions in Europe and North America. He has co-managed BDA's New York office, and now oversees BDA's European, Indian and Middle East advisory activities as well as joint-managing the firm. Before BDA, Mr Huntley worked for the Jardine Matheson Group, in Hong Kong, China, Taiwan and Vietnam on new strategic business, JVs and other investments. He acted as Group Representative in Vietnam and had executive responsibility for Group businesses there and in Taiwan. His clients have included Actis, Areva, Arkema, Ardian (AXA Private Equity), EQT, Celestica, Clariant, Henkel, Johnson Matthey, LDC, Nalco, Prudential Plc, Rexel, Sumitomo Chemical, Tata Motors, ThomsonReuters and Weir Group. Mr Huntley was educated at Oxford University (MA Hons, Chinese), is fluent in Mandarin and conversant in Vietnamese.



Mario Garnero
Founder & Chairman
of the Board
Brasilinvest Group

Mario Garnero is the Founder & Chairman of the Board, Brasilinvest Group. Mr. Garnero is one of Brazil's most accomplished entrepreneurs. Throughout his career he has led Brazil in promoting greater international cooperation, seeing to the successful completion of activities in different industries that represented important transfers of knowledge and technology to Brazil. He has a Law Degree from the Catholic University of São Paulo; he was Director of Volkswagen in Brasil, chaired the National Automakers Association (ANFAVEA) and the National Confederation of Industries (CNI). Mr. Garnero is Chairman of the Board of the Brasilinvest Group, a business organization established in 1975 as a private business agency operating along the lines of a classic merchant bank. In addition, he is the President of Fórum das Américas and of the United Nations Association-Brazil. Mr. Garnero is also the author of several publications, including Brazil in the World - Views on Brazil's Role in the Global Market and JK: The Courage of Ambition, a precious tool for all those who want to learn more about the personality and legacy of Juscelino Kubistchek, who was president of Brazil and whom Mario Garnero had the privilege to work with when still a young student leader.



Sev Vettivetpillai
Chairman of
Partner's Council
Head of Global
Fundraising
The Abraaj Group

Sev Vettivetpillai is a Partner at The Abraaj Group's Executive and Investment Committees and has 20 years of direct private equity investing experience. He previously held the positions of Chief Executive Officer of Aureos Advisers Ltd and Chief Investment Officer for the Aureos Group, where he was instrumental in implementing the Aureos investment philosophy and strategy of investing in small and medium-sized companies across global emerging markets. Prior to joining Aureos, Mr Vettivetpillai was a Senior Investment Executive at CDC Group plc. Mr Vettivetpillai's other appointments were at Vanik Incorporation (Sri Lanka) as a Portfolio Manager and Mott Macdonald Group (UK) as an Engineer. Mr Vettivetpillai holds the designation of Chartered Financial Analyst (CFA) and a BEng. (Hons) in Civil Engineering from Imperial College of Science, Technology and Medicine.



**His Excellency
Roberto Jaguaribe**
Ambassador of Brazil to
the United Kingdom of
Great Britain and
Northern Ireland

Ambassador Roberto Jaguaribe is an Ambassador of Brazil to the United Kingdom of Great Britain and Northern Ireland. He was born in Rio de Janeiro on 27th December 1952. He holds a degree in Systems Engineering from the Pontifical Catholic University of Rio de Janeiro and has been a career diplomat since 1979. He has held high-level positions both in the Ministry of External Relations and in other Government agencies. Throughout his career in the Foreign Service he has worked with administrative issues, immigration, communication, trade promotion and trade negotiation, disarmament and bilateral and multilateral political issues. He has served at the Mission of Brazil to the United Nations in New York (1983-87) and at the Embassy of Brazil in Montevideo (1987-90). At the Ministry of External Relations he headed the Division for Intellectual Property and Sensitive Technologies (1990-93). He also headed the Intellectual Property Section at the Mission of Brazil to the International Organizations in Geneva (1993-95) and the Disarmament section in the same Mission. Subsequently he served as the Director-General for Trade Promotion at the Ministry of External Relations (1998-2000). He held the post of Deputy Head of Mission at the Embassy of Brazil in Washington (2000-03). From 2007 to 2010 he was Undersecretary-General for Political Affairs II at the Brazilian Ministry of External Relations.

Report sponsor profile



Business Development Asia LLC (“BDA”)

Business Development Asia LLC (“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. BDA has a track record of providing independent advice to blue-chip corporate and financial sponsor clients from North America, Europe and Asia. BDA 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 helps its clients to initiate and execute cross-border M&A transactions involving Asia, including the Middle East, and the Western economies. BDA was established in 1996. Since then we have assisted numerous multinational corporations and financial investors to increase strategic value by bringing to bear our knowledge and expertise on transactions and alliances between companies in Asia and the West. We work across many sectors and have strong regional experience in Asia, with particularly deep expertise in the Automotive, Chemicals, Consumer, Food & Retail, Financial Sponsors, Healthcare & Life Sciences, Industrials, Technology, Media & Telecom, and Transport and Logistics sectors. We advise our clients on acquisitions, divestments, JVs and other forms of strategic alliances. We provide corporate finance services in situations involving restructuring, debt advisory and business valuation. We also undertake strategic assessment studies to help our clients understand where the best opportunities for strategic investments might lie.

Publisher



The M&A Advisor

The M&A Advisor was founded in 1998 to offer insights and intelligence on mergers and acquisitions through the industry's leading publication. Over the past seventeen years, we have established the world's premier leadership organization of M&A, Turnaround and Financing professionals. Today, we have the privilege of presenting, publishing, recognizing the achievements of, and facilitating connections among the industry's top performers throughout the world with a comprehensive range of services including:

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