



Understanding M&A: The leading form of Foreign Direct Investment

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Global economic situation



Investor confidence is returning, but slowly!

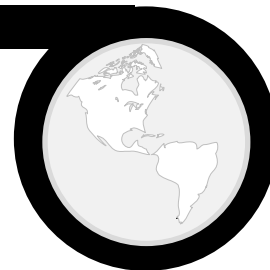


BUT, policy uncertainty and geopolitical risks could hamper recovery as well as tax policy changes

APEC is a growing source of global investment – outward stock rose from 47% in 2010 to 55% in 2016



The digital economy is becoming increasingly dominant



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This what you want...



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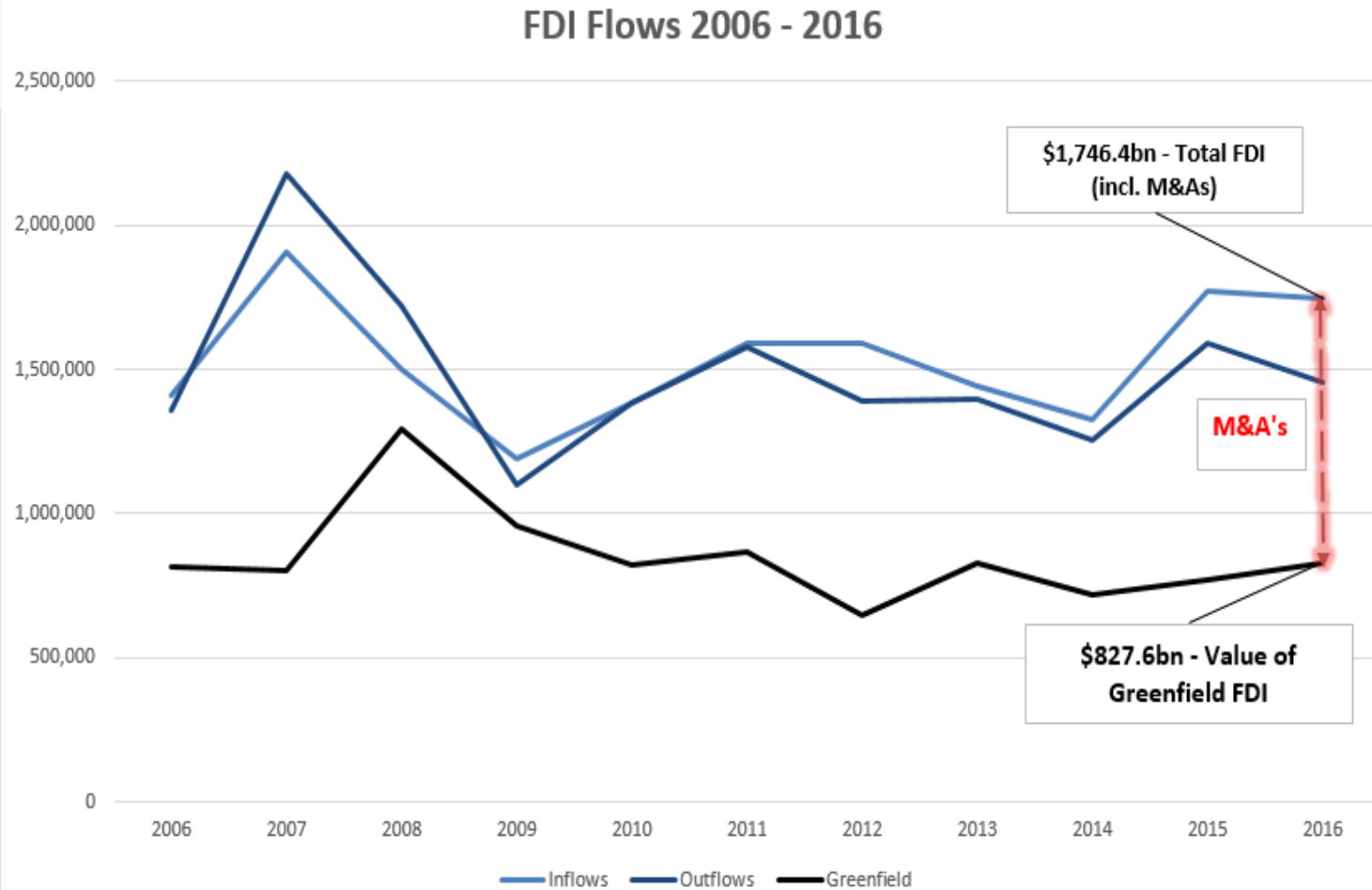
But, increasingly, this is what
you are seeing...right?



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Global greenfield FDI is flat



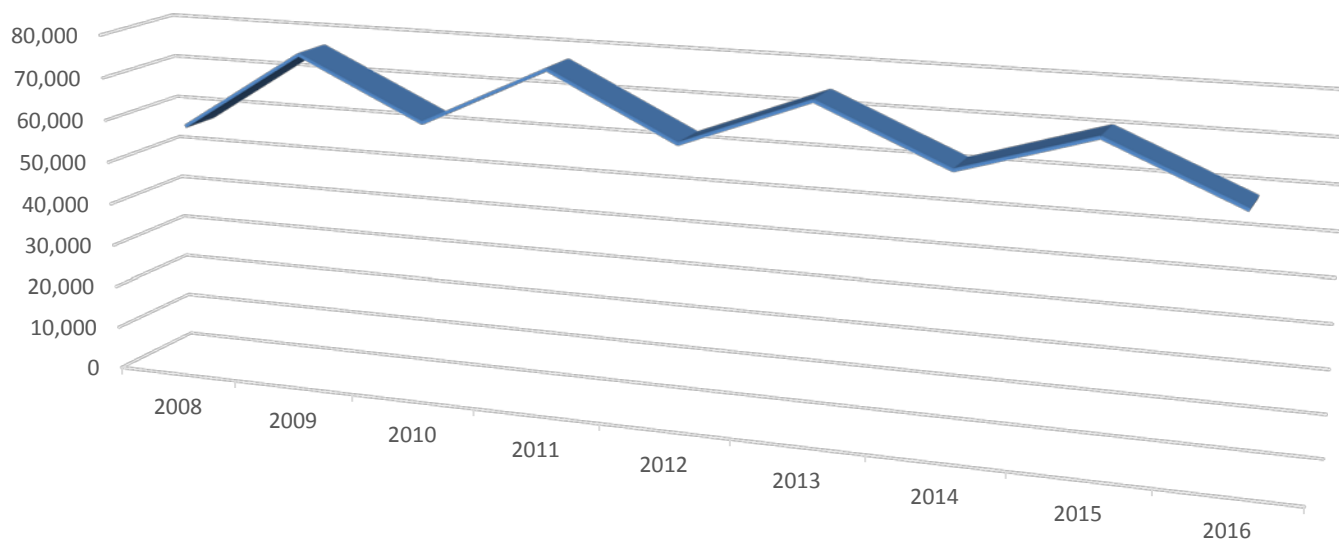
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Source: UNCTAD, World Investment Report 2017

Greenfield investments in the United States...



Greenfield FDI into the United States
2008 - 2016
USD (m)



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Source: UNCTAD, World Investment Report 2017

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5 recent Greenfield FDI deals in the United States



- **\$10bn** investment in **Wisconsin** in 2017 by Foxconn/Hon Hai Precision Industry Co., Ltd of Taiwan
- **\$9.4bn** investment in **Louisiana** in 2017 by Formosa Plastics Corporation of Taiwan
- **\$5bn** investment in **Nevada** in 2016 by Tesla (USA) and Panasonic of Japan
- **\$3.62bn** investment in **New York** in 2017 by Oxford Properties Group Inc. of Canada and Mitsui Fudosan Co., Ltd of Japan
- **\$1.6bn** investment in **???** in 2017 by Toyota Motor Corporation and Mazda Motor Corporation of Japan



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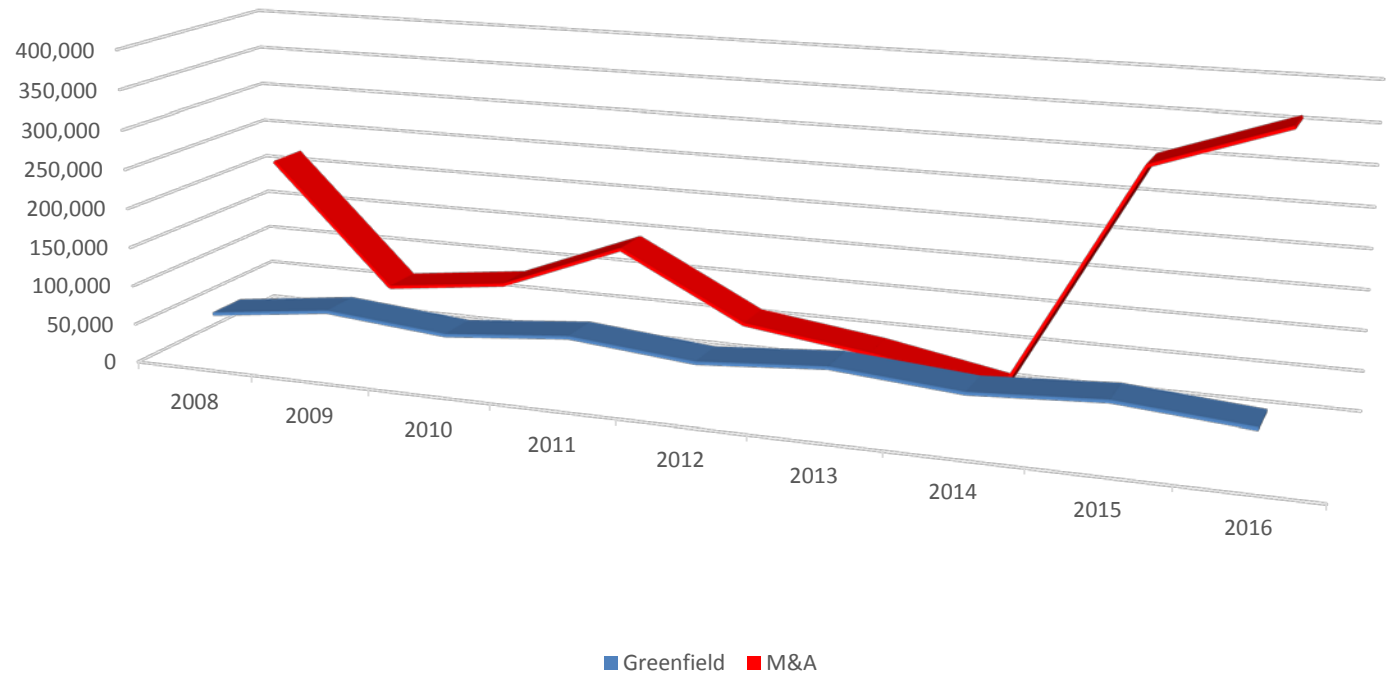
Source: Orbis Crossborder Investment published by Bureau van Dijk

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Most US crossborder investments are M&A

FDI into the United States 2008 - 2016
USD (m)



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Source: UNCTAD, World Investment Report 2017

5 recent M&A crossborder deals in the United States



- **\$49.4bn** acquisition of remaining stake in **Reynolds American Inc** of the United States by British American Tobacco Plc of the UK in 2017
- **\$32.0bn** acquisition of **Baxalta Inc** of the United States by Shire Plc of the UK in 2016
- **\$28.0bn** acquisition of **Spectra Energy Corporation** of the United States by Enbridge Inc. of Canada in 2017
- **\$17.9bn** acquisition of **Mead Johnson Nutrition Company** of the United States by Reckitt Benckiser Group Plc of the UK in 2017
- **\$12.5bn** acquisition of **The Whitewave Foods Company** of the United States by Danone SA of France in 2017



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Source: Orbis Crossborder Investment published by Bureau van Dijk

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Why M&A is the preferred strategy



M&A deals are **quicker** to execute

It means **acquiring valuable strategic assets**

Companies believe they can **mitigate risk**

Companies believe they can **increase efficiencies** by transferring capital, technology and management skills



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What does this mean for EDP's/EDAs?

Monitor M&A activity closely as well as greenfield investment

Work closer with companies/investors in your locale (particularly for M&A) – help develop business cases to support growth in your location – creating long-term sustainable jobs. Re-investment

Develop close linkages with your local ecosystem

Develop clearer strategies and identify investors –
research!



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Monitor M&A activity



- **Be aware** of not only what **HAS** happened, but what **MAY** happen
 - Help develop business cases to support growth in your location creating long-term sustainable jobs
- **Gain** a clearer understanding of market-entry strategies
- **Improve** targeting of investment
- **Create** a more transparent environment for investment = **Job Creation and Retention!**



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Work with the acquired and acquiring companies

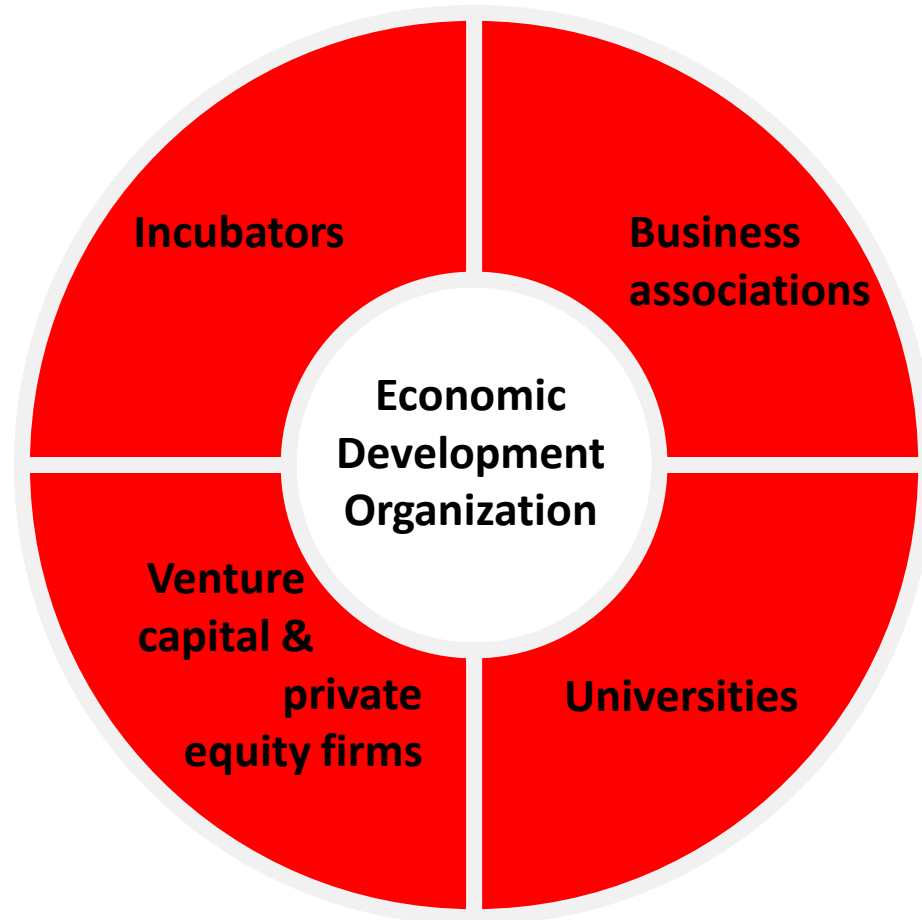


- **Work** with the key investors and acquired companies – develop the value proposition for them
- **Understand** the company and what they are trying to achieve
- **Push** the soft landing services you can provide (“Aftercare”/”Account Management”):
 - Set meetings with key stakeholders (both public and private sector)
 - Help the investor tap into potential client-base
 - Support with infrastructure and real estate needs
 - Workforce planning



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Develop close linkages with your local eco-system



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Targeting investors



- **Do your research** – understand the company and what they are trying to achieve
- Focus on **competitive advantages** in specific sub-sectors and the more innovative elements of the economy
 - *There is a strong positive relationship between entrepreneurial activities within the region and the rate of foreign direct investment.*
- **Customise your value propositions** – one size does not fit all!



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M&A and greenfield investment
are historically tracked
independently.

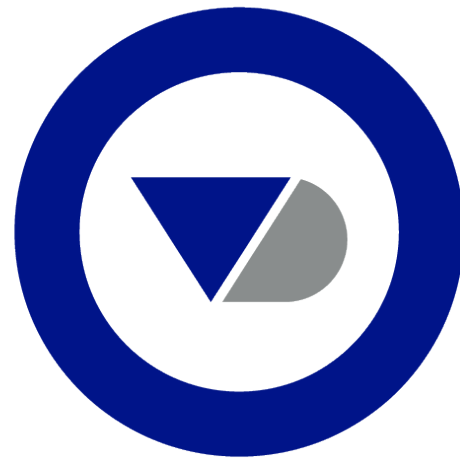
But what if you could interpret
them together?



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A new approach



orbis
crossborder
investment



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The value of crossborder data for EDOs/EDAs



- **Planning:** which industries are growing; which industries and markets should you target?
- **Targeting:** which companies should you be approaching?
- **Marketing** and developing the **value proposition**
- **Trend analysis**



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Market-entry strategies are evolving



In some developed economies, M&A is the **preferred market-entry strategy**, accounting for as much as **80% of inward FDI**

Companies are seeking to **reduce risk**

There is **increased consolidation activity**

Less Greenfield FDI projects = increased competition



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Summary



There are **GOOD** and **BAD** mergers & acquisitions

- There is anecdotal evidence that suggests **more** long-term sustainable jobs are created **post acquisition** than through a straight greenfield investment
- Less need to pay out incentives!!

You need to:

- **Develop linkages** with your local eco-system
- Work with the acquired and acquiring entities – **spell out the value proposition**
- **Monitor both greenfield and M&A activity**



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