

## Jeff McDermott: Be in Full Control When It Comes to China Outbound M&A

BEIJING, Feb. 01, 2013 /China Business News/ - January 29<sup>th</sup>, 2013 EST – Wanxiang announced that the Company has received the official Committee on Foreign Investments United States (“CFIUS”) approval regarding its acquisition of A123’s entire non-governmental assets. This deal took over five months to be processed, and it is now finally settled.

Greentech Capital Advisors, LLC’s Managing Partner Jeffrey McDermott, stated during the press release by China Business News, “The success of this transaction created a win-win opportunity between China and Western corporations. Given the escalation of continuous industrialization in China, we are optimistic to see many more similar successful transactions to come in the near future.”

In fact, with no difference compared to previous Chinese acquisitions in the U.S., Wanxiang handled some challenges and local protests during the process. Tennessee Congressmen, Marsha Blackburn stated that the government is supposed to protect job opportunities and emerging technologies from moving beyond parties involved and thus should prevent Wanxiang’s acquisition of A123.

“I admit there are many challenges, especially regulatory hurdles, in front of Chinese acquirers; therefore, Chinese companies should act with precaution when it comes to handling matters directly with CFIUS. For instance, I would strongly suggest hiring respective experts and attorneys and maintain close communication at all times”, McDermott said.

McDermott further emphasized, “Due diligence is key to every successful transaction. China’s outbound M&A has historically been centric around natural resources. If Chinese companies can show more willingness to acquire U.S. technology companies, there will be a tremendous amount of value added to their international development in the long term.”

Wanxiang, with more than \$130 billion in assets and over 20 years of operation history in the U.S., is still exploring the best practice when it comes to outbound M&A. McDermott believes the majority of Chinese corporations are still at an early stage for outbound M&A. To address these challenges, he suggested Chinese acquirers should; firstly, identify the acquisitions they would like to make and establish a “Shopping List”; secondly, stay in close communication with industry experts, specialized investment banking firms or consultants to help identify leading overseas companies on the Shopping List; thirdly, perform detailed due diligence by building a team of trusted advisors, implementing reward structure to align incentives, and initiating conversations early with the target management; and lastly, conduct detailed research on precedent transactions to preview potential challenges and locate proper solutions ahead of the process.

McDermott said, “For the next five years, you will be able to see more mergers and acquisitions between Chinese companies and Western enterprises.” McDermott also pointed out that for the past several years China outbound M&A transactions have been growing in volume but stayed relatively small in size. For 2012, the total China M&A value represents only 0.36% of China’s GDP.