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Chinese companies conquering the world: A descriptive analysis of the rapid rise of Chinese acquisitions[1]

Abstract

In this article, we study the global acquisition trends of Chinese companies. We look at the countries and sectors they are investing in and the factors driving those investments. We consider the inflexion points and the changes before and after the Global Financial Crisis. The focus of the paper is the evolution of mergers and acquisitions (M&A), but we also consider greenfield investments and overall outward foreign direct investments. To that end, we use longitudinal data from three sources: the United Nations Conference on Trade and Development (UNCTAD), the Standard & Poor's Capital IQ, and Financial Times fDi Markets. We note that M&A activity was key for the rapid growth and the fast internationalization pace of Chinese companies. While M&A is the entry mode of choice for Chinese firms to approach the developed world (Europe and the U.S.), greenfields are more common for expansion in Asia and Africa. The paper also provides comparisons with data from other emerging markets and the U.S.

Keywords: Chinese multinationals; Emerging markets; Mergers and Acquisitions; Internationalization; Global expansion; Outward Foreign Direct Investment; Entry mode; Greenfield

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1. Introduction

China is often depicted as an economic miracle. Less attention has been paid to the growth of Chinese companies which has been parallel to the growth of its economy. One indicator of this power is the presence in the rankings of the Fortune 500 Global (Casanova and Miroux 2018) where the number of Chinese firms grew considerably after the Global Financial crisis. In 2008, there were only 20 Chinese firms, while in 2018 there were 10 times more at 111. As Chinese companies grew, they also became major cross-border investors. This article examines both modes of entry in foreign markets: greenfield and M&A deals for Chinese firms, their evolution over time based on available data from Standard & Poor's Capital IQ[2].

2. China's role in global investment flows

Since 2000, China has been the second destination for global foreign direct investment (FDI), receiving $136 billion of FDI flows in 2017, as compared to $275 billion for the U.S. China is an outlier compared to other emerging markets, in particular with what we call the E20 (Casanova and Miroux 2016), the 20 largest emerging markets by nominal gross domestic product (GDP)[3].

China's outward foreign direct investment (OFDI) has been unduly overlooked: according to MOFCOM (2017) China is among the 10 biggest world investors since the 2008 Global Financial Crisis (GFC) and amongst the top three countries in yearly flows since 2012. In addition, China ranked second in OFDI stock (accumulated investments over the years) in 2016 and 2017. In 2017, China invested $158 billion and was the third biggest investor in the world after the U.S. ($342 billion) and very close to the second economy, that of Japan ($160 billion). By 2017, China's OFDI represented 11.1% of the world total flows and 5.9% of the world's OFDI stock.

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According to MOFCOM 2017, the main destination of China's investments is its ”natural market”, Asia (63% of its OFDI stocks lie there). The other destinations are in decreasing order: Latin America (21%), Europe (6.1%), North America (almost 5%) and Africa and Oceania (2.5%). China focuses primarily in "South-South" investments, which account for almost 86% of the total Chinese OFDI as compared to 12.7% to the developed world. Regarding the developed world, and from the above figures, it is evident that China invests more in the European Union than in the U.S. China's OFDI stock (as the flow) is also higher in the European Union than in the U.S. (Hanemann and Rosen 2012; Nicolas 2014). M&A data show a similar pattern.

The same source shows that China's investments are diversified into six main industries that represent 86% of the total OFDI stock: Leasing and Business Services (34% of OFDI stock), Wholesale and Retail Trade (12.5%), IT and technical services (13%), Financial Services (11%), Mining (8.7%), and Manufacturing (7%).

If we compare both FDI and OFDI, China was a net exporter of capital in 2015, 2016 and 2017. In 2017, the country invested $50 billion more abroad than what it received in FDI. This investment spree is due mainly to the actions of 39,000 Chinese companies in 189 countries, with total assets of $6 trillion and an accumulated OFDI (stock) of $1.8 trillion according to MOFCOM 2017.

Regarding ownership of companies, it is often claimed by experts that state-owned companies (Morck et al. 2008; Luo et al. 2010; Ramasamy et al. 2012) represent the bulk of overseas investments but their participation in OFDI continue to decrease. In 2017, they represented about 50% of total investments abroad, a 5% decrease with respect to 2016.

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Greenfield investments and M&A transactions have been the main catalysts for growth for Chinese firms. M&A are a significant tool for acquiring knowledge, technical expertise, natural resources, customer base and talent—all of which can be difficult and time-consuming to develop internally (Buckley et al. 2007; Chen 2008; Deng 2009; Luo and Tung 2007; Wang et al. 2012).

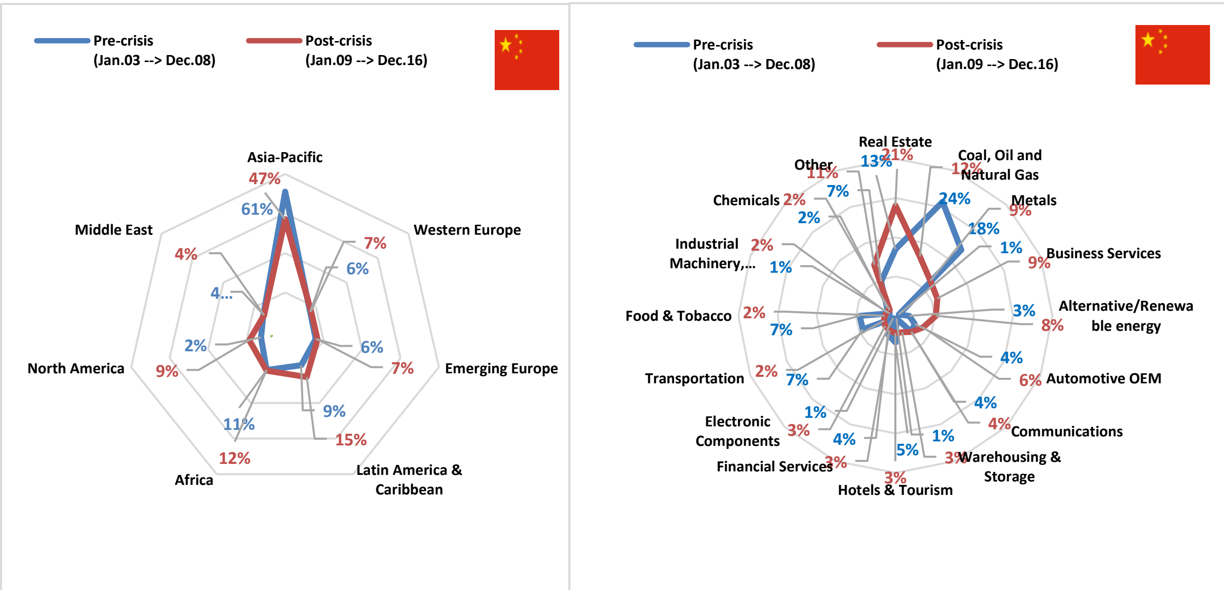
Hence, M&A is key for Chinese firms to catch-up with western global multinationals. With the help of government initiatives, and regulatory revisions more Chinese companies have been investing in new industries in a growing number of countries. Policies such as the Belt and Road Initiative (BRI, also known as the One Belt One Road, OBOR) launched in 2013, and fewer restrictions for state-owned enterprises (SOEs) to invest overseas have significantly aided growth (Luo et al. 2010). Let's look at Greenfield data first to compare it with M&A in the next sections.

3. Chinese greenfield investment

In greenfield FDI, a company initiates an investment from scratch; this may include building a manufacturing plant, a new distribution hub, offices or living quarters. In this definition of the term, we include brownfield projects, i.e., those that modify or upgrade existing investments.

Since 2008, China has increased announced greenfield FDI projects all over the world.[4] In the subsequent decade, the value of such projects has doubled in Asia (to $245 billion), more than tripled in Africa (to $60 billion) and Europe (to $70 billion), and experienced an eight and tenfold increase respectively in the U.S. (to $44 billion) and Latin America (to $80 billion). While China's overall investments are primarily in their natural markets—in this case, in Asian neighboring markets with geographical or cultural proximity—its greenfield projects increasingly target countries in developed markets and Latin America. North America's share of Chinese OFDI greenfield projects quadrupled in the post-2008 crisis period; that of Latin America's investment increased by 66% (Figure 1). Comparing China's outward greenfield projects pre- and post-2008, Figure 1 shows that Metals and Coal and Oil & Natural Gas industries have become less important in China's portfolio compared to other/new industries. Both sectors saw their shares halved from their pre-crisis period levels. The sectors that have most benefited from China's greenfield OFDI are less traditional sectors. The sectors include Real Estate as confirmed by OFDI data above, and notably, Business Services and Renewable Energy. The latter two registered a nine and twofold increase respectively in their portfolio shares.

Figure 1. China's outward greenfield FDI pre- and post-2008 GFC. Periods compared are 2003-2008 and 2009-2016.



Source: Authors based on data from fDi Markets accessed by September 2017.
Note: Data include greenfield FDI projects from China and Hong Kong.

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4. Chinese M&A activity

In the term "M&As", we include mergers, one company acquiring another, assets purchases or management acquisitions. The goal of a M&A is to grow fast to gain one or more of the following benefits: economies of scale, market access, a new brand, technology and know-how. While in 2000, China barely registered any M&A activity (Figure 2), in 2015, the value of its announced outbound M&As ($138 billion) placed it in the fifth position overall, between Singapore ($121 billion) and the Netherlands ($171 billion)- but still far behind the #1 ranked U.S., $488 billion. According to MOFCOM 2017, firms from China participated in 431 M&A transactions in 56 countries.

Not only has China become a major global acquirer, it has also been increasingly involved in very large transactions. Appendix 1 lists the top 100 outbound M&A transactions globally between July 1, 2015 and June 30, 2016. This list excludes announced transactions made by a consortium of investors from multiple countries. Seventeen of the top 100 global transactions originated from China, the largest number of deals by a single country. The $43 billion announced acquisition of Syngenta by China National Chemical Corporation ("ChemChina") in February 2016 was the fourth biggest overseas deal by any company in the world between July 1, 2015 and June 30, 2016. After China, the countries most active in the largest transactions during this period were the U.S. (with 15 of top 100 announced deals), Canada (12 announced deals), Germany (seven announced deals), followed by the U.K. and France (six announced deals each). In the next sections, we will present data regarding the growth of M&A volumes, geographical destination of M&As and industry sectors acquired.

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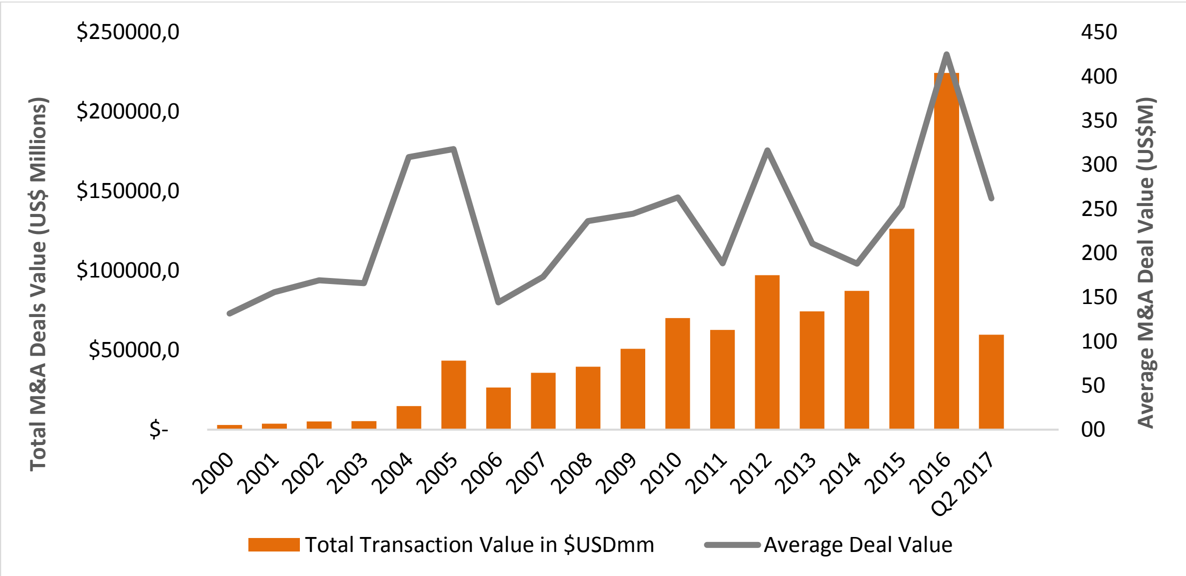
4.1 Rapid rise in M&A volumes pre- and post- global financial crisis

M&A is a significant mode of entry to quickly expand internationally. In 2016, China emerged as the second biggest global acquirer after the U.S., (Figure 3), at which time Chinese M&A deals represented 18% of the M&As of the top 10 investor countries. This is a remarkable development if one considers that China was hardly visible as a global acquirer in the early 2000s (Xu et al. 2012). The sudden and remarkable increase that took place in Chinese M&As in 2016 in particular - when the value of announced M&A deals reached an estimated $224 billion - contributed to Chinese authorities' reaction to curtail capital outflows (more on this in Section 5.1), targeting M&As in particular. Despite the decline in M&A activity that ensued, China was still a leading global acquirer by mid-2017, accounting for 9% of M&A deals and ranking third (following the U.S. and the U.K.) in terms of M&A activity for the first semester of 2017.

Figure 2. Chinese M&A activity: Announced outbound M&A deals (2003-Q2 2017)



Source: Authors' analysis based on data on announced M&A transactions from Standard & Poor's Capital IQ accessed by January 2018.

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The GFC was the trigger for China's M&A activity which increased 380% post-GFC relative to pre-crisis levels (Table 1 and Figure 4), much more than for other emerging countries. China has a similar impressive growth in Greenfield activity (181%) post 2009. Among emerging markets, Korea saw similar increases as China in M&A activity, India also grew in both variables while Brazil decreased by 3% in M&A. This compares to a more modest increase for the leader, U.S. (47%), which retains by far its number one position in the world.

Table 1. Changes in China compared to most active emerging markets Brazil, India, Korea and the U.S. of announced outbound M&A deals and greenfield investments: comparing pre-GFC (2003-2008) and post-GFC (2009-2016)

Investor	**Outbound M&A** (total amount in millions)
KOREA	Pre-crisis period: $26,324 Post-crisis period: $111,165 **Growth: +322%**
INDIA	Pre-crisis period: $63,250 Post-crisis period: $79,165 **Growth: +25%**
BRAZIL	Pre-crisis period: $60,767 Post-crisis period: $28,866 **Growth: -3%**
CHINA	Pre-crisis: $166,325 Post-crisis: $798,013 **Growth: +380%**
U.S.	Pre-crisis period: $1,518,855 Post-crisis period: $2,186,658 **Growth: +44%**

Source: Authors' analysis based on data on M&A transactions originating from China and Hong Kong ($ value in millions) from Standard & Poor's Capital IQ. 2017 data deals announced through June 30, 2017.

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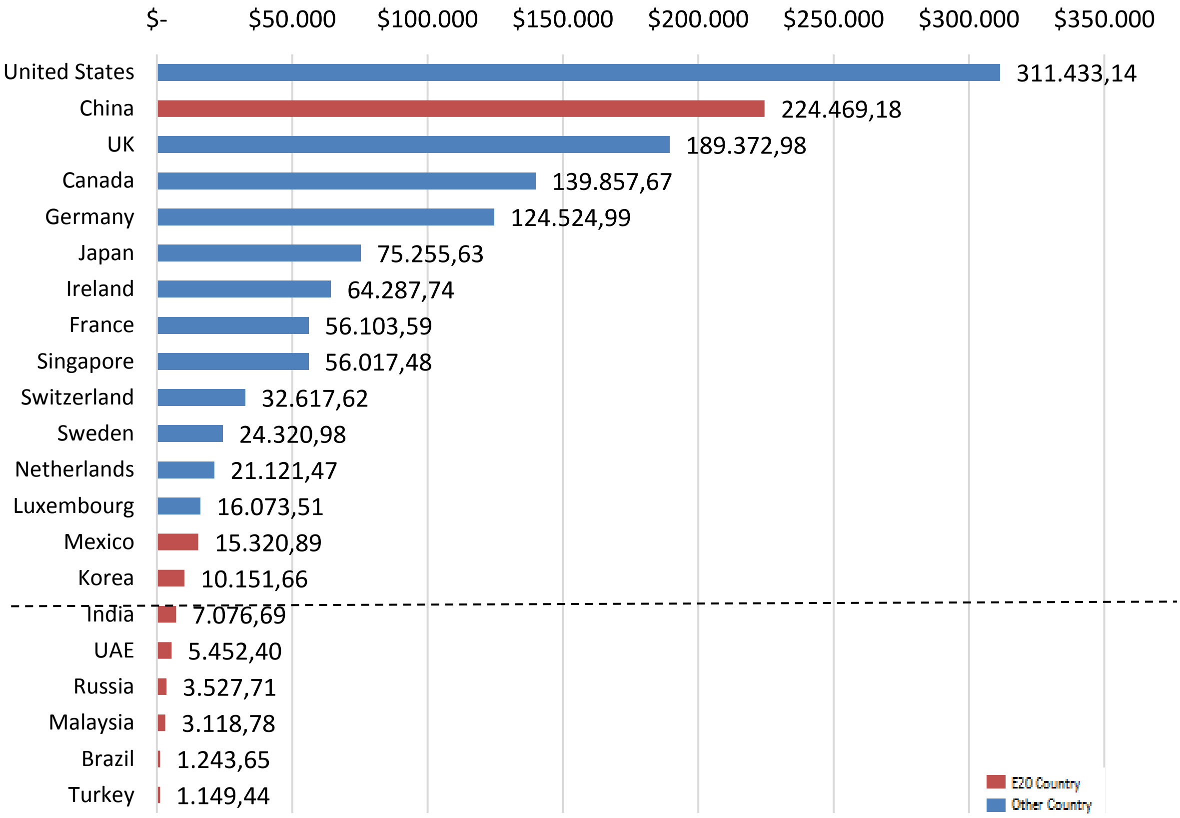
Figure 3. Top 15 economies, other selected E20 by announced outbound M&A deals (in millions) in 2016



Source: Authors' analysis based on data on announced M&A transactions from Standard & Poor's Capital IQ accessed in January 2017. Excludes financial centers in the Caribbean.

As shown in Casanova and Miroux 2018, together U.S., Canada, the U.K., the Netherlands, China, Singapore, Ireland, France, Japan and Switzerland accounted for $1.6 trillion of cross-border M&As in 2015. The total value of deals that originated in China as a percentage of the total value of deals that originated from the top 10 global acquirer increased from less than 1% in 2000 to 10% in 2017. The U.S. accounted for 30% of the total value of outbound M&A by these top 10 countries, followed by the U.K. at 14%, Canada at 12%, Netherlands at 11% and then China at 9%.

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4.2 Europe leads the U.S. in geographical destination for Chinese M&As

Following the 2008 Global Financial Crisis, Chinese M&As have increasingly targeted developed countries, unlike the destination of its overall OFDI which targets emerging markets. In 2012, a peak year for such transactions, developed countries accounted for an estimated 80% value of acquisitions and for more than 60% during the 2015-2017 period. Among developed countries, Europe was the most important destination, accounting for about 37% of the value of all transactions from 2015-2017 (Figures 5, 6a and 6b). In some ways, China's outbound M&As mirrored the geographical breakdown of the U.S. outbound acquisitions: indeed, Europe accounted for about 78% of all U.S. outbound M&As over the same period (Figures 7). Surprisingly, Asia - the main recipient of OFDI (63% of the OFDI stock lies there) - does not occupy a prominent place in the M&A activity of Chinese firms.

China's M&A activity in Europe and Latin America has increased steadily over the years (Buckley et al. 2007; Nicolas 2014). Although from a much lower level, we see a similar pattern in other emerging countries (Figure 5) where the acquisitions target the U.S. pre GFC and move more to Europe after that. If we consider China, Europe accounted for about 33% of the total value of M&A deals between 2009 and mid-2016, compared to about 19% between 2000 and 2008, i.e. in the pre-crisis period (Figure 6b). The share of Latin America in the total value of outbound M&A deals from China increased from about 8% (in the pre-crisis period) to 15% (post-crisis) – see Figure 6a. This shift towards Europe, U.S. and Latin America has primarily been driven by cheap currencies (relatively low euro rates and currency devaluations in Latin America), opportunities due to the financial hardships of many companies after the global financial crisis (both in Europe and the U.S.), the desire of Chinese firms to seek advanced technologies (mainly in Europe) and new markets for their products/services (Buckley et al.

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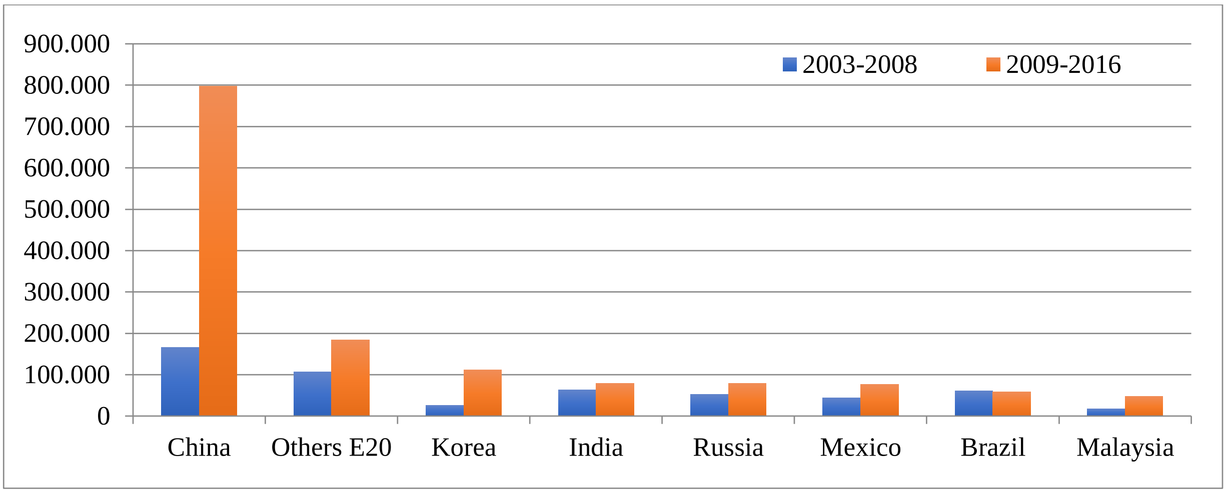
2007); Nicolas 2014). Africa and the Middle East remain much less important target regions for Chinese M&As. It is important to note that there have also been M&As in Europe by financial investors from China, which are not accounted for in figure 4. For example, in one of the biggest acquisitions in 2016, a consortium of Chinese financial investors consisting of Beijing Jianguang Asset Management Co., Ltd ("JAC Capital") and Wise Road Capital LTD ("Wise Road Capital") announced the purchase of Standard Products business from Netherlands-based semiconductor company, NXP Semiconductors N.V. for $2.75 billion. Prominent recent M&As in Europe besides the above-mentioned Syngenta deal were the purchase of Swiss air-travel logistics company Gate Group Holding AG for $1.5 billion by China based HNA Group Co., Ltd. in April 2016 and the sale by South African/British Anglo American plc ("Anglo American") of its Niobium and Phosphates businesses in Brazil to China Molybdenum Co. Ltd ("CMOC") for a reported total cash of $1.5 billion in April 2016.

Figure 4. Total value of announced M&A deals by E20 firms 2003-2016, pre-GFC (2003-2008) and post-GFCs (2009-2016) (U.S. millions)



Source: Authors' analysis based on data on announced M&A transactions from Standard & Poor's Capital IQ accessed on January 2017

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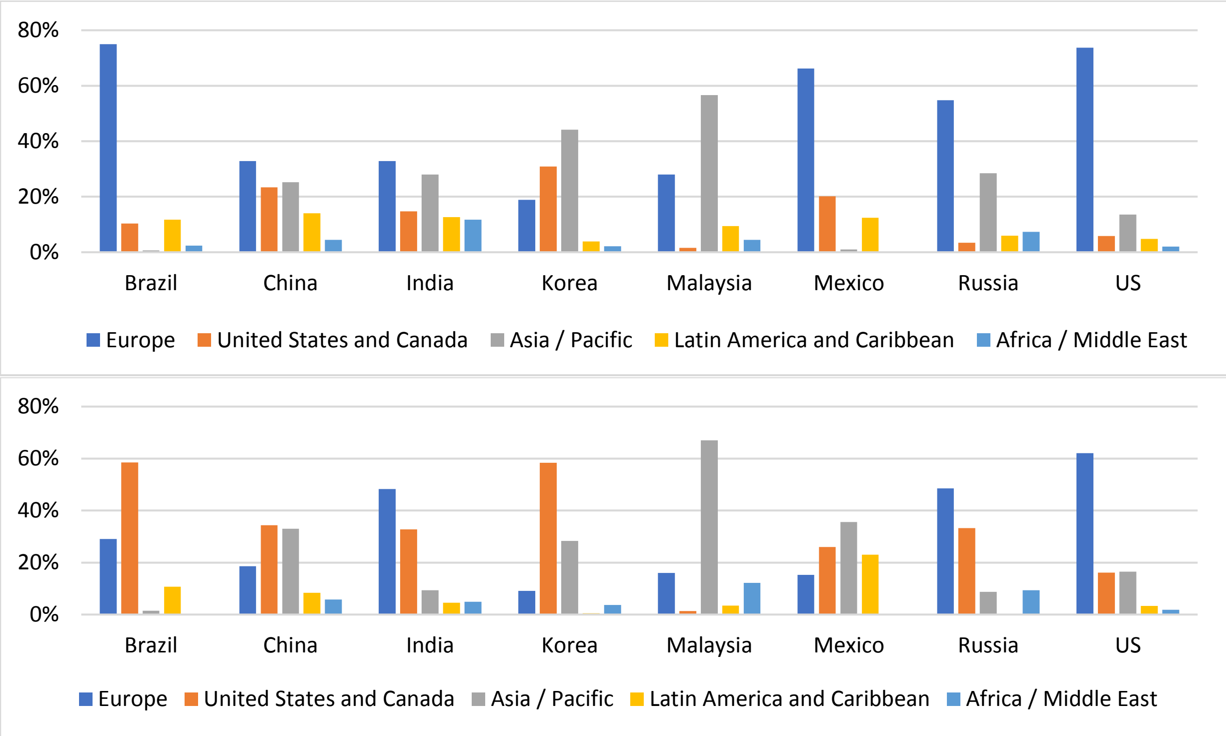
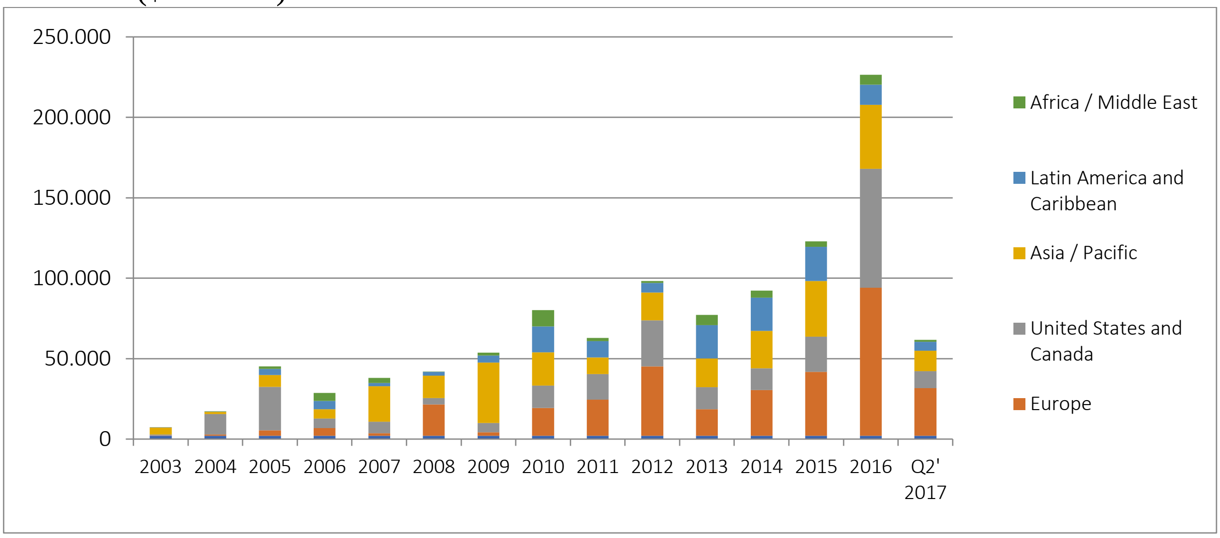
Figure 5. Geographical distribution of announced M&A deals from China versus other E20 countries pre- (2003-2009) and post-GFC (2009-2016). Top figure pre-GFC (2003-2008) and bottom figure post-crisis (2009-2016**)**



Source: Authors' analysis based on data on announced M&A transactions from Standard & Poor's Capital IQ accessed on January 2017.

Figure 6a. Destination of Chinese announced outbound M&A value by region 2003-Q2 2017 ($ millions)



Source: Authors' analysis based on data on announced M&A transactions originating from China and Hong Kong ($ value in millions) from Standard & Poor's Capital IQ. 2017 data deals announced through June 30, 2017. Accessed on September 2017.

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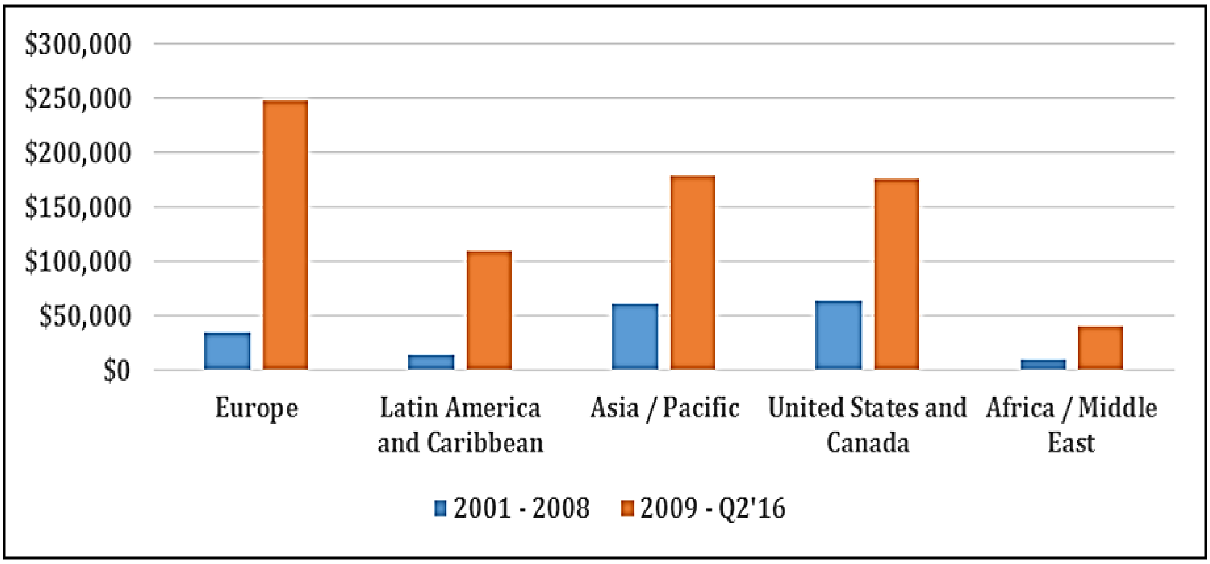
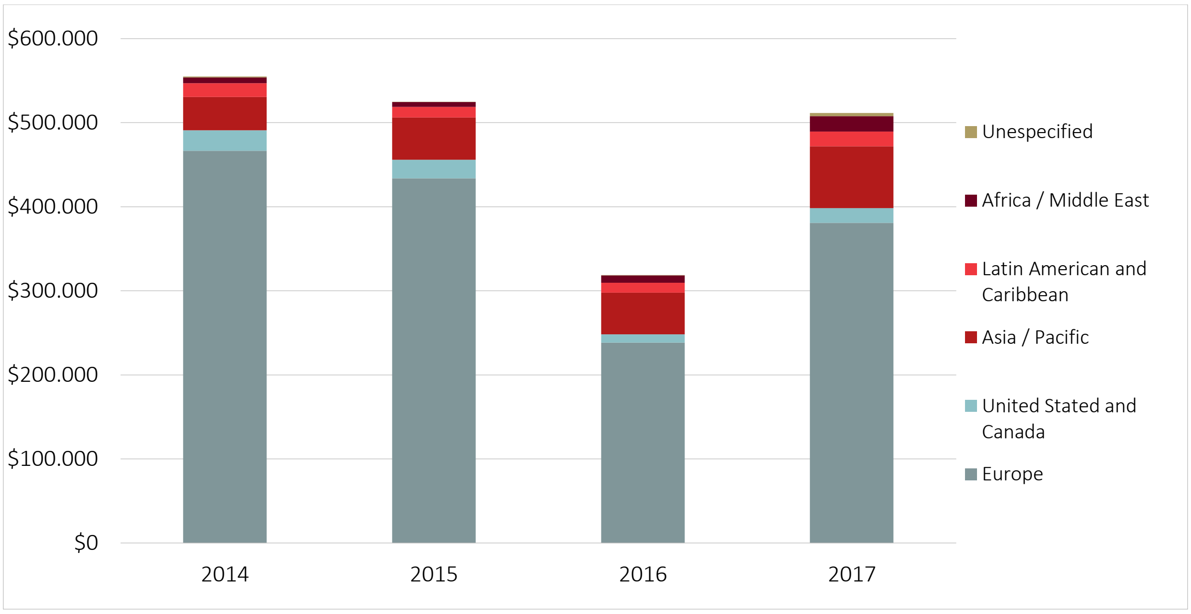
Figure 6b. Destination of Chinese announced outbound M&A value by region pre- (2003-2009) and post-GFC (2009-2016 in $ millions)



Source: Authors' analysis based on data from Standard &Poors' Capital IQ accessed by September 2017

Figure 7. U.S. announced cross-border M&A value by region 2014-2017 ($ millions)



Source: Authors' analysis, based on data from Standard & Poor's Capital IQ accessed July 2018. Note: data as in all the M&A graphs refers to announced deals. Accessed on January 2018.

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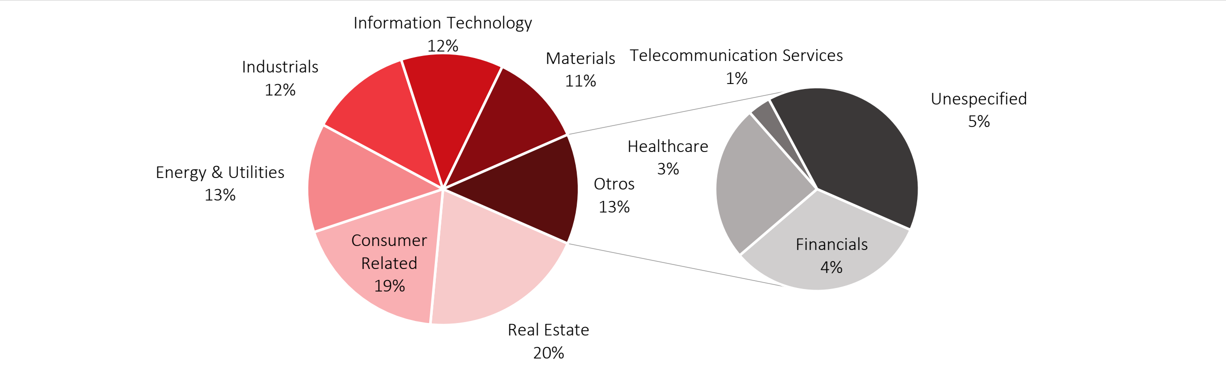
4.3 China's increased focus on services

The industry distribution[5] of Chinese outbound M&A has also changed in recent years. Prior to the global financial crisis, the majority of Chinese investments abroad were focused on the Energy and Materials[6] sectors: together they accounted for 52% of total transaction value of all announced Chinese M&A between 2000 and 2008. In comparison, Industrials[7] (6%), Financials (10%) and Consumers (15%) sectors transactions were smaller in value. After 2009 the M&A deals made through the second quarter of 2016 have had a more uniform distribution across industries. Energy (17%) and Materials (18%) accounted for 35% of the total value of deals between 2009 and 2016, while other sectors such as Industrials (14%), Financials (17%) and Consumer (19%) have all increased as a percentage of total deals (Figure 8). Furthermore, according to Capital IQ data in 2015, over 80% of the Chinese outbound deals were in Consumer, Industrials, Financials and Information Technology sectors.

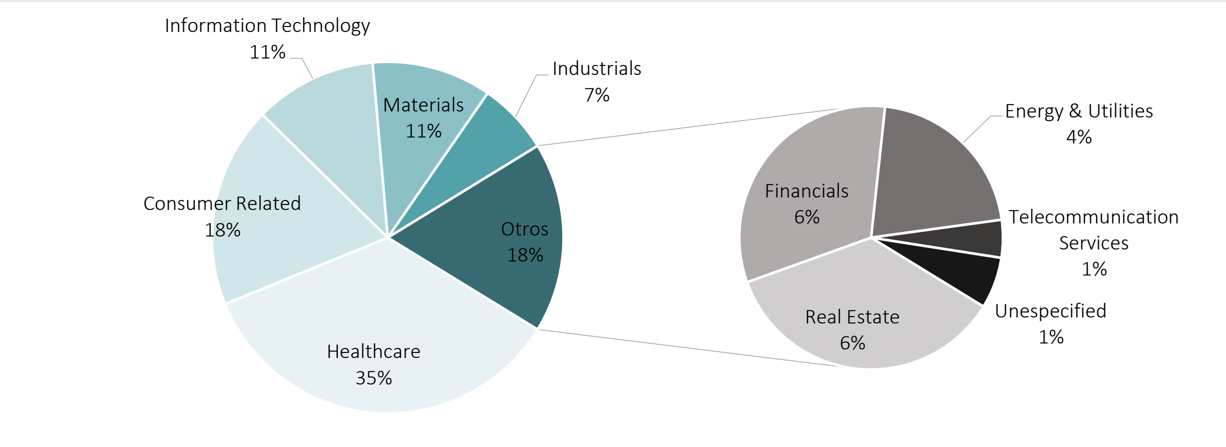
Energy, Industrials, Materials and IT accounted for about half of the acquisition value from 2014-2017 (Standard & Poor's Capital IQ data for M&A). This sectoral focus not only closely tracks U.S. outbound acquisitions (for which IT and Materials are important sectors – see Figure 9), but also foreshadowed the sectors that the Made in China 2025 strategy would focus on. Due to such widespread acquisitions by China in these sectors, some countries feared that their native technology sectors would fall under foreign control, leading to distrust from several developed nations towards Chinese M&As (further details provided in section 5.2). At the same time, Real Estate was the largest target sector for China in 2017, and would soon face new restrictions from the Chinese government (more on this subject in section 5.1), which was wary that transactions in this sector were driven by speculative motivations.

Figure 8. Sector distribution of Chinese announced M&A deals (2014-2017)



Source: Authors' analysis, based on data from Standard & Poor's Capital IQ accessed July 2018.

Figure 9. Sectoral distribution of U.S. announced M&As deals (2014-2017)



Source: Authors' analysis, based on data from Standard & Poor's Capital IQ accessed July 2018.

4.4 Increasing size of M&A deals from China

In the post GFC phase, along with the increase in the overall value of M&A deals as we saw in 3.1, the average deal size also increased from $211 million in 2000-2008 to $275 million in 2009-2016 (Figure 10). In addition, as the value of deals has increased, they have also become more expensive, and Chinese companies have been willing to pay a higher price for the targeted assets. Some valuation metrics commonly used in M&A transactions are TEV/Revenues[8] and

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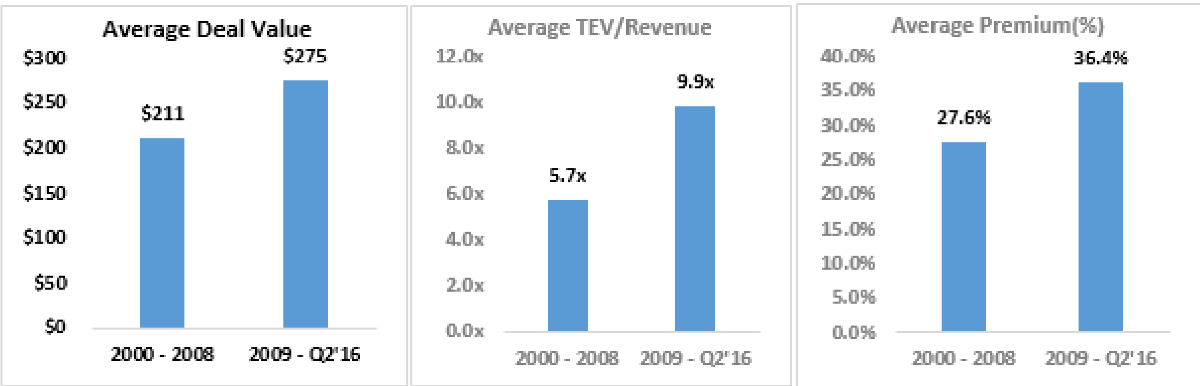
Price/Earnings ratios (average premium). TEV and Price (in case of public companies) are measures of the total value of the firm. Put simply, the higher these ratios, the higher an acquirer is willing to pay for the target. We analyzed the TEV/Revenue ratios for Chinese overseas transactions for the periods mentioned above. The Average TEV/Revenue ratio increased from 5.7 in 2000-2008 to 9.9 in 2009- June 2016 (Figure 10). As well, for the publicly traded M&A targets, average acquisition premium (based on prior week price of the publicly traded target company) increased from 27.6 percent to 36.4 percent.

Figure 10. Price and valuation of Chinese outbound M&A deals (2000 – Q2'16) (in millions)



Source: Authors' analysis based on Standard & Poor's Capital IQ data on M&A Transactions accessed on January 2017.

We also compared the Chinese outbound M&A deals with the U.S. ones (Figure 11). While the M&A deals China has done in the past years have been bigger than in the past, they are still small on average compared to the U.S. outbound deals. For instance, the average deal size for the U.S. in 2015 was $592m compared to $269m for outbound Chinese deals. Average acquisition premiums paid by both Chinese and U.S. companies were more comparable, with a premium between 25 to 30 percent in 2015 (29.8% for Chinese and 26.2% for American firms). The higher average TEV to Revenue ratio for Chinese deals could reflect the mix of deals. Indeed, smaller deals tend to have higher revenue ratios and China had a higher percentage

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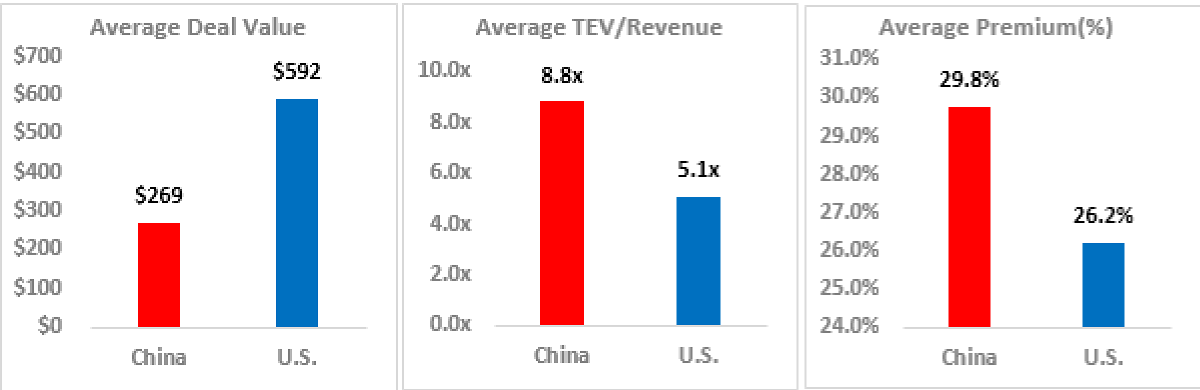
(70%) of smaller deals (less than $100 million) than the United States (63%). Furthermore, higher Chinese premiums could be due to the fact that Chinese companies are likely to be less known compared to U.S. companies and therefore may be facing some resistance from sellers demanding higher premiums as it happens sometimes with other Emerging Markets Multinationals. Besides, given the increased scrutiny and regulatory hurdles to which Chinese acquisitions are submitted at home and in host developed countries (more on this subject in sections 5.1 and 5.2), completing a transaction with a Chinese buyer tends to be perceived as increasingly more complex, subjected to more regulatory scrutiny, and riskier – leading to demands of higher prices on the part of sellers.

Figure 11. Price and valuation of China and U.S. outbound M&A deals (2015)



Source: Authors' analysis based on Standard & Poor's Capital IQ data on M&A transactions accessed on January 2017.

5. Adjusting to a new paradigm

Since 2016, when China's M&A activity rose to the forefront, surpassing some Western companies and countries for the first time, U.S. foreign policy under President Trump administration shifted to a more rigorous scrutiny of FDI into the country and more specifically Chinese investments in the U.S. Chinese acquisitions started facing restrictions not only in the

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U.S. but also increasingly in the western world. This was accompanied by pressures at home to reduce acquisitions and FDI forays in foreign markets. These issues are described in more detail in the following sections.

5.1 Policy changes at home

Since the 1990s, Chinese government policies have been instrumental in the country's emergence as a powerhouse global investor. The policies progressively evolved from restriction, to liberalization and then to outright support and encouragement, as we analyzed in Casanova and Miroux 2016, 2017 and 2018. The "Go Global" strategy, launched in 2000, marked the beginning of a phase of significant proactive support aimed at encouraging Chinese firms' expansion abroad. In subsequent years, the strategy gained strength as part of China's Five-Year Plans. Today, the Ministry of Commerce, the National Development and Reform Commission, the Export-Import Bank of China, the China Development Bank and China Export and Credit Insurance Corporation all provided a network of administrative, financial and commercial support. The country has also engaged in active investment diplomacy, marked by the Chinese President Xi Jinping visiting both Latin America and Africa three times since he took office (Latin America in 2013, 2014 and 2016 and Africa in 2014, 2016 and 2018). Finally, other government-led initiatives, such as the Belt and Road Initiative – BRI, also known as One Belt and One Road" (OBOR)"[9] – launch in 2013 has and will likely fuel further China's OFDI expansion. According to MOFCOM 2017, Chinese Investments in the BRI countries has increased from 12.63 billion in 2013 to 20.17 in 2017, an overall increase of 59.6% and represents right now 12.7% of China's OFDI flows.

A dramatic surge of outbound M&As in 2015-2016 prompted the Chinese government, eager to maintain financial stability, to quickly shift course in order to tame the massive capital

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outflows that took place during those years. Authorities also feared that speculative rather than economic reasons motivated a number of those transactions and worried about the stability of the renminbi. Of special concern were cases of acquisitions outside the buyer's core area of business—in real estate and entertainment, for instance, two industries that had seen a flurry of large deals. Hence, in the fall of 2016 the government announced stricter approval requirements for M&A deals[10] and restricted real estate purchases abroad by State-Owned Enterprises (SOEs). Later on, in August 2017, the National Development and Reform Commission (NDRC) issued "guidelines on overseas investment" that classify overseas investments into three main categories: 1) *encouraged investments*; 2) *restricted investments*; and 3) *prohibited investments*. The guidelines for instance restrict investment in real estate, hotels, entertainment, and sport clubs and prohibits them in inter alia, gambling and 'lewd industries' as well as those that provide access to sensitive sectors such as core military. On the other hand, encouraged investments include those that promote the Belt and Road Initiative (in particular in infrastructure and connectivity projects, see increase noted earlier in Chinese OFDI in those countries), or that strengthen cooperation with overseas high-tech and advanced manufacturing companies.

Subsequently, in December 2017, the National Development and Reform Commission, along with four other agencies, released a code of conduct for private companies investing abroad. Several highly leveraged and risky outbound acquisitions appeared to motivate this code, particularly targeting Chinese firms with a history of mega deals, such as the conglomerate Wanda owner of a private developer and various cinema chains, the conglomerate and investment company Fosun, which bought among others France's Club Med, and British Thomas Cook and Canada's Cirque du Soleil besides the U.S. insurer Meadowbrook in 2014

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and in 2016 the English football club Wolverhampton Wanderers. Another targeted company was the tourism conglomerate (HNA) which owned among other assets almost 10% of Deutsche Bank and 30% of NH Hotel Group and the insurance Anbang which boght the emblematic hotel Waldorf Astoria in New York city among other hotels. The Code calls upon Chinese firms to avoid high leverage financing and stay within their core area of activities, as well as respect local laws, including social and environmental standards. The new guidelines also require firms to report investment plans to the government and to seek approval for investments in "sensitive" countries or industries.[11] While some observers note that the code of conduct does not consist of hard and fast rules,[12] the warning to Chinese foreign investors has been clear. As of December 2018, a code of conduct for SOEs was said to also be in the works. These policy shifts have not only tempered the acquisition fervor of Chinese investors, but also affected the confidence of their financiers. Thereafter, financing became harder to obtain, revealing in some cases that firms had overextended themselves. One such example is HNA, which was forced to rid itself of high-prized recent acquisitions. The Chinese airline conglomerate was one of the most prominent Chinese acquirers from 2015-2016, and was obligated to sell off assets in 2017-2018, including major real estate properties in the U.S., Hong Kong, and Australia, and some of its equity stakes in Deutsche Bank and other firms.

This OFDI policy shift is partly responsible for the above-mentioned drop in Chinese outbound M&As in 2017 and early 2018.[13] In the medium term, however, the net effect of the new measures is uncertain. While speculative deals will likely face higher hurdles, the underlying economic motivations for increased outbound Chinese M&As remain the same. For companies, these motivations include easier access to resources, and in acquisitions in developed countries, access to markets, international brands, technology and expertise, as well as better return on

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assets. On the government's side, the overall objective is still that of an economy with high value-added sectors and a strong focus on innovation, as illustrated by the Made in China 2025 Plan. For instance, transactions that are "economically" sound or fall in line with the government policy of "strengthening cooperation" in high tech and manufacturing will likely benefit from the above mentioned guidelines on overseas investment.

5.2 Increased scrutiny in host countries

Serious obstacles also lie on the receiving end of Chinese outward investment as a number of developed countries, wary of Chinese investment, have introduced restrictions of their own on acquisitions by foreign investors.

Many countries have instituted mechanisms for screening foreign investments. While such mechanisms have often been motivated by national security concerns, they increasingly reflect other considerations such as the protection of strategic industries, critical infrastructure and key technologies.[14] In recent months in particular, developed countries have strengthened their screening mechanisms, partly as a reaction to the wave of Chinese investments in high tech and advanced manufacturing industries and in strategic sectors. For instance:

- In *Germany*, the Chinese firm Midea's 2016 acquisition of the robotics firm Kuka sparked strong objections from politicians and EU representatives. In response to concerns, Germany introduced changes in its Foreign Trade and Payments Ordinance in 2017, and as a result, the German government can now block certain acquisitions more easily based on security reasons.[15] As of September 2018, the government was reportedly considering lowering the threshold of participation by a non-E.U. buyer for deals that can be subject to government veto, which would subject more transactions to security reviews.[16]

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- In *France*, the government introduced legislation in June 2018 to tighten screening mechanisms, specifically by extending the scope of sectors under consideration to better cover strategic industries. This legislation was still under review as of early September 2018.[17]
- Following a 2017 Green Paper on *National Security and Infrastructure Investment Review*, the government of the *United Kingdom* introduced legislation to Parliament in 2018 that would strengthen the state's ability to scrutinize foreign investment in innovative technology sectors on national security grounds.[18]
- After France, Germany and Italy called for a debate on control and scrutiny of foreign takeovers in sensitive industries, the European Commission put forward a proposal in September 2017 for a regulation establishing a framework for screening FDI inflows into the EU on the grounds of security or public order. This proposal was still under discussion as of late 2018.
- In August 2018, the *United States* enacted the Foreign Investment Risk Review Modernization Act (FIRRMA), a legislation that expands the jurisdiction of the Committee on Foreign Investment in the United States (CFIUS) to address growing national security concerns over investment traditionally falling outside of CFIUS jurisdiction. Considered the most significant overhaul of the Committee since 1988, FIRRMA enlarges the scope of transactions reviewable by CFIUS, lengthens its review period, and mandates a separate process to review the export of sensitive U.S. technologies.[19] CFIUS has the mandate to scrutinize companies and determine those which should not be sold as they are strategic assets for the country due to positive technological spillovers and creation of jobs.

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Since January 2017, illustrating the changes currently under way, a number of foreign acquisitions by Chinese firms have been blocked or abandoned. In 2017, 11 M&A deals worth $100 million or more were withdrawn for regulatory or political reasons, three of which were for explicitly stated national security concerns. Two of those related to the acquisition by Chinese buyers of U.S. companies in semi-conductors and digital mapping and software services (Lattice Semiconductor Corporation and Here International B.V., an IT-related company). During the first half of 2018, the trend accelerated with four mega acquisitions failing in the U.S. for clearly-stated national security reasons.[20] Three of these acquisitions directly involved Chinese buyers: the takeover of MoneyGram International (financial services), Cogint Inc. (data services), and Xcerra Corporation (semi-conductor testing equipment). In addition, three deals were prohibited between December 2016 and March 2018 by U.S. presidential order—a practice little used in the past[21]—following recommendations by CFIUS (the deals were takeovers of Aixtron,[22] Lattice and Qualcomm). Outside the U.S., the Australian government rejected high-profile transactions in 2016, such as the sale of a majority stake in Ausgrid, an electricity provider, to State Grid Corporation of China on national security grounds, too.[23]

6. Conclusion

The dollar value of total Chinese outbound M&A transactions has increased significantly over the last decade, and especially since the global financial crisis (GFC) of 2007-08. This increase has been driven by vibrant M&A activity of large Chinese companies. This surge in M&A activity has been fueled by technology and knowledge-driven acquisitions in developed markets, as well as natural resource driven acquisitions in Latin America at first and now more and more in electricity sector and other parts of the world. Other factors driving Chinese investments abroad have been a desire for market diversification and adding international valued brand names (as it was the case of Lenovo's acquisition of IBM's personal computer's division in 2005) to their portfolio. Outbound M&A also helps Chinese firms establish new marketing and distribution channels. Lastly, cheap currency valuations in many developed markets, especially in Europe after the crisis in 2011, also made the valuations of foreign targets cheaper, boosting the Chinese outbound M&A activity from less than $40 billion in 2007 to over $140 billion in 2016 (year to date). The surge was such that, in fact, by June 2016, the value of announced M&As already exceeded the value achieved for the full 2015 year ($138 billion). The above analyses point to the following:

- The global financial crisis, has been an inflexion point for Chinese M&As which gained importance as a mode of entry for Chinese multinationals.
- Overall, both Chinese greenfield OFDI and outbound M&As have gained prominence. The U.S. and other major developed countries are not keeping up with the dynamic pace of growth in outbound M&A deals that we observe in Asia and in Africa.
- China's greenfield investments remains predominantly of a South-South nature. Though the share of developed countries has especially increased post-crisis, about 70% of China's OFDI are still directed towards developing and emerging economies in Asia, Africa and Latin America. This is in contrast to Chinese M&As, which from the beginning were largely directed towards Europe and North America (about 60% of the value of the M&A deals) and have remained so over the years. The volume of M&A deals by Chinese firms targeting these regions has increased remarkably in value terms since the global financial crisis. In

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the process, Europe has taken the lead as the primary target of M&As by emerging market multinationals, followed by North America.

- In both greenfield FDI projects and M&As, available data suggest the growing attractiveness of service based and consumer related industries for Chinese companies, while heavy or more traditional industries such as Energy (Oil, Coal and Gas) or Materials (such as Metals) either stagnated or declined in importance. This suggests a broader trend in the overseas expansion that will increasingly prioritize consumer markets around the world. It illustrates a shift in Chinese multinationals' investment strategies. The emergence of Alternative and Renewable Industry as a significant part of the China's OFDI project portfolio is also worth noting. All combined, these trends point to the new ambitions of Chinese multinationals, both in terms of markets and industries, and to the capabilities these firms have been building—and will most likely continue to build—over the years.

As we close this analysis of China's outbound M&A activity, we can see that Chinese companies have come a long way since the early 2000s, becoming major global acquirers. To reach this status, they have been willing to pay a relatively higher price in recent years (especially in the post global financial crisis period) for overseas acquisitions. Following their 2015-2016 buying spree, however, a significant slowdown in Chinese M&As has taken place in 2017. This reflects the double blow which they have been facing: at home, the Chinese government has shifted towards increased scrutiny while abroad, especially in developed countries host governments have been making efforts to strengthen the control and supervision of foreign acquisitions, often citing national security concerns.

Yet, the long-term overall trend in Chinese M&As – and broadly speaking outward direct investment- remains to be seen. All of the factors that led to the fast expansion of Chinese

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overseas activities still remain in play. On the one hand, Chinese firms continue to look for new and innovative ways to expand into global markets. On the other, and despite increasing scrutiny, the Chinese government still encourages outbound investment in line with its overall strategy for the transformation of the Chinese economy. Combined, these factors are powerful drivers for continued Chinese M&A, at a possibly lower but more sustainable level.

Notes

[1] This article draws upon Casanova, L.; Miroux, A. 2016, 2017 and 2018. *Emerging Market Multinationals Report*. Emerging Markets Institute. Cornell S.C. Johnson College of Business. Cornell University. http://bit.ly/eMNCreport. The contribution of Kunal Garg, Abdel Bouhamidi, MBA students and Research Assistants is gratefully acknowledged as well as the copyeditors: Eudes Lopes and Jennifer Wholey.

[2] Data relate to investment projects or mergers that have been announced and not necessarily projects actually completed or undertaken.

[3] We consider E20 countries: Argentina, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Philippines, Poland, Republic of Korea*, Russia, Saudi Arabia, South Africa, Thailand and Turkey. GDP varies and the list may vary accordingly (Casanova and Miroux 2018).

[4] In this article all data about China's greenfield investments and M&As include Hong Kong as well.

[5] Industry distribution analysis based on Standard & Poor's Capital IQ's primary industry sectors classification, including Industrials, Consumer, Financials, Information Technology, Healthcare, Utilities, Materials and Energy sectors

[6] Materials includes primarily natural resources, but also chemicals and container & packaging companies.

[7] Industrials includes primarily manufacturing goods and services, but also commercial/professional services.

[8] Total Enterprise Value, defined as total market capitalization, preferred stock value and total debt less cash and cash equivalents.
For more details, see Casanova, L. and A. Miroux, *Emerging Market Multinationals Report 2016*, Chapter 5; and, *Casanova and Miroux 2017*, Chapter 2.

[9] The Chinese government launched the Belt and Road Initiative (BRI), formerly known as One Belt, One Road, in 2013. The BRI aims to foster integration and cooperation by building infrastructure, developing cultural exchange, and increasing trade among countries in Asia, the Middle East and North Africa along two axes: the Silk Road Economic Belt (essentially the original Silk Road) and the 21st Century Maritime Silk Road.
For more information on the initiative, see D. Dollar, 2015, "*China's rise as a regional and global power: The AIIB and the "One Belt, One Road"* http://www.brookings.edu/research/papers/2015/07/china-regional-global-power-dollar, and S. Kennedy and D. Parker, "Building China's 'One Belt, One Road'", Center for Strategic and International Studies (CSIS), April 2015, https://www.csis.org/analysis/building-china's-"one-belt-one-road".

[10] In fall 2016, Chinese authorities announced stricter approval requirements for M&A deals worth more than $10 billion (or $1 billion if the acquisition fell outside the investor's core business area). See *Casanova and Miroux 2017*, Chapter 2, p. 41.

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[11] China Tightens Overseas Investment To Reduce Risks, Forbes, December 22, 2017, https://www.forbes.com/sites/sarahsu/2017/12/22/china-tightens-overseas-investment-to-reduce-risks/#c790bc772cfd.

[12] China issues code of conduct for private firms investing overseas. Japan Times, December 10, 2017 *https://www.japantimes.co.jp/news/2017/12/19/business/china-issues-code-conduct-private-firms-investing-overseas/#.*

[13] Using M&A microdata, such as those of the American Enterprise Institute, some observers estimate that 2018 Chinese outbound M&As may have been larger that indicated by official outflow data, and perhaps higher than in 2017. The increasingly important role that overseas subsidiaries of Chinese corporations have played in acquiring assets abroad could explain the divergence between China's official outward FDI and such microdata. Official data would not capture such activities. Source: Alicia Garcia Herrero and Jianwei Xu, *"China's overseas mergers and acquisitions may not have slowed down in 2017 and will probably boom in 2018"*, Natixis Research, July 19, 2018.

[14] See UNCTAD, World Investment Report 2016.

[15] Source: https://www.bakermckenzie.com/en/insight/publications/2017/10/germany-tightens-rules.

[16] As of now, the government can block deals involving the purchase of at least 25 per cent of the equity of a German company by a non-EU entity if it endangers public order or national security. Under the new legislation, the threshold would be reduced to 15 per cent. Source : https://www.ft.com/content/6ff764e8-9a1c-11e8-ab77-f854c65a4465?ftcamp=crm/email/_2018___08___20180807__/emailalerts/Keyword_alert/product and *Foreign Investment Control in EU becomes more stringent",* by Y. Makarova,O. Rochman and F. Helmstadter, August 9, 2018 at https://www.mofo.com/resources/publications/180808-foreign-investment-control-eu.html?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original

[17] http://lcp.fr/actualites/loi-pacte-vers-un-controle-accru-des-investissements-etrangers-en-france

[18] A white paper by the U.K. Department for Business, Energy and Industrial Strategy was presented to Parliament to further protect national security "from hostile actors using ownership of, or influence over, businesses and assets to harm the country. ("National Security and Investment: A consultation on proposed legislative reforms Presented to Parliament by the Secretary of State for Business, Energy and Industrial Strategy by Command of her Majesty", July 2018, Ref: Cm. 9637P. 9).

[19] Source: https://www.treasury.gov/resource-center/international/Documents/Summary-of-FIRRMA.pdf

[20] Based on data from UNCTAD, World Investment Report 2018, tables III.2 and III.3.

[21] The 2016 presidential order was the third order in about 25 years since 1990.

[22] The presidential order blocked the sale of the U.S. portion of Aixtron SE, a German chipmaker.

[23] https://www.nytimes.com/2016/08/12/business/dealbook/australia-china-ausgrid-nsw-sydney.html.

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Appendix 1. Biggest M&A announced M&A deals from July 1st, 2015 till June 30th, 2016 by decreasing value

Transaction Announcement Date	Target	Total Transaction Value ($USDmm)	Buyers	HQ - Country [Target]	HQ - Country [Buyers]
11/23/2015	Allergan plc (NYSE:AGN)	190,971	Pfizer Inc. (NYSE:PFE)	Ireland	United States
09/17/2015	SABMiller plc (LSE:SAB)	113,215	Anheuser-Busch InBev SA/NV (ENXTBR:ABI)	United Kingdom	Belgium
05/18/2016	Monsanto Company (NYSE:MON)	66,321	Bayer AG (DB:BAYN)	United States	Germany
02/03/2016	Syngenta AG (SWX:SYNN)	43,000	China National Chemical Corporation	Switzerland	China
07/27/2015	Allergan plc, Global Generic Pharmaceuticals Business	40,279	Teva Pharmaceutical Industries Limited (NYSE:TEVA)	United States	Israel
11/17/2015	Norfolk Southern Corporation (NYSE:NSC)	37,039	Canadian Pacific Railway Limited (TSX:CP)	United States	Canada
01/11/2016	Baxalta Incorporated	36,220	Shire plc (LSE:SHP)	United States	Ireland
07/01/2015	The Chubb Corporation	31,551	Chubb Limited (NYSE:CB)	United States	Switzerland
08/04/2015	Baxalta Incorporated	30,908	Shire plc (LSE:SHP)	United States	Ireland
01/25/2016	Tyco International plc	16,758	Johnson Controls International plc (NYSE:JCI)	Ireland	United States
02/23/2016	London Stock Exchange Group plc (LSE:LSE)	15,783	Deutsche Boerse AG (XTRA:DB1)	United Kingdom	Germany
12/07/2015	Keurig Green Mountain, Inc.	14,253	Acorn Holdings B.V.	United States	Netherlands
09/08/2015	Power Assets Holdings Limited (SEHK:6)	13,596	Assets Global International Limited	Hong Kong	British Virgin Islands
11/17/2015	Airgas, Inc.	13,459	Air Liquide SA (ENXTPA:AI)	United States	France
09/08/2015	Oil Search Limited (ASX:OSH)	12,529	Woodside Petroleum Ltd. (ASX:WPL)	Papua New Guinea	Australia
12/15/2015	Sanofi, Animal Health Business	12,457	Boehringer Ingelheim International Gmbh	France	Germany
02/09/2016	ITC Holdings Corp. (NYSE:ITC)	11,478	Fortis Inc. (TSX:FTS)	United States	Canada
08/25/2015	RSA Insurance Group plc (LSE:RSA)	10,934	Zurich Insurance Group AG (SWX:ZURN)	United Kingdom	Switzerland
09/04/2015	TECO Energy, Inc.	10,422	Emera Incorporated (TSX:EMA)	United States	Canada
07/02/2015	K+S Aktiengesellschaft (DB:SDF)	10,401	Potash Corporation of Saskatchewan Inc. (TSX:POT)	Germany	Canada
03/21/2016	IHS Inc.	10,339	IHS Markit Ltd. (NasdaqGS:INFO)	United States	United Kingdom
02/10/2016	Meda AB	10,071	Mylan N.V. (NasdaqGS:MYL)	Sweden	United Kingdom
04/28/2016	Medivation, Inc. (NasdaqGS:MDVN)	9,543	Sanofi (ENXTPA:SAN)	United States	France
03/30/2016	SGS Tool Company	9,046	Kyocera Corp. (TSE:6971)	United States	Japan
12/18/2015	Nanyang Commercial Bank Limited	8,771	China Cinda Asset Management Co., Ltd. (SEHK:1359)	Hong Kong	China
06/21/2016	Supercell Oy	8,600	Tencent Holdings Limited (SEHK:700)	Finland	China
03/16/2016	Strategic Hotels & Resorts, Inc.	8,275	Anbang Insurance Group Co., Ltd.	United States	China
08/06/2015	OCI N.V., European, North American And Global Distribution Businesses	8,000	CF Industries Holdings, Inc. (NYSE:CF)	Netherlands	United States
09/02/2015	Polyus Gold International Limited	7,693	Wandle Holdings Limited	United Kingdom	Cyprus
09/03/2015	Avolon Holdings Limited	7,656	HNA Group Co., Ltd.	Ireland	China
02/17/2016	Ingram Micro Inc. (NYSE:IM)	7,254	Tianjin Tianhai Investment Co., Ltd. (SHSE:900938)	United States	China
07/28/2015	Elster Group SE	6,524	Honeywell International Inc. (NYSE:HON)	Germany	United States
07/28/2015	Italcementi SpA (BIT:IT)	6,473	HeidelbergCement AG (DB:HEI)	Italy	Germany
07/29/2015	Cytec Industries Inc.	6,350	Solvay SA (ENXTBR:SOLB)	United States	Belgium
05/19/2016	FMC Technologies, Inc. (NYSE:FTI)	6,301	Technip SA (ENXTPA:TEC)	United States	France
11/02/2015	Dyax Corp.	5,886	Shire Pharmaceuticals International	United States	Ireland
11/03/2015	King Digital Entertainment plc	5,831	Activision Blizzard, Inc. (NasdaqGS:ATVI)	Ireland	United States
09/08/2015	MS Amlin plc	5,643	Mitsui Sumitomo Insurance Co., Ltd.	United Kingdom	Japan
12/07/2015	Neptune Orient Lines Limited	5,560	CMA CGM S.A.	Singapore	France

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Transaction Announcement Date	Target	Total Transaction Value ($USDmm)	Buyers	HQ - Country [Target]	HQ - Country [Buyers]
01/15/2016	GE Appliances Inc.	5,400	Qingdao Haier Co., Ltd. (SHSE:600690)	United States	China
11/27/2015	China TieTong Telecommunications Corporation	5,357	China Mobile Limited (SEHK:941)	China	Hong Kong
01/26/2016	Terex Corporation (NYSE:TEX)	5,230	Zoomlion Heavy Industry Science and Technology Co., Ltd. (SZSE:000157)	United States	China
03/14/2016	Tuxiana Corp. And CITIC Real Estate Co., Ltd.	5,146	China Overseas Land & Investment Ltd. (SEHK:688)	China	Hong Kong
09/29/2015	Reynolds America Subsidiaries And Trademarks For Natural American Spirit Outside U.S.	5,007	JT International Company Netherlands B.V.	Japan	Netherlands
12/03/2015	Komi Oil Ltd	5,000	Gaetano LLC	Russia	United States
08/11/2015	Terex Corporation (NYSE:TEX)	4,633	Konecranes Plc (HLSE:KCR1V)	United States	Finland
09/20/2015	Atmel Corporation	4,446	Dialog Semiconductor Plc (XTRA:DLG)	United States	United Kingdom
08/11/2015	Symetra Financial Corporation	4,414	Sumitomo Life Insurance Company	United States	Japan
05/18/2016	KUKA Aktiengesellschaft (DB:KU2)	4,386	Mecca International (BVI) Limited	Germany	British Virgin Islands
07/29/2015	Industrial Income Trust Inc.	4,279	Global Logistic Properties Limited, Investment Arm	United States	Singapore
06/29/2016	PrivateBancorp, Inc. (NasdaqGS:PVTB)	4,131	Canadian Imperial Bank of Commerce (TSX:CM)	United States	Canada
11/23/2015	Edra Global Energy Bhd	4,011	China General Nuclear Power Corporation	Malaysia	China
12/17/2015	Acerta Pharma B.V.	4,000	AstraZeneca PLC (LSE:AZN)	Netherlands	United Kingdom
12/22/2015	99.81% stake in Finansbank, 0.2% stake in Yatirim and Portföy and 29.87% stake in Finans Finansal	3,935	Qatar National Bank S.A.Q. (DSM:QNBK)	Turkey	Qatar
05/06/2016	Air Products and Chemicals, Inc., Performance Materials Division	3,800	Evonik Industries AG (DB:EVK)	United States	Germany
09/08/2015	Amdipharm Mercury Company Limited	3,531	Concordia International Corp. (TSX:CXR)	United Kingdom	Canada
08/26/2015	Betfair Group PLC	3,502	Paddy Power Betfair plc (ISE:PPB)	United Kingdom	Ireland
01/11/2016	Legend Pictures, LLC	3,500	Dalian Wanda Group Co Ltd	United States	China
04/25/2016	Ball Corporation, Select Metal Beverage Can Assets, Support and Functions in Europe, Brazil and US	3,420	Ardagh Group S.A.	United States	Luxembourg
06/21/2016	Dematic Group S.à r.l.	3,250	KION GROUP AG (XTRA:KGX)	Luxembourg	Germany
03/11/2016	Portfolio of 19 Hotels Assets in China	3,234	Amare Investment Management	China	Singapore
10/22/2015	MEGlobal B.V.	3,200	EQUATE Petrochemical Company (K.S.C.C.)	United Arab Emirates	Kuwait
08/03/2015	HERE Holding Corporation	3,124	Daimler AG (XTRA:DAI); Bayerische Motoren Werke Aktiengesellschaft (DB:BMW); AUDI AG (DB:NSU)	United States	AUDI AG (DB:NSU) (Germany); Bayerische Motoren Werke Aktiengesellschaft (DB:BMW) (Germany); Daimler AG (XTRA:DAI) (Germany)
02/22/2016	Brake Bros Limited	3,100	Sysco Corporation (NYSE:SYY)	United Kingdom	United States
06/16/2016	Hermes Microvision, Inc. (GTSM:3658)	3,091	ASML Holding NV (ENXTAM:ASML)	Taiwan	Netherlands
03/28/2016	100% of Dell Systems Corporation And Dell Technology & Solutions Limited And Dell Services Pte. Ltd.	3,055	NTT DATA, Inc.	Singapore	United States
04/19/2016	SABMiller plc, European Business	2,901	Asahi Group Holdings, Ltd. (TSE:2502)	United Kingdom	Japan
12/09/2015	FRHI Holdings Limited	2,897	Accor S.A. (ENXTPA:AC)	Canada	France
11/13/2015	Skyway Concession Company, LLC	2,836	OMERS Administration Corp.; Canada Pension Plan Investment Board; Ontario Teachers' Pension Plan	United States	Canada Pension Plan Investment Board (Canada); OMERS Administration Corp. (Canada); Ontario Teachers' Pension Plan (Canada)
07/30/2015	Swissport International Ltd.	2,818	HNA Group Co., Ltd.	Switzerland	China
06/30/2016	InterOil Corporation (NYSE:IOC)	2,817	Exxon Mobil Corporation (NYSE:XOM)	Singapore	United States
11/02/2015	MedAssets, Inc.	2,775	Pamplona Capital Management LLP, Private Equity	United States	United Kingdom
05/09/2016	TF Holdings Ltd.	2,770	CMOC Limited	Africa	Hong Kong
06/14/2016	NXP Semiconductors NV, Standard Products Business	2,750	Beijing JianGuang Asset Management Co., Ltd.; Wise Road Capital Ltd.	Netherlands	Beijing JianGuang Asset Management Co., Ltd. (China); Wise Road Capital Ltd. (China)
12/08/2015	Fairchild Semiconductor International Inc. (NasdaqGS:FCS)	2,694	China Resources Microelectronics Limited; Hua Capital Management Ltd.	United States	China Resources Microelectronics Limited (China); Hua Capital Management Ltd. (China)
07/16/2015	GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG	2,670	Magna International Inc. (TSX:MG)	Germany	Canada
01/19/2016	Rouse Properties, Inc.	2,576	Brookfield Asset Management Inc. (TSX:BAM.A)	United States	Canada
04/06/2016	Glencore Plc, Agricultural Products Business	2,500	Canada Pension Plan Investment Board	United Kingdom	Canada

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Transaction Announcement Date	Target	Total Transaction Value ($USDmm)	Buyers	HQ - Country [Target]	HQ - Country [Buyers]
06/05/2016	Asia Square Tower 1	2,499	Qatar Investment Authority	Singapore	Qatar
05/20/2016	InterOil Corporation (NYSE:IOC)	2,488	Oil Search Limited (ASX:OSH)	Singapore	Papua New Guinea
06/02/2016	ALS Limited (ASX:ALQ)	2,478	Advent International Corporation; Bain Capital, LP	Australia	Advent International Corporation (United States); Bain Capital, LP (United States)
07/13/2015	Alent plc	2,351	Platform Specialty Products Corporation (NYSE:PAH)	United Kingdom	United States
12/03/2015	9.01% Stake In Grupo Financiero Inbursa, S.A.B. de C.V. And 17.3% Stake In The Bank of East Asia	2,322	Criteria Caixa, S.A., Single-Shareholder Corporation	Mexico	Spain
11/25/2015	PetroChina Kunlun Gas Co., Ltd.	2,321	Kunlun Energy Company Limited (SEHK:135)	China	Hong Kong
10/01/2015	Representaciones e Investigaciones Medicas, S.A. de C.V.	2,300	Teva Pharmaceutical Industries Limited (NYSE:TEVA)	Mexico	Israel
07/15/2015	Shred-it International Inc.	2,300	Stericycle, Inc. (NasdaqGS:SRCL)	Canada	United States
07/27/2015	Sirius International Insurance Group Ltd.	2,235	CM International Holding Pte. Ltd.	Bermuda	Singapore
12/31/2015	Priory Group Limited	2,224	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC)	United Kingdom	United States
04/15/2016	Polycom, Inc. (NasdaqGS:PLCM)	2,160	Mitel Networks Corporation (NasdaqGS:MITL)	United States	Canada
12/16/2015	Pacific Hydro Pty Ltd.	2,160	State Power Investment Corporation	Australia	China
09/23/2015	Landmark Aviation, L.L.C.	2,065	BBA Aviation plc (LSE:BBA)	United States	United Kingdom
10/21/2015	Viom Networks Limited	2,064	ATC Asia Pacific Pte. Ltd.	India	Singapore
10/17/2015	Wincor Nixdorf Aktiengesellschaft (XTRA:WIN)	2,053	Diebold, Incorporated (NYSE:DBD)	Germany	United States
05/10/2016	RHP Western Portfolio Group And American Home Portfolio Group And AMC Portfolio And MHC Portfolio IV	2,035	Brookfield Property Group LLC	United States	Canada
04/11/2016	gategroup Holding AG (SWX:GATE)	2,016	HNA Group Co., Ltd.	Switzerland	China
05/23/2016	WMF Group GmbH	1,916	SEB SA (ENXTPA:SK)	Germany	France
02/19/2016	Home Retail Group plc	1,916	Steinhoff International Holdings N.V. (JSE:SNH)	United Kingdom	South Africa
11/09/2015	Fidelity & Guaranty Life (NYSE:FGL)	1,897	Anbang Insurance Group Co., Ltd.	United States	China
09/18/2015	Veda Group Limited	1,873	Equifax Inc. (NYSE:EFX)	Australia	United States
03/31/2016	SMCP S.A.S.	1,861	Shandong Ruyi Technology Group Co. Ltd.	France	China

Source: Based on *Standard &Poors'* Capital IQ data *accessed by September based* of announced outbound M&A transactions July 1, 2015- June 30, 2016.

Authors have excluded manually domestic transactions and those global ones where a consortium of investors/companies from multiple countries were involved.