

BRI Pulse

Q2 2021 Chinese Inbound announced M&A Transactions/Equity Investments

Q2 2021 announced China inbound investments/pledges were \$13.9 billion, down 2.1% from \$14.2 billion in Q1 2021, but still well above both Q3 and Q4 2020 levels. These investments were a mixture of controlling inbound acquisitions, minority stakes, JVs and new plants/operations. This quarter was led by acquisitions of controlling stakes across financial services; banks, investment banks, securities firms, asset and wealth managers, insurers, real estate and logistics. We set out activity by region below: ⁽¹⁾

North America led with \$6.8 billion. Two large acquisitions by Blackstone, one of a Beijing based commercial developer and one of a leading Chinese data management group, accounted for \$4.3 billion. Canada based Brookfield acquired a set of five mainland shopping malls for \$1.4 billion.

There was a flurry of investments/announcements by leading US financial services groups including:

- JP Morgan – seeking to acquire the remaining 29% of its securities joint venture. (Estimate of \$40-50 million). This follows JPM's Q1 acquisition of a 10% stake in China Merchants Bank, a leader in Chinese wealth management for \$410 million
- Morgan Stanley – is interested in acquiring stakes in their Chinese securities and mutual funds JVs (circa \$150 million)
- Goldman Sachs – launched its Chinese wealth management JV with ICBC wealth management. Goldman will control 51%
- Blackrock – announced that it had received its license for a majority owned (50.1%) wealth management JV with CCB and Temasek (Singapore). Blackrock also became the first global asset manager to start a wholly-owned onshore mutual funds business

There were also industrial JVs in lithium batteries, into chemicals and gasification, VC and/or PE investments into Chinese healthcare, with a focus on biopharma and biotech, into dairy and into a newly launched industrial/PE fund for the Chinese beauty market. There were also a few smaller RE acquisitions as well.

The quarter ended with Warburg Pincus announcing a JV with China's Golden Union Group, to acquire under-utilised properties in Shanghai and Beijing and converting them into use including serviced apartments, creative offices, or mixed-use commercial projects.

Asia Q2 announced with disclosed values totalled \$6.1 billion. Not surprisingly, Hong Kong and Singapore ranked #1 and #2 respectively by country. The largest Asian inbound investment was AIA's acquisition of a 24.99% equity stake in China Post Life for \$1.8 billion. Hong Kong also saw a \$500+ million acquisition of a Chinese shopping mall by a REIT and an inbound mainland Chinese hospital acquisition. Singapore saw 3 real estate/REIT transactions, one of which represented the successful IPO of GLP's logistics REIT (a landmark China REIT transaction), the launch of DBS' majority controlled mainland securities JV and a private placement by GIC into a leading tech platform.

(1) Included in this analysis are transactions and/or investments which have both been signed and announced. Omitted from this analysis are transactions involving publicly traded debt or equities.

BRI Pulse

Q2 2021 Chinese Inbound announced M&A Transactions/Equity Investments

This quarter also saw inbound JVs/partnerships involving many other Asian countries; Japan (Daiwa securities JV and an EV batteries JV), Korea (biopharma VC investment led by Mirae and a JV in lithium ion battery recycling), Mongolia (metallurgical coal JV), Thailand (hospitality/hotels entry), and Australia, a \$1.4 billion lithium strategic partnership.

In MENA, China (Guangzhou) and Israel launched a 2nd Sino-Israel biotech Fund, managed by prominent Israeli professionals focussed in Israel and EU biotech companies in phase II/III clinical trials.

Europe (excluding the UK) saw numerous JVs/investments, however, very few of them had disclosed values and thus aggregate disclosed values were \$750 million.

In Germany, there were two JVs launched focused on electric batteries as well as one on fuel cells – all involving leading brands from both countries. There was a JV launched to focus on monorail components, one to bring German flying taxis into China and one to fund a Series C of a Chinese drone maker. Perhaps the most pressing Q2 German/China JV was the one between Fosun Pharma and BioNTech, which is designed to produce up to 1 billion of additional vaccine doses per year to mainland China, which needs this additional domestic vaccine capacity. (BioNTech also announced that it would be launching new regional vaccine production facility in Singapore).

BASF's new engineering plastics compounding plant at the BASF Zhanjiang Verbund site (\$10 billion) is also on track with the first production plant to come onstream at the site in 2022.

German inbound VC investment volume was much lower in Q2 versus Q1 as Bertelsmann (BAI) – which made 5 VC investments in Q1 – saw none in Q2. BASF and Bosch VC funds saw much lower VC investment activity in Q2.

France saw Sanofi launch a new global research institute in China (its 4th such global institute), Air France/KLM acquired an additional \$200 million to increase its stake in China Eastern (still below 10%) and TOTAL released updated data on its solar panel JV (TEESS) with Envision which appears to be making strides into the Chinese commercial & industrial user segment.

Other European countries:

- Norway – saw two JVs, one to develop offshore wind in the Yellow Sea and one with UAC, a supplier of fiberglass pressure vessels, to build a large scale production facility in China
- Finland – Finnair – new JV with Juneyao Air to expand air service between both countries
- Switzerland – Clariant opened its new production facility for light stabilizers
- Italy – Daerg Chimica, a specialist in car washing business operating in 45 countries, announced the launch of its Chinese business
- Netherlands – LyondellBasell announced that Jiangsu Fenghai will use its Spheripol 400 kilotons per annum (KTA) and Hostalen ACP300 KTA Hostalen technology for its new facility to be built in Lianyungang

© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.



BRI Pulse

Q2 2021 Chinese Inbound announced M&A Transactions/Equity Investments

UK – (amounts with disclosed values of circa \$250 million) – saw the acquisition of a majority (73%) stake in a small Chinese industrial company, acquisition of a 10% stake in a regional Chinese freight organisation, a JV involving China Everbright Fund providing growth capital for IP Group’s China based portfolio companies, a chemical manufacturing JV, a JV in life sciences/AI, a small petrochemicals JV (via Shell), a data focussed JV involving Unilver, Alibaba’s Brand DataBank and Fudan University, and a sizeable infant formula business exit by Reckitt Benckiser, a leading UK consumer health group.

© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.