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Expect Heated M&A Competition to Continue in 2016

By [Douglas Freeman](#) & [Victor Chen](#)

One of the prevalent themes of the Chinese market in 2015 was the increased competition private equity (PE) firms experienced in mergers and acquisitions in the Greater China region. With corporates bidding aggressively for target companies, we saw valuations pushed to lofty levels. Under pressure to continue to grow revenue and market share, industry leaders such as Alibaba, Baidu and Tencent, to name a few, were especially active in 2015.

Strategic acquirers have not only been competing for the same targets but also making dominant or controlling late-stage investments in many PE-backed portfolio companies in several cases. This tends to create tension and uncertainty for potential exits because private equity firms and strategic acquirers may have different investment horizons and agendas. However, if the initial public offering market remains volatile in 2016, the pressure for portfolio companies to consolidate and seek M&A opportunities will only increase.

With a lot of dry powder, deal appetite will remain strong among PE firms but finding opportunities to deploy their capital will continue to present a challenge in 2016. Corporates will continue their M&A growth strategies and drive up valuations.

In this heated environment, we are likely to see disciplined PE firms stay active by expanding their sector focus and pursuing bolt-on acquisitions to existing portfolio investments.

Simultaneously, another rising trend has been that of domestic private equity fueling the resurgence of Chinese companies announcing plans to delist from the U.S. in 2015, with the majority seeking to relist in China.

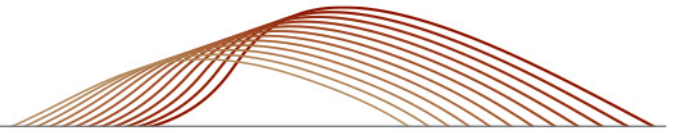
Volatility in the Chinese stock market put many of those privatization bids in doubt but the market has stabilized in the past three months and a number of previously announced transactions have reached agreement and received the green light from shareholders.

Sohu's announcement at the end of 2015 arguably set the tone for what could be a very active period for "going private" transactions in the new year.

Looking ahead, we expect this trend to continue and even surpass the number of "going private" transactions in 2015, which reached 34 deals at year end.

The TMT (technology, media and telecom), healthcare, and alternative energy sectors are once again likely to lead the way in this respect.

One of the notable aspects of the resurgence of the U.S.-listed, China-bound private transactions has been the domestic nature of the acquiring parties, including various domestic strategic and



financial parties. This contrasts with what was formerly a transaction type led by international private equity sponsors. We also expect this trend to continue.

(This piece was first published in EJ Insight, the English service of the Hong Kong Economic Journal (Hong Kong's first Chinese financial newspaper), on December 29, 2015)

激烈的企业并购竞争将持续至 2016 年

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回顾 2015 年，私募股权投资（PE）公司在大中华区的企业并购业务中日益激烈的竞争是中国市场最热门的主题之一。随着 PE 公司为目标公司进行激进地竞价，我们见证了目标公司的估价被推到极致。在继续提升收入并扩大市场份额的压力下，行业领袖，如阿里巴巴、百度和腾讯，在 2015 年尤其活跃。

战略收购者不仅为同一目标公司而相互竞争，而且也对许多获 PE 投资的投资组合公司进行支配性或控制性的后期投资。这容易为潜在的投资退出造成紧张局面并带来不确定性，因为私募公司和战略收购者可能拥有不同的投资视野和投资步调。

尽管如此，如果 2016 年的首次公开募股（IPO）市场仍反复无常，投资组合公司进行合并与寻找并购机会的压力将只会增加。

在拥有大量现金储备的情况下，私募公司将保持强劲的交易需求，但寻找机会部署资金将继续成为 2016 年的挑战。而公司将维持其并购增长的策略并提升自身估价。

在这样火热的环境中，我们很可能会发现谨慎的私募公司通过扩大部门业务焦点及对现有组合投资进行补强收购的方式保持活跃。

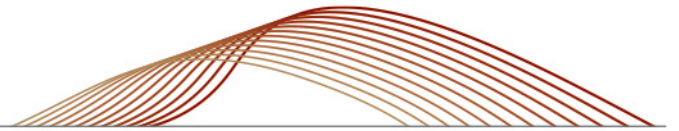
与此同时，2015 年的另一个新兴趋势是国内私募公司推动了中国公司回潮，宣布其在美国摘牌的计划，其中大部分公司寻求在中国重新上市。中国证券市场的动荡使许多公司的私有化变得不确定，但市场在过去的三个月中已经稳定下来，大量先前公布的交易已签署协议并获得公司股东的通过。

搜狐于 2015 年年末发布的公告可以说已经为 2016 年非常活跃的海外上市公司“私有化”交易奠定了基调。展望 2016 年，我们预计这种趋势将持续，甚至超越 2015 年海外上市公司“私有化”交易的数量（截至 2015 年年末，已有 34 起交易）。TMT（科技、媒体及通信）、医疗保健和新能源领域将可能再一次在这方面一马当先。

在美国上市的中国公司的私有化交易中，另一个值得注意的方面是收购方的本土化属性，包括多样的本土战略投资者及金融投资者。这和以往由国际私募投资者主导的交易模式形成对比。我们同样认为，这种趋势将在 2016 年持续。

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