

# CDI NEWSLINK

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## CDI Global Annual Meeting in China Strengthens our "Guanxi"

*One of the most crucial business decisions an organization has to make when it intends to make investments in China is getting the right advice. That right advice has a lot to do with "Guanxi". "Guanxi" literally means "relationships" and it is an important concept to understand if one is to function effectively in the Chinese business society. Western companies should work to develop strong relationships between themselves and their Chinese counterparts. These relationships should be both between companies and also between individuals. Relationships should be used as the basis for developing "Guanxi", or influence, related to the process of doing business in China.*

*Stockholm School of Economics & Eijs*

CDI Global's 34th Annual Meeting was hosted in mid-October by Juergen Kracht, Managing Director of CDI China at the Radisson Xing Guo Hotel in Shanghai. Over fifty CDI Partners and Associates participated representing more than thirty CDI Global Offices. The first day of the three-day meeting focused on CDI Strategies involving Asia, covering various aspects of how to conduct business, including cultural awareness and Chinese negotiating tactics.

Throughout the meeting, all partners discussed in-depth a number of global issues such as the private equity, chemical, transportation, and food packaging industries. This was a great forum for exchanging views, ideas, and experiences on an international level.



*Klaus Micheal Steuber of CDI Germany in discussions at the Business Roundtable*

The meeting also included two outstanding events. The first, a cocktail party with over thirty guests – Western executives located in or visiting Shanghai; and the second, a Business Roundtable with over fifty guests – Chinese executives inter-

ested in expanding outside of China as well as several members of the press. Speaker Liu Jing Ping, Deputy Director of the Shanghai Foreign Economic Relations & Trade Commission said that, "Total outbound investments made by Shanghai companies in seventy countries reached \$2 Billion (USD)...a small amount however...the spread of investment growth overseas is accelerating". Guest speaker and entrepreneur Conrad Plimpton from the USA continued by highlighting his business experience and how he is benefiting from CDI's expertise.



*Guest speaker Liu Jing Ping speaks to the crowd at the Business Roundtable*

This year's CDI Global Annual Meeting was both informative and enjoyable. Participants went home with an insight of what opportunities the Chinese market presents. CDI Global is well positioned to assist both international companies moving into China, as well as Chinese companies expanding outside of China. Established in 1973, CDI Global specializes in mergers, acquisitions, divestitures and alliances.

### Doing Business in China – Just the Facts:

- ◆ According to USA Today, China will be the #1 economy by 2020. A new power is emerging in the East. China's economic output is in the trillions, totally dominating the low-cost manufacturing venue and is expected to triple over the next 15 years. How is your company preparing to handle the unprecedented new challenges and opportunities?
- ◆ Stated in Newsweek Magazine (May 9, 2005), China's exports to the United States have grown 1,600% over the past 15 years and U.S. exports to China have grown by 415%. In 25 years, China has moved 300 million people out of poverty and quadrupled the average person's income. By 2007 Chinese will surpass English as the most used language on the Internet.

## Asia & Oceania

### Chinese Manufacturers Are on the Prowl

Excerpts from Donald H. Strasheim Article

China's scramble for the global manufacturing market has yielded widespread excess capacity and stiff competition. The high competition in China compels leading companies to seek overseas markets, high end foreign customers and higher profit margins.

There are two strategies – make or buy. First, expand overseas organically, building the Chinese brand internationally. This is slow. And this was the strategy of Sony and Toyota in the 1950s. Not until the mid-1980s had these products reached their current level of acceptance. The second approach is to buy a globally recognized brand and use it for distribution abroad (faster). US brands give access to the US and can yield higher profit margins in China ("premium" products).

Haier tried to build since 1999 then became impatient and is now trying to buy Maytag, which is a coveted brand with a global "reach".

Many Western manufacturers are struggling, but still have strong brands. But the US and Europe no longer have a competitive advantage in much of manufacturing. The option of selling to a Chinese company can be attractive to many old-line Western manufacturers. With the sale, the brand lives – and it is of considerable value in the marketplace.

### CDI Outback - Australia & New Zealand (CDI ANZ)

CDI in Australia and New Zealand, now locally referred to as CDI ANZ, has expanded to include offices in Melbourne, Sydney, Adelaide and Wellington. This expansion is driven by the geographic size of the region. Furthermore, there are distinct zones of activity within CDI ANZ that require specific industry knowledge and networks, zones that can be easily delineated by state and country borders. To make things easier, population concentrations are centered in approximately twelve key cities, the core ones of which are Adelaide, Auckland, Brisbane, Canberra, Christchurch, Darwin, Hobart, Melbourne, Perth, Sydney and Wellington.



#### REGIONAL OVERVIEW

Region	Capital City	Km <sup>2</sup>	Population	GDP / Capita
Australia	Canberra	7 692 000	20.2 m	US\$32 890
▪ QLD	Brisbane	22.5% <sup>#</sup>	3.9 m	17%*
▪ NSW*	Sydney	10.4% <sup>#</sup>	6.9 m	35%*
▪ VIC	Melbourne	3.0% <sup>#</sup>	5.0 m	26%*
▪ TAS	Hobart	1.0% <sup>#</sup>	0.5 m	2%*
▪ SA	Adelaide	12.6% <sup>#</sup>	1.7 m	7%*
▪ NT	Darwin	17.5% <sup>#</sup>	0.2 m	1%*
▪ WA	Perth	33.0% <sup>#</sup>	2.0 m	11%*
New Zealand	Wellington	270 000	4.1 m	US\$ 25 850

\* Denotes Proportion of Australian GDP

<sup>#</sup> Denotes Proportion of Australian land mass

+ Includes Canberra

CDI ANZ plans to continue its expansion with additional offices in Brisbane Auckland, Hobart and Perth in the future.

Not only is CDI ANZ expanding its regional base, but it is also in the process of appointing industry specialists / high profile well networked individuals.

The first appointment in this regard is Rod Chadwick who currently sits on a number of company boards and who previously was the Managing Director of Pacific Dunlop. He possesses specific expertise in manufacturing and food processing.

## Europe

### CDI Sweden "Matches" A Client and Buyer

CDI Sweden client, Swedish Match AB a publicly traded multi-million dollar company recently mandated CDI Global to sell their packaging division. The division, Swedish Match – Arenco has manufacturing resources in Kalmar (Sweden), Shanghai (China), Curitiba (Brazil) and Ambarnath (India). Arenco manufactures and sells machinery and raw materials to the match, fish processing/packaging, and material handling machinery industries. The company also manufactures machinery and components as a subcontractor.

During the project, CDI Global determined that it would be fiscally prudent to split the company. Utilizing their long-term relationship and in-depth knowledge of the client, CDI Sweden overcame resistance from local management and the union, and developed a successful process to split the company which was fully supported by all parties involved. CDI

Sweden selected and interviewed targets from the US, Italy, and China; however, the ultimate buyer was AmymonAB, a Swedish group.

Buyer due diligence in China conducted for the buyer by CDI China - Fiducia.

### ***Oil & Gas Industry Group “Fuels” A Transaction***

CDI's Oil & Gas Industry Group, managed by CDI Norway, was recently mandated by a German client, HATLAPA Uetersener Maschinenfabrik GmbH & Co. KG, to acquire two businesses from a large international UK based, Shipping Equipment Company. The UK based company was at that time only interested in divesting their entire maritime operation, rather than individual business units; and had hired an international bank as their advisor. After an unsuccessful attempt to work with the bank directly to acquire the two separate business units, CDI's Oil & Gas Industry team utilized their vast industry contact network to approach the company's executive management directly and position our client as buyer for the two businesses CDI had been mandated to acquire.

After several discussions with the company's CEO, CDI was able to convince the company that they would be better strategically positioned to sell their company without the two businesses that our client was interested in acquiring. Negotiations with our client then began, and an agreement was signed a few months later.

### ***Unwrapping the Russian Enigma***

“Russia is a mystery wrapped in a riddle inside an enigma”, - this widely known saying of Sir Winston Churchill remains fresh for many Western businesses, which consider Russia as a potential market for expansion. No doubt, Russia is different from any other country, thus, for a foreign investor it's not often certain how to do business in Russia and whether at all to take the investment risk. These uncertainties have had an adverse impact on the foreign direct investment activity in Russia. While such transitional economies as Brazil and China have managed to accumulate hundreds of billions of FDI dollars, Russia remained separated from this trend with accumulated FDI reaching a regrettably low level of \$33 bn by the end of 2004.

Such an outcome is somewhat upsetting as, since 1998 Russia not only has achieved outstanding macroeconomic results with strong GDP growth, budget and foreign trade surpluses and low inflation rates, but also attained certain political stability and consistency in pursuing structural reforms. This progress has been honoured by most bystanders, including IMF and credit rating agencies, however, investors have not decided to rush into the country yet.

Very often investors explain lack of their enthusiasm by political instability and poor business climate in Russia. However, there is an increasing federation of foreign investors believing Russia to have a lot of potential. Many of them have already made a choice to exercise advantage of an

early-mover to the country, which has a unique geographical location, endowed with natural resources, provides a low-cost position and is a fairly large market as such. And many of these believers are presently enjoying tremendous increase in local sales and its fascinating impact on their stock performance.

Success can not be achieved by default. Those who succeeded worked hard on development of differentiated business concepts and well-articulated strategies, finding a balanced combination of western corporate values and “act local” flexibility. They are consistent in using a step-by-step approach and have a passion for unwrapping the enigma of doing profitable and sustainable business in Russia. And, finally, they believe in it.

### ***CDI Düsseldorf (Germany) Expands Team***

CDI Global is pleased to announce that Christian Blumberg has joined us as a new Partner and Managing Director of Corporate Development International GmbH, Düsseldorf (Germany).

Together with Klaus-Michael Steuber, International and Country Partner of CDI Global in Germany, Christian will take a leading role to further strengthen our position as a leading company search firm for mid-sized transactions in Germany and Europe.

Michael and Christian together possess more than 40 years of executive level experience in M&A consulting in specialty areas, provide access to network / deal flow and add their experience to the deal process. They have worked across a wide range of industries, including automotive, industrial products, consumer products, media, construction and building products, chemicals, basic metals, transportation and logistics, pharmaceuticals, medical equipment and health-care.

Before joining CDI in Germany, Christian spent 13 years with the Ernst & Young Organization in Germany, most recently as Partner and Managing Director of Ernst & Young Corporate Finance GmbH with responsibility for the Industrial Products M&A-Team in Düsseldorf.

### ***Building Automation & Relationship Building***

A Swedish client in the building automation industry mandated CDI to acquire a Norwegian company in the same industry. CDI Norway soon learned that the company was already for sale and also close to signing a Letter of Intent with a US based firm. Not considering this an obstacle, CDI established a close relationship with the top management and the most influential shareholders in order to position our Swedish client. Timing was critical, and it was important to promote our client's bid as more qualified than the one which was already under negotiation.

After a few weeks the negotiations between the seller and the US firm began to deteriorate, and the door was finally

opened for an initial meeting between the seller and CDI's client. CDI's client signed an agreement with the selling firm a few months later.

### **CDI Norway Helps Double Share Value**

After a Norwegian IT firm terminated their contract with a leading auditing firm to sell their shares to a private equity firm, they hired CDI Global to represent the owners. CDI Norway was immediately able to reposition our client with the private equity firm while simultaneously educating our client on the value of also including industrial investors, which we believed would substantially increase the "real value" of the shares.

CDI's ability to work closely with our client in developing an innovative approach to this transaction and the successful repositioning more than doubled share value for our client!

## North America

### **Delft Instruments Acquires Lubrizol Performance Systems**

Delft Instruments B.V. acquired the activities of Lubrizol Performance Systems Group from The Lubrizol Corporation.

This acquisition further strengthens Delft Instruments' position in the oil and gas industry, more specifically in the on-shore segment. The business will be renamed Enraf Fluid Technology and will be part of Enraf Terminal Automation.

Enraf Fluid Technology has offices and factories in Roswell (Atlanta/USA) and Fareham (UK). Enraf Fluid Technology produces and supplies a broad range of custom-engineered explosion-proof precision blending and additive metering equipment for the petroleum industry. The company is market leader in its field.

Delft Instruments is the holding company of an international group of companies which hold a leading position in their respective markets with high quality, high-technology products and services.

CDI Global's Cleveland Ohio Partner, Ted Gardiner, with the assistance of CDI Norway's Tor Morne, who is the Global Business Manager for CDI's Oil and Gas Industry Group, represented Delft Instruments on this project.

### **Trimble Acquires Advanced Public Safety, Inc. to Expand its Mobile and Handheld Presence in Public Safety**

Trimble Navigation a billion dollar public company has acquired privately held Advanced Public Safety, Inc. (APS) in an all-cash transaction. APS is a leading software development company that creates mobile and handheld software products used by law enforcement, fire-rescue and other public safety agencies. APS's software provides real-time information to police officers via in-vehicle computers and handheld mobile computing devices to improve safety, productivity and accuracy.

With the APS acquisition, Trimble plans to leverage its Tripod Data Systems' (TDS) rugged mobile computing devices and Trimble Mobile Solutions' (TMS) fleet management systems to provide complete mobile resource solutions for the public safety industry.

"The APS acquisition opens up a new vertical segment in which Trimble can offer public safety agencies complete mobile computing and resource management solutions", said Mark Harrington, Vice President of Strategy and Business Development for Trimble.

"We are pleased to join Trimble," said Jeffrey D. Rubenstein, President of Advanced Public Safety, Inc. "The acquisition is an ideal fit with the convergence of mobile computing and location technologies. Now our existing and potential customers will have the opportunity to fully capitalize on the unique advantages offered by Trimble's technology."

CDI Global's North American organization represented APS on this project providing services including writing of an Information Memorandum, development of acquisition rationale, selection of target candidates, negotiations, and due diligence coordination. Regarding CDI's involvement APS' President, Jeffrey Rubenstein stated, "CDI's resources were an invaluable component of completing our transaction. Their commitment to excellence is unsurpassed in the industry".

## **About CDI Global**

CDI is known for its strong international competence, industrial focus, interview process, and in-depth expertise; and has successfully completed over 1,000 search assignments. CDI now has several hundred professionals including 100 in China (Hong Kong, Beijing, Shanghai, and Shenzhen), in 35 countries in Europe, North America, South America, Asia, and Australia.

## **Masthead**

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