News release

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**Value of M&A deals abroad by Chinese buyers soars to a record high**

*Early planning on tax structure and post-deal integration essential for a successful M&A deal in this new global dynamic*

**22 May 2013** – Chinese enterprises have been playing an important role in the cross-border M&A arena, with deal values increasing from US$10.3 billion in 2008 to a record high of US$65.2 billion in 2012, more than five times growth over the past five years, according to announced data and PwC analysis. It resonates a new global M&A dynamic that clearly reveals more high growth market (HGM) companies are investing into mature markets.

While Chinese enterprises are actively looking for outbound investment opportunities, PwC points out that tax planning and post-deal integration are critical issues that require high-level attention and early planning to ensure a successful M&A deal.

Between 2008 and 2012, HGM companies invested US$161 billion into mature market companies, outstripping the opposite flow of US$151 billion, says PwC in a recent report titled *Resetting the Compass: Navigating success in deal-making for mature market sellers and high growth market buyers.*

The report also shows among five high growth markets, China has been the leader since 2009, accounting for nearly 70% of HGM investment into mature markets in terms of deal value in 2012.

Edwin Wong, PwC China Outbound Investment Services Leader, said, “Many mature market companies need an investor or a partner who can bring access to high growth markets. On the other side, HGM buyers are looking for access to sales channels, supply chains, resources, technology, know-how, brands or management experience. Larger HGM companies may be using M&A to grow from being a local or regional player to being a global one.”

Elton Huang, PwC China Domestic Market Initiatives (DMI) Tax Leader, said, “In China, we see the rise of Chinese privately owned enterprises looking for mature market targets which impact on the market dynamic. Looking ahead, while China’s state-owned enterprises will continue to inject greater capital into overseas M&A deals, the Chinese private sector will take a lead in deal volume as they seek more investment opportunities than China’s domestic market currently offers.”

The range of industry M&A targets is also widening. While the state sponsored push to secure energy and resources is evident from deal value statistics, the growing activity of Chinese private sector buyers in acquiring industrial technologies and consumer-linked businesses overseas is an important trend.

Over the past five years, Chinese enterprises have accumulated great experience in target screening and transaction execution. However, common issues such as setting up long-term strategies at the pre-deal stage; managing projects, tailoring due diligence, choosing proper financing options, and understanding of the application process during the transaction, and post-deal integration, remain as critical challenges.

“Deal-making is always a complex mix of strategy, economics and personalities, and good tax planning can help buyers identify investment opportunities that compliment their development in the future. As a successful completed transaction does not always lead to a value-added merger, we also suggest early planning on post-deal integration,” said Mr. Huang.

“As Chinese enterprises step up their role in the global M&A arena, they are gradually targeting longer-term return on investment. We believe it is a healthy direction and we will see continued acceleration in this type of outbound M&A over the coming year,” Mr. Wong added.

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**Note to editors:**

**Resetting the Compass: Navigating success in deal-making for mature market sellers and high growth market buyers**

The research was conducted by means of interviews with PwC partners and deal specialists globally, and with clients of PwC. Throughout the paper and analysis, high growth markets are identified as China, India, the Gulf States/Saudi Arabia, Russia and Brazil; while the ‘mature market’ consists of the US, UK, Germany, Australia, Japan and Canada.

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