Press release

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***The rise in investment by High Growth Markets into mature markets represents a whole new M&A dynamic, says PwC***

*But it is critical for buyers and sellers to gain a clear understanding of what each wants from the deal for there to be a successful outcome.*

**London, 6th March 2013** ‑ A rise in the number of high growth market (HGM) companies investing into mature markets is set to inject a new dynamism into cross-border mergers and acquisitions (M&A) in the coming years, says PwC in a new report titled ***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. It shows that with major differences in the areas of heritage, international experience and decision-making, it is even more important for buyers from high growth markets and targets/sellers in developed markets to gain a clear understanding of each other’s aims and ambitions in order to complete a successful deal.

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.

Currently, HGM company acquisitions of mature market targets represent just 1.5% of global M&A and 5.3% of global cross-border deals; but this is on the rise. Large and mid-sized private companies have now joined the state-backed investors who were among the first to acquire mature market targets. And the range of industry M&A targets is also widening to include everything from energy, raw materials and engineering to media, retail and consumer goods companies.

Increasingly, HGM companies are unlocking or accelerating their domestic opportunities by acquiring state-of-the-art technology and expertise or buying into established global brands.

John Dwyer, Global Deals Leader at PwC said:

“Through deals, they are bringing their products and those of others to new countries by buying into established distribution channels, brand names and know-how. A growing number of HGM companies are already poised to go from being a national leader to a global one, and are using strategic M&A to accelerate that move.”

The PwC report looks at how the rise of HGM companies acquiring mature market firms brings not just a change of direction to the M&A market, but a new dynamic. For HGM companies and mature market companies there can be contrasting differences in cultural, political and economic context and processes.

Nick Page, PwC Transaction Services partner, added:

“There is no simple recipe for a great deal; but when the ingredients change, it becomes even more important that both buyers and sellers know what it is the other wants from the deal. This issue came up repeatedly in conversations with our clients and deals partners worldwide.”

Here are just some of PwC’s suggested measures for buyers and sellers in deals between high growth and mature market companies:

**Addressing valuation mismatches:**

* Greater transparency by both buyers and sellers around deal drivers can increase trust/manage expectations
* Sellers should not assume that an HGM company may have easier access to capital
* Sellers need to understand the buyer’s investment timeframe and shareholder environment before setting premium
* Clarify valuation techniques to ensure both parties are working with the same parameters.

**Agreeing a timeframe for completion:**

* Both parties need to understand what constitutes a ‘normal’ timespan for negotiations and completion
* Buyers should educate sellers early if special approval processes need to be followed
* Foster relationships with key decision-makers at an early stage, so that dialogue is possible if the deal timetable begins to slip.

**Connecting with decision-makers:**

* Take time early on to understand decision-making hierarchies – and who has the final say. This is particularly true for deals involving state-owned enterprises
* Buyers bidding for targets with private equity (PE) involvement should have direct contact with the PE side as well as the target company’s management
* Bear in mind that the time needed to develop relationships varies greatly from culture to culture

**Reconciling deal process differences:**

* Plotting the deal process and due diligence approaches of buyer and seller will highlight where they diverge
* Communicating the reasoning behind due diligence practices can make the other party more comfortable/willing to cooperate with the process
* Be aware that high growth markets can have very different reporting, tax and legal demands and systems that can slow the due diligence process and necessitate more requests for information.

ENDS

Notes to editor:

A copy of the report *Resetting the Compass: Navigating success in deal-making for mature market sellers and high growth market buyers* can be download at: www.pwc.com/hgm

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