



## Joint Ventures & Partnering InSight Q1 2019



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Lincoln's JV&P Advisory Team  
in the United States

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## Q&A with Charles Hedden of Lincoln's JV&P Advisory Team

### Why are Lincoln International's JV and Partnering services important for U.S. based PE firms and their portfolio companies?

Economic uncertainty and technological disruption are driving increased partnering activity, not just in corporates but also for PE portfolio companies. Our specialist offering, unique among investment banks, is relevant in several ways:

#### Expanding into new markets and geographies

- We leverage the Lincoln global network to help companies find the right partner
- We bring our combined 50 years of partnering experience to identify a structure that really works
  - The earlier we are involved, the easier it is for us to help you avoid common JV pitfalls
  - However, even at a later stage, we can help steer the partnership back on course
  - We set up governance and ways of working between partners that work from Day One
- With our expert guidance, a JV or partnership can add value at lower cost and more swiftly than many standard M&A transactions

#### Making informed decisions via swift, action-oriented "Health Checks"

- On maturing or "troubled" JVs / partnerships
  - Get to the root causes of underperformance
  - Develop options and specific recommended actions to enhance / protect value
- On planned new JVs / partnerships
  - Review draft agreements to enhance protection / avoid common issues
  - Identify practical steps to improve terms / decrease risk without derailing the deal

Two-three weeks' effort can remove hurdles and keep your investment safe

#### Optimizing exit value

Our in-depth experience will help you:

- Find ways to enhance your negotiating position
- Articulate the worth of your portfolio companies' partnerships and JVs
- Turn a failing M&A transaction into a successful minority stake sale, with a built-in exit plan

#### How did you become a specialist in JVs and partnerships?

Although I'm western educated, I speak, read and write Chinese fluently.

I have worked in both Chinese and western corporations, which means I can help Western companies set up and operate JVs that really work in China.

Before joining Lincoln's Joint Ventures & Partnering (JV&P) team, I worked as an EVP for one of China's largest food ingredients company. In this role, I built partnerships and JVs in France, the United States and in Indonesia. I also learned how to navigate relationships and influence within a Chinese business.

Now, as a full-time JV&P advisor, I share this experience with clients to help them avoid minefields I've already dragged myself through.

#### What are the most common challenges for JVs between China and the West?

A failure to understand differences in corporate culture and in the broader environment in China:

- China is ultra-competitive - people often go to extraordinary lengths to protect their interests.
  - My client wanted to exit a portfolio company whose local Chinese CEO was afraid the sale would mean losing his position
  - He was very helpful - right up until he organized a workers' strike on the day of on-site due diligence
  - The buyer and deal team were locked in a conference room until I was able to negotiate our way out in Mandarin.
- The government is far more involved in corporate life than is true in other geographies
  - Even private companies typically have a political unit, so you always need to consider how the government may impact your JV - and have a plan to deal with this
  - "Government requirements" can spring up during negotiations, due diligence, on-site visits, dividend disbursements, etc.
  - Such "requirements" may be real, or they may simply be negotiating points

Always seek specialist advice upfront to help you tell real government demands from clever deal-making

## Case Study: Protecting and Enhancing Portfolio Company Value

### Background:

- A portfolio company had a manufacturing JV with a local partner in China
- A governance issue arose and threatened the upcoming exit valuation
- Management was reluctant to deal with this for fear of upsetting the JV partner
- The planned exit was looking problematic, as the Chinese JV would be subject to increased scrutiny

### Lincoln JV & Partnering Action:

- Our firm, credible intervention helped management understand and face up to the issues concerned
- We made practical, realistic change recommendations for the JV, and supported their negotiation
- We brokered agreement with the PE group on the way forward and ensured management commitment to the action plan

### Results:

“Lincoln was able to solve the issue at a fraction of the legal fees incurred prior to their involvement!”

*Partner, PE Group*

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## Case Study: Navigating Pitfalls & Avoiding Risks Early

### Background:

- A technology subsidiary of a retail group was in lengthy JV negotiations with a big State-Owned Enterprise (SOEs)
- Suddenly, the SOE Chairman decreed that the deal must be signed in two months
- Our client had few relationships with the SOE, limited experience in China and had not yet discussed commercial principles

### Lincoln JV & Partnering Action:

- Our team swiftly identified the main issues, risks and potential solutions
- We presented these to the client’s Board, obtaining backing for a revised contractual approach
- We helped successfully these changed terms as well as the set-up of a “joint implementation committee”
- We created a JV implementation plan and resourcing estimate, which was accepted and actioned

### Results:

The “joint implementation committee”, culturally acceptable to the Chinese, ensured real operational engagement

Our client’s Board members were clear on their roles and coached on their delivery

Our innovative contractual ideas (a “low, medium, high” JV roll-out) were adopted in the implemented plan

The deal was signed in time and is currently performing ahead of plan

“If the occasion arises, I will call on Lincoln again. Partnering is complex, difficult stuff and these guys really know how to do it.”

*Managing Director China, Technology Company*

# Lincoln's Global Joint Venture & Partnering Team

## Aligned for Future Success

Our advisors are strategic thinkers who know how to build and unlock value and performance. Our joint ventures and partnering professionals work in close collaboration with industry experts within Lincoln to help our clients find the right partner, structure the right deal, avoid operational pitfalls and manage partner relationships effectively.

Our more than 40 years of combined practical experience and insight bring real value to private equity, financial institutions, mid-cap and large corporations, and sovereign wealth funds.

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## Advisory Services

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Joint Ventures & Partnering

## About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions, debt advisory, growth equity and restructuring for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 15 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

[www.lincolninternational.com](http://www.lincolninternational.com).