

# Joint Venture & Partnering InSight

December 2017

joint ventures

minority stakes

strategic alliances

consortia

## Key Topics

2017 Trends in Partnering – A Growth Year

Spotlight on India - A Positive Outlook

Lincoln Growth Conference - Partnering As A Growth Driver

Q&A – Military and Commercial Partnership Parallels

## A Growth Year for Partnering...

As we approach the close of 2017, it is clear the number of announced joint ventures (JVs) and partnerships has increased substantially since 2016.

### Geographies

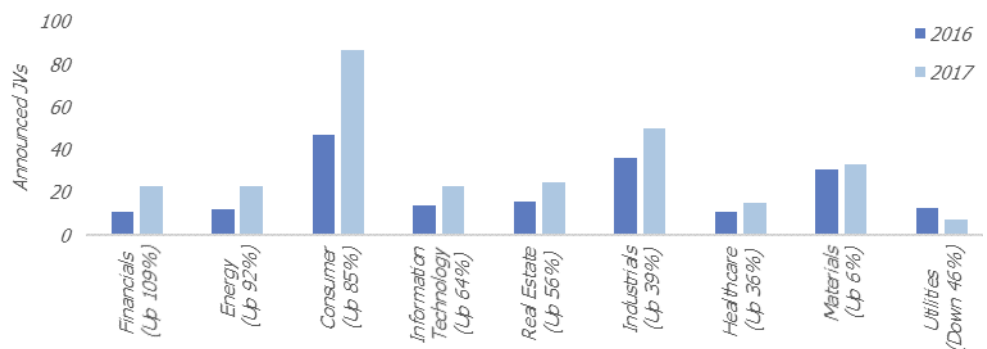
A surge in European activity (up 116%) stands out. Most of this momentum comes from Germany, particularly in Automotive, reflecting similar activity for the JV&P team.

All other regions have grown at around 45%, although Asia Pacific continues to dominate volume terms, with almost 60% of the total.

### Sectors

JV and partnering activity has increased in all sectors except utilities (where 2016 saw a lot of substantial Chinese JV investments). Leading the pack in 2017 were Financials (+109%), Consumer (+85%), and Information Technology (+64%), perhaps suggesting that the industries at greatest risk of disruption are those turning most to partnership.

**Fig.1: Announced JV Activity 2016 vs 2017 by Sector**



Source: CapIQ data including: Sponsor/Strategic JV Acquisition OR Creation of Joint Venture OR Acquisition of Joint Venture OR Acquisition of Joint Venture Interests OR Acquisition of Joint Venture Partner

**Lincoln International is pleased to publish its fourth issue of JV&P InSight.**

If you have any feedback or questions, please contact one of our JV&P professionals:



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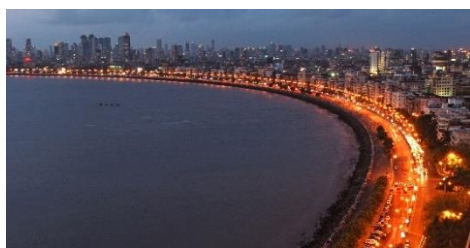
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## India - A Positive Outlook

With lots of "bad news" stories in the press about underperforming JVs in India, we look at what's really going on. And it's better than you might expect.



### Increasing Partnering Activity

Partnering activity is on the rise in India; up 25% compared to this time last year. Our colleagues in Mumbai report examples like:

- International Food and Beverage / Retail players seeking local investors
- Renewed interest from auto-component businesses seeking a foothold in India
- Big Pharma - global, US-based, and European - agreeing new contracts with lower cost Indian manufacturers

### Improving Economic Conditions

As economic conditions in India improve, foreign investment is increasing. Current optimism, fueled by Prime Minister Modi's reforms, an upgrade in sovereign debt ratings, and new unified tax laws all combine to create a more conducive / attractive business environment.

### Technology "Sweet Spot"

Many Indian investors and corporates are actively looking to partner in technology, as players such as the Anand Group (AG) demonstrate.

AG is among India's leading manufacturers and suppliers of automotive systems and components. Its customers include every major vehicle and engine manufacturer in India.

Since 1961, AG has grown almost exclusively by partnering with Western companies - 16 JVs and 7 technical collaborations. AG considers itself the global automotive "partner of choice", owing to its reputation for excellent quality and competitive pricing. It has built a business with 2017 revenues of \$1.3bn, suggesting equivalent success for its partners.

Traditionally, Western partners sought local customer knowledge, access to infrastructure and channels to market to increase their chances of success in India. In many sectors today, increasing Research and

Development (R&D) investment, margin pressure and scarcity of skilled resources add further incentives to partner.

### Case Study: A Well-Planned Indian JV Yields Significant Rewards

In 2013, Burger King (BK) formed a JV with the Indian-owned, Singapore-based, Private Equity (PE) group, Everstone. BK brought its brand and Everstone offered funding, trade experience, local knowledge of the Indian market, and access to suitable real estate.

From the outset, both parties stated their commitment for the long term. From the first outlet in New Delhi (November 2014) growth has been rapid – in August this year, BK opened its 100th Indian restaurant and plans to add 30-35 more in 2018.

### A Word of Caution

Of course, it is too early to proclaim success. Many JVs (e.g. the high-profile McDonalds / Connaught Plaza Restaurants JV) start happily enough but ultimately end badly.

This is mainly owing to poor planning and underestimation of factors such as:

- Cultural difference
- Business context (large corporates vs. family-owned / led businesses)
- Mis-matched control expectations

Lincoln's unique JV & Partnering team has experience of some of these "messy" situations too. And because we have extricated companies from poor JVs and turned around underperforming ones, we know how to set them up to succeed from the start.

The Lincoln India team works alongside our JV&P specialists, using its invaluable knowledge of local business regulation and strong relationships with Indian companies to help find the right partner. Together, we help companies and investors - both Indian and Western – successfully harness the value of partnering in India's vibrant, but testing, market.



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# Lincoln Growth Conference - Partnering for Growth

This November, Emma Blackley – along with 400 other participants – spent time hearing the stories of 40 mid-market company Chief Executive Officers (CEOs), executives and founders at Lincoln’s 2nd Annual Growth Conference in New York. Laboratory testing,

logistics and lighting rubbed shoulders with local government revenue enhancement. Marketeers met engineers. Investors talked to entrepreneurs. So, what did these companies have in common?

## Shared Growth Drivers

In their own words, two themes emerged:

### Harnessing Technology to Extend Market Boundaries

**"The current 'race to the cloud' has hugely expanded the complexity of cybersecurity"**

*Player in the \$86bn information security market*

**"We take advantage of today's 'consumer attention disorder'"**

*Founder of market research company which owns a 13+m 'social voting community' across 68 countries*

### Flexing Customer Offers to Fit or Get Ahead of – Market Trends

**"Retailers don't really use analytics"**

*Data intelligence software company which switched its focus from shops to banks and insurance companies*

**"Investing in internet-enablement is just a 'ticket to the Internet of Things (IoT) ballgame'"**

*Modular Light Emitting Diode (LED) lighting driver manufacturer*

## Shared Early Enabler – Partnering

Almost all the companies talked about their early partners - established businesses, customers, suppliers, distributors and co-developers. In all cases, a risk had been taken and benefits shared on both sides.

## More Mature Growth – Partnering

Later, some CEOs mentioned other partnerships they were planning. Most would “partner when they had more time” to:

- Expand internationally

- Diversify revenue streams
- Exploit data assets

## Future Competitive Advantage – Partnering

If only all could find the time to use what they had learnt from their earlier partnering experiences...

As they had all pointed out, the advent of the “IoT” is blurring industry barriers and disrupting trading models. This will drive a lot more partnering. And being a “partner of choice” will add enormously to future enterprise value.

# Q&A with Jonathan Ridley-Holloway of Lincoln’s JV&P Advisory Team

Jonathan Ridley-Holloway, formerly of the British Army, reflects on parallels between military and corporate partnerships.

## What are the main similarities?

To be successful, both types must:

**Consider culture** – It is difficult to predict the capabilities and goals of those you know less well than your own troops. Pre-conceptions can lead to problems.

**Plan, but remain flexible** – A well-thought-out plan can help manage risks on the battlefield and in a new partnership.

Situations often change and it is important to remain flexible. If things don’t go according to plan and defeat looms, you must have clearly defined exit routes.

**Prioritize communication** – Military communication is uncomplicated, well-rehearsed and widely shared, which aids clarity, buy-in, planning and feedback. Operational teams engage early, align to the strategic goal and provide expert input, so that what is agreed at “top brass” level is deliverable in the field.

These are good principles for any partnership.

## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building & Infrastructure  
Business Services  
Chemicals  
Consumer  
Distribution  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology, Media & Telecom

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
New York  
Paris  
San Francisco  
São Paulo  
Tokyo  
Vienna  
Zurich

## Advisory Services

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## About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and joint venture and partnering advisory services on a wide range of transaction sizes. With nineteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at <http://www.lincolninternational.com/>.

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