

FDI'S \$400 BILLION SECRET INGREDIENT

How adding cross-border M&A to your economic development recipe can deliver sweet success



EXPERT ADVICE FROM THE ONLY COALITION EXCLUSIVELY FOCUSED ON ARMING STATE, REGIONAL AND LOCAL EDOS WITH THE RESOURCES THEY NEED TO COMPETE IN THE GLOBAL ECONOMY

TABLE OF CONTENTS

4
7
8
10
12
14
16
17
18
19

THE BIGGER SLICE OF PIE

Ever wonder how much Foreign Direct Investment (FDI) enters the United States through mergers and acquisitions? We'll help you visualize it.

WHY FIRMS USE M&A

Here is a quick primer on why global companies rely on mergers and acquisitions to grow their U.S. presence.

CASE STUDY: MEET A STATE THAT GETS M&A FDI

See how Connecticut helped save a failing employer by connecting them with a company looking to enter the U.S. market.

LEARN SUCCESSFUL FDI ATTRACTION STRATEGIES

Great background on why your EDO must anticipate mergers and acquisitions.

CASE STUDY: GLOBAL FIRM TRANSFORMED BY MAJOR U.S. INVESTMENT

We interviewed two key EVPs at one of the largest chemical companies in the world. They share their insights on M&A.

EIGHT EASY WAYS TO PREPARE FOR M&A FDI

Don't have time to read this entire publication? This section will get you started!

CASE STUDY: M&A FDI LEADS TO MORE MASSACHUSETTS MANUFACTURING

Learn how Genzyme has built a 30-year tradition of developing life-changing therapies for rare diseases.

CREATE AN 'M&A GO-BAG'

What do you do when an M&A transaction is announced? We have a 'go-bag' just for the occasion.

CASE STUDY: L'OREAL'S BEAUTIFUL EXPANSION

L'Oreal's success can be attributed to its ability to identify and scale emerging local brands.

WHAT TO DO WHEN M&A OPPORTUNITY ARISES

Learn best practices for approaching global companies and cross-border M&A.

Published by the

ORGANIZATION for INTERNATIONAL INVESTMENT
Global Investment Grows America's Economy

1225 Nineteenth Street, NW | Suite 501 | Washington, DC 20036

OFII.org
@InsourceJobsUSA
fb.com/InsourceJobsUSA

About OFII | Created more than two decades ago, the Organization for International Investment (OFII) is a non-profit business association in Washington, D.C. representing the U.S. operations of many of the world's leading global companies, which insource millions of American jobs. OFII works to ensure the United States remains the top location for global investment. As such, OFII advocates for fair, non-discriminatory treatment of foreign-based companies and promotes policies that will encourage them to establish U.S. operations, increase American employment, and boost U.S. economic growth.

Copyright © 2017. All rights reserved.

THE BIGGER SLICE OF PIE

M&A



A close-up photograph of a golden-brown pie with a lattice crust. A wooden server with two circular holes is being used to lift a slice from the pie. The pie is served on a light-colored ceramic plate.

Historically, **M&A makes up more than 80 percent of FDI activity** in the United States while greenfield makes up less than 20 percent.

GREENFIELD

Why Foreign Direct Investment is important to the U.S. Economy



Good Paying Jobs

\$80,000

Across the country, U.S. workers at FDI companies earn 30 percent higher compensation than the economy-wide average - making \$80,041 annually.

From 2009 to 2014,
America's FDI employment...



while the country's overall
private-sector employment



KEY FACTS ABOUT GLOBAL INVESTMENT

INNOVATION



Global employers spend more than **\$57 billion** on U.S. R&D activities, or **17%** of all R&D performed by U.S. companies.

REINVESTMENT



Global employers reinvest nearly **\$100 billion** of their earnings back into their U.S. operations annually.

EXPORTS



U.S. workers of global companies produce **26%** of U.S. exports, providing **\$360 billion** in goods and services to customers around the world.

SUPPLY CHAINS



Global employers purchase goods and services worth **hundreds of billions** of dollars from local suppliers.

U.S. TAXES



Global employers pay **16%** of all federal corporate income taxes despite representing less than **1%** of all U.S. firms.

GLOBAL M&A VALUE: FROM THE FIRM'S PERSPECTIVE

GLOBAL COMPANIES LOOKING TO INVEST IN THE UNITED STATES HAVE TWO OPTIONS: START FROM SCRATCH OR ACQUIRE AN EXISTING BUSINESS, WHICH OFTEN INCLUDES:

- > CUSTOMER NETWORKS > RESEARCH & DEVELOPMENT LABS
- > BRAND LOYALTY & RECOGNITION > EXISTING INFRASTRUCTURE
- > TALENTED EMPLOYEES > DISTRIBUTION CHANNELS
- > KNOWLEDGEABLE MANAGEMENT > COMMUNITY PRESENCE & TIES
- > MANUFACTURING PRESENCE > LOCAL KNOW-HOW

IMAGINE STARTING A U.S. BUSINESS WITHOUT THE ABOVE.
THAT'S THE VALUE OF M&A.



CROSS-BORDER M&A: REINVIGORATING AMERICAN COMMUNITIES



CONNECTICUT, TO SOME, IS A COASTAL NEW ENGLAND STATE FILLED WITH RUSTIC COLONIAL-ERA TOWNS. HUNDREDS OF GLOBAL COMPANIES HAVE REALIZED THAT CONNECTICUT IS MUCH MORE: IT IS A GLOBALLY COMPETITIVE MARKET THAT WELCOMES COMPANIES AND HELPS THEM SUCCEED THROUGHOUT THEIR LIFETIME AS INVESTORS.

Since the 1950s, workers at New England Airfoils Products (NEAP) have manufactured high precision aerospace gas turbine components in Farmington, Connecticut. The company's success became integral to the community, employing more than 450 people at its peak. However, market forces of the last decade hit NEAP particularly hard. Revenue fell, and the workforce was cut.

Across the Atlantic Ocean, Pietro Rosa TBM, a fifth-generation Italian company specializing in the engineering and manufacturing of turbine and aerospace components, knew it had to be closer to its U.S. customers and decided to enter the U.S. market.

The company began its due diligence and worked closely with the State of Connecticut to determine its path forward,

whether through a greenfield or acquisition.

The choice became clear: acquiring an already established asset and anchoring its roots in Farmington, a community with a rich aerospace history, created an unmatched opportunity to succeed. In February 2016, Pietro Rosa TBM announced its acquisition of NEAP, rescuing the dying company and committing to a realistic and worthy goal of hiring 100 people over the next five years. This goal, coupled with ongoing investments in infrastruc-

THE STATE CONNECTED THE COMPANY TO CONNECTICUT'S GLOBALLY-RENNED AEROSPACE AND MANUFACTURING NETWORKS AND HELPED INTEGRATE THE FIRM AND ITS EMPLOYEES INTO THE COMMUNITY.

ture and technology and working closely with customers, will help Pietro Rosa meet the needs of tomorrow's marketplace demands from the company's Connecticut operation.

When asked about the State's role in its business decision, Clive Cunliffe, a corporate strategy & communications executive with Pietro Rosa TBM, expressed deep appreciation:

"The State of Connecticut has been a very supportive partner with whom we can plan a long and successful future business in the state. They were critical in both the pre-acquisition phase and the ever important journey as we begin to grow the business. They have assisted us from both a fiscal perspective in the form of a low interest loan and guided us to the tremendous network that exists in the Connecticut aerospace community."

Connecticut Approach is akin to a customized concierge service. Each investor

sits down with the state and together they create a tailor-made plan to help realize business objectives. The state works to connect investors with suppliers, customers and other key business stakeholders. If an investor is looking for real estate assistance, integration into cluster groups or other multiplier networks, connections to a community's schools and colleges or introductions to service providers, Connecticut can help here as well.

Pietro Rosa TBM tapped into this concierge service. Through it, the state connected the company to Connecticut's globally-renowned aerospace and manufacturing networks and helped integrate the firm and its employees into the community.

It is no secret that one of Connecticut's most competitive advantages is its talent pool and its thriving financial and insurance sectors. In addition, the state has an efficient transportation network, a high quality of life, cheaper real estate compared to Boston and New York and a deep supplier network in precision manufacturing, medical device, fuel cell, biotechnology and aerospace sectors. Connecticut is also pioneering innovative workforce development policies, including strategic investments in its community college system to meet workforce needs and managing a manufacturing innovation fund dedicated to incumbent worker and apprenticeship training.

"The NEAP workforce is an ideal fit with staff in our European plants and the skill groups and capabilities very much complement each other expanding our abilities as a whole," said Cunliffe.



THE COMPANY NEEDED A DESPERATE INFUSION OF CAPITAL AND GLOBAL EXPERTISE TO STAY ALIVE. IT HAD MUCH TO OFFER: AN ALREADY ESTABLISHED SITE, CAPABLE MACHINERY, SKILLED WORKERS AND A LONG HISTORY OF CUSTOMERS AND BRAND AWARENESS.

Part of the state's economic development mission is to attract global companies to invest in the state's ecosystem and create jobs. Regardless of whether this goal is achieved through a greenfield or an acquisition, the state works to ensure that every investor can tap into its vast network of support programs.

So far, this approach has worked for Pietro Rosa TBM. Cunliffe has been very happy with his company's decision to acquire NEAP and predicts significant future growth. "It has been clear from the very start that our existing customers are pleased with our ability to manufacture in the U.S. New customers are now looking seriously at what we have to offer. Our investment in the facility in terms of people skills, technology and infrastructure will continue as the infusion of investments in innovative manufacturing techniques are the lifeblood of future success."

CONNECTICUT RANKS 10TH IN FDI JOBS PER CAPITA

ACCORDING TO THE LATEST BUREAU OF ECONOMIC ANALYSIS DATA

WHY ECONOMIC DEVELOPERS SHOULD CARE ABOUT CROSS-BORDER M&A

An M&A event can sometimes create a challenge for economic developers, unlike greenfield and brownfield investments, which bring visibility and recognition.

SUCCESSFUL ECONOMIC DEVELOPERS RECOGNIZE THAT M&A TRANSACTIONS CAN LEAD TO POSITIVE OUTCOMES FOR THE REGION.

The very nature of the cross-border M&A is that the most resilient and top-performing companies are investing in the community. Global companies that emerge as leaders in their home markets often seek to acquire an established company as a way to enter an unfamiliar market. These proven companies often bring industry-leading standards and best practices. They often create global distribution channels, attract new customers and invest a wealth of capital – laying the groundwork for future growth and success.

DID YOU KNOW ECONOMIC DEVELOPERS CAN PLAN FOR CROSS-BORDER M&A?

Consider a global employer that purchases a U.S. company with facilities throughout the country, including one in your community. Savvy EDOs like yours will engage the new company executives to make sure they are welcomed and fully informed of the benefits your community provides to global firms.

AN EDO THAT DEVELOPS A STRATEGY FOR M&A ACTIVITY CAN TRANSFORM A POTENTIALLY CHALLENGING SITUATION INTO ONE WITH A GREATER LIKELIHOOD OF POSITIVE OUTCOMES.

EDOs can improve the environment among elected officials, community leaders and local media long before an M&A transaction is announced. These “beforecare” efforts will position the EDO as a key resource for potential investors and build a community better prepared to thrive in the 21st century economy. In addition, beforecare reduces the possible political backlash and diminishes the amount of unhelpful rhetoric that could damage your region’s brand.

SEE OUR “EIGHT EASY STEPS” ON PAGES 14-15.

CROSS-BORDER M&A BRINGS THE WORLD'S BEST-PERFORMING COMPANIES TO THE U.S.



Companies abroad that rise to the top of their industries, by definition, have a history of making better choices. Those decisions about design, production, distribution, marketing, and customer relations generated results put the companies in better positions to compete successfully in their industries, attract capital, diversify into new industries, and ultimately qualify to compete globally.... This pool of companies is akin to an assembly of all-star athletes. They have proven themselves, won accolades in their local economies, and are ready to tackle higher risk -- higher reward endeavors.

These companies should not only be welcomed in the United States, but encouraged to come and establish operations and employ American workers.



**DAN IKENSON
ECONOMIST, THE CATO INSTITUTE**



GLOBAL FIRM TRANSFORMED BY MAJOR US INVESTMENT



In 2015, Solvay announced and quickly closed on the acquisition of New Jersey-based Cytec Industries. Cytec's primary business is the production of composite materials for the automotive and aerospace markets. The company also holds a leading position in mining materials. This acquisition marks a real change in Solvay's business and a strategic shift from manufacturing energy-intensive, commodity chemicals to value-added, specialty products that meet global needs for sustainable goods and solutions.

BELGIUM-BASED SOLVAY IS AN INTERNATIONAL LEADER IN CHEMICAL MANUFACTURING, SUPPORTING APPROXIMATELY 6,700 QUALITY U.S. JOBS ACROSS THE COUNTRY. WHAT FOLLOWS IS AN INSIGHTFUL CONVERSATION WE HAD WITH SOLVAY'S MARK DAHLINGER, EXECUTIVE VICE PRESIDENT FOR FINANCE, AND LUCY SIMEK, EXECUTIVE VICE PRESIDENT OF MERGERS AND ACQUISITIONS.

WHAT IS SOLVAY'S US FOOTPRINT?

Solvay, Simek explained, is an international chemical company based in Belgium that employs 30,000 scientists, professionals and skilled workers worldwide. About 20 percent of Solvay's global workforce is based in the United States thanks to acquisitions and organic growth in the region.

WHAT ARE SOME RECENT EXAMPLES OF SOLVAY'S M&A ACTIVITY?

Dahlinger: "In recent years, Solvay has sought to build its portfolio of value-added chemistries including specialty polymers and advanced formulations. Solvay's technology enables manufacturers to create light-weight yet durable consumer goods like drop-resistant smart phones and plastic auto parts for more energy efficient vehicles, among other

applications. The group also has expertise in formulations for home and personal care, oil and gas, coatings, industrial and agrochemicals markets."



Solvay's technology enables manufacturers to create light-weight yet durable consumer goods ideal for aerospace (top) and automotive (above) components, among other applications.

To help achieve Solvay's strategic vision, Simek points to several so-called "bolt-on" acquisitions in the United States over the past 10 years. These included the 2009 acquisition of the McIntyre Group, a privately-owned chemical company based in Illinois. In 2013, Solvay acquired Chemlogics, a California-based group of more "mature" startups specializing in formulations for the oil and gas market.

Solvay was able to take these smaller operations, expand their vision and give them a global playing field. It also made very significant investments to instill a stronger safety culture, enhance efficiency and improve the environmental footprint of their facilities by upgrading equipment and processes, explained

Dahlinger.

In 2015, Solvay announced and quickly closed on the acquisition of New Jersey-based Cytec Industries, an even more ambitious project. Cytec's primary business is the production of composite materials for the automotive and aerospace markets. The company also holds a leading position in mining materials.

Simek explained that this acquisition marks a real step change in Solvay's business and a strategic shift from manufacturing energy-intensive, commodity chemicals to value-added, specialty products that meet global needs for sustainable goods and solutions.

FROM THIS EXPERIENCE OR OTHERS, HOW CAN AN EDO OR STATE AND LOCAL GOVERNMENT BEST OFFER SUPPORT DURING AN ACQUISITION OF A LOCAL COMPANY?

Dahlinger outlined many ways the government and EDOs can support U.S. investment. EDOs are often critical after the sale, when business leaders are looking to rationalize the company's footprint, for example, when they're deciding where to locate or relocate headquarters as the two companies come together, Dahlinger explained. At that point, EDOs and state governments can help break through the red tape that slows projects

NEW JERSEY LT. GOV. KIM GUADAGNO ROUTINELY PUBLICIZES HER PERSONAL CELL PHONE NUMBER TO UNDERScore HER AVAILABILITY AND COMMITMENT TO HELP COMPANIES NAVIGATE STATE GOVERNMENT INCENTIVES AND PERMITTING PROCESSES.

EDOS AND STATE GOVERNMENTS CAN HELP BREAK THROUGH THE RED TAPE THAT SLOWS PROJECTS DOWN.

down.

For example, New Jersey Lt. Gov. Kim Guadagno routinely publicizes her personal cell phone number to underscore her availability and commitment to help companies navigate state government incentives and permitting processes, Simek said.

When Solvay considers an acquisition, it must have a strong understanding of all conditions, including regulations, reporting requirements, taxes and tariffs. Unexpected changes, Dahlinger told us, could affect the value of the acquired group. Assumptions Solvay makes during the acquisition process could translate into disaster, if they turn out to be false.

Simek stressed that all of Solvay's business is conducted with a global perspective. Taxes, imports and exports, duties, domestic and international production levels, U.S. relations with other countries, dumping activity, energy costs and excise taxes, the transportation of raw materials and goods across state lines and international borders "are all examples of factors that can be influenced by the government and all are relevant to our success."

Being able to anticipate changes in these areas and account for related costs ahead of acquisitions and investments is critically important. Anything lawmakers and EDOs can do to support that would be helpful, Dahlinger told us.

EIGHT EASY WAYS

TO PREPARE FOR M&A ACTIVITY IN YOUR COMMUNITY

1

RAISE YOUR REGION'S 'GLOBAL BUSINESS IQ'

It is important to raise the "global business IQ" of your elected officials, business leaders and media to improve the environment for future M&A by regularly discussing the benefits of global trade and investment. It is also important to host briefings on how trade and investment benefit the region. For added effect, bring in company executives to highlight how the success of their firms depends on the global economy.

2

TRACK COMPANY SUCCESS AND PROGRESS

Develop, maintain and promote a roster of global companies located in your region. Track whether any of these companies are a result of M&A deals and track how these companies grow post-acquisition (i.e. increased investment, expansion, job creation, new sustainability or charitable efforts). Often, the positive impacts of M&A transactions reveal themselves over several years. Be prepared to share success stories with the public and policymakers.

3

FACILITATE EDUCATIONAL COLLABORATION

Invite your existing global companies to help build a curriculum at high school, community college and university levels that provides the skills future employees need to succeed. Global employers not only bring global expertise, they also devote massive resources to workforce training and are often eager to collaborate with local educational institutions.

4

IDENTIFY GLOBAL BUSINESS EXPERTS

EDOs that connect with these local service providers can offer potential investors key resources when they seek such expertise. In addition, identifying these local experts – who frequently interact with potential investors – could help direct future investment opportunities to the region.

5

CREATE AN M&A ACTION TEAM

You likely will not hear about an M&A transaction until it is announced publicly. Occasionally, you may be alerted of the deal just prior to the public announcement. Prepare for these moments by developing and training an M&A action team. Identify who is going to reach out to the new company, elected officials, media outlets, etc. Develop a communications strategy that reinforces your community's brand. At the same time, determine the other community partners that can help with a smooth transition, such as business services, utilities and regulators. Identify this team ahead of time and train all stakeholders on how best to represent your community.

6

PROVIDE A ONE-STOP GLOBAL BUSINESS RESOURCE

Even domestic companies have trouble navigating the overlapping regulatory systems of national, state and local jurisdictions. You can help global investors avoid missteps by connecting potential investors with someone who can walk them through the myriad of regulations. While you may not be able to answer every question, being able to connect executives with experts is critical.

7

RECOGNIZE THE CONTRIBUTIONS OF GLOBAL COMPANIES

For the cost of a wooden plaque and few minutes at your annual dinner, you can build stronger relationships with the global firms that select your community for investment. In addition, connect with international organizations, country-based business groups and local consulates. Host business and cultural events that celebrate global investment in the region. Invite elected officials and media. Promote the contributions that these global firms are making in your community.

8

ESTABLISH A DISTRESSED-COMPANY DATABASE

Cross-border M&A can also be a valuable tool for prepared EDOs. EDOs that internally track distressed companies, or those actively pursuing equity infusions and growth opportunities, can help discreetly connect local employers with foreign direct investors. Such efforts can help protect quality jobs in your region.

STATE INVESTMENTS IN M&A CAN PAY OFF

SANOFI GENZYME



SANOFI'S ACQUISITION OF GENZYME HAS SPURRED GROWTH AND HAS PAID REAL DIVIDENDS FOR MASSACHUSETTS' COMMUNITIES. THE COMPANY'S SUCCESS IS ATTRIBUTED IN PART TO A CLOSE WORKING RELATIONSHIP WITH THE STATE AND A BUSINESS AND POLITICAL ENVIRONMENT THAT CONTINUES TO PAVE THE WAY FOR GROWTH.

Cambridge, Mass., is home to some of the world's leading bio-pharmaceutical companies, drawn by the world class educational institutions, hospitals and famed innovation ecosystem. Of these, one of the oldest and still the state's largest bio-pharma employers is Sanofi Genzyme, the Specialty Care Global Business Unit of Sanofi, which has for nearly 30 years developed life-changing therapies for rare diseases, multiple sclerosis and now for oncology and immunology.

Sanofi US is the U.S. subsidiary of France-based Sanofi SA. The company is headquartered in Bridgewater, New Jersey, and employs 17,000 U.S. workers. Beyond Sanofi Genzyme, the company operates several well-known affiliates in the U.S., including Sanofi Pasteur, Merial and Chattem.

Genzyme's success under Sanofi began in 2011, when Sanofi acquired it for \$20.1 billion. Just four years later, Sanofi Genzyme brought in \$4.14 billion in revenue in 2015, up nearly 30 percent from 2014. The company employs 5,000 workers in Mass., working in manufacturing, research and development and Sanofi Genzyme's corporate headquarters. Its success has paved the way for additional

investment in the state.

For example, Sanofi invested and opened a new state-of-the-art research center in Cambridge, housed in an old industrial building that once housed Polaroid Corp. and Ford Motor Co. Now, Sanofi research teams are leaders in key 21st century fields, like cancer biology, biochemistry and bioanalytics, chemical genetics and proteomics, and pharmacology.

This good news has extended beyond Cambridge. In Framingham, Sanofi has continued to invest in manufacturing operations, including a \$330 million facility to manufacture Fabrazyme, a key therapy for the treatment of Fabry



Genzyme Center is a twelve-story, 350,000 square foot office building that combines innovative design and cutting-edge technology to create an exciting, healthy and productive workplace for more than 900 employees. It is one of the most environmentally responsible office buildings ever built in the United States.

Disease, an ultra-rare genetic disease. This investment was aided by the Massachusetts Life Science Collaboration, the state's life science development agency with an investment in the infrastructure of Framingham needed to support an advanced bio-manufacturing facility.

Sanofi Genzyme's commitment to the communities in which its employees live and work is as old as the company itself. Being an active part of the community has always been a driving force of employees and continues to this day with over 90 non-profit partners in Massachusetts. Consistently ranked as one of the top Charitable Givers in Massachusetts, Sanofi Genzyme invests in efforts to improve access to health care and STEM education.

For example, in 2013 Sanofi and Genzyme partnered in a \$1 million gift to support student success programs at the University of Massachusetts Boston's College of Science and Mathematics (CSM). Other programs include the Genzyme Teacher Sabbatical program at the Boston Museum of Science that is celebrating its 20th year of partnership.

"Genzyme is one of Massachusetts' most successful life sciences companies. Now, as Sanofi Genzyme, the company will combine the innovation of Genzyme and the international strength of Sanofi to ensure that Massachusetts remains the international leader of life sciences innovation" said David Meeker, CEO, Genzyme.

CREATE AN M&A ‘GO-BAG’

EDOS CAN BE MOST HELPFUL IMMEDIATELY AFTER AN M&A TRANSACTION IS ANNOUNCED. CREATE A M&A GO-BAG:

ENGAGE COMMUNITY LEADERS AND ELECTED OFFICIALS

Schedule regular updates with key elected officials and community leaders during the critical period of the project. In addition, put a protocol in place to help these officials recognize the importance of welcoming the new company. This could be a meeting, phone call, welcome letter or trip abroad to meet the new company’s executives.

APPOINT A SENIOR POINT-OF-CONTACT

When 100 CFOs were asked what support their company would find most helpful after a merger or acquisition, the top response was “help facilitating business permitting, licensing and other regulatory matters.” Work to eliminate any confusion in the immediate aftermath of the announced M&A transaction. Reach out to the new company and offer a single point-of-contact who can streamline communication in the short-term while laying the foundation for future collaboration. For instance, be sure to explain any programs and services available to the company.

CREATE A DELIBERATE MEDIA PLAN

Reach out to the new company and offer the EDO’s leadership team as a resource. Ideas include participating in press conferences and issuing a press release to highlight the value global investment provides to the region.

EDOs can educate the community on the short-term and long-term impacts of a foreign acquisition. Every deal involves risks, and every company is unique. There is always potential for negative impacts in any M&A transaction. Inflammatory rhetoric and retaliatory public policy decisions will likely not reverse a possible negative outcome, but could irreparably harm the region’s FDI brand. A negative experience for one global company may affect how the broader business community views your location as a destination for future investment. If faced with such difficulty, reiterate your region’s long-term FDI objectives to key stakeholders so that your team can position the community as a welcoming location for global investment.

CONNECT WITH COMMUNITY PARTNERS, SUPPLIERS AND CUSTOMERS

Work to connect the new company to its potential business partners. Ideas include inviting the company to be a featured guest at upcoming meetings in the community, hosting a networking dinner or lunch with existing suppliers and customers or organizing individual meetings at your office.

LEARN M&A AFTERCARE EXCELLENCE

Read more at FDIFrontlines.org/aftercare.



INVESTING TO GROW: HOW M&A HELPS GLOBAL BRANDS GROW



L'Oréal USA is the largest subsidiary of the L'Oréal Group, the worldwide leader in beauty, and manages a portfolio of more than 30 iconic beauty brands. In addition to its corporate headquarters in New York City, L'Oréal USA has research, manufacturing and distribution facilities across 13 other states including Arkansas, California, Florida, Kentucky, New Jersey, Ohio, Texas and Washington with a workforce of more than 11,000 employees.

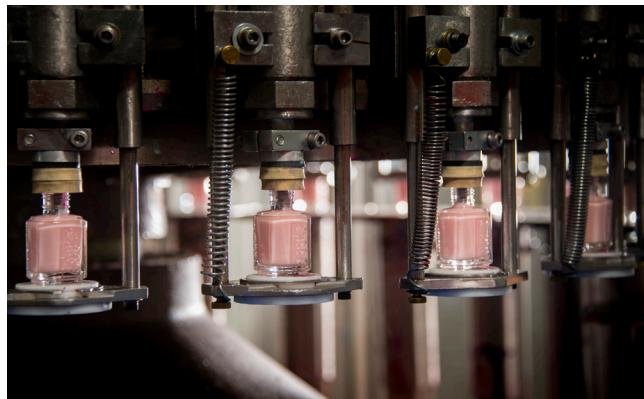
L'Oréal USA leads America's thriving beauty industry and serves as the international hub for the product development and marketing strategy for L'Oréal's 18 American brands. L'Oréal has achieved its industry leading position through a balance of organic growth and strategic acquisitions.

Some examples of L'Oréal's success in cultivating local brands include the 2001 acquisition of Kiehl's, which has seen a six times growth in U.S. sales; and the 2012 acquisition of Urban Decay, which has seen a two times growth in U.S. sales. L'Oréal USA not only invests in developing and scaling local brands, but also invests in the brands' existing operational infrastructure and sustainability excellence. For instance, in 1993, L'Oréal USA acquired the professional brand Redken Fifth

THE COMPANY'S SUCCESS CAN BE ATTRIBUTED TO ITS ABILITY TO IDENTIFY AND SCALE EMERGING LOCAL BRANDS, AND MANY OF ITS ACQUISITIONS—MAYBELLINE, REDKEN, KIEHL'S, ESSIE, URBAN DECAY, NYX PROFESSIONAL MAKEUP AND CAROL'S DAUGHTER—HAVE BEEN FOCUSED WITHIN THE HIGHLY COMPETITIVE AMERICAN MARKET.

Avenue with a 194,000 sq. feet manufacturing facility in Florence, KY.

Due to significant capital investments over many years, that facility has more than doubled in size to over 500,000 square feet, making it one of the company's largest plants worldwide. Finally, in 2016, L'Oréal USA announced two large-scale solar projects at manufacturing facilities in North Little Rock, AR (Maybelline acquisition) and Florence, KY (Redken acquisition) and the purchase of locally-sourced RECs that will allow the company to achieve 100% renewable electricity for its manufacturing in the U.S.



L'ORÉAL U S A



BE PREPARED
FOR M&A

WHAT TO DO WHEN M&A OPPORTUNITY ARISES

Nearly 40 percent of all FDI firms have fewer than 100 U.S. workers, and 82 percent of FDI firms have fewer than 1,000 U.S. workers, according to the latest government data from the Bureau of Economic Analysis. With that in mind, these potential investors – particularly smaller firms – may contact you about investing in the region by purchasing a local company. This conversation is your first opportunity to welcome what could be a future community employer. While this moment may be unexpected, prepared EDOs can immediately become a trusted resource. Here is some practical advice for preparing for this opportunity:

FIRST IMPRESSIONS AND INITIAL CONTACTS MATTER

It is important for you to convey to the investor that you appreciate their consideration and want to be helpful in finding ways for them to succeed and grow in the region. Treat all information as confidential. Use this initial conversation to gather information about the company's business interests in the region. Key questions to ask include:

- Why does the company want to enter the market?
- What type of company/industry is it looking to acquire and why (i.e. market entry, growth, sales, intellectual property, workforce talent, business diversification)?
- What is the company's business plan after entering the region?
- What are the company's short- and long-term plans for the company involved in the transaction (i.e. future investment, job creation, U.S. or regional headquarters function, or workforce consolidation or restructuring)?
- What local infrastructure, workforce and policy needs are most important?
- Who are the best company contacts going forward?

OFFER INTRODUCTIONS TO LOCAL SERVICE PROVIDERS

Make sure investors know how to access local service providers, including specialized accountants, lawyers or other practitioners with expertise in cross-border M&A. Offer to make introductions, which shows your value to potential investors.

OFFER ASSISTANCE IN NAVIGATING THE PUBLIC RELATIONS LANDSCAPE

Highlight your expertise in navigating the region's public relations landscape and offer introductions to key stakeholders before or after the transaction goes public.

LAY OUT A MEDIA STRATEGY

Offer different ways to support media outreach efforts of an announced transaction. For instance, be prepared to use earned and social media to help amplify the key messages of your region's global investment brand. Offer to highlight the economic development rationale of the transaction and known positive impacts. Discuss how the community is excited to welcome this new company. You can also use this as an opportunity to suggest that the company articulate its commitment to the community.

ABOUT FDI FRONTLINES

Economic development organizations (EDOs) have a unique perspective on what it takes to keep the United States competitive in attracting global investment and the jobs that come with it. EDOs engage with global investors to create opportunities for their communities, fighting every day to improve the business climate in America. At its essence, the FDI Frontlines Coalition is about helping these unsung heroes fighting to attract more global investment to America.

FDI Frontlines is the only coalition exclusively focused on arming state, regional and local EDOs with the resources they need to better compete in the global economy.

Supported by the Organization for International Investment and its insourcing member companies, the FDI Frontlines Coalition is designed to provide state, regional and local EDOs with the opportunity to enhance their global IQ by providing research and business insight, while amplifying their voice in important discussions on ways America can attract more foreign direct investment.

**JOIN AT
FDIFRONTLINES.ORG**



Published by the
ORGANIZATION for INTERNATIONAL INVESTMENT
Global Investment Grows America's Economy
1225 Nineteenth Street, NW | Suite 501 | Washington, DC 20036

OFII.org
[@InsourceJobsUSA](https://twitter.com/InsourceJobsUSA)
[fb.com/InsourceJobsUSA](https://facebook.com/InsourceJobsUSA)

Copyright © 2017. All rights reserved.