

First large M&A transaction between Chinese and Brazilian technology companies

Client:

Lenovo, one of the global leading PC makers.

Relationship overview:

Jan Metzger (Head of APAC TMT) started the relationship with Lenovo in November 2007. Today there is an established and trusted relationship between Lenovo and Credit Suisse, which results in regular interaction with Lenovo top management (CEO and CFO) and working level teams. Lenovo is recognised as a very important client for Credit Suisse globally. Senior management is involved in the coverage efforts across Asia, the US, EMEA and Latin America.

The relationship has gone from strength to strength since then. Key highlights are:

- 1. Credit Suisse led Lenovo's acquisition of CCE, a leading electronics and PC manufacturer in Brazil**
 - In September 2012, Lenovo announced the acquisition of CCE.
 - CCE is one of the largest domestic manufacturers of consumer electronics in Brazil and has a leading presence in the PC consumer and government sectors.
 - Transaction of high strategic importance for Lenovo.
 - Market opportunity: Brazil is the 3rd largest PC market in the world. The Brazil PC market is forecast to grow at premium growth vis-a-vis other large but more mature markets such as the US and Japan.
 - Leadership: the combined businesses of Lenovo Brazil and CCE is the 3rd largest PC player in Brazil, with more than 8% combined market share by shipment.
- 2. Credit Suisse advised on the buy-back of the Lenovo Mobile Communication Technology**
 - In November 2009, Lenovo announced the buy-back of Lenovo Mobile Communication Technology which had previously been spun-off.
 - The buy-back is part of the PC+ strategy of Lenovo (leveraging capabilities, distribution and client relationships to sell multiple consumer electronics products under the same brand umbrella).
 - Diversify Lenovo's business, which is mostly concentrated on personal computers.
 - Credit Suisse advised Lenovo as independent financial advisor on the buy-back.

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Key Task(s):

The acquisition of CCE announced in September 2012. This is the second M&A assignment completed by Credit Suisse for Lenovo.

Lenovo is one of the global leaders in terms of PC shipments, with leading positions in all key markets around the world (e.g. China, US, Japan, etc). Before acquiring CCE, Lenovo had limited presence in Brazil, which however is one of the largest and fastest growing markets globally. The acquisition of CCE and the following integration with existing local activities position Lenovo as a market leader in Brazil.

Strategically, it is very important for Lenovo to have a leading presence in Brazil given the size and the growth of the market. Currently the Brazilian market is still relatively fragmented, with local players having an important role in the market. As global players such as Samsung are becoming increasingly aggressive in the Brazilian market, Lenovo had to put a strong mark in the market in order not to miss the opportunity to capitalise on the growth opportunity coming out of Brazil.

The engagement of Credit Suisse as co-advisor for the acquisition of CCE came as combination of the strong ongoing relationship with Lenovo and the leading Credit Suisse franchise in Brazil.

Role:

Credit Suisse provided full M&A advisory services to Lenovo through the cooperation of the coverage team in Brazil and the M&A and TMT teams in Hong Kong. Through seamless collaboration between the Sao Paulo/HK teams, Credit Suisse successfully:

- Implemented an acquisition structure which aligns the acquisition price for CCE with future performance.
- Coordinated due diligence between the advisors in Brazil and the Lenovo functional groups in Hong Kong.
- Executed the complex transaction negotiating the various agreements in a time sensitive transaction process.
- Supported Board decision through a valuation analysis of CCE.

Although Credit Suisse was engaged as co-advisor, through the commitment of the team in Brazil Credit Suisse led the whole process.

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Results:

With the successful acquisition of CCE, Lenovo is today a leading player in the PC market in Brazil and is well positioned to capitalise on the growth of the PC industry.

Market View:

Macquarie (September 2012)

We believe the acquisition will benefit Lenovo in the intermediate term from lower production cost, improved distribution channel, and more favourable tax treatment... we believe increased integration in the future is possible as Lenovo enters Brazil with its non-PC products.

HSBC (September 2012)

Acquisition of CCE is an efficient way to expand the distribution channels for multiple products including PCs and smartphones. The acquisition price is not screamingly cheap but buying a PC and smartphone channel at 2x PB in a fast-growing market is definitely cheaper than building a similar channel from scratch.

CIMB (September 2012)

Lenovo's latest acquisition accords with its plan to expand through acquisitions and should enable it to immediately leapfrog over its competitors in Brazil. Again, we believe Lenovo will be able leverage its scale to lower manufacturing costs for CCE.

Deutsche Bank (September 2012)

We regard the price of the deal as fair given the PC growth potential in the Brazilian market as well as CCE's cost competitiveness and its relationship value with the channel partners...we think Lenovo's main cost benefit from the acquisition would be the component cost procurement benefits for the consumer NB business outsourced to CCE.

Future:

This successful execution of this transaction contributed to deepen our relationship with Lenovo and reinforced the role of Credit Suisse as trusted advisor to the company. Credit Suisse continues to work with Lenovo on various assignments.