



Financing tools for SMES: tools and Best Practice

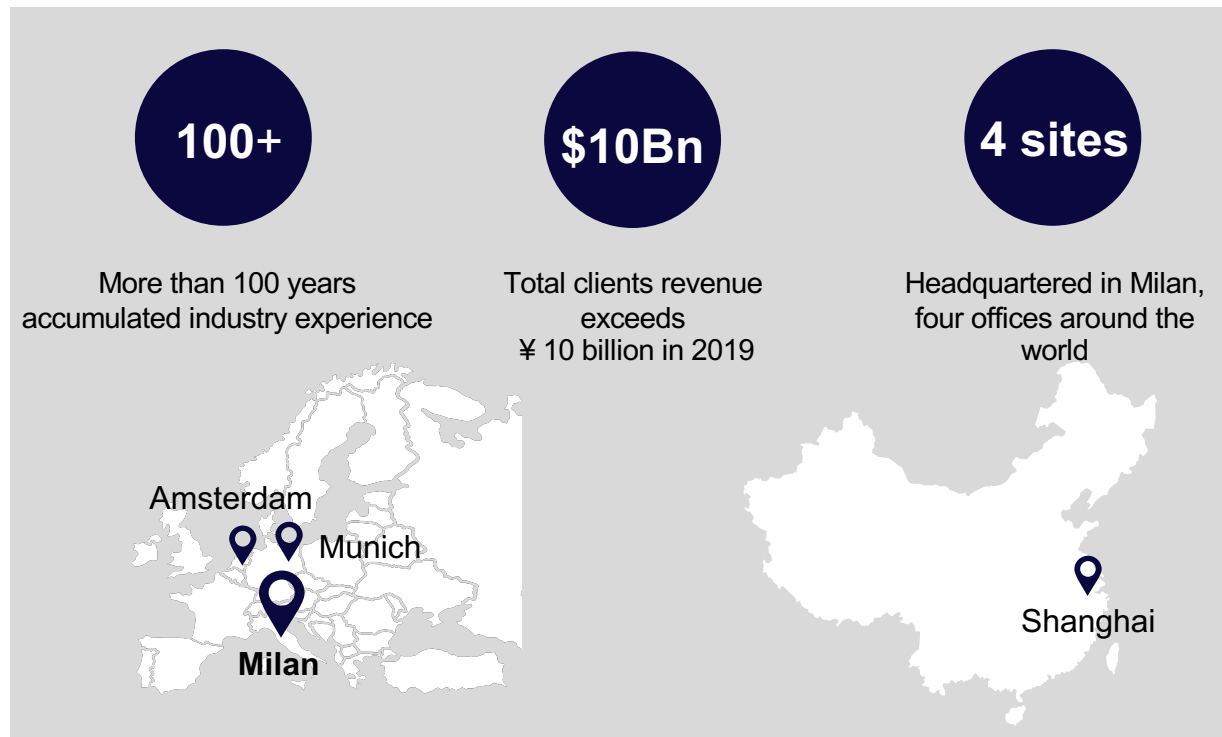
**Successfully obtaining funding for developing the Chinese market:
case studies and best practices**

Tanya Wen, Co-Founder & Managing Partner at Seta Capital, 6 April 2021

Making easy the expansion from Europe to China

Paving the New Silk Road between Italy and China, expanding Italian businesses in China and attracting investment capital from China to Europe

Seta Capital is a boutique M&A advisor focusing on crossborder operations between Europe and China, corporate M&A, strategic partnerships and joint ventures. In the last three years, team at Seta Capital has originated more than 30 M&A mandates with investments from China to Europe. In 2019, Seta Capital completed more than 30% of the total number of transactions from China to Italy. In 2020, Seta Capital was awarded by the Italian government as its exclusive partner for attracting investment from China to Italy (FDI desk for China).



**Cross-border
M&A**

**Strategic
Partnerships**

**Business
Development
in China**

Our Track Record – Selected M&A Transactions

Seta Capital's team has assisted many Chinese and European clients to discover and secure cross-border investment opportunities

Shanghai M&G Inc

Seta Capital was the financial advisor to the largest stationery company in China, M&G in its equity investment and strategic partnership with Carioca SpA.



Epistolio

Advised on the sale of equity of an Italian robotics company to a Chinese listed company as well as the creation of a joint venture in China with the investor.



Tenova

Seta Capital was the financial advisor to Tenova, a leading industrial group in Europe for the sale of its German heat treatment equipment business to a Chinese listed company.



TMC

Advised the sale of assets of TMC transformers in Italy to a Chinese listed companies.



Snaidero

Advised on the sale of a controlling equity stake of Snaidero to a leading Chinese real estate group.



A Chinese listed plastic component maker

Advised the Chinese plastic component manufacturer on the attempt to acquire two German light-weight automotive component manufacturers.

A Chinese listed heat treatment company

Advised the Chinese heat treatment furnace manufacturer on the attempt to acquire an Italian coating solution provider for turbines and speed reducers.

Trendy International Group

Led the acquisition of a 100% equity interest and the restructuring process of Sixty Group, a well-known Italian fashion group.



A Chinese industrial group

Seta Capital advised on the search of Italian textile machinery investment targets for a large listed Chinese industrial group, including negotiations with three leading Italian textile machinery groups.

Our Track Record – Selected Advisory and Service Mandates

We have also assisted many Chinese and European companies to support their cross-border commercial and operational activities

ITA-ICE Agenzia

Providing services for promotion of FDI from China to Italy.



Caffè Costadoro

Advising the company to enter the Chinese Market and providing Operation Services for Online and Offline Marketing



Spearhead

Advised Spearhead Media Group on the execution of its oversea expansion strategy, focusing on European media companies for female consumers.



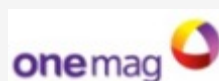
CHJ Jewelry

Advised a Chinese jewelry group CHJ on its acquisition search in fashion and accessory targets in Italy.



One-Magnet Electronic

Advised on its oversea sales and commercial activities in Italy.



Aux Group

Advised on the screening and selection of an acquisition target in Europe to fulfil its expansion strategy.



A Chinese listed electric equipment manufacturer

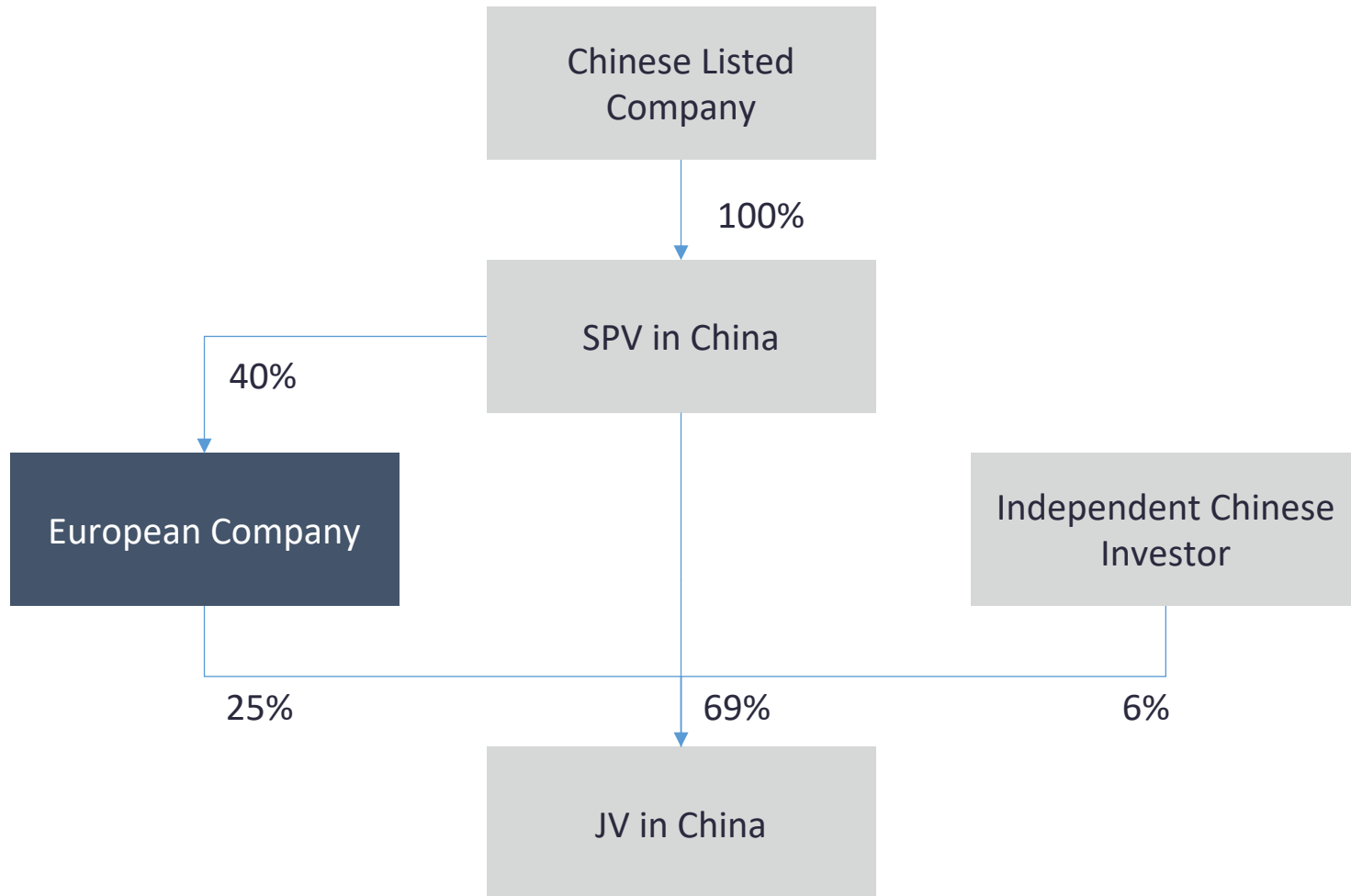
Advising and managing the Italian investment vehicle of the Chinese listed company, including local directorship and ongoing corporate and administration services.

A Chinese listed precision machining and manufacturing company

Advising the company to secure strategic projects from European tier 1 automotive suppliers.

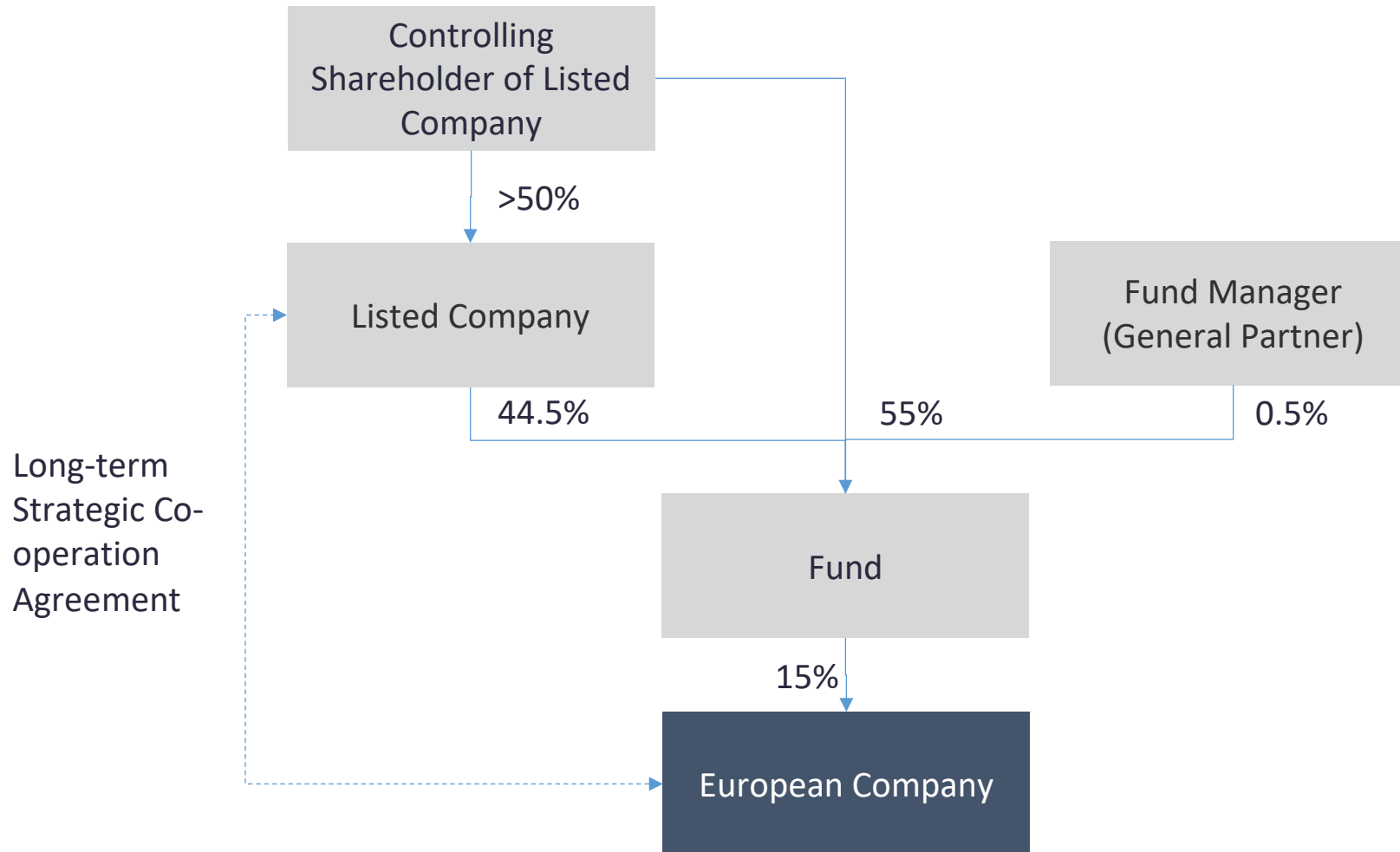
Transaction Structure

Case 1: Minority Investment + JV in China



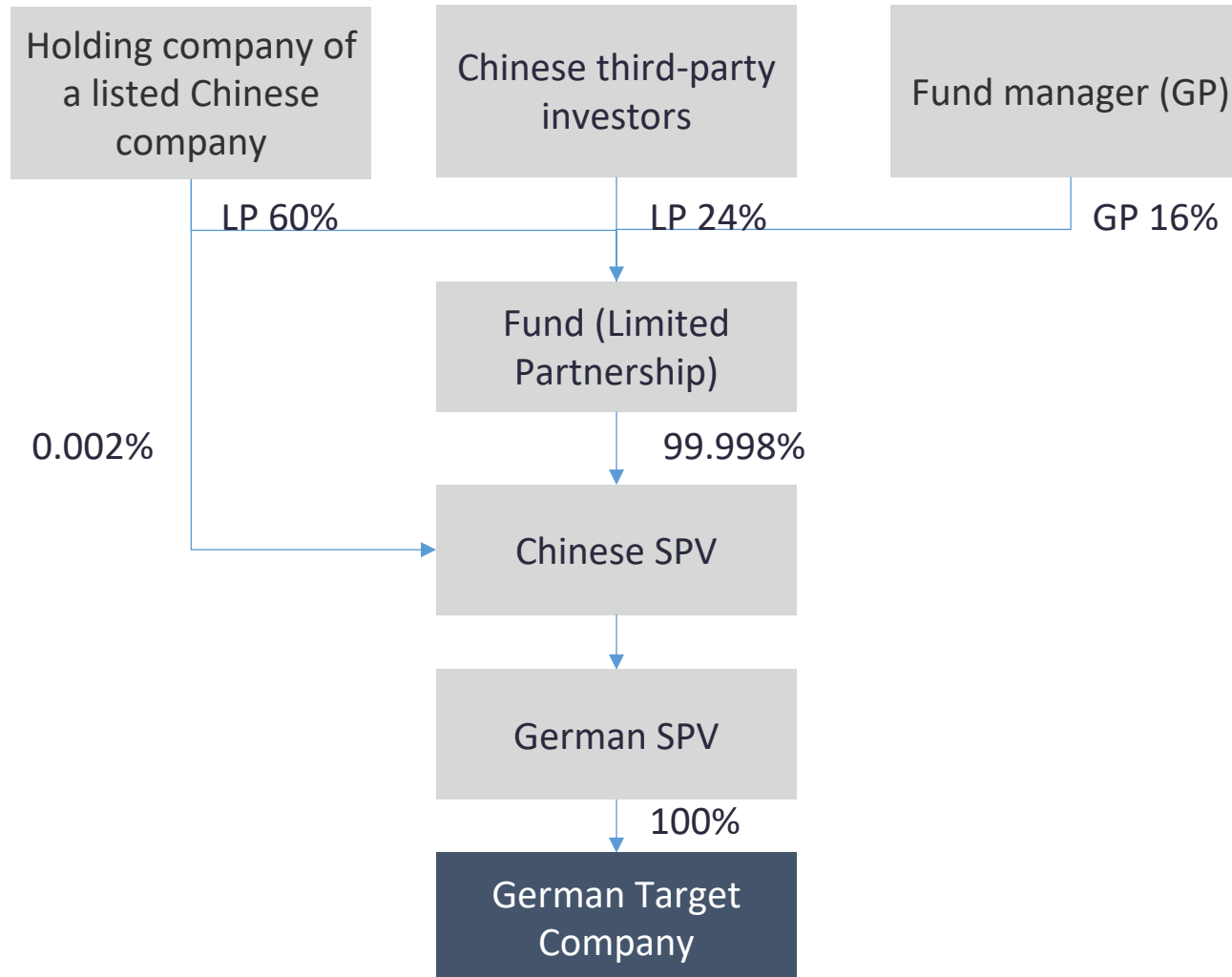
Transaction Structure

Case 2: Minority Investment + Commercial Partnership in China



Transaction Structure

Case 3: 100% Buyout



Key Lessons Learnt

How to find investors and close deals successfully

Key Lessons in Cross-border Deals

Understand partnership logic for both parties

- Understand what the company has to offer for the Chinese investors
- Value for different types of investors can be different
- Offer deal structures that make sense for the investors

Negotiate with the decision maker

- Understand who is the decision maker in the Chinese organization
- Negotiate with the decision maker in person
- Use the culture of “giving-face” in negotiation

Create competition

- Try to create an auction, even if limited scale
- Avoid one-on-one negotiation and exclusivity too early
- Need to have an alternative

Communicate effectively

- Understand or use advisors to understand any issues in slowing down the deal
- Open and collaborative attitude towards solving problems

Key Transaction Terms

Useful tools in Transaction Documents

Use the JV/investment as protection	<ul style="list-style-type: none">• The JV in China can be effectively protected against foul play by creating penalty conditions in the investment in European parent company;
Minority shareholder rights	<ul style="list-style-type: none">• As a minority shareholder, the investor will not have major decision making power on the board (board seats should be designed to reflect the shareholding);• However, the Chinese investor typically will want decision making power for the Chinese market
Break-up fee	<ul style="list-style-type: none">• After granting exclusivity, if the investor for its own reason abandons the transaction, it must pay a break-up fee to the target company;• Ideally the break-up fee should be backed by a bank guarantee;
Warranties & Indemnity Insurance	<ul style="list-style-type: none">• The amount of W&I compensation may be set as a % of the transaction amount, e.g. 10-25%;• Use W&I Insurance and the premium can be born by either party;
Earn-out payment	<ul style="list-style-type: none">• If the investor keeps part of the transaction payment upon the target company reaching certain targets in the future ("earnout" payment), then the earn-out payment should be backed by a bank guarantee.

Contacts



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