

# Business Partner Evaluation

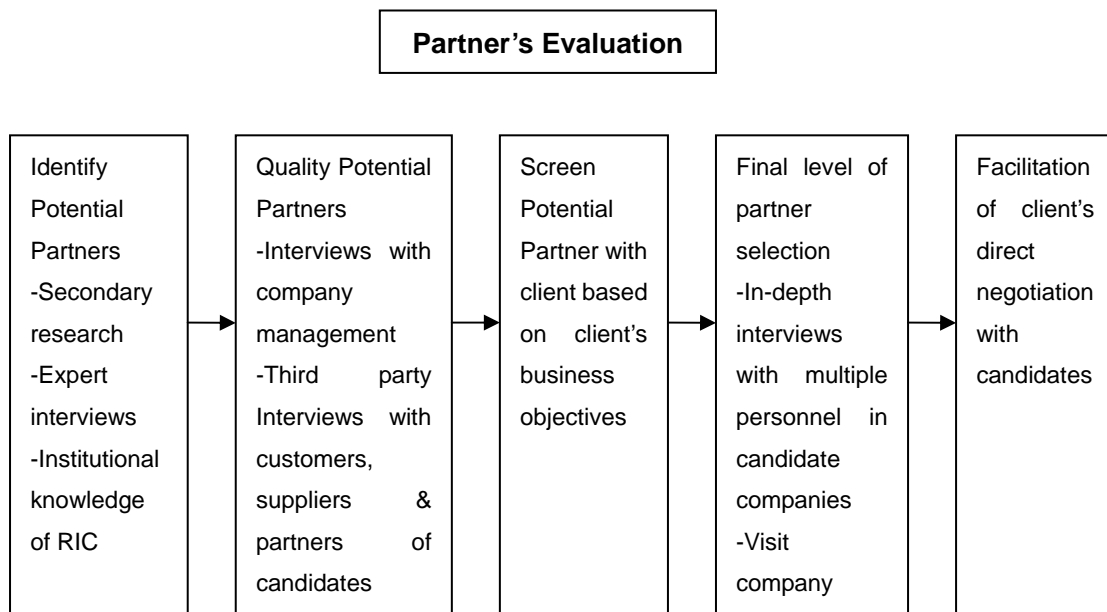
**CASE STUDY:** Identification of Potential IC Manufacturing Partners

**Client:** A Fortune 500 company involved in IC design and manufacture

**Project Objective:**

To identify potential local manufacturing partners in China manufacturing integrated chips used in various segment markets.

**Methodology:** View Methodology Diagram



**Stage One**

Developing Selection Criteria

ResearchInChina (RIC) developed a set of rigorous multi-tiered selection criteria with the client to select the candidates:

- Five year sales and profit history which were verified through official records
- Financial health of balance sheet including identifying “hidden liabilities” which could affect the acquirer

- Manufacturing capacity, output and quality of products verified by independent tests
- Organizational functions, management quality, manufacturing staff strengths and supply chain management
- Assessment of the customer base in the distribution channel including end-users and distributors
- Linkages with central or local government including assessment of opportunities and risks as a result of the linkages
- Relationships with other vendors which could be in conflict with the client's business objectives, strategies and activities
- History of any partnerships with other multi-national companies and assessment of the partnerships

### **Stage Two**

#### First Tier of Candidate Selection

RIC used secondary research and engagement with industry associations to identify almost 50 candidates for acquisition, which met the selection criteria.

### **Stage Three**

#### Second Tier of Candidate Selection

RIC interviewed senior management in candidate companies to evaluate more closely their financial performance, production technologies, staffing and management quality. Independent views about these candidates were also obtained from resource persons outside the companies.

### **Stage Four**

#### Assessing Most Effective Partnership Mechanism

RIC obtained industry views to determine the most efficient mean for the client to leverage on the candidates' manufacturing capacity. These views were obtained from the IC industry, distributors, industry associations and government officials. Three partnership options were identified and their potential benefits and risks were evaluated:

- Straightforward acquisition of either majority or minority stake in the selected company
- Formation of a joint venture company holding only key manufacturing assets, while having of non-core assets
- License the client's formulation to the candidate to undertake contract manufacturing

### **ResearchInChina's report addressed the following:**

Analysis from RIC's market finding was then used to rank the top ten candidates for the client's consideration. Recommendation on the top ten candidates were based on the selection criteria developed during the first stage of the methodology and subsequently married to the client's business objectives.

As a result of RIC's market findings and recommendations, the client decided to pursue plans to license formulation for contract manufacturing since it best met its business objectives.