

## Ingram Micro: A Deal on the Table

Written by Bob Snyder  
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Bloomberg describes the Chinese HNA Group Co. as "embattled" and Ingram Micro is now on the front lines.



According to Bloomberg reporters in China, RRJ Capital, an \$11 billion private equity group in Hong Kong, is cutting a deal to put a \$4 billion investment in Ingram Micro Inc.

The deal centers around an HNA bond that can be converted into close to 50% of Ingram Micro's shares. RRJ's investment in Ingram Micro began more than a year ago, when it bought preference shares with rights to invest more if HNA decides to dispose of the U.S. company and another asset.

The bond proceeds will be used to pay down a loan taken by HNA from Chinese banks for the acquisition: at the end of 2016, HNA bought Ingram Micro in an all-cash transaction with an equity value of about \$6 billion.

That cash turned out to be very expensive as HNA hit corporate economic bumps and has been forced to sell more than \$25 billion in assets since the start of 2018. In April, creditors seized golf courses and other assets after a business unit (not Ingram Micro) reneged on a loan payment.

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RRJ funds apparently don't come from Chinese investors: two thirds of its funds coming from North America and Europe, and the rest from Asia and Middle East (according to the Bloomberg report).

With the ongoing U.S. trade disputes, the reduction of Chinese ownership in Ingram Micro should help the consortium win the approval of the Committee on Foreign Investment in the U.S.

If the majority of shares end up in the hands of a private equity group, the impact on Ingram Micro could be very healthy. Private equity invests to grow a business and to sell it again after some years (usually 3-6 years). That's surely a better deal than being trapped in an "embattled" group of a marine shipping conglomerate struggling with its diversification plan.

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