

# Fear not the foreign investor

Like its September \$1.35 billion investment in The Carlyle Group, the Abu Dhabi Investment Authority's recent \$7.5 billion stake in Citigroup caught the attention of the investment community and the American public. And for good reason: By breathing new life into the world's largest financial services company, Abu Dhabi's investment is a wake-up call to Americans on the rising power of developing countries and the weakening value of the U.S. dollar.

The weak dollar has created compelling investment opportunities for overseas buyers, particularly those in the Middle East, Europe and India. In my own firm, eight out of our last 11 transactions in 2007 involved Western European buyers and one involved an Indian company. Some Americans express concern that foreign acquisitions could threaten national security. However, middle-market companies should embrace, not fear, international investors in 2008.

Overseas investments will stabilize the U.S. dollar and help deter the looming predictions of a 2008 recession. With the Abu Dhabi investment, Citigroup shares rose 52 cents. Contrary to 2008 recession predictions, 64 percent of U.S. companies with revenue between \$25 million and \$1 billion are expected to grow in the next 12 months, according to a study by the Economist Intelligence Unit and CIT Group Inc. Why? For the same reason Fortune 500 companies are being revitalized: foreign acquisitions.

Additional capital by stable, deep-pocketed overseas investors allows promising U.S. companies to pursue attractive growth opportunities. Foreign buyers can be the most ideal acquirers of middle-market companies for three reasons.

First, foreign investors are willing to pay excellent premiums as they are using the relative valuation of the U.S. dollar to their advantage. By the end of 2007, the dollar will buy 11.6 percent less than the euro compared to the start of the year. This year's credit crunch, which helped weaken the U.S. dollar, also provides emerging countries an opportunity to buy

into American companies at lower prices.

Second, many foreign companies want to enter the American market with a strong presence.

Analysts estimate the Abu Dhabi Investment Authority's funds could be approaching nearly \$1 trillion, and recent reports indicate Singapore is looking for investment opportunities with nearly half a trillion dollars, which is roughly what the U.S. spends annually on oil. The money in emerging countries is there, but the American presence is not. Yet, foreign buyers aren't looking to boost their egos; they are seeking to become long-term stakeholders in U.S.



## Guest Column

DOUGLAS RODGERS

business and society.

Third, foreign executives — like U.S. executives — understand the business processes that are ingrained in the community, and they are more likely to keep the existing U.S. management in place. Overseas buyers are investing in American companies to increase their wealth once the U.S. economy rebounds and to give their country a competitive edge in the global community, not to overturn business models.

Despite recession rumors, we predict the U.S. middle market will continue to thrive, thanks to private equity firms offsetting the subprime credit meltdown, changing demographics and increasing foreign investments. If the dollar continues to decline, developing countries will earn more of the world's cash, and U.S. companies will need to encourage overseas buyers to stimulate future growth. Dubai's investment in Sorbus, Abu Dhabi's investment in Carlyle and Citigroup and China's deal with Blackstone are just the beginning. Next year will be the year of the mutually beneficial global economy.

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## Ups & Downs: Uncle Sugar edition



### Homeland insecurity

Congress decides it really doesn't want to spend hundreds of millions to move DHS to St. E's — at least not this year. Even John Hinckley is getting impatient.



### Clean needles

Congress reverses a nine-year ban on the District handing out sterilized needles to addicts. That's nine years too late for those who might have been spared the HIV virus.



### A D.C. quarter

Congress authorizes a coin representing the District, joining the 50 states. The challenge will be to come up with an image that says "taxation without representation."

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