

Brian Wu

The Starwood Dilemma: Sell to a Chinese Company?

Thomas Mangas, CEO of Starwood Hotels & Resorts Worldwide, Inc., took a deep breath before opening the doors to the company's boardroom in Stamford, Connecticut. The board had assembled to hear his recommendation on a March 28, 2016, \$14-billion offer for the company from Anbang Insurance Group, a Chinese financial conglomerate. He had been hoping competitor Marriott International would increase its purchase bid, but Marriott held firm at \$13.6-billion.¹

Mangas had been up all night ruminating over the obstacles Anbang would have to overcome to get the deal done. This would be the largest acquisition of a U.S. organization by a Chinese company. Led by Chairman Wu Xiaohui, Anbang had made an offer for Starwood in May 2015, but Starwood leadership was apprehensive, questioning how Anbang would secure the needed funds. Negotiations ended when Anbang could not produce a specific financing plan.² Then, in early 2016, Mangas warned his counterpart at Marriott, Arne Sorenson, that "our friends from China have resurfaced." Anbang and Marriott began a bidding competition for Starwood.

Mangas had concerns about conducting business with Anbang. He had trouble reading the mysterious Wu, who was married to the granddaughter of former Chinese leader Deng Xiaoping. Anbang had other political connections as well, and was obscured by a complex ownership structure, which consisted of 39 companies ranging from mining organizations to car dealerships. Several Wall Street banks could not get internal clearance to work with Anbang because it remained unclear who truly owned the company.³ Anbang also offered fewer synergies than Marriott. To quell these concerns, Anbang provided a letter of credit from China Construction Bank for the full amount and guaranteed the all-cash deal would close with or without Chinese regulatory approval.⁴

Mangas and the board ultimately accepted Anbang's offer with the caveat that Marriott would have an opportunity to counter. Despite the opportunity to create the largest hotel company in the world,⁵ with about 1.1 million rooms in 5,500 properties and 30 brands, analysts predicted that Marriott would not continue the

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