
Hughes Hubbard & Reed

Going-Private Deal for Major Chinese Company Chindex Closes

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On Sept. 29, 2014, Hughes Hubbard's long-time client Chindex International Inc. consummated its sale to a buyer consortium consisting of an affiliate of U.S. private equity firm TPG, an affiliate of Shanghai Fosun Pharmaceutical Group and the Chindex CEO.

Prior to the closing, Chindex had been an American healthcare company providing services throughout China through the operations of United Family Healthcare, a network of private primary care hospitals and affiliated ambulatory clinics. As a result of the acquisition, Chindex became a private company with Shanghai Fosun the largest shareholder. The Chindex CEO remained on as the Chindex CEO.

The buyer consortium initially had proposed a bid price of \$14.00-15.00 per share and subsequently entered into a merger agreement providing for a purchase price of \$19.50 per share. During the go-shop process under that original merger agreement, however, a financial bidder offered a purchase price of \$23.00 per share. In the bidding, the original buyer consortium ultimately increased its offer to the final \$24.00 per share purchase price.

Under the terms of the merger agreement, the buyer consortium acquired all of the outstanding shares of Chindex for a purchase price of \$24.00 per share in cash. The purchase price represents an implied premium of approximately 40 percent over the closing market price per share on the last trading day before the first announcement of the merger, 45 percent over the volume weighted average trading price per share for the 30 calendar days that ended on the announcement date, and 129 percent over the closing price per share on the date when the Transaction Committee of Chindex was formed to first consider a sale of the Company.

Kenneth A. Nilsson, the chairman of the board and the chairman of the Transaction Committee of Chindex, publicly stated: "The disciplined and independent process followed by the Transaction Committee and its advisors has borne fruit in achieving optimal results for our unaffiliated stockholders. We are delighted to see that the preservation of a level playing field for interested parties generated a bidding process that maximized the outcome for our unaffiliated stockholders, including a significant reduction of conditionality to the Merger."

Gary Simon noted: "This deal is the culmination of a long and gratifying relationship with Chindex, which has grown from its IPO in 1994 to be a leader in its market with a recognized and respected international name and brand (including having received the U.S. State Department Award for Corporate Excellence, which it co-won with Coca-Cola)."

The deal made headlines in the Wall Street Journal, Bloomberg, Reuters, China Daily, Law360 and other news outlets. It was named in 2015 as a "Private Equity Deal of the Year" finalist by China Law & Practice and The American Lawyer.

Gary Simon led the team, which included Ken Lefkowitz, Ellen Friedenber, Andrew Braiterman, Susan Campbell, Jerry Harrison, Bryan Sillaman, Jennifer Graham, Justin Greenbaum, David Gold and Daniel McLaughlin.

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