

MAY 2019

**FOREIGN INVESTMENT
AND BUSINESS ACTIVITY
PATTERNS AND TRENDS
IN NEW HAMPSHIRE**

2001-2018

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INTRODUCTION

The 2019 NH Globalization Report analyzes and evaluates foreign business activity in New Hampshire from 2001 to 2018. Activities recorded for foreign businesses in the state range from leadership, human capital investments or interventions to direct expansion.

A key finding evidenced and described in the current report is the increase in the amount and variety of foreign business activity, with expansion as a prevalent objective. The analysis indicates a significant focus on innovation in the state and outside of the state, with New Hampshire as the beneficiary of Research & Development spillovers. Utilities and banking/finance are main sectors for foreign business activities, with many developments involving information technology. Large projects drive and focus activity.

The report ends with recommendations for development professionals, such as new growth segments, clustering opportunities, and new ways to engage.

Data Sources and References:

The report is based on data collected from MarketLine, a publisher of business information and companies, industries and geographies' profiles. Not every instance of foreign business activity is recorded. The data provides a sample showing patterns and trends.

The analysis uses the Global Industry Classification Standard (GICS), developed by MSCI and S&P Dow Jones Indices (<https://www.msci.com/gics>). As described by the developers, the classification aims to provide an accurate, complete and long-term view of the global investment universe from an industrial perspective.

OVERVIEW: HEADLINE PATTERNS AND FIGURES

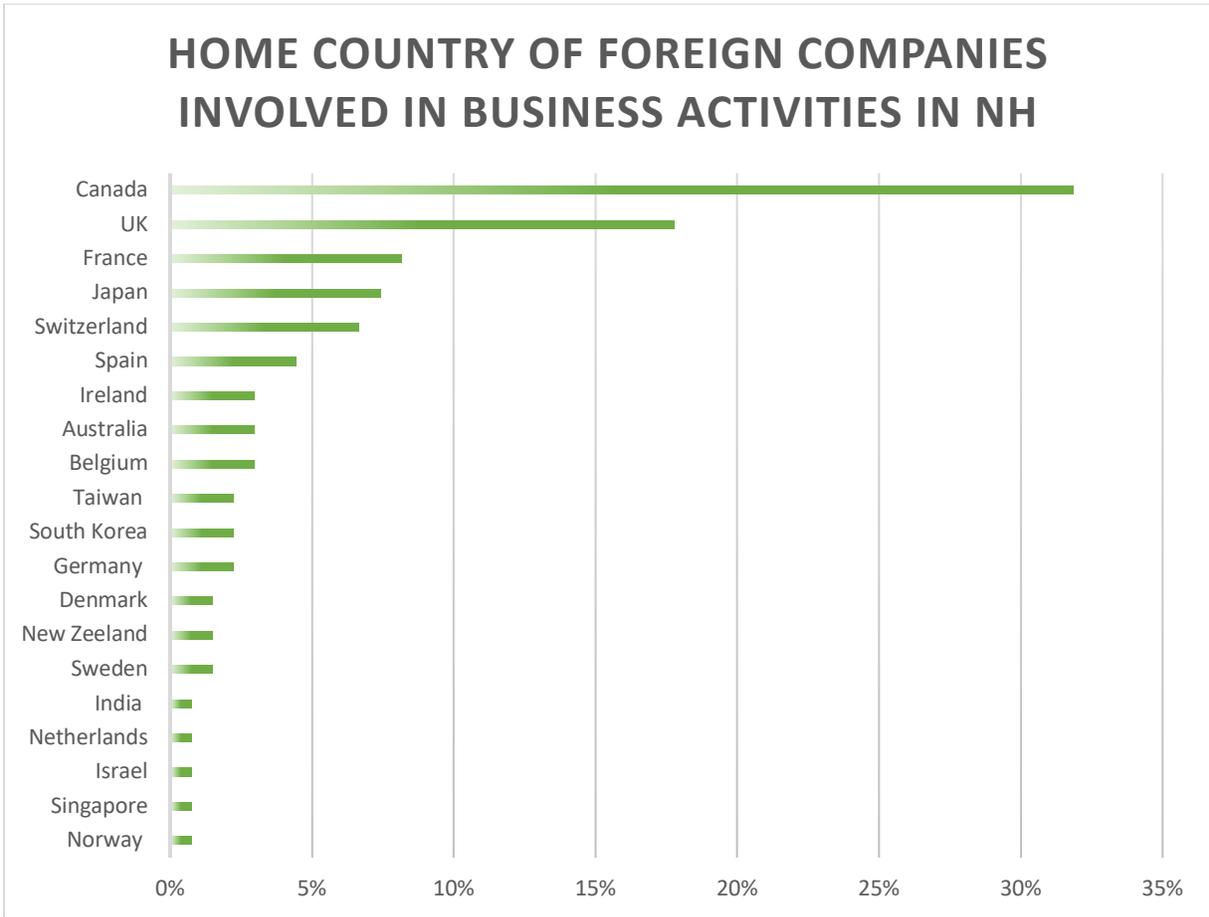
- New Hampshire business activity involving foreign companies has been on an increase, with upcycles towards the end of each decade.



2017

New Hampshire foreign business activity almost doubled as compared to the past years with highest activity.

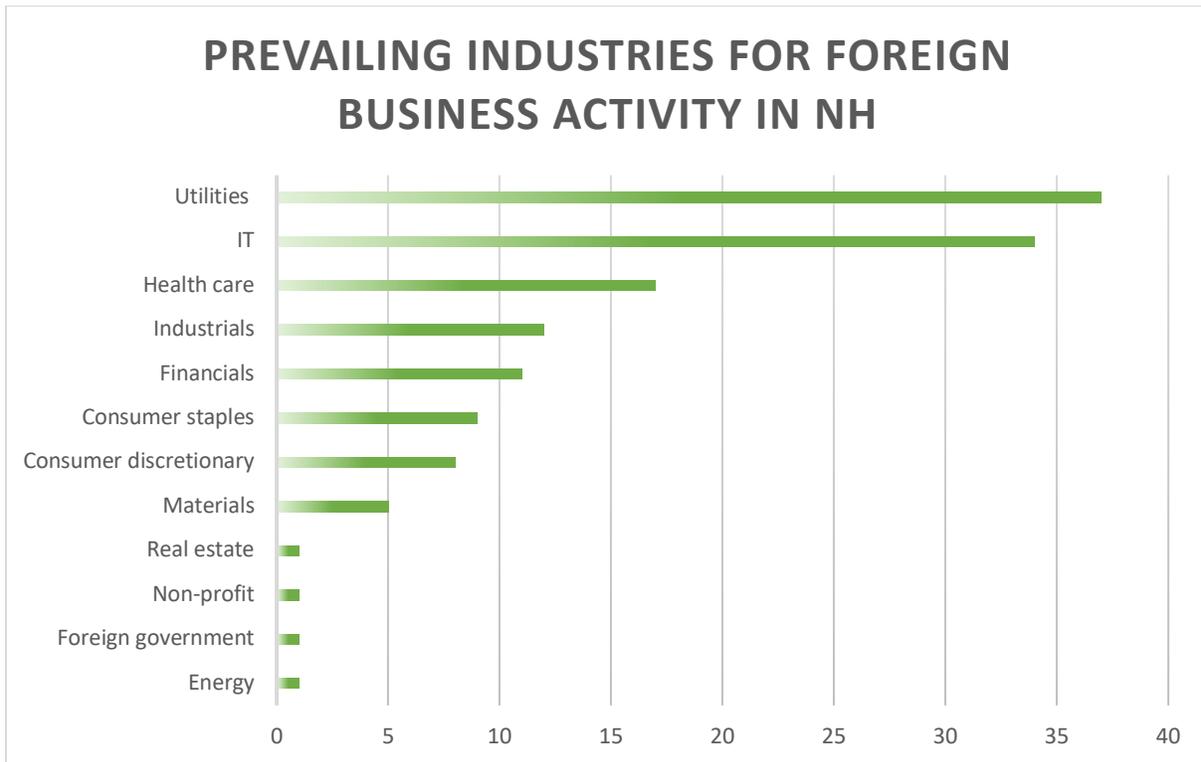
- Canada has dominated as home-country of companies that engage in business activities in New Hampshire.



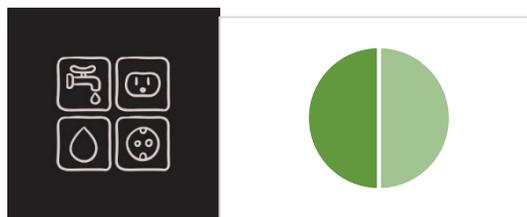
 **32%**

of foreign companies involved in business activities in New Hampshire are Canadian.

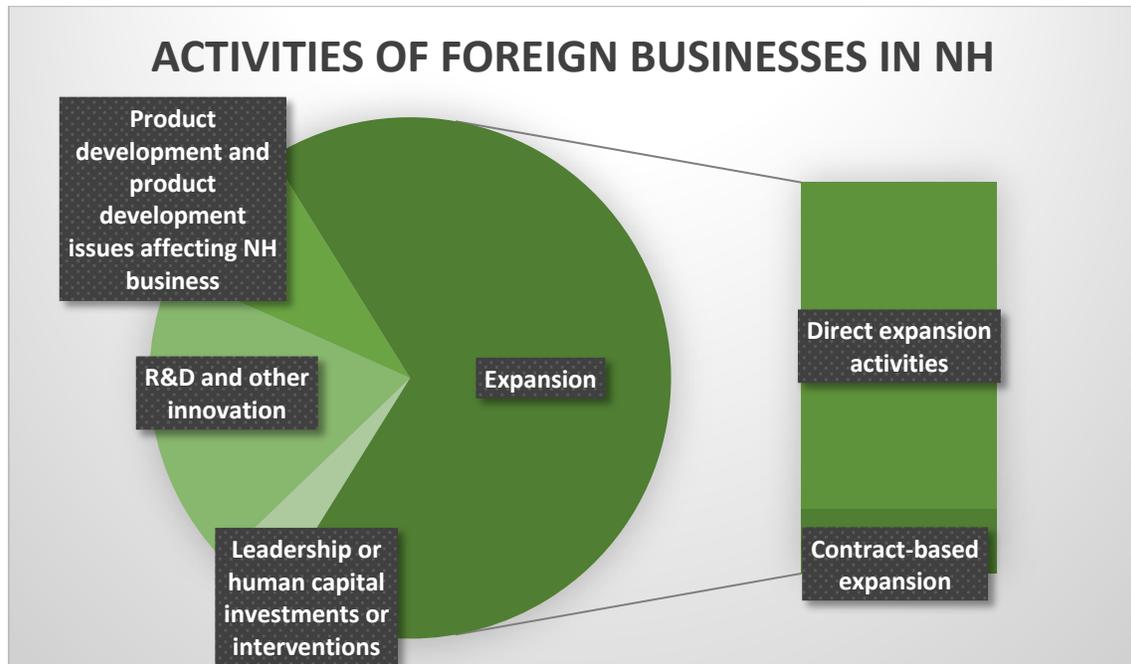
- Utilities are the prevailing industry in which foreign businesses are engaged in New Hampshire. IT is also a key industry for foreign business activity.



About **1/2** of all foreign business activity takes place in utilities and IT.



- Foreign businesses in New Hampshire aim for expansion.



↖ ↗ **70%** ↙ ↘ of all New Hampshire foreign business activity relates to expansion in the state.

FDI AND FOREIGN BUSINESS ACTIVITY TRENDS

This report analyzes and evaluates foreign business activity in New Hampshire from 2001 to 2018. Activities recorded for foreign businesses in the state are categorized as follows:

- Leadership or human capital investments or interventions
- Research and development (R&D) and innovation
- Product development and product development issues affecting New Hampshire business
- Direct expansion activities
- Contract-based expansion

Leadership or human capital investments or interventions are not prevalent. A few foreign companies from various countries and operating in various industries have been engaged in such activities in the last few years.

Foreign companies in New Hampshire have pursued product development through the decades. Research and development and innovation have been key activities of foreign businesses. About half of such activities in the state have represented spillover effects from R&D outside the state or outside the country. Innovations developed overseas and out-of-state have been used in local foreign operations or have been integrated with R&D in New Hampshire. Foreign firms have partnered at times to develop overseas innovation that has been assimilated in their operations in the state.

Expansion activities have been significant. Most expansion occurred via acquisitions of local and other foreign companies' subsidiaries. Acquisitions of New Hampshire foreign subsidiaries represent about one third when compared to the total number of acquisitions. For some foreign companies, expanding to New Hampshire has been an outcome of a larger acquisition of a US-based firm. Proportionally to all acquisitions, these larger acquisitions were just over 10%. New Hampshire foreign companies have also invested or re-invested in their local operations in the last two decades.

Acquisitions and contract-based expansion activities have been about equal in intensity. Since 2001, foreign companies have entered contracts to sell, distribute and manufacture in New Hampshire. Manufacturing contracts have been in minority. Most agreements involved contracts and partnerships to access the New Hampshire market.

THE 2000S ARE ABOUT FOREIGN COMPANIES' EXPANSION IN NH

In the 2000s, the foreign business activity focused on expansion. This included mainly foreign companies' expansion via acquisitions in the state (of local, domestic and other foreign companies' affiliates). Some expansionary effects into New Hampshire have been the results of a foreign firm acquiring a US company with subsidiaries in various states, including New Hampshire. In one case, the expansion occurred via acquisition of another local foreign subsidiary, which was part of acquiring a foreign parent company. In a few instances, a foreign company gained more operations in the state by acquiring another firm's local foreign subsidiary. One company's expansion in New Hampshire involved a partnership with a US company.

Partnerships play an important role in how foreign firms engage in the state's business activities. This includes foreign company expansion via partnership with another foreign company that was already here and planned expansion through greenfield investment in partnership with a local company. Partnerships are also reflected in a US company entering a partnership with a New Hampshire foreign firm in order to expand distribution into the state. In addition to expanding, foreign companies already in the state have been partnering with companies overseas for alliances that influence their local operations or provide for overseas distribution and new development opportunities.

In some cases, a foreign company's expansion in the US affected positively or strengthened its operations in New Hampshire. Some of these companies received incentives that had a positive impact on their expansion to or into the state. While most of the foreign firms' expansion in New Hampshire took place through acquisitions, it is important to reiterate that some growth occurred via additional investments to current operations and greenfield investments, either on their own or in partnerships with local companies.

Foreign firms have increased their foothold in New Hampshire by intensifying distribution in the state. They also have been the vehicle for other companies' distribution efforts. At the opposite end of business activities involving foreign companies in the state, local companies and US companies have purchased some foreign subsidiaries in New Hampshire during this time interval.

THE 2010S SEE AN INCREASE IN INNOVATION ACTIVITIES

In the 2010s the FDI and foreign business activities in New Hampshire have amplified. Expansion efforts have continued to be strong, with similar avenues as in the previous decade. Foreign companies also expanded in the state through contracts to sell here or contracts involving manufacturing in the state.

Notably, since 2010, foreign firms have pursued a variety of innovation activities. These have included mostly research and development (R&D) in the state, but also product development, sometimes in partnership with other foreign companies or with US companies. Some R&D and innovation developed in New Hampshire have been used in overseas operations. The state benefited from innovation inflows from R&D overseas affecting or integrating with local R&D. In one case, a foreign firm's innovation in the US has made a difference in the distribution of the company's products in New Hampshire. Also related to innovation, foreign firms have sought and obtained New Hampshire certification for their technology. The certification allowed firms to use or transfer technology or innovation in the state and internationally.

INDUSTRYⁱ PATTERNS

Foreign companies' activities in New Hampshire since 2001 are mainly taking place in utilities and IT. These industry sectors dominate in intensity, followed at a distance by business undertakings in health care. Financials and industrials sectors see less than a half of the foreign firms' involvement in the top sectors. Some foreign activity has been happening in consumer staples and consumer discretionary sectors. The industrials sector has recorded the most acquisitions, comparatively. Foreign activity in consumer discretionary and consumer staples sectors has focused on expansion.

ALMOST TWO DECADES OF EXPANSION IN UTILITIES AND INNOVATION IN IT

Expansion is the key activity in utilities. Activity in this sector has been dominated by Canadian firms. Foreign activity in IT has been focused on innovation, development and local technology certification. Most foreign firms engaged in IT have been European, with UK-based businesses at the forefront. Most foreign activity in utilities and IT has been taking place in the past decade, with planned expansion and planned product development taking place in the early 2000s.

FINANCIAL ORGANIZATIONS TAKE ADVANTAGE OF ALREADY STRONG PRESENCE IN THE STATE

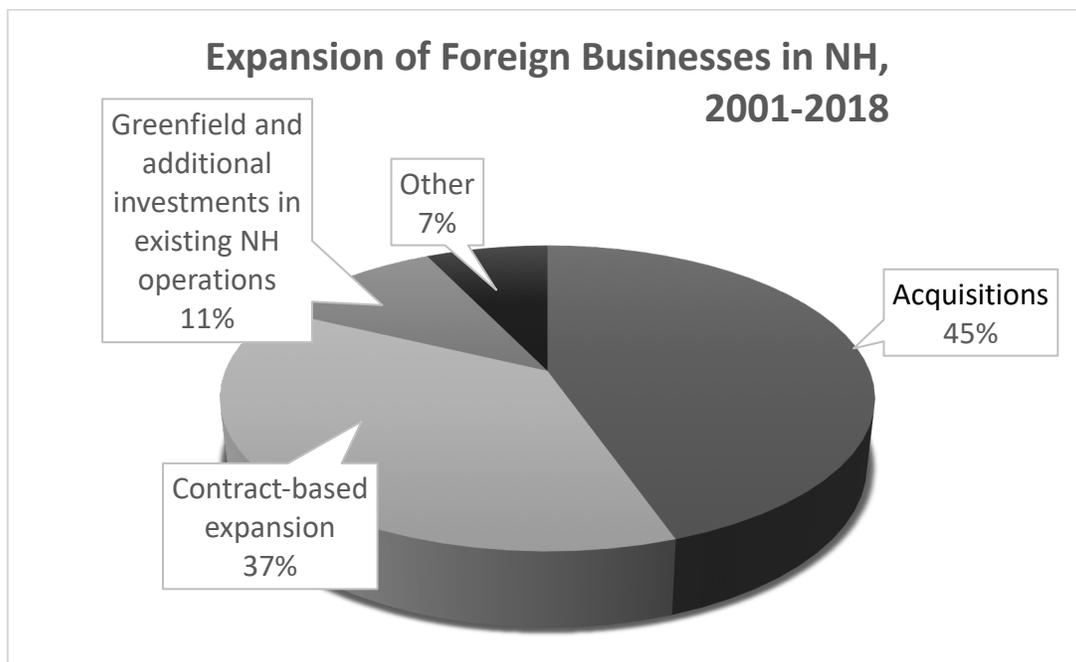
Financials has been a sector with varied activities. Foreign financial firms have engaged in contract-based expansion beyond the state. Financial organizations in New Hampshire have facilitated access to overseas markets for other companies. Benefitting from large international parent companies, these foreign firms have brought innovations and capital to the state.

NH HEALTH CARE IS A SECTOR OF MORE RECENT APPEAL FOR FOREIGN BUSINESS ACTIVITY

Acquisitions and R&D have been key undertakings in health care in the last decade. Canadian and Swiss companies have been at the forefront of all business activities in this sector.

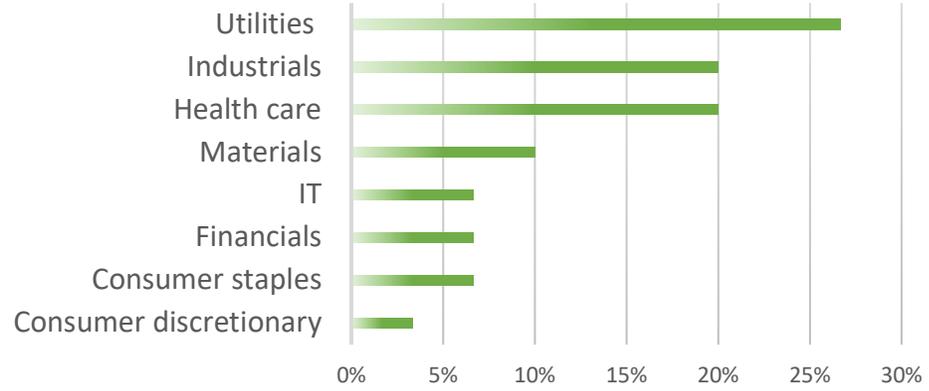
IN FOCUS: FDI AND FOREIGN BUSINESS EXPANSION IN NH

Since 2001, foreign business activity has increased in intensity. Foreign direct investments as greenfield investments and acquisitions have been part of the diverse pattern of expansion. Of all acquisitions that foreign companies made in the state, about one third have been acquisitions of other foreign companies. Just over 1/10th of foreign companies' acquisitions in New Hampshire were part of larger acquisitions of US-based companies. In these cases, international firms have gained operations in the state as part of larger expansionary effort in the US. Greenfield investments and additional investments into existing operations are third in the ranking of foreign business expansion approaches. Acquisitions dominate, followed by contract-based expansion.



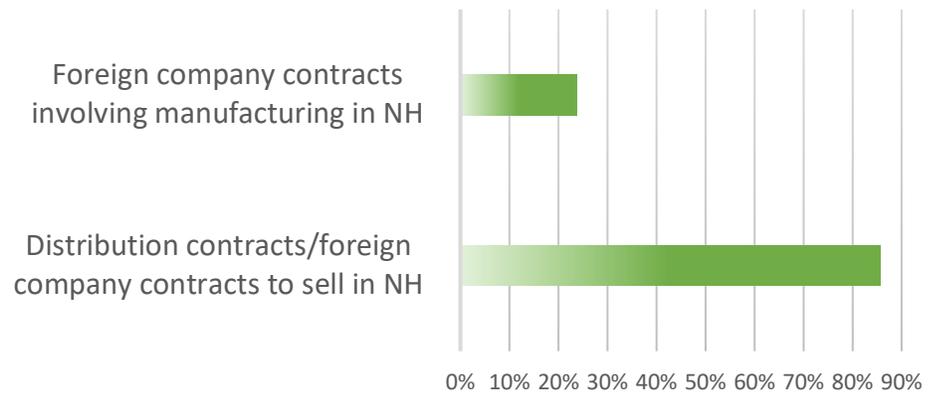
Expansion via acquisition of local company and expansion via acquisition of another local foreign subsidiary were about equal in numbers. In a few instances, the foreign company expansion in New Hampshire has been pursued via partnership with another foreign company already here. In one case, a foreign company partnered with a US company to acquire a local firm. In a number of occasions, foreign firms in the state have facilitated US firms' expansion in New Hampshire via acquisitions and partnerships. One instance has been logged of a foreign firm acquiring a US company and integrating it in its existing New Hampshire subsidiary. Most acquisitions have been taking place in utilities, followed by the industrials and healthcare sectors.

ACQUISITION ACTIVITY ACCROSS SECTORS IN NH

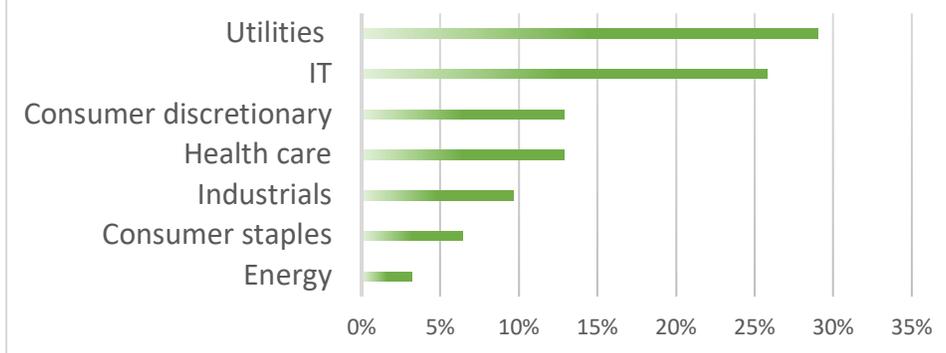


Contract-based expansion has been featuring a majority of contracts to give foreign companies access to the New Hampshire market. Fewer contracts have increased foreign firms' involvement in manufacturing in the state. Most distribution and contract-based expansion in New Hampshire took place in the utilities sector, followed by IT.

CONTRACT-BASED EXPANSION OF FOREIGN COMPANIES IN NH



DISTRIBUTION AND CONTRACT-BASED EXPANSION ACCROSS SECTORS IN NH



Firms actively pursuing expansion have represented about 17 countries. Expansion efforts have typically involved other local companies (foreign, US-based, NH-based). A majority of these interactions have engaged local companies. Foreign firms have been highly integrated in New Hampshire business activity in general and contributed to transactions and business development in the state.

OUTLOOK AND RECOMMENDATIONS FOR DEVELOPMENT

Foreign firms from at least 20 countries engage in business activity in New Hampshire, showing a good diversity of investment sources. This report includes evidence of variety in business activity but also patterns of activity. It appears that large projects drive some activities (e.g., state and national government contracts; the Hawaiki transpacific cable system; the Quebec-NH interconnection project for power transmission). Local infrastructure (e.g., The Center for Coastal and Ocean Mapping, power infrastructure, tourism assets) attracts undertakings from foreign companies.

In general, the location seems to be part of foreign companies' long-term strategies (e.g., a merged company was headquartered in New Hampshire; there are companies that continuously use and develop distribution networks here, etc.). It is difficult to draw a categorical conclusion on correlations between country-of-origin and type of activity. Some evidence suggests that UK companies have the most relative diversity in activities, Canadian companies tend to focus more on expansion, and Japanese firms appear more focused on acquisitions.

Diversity of business activities in which foreign companies have engaged in the last few years suggests a wide range of these companies' interests and development aspirations in the state. This may indicate overall good prospects and positive expectations of outcomes for any economic development strategies involving FDI and foreign business activity. The interpretations of patterns and trends lead to a number of development recommendations.

Incentivize businesses with recent activity

The data points out to more recent activity from firms that didn't typically engage in business in New Hampshire, such as those from Israel, New Zealand, Australia. Taking advantage of this recent interest, incentives and promotion activities could be oriented towards firms from these countries. These countries may be a good source of foreign investments in the future.

Strategize around the development of an IT cluster

Development professionals should take advantage of the increased intensity in R&D to create an innovation cluster. The multitude of business activities in the sector suggests that IT could be a good choice, perhaps in the technology hardware and equipment subsector, where a good number of activities take place. Foreign business activity in the IT sector appears to be centered around product development and innovation. IT is the sector with most diversity in terms of country-of-origin, with strong European business activity.

Promote industrials and health care

The propensity of acquisitions and expansion activities in recent years suggests improved integration of foreign firms into the state's business environment. This should be reinforced as an area of positive contributions. Development incentives or promotions could be guided towards sectors that historically had a good presence of foreign companies, such as industrials. Expansion is a strong motivation in the industrials sector. Alternatively or concurrently, development could target new growth sectors, such as healthcare, where there are a good number of activities related to expansion and innovation, increasing in intensity in latest years.

Promote examples and encourage networking

Large foreign companies engage in large projects or additional investments, pursue local innovation, bring innovation from out-of-state, and generally bring more business into New Hampshire. Assisting, supporting and promoting these organizations' positive influences could be a way to encourage other significant players. Aiding the networking of large foreign companies with smaller businesses, domestic and foreign, may also assist in the development of the vibrant small business profile of the state.

Explore new ways to engage foreign businesses in utilities

Canadian and, to some extent, British companies have shown considerable interest in the New Hampshire utilities sector. Expansion seems to be the main motivation of these foreign companies. Development professionals should explore new possibilities to open up more business in this sector.

ENDNOTES

ⁱ The report uses the Global Industry Classification Standard (GICS), developed by MSCI and S&P Dow Jones Indices (<https://www.msci.com/gics>). As described by the developers, the classification aims to provide an accurate, complete and long-term view of the global investment universe from an industrial perspective.