



→ COMPANY: **HNA GROUP** | COUNTRY: **CHINA** | CEO: **ADAM TAN** | RANK: **170**



YOU'VE NEVER  
HEARD OF \***HNA GROUP.**

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**N A WARM SUMMER NIGHT** in Paris, hundreds of executives, bankers, diplomats, and French officials walk the red carpet snaking up the steps of the Petit Palais museum—a sumptuous Beaux Arts building in the heart of the French capital, with sculptures and paintings set around a manicured garden. Under 200-year-old frescoes, the guests dine on lobster, duck, and white-chocolate

mousse, prepared by a top French chef, washed down with grand cru Bordeaux, and topped off with entertainment from the Peking Opera. Three large red letters affixed to the ornate gates offer a clue about who's throwing the invitation-only affair: HNA.

To the hundreds of people passing by, the name HNA probably means nothing. But to the business world at large, the presence of those three letters is another sign—if any is needed—that a little-known Chinese conglomerate with provincial roots has, in just a few years, transformed into a powerful global player with tentacles stretching across the planet.

HNA Group, headquartered in Hainan in southern China, still lacks the brand-name status it eagerly seeks. That's despite the fact that it has plowed tens of billions of dollars into buying up foreign assets since 2015, on every continent—including \$5.66 billion in just the past six months, according to the tracking firm Dealogic. By the company's estimation, its investments in the U.S. alone have reached \$35 billion.

Over the past two years, about \$1 trillion has flowed out of China, as Chinese individuals and companies, having made fortunes at home and with state-owned banks willing to lend, invested elsewhere. Among those companies, one of the most aggressive has been HNA. Its dealmaking in some ways highlights how a mere handful of Chinese groups have snapped up dozens of Western assets, especially since the 2008 economic crisis, while at the same time leaving unanswered questions over ownership and transparency.

In the case of HNA, its executives have crisscrossed the globe in a frenetic buying spree, making deals through a labyrinth of subsidiaries in China and abroad. The purchases have included household names for Americans and Europeans. Among them are Minnesota-based Carlson Hotels—owner of the Radisson and Park Plaza hotels—which HNA bought outright last December for an undisclosed sum. In March of this year, it bought 25% of Hilton Worldwide Holdings, the hotel group, from Blackstone for \$6.5 billion. And in May it increased its stake in Deutsche Bank to become its biggest shareholder, with its stake worth about \$3.7 billion.

The list goes on: HNA owns the airline catering giant Gategroup and the aviation servicing giant Swissport. In April of this year, HNA's Dublin-based aircraft leasing subsidiary, Avolon Holdings—which HNA bought in 2016—acquired the aircraft leasing arm of the New York financial firm CIT Group for \$10 billion, turning HNA into the world's third-largest lessor of planes. And its U.S. real estate holdings include 245 Park Avenue in Midtown Manhattan, which it bought in March this year for \$2.2 billion.

In December, HNA went to California and bought Ingram Micro, the Irvine-based company that is the world's biggest distributor of technology products, with operations in about 160 countries. The price: \$6 billion—in cash.

There are plenty of other purchases that, by HNA's outsize

standard, seem almost forgettable: eight golf courses purchased in Washington State for \$137.5 million last October, for instance. In January, HNA Capital, one of the group's subsidiaries, spent about \$200 million for a majority stake in the New York hedge fund SkyBridge Capital, according to HNA. That deal might have gone unnoticed had the seller not been Anthony Scaramucci, a key financial backer of President Donald Trump. In the blaze of coverage over Scaramucci's windfall from China—after Trump's acerbic anti-China talk—the President shelved plans to appoint Scaramucci to a White House post. (In late June, Scaramucci was named chief strategy officer of the U.S. Export-Import Bank.)

As it swallows new businesses and properties, HNA is making a rapid ascent up *Fortune's* Global 500 rankings. The company first appeared on the list in 2015, at No. 464. Last year it jumped to No. 353. And this year it's No. 170, with some \$53 billion in revenue—a nearly 80% gain over the previous 12 months. Add in a full year of Ingram Micro, which last year had some \$42 billion in sales, and HNA Group should easily crack the top 100 of the Global 500 in 2018.

But HNA's thirst for growth seems far from sated. That was clear when the company's top executives met *Fortune* over several days in late June. It was a rare window into the privately held (and private) company. The execs described goals that seemed wildly ambitious, until one considers that HNA started from scratch just 24 years ago—making it younger than Apple, for example, by a full 17 years.

Indeed, the man who runs HNA today is set on its becoming one of the world's biggest companies, period. "We have a target to be in the top 10," says HNA's CEO Adam Tan (his Chinese name is Tan Xiang-dong), sitting in his hotel suite in Paris the morning after the company's spectacular dinner, a charity event that takes place in a different city every year, on the birthday of the company's billionaire founder and chairman, Chen Feng.

The Paris dinner kicked off HNA's "International Week" in Paris, in which major clients, bankers (including from Goldman Sachs and J.P. Morgan), and business partners converged on the city over several days for meetings. At the National Golf



FORTUNE GLOBAL 500

**LEANING IN TO AMBITION**  
HNA Group CEO Adam Tan, photographed in Paris in late June, says his goal is to make HNA one of the world's 10 biggest companies.

course near Versailles, outside Paris, HNA launched the first HNA Open de France, a European PGA tour it now sponsors. All of that is valuable branding for a company grasping for the top. Tan, known universally in the company simply as Adam, says he doesn't know how long it will take for HNA to become one of the world's biggest companies. But he's confident that it will get there. It helps, he admits, that business is booming at the moment. "Earning money is so easy," he says, laughing. "We are now the geniuses."

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**A**N COULD SCARCELY have conceived such ambition when he first visited the U.S. in 1993, as a young HNA employee. Now 50, he still remembers gazing out of the plane window, feeling like a hick from the boondocks of Hainan, a tropical island whose capital city, Haikou, barely had traffic lights at the time. "All the lights were on, even two hours from New York City. I was shocked," Tan says. His immediate thought: "This is something. I have to live here."

And he did. Tan spent years in New York, courting investors and helping to grow the company internationally. When he began, HNA's sole operation was Hainan Airlines, a startup carrier which had exactly two airplanes. (HNA is a rough acronym for Hainan Airlines.) It was funded by the province's government in an effort to lure tour-

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**BIG-MONEY BELIEVER**

When HNA was founded in 1993, its sole operation was Hainan Airlines, which had just two airplanes. An early backer was hedge fund manager George Soros, who invested \$25 million for a 25% stake.



ists. One crucial early backer was hedge fund legend George Soros, who took a 25% stake for \$25 million, which he later raised to \$50 million. (Soros, who originally met some HNA executives at a summit in Beijing, cashed in his stake a few years ago for a big profit.) Having such a prominent investor helped give HNA the credibility to raise significant capital abroad—and so pave the way for its ultimate rise. “I think Mr. Soros has great vision, because he thought we would be successful,” HNA chairman Chen tells me.

The Hainan government’s investment paid off hugely too, turning the island into a major destination for Chinese tourists. Today the carrier’s 179 airplanes act like global billboards for the province, flying across China and to dozens of cities in the U.S., Asia, and Europe. It’s now China’s fourth-biggest airline, and HNA also has stakes in 16 other airlines, including in Brazil and South Africa. “They could never have transformed HNA into a global company without Adam,” says an investment banker for a U.S. firm in Hong Kong, who asked not to be named. “He is the face of the group. The dealmaker.”

**F**OR HNA, the dealmaking often begins long before Tan ever appears in person—perhaps even before its targets know of HNA’s existence. That was the case with Ingram Micro. In September 2015, HNA’s financial adviser, CICC, told Ingram’s Beijing representative that its client was “interested in making an investment,” suggesting it wanted to buy a 20% stake, according to the 185-page SEC filing on the deal, which reads like a study into HNA’s corporate tactics.

In California, the response was mixed. “My first gut instinct was, Why?” Ingram Micro CEO Alain Monié says, over sodas in Paris. “We were not looking at all.” Born and raised in the South of France, Monié had spent years in Asia for Honeywell and had done deals in China. Even so, he says, “I had not even heard of HNA, frankly.”

He soon would. In November 2015, Tan and top HNA officials flew to California to meet Monié at Ingram Micro’s advanced logistics center in Mira Loma. Tan, a voluble and fluent English speaker with a deadpan wit, swapped personal histories with Monié and discussed their companies’ strate-

gies. Monié says he realized Tan had been following Ingram Micro’s expansion from afar. The two men kept talking that night over a long dinner at the Pelican Hill golf resort in Newport Beach. There, Tan told Monié his true intention: to buy Ingram outright. Tan said he wanted the company to continue operating as it was, from California under Monié’s leadership. In return, HNA—bankrolled in part by China’s state-owned banks—was willing to pay a healthy premium. When HNA finally acquired Ingram and took it private last December, shareholders received 31% over the stock price the day the deal was announced. The offer had been too good to refuse.

But money was not the only draw. Similar to other HNA acquisitions, there was another crucial enticement: ready access to China’s vast market. Monié says Ingram Micro had struggled to make headway in China, even though the company had operated there for more than 20 years; last year China generated only about 3% of Ingram’s global business. And while Ingram Micro invested heavily in cloud technology, obtaining a license for that in China required majority Chinese ownership. “The market is very tough, with very strong local competitors,” Monié says. “You can see how many non-Chinese companies have been successful in China without a Chinese partnership. There are very, very few.”

Under HNA ownership, Ingram’s business in China has already surged, says Monié. He predicts it will quadruple in the next five years. For HNA’s part, Tan says buying into a global tech-distribution network is part of HNA’s expansion into infrastructure and commodities industries, including door-to-door shipping and cargo. (In March, HNA bought 51% of the oil-storage business of Glencore, the Swiss commodities giant, for \$775 million.)

Monié sees potential for Ingram to grow in the other direction too. Chinese companies can now use Ingram’s distribution network in 160 countries to export globally. “There are many companies that are huge in China, but not outside,” Monié says. “They say to us, ‘Help us get out of China.’ That is a tremendous opportunity.”

So far, Monié seems delighted with his Chinese owners—especially since, outwardly, his company still appears to be all-American. Tan, an avowed Americanophile, says he has no desire to change that perception;

## A GLOBAL BUYING BINGE

HNA Group has embarked on an aggressive spending spree outside China in recent years, investing in everything from airline services to asset managers to hotels.

### HNA RECENT MAJOR ACQUISITIONS AND INVESTMENTS

ESTIMATED STAKES IN COMPANIES AND INVESTMENT AMOUNTS

**15%** \$21 MILLION  
**RED LION HOTELS**  
SPOKANE

**100%** AMOUNT N.A.  
**CARLSON HOTELS**  
MINNETONKA, MINN.

**25%** \$271 MILLION  
**OMAM**  
(ASSET MANAGEMENT)  
BOSTON

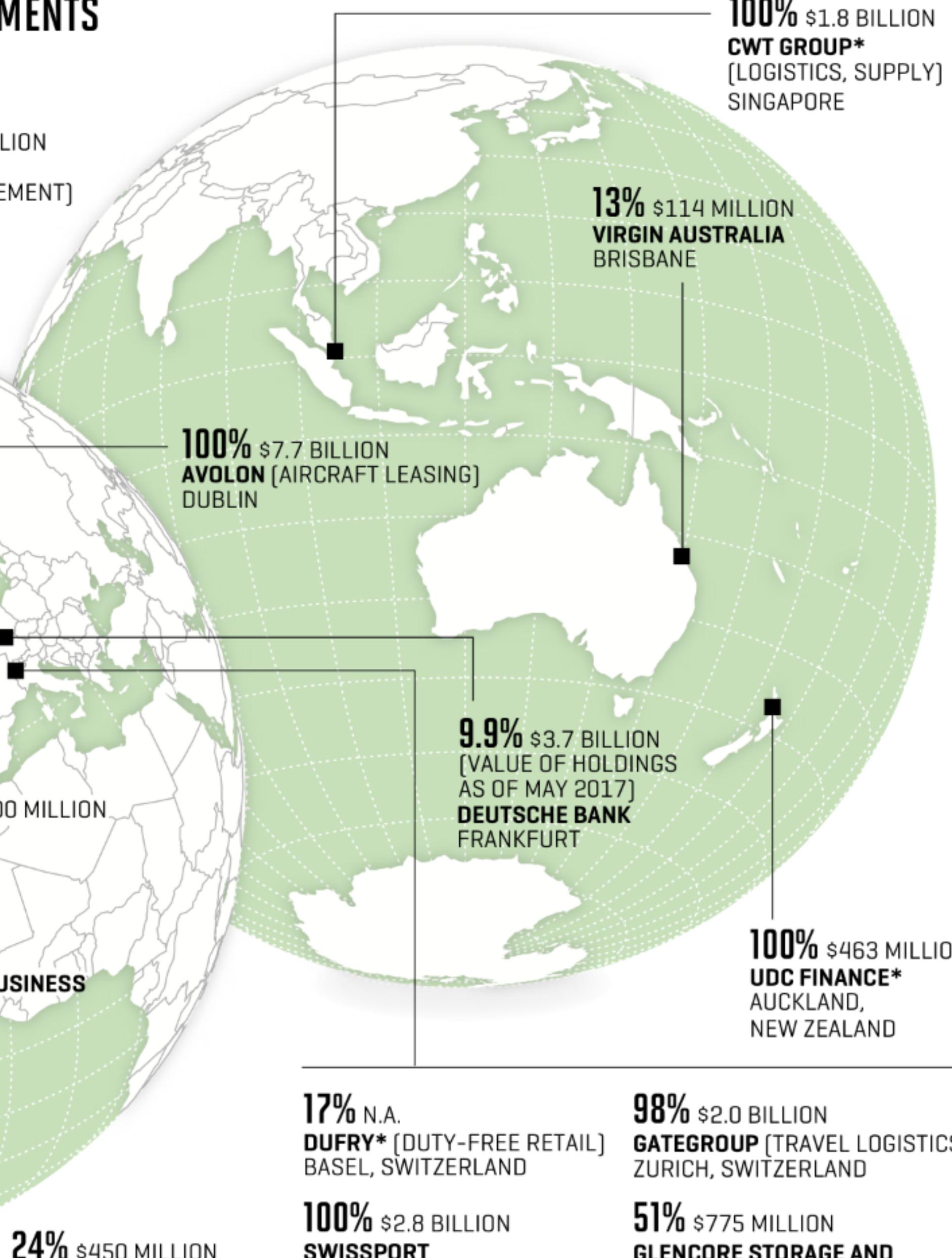
**100%** \$7.3 BILLION  
**INGRAM MICRO**  
IRVINE, CALIF.

**MAJORITY STAKE** \$200 MILLION  
**SKYBRIDGE\***  
(ASSET MANAGEMENT)  
NEW YORK CITY

**100%** \$10 BILLION  
**CIT AIRCRAFT LEASING BUSINESS**  
NEW YORK CITY

**100%** \$2.2 BILLION  
**245 PARK AVE\***  
NEW YORK CITY

**25%** \$6.5 BILLION  
**HILTON WORLDWIDE**  
MCLEAN, VA.



SOURCE: HNA [EST. STAKES]; S&P GLOBAL [TRANSACTION AMOUNTS]; BLOOMBERG

\*TRANSACTION ANNOUNCED, NOT YET CLOSED

in fact, it's part of his strategy for HNA. "This is a global company," he says. "It happens to have Chinese roots. But two-thirds of the revenue is outside China. There are 45,000 employees in the United States."

**I**N INTERVIEWS, HNA executives say their company has become an East-West fusion. But the East is dominant in HNA's 64-year-old founder and chairman, Chen

Feng. When I meet him in his Paris hotel, he tells me that he arose at 5:30 a.m. to meditate for 90 minutes. Chen, a devout Buddhist, says he packs his own meditation cushion when he travels so that not a day passes without an intense session. He says the practice has been crucial to his management of HNA, which he founded in 1993. "According to Buddhism, you become very calm and your wisdom will come out from you," Chen says. Besides, he jokes, it keeps him young. "Look, no wrinkles!" he says, stroking his forehead.

Among employees, Chen is revered as the company's visionary, whose faith infuses its culture. He has also been a delegate to the National Congress of China's ruling Communist Party, which HNA execs describe to me as an "honorary title," rather than signifying links to



the government. While Chen and I speak, an assistant stirs a steaming glass pot of white-tea leaves from Fujian province, perched on a portable green cooker—all carried from Beijing—brewing on the hotel-room desk. “I bring a lot of stuff with me,” Chen says. “This hotel doesn’t know that kind of teapot.”

Thanks to HNA’s success, Chen is now a billionaire. The company would not answer questions about his exact worth or how big a stake he holds in the company. But his wealth made news in New York this year, over reports that he and his brother had each paid \$47 million for apartments in Manhattan’s One57 tower. HNA would not confirm the details. Chen, meanwhile, says HNA’s driving philosophy is to be a Buddhist-style “practitioner of compassion, wisdom, and altruism.” Chen, Tan, and four other HNA founders have pledged their shares upon death to HNA’s charity, the Hainan Province Cihang Foundation, which owns 22.75% of the group’s shares. HNA says the remaining 77.25% of shares are held by Hainan Airlines Holding and 18 individuals, whom it would not identify.

**W**HILE CEO TAN says HNA just “happens” to have Chinese roots, it is those ties that may be key to determining HNA’s next moves. Last November, China announced it was imposing capital controls on Chinese companies and individuals, reining in how much money they can send out of the

**BUDDHIST BUSINESS PRACTITIONER**  
HNA founder Chen Feng outside the Petit Palais museum in Paris, where HNA hosted a charity gala in June to celebrate Chen’s 64th birthday. A devout Buddhist, Chen says daily meditation has been crucial to his management of the company’s growth.

#### HNA GROUP

country. It was an effort to shore up the depreciating yuan and protect China’s cash reserves, which dipped below \$3 trillion in February for the first time since 2011. Among the new controls are restrictions on deals over \$1 billion that are not part of a company’s core business.

HNA’s executives insist the government’s controls have little effect on them. They say that more than half of the group’s revenues now come from the sprawling assets outside China, allowing them to easily seek financing abroad. As long as they don’t overextend themselves, that is. In a written comment last November, S&P Global Ratings in Hong Kong said HNA’s financial policy was “aggressive” and that it had “high debt leverage.” Yet Guang Yang, chief investment officer of HNA Capital, the group’s financial services branch in Beijing, tells *Fortune* that the company’s credit situation is rock solid. “Cash flow outside [China] is very strong,” says Guang. “We are still looking at acquisitions.”

Still, questions over HNA’s finances linger. In May, the exiled Chinese billionaire Guo Wengui, from the comfy refuge of his \$68 million Manhattan apartment, told the *New York Times* that politically powerful people in China secretly controlled blocks of HNA shares. Guo, who’s launched numerous accusations against Chinese companies, has offered no concrete proof, and HNA chairman Chen dismisses his claims as a “pack of lies.” In June, HNA sued Guo for defamation in the New York State Supreme Court for \$88 million, saying his “baseless and meritless” accusations were damaging its reputation. Guo’s response amounted to, bring it on. “Only their [HNA’s] replies can prove the value and truth of the matter,” he said in a live-streamed video quoted by Reuters.

Indeed HNA’s outsize growth is an easy target for suspicion, including over whether possible political ties protect HNA from crackdowns against its expansion. “It has not stopped acquiring companies even in a period of capital controls,” says Derek Scissors, resident scholar at the conservative American Enterprise Institute in Washington, D.C., and a leading expert on China’s outbound capital. “So how is it possible that the company is doing this when other companies are not able to act? You deduce they have very strong ties to the [Chinese Communist] party.” HNA execs dismiss that

assertion, pointing again to the company's cash flow outside of China.

Scrutiny inside China, meanwhile, continues to grow. Just days before HNA's executives gathered in Paris, China's banking regulator, CBRC, ordered the banks to review their loans to HNA, as well as to Anbang Insurance Group, Dalian Wanda Group, and Fosun International, all of which have borrowed heavily to fund acquisitions abroad. The government is trying to determine the banks' risk exposure.

In interviews, Tan and HNA's other executives express little concern over the investigation, saying in a statement that the group "fully complies and cooperates" with regulators the world over, and that "the company is in a sound financial and operational situation." Still, it has to give them pause that in June the government detained Anbang chairman Wu Xiaohui, whose company—much like HNA—has been on a global acquisition spree.

Instead of lying low, HNA continues to cultivate its ties abroad—including high-level political ones. In June, Tan joined

the board of the Atlantic Council, a Washington, D.C., organization comprising corporate and political leaders, whose chairman is Jon Huntsman, former U.S. ambassador to China and Trump's nominee for ambassador to Russia. At the council's formal dinner in Washington, D.C., Tan posed with Vice President Mike Pence, in a photo now posted on HNA's website. On July 6, he attended Trump's speech in Warsaw, where he was seated in the VIP section.

Scissors says Chinese companies have in the past garnered powerful allies abroad as insurance against a possible government crackdown. That might be the case with HNA, he says. "Because of the Deutsche Bank buy, because of the Ingram Micro buy, HNA wants to say, 'You cannot come down on us, because it will get unwanted headlines in the U.S. and Germany.'

HNA executives might ultimately prove too well connected for China's government to target. But in interviews, they describe a far broader strategy than that. Rather than being a Chinese company, HNA seeks to be truly global. The ultimate goal—through brand-name hotels like Radisson and Hilton, and main street institutions like Deutsche Bank—is for its Chinese origins to fade from consciousness.

Onstage at the Paris dinner, Tan tells the guests he feels that HNA is "part of the European family," before offering to assist in France's bid to win the 2024 Summer Olympics. And when I meet him the next morning, he brings the focus back to America: "My goal in the coming five to 10 years is that people inside the U.S. view HNA as a local U.S. company." Indeed, if Tan has his way, HNA will soon be so big that those three letters will no longer be a mystery to anyone. ■

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