



Rising tide in 2014?

AVCJ reviews 2013 and looks at what is in store for the year ahead [Page 11](#)

EDITOR'S VIEWPOINT

HK PE community sees value in lobbying

[Page 3](#)

NEWS

Actis, Apollo, Blackstone, Carlyle, IL&FS, Sequoia

[Page 5](#)

AVCJ FORUM

Event highlights

[Page 26](#)

DEAL OF THE WEEK

CITIC Capital leverages China's LNG boom

[Page 28](#)

INDUSTRY Q&A

Bain Capital's Dwight Poler on Asia and Europe

[Page 29](#)

PROFILE

Henry Nguyen of IDG Ventures Vietnam

[Page 31](#)

INDIA AWARDS



AVCJ India Awards

Wins for Baring Asia, SAIF India, KKR, Apax [Page 8](#)

DEAL OF THE WEEK



A cut above the rest

L Capital Asia backs sportswear brand 2XU [Page 28](#)

DOUBLE ISSUE

HAPPY HOLIDAYS TO ALL OUR READERS. AVCJ WILL RETURN JANUARY 7, 2014



cutting through complexity



With many new regulations and an abundance of investment capital, private equity is an increasingly complex and competitive business in China. You need to work with professionals who understand your business and can help you stay ahead of the game.

KPMG has a dedicated Private Equity Group in China organised with your needs in mind. With skills across Audit, Tax & Advisory and a network covering 13 office locations throughout China, we can tailor our services to assist you throughout the entire investment cycle.

Dedicated to Private Equity. Dedicated to your success.

For more information, please contact:

Honson To: +86 (10) 8508 7055; honson.to@kpmg.com

David Xu: +86 (10) 8508 7099; david.xu@kpmg.com

Jon Parker: +852 2140 2816; jon.parker@kpmg.com

kpmg.com/cn

© 2013 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and KPMG Huazhen (Special General Partnership), a special general partnership in China, are member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Finding a voice

"WHEN AIFMD CAME OUT IN DRAFT FORM

a couple of years ago we engaged the Hong Kong government to participate in the process of seeking comment," David Pierce, a partner at FLAG Squadron Asia and until recently non-executive chairman of the Hong Kong Venture Capital and Private Equity Association (HKVCA), told AVCJ earlier this year. "I believe it was the association's first attempt to influence and help the government understand our industry. Before that we weren't really on their radar."

The Alternative Investment Fund Managers Directive has provoked uncertainty in Hong Kong because of the implicit questions it asked about how PE is regulated and whether this would impact GPs' ability to market to EU investors.

Those selling to Hong Kong investors or offering financial products subject to separate oversight were regulated, but more than half of the HKVCA's membership base was not. Although a number of Hong Kong-based PE firms have chosen to register with the Securities & Futures Commission (SFC), the regulator's response was limited: why should it take responsibility for funds that are domiciled offshore with nothing more than an advisory presence in Hong Kong?

The association's technical committee has emerged as a means of engagement with regulators. It collaborated with the Financial Services Development Council (FSDC) on recently released proposals intended to introduce a relevant framework to attract more funds to the territory.

Last week the Hong Kong Private Equity Finance Association (HKPEFA) also entered the fray. This association is primarily for CFOs, COOs, controllers, accountants, administrators and legal counsels in the PE community. Its remit is broad, taking in everything from education to networking, but these people are intimately familiar with the regulatory obstacles to the territory becoming a top asset management hub.

The HKPEFA released an industry survey to coincide with its inauguration that touched on several of these issues.

Nearly 80% of respondents said Hong Kong is the best place for PE and VC firms to build a presence if they are targeting outbound investments from mainland China. Nearly two thirds don't think Hong Kong is doing enough to promote its usefulness in this regard, with 71% saying the territory is losing its competitive edge (just as Singapore upgrades its infrastructure to

encourage funds to domicile locally).

When asked to name the credentials for making a fund hub successful, a favorable tax regime ranked first, followed by a friendliness and clarity of the regulatory framework, cost competitiveness and the availability of financial intermediaries. Respondents gave similar answers as to what are the key factors in attracting international and Chinese funds to Hong Kong.

While 61% are encouraged by the announcement in this year's budget statement that the profits tax exemption for offshore funds would be expanded to include private equity, they think the rules are unclear and the government has yet to offer further guidance.

By extending the tax exemption, PE firms with funds domiciled offshore would no longer have to set up structures designed to avoid triggering permanent establishment in Hong Kong and becoming liable for local tax. It should also make it easier to access the tax treaty network. Funds must meet local substance requirements to qualify for treaty benefits and this could be done without risking local tax liability.

The FSDC proposals offer a degree of clarity, specifying that the exemption would apply to offshore special purpose vehicles controlled by funds as well as the funds themselves and identifying particular circumstances in which funds would not qualify for the exemption.

However, regulation has yet to be resolved. The FSDC proposes that the exemption only applies to managers licensed by the SFC and there is no mechanism allowing unlicensed managers to benefit as well. Then there is the longer-term objective of updating limited partnership legislation so that funds could fully domicile in Hong Kong.

Lobbying is a relatively new phenomenon in Asian private equity (Australia is the exception). Regulation of the industry globally has initially been addressed by groups in Western markets, but managers have an interest in the outcome almost regardless of geography, making engagement with local stakeholders vital. There is plenty for Hong Kong's industry associations to get their teeth into.

Tim Burroughs

Managing Editor
Asian Venture Capital Journal



Managing Editor

Tim Burroughs (852) 3411 4909

Staff Writers

Andrew Woodman (852) 3411 4852

Mirzaan Jamwal (852) 3411 4821

Winnie Liu (852) 3411 4907

Creative Director

Dicky Tang

Designers

Catherine Chau, Edith Leung,
Mansfield Hor, Tony Chow

Senior Research Manager

Helen Lee

Research Manager

Alfred Lam

Research Associates

Herbert Yum, Isas Chu,
Jason Chong, Kaho Mak

Circulation Manager

Sally Yip

Circulation Administrator

Prudence Lau

Subscription Sales Executive

Jade Chan

Manager, Delegate Sales

Pauline Chen

Director, Business Development

Darryl Mag

Manager, Business Development

Anil Nathani, Samuel Lau

Sales Coordinator

Debbie Koo

Conference Managers

Jonathon Cohen, Sarah Doyle,
Zachary Reff

Conference Administrator

Amelie Poon

Conference Coordinator

Fiona Keung, Jovial Chung

Publishing Director

Allen Lee

Managing Director

Jonathon Whiteley

Incisive Media

Unit 1401 Devon House, Taikoo Place
979 King's Road, Quarry Bay,
Hong Kong

T. (852) 3411-4900

F. (852) 3411-4999

E. info@avcj.com

URL. avcj.com

Beijing Representative Office

No.1-2-(2)-B-A554, 1st Building,

No.66 Nanshan,
Chaoyang District, Beijing,
People's Republic of China

T. (86) 10 5869 6203

F. (86) 10 5869 6205

E. beijing@avcj.com

The Publisher reserves all rights herein. Reproduction in whole or in part is permitted only with the written consent of AVCJ Group Limited.
ISSN 1817-1648 Copyright © 2013



PARTNER FOR GROWTH

Headland Capital Partners has been advising private equity funds since 1989. The firm endeavors to bring to its partner companies and fund investors the experience and insights gained from completing over 100 middle market investments, primarily in Greater China, South Korea and Southeast Asia. Headland is currently advising its sixth private equity fund with over US\$1.3 billion in capital commitments.

GLOBAL

Actis raises \$1.15b for global energy fund

Actis has closed its third global energy fund - Actis Energy 3 - at \$1.15 billion, exceeding its original \$750 million target by 50%. The fund will invest in electricity generation and distribution businesses in Asia, Latin America and Africa. Discretionary co-investment capital of \$262 million is also available.

Alastair Morrison to depart Standard Chartered PE

Alastair Morrison, who was co-head of Standard Chartered Private Equity (SCPE) until earlier this year, will retire from the firm at the end of the month. Earlier this year Morrison stepped back to become vice chairman of Standard Chartered's principal finance division. Nainesh Jaishankar now shares his duties with Wei Zhu, previously head of China. The move is said to be independent of the restructuring taking place within SCPE that will reduce overall headcount to about 100.

EIG raises \$6b for global energy fund

EIG Global Energy Partners has reached a final close of \$6 billion for its Energy Fund XVI after just 10 months in the market. The fund had a target of \$4.25 billion.

AUSTRALASIA

Australian taxi app Ingogo gets funding, eyes listing

Ingogo, the Australian start-up behind the mobile taxi-booking app of the same name, has raised a A\$3.4 million (\$3.1 million) from a group of PE investors ahead of a domestic listing next year. The investment - which values the enterprise at A\$25 million - came from 14 backers including private equity fund Willbow Group, and UBS Australian Small Companies Fund.

APN agrees to exit advertising JV to Quadrant

APN News & Media has agreed to exit its interest in advertising business APN Outdoor to joint venture partner Quadrant Private Equity for A\$69 million (\$66.5 million). The two groups entered into exclusive negotiations in October and have now signed long-form legal documentation.

Indian GPs emphasize value-add - AVCJ Forum

Operational involvement is increasingly a priority for Indian private equity firms as new money slowly trickles into country-focused funds, GPs said at the AVCJ India Forum. "The acceptance is also much higher," said Archana Hingorani, CEO of IL&FS Investment Managers. "Ten years ago if you tried to contribute, the promoter would not listen but it's much easier today".



While GPs are spending more time working with portfolio companies, there also needs to be a greater focus on certain sectors, since India is a diversified market and a firm cannot have a partner for every sector. Unlike the boom years when there were 15-20 GPs bidding for every asset, there are now about 6-8 other bidders with capital, according to Gulpreet Kohli, managing director at ChrysCapital Partners. "You can do 2-4 deals at reasonable pricing if you're patient," he said. In terms of preferred strategies, PIPE deals have yielded good results and more GPs are likely to include them in fund strategy.

"Our view is that firms will ask for more flexibility when they are fundraising," Kohli added. "India is pro-cyclical and Indian entrepreneurs raise money at the peak of the market."

PE-backed Nine raises \$577m in Australia IPO

Australia's Nine Entertainment - which was saved from receivership by US hedge fund backers Oaktree Capital Group and Apollo Global Management - raised A\$631 million (\$576.45 million) after pricing its IPO at the bottom end of the indicative range. It is the country's largest PE-backed offering this year.

Dick Smith closes flat after \$311m IPO

Anchorage Capital Partners-owned electronics retailer Dick Smith Holdings saw its stock close at A\$2.20 on its trading debut, the same as the

IPO price. The company earlier sold 156.6 million shares to raise A\$344.5 million (\$312 million). Anchorage sold 50.7 million shares, generating A\$111.5 million as its stake fell from 98% to 20%.

GREATER CHINA

MSPEA in take private bid for Sino Gas

Morgan Stanley Private Equity Asia (MSPEA) is supporting a management buyout of Sino Gas International Holdings that values the US-listed Chinese gas distributor at approximately \$15.9 million. MSPEA and Yuchuan Liu, Sino Gas' chairman, CEO and president, are offering to pay \$0.50 per share.

Blackstone buys 49% stake in China Frashion unit

The Blackstone Group has bought a 49% stake in Enhanced Experience, a wholly-owned subsidiary of Hong Kong-listed Frashion Properties, for \$128 million. The new capital will be used to develop a mixed-use commercial real estate project in China.

Carlyle, Farallon support funeral company IPO

The Carlyle Group and Farallon Capital Management will commit \$35 million as cornerstone investors in Fu Shou Yuan International's \$215 million Hong Kong IPO. The funeral service provider is offering 500 million new shares at HK\$2.88-3.33 apiece.

SDCL launches UK-China energy efficiency fund

UK-based Sustainable Development Capital LLP (SDCL) has teamed up with Hong Kong private equity firm First Eastern Investment Group to launch a \$200 million fund that will invest in energy efficiency projects in the UK and China. The fund will be managed by SDCL Asia - a joint venture between SDCL and First Eastern.

NORTH ASIA

VC-backed Oncolys Pharma raises \$64m in Tokyo IPO

Oncolys Pharma, a VC-backed developer of drugs targeting cancer and serious infectious diseases, saw its stock open at JPY3,500 per share - a 34.6% premium on the offering price - on its first day

of trading in Tokyo. This followed a JPY6.6 billion (\$64.4 million) IPO. The price peaked at JPY3,750 before eventually closing at JPY3,530 on Friday.

Tokio Marine to launch \$294m mezz fund

Tokio Marine & Nichido Fire Insurance is to launch a new mezzanine fund with a target of JPY 30 billion (\$294 million). The Japanese insurer will commit JPY10 billion to the fund and will raise the remainder from institutional investors.

Korea to broaden retail exposure to domestic PE

South Korean regulators will make it easier for domestic retail investors to participate in PE as part of a series of reforms designed to boost the country's capital markets. The measures, announced by the Financial Supervisory Commission (FSC), will enable a wider range of individual investors to get exposure to private equity through mutual fund products.

Tokio Marine exits Barneys Japan to 7 Eleven parent

Tokio Marine Capital Partners has agreed to sell its 49.9% stake in luxury department store operator Barneys Japan to Seven & i Holdings, the parent of 7 Eleven convenience stores and department store operator Sogo & Seibu, for around JPY6 billion (\$58 million).

Jafco Asia leads Series B for US games developer

Japanese VC investor Jafco Asia has led a Series B round of funding for US games developer Playnery. Set up in 2011, Silicon Valley-based Playnery develops 3D optimized social games.

Japan's Ride On Express raises \$23m in Tokyo IPO

Ride On Express, a Japanese food delivery franchise operator backed by Jafco Ventures, saw its stock open at JPY3105 per share - a 55% premium on the offering price - on its first day of trading. The company earlier raised JPY2.3 billion (\$22 million) through a Tokyo IPO.

SOUTH ASIA

Aion, Apollo to invest in Avantha Holdings

Aion Capital Partners and Apollo Global

PE-backed Alibaba, Haier to launch logistics JV

PE-backed Alibaba Group will invest a total of HK\$2.8 billion (\$360 million) in Haier Electronics Group, a Hong Kong-listed subsidiary of Chinese home appliance maker Haier Group, to expand its logistics and distribution network. Haier Electronics is backed by The Carlyle Group.

Of the total amount, HK\$1.86 billion will be invested to establish a joint venture, known as Goodaymart, according to a statement. Alibaba will pick a 9.9% stakes of Goodaymart for HK\$541 million. It will also subscribe to convertible bonds issued by Haier Electronics worth HK\$1.32 billion. These bonds can be converted into shares in Haier Electronics or into a 24.1% stake in Goodaymart. Furthermore, Alibaba will subscribe to HK\$965 million of new shares issued by Haier Electronics, equating to an approximately 2% stake in the company.



Carlyle invested up to \$194 million in Haier Electronics in 2011, taking an approximately 9% stake in the company. Two months ago KKR acquired a 10% stake in Qingdao Haier, the Shanghai-listed parent company of Haier Electronics, for RMB3.38 billion. Alibaba is backed by a string of private equity firms following an employee liquidity event in 2011 and a partial buyback from Yahoo in 2012.

Management are reportedly investing INR9.6 billion (\$157 million) in Avantha Holdings, the holding company of the \$4 billion conglomerate Avantha Group. Avantha is also in talks to raise \$100 million from KKR, an existing investor in the group's Avantha Power & Infrastructure business.

Matrix provides Series A for traffic information portal

Matrix Partners India has provided a Series A round of funding for real-time traffic and travel information platform Birds Eye Systems. The size of the investment was not disclosed but the capital will be used to expand the company's coverage from Mumbai, New Delhi and Bangalore to other cities and to multiple modes of transport.

Invus Group buys stake in India's Capital Foods

Invus Group and Artal have bought a 43.5% stake in Indian processed foods company Capital Food for INR1.8 billion (\$29.5 million) from Future Consumer Enterprises (FCEL), formerly known as Future Ventures.

Sequoia-backed Citrus Payment raises \$5.5m

Citrus Payment Solutions has raised a \$5.5 million Series B round from Japanese investors econcontext Asia, an online payments company, and Beenos. Existing investor Sequoia Capital also participated in the round.

SOUTHEAST ASIA

SE Asia online retailer Lazada raises \$250m

Rocket Internet's Southeast Asian online shopping mall, Lazada, has raised a \$250 million round of funding from Tesco, Access Industries, and return backers Investment AB Kinnevik and Verinvest. Launched in March 2012, Lazada operates in Indonesia, Malaysia, the Philippines, Thailand and Vietnam. Also this week, Rocket's Zalora Group has raised \$112 million from US-based Access Industries, Scopia Capital Management and other unnamed institutional investors. Southeast Asia-focused Zalora.com and Australia's The Iconic are part of Zalora Group.

Standard Chartered PE re-ups in Navigat

Standard Chartered Private Equity (SCPE) has invested an additional \$25 million in Navigat, an Indonesian company that develops independent power systems for off-grid locations. The equity commitment came in conjunction with a \$279 million debt refinancing and the combined proceeds will be used to accelerate Navigat's plan to achieve 1,000 megawatts of operating capacity by 2015.

SCG offers \$111m for university operator

Southern Capital Group (SCG) has made a buyout offer for HELP International Corp, a listed Malaysian university operator, valuing the company at MYR359.3 million (\$111.4 million). The PE is willing to pay MYR2.53 per share for all outstanding shares, a 10.5% premium to the last trading price.



When liquidity is your first choice, make Lexington your secondary choice.

Lexington Partners is a leader in the global secondary market. We have completed over 330 secondary transactions since 1990, acquiring more than 2,100 interests managed by over 550 sponsors with a total value in excess of \$26 billion. For over 20 years, we have excelled at providing customized solutions to banks, financial institutions, pension funds, and other fiduciaries seeking to restructure their private equity and alternative investment portfolios to meet regulatory or liquidity needs. Our global sponsor relationships, capital resources, and reputation as a reliable counterparty are widely recognized, and we have skilled professionals to work with you in five locations. To make an inquiry, please call us or send an email to info@lexpartners.com.



Innovative Directions in Alternative Investing

New York Boston Menlo Park London Hong Kong
212 754 0411 | 617 247 7010 | 650 561 9600 | 44 20 7318 0888 | 852 3987 1600

www.lexingtonpartners.com

Baring Asia wins Firm of the Year at AVCJ India Awards

Fourth AVCJ India Awards: SAIF India's Adusumalli named PE Professional of the Year; KKR claims Private Equity Deal of the Year; Apax and Kedaara win exit and fundraising prizes

BARING PRIVATE Equity Asia was named Firm of the Year at the 2013 AVCJ India Awards, while SAIF India's Ravi Adusumalli won the Private Equity Professional of the Year honor and KKR took the PE Deal of the Year prize.

Baring Asia made investments of more than \$650 million across two deals - a buyout of listed IT and business process outsourcing firm Hexaware Technologies, acquiring over 71% for around INR25.5 billion (\$400 million), and 14% stake in building materials maker Lafarge India for INR14 billion (\$256 million).

KKR's acquisition of tire manufacturer Alliance Tire Group (ATG) in March 2013 is the firm's largest in India since it established a local operation in 2008. The GP reportedly paid around \$470 million for a 75% interest and assumed \$125 million in debt. KKR committed \$300 million in equity from its first Asia fund, with Crescent Capital Group Ivy Funds' Ivy High Income Fund providing the remainder through a mezzanine financing tranche.

Ravi Adusumalli's PE Professional of the Year accolade came in recognition of his team returning a reported \$200 million to LPs over the last 12 months, with a full exit from IT services provider CSS Corp. and a partial exit from Just Dial - and a more than 15x return - as the firm went public.

Exit of the Year went to Apax Partners which generated proceeds in excess of \$350 million for a money multiple of more than 3x on its investment in Apollo Hospitals, one of India's largest healthcare chains. The firm is said to have invested around \$117 million in listed Apollo since 2007 and then sold down its interest through a series of public market transactions, most of which took place earlier this year.

Kedaara Capital won the fundraising prize for its debut \$540 million fund, one of the largest first-time India vehicles ever raised. The process took about 17 months and exceeded the \$500 million target. Ontario Teachers' Pension Plan is anchor investor in the fund, with Temasek Holdings and Abu Dhabi Investment Authority (ADIA) among the others reported to be participating.

Former Temasek India head Manish Kejriwal set up the firm at the end of in 2011 alongside Sunish Sharma, formerly managing director at General Atlantic, and Nishant Sharma, formerly of General Atlantic and McKinsey & Company.

"It is all about the team and our approach," said Manish Kejriwal, Kedaara's co-founder and managing partner. "We developed a clear strategy on what we wanted to do. It's also a team that is complementary, and which has worked together for 15 years. We have developed a unique approach in partnering with leading CEOs like Sanjeev Aga and Pramod Bhasin to execute control transactions, in addition to doing minority investments in high growth companies."

Snapdeal won Venture Capital Deal of the Year Award for a \$50 million round of Series C funding, which featured eBay, Intel Capital, Saama Capital, ru-Net, Recruit Holdings, Nexus Venture Partners, BVP and Kalaari Capital. The round was said to value the online marketplace at \$280 million. Kalaari and Nexus provided the Series A round in January 2011. Snapdeal is targeting \$1 billion in annual gross merchandise value by 2015. ▀

THE WINNERS

Firm of the Year - Baring Private Equity Asia

Private Equity Professional of the Year - Ravi Adusumalli (SAIF India)

Exit of the Year - Apollo Hospitals (Apax Partners)

Private Equity Deal of the Year - Alliance Tire Group (KKR)

Venture Capital Deal of the Year - Snapdeal (eBay/Intel Capital/Saama Capital/ru-Net/Recruit Holdings/Nexus Venture Partners/BVP/Kalaari Capital)

Fundraising of the Year - Kedaara Capital I (Kedaara Capital)





Manish Kejriwal of Kedaara Capital, winner of Fundraising of the Year



SAIF India's Deepak Gaur (right) accepts the PE Professional of the Year award on behalf of Ravi Adusumalli from Bhogle and Shearman & Sterling's Sidharth Bhasin



Cricket commentator Harsha Bhogle (left) presents the PE Deal of the Year award to KKR's Hermab Hajarnavis



The Baring Private Equity Asia team receive the Firm of the Year Award from Bhogle and Bhasin



Jimmy Mahtani, managing director and head of India at Baring Private Equity Asia





Recognized for Excellence



GLOBAL REACH AND A WORLD OF EXPERIENCE

For over two decades, we have been helping private equity firms, sovereign wealth funds, pension funds and family offices in their investments in India and around the world.

“We have had an exceptionally good experience with Shearman & Sterling,” says one client from a global multi-stage fund. They always deliver high quality work in a timely fashion and we now work exclusively with them.”

— India Business Law Journal, 2013

CONTACT

Sidharth Bhasin

Partner | Hong Kong

E: sidharth.bhasin@shearman.com

T: +852 2978 8062

ABU DHABI | BEIJING | BRUSSELS | FRANKFURT | HONG KONG | LONDON | MILAN | NEW YORK | PALO ALTO
PARIS | ROME | SAN FRANCISCO | SÃO PAULO | SHANGHAI | SINGAPORE | TOKYO | TORONTO | WASHINGTON, DC

shearman.com

Mixed fortunes

2013 in review: Bifurcation in the fundraising market as LPs play it safe with managers they know; South Korea and India emerge as buyout bright spots; positive signs for IPOs after a difficult 12 months

FUNDRAISING: SIZE EQUALS COMFORT

The flight to quality continues in Asia as LPs stick with tried and tested partners, but there are still opportunities for managers that carve out the right niche

REMOVE CHINA FROM THE EQUATION AND

Asia private equity fundraising is – according to the headline numbers – little changed. A few weeks from the end of 2013, capital committed to funds in the region stands at \$24.4 billion, down slightly on the full-year totals for 2012 and 2011 and up slightly on 2010. The differential between highest and lowest is less than \$4 billion. Yes, the peak of 2007 remains a world away, but the past four years have been reasonably consistent.

China was the change agent and one glance at the fundraising chart says it all: streaking from a paltry \$10.5 billion in 2009 – still the low point nationally and regionally – to \$26.3 billion in 2010, then \$53.5 billion the following year; before sinking to \$27.1 billion in 2012 and \$13.6 billion so far this year. The hemorrhaging has been most brutal among the renminbi-denominated funds. While in 2011 they accounted for more than 40% of regional fundraising, in 2013 it is 30%.

However, the headline numbers only tell part of the story; there are two specific trends that warrant attention. First – and we've said it before but all the evidence suggests it is becoming more entrenched – is a flight to perceived quality.

These perceptions vary depending on the LP but for many comfort equates to size and brand name. A number of the very large institutional investors are encumbered by the amount of capital they must deploy each year to maintain their target allocation. If that amount is \$10 billion and the LP is unable to account for more than 10% of a single fund, the commitments of \$1 billion or below are challenging for small teams.

And the vast majority of LPs, regardless of size, want to concentrate their allocation – which

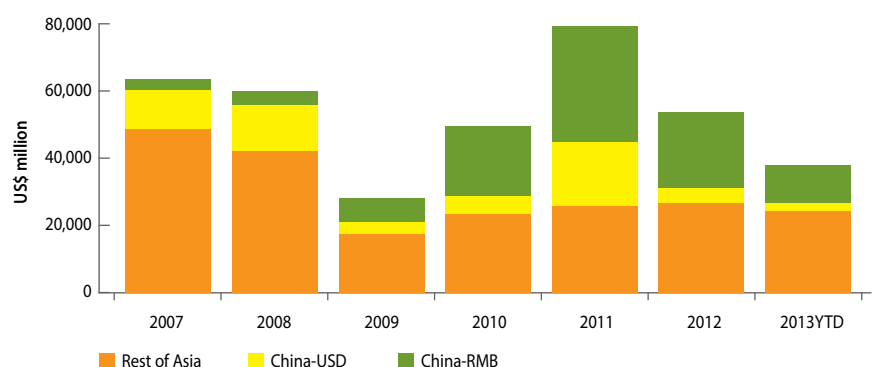
isn't necessarily shrinking on a dollar basis – on a smaller number of managers. Those that haven't performed are getting culled; those just entering the market without a track record of performance are lucky to get a second look. The net result is a hollowing out of the middle market as large LPs back managers able to absorb their minimum check size and smaller investors, often the ones with the least experience and exposure to Asia, play it safe with established names.

There is evidence of a division within the mega-fund bracket. KKR closed its second pan-Asian fund at \$6 billion this year, MBK Partners raised \$2.7 billion in the space of about 12

months and Affinity Equity Partners has reached its \$3.5 billion target almost as quickly but has yet to formally announce the fact. In contrast, TPG Capital and The Carlyle Group have been in the market for more than 18 months and are now not expected to close until early next year. Fundraising targets are being revised downwards.

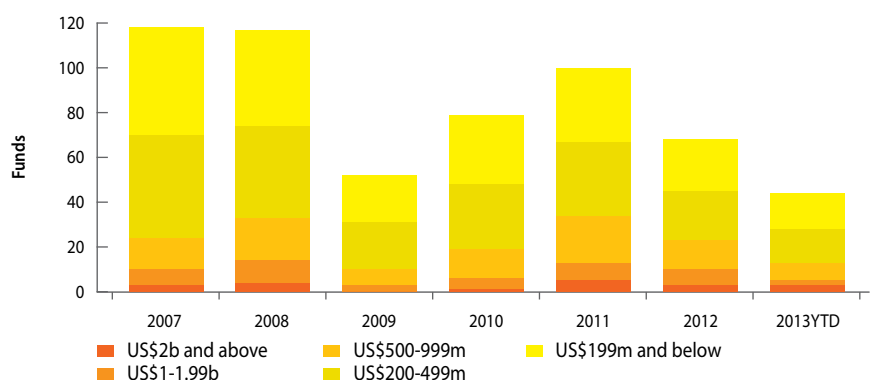
But appetite for the mega-funds remains in comparatively rude health. Three vehicles of \$2 billion or more have reached a final close in 2013 and Affinity will make that four. Only once in the preceding four years has this figure been topped – in 2011, when one of the five was a government-backed vehicle.

Asia private equity fundraising



Source: AVCJ Research

Asia final closes by fund size



Source: AVCJ Research

This announcement appears as a matter of record only.

November 2013

\$2,677,000,000

MBK PARTNERS

MBK Partners Fund III, L.P.

Buyouts in Greater China, Japan and Korea.

Credit Suisse Asset Management Limited acted
as advisor and exclusive placement agent.

©2013 CREDIT SUISSE GROUP and/or its affiliates. All rights reserved.



Move into the lower tiers and the picture changes markedly. There have been two final closes in the \$1-1.99 billion range, down from seven in 2012 and eight in 2011. Between \$500 million and \$999 million, AVCJ Research has records of eight successful fundraises in 2013, compared to 13 and 21 in the two previous years. In the \$200-499 million and sub-\$199 million ranges, final closes stand at 15 and 16, respectively, less than half the 2011 figures and the lowest totals in nine years.

In 2007, when Asia fundraising reached its pre-global financial crisis peak of \$62.9 billion, 24 funds reached a final close of \$500 million or more, 46 finished in the \$200-499 million range

It is, of course, still possible for small and mid-cap managers to raise money. Success hinges on combining a strong track record – first-time funds are favored when operated by people who are not first-time investors or first-time teammates – with a compelling investment thesis and a degree of differentiation from the norm. Specialization is no longer a dirty word in growth capital markets; plain vanilla is.

In this context, the other interesting trend is where these pockets of opportunity, typically funds that have a particular strategy within a particular geography, are perceived to lie.

While the likes of Boyu Capital will raise capital quickly, many China managers are struggling

as investor sentiment weakens. This is not a mass withdrawal so much as a strategic reassessment in response to returns in recent years not being quite as strong as initially hoped. LPs are looking to broaden their exposure across the region as demonstrated by the sharp drop in US dollar-denominated China fundraising – it stands at \$2.2 billion, half the previous year's total and less than one eighth of the year before that – while

other markets, if not expanding, are certainly not dropping to the same extent.

Japan is the big beneficiary, with \$5.1 billion raised so far this year, nearly double the 2012 total. Economic reform is a factor but it is worth noting that a lot of the capital raised went into government-linked funds tasked with reinvigorating small business. South Korea

shares some similar characteristics but 2013 has seen final closes in the region of \$500 million by Anchor Equity and H&Q. And then MBK will deploy about one third of its corpus in the country.

Southeast Asia also has some emerging stars, even though the market remains relatively shallow and the handful of larger GPs haven't closed funds in the past 12 months. Southern Capital closed its third fund above target at \$400 million after reining in its strategy to focus purely on Southeast Asia mid-market buyouts. First-timers KV Asia and Creador also gained traction, albeit with smaller sums than they had hoped, while Armstrong Asset Management and Quadria are new specialist plays, targeting cleantech and healthcare, respectively.

INVESTMENT: EMERGING BUYOUTS

South Korea – and to a certain extent India – establish themselves as interesting buyout destinations as growth deals struggle due to exit uncertainty

ONLY THREE OF ASIA'S MAJOR PRIVATE

equity markets have seen stronger deal flow in 2013 than the previous year: Australia, India and South Korea. They are among the few bright spots from a period in which a total of \$50.9 billion has been committed to Asia by global, regional and national funds. The full-year total should surpass the post-global financial crisis nadir that was 2009, but only just.

It should be noted, however, that the Australia figure is deceptive. Of the \$10.3 billion deployed, more than half can be traced back to one infrastructure deal: the acquisition of a 99-year lease of Port Botany and Port Kembla by Abu

Largest final closes by independent GPs, 2013

Fund name	Market	Target (US\$m)	Capital raised (US\$m)
KKR Asian Fund II	Asia	6,000	6,000
RRJ Capital II	Asia/global	5,000	3,500
MBK Partners III	North Asia	2,250	2,700
L Capital Asia II*	Asia	800	950
Macquarie Everbright Greater China Infrastructure Fund	China	1,500	870
Tata Opportunities Fund	India	1,000	600
Kedaara Capital I	India	500	540
H&Q AP Korea Fund III	South Korea	532	532
Anchor Equity Partners Fund I	South Korea	500	500
Southern Capital Fund III	Southeast Asia	350	400

Source: AVCJ Research
 * Completed institutional fundraising
 Note: Does not include government-linked private equity vehicles

and 48 received up to \$199 million.

Of the 20 largest final closes of the year so far, eight have ties to government or strategic investors. Remove these from consideration and only two funds occupy the space in between MBK on \$2.7 billion and Kedaara Capital on \$540 million. Six of that top 20 also came in under target.

JANUARY

\$1.7b – CVC Capital Partners-led consortium completes \$1.7b take-private of Malaysia KFC franchise QSR Brands

\$1.4b – Recapitalization of Australia's Nine Entertainment results in a \$1.4b loss for CVC Capital Partners

\$796m – The Carlyle Group exits its remaining stake in China Pacific Insurance for \$796m, for an overall profit of \$4b

\$669m – The Carlyle Group exits capsule supplier Qualicaps to Mitsubishi Chemical for \$639m

\$647m – Equis Funds Group closes its maiden fund at \$647m

\$482m – MBK Partners acquires Komeda Coffee from Advantage Partners for \$482m

\$208m – Unitas Capital acquires Shenzhen ZTE Netview Technology for \$208m

\$200m – KKR makes \$200m follow-on investment in Vietnam's Masan Consumer Corp

FEBRUARY

\$2b – LGT closes third global secondaries fund at \$2b

\$700m – India real estate investor Ireo commits \$700 million to India Grand Hyatt hotel chain

\$650m – Archer Capital sells Ausfuel to Trafigura subsidiary Puma Energy for \$650m

\$614m – Deutsche Bank reaches a final close of \$614m on its second global secondaries fund



REVIEW OF THE YEAR

tim.burroughs@incisivemedia.com

Dhabi Investment Authority, IFM Investors and four local superannuation funds. TPG Capital secured poultry producer Inghams Enterprises for \$901 million, but beyond that it has not been a stellar year for buyouts.

Alliance Tire Group for a price said to be around \$470 million and Apax Partners' \$420 million acquisition of software developer GlobalLogic.

There are several forces at work here. One, it is a function of GPs looking for alternative exit

to rollover debts and a government concerned about the impact of these companies' expansion on small businesses.

Morgan Stanley Private Equity Asia's \$215 million acquisition of tissue paper manufacturers Ssangyong C&B and Monalisa Daejeon, plus related assets, falls into the former category – a family owner with no natural heir who was willing to quietly explore sale options. Affinity Equity Partners, meanwhile, completed a carve-out from a local corporate, paying mobile carrier SK Telecom \$236 million for a majority stake in Loen Entertainment, which owns MelOn, the Korean equivalent of iTunes.

However, the largest Korean buyout of the year was another kind of divestment. ING has been selling off assets to satisfy the conditions of a post-global financial crisis bailout and MBK Partners picked up the European group's Korea insurance business in a deal worth \$1.65 billion.

Private equity investment in the country stands at \$7.5 billion year-to-date, exceeding the 2012 full-year total by a mere \$100 million.

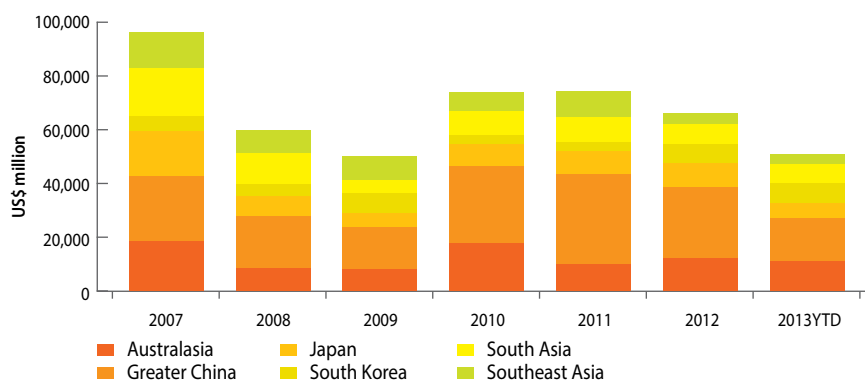
However, the buyout share has increased by two thirds to \$4 billion, the highest level on record.

South Korea accounts for 18% of total Asia buyout deal flow in 2013, up from 8.6% in 2012 and 1.5% in 2011. Three of the 10 largest private equity deals announced this year – not including infrastructure or real estate – are Korean. No other country is as well represented.

Buyout activity across Asia has been reasonably strong in 2013. Even though Japan saw cumulative deal value come in lower than the previous year – \$4.5 billion versus \$5.4 billion – it is still the second-highest annual total since 2007. KKR's \$1.7 billion acquisition of Panasonic Healthcare is the largest single transaction in the region outside the infrastructure space.

Still, Asia buyouts look set to decline on a year-on-year basis and China is another contributing factor, with the slowdown in private equity-backed take-privates of US-listed Chinese companies. Nine deals worth \$6 billion were

Private equity investment by market



Source: AVCJ Research

Only five other deals surpassed \$200 million, compared to 13 in each of the two previous years, although further down the food chain – into the territory of lower mid-market buyout funds – activity is more consistent.

India, by contrast, is seeing more buyouts than ever before. It remains a predominantly growth capital market, with these transactions accounting for close to half the \$7.4 billion deployed so far in 2013. But uncertainty over public market exits and the country's economic trajectory has seen minority deals dwindle. Buyouts, meanwhile, total more than \$1.95 billion. Control investments have previously crossed the \$1 billion threshold only twice – in 2006 and 2007, when the market was at its peak.

Notably, five of the 12 India-related control deals announced in 2013 have seen an existing private equity investor sell up, including the two largest: KKR's purchase of a majority stake in

routes in a challenging market, including – as it the case with GlobalLogic – VC investors working in partnership with a founder-entrepreneur who retains the largest individual stake in the business. Two, pan-regional funds are in general increasing in size with each vintage so there are more people out there with the ability to write large checks.

Reasons three through five are: generational change among family owners with younger members often more open to giving up control, divestments of non-core assets by conglomerates that often need to pay down debt, and monetization driven by entrepreneurs' inability to scale up beyond a certain level.

In this respect, there are clear similarities to Korea. In addition to succession planning issues, deal flow is being generated by domestic conglomerates coming under pressure to sell off non-core businesses from banks unwilling

FEBRUARY

\$400m – Kingdom Holding leads a \$400m round of funding for Chinese online retailer JD.com

\$372m – RRJ Capital and GSO Capital invest \$372m in Cheniere Energy Partners

\$360m – The Australian government commits \$360m in new funding for the Innovation Investment Fund

\$303m – TPG Capital sells half its stake in Indian financier Shriram Transport Finance for \$303m

\$285m – CLSA Japan sells its 100% stake in Japanese marketing firm Everlife for \$285m

\$276m – Archer Capital-owned Aged Care Partners buys Lend Lease's aged care unit for \$276m

80% – CVC Capital Partners buys an 80% stake in Philippine BPO firm SPi Global Holdings

2.5x – Advent Private Capital sells Locker Group Holdings to US-based Valmont Industries for a 2.5x return

MARCH

\$3.5b – RRJ Capital reaches a final close of \$3.5b on its second Asia-focused fund

\$1.5b – Development Bank of Japan launches \$1.5b fund

\$1.3b – CVC completes \$1.3b partial exit from Indonesia's Matahari Department Store

\$1.1b – Neuberger Berman Group reaches final close of \$1.1b on its second global co-investment fund

announced in 2012; six more have followed this year worth a collective \$4.6 billion as the valuation differential that drove many of these transactions begins to fade.

China is also central to the ongoing moderation in growth capital investment. The country has seen PE commitments of \$15.7 billion in 2013, well short of the previous year's \$25.1 billion. Nevertheless, the drop-off in growth investments – a result of a shuttered domestic IPO markets invalidating the quick-flip model to which many renminbi-denominated funds adhered – was more than matched by a steep decline in PIPE deals, which fell to \$2.7 billion from \$7.7 billion the previous year. This is because sovereign wealth funds had a relatively quiet year trading in and out of China's Big Four state-owned banks, a reminder that one big transaction can really move the needle.

EXITS: GREEN SHOOTS IN CERTAIN MARKETS

IPOs began to pick up towards the end of the year, with the exception of China where frustrated GPs are looking at alternative exit routes

MAKING UP FOR LOST TIME, AND KEEN TO

return capital or at least the liquidity of publicly-traded equities to anxious investors, private equity firms end 2013 flocking back to the IPO markets. But only in selected jurisdictions.

The Chinese bourses have remained firmly closed to new listings for more than a year. Even though the securities regulator has indicated that the embargo will be lifted in early 2014, the backlog of companies that have applied to go public stretches into the hundreds. Private equity-backed offerings in Shanghai and Shenzhen delivered proceeds of \$31.8 billion

in 2010, \$20.2 billion in 2011 and \$8.5 billion in 2012, which makes this year's zero look all the more alarming.

Portfolio company IPOs for Asia as a whole are the weakest in a decade – \$11.1 billion and 87 offerings so far in 2013, down from \$34.7 billion and 189 offerings the previous year – and while China is the single largest contributing factor it not the only one. Hong Kong has seen PE-backed IPOs slump to \$5.2 billion from \$8.2 billion, \$11.9 billion and \$46.6 billion in the three previous

Corporation – does not represent traditional private equity capital.

Australia is on course for its second-largest year on record, with more than \$1.6 billion generated by Dick Smith Holdings (Anchorage Capital Partners), OzForex Group (The Carlyle Group, Accel Partners and Macquarie), Virtus Health (Quadrant Private Equity) and Nine Entertainment (Apollo Global Management and Oaktree Capital). Up to \$475 million more will come from Crescent Capital Partners-owned

Cover-More Group before year end.

Hong Kong has also seen more traction as 2013 has progressed. Thirteen of the territory's 21 private equity-backed IPOs have happened since September and in only a handful of cases did PE firms participate as cornerstone investors, effectively supporting an IPO that might otherwise struggle to be fully covered rather than building up a company towards a public market exit.

Furthermore, the

US capital markets – which have been wary of Chinese private enterprises ever since the spate of accounting scandals in 2011 – are opening up again. There were 33 private equity-backed Asian listings on US bourses in 2010; this fell to 12 in 2011 and then just two the year after that. So far this year there have been six, raising \$657 million between them.

Asset owners and IP arrangers are certainly being more careful about what they put in front of US investors. Of the six offerings, only Qunar has yet to turn profitable but it has

Largest private equity deals, 2013

Investee	Amount (US\$m)	PE investor
Panasonic Healthcare (Japan)	1,660	KKR
ING Life Insurance Korea (Korea)	1,539	MBK Partners
Giant Interactive Group (China)	1,510	Baring Private Equity Asia
Green Non-Life Insurance (Korea)	1,368	Jabez Partners
S.F. Express (China)	1,308	China Merchants Group; CITIC Capital; Oriza Holdings; Jade Capital
Bharti Airtel (India)	1,250	Qatar Foundation Endowment
NEPA (Korea)	958	MBK Partners
Inghams Enterprises (Australia)	902	TPG Capital
Osaka Prefectural Urban Development (Japan)	772	Lone Star
Nextgen Networks (Australia)	647	OTPP

Source: AVCJ Research

Note: Does not include real estate and infrastructure

years. India and Malaysia are also lagging, although for the latter it is more business as usual after a bumper 2012.

There is, however, reason to be positive, particularly given the uptick in fortunes in the second half of the year. Economic reforms in Japan have spurred the Nikkei and private equity firms are taking advantage with 26 offerings generating proceeds of \$1.1 billion; the dollar total is only down on 2012 because of Japan Airlines' \$8.5 billion IPO and the supporting fund in that case – Enterprise Turnaround Initiative

\$880m – TPG Capital acquires Australian poultry firm Inghams Enterprises for \$880m

\$537m – KKR exits Japanese recruitment firm Intelligence Holdings

\$303m – China special situations investor Shoreline Capital closes its second fund at \$303m

\$187m – CVC Capital Partners makes a partial exit from Hong Kong-listed Samsonite International, selling \$187m worth of shares

\$101m – New Zealand-based Pencarrow Private Equity reaches a final close on its fourth fund at \$101m

11x – Mekong Capital makes 11x return off its \$3.5m investment in Mobile World through a partial exit to CDH Investments

APRIL

\$10.3b – Silver Lake closes its global buyout fund at \$10.3b

\$950m – Unitas Capital sells Australian car parts supplier Exego for \$950m, securing a 3.3x return

\$500m – KKR pays \$500m for Warburg Pincus' controlling stake in Indian tire maker Alliance Tire Group

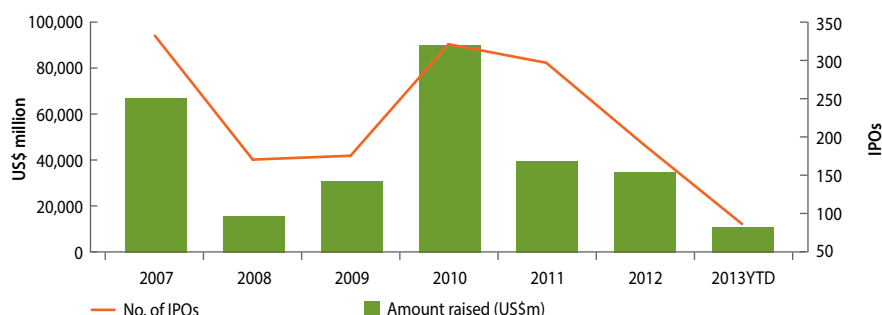
\$450m – StepStone holds a final close of \$450m on its second global secondaries fund



REVIEW OF THE YEAR

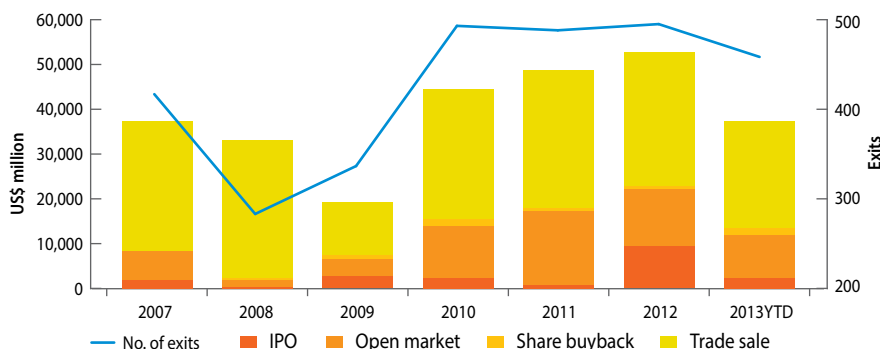
tim.burroughs@incisivemedia.com

Private equity-backed IPOs



Source: AVCJ Research

Private equity exits by type



Source: AVCJ Research

a strong strategic backer in majority-owner Baidu. Sports lottery provider 500.com (Vision Knight Capital and Sequoia Capital), classifieds site 58.com (SAIF Partners, Warburg Pincus and DCM), online retailer LightInTheBox (Ceyuan Ventures, GSR Ventures and Trustbridge Partners) and semiconductor manufacturer Montage Technology Group (AsiaVest Partners and Intel Capital) all entered the black in 2012 or early 2013.

China VCs have also found a new exit channel

in the form of trade sales to tech giants such as Baidu, Alibaba, Tencent Holdings and Sina. As IPOs dwindled – 98 offerings by Chinese companies on any bourse generated proceeds of \$16.8 billion in 2012, but this has fallen to 25 offerings and \$5.7 billion in proceeds in 2013 – so trade sales have ballooned to an all-time high of \$7.7 billion.

Private equity investors across the spectrum report that they have seen a significant transformation in the nature of strategic interest

in recent years, with domestic and Asian buyers far more prolific than they once were.

China's leading technology players – once VC-backed start-ups themselves – have been particularly active as they pursue diversification through M&A. Baidu, Alibaba, Tencent Holdings and Sina have between them committed \$2.5 billion across 15 deals so far this year. In the eight years to 2010, acquisitions totaled \$628 million. Baidu has been the biggest spender: it picked up 91 Wireless from NetDragon Websoft and VC investors including IDG Capital Partners, DT Capital Partners, ID TechVentures and Vertex Venture for \$1.85 billion; and PPS' online video business for \$370 million, creating an exit opportunity for investors including Ceyuan Ventures and Qiming Venture Partners.

Asia exits have, on the whole, disappointed in 2013, coming in at \$37.8 billion compared to \$53.3 billion in 2012 and \$49.2 billion in 2011. IPOs were inevitably down year-on-year, but so too were open market exits and trade sales. And despite all the talk about secondary transactions, they also fell sharply from 2012. Of the \$30 billion in trade sales last year, \$12.8 billion comprised business between private equity investors; so far this year, secondaries account for just \$5.6 billion of \$23.9 billion in trade sales.

There are pockets of activity (India secondaries have surpassed last year's record high of \$1.5 billion) and the 2012 figure was deceptively high (for example, it included Temasek Holdings buying a minority stake in Industrial and Commercial Bank of China from Goldman Sachs for \$2.3 billion), but the transfer of control from one private buyer to another remains a relatively rarity in Asia.

Of the 20th largest exits in 2013, only two fit this model: KKR's purchase of a controlling stake in India's Alliance Tire Group from Warburg Pincus for around \$470 million; and MBK Partners' acquisition of Japanese coffee shop chain Komeda Coffee from Advantage Partners for \$483 million. ▀

APRIL

\$260m – Australia's Anchorage Capital Partners closes Fund II at the \$260m hard cap

\$125m – PAG invests \$125m in real estate developer China South City Holdings

\$100m – Goldman Sachs and GIC Private commit \$100 million to Chinese private health management company iKang

4x – CITIC Capital Partners and CDH Investments see 4x return on China's Nanjing Aotecar exit

3x – CITIC Capital Partners and Vector Capital exit RAE Systems through a \$340m trade sale, generating a 3x return

MAY

\$1.56b – TPG Capital and Northstar Group make a partial exit from Indonesian bank BTPN for \$1.56b

\$1.2b – The Qatar Foundation Endowment pays \$1.2b for a 5% stake in India's Bharti Airtel

\$1.1b – Macquarie Capital exits Taiwan Broadband Communications following its \$1.1b IPO

\$600m – Tata Capital holds a \$600m final close on Tata Opportunities Fund

>>>

Onward bound: Asia PE people moves

LIMITED PARTNERS

ADVEQ: Ron Li, previously of Legend Holdings, joins as head of China.

ALPINVEST PARTNERS: Neal Costello steps down as head of the secondaries team in Hong Kong after less than a year in the role.

AUSTRALIAN COUNCIL OF SUPERANNUATION INVESTORS: Gordon Hagart, head of environmental, social and governance risk management at Future Fund, is appointed CEO, taking over from Ann Byrne.

BLACKROCK: Jeong Hoon Lee is appointed head of the alternative investment strategy group for North Asia, based in Seoul.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM: CIO Joseph Dear hands day-to-day responsibilities to Theodore Eliopoulos, the senior investment officer for real estate, while he undergoes treatment for cancer.

CDC GROUP: Alagappan Murugappan, previously CEO at UTI Capital, joins as managing director with the Asia funds team.

CHINA INVESTMENT CORPORATION: Ding Xuedong, a deputy secretary general of the State Council, becomes chairman, replacing Lou Jiwei; Xiaopeng Li, formerly of Industrial & Commercial Bank of China, is named supervisory board head.

COMMONFUND CAPITAL: Leenong Li, head of the Beijing office and wider Asian initiatives, becomes managing director.

COMPOSITION CAPITAL PARTNERS: Whye Choong Low joins as principal and head of Asia Pacific in Hong Kong.

CONTINUITY CAPITAL: Scott Hancock, previously of Bain Capital, becomes partner and head of Asia, based in Hong Kong.

GIC PRIVATE: Lim Chow Kiat is promoted to group chief investment officer from deputy CIO, replacing Ng Kok Song, who takes on the advisory role of chair of global investments.

FLAG SQUADRON ASIA: Partners David Pierce and Jacob Chiu resign; Tina Wei, a principal, also departs, while Joseph Tien, a senior associate, joins Pathway Capital Management.

HARVARD MANAGEMENT COMPANY: Lane MacDonald, managing director of the public markets platform, is promoted to managing director of private equity.

HIGHLAND CAPITAL MANAGEMENT: Jun Park becomes director of business development in South Korea.

IFM INVESTORS: Philip Bower, head of the private assets division, is selected to lead a consolidated PE and private assets division.

KHAZANAH NASIONAL: Charon Wardini Mokhzani, deputy CEO of CIMB Group, becomes executive director in the managing director's office.

KOREA INVESTMENT CORPORATION: President and CEO Chong-suk Choi resigns, with CIO Dong-ik Lee stepping in as interim president.

KOREA TEACHERS PENSION FUND: Park Min Ho becomes CIO, replacing Yun Kyu Lee.

MASSACHUSETTS PENSION RESERVES INVESTMENT BOARD: Michael Bailey becomes senior investment officer and director of private equity, the post held by Wayne Smith until 2011.

MLC: John Brakey has resigned as head of private equity and is replaced by Natalie Meyenn, who moves up from her role as chief investment officer for the PE division.

NATIONAL PENSION SERVICE: Kwang Choi, an economist who served as Korea's health and welfare minister in the late 1990s, is named chairman and CEO, replacing Kwang-woo Jun.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM: John Virtanen becomes managing director for PE, moving over from the system's



David G Pierce



Alison Nankivell



Yibing Wu



\$241m – KKR sells its remaining 11.8% stake in Australia's Seven West Media for \$241m

\$110m – Goldman Sachs invests \$110m in Indian cable distribution company DEN networks

\$10.3x – China New Enterprise Investment exits China's Jilin Liyuan Aluminum for a 10.3x return

2.9x – KKR, CDH Investments make a 2.9x partial exit from China Mengniu Dairy for \$410m

7x – Phillip Private Equity exits vaccine developer Inviragen for \$250m, generating a 7x return

JUNE

\$7.5b – Apax Partners reaches a \$7.5b final close on its eighth global fund

\$683m – CITIC Capital reaches a final close of \$683m on its China Retail Properties Investment Fund

\$400m – Southern Capital Group raises approximately \$400m for its third buyout fund

\$387m – Carlyle exits its 24% stake in Chinese infant formula manufacturer Yashili for \$387m





For your bright future, we've got all the angles covered

Newgate Communications advises private equity firms and portfolio companies on their corporate and financial communications needs.

We help private equity firms to:

- ♦ **BUILD** an unique corporate brand
- ♦ **ENHANCE** relationships with LPs
- ♦ **GROW** deal-pipelines
- ♦ **COMMUNICATE** deals and fundraisings
- ♦ **DRIVE** portfolio companies' brand recognition
- ♦ **ARTICULATE** their story better through presentation and media coaching
- ♦ **HANDLE** crisis situations 24/7

For more information please contact:

Hong Kong:

Richard Barton
Managing Partner

T: +852 3758 2686
E: richard.barton@newgate.asia

Grace Zhang
Partner

T: +852 3758 2687
E: grace.zhang@newgate.asia

Singapore:

Terence Foo
Managing Partner

T: +65 6532 0606
E: terence.foo@newgatecomms.com.sg

Lim Yuan See
Partner

T: +65 6532 0606
E: yuansee.lim@newgatecomms.com.sg

www.newgatecomms.com



NEWGATE

Brussels

Frankfurt

Hong Kong

London

Singapore

property portfolio, now overseen by David Gillan.

NEW ZEALAND SUPERANNUATION FUND:

Chris Jagger is appointed manager with responsibility for unlisted mandates, having most recently served as an investment director with Lloyds Development Capital in London.

ONTARIO TEACHERS' PENSION PLAN:

Alison Nankivell leaves her role as head of Asian fund investments for a job with Business Development Bank of Canada.

OPSEU PENSION TRUST:

Stan Kolenc and Morgan McCormick, managing director and portfolio manager, respectively, relocate to Australia to set up a Sydney office.

OREGON PUBLIC EMPLOYEES RETIREMENT FUND:

Jay Fewel, senior investment officer responsible for building the fund's private equity program, retires from his position.

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM:

Art Wang moves from New York State Common Retirement Fund to become managing director for private markets, with responsibility for private equity, real estate and real assets.

TEMASEK HOLDINGS:

Yibing Wu, previously chairman and CEO of Goldstone Investment and president of CITIC Private Equity Funds Management, becomes senior managing director and head of China; Boon Heng becomes chairman, succeeding Suppiah Dhanabalan.

GENERAL PARTNERS

3I: Anil Ahuja, managing partner and head of Asia, quits the firm to pursue other opportunities; Samir Palod, a partner in the infrastructure business, becomes managing director for India.



Hiro Hirano



Hans Tung



Tim Dattels



Gautam Banerjee

3I DEBT MANAGEMENT: Lisa Johnson becomes director of investor relations in Asia, based in Singapore.

ACTIS: Ivy Santoso becomes country head for Indonesia, a role she previously fulfilled for Avenue Capital.

ADVENT INTERNATIONAL:

Managing Director Filippo de Vecchi and Principal Andrew Li relocate to the newly opened Shanghai office; Michael Ming-Yue Zhu, William Tsao and Lincoln Chee join the China operating partner program.

AMERICAN CAPITAL ENERGY & INFRASTRUCTURE:

Abhay Pande is appointed as managing director for Asia, having previously served as co-head of energy global banking in the region for Citigroup.

ARMSTRONG ASSET MANAGEMENT:

Yasushi Ujioka joins as investment director.

BAIRD CAPITAL:

Yongshan Zhang is promoted from vice president to principal, based in Shanghai.

THE BLACKSTONE GROUP:

Gautam Banerjee, previously executive chairman of PricewaterhouseCoopers Singapore, becomes Singapore chairman; Antony Leung steps down as Greater China chairman to become CEO of Hong Kong conglomerate Nan Fung Group.

BLUE SKY:

Andrew Champion and Mark Watson

join as heads of the Sydney and Adelaide offices.

BOYU CAPITAL: Mary Ma, co-founder and chairman, is appointed as a non-executive director of Hong Kong Securities and Futures Commission.

BROOKFIELD ASSET MANAGEMENT:

Niel Thassim, previously managing director and head of RREEF's Asia-Pacific real estate business, becomes head of Asia.

THE CARLYLE GROUP: Rajiv Louis, previously managing director and country head for UBS in Indonesia, joins as managing director.

CLSA CAPITAL PARTNERS: Dr. Richard Woodling, previously director of global research and development at Siemens' water R&D center in Singapore, becomes an operating partner with the Clean Resources Asia Growth Fund.

CVC CAPITAL PARTNERS: Charles Huh joins from Standard Chartered Private Equity as senior managing director responsible for South Korea.

GENERAL ATLANTIC: Sandeep Naik is appointed managing director and head of the India office; Alok C. Misra becomes senior vice president of the firm's resources group in Mumbai; Shantanu Rastogi joins as a principal and Vijay Venkat and Varun Talukdar are hired as associates, also in Mumbai.

GGV CAPITAL:

Hans Tung, previously Beijing

\$370m – CITIC Private Equity completes \$370m take-private of Chinese biotechnology firm 3SBio

\$275m – Partners Group acquires Indian IT outsourcing firm CSS Corp for \$275m

\$200m – Warburg Pincus pays \$200m for a 20% stake in retail property platform Vingroup

JULY

\$6b – KKR's Asian Fund II closes at \$6b, becoming the largest regional private equity pool ever raised

\$3.6b – HarbourVest Partners closes the Dover Street VIII secondaries fund at \$3.6b, beyond the \$3b target

\$409m – AMP Capital buys 42% of Powerco NZ Holdings from Brookfield Infra Partners for \$409m

\$252m – The Abraaj Group exits its 50% stake in Acibadem Sigorta to Khazanah Nasional as part of \$252m deal

\$239m – Affinity Equity Partners buys 52.6% of South Korea's Loen Entertainment for \$239m

\$213m – First Reserve-backed KrisEnergy raises \$213m via its Singapore IPO

\$184m – Advent Private Capital reaches final close of \$184m on Fund VI

10x – Anacacia Capital sells Rafferty's Garden to PZ Cussons for 10x return in a \$64m deal

REVIEW OF THE YEAR

AVCJEditorial@incisivemedia.com

managing partner at Qiming Venture Partners, joins as a partner.

GLOBAL ENVIRONMENT FUND: Sridhar Narayan is promoted to managing director in the India team.

GRESHAM PRIVATE EQUITY: Mark Yoens vacates his role at joint head, leaving Mark Rimmer in sole charge.

IDG VENTURES VIETNAM: Managing Partner Henry Nguyen is appointed developmental licensee for McDonald's in Vietnam.

INTERMEDIATE CAPITAL GROUP: Nyree Hu joins from CQS as Asia director in the global distribution team.

J-STAR: Satoru Arakawa is promoted from principal to partner.

KKR: Hiro Hirano, previously of AlixPartners, becomes managing director and CEO for Japan, with existing CEO Shusaku Minoda promoted to chairman; Hiro Shimizu and Sakae Suzuki also join the Tokyo office as directors in the capital markets and Capstone divisions, respectively.

THE LONGREACH GROUP: Takuya Sato and Kishin Ryu, both of whom previously worked for Barclays Capital, become executive director and associate, respectively.

LUNAR CAPITAL: Eric Yiming and Vincent Sun joint as sector partners.

MEKONG CAPITAL: Chad Ovel, who previously worked for a Mekong portfolio company, is hired as a partner.

MOTILAL OSWAL PRIVATE EQUITY: Sharad Mittal, previously of ICICI Prudential AMC, is appointed as head of real estate.

NEW ENTERPRISE ASSOCIATES: Carmen Chang is promoted from senior special advisor to Asia partner and managing director.

PAG: Suining Xiao, former chairman of Shenzhen Development Bank, joins as China chairman.

PROVIDENCE EQUITY PARTNERS: Patrick Corso, head of the Hong Kong office, leaves the firm and his Greater China duties are picked up by Tao Sun while Biswajit Subramanian assumes responsibility for the rest of the region.

QIMING VENTURE PARTNERS: Nisa Leung, head of the healthcare practice, is promoted to managing partner.

QUADRIA CAPITAL: Rajesh Singhal becomes principal managing partner, with responsibility for education and healthcare portfolio companies in India Build-Out Fund I.

STANDARD CHARTERED PRIVATE EQUITY: Alastair Morrison gives up his position as global co-head to become vice chairman of principal finance, and will retire from the firm at the end of year; Wei Zhu, previously head of China, is named global co-head alongside incumbent Nainesh Jaishigh; Ravinder Singh Grewal, Mukul Nag and Rahul Raisurana, all India-based managing directors, leave the firm.

STARFISH VENTURES: Malcolm Thornton and Nick Peace convert from investment directors to venture partners, ahead of their expected departure from the firm.

TA ASSOCIATES: Dhiraj Poddar is promoted from director to principal in the Mumbai office.

TATA CAPITAL: Tata Opportunities Fund CIO Padmanabh Sinha becomes managing partner, replacing Mukund Rajan; Bobby Pauly is elevated to partner from principal.

TELSTRA: Deena Shiff, managing director the VC unit, resigns; Matthew Koertge and Mark Sherman, managing directors of Telstra Application Ventures Group in Australia and the US, respectively, assume group leadership.

TPG CAPITAL: Tim Dattels returns to Asia to jointly lead regional PE operations with Ben Gray, while Stephen Peel withdraws from day-to-day management.

TVS CAPITAL: Karthik Ranganathan, formerly of Baring Private Equity Partners India, joins as an investment director; Rahul Deshpande becomes a director; Chakravarthi Lokapriya joins to lead its PIPE and pre-IPO investments.

INDUSTRY ASSOCIATIONS

AUSTRALIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION: Yasser El-Ansary, a senior executive at the Institute of Chartered Accountants Australia, becomes CEO, replacing Katherine Woodthorpe.

CHINA VENTURE CAPITAL & PRIVATE EQUITY ASSOCIATION: John Zhao, CEO of Hony Capital, becomes chairman, replacing Yichen Zhang, his counterpart at CITIC Capital.

EMERGING MARKETS PRIVATE EQUITY ASSOCIATION: Robert W. van Zwieten, previously director of private sector capital markets at the Asian Development Bank (ADB), becomes president and CEO, replacing Sarah Alexander who moves to The Abraaj Group.

HONG KONG VENTURE CAPITAL & PRIVATE EQUITY ASSOCIATION: Conrad Tsang, managing director at Baring Private Equity Asia, becomes chairman, replacing David Pierce, partner at FLAG Squadron Asia. ▀

AUGUST

\$1.85b – IDG, DT Capital, iD Tech and Vertex Venture exit 91 Wireless to Baidu in \$1.85b deal

\$1.65b – MBK Partners agrees to buy a majority stake in ING Group's South Korean life insurance division for \$1.65b

\$843m – Baring PE Asia agrees to exit Magic Holdings International to L'Oreal for \$176m as part of a \$843m takeover

\$490m – US-listed Simcere Pharmaceutical Group accepts Hony Capital backed \$490m MBO offer.

\$370m – Sequoia Capital's China Venture Fund IV closes at \$370m

\$322.6m – Blackstone offers to buy Hong Kong-listed real estate developer Tysan Holding for \$322.6m

\$296m – Temasek sells a 3.62% stake in India's Bharti Telecom to SingTel for \$296m

\$274m – Catalyst Investment Managers exits Australian retailer EziBuy to Woolworths in a \$274m deal

\$263m – SE Asia focused KV Asia Capital closes its debut fund at \$263m, exceeding the \$250m target

\$160m – Tiantu Capital closes its sixth renminbi-denominated fund at \$160m

\$123.6m – AMP Capital sells a 47.62% stake in Domain Principal Group to G.K. Goh Holdings for \$123.6m

3.5x – Unitas Capital exits its stake in Edwards Group to Atlas Copco for 3.5x return as part of a \$1.6b deal

>>>

Predictions for 2014

From fundraising and secondaries to deal flow and exit strategies, private equity professionals from across the region give their perspective on the year to come

DAVID GRAYCE, MANAGING DIRECTOR AT PACIFIC EQUITY PARTNERS, ON AUSTRALIA

We expect a number of important currents to continue into 2014 as the environment for mid-market buyouts in Australia and New Zealand shifts back from what have been constraining conditions, towards more favorably normal ones.

On the new acquisition side, momentum has picked up materially. Australia and New Zealand is the fifth biggest M&A market in the world, however after an active 2012, activity in the first half of 2013 was well below average. That lull may have related to vendor uncertainty created by the unusually long eight-month Federal election campaign which ended in September. Since then, we have seen above average activity levels. Companies with solid business models and good market positions but misaligned incentive structures that struggled in the multi-speed economy are coming to market.

Leverage markets have changed and are increasingly supportive. Through 2013 we saw a number of globally active, fund-based leverage providers enter Australia and New Zealand for the first time. Predominantly but not solely focused on the middle tranches of the capital structure, these funds are expected to bring product breadth and pricing tension to an already healthy debt market, as always underpinned by the reliable AA-rated Australian banks. Also during 2013, sponsors with high-quality assets were able to access the US Term Loan B market for the first time, bringing additional financing flexibility and quantum into local markets. However, this development is less likely to be a persistent feature.

The outlook for operating conditions for the 90% of the economy that is non-mining will continue to improve. Post-crisis, the economy has been more resilient in Australia than in other markets though the intensity of mining activity did crowd out some other sectors. As the mining boom continues to move through

the capital expenditure stage into the production stage, the outlook for businesses outside that sector has improved. While there will be a delay before the full benefits of lower interest rates and a more competitive currency flow, that expectation is already being reflected in higher levels of business confidence and improved consumer sentiment.

Similar forces support equity capital markets, which will likely continue to afford liquidity into 2014. Australia has the third largest equity market in Asia capitalized at \$1.4 trillion, and flows from the mandatory superannuation retirement savings scheme drive growing demand for equities. Market valuations are above long-term averages and investors are receptive to IPOs from sponsors.

The level of structural competition for assets in mid-market buyouts will continue to be subdued. A long established segmentation exists in the local market and a number of previously active players have exited in recent years.

RICHARD FOLSOM, CO-FOUNDER OF ADVANTAGE PARTNERS, ON JAPAN

For Advantage Partners, 2013 has been a record year in terms of exits. We have also done four new deals, and our pipeline looking forward is fairly solid. We anticipate a continuation of the momentum seen over the past year both

in terms of exits and new deals. While I think public market performance over the past year is going to be a benchmark for seller pricing expectations, I don't think it is an indication that deals are going to be overpriced. If we look at the most recent deals we closed in October, both were at reasonable 4-6x multiples.

On the other hand, public market conditions will likely have a positive impact on new deal flow in that entrepreneurs who have been thinking about exiting businesses are more likely to do so now. They see that pricing, market conditions and the performance of their company have come to a level at which they are more willing to do a deal.

When we do see higher acquisition prices in the market it is usually in the context of heavily auctioned deals, but those are still in the minority. Most of the small and mid-market deals are more closely shopped, if they are shopped at all. Local financial advisors will talk to two or three potential buyers, work with



David Grayce



Richard Folsom

SEPTEMBER

\$4.7b – CDH, Goldman Sachs, New Horizon, Temasek Holdings-backed Shuanghui International acquires Smithfield Foods for \$4.7b

\$1.67b – KKR agrees to buy an 80% stake in Panasonic Healthcare for \$1.67b

\$1.4b – Temasek Holdings' Mapletree Investments closes its China Opportunity Fund II at the \$1.4b hard cap

\$900m – Hamilton Lane closes its Secondary Fund III at \$900m, surpassing the \$650m target

\$715m – TPG Capital agrees to sell China's UT Capital Group to Haitong International for around \$715m

\$552m – KKR buys 10% of Chinese home appliance maker Qingdao Haier for \$552m

\$350m – Lombard Investments closes its SE Asia-focused fourth fund at \$350m

\$206m – VC-backed mobile game developer Forgame Holdings raises \$206m through a Hong Kong IPO

\$152m – Khazanah Nasional invests \$152m for 4.95% stake in Beijing Enterprises Water Group

11th Annual Private Equity & Venture Forum
Australia & New Zealand 2014
5-7 March, Four Seasons Hotel, Sydney



GLOBAL PERSPECTIVE, LOCAL OPPORTUNITY

avcjausnz.com

Australasian private equity: Leading the way in a changing market

Early confirmed LP speakers to attend the event include:



✓ **Clive Boyce**
Investment Manager
FUNDS SA



✓ **Andrew Major**
General Manager, Investments
HESTA



✓ **Gerard Noonan**
Chair
MEDIA SUPER



✓ **David Simons**
Director of Private Equity
FUTURE FUND



✓ **Michael Weaver**
Portfolio Manager
SUNSUPER PTY LTD



✓ **Michael Kelly**
Deputy Chief Investment Officer
THE MYER FAMILY OFFICE



✓ **Stephen Miburn-Pyle**
General Manager
AUSTRALIA POST SUPERANNUATION SCHEME



✓ **Douglas W. Phillips**
Senior Vice President, Institutional Resources
UNIVERSITY OF ROCHESTER



✓ **Suzanne Tavill**
Head of Alternatives, Multi Asset Group
AMP CAPITAL INVESTORS

... and many others!

For the latest programme and speaker line-up, please visit avcjausnz.com

Contact us

Registration: **Pauline Chen** T: **+852 3411 4936** E: register@avcj.com
Sponsorship: **Darryl Mag** T: **+852 3411 4919** E: Darryl.Mag@incisivemedia.com

Co-Sponsors



CrescentCapitalPartners



REVIEW OF THE YEAR

andrew.woodman@incisivemedia.com / mirzaan.jamwal@incisivemedia.com / winnie.liu@incisivemedia.com

the seller to identify the best fit – and not only in terms of price – and then move things forward under that process. In such cases people are not necessarily paying 8-10x EBITDA, more like 5-7x.

We will continue to see a lot of succession deals with founder-owners as well as a few public-to-private deals, and some secondary activity. Another pillar of the market has been large corporate divestments. I am sensing right now, with the public markets up and large corporate earnings up, the sense of urgency to move forward with these divestments is dropping off. So I think, if anything, in the current environment we will see more ebbing again instead flowing in terms of activity from the large corporates.

FRED HU, FOUNDER OF PRIMAVERA CAPITAL GROUP, ON CHINA

The outlook for China in 2014 has improved significantly compared to previous years. From a macroeconomic perspective, the investment climate has improved on the back of the recent Communist Party Central Committee meeting, which has brought about the most ambitious reform program seen for several decades. This is set to generate some attractive investment opportunities in the Chinese economy.

The capital markets reform and the resumption of IPOs will be very important in the coming year. In addition, the significant reduction in government approvals needed to make business decisions will be a big plus, streamlining investments and reducing deal uncertainty.

Given the large backlog of companies waiting for IPO it will not be an overnight change. But over the next year we will experience a rare and robust IPO environment. A lot of companies will come to the market, creating excitement among public investors and providing private equity investors with essential exit routes. As the capital markets develop at a faster pace, and in line with global standards and practices, it will bring about

more confidence among LPs.

Issues over regulation, economic and political uncertainty and depressed public markets have made it difficult to invest in China in recent years but 2014 could well prove to be a crucial turning point. Structural reforms, better transparency and more confidence in the business community should all provide a positive backdrop for private equity investors.

We will continue to look across many sectors and industries and the number of opportunities is going to expand significantly. Not just next year, but over the next 5-10 years, China will be one of the most crucial and most active private equity markets. My only big concern would be slippage in executing the reforms. That would be a huge disappointment – not just for private equity but for all investors.

JAVAD MOVSOUMOV, EXECUTIVE DIRECTOR AT UBS PRIVATE FUNDS GROUP, ON FUNDRAISING

The most important factor is how much capital LPs will have to allocate private equity in the next year. If you look over the past years, a big chunk of the capital that went into Asia came from North America – either directly or via a fund of funds. The good news is that there has been a lot of capital coming back to North American LPs from their North American PE funds, so my hope is the amount of capital available for investment in PE on a global basis will increase.

The stock market in the US has also performed very well this year and the “denominator effect” will now work in favor of allocating more capital to private equity.

How much of that will filter down to Asia is



Fred Hu



Javad Movsouvov

still a question mark, as there are concerns over what has been happening in terms of liquidity and exits in China. I see a lot of LPs starting to reassess whether it would make sense to commit to straightforward China growth equity funds or whether they need to find a different strategy or look to different geographies.

The fascinating thing is that, despite PE being a long-term asset class, the change in LP appetites towards different geographies and strategies occurs rapidly. The China growth strategy has for many years been by far the largest capital raiser in Asia. However, given the lack of IPOs and exits in the last couple of years, there has been a bit of a rethink.

Despite the slowdown in interest, China will continue to be an interesting market simply by virtue of its size. LPs are just being a bit more discerning in terms of what kind of strategy they are backing in China. Without a doubt there are a lot of opportunities to make good returns and the economy is still growing at a good pace.

Southeast Asia has been attracting significant amount of investor interest recently, translating into larger funds raised by established firms and a number of younger private equity teams getting established. Japan has got quite a bit of interest this year, although I do not know to what extent interest at a conceptual level has translated into funds getting closed.

India continues to be a market that has proven to be difficult to make returns in and managers continue to have a difficult time in raising capital. Australia and Korea as developed markets are in the middle of the pack in terms of attractiveness.

OCTOBER

\$2.7b – MBK Partners closes its third buyout fund at the \$2.7b hard cap

\$1b – Gaw Capital Partners reaches a final close on its fourth China real estate fund at the \$1.025b hard cap

\$750m – Alpinvest Partners closes its Secondaries Fund V at the \$750m hard cap, exceeding the \$500m target

\$625m – Chinese NASDAQ-listed firm Pactera accepts The Blackstone Group and GGV Capital's \$625m take-private bid

\$587m – Morgan Stanley PE Asia part exits Hyundai Rotem in \$587m in Korea Stock Exchange IPO

\$500m – Anchor Equity Partners reaches a final close on its debut South Korea fund at the \$500m hard cap

\$420m – Hony Capital and retailer Suning Commerce agree to buy a majority stake in PPTV for \$420 million

\$416m – The Carlyle Group, Macquarie and Accel Partners-backed OzForex Group raises \$416m in Australia listing

\$315m – Goldman Sachs sells down its 8.05% stake in Hong Kong-listed Geely Automobile for \$315m

\$214m – TPG Capital agrees to buy a 12.15% stake in China's Phoenix Satellite Television for \$214m

200m – KKR makes its first Malaysian investment, paying \$200m for a minority stake in Weststar Aviation Services

\$123m – Affinity Equity Partners invests \$123 million in a Chinese dairy farming joint venture with Sunlon

>>>

REVIEW OF THE YEAR

andrew.woodman@incisivemedia.com / mirzaan.jamwal@incisivemedia.com / winnie.liu@incisivemedia.com

PAK-SENG LAI, MANAGING DIRECTOR AND HEAD OF ASIA AT AUDA INTERNATIONAL, ON FUNDS-OF-FUNDS

I think there will be more consolidation among funds-of-funds – particularly Asian funds-of-funds. There have already been a number of acquisitions in recent years. Too many Asian funds-of-funds have evolved over the last 4-5 years and I think going forward only two kinds will sustain. The first will be the global players offering global solutions – like us – that help provide solutions for those entering the asset class for the first time. Basically, it is the one-stop shop model that will prevail and players with global scale will continue to grow as more people enter the asset class.

On the other extreme, there are funds-of-funds with niche strategies that will fill a certain gap in a global portfolio. Investors from the US, for example, may have good knowledge of Europe and Latin American but they don't know much about the small players in Asia. Even if they do, they often cannot invest because of minimum ticket size constraints. Creating a niche sector of smaller funds in emerging markets could potentially be attractive to global investors. Funds-of-funds are more driven by investors' needs than by investment opportunities available – so a tailor-made solution will be important.

In terms of fund selections, five or six years ago it was very story-based. Everyone was too young to be proven so it was investment by faith – you listened to their story and made an investment decision. Now GPs can no longer say it is too early to tell, they need to deliver numbers.

There is also a polarization of the fundraising market. I see managers that have good teams and track records getting oversubscribed before they have even launched. On the other hand there are managers who will take two years to get a first closing – so there is a flight to quality.

TIM FLOWER, PRINCIPAL AT HARBOURVEST PARTNERS, ON SECONDARIES

I would expect GP restructurings to gather pace. Some GPs have struggled to generate sufficient liquidity to raise interest in their next fund, so they are trying to do something that might provide liquidity and help with fundraising.



Tim Flower

The question over Asian private equity is whether the additional risk has offered sufficient rewards. I think you will have smaller teams that are probably going to fail to raise their next fund. It will take them a bit of time to realize that they are running short of options. Many GPs are wary of doing secondaries but I think they will get to grips with that. Eventually I expect as much activity in Asia as in any other part of the world.



David Brown

I don't think it is unreasonable to say India has been the most dysfunctional private equity market. We have looked at a lot of things in that country and there are still pretty unrealistic expectations on things like growth rates and valuations.

I think the market has been larger this year, straightforward LP deals in particular have been trading at incredible prices as a result of relatively low supply. What has been interesting is that we have seen proportionately more trading in country-specific funds and perhaps less well-known names, whereas before there had been

more activity in the pan-regional funds. People are paying very high prices for first- or second-time funds and not discounting the franchise risk as much as they should.

I think pan-regional funds all did reasonably well over the past 12 months and as people have seen quarter-on-quarter improvement in NAV they have thought "Why am I selling?" There have been more portfolio management sales rather than any liquidity-driven sales so I think LPs have therefore started to look at selling off their B and C managers.

DAVID BROWN, TRANSACTION SERVICES LEADER AT PWC CHINA AND HONG KONG, ON DEAL ACTIVITY

In China, there are two factors to drive transactional activities higher in 2014. Firstly, demand for capital from China's private sector companies meets supply of capital in the private equity community, and the desire to spend that capital. The second driver is the backlog of exits, which I think is the single most pressing issue for the private equity industry in China. The latter will drive more IPO activities, albeit coming off a very low base, and it will drive more M&A exits.

There will be a move to secondaries although this is still very small at the moment. There will also be a move from growth capital to buyout deals, at least partly because of the perception that exiting minority stakes will continue to be difficult in China.

However, a limiting factor will be GPs' ability to find control deals. I think that the good quality, professional GPs will deploy more money, but perversely the overall deal numbers are going down because of the trend from higher-volume lower-value growth capital deals to lower-volume higher-value control deals, and also because we continue to see consolidation with many of the more peripheral players dropping out of the market. Nevertheless, the number of PE M&A engagements we're advising on currently is more than double the same period last year.

NOVEMBER

\$3b – GIC Private's warehouse developer Global Logistic Properties launches a \$3b China-focused fund

\$2.8b – Baring PE Asia supports a \$2.8b management buyout of US-listed Giant Interactive Group

\$1.5b – PAG's real estate arm Secured Capital makes \$1.5b final close on its fifth fund, exceeding the \$1b target

\$540m – Warburg Pincus sells its 33.9% stake in Australia's Transpacific Industries Group for \$540m

\$540m – India-focused GP Kedaara Capital raises \$540m for debut fund, exceeding the \$500m target

\$530m – Chinatrust Commercial Bank buys Tokyo Star Bank from Lone Star and creditors for \$530m

\$357m – Headland Capital Partners makes takeover offer for Kreuz Holdings worth \$357m

\$200m – CPPIB commits \$200m for 80% of an office real estate joint venture with India's Shapoorji Pallonji Group

\$200m – KKR to buy 35-40% of India's Gland Pharma for about \$200m, 3Logi Capital exits.

\$200m – Hony Capital-backed property developer Hydo International raises \$200m in a Hong Kong IPO

\$187m – Warburg Pincus, SAIF Partners and DCM-backed 58.com raises \$187m through a US listing.

\$167m – VC-backed Chinese travel website Qunar raises \$167m through a NASDAQ IPO

>>>

REVIEW OF THE YEAR

andrew.woodman@incisivemedia.com / mirzaan.jamwal@incisivemedia.com / winnie.liu@incisivemedia.com

Another nascent trend is an increasing interest in outbound investment. Several Hong Kong and China-based GPs are looking to invest in foreign companies where those companies have China angles. They will usually be in partnership with foreign GPs and are looking for deals. China GPs will bring some capital but also know-how and relationships to help foreign companies grow their business in China. Partnering with foreign PE firms is important in order to make sure they pay the right price for the overseas assets.

Over the medium term, there is potentially a huge amount of institutional capital becoming available to domestic managers. Some of this capital will look for diversification opportunities in overseas markets. While global PE firms like Bain Capital, The Carlyle Group or TPG Capital raise capital overseas and invest in China, large local PE firms such as Hony Capital, CITIC Private Equity and Sailing Capital will raise capital domestically and invest some of it overseas.

China will have its own local mega private equity firms. It will take a few years, but that's the direction.

SHASHANK SINGH, PARTNER AT APAX PARTNERS, ON INDIA

We expect a good investment climate relative to this year. It looks like the economy is turning a corner, with the macro improving. Let's see what happens in the general elections – if there is a clear mandate in one direction that will be helpful in terms of giving direction to policy.

From a global macro perspective, things are improving as well. The US employment report last week was positive, and Europe seems to



Shashank Singh



Paul Kang

be turning the corner. Those are all positives for the Indian investment climate. Certainly in our sectors of operation there has been a correction in valuation. It will be interesting to see if the correction persists when there is a sharp upswing in sentiment and flow of capital.

The Bombay Stock Exchange's Sensitive Index (Sensex) hit new highs this year and the key phenomenon is how that flow of capital concentrates, because over the last 12-18 months a lot of capital came into the largest companies, to the Sensex constituents, and a lot less into the mid-market. This is where we saw opportunities and the ability to get better valuations because the mid-market was starved of capital, whether equity or debt capital. So providers of capital like us, who

did have money to spend, were getting better opportunities.

While the Sensex is at 21,000 points, representing the largest companies, the BSE index for mid-caps is in the 6,000 range, 40% down from its peak. If that difference persists in terms of the nature of capital flow, then we will continue to see good valuations. If the capital ends up across the board then perhaps the lower valuations may not persist and people will benchmark more off of the rise in the index. Having said that, if LP appetite for India continues to be restricted this would perhaps signify that the separation will continue.

In terms of deal flow, our pipeline is much more weighted towards buyouts at the moment, which I think will be a continuing trend. We're seeing a lot more secondaries from other funds looking to exit portfolio companies and that will continue to be an opportunity.

PAUL KANG, SENIOR PARTNER AT HEADLAND CAPITAL PARTNERS, ON SOUTHEAST ASIA

Southeast Asia as an investment destination continues to be very interesting. We've announced three transactions and closed two this year. The pipeline continues to be extremely healthy.

From a regional perspective, everyone says they have spent a lot of time in Indonesia and they probably haven't been able to get very far. In the near term, at least over the first 6-9 months of next year, that's likely to continue. I think the market has become overheated. There is a lot of liquidity chasing relatively fewer opportunities in Indonesia. That imbalance will be likely corrected out.

In the meantime, I expect that deal flow to come out of Malaysia, Singapore, as well as some from the Philippines. We closed our first deal in Vietnam recently and we think that is a very interesting market going forward. Myanmar is probably still too early for us – also, bear in mind we are looking to deploy \$50-100 million in capital per transaction. We're looking to do smaller transactions here only if corporate governance doesn't become so much of an issue.

The vast majority of deals we've done recently in Southeast Asia have been buyouts, and overall they have been significantly increasing in size. I expect to see this trend continue in 2014. It can be probably categorized like this: Out of more developed markets, including Malaysia and Singapore, we will see more buyout transactions, as you have families dealing succession issues or shareholders transitions; other markets will continue to be more growth capital-oriented.

Generally, the opportunity is more for pan-Asian funds the single-country funds, because of their ability to shift geographically in response to interesting dynamics emerging over time. The Philippines, for example, may have some interesting opportunities because of its growing middle-class and rising consumer expenditure. ▀

DECEMBER

\$6b – EIG Global Energy Partners reaches a final close of \$6b on Energy Fund XVI, exceeding the \$4.25b target.

\$1.15b – Actis closes its third global energy fund at \$1.15b, exceeding the \$750m target by 50%

\$475m – Crescent Capital Partners' Cover-More Group targets A\$521.2m IPO on the Australian Securities Exchange

\$400m – Baring Private Equity Asia completes acquisition of around 71% of India's Hexaware Technologies for \$400m

\$250m – Rocket Internet's Lazada raises \$250 million, taking its total funding to \$486m in 18 months

\$111.4m – Southern Capital Group backs a management buyout of Malaysia's HELP International Corp worth \$111.4m

760 – The number of firms awaiting approval for IPOs in China

50 – The number of firms expected to list when China's IPO market re-opens in January 2014

2x – Lazard Australia Private Equity part exits sports apparel brand 2XU to L Capital for a 2x return

> ||



Snapshots from the 2013 AVCJ Forum

The global investment elite congregated in Hong Kong in early November for Asia's leading private equity and venture capital event. Here are a few of the more memorable moments



Jeremy Coller, K.Y. Tang, Sebastiaan Van Den Berg & X.D. Yang



The Blackstone Group's Byron Wien



KKR's Joe Bae, AVCJ's Tim Burroughs & Silver Lake's Ken Hao



AVCJ Awards cocktail



J. Christopher Flowers addresses the Investment Summit



CVC Capital Partners' Steve Koltes



The PE Leaders' Summit

REVIEW OF THE YEAR

AVJEditorial@incisivemedia.com



Kathy Jeramaz-Larson and Nicole Musicco address the Limited Partners' Summit



Bain Capital's Dwight Poler



The Affinity Equity Partners gala dinner



Yoshito Hori, David Brown, Nick Bloy, H. Chin Chou & Marshall W. Parke



Janine Feng, Stephanie Hui, Mia Saini, Wendy Zhu & Michelle Leung



Weijian Shan of PAG



The 2013 AVJ Awards winners

DEAL OF THE WEEK

tim.burroughs@incisivemedia.com / andrew.woodman@incisivemedia.com

CITIC rides China's LNG wave

TWO WEEKS AGO CHINA NATIONAL

Offshore Oil Corp. received the first cargo of liquefied natural gas (LNG) at the Tianjin floating storage regasification unit. The company now has the capacity to handle 24.4 million metric tons of LNG per year at six offshore receiving terminals. Five more will be in operation by 2015, taking capacity to 35-40 million metric tons per year.

This is one part of the infrastructure required to accommodate rising demand for LNG, which alongside compressed natural gas (CNG) and liquefied petroleum gas (LPG) is expected to account for 8% of the country's energy mix by 2015, up from 5% today. The other part is downstream distribution: according to Citi, in 2009 China had 18 LNG refueling stations; as of year-end 2012, there were 368 in operation.

"One of the key applications for LNG is long-haul trucking," says Boon Chew, managing director at CITIC Capital Partners. "In the US, few LNG trucks on the road and lack of LNG stations create a chicken-and-egg scenario. China has been able to circumvent that issue by pushing both agendas concurrently, which has generated

tremendous growth across the LNG value chain."

This featured prominently in the thesis for CITIC and Windjammer Capital's acquisition of Engineered Controls International (ECI), a US-based manufacturer of valves used in the transportation and storage of LPG and LNG. The price was not disclosed but when the asset was put up for sale in October, it was reportedly expected to fetch around \$400 million.

CITIC is investing through its third international fund, where the typical strategy is to acquire Western companies that are underachieving or underpenetrated in China. ECI is already performing strongly in the country – it has a more than 50% share in the LNG space – but more capital and support will be required as the local LNG infrastructure is built out.

China National Petroleum Corporation said there were 1.48 million natural gas-fueled vehicles on the roads in 2012, up 48% year-on-year, including 70,000 LNG vehicles. Kunlun

Energy, the company's gas distribution subsidiary, is targeting 140,000 LNG vehicle customers by 2015, or 30-40% of the overall projected market.

Government incentives play a role in this transition but the fall in global gas prices is

equally significant. According to natural gas distributor ENN, it costs approximately RMB80,000 (\$13,000) to convert a large diesel commercial truck to LNG. Based on per liter prices of RMB7.5 for diesel and RMB4.6 for LNG, the investment starts paying off in 10 months.

"Expanding infrastructure, government incentives, and environmental considerations all drive LNG adoption, but ultimately people will continue to use LNG because it is economical," says Chew.

Before ECI entered China 3-4 years ago, North American LPG customers accounted for 100% of revenue. The LNG share – most of which is driven by China – has since risen to one fifth of revenue. ■



LNG in China: Rapid adoption

L Capital sees 2XU as a good fit

A RECOGNIZED INVESTOR IN FINE FOODS, jewelry and ladies fashion, L Capital's decision to back 2XU – an Australian manufacturer of compression sportswear – may seem a slight departure. In fact it could not have been a more perfect fit.

Just as L Capital is at home with the finer things – its main backer is French luxury conglomerate LVMH – it has equally strong sportswear credentials. Prior to joining the firm, Managing Partner Ravi Thakran worked for Nike, while Uday Mehra, head of operations, was apparel business director for the global sportswear brand.

"These people are able to bring a lot of direct domain knowledge to the company," explains Christina Teo, managing director with L Capital. "And that is part of what attracted them to us: it was our ability to work in partnership with 2XU and for the value-add we could create."

Competition for 2XU was not in short supply. The firm had already received backing

from Lazard Private Equity – which acquired a significant minority stake in 2011 via Lazard Corporate Opportunity Fund 2 – and a number of strategic investors were keen to acquire the asset. But L Capital won out, paying around A\$75 million (\$68.3 million) for a 40% stake.

The transaction, a pro-rata sell down by all shareholders, represented a partial exit for Lazard, generating a 2x return.

L Capital now plans to further 2XU's global ambitions. Set up in 2005, the company

makes a range of high performance compression clothing aimed at the technical sportswear market for runners, swimmers, cyclists and triathletes.

To date the firm is mainly a wholesale business with a global distribution network covering more than 50 countries. It has online stores in Australia, New Zealand, Japan, Korea, Singapore, North America and Brazil.

"While the company has a large in presence

in Australia as well as in the US, it is still the tip of the iceberg," says Teo. "And the company is also yet to expand into China."

This is something L Capital has already sought to remedy by approaching Chinese distributors. It is also looking to support the expansion of 2XU's network of own-branded outlets, of which there are just 17, all in Australia.

The second part of the strategy is to broaden product offerings. 2XU currently focuses on sportswear for both men and women but Teo sees other applications for its compression fabric technology. "We are looking at both sports and non-sports categories – military as well as medical segments," he says. "So there is a lot of scope for product category extension."

The expectation is growth will be predominately organic though M&A could play a role should opportunities present themselves.

In terms of exit, L Capital is open-minded. "In last round there was a lot of interest coming from domestic and international strategic investors," Teo notes. "We should keep it flexible – even a listing is possible for a company like this." ■



2XU: Technical sportswear

Opportunities in volatility

Dwight Poler, managing director with Bain Capital in Europe, on the openings created by economic volatility in the euro zone and supporting portfolio companies that seek expansion in Asia

Q: To what extent has economic volatility in Europe created an opportunity for PE?

A: Right now owners of assets are re-adjusting to low growth in the long term, which means they are increasingly ready to sell. When it was at the bottom, they didn't want to sell. When there were no debt markets, they didn't want to sell to private equity because private equity wasn't in the best shape to buy. But now you have solid debt markets and equity markets, so valuations are reasonable. Sellers can have more confidence to offer assets. The most important thing for us is being able to see lots of things from which to pick. If you can source a lot of interesting things then you have a greater opportunity to find something within that pool you want to buy.

Q: Which markets – national or sub-regional – are the most attractive in Europe?

A: When you look beyond just growth, to the price required to buy growth, that attractiveness is very dynamic. The value of being a pan-European fund is huge, as it gives flexibility to seek value for growth as that equation changes. A lot of LPs were seduced by single country funds but many now realize that, particularly among managers in North European markets, much of the positive gains were just market tailwinds. In fact, you might have gotten more portfolio alpha out of a great PE manager in Italy or Spain than a weak manager in the Nordics. So there is not just one single "best geography" because, as an investor, you have to get that balance of price and growth. It's identical to Asia in that sense.

Japan is the lowest growth market in Asia but it has been one of the most interesting markets for us. Most people look at Japan and say, 'Low growth, very difficult to do business, very expensive place to operate – do I really want to house a full team there?' We have 15 professionals in Japan and the ability to do transformational change, creating huge equity gains as we did with Domino's. Very few people have that capability so it makes Japan a great place for us to invest.

Q: The euro zone has been described as a "bad marriage." Is this accurate?

A: I personally believe the euro zone will hold together. The fact it held together under immense pressure 3-4 years ago is a testament to the true will to stay together – a commitment beyond economics and politics – as well as the true inflexibility of unwinding the euro. That said, from a fund perspective we are not just tied to the future of the euro. We invest across Europe with a disproportionate focus on Europe-based companies that have a global presence, because one of our great comparative advantages is that we are global. We are attractive to companies that have a strong European core but maybe want to tap the US market for growth or move their cost base to Asia to be globally competitive.

Q: How many European portfolio companies are increasing their exposure to Asia?

A: It was the late 1990s when focus turned to tapping higher demographic-growth markets and leveraging the



"We can get CEOs and purchasing people together to learn from each other or source together"

cost advantage Asia has versus Europe. But the challenge is not to be underestimated. Companies find it hard to identify the right partners and create relationships where you commit enough to each other that you actually make progress. Each of our retailers wants to do sourcing from Asia; our product companies seek production there. We can get CEOs and purchasing people together to learn from each other or source together. One of the best examples of dramatic transformation would be FCI, which we bought from Areva. It was based in France, served very cyclical end markets in automotive and technology, and the financing markets didn't like it all. We worked with each division, sold two of them to trade buyers and one to a sponsor, and the

fourth, supplying components to the automotive industry, we have transformed to an Asian company serving its key customers. The headquarters recently move to Singapore and the business will likely be listed or sold in Asia.

Q: To what extent is that now part of the deal pitch?

A: For Bain Capital in Europe, our global reach is core to our proposition. This summer we bought FTE Automotive, a Germany-based automotive clutch actuation systems manufacturer, which had been supported by a French owner. Yet much of their growth opportunity is in the developing world. Our portfolio team working on it included the former CEO at Skoda China, a German with a long history at Volkswagen, who has been incredibly impactful getting them into developing markets.

Q: Chinese companies are increasingly interested in buying assets in Europe. How much activity do you see?

A: We have seen more looking, but not yet as much buying. I lived in Tokyo in 1988-1990 and it was a similar situation: you had some very strong Japanese potential buyers and it took quite a while before they were comfortable buying in the US and Europe. Once they got more understanding of how to operate in these markets the acquisition pace picked up. We haven't seen that yet from China, but I do believe it will happen. We have on many occasions worked in partnership with Chinese buyers to look at US and European assets. ▀

SAVE THE DATE! ANNOUNCING THE...



avcjforum.com

27TH ANNUAL

AVCJ PRIVATE EQUITY & VENTURE FORUM

11-13 November 2014, Hong Kong

The **AVCJ Asian Private Equity and Venture Forum 2013** in Hong Kong was our best attended to date. Here is a snapshot of this year's truly memorable event...

[Visit online now: avcjforum.com](http://avcjforum.com)

“This is the grandfather of all private equity events. And frankly your business [AVCJ], was the organisation that helped build the PE business.”

H Chin Chou, Chief Executive Officer, **MORGAN STANLEY PRIVATE EQUITY ASIA**

Resources Available Now!

1,000+ Attendees

550 Organisations

280 Limited Partners

158 Speakers

33 Countries represented

“The AVCJ Conference in Hong Kong consistently convenes the world's most significant investment firms and thought leaders. It has become the premier investor event in Asia for GPs and LPs to meet and share ideas.”

Ken Hao, Managing Partner and Managing Director, **SILVER LAKE**

NEW Event Review
including a **full list**
of attendees

NEW Presentations
from Keynote Speakers

NEW Photo Gallery of
the Event

Partnership Opportunities:

Email Alexis:
enquiry@avcj.com



CONTENTS



Supersized ambitions

For the last 12 years IDG Ventures' Henry Nguyen has played a role in the opening up of Vietnam, from helping launch its first VC fund to introducing an the World's most iconic fast food brand

NEXT YEAR THE GOLDEN ARCHES WILL

extend over Vietnam for the first time as McDonald's opens its first restaurant in the country. For better or for worse, the arrival of the iconic brand marks a pivotal moment in the country's history – for Henry Nguyen, managing general partner of IDG Ventures Vietnam, it marks the culmination of over a decade's work.

"In many ways – and this may sound odd for a hamburger restaurant – its arrival is a stamp of approval for the country," says Nguyen, who was recently announced as McDonald's Vietnam partner to bring the brand to the country.

That stamp of approval has particular resonance for Nguyen who, despite being Vietnamese by heritage and birth, spent his formative years in US. Raised in Virginia, Nguyen – like so many in his field – started as a Harvard undergraduate. He did not find his calling in business straight away, though. His first ambition was to be a doctor.

"In my family I was the youngest of four. Today all of my older siblings are medical doctors," says Nguyen, "so it was a kind of a family calling."

After earning a BA in classics and completing pre-medical qualifications, Nguyen followed his family to Chicago and attended Northwestern University Medical School and the Kellogg School of Management, earning an MD and an MBA. It was during this period that he and his classmates launched their first enterprise. "In the beginning we were just putting together our class notes and study materials and sharing them with each other," says Nguyen. "And then we realized a lot of other people were asking for them."

What had started as Nguyen and his friends trading notes gradually evolved into a business in self-published study materials – S2S Medical Publishing – and it spread to 130 universities. By his third year, Nguyen and his friends made their first exit, selling the business to Blackwell Science.

"If I look back on my life I have been an entrepreneur since I was eight years old with my first newspaper route," he says. "All these side businesses I had were a fun diversion from my studies. Now I look back I can see that those were the more formative things I did and being in school was the diversion."

Nguyen and his partners then put their own capital into building a medical distance learning



"Today all of my older siblings are medical doctors, so it was kind of a family calling"

company, Medschool.com. This was 1998, the peak of dotcom boom, and Nguyen, still a fresh graduate, was raising his first round of venture capital funding. Backing came from GE Capital and Apax Partners.

"It was an interesting experience just to be a part of that," he says. "Going from a bootstrap business to a company raising formal capital, especially at a time when there was so much disruption and so many industries were being brought to the internet."

Back to Vietnam

After a stint working as an associate at Goldman Sachs, Nguyen decided to seek out his family roots and returned to Vietnam in 2001. He worked for medical charity Operation Smile, treating children suffering from cleft palate, but his entrepreneurial instincts were not far behind and he soon began making angel investment in local start-ups.

"To cut a long story short, what was meant to be a three-month stint ended up becoming six months, then 12 months, and here I am 12-and-a-half years later," he says. "I sensed there was real impetus for progress and market liberalization in

the country and a lot of entrepreneurial energy."

After two years Nguyen got his next big opportunity when he met Pat McGovern, the founder of International Data Group (IDG) and founder of IDG Ventures. McGovern was on his first visit to Vietnam and connected with Nguyen through the latter's involvement with the American Chamber of Commerce.

"We ended up getting to know each other chatting at a breakfast and later over lunch," says Nguyen. "We shared our thoughts and ideas about progress and that was the genesis of our fund."

IDG Ventures set up its office in Vietnam in 2004 and launched a \$100 million maiden fund the same year – the country's first ever. "We had to be very careful in making sure the market understood our role," recalls Nguyen. "We even had to work with the media to coin a local term for venture capital."

Nearly 10 years later, IDG has investments in more than 40 companies across technology, media, telecommunications, and consumer sectors. A second Vietnam fund was launched in 2011 with a target of \$150 million.

Bringing the Big Macs

Nguyen recalls often being asked why there was no McDonald's in Vietnam and it was during this period that he connected with the restaurant chain. This wasn't his first attempt: he reached out on his first trip back home to Chicago after moving to Asia, visiting the company's global headquarters in Illinois, but there was little interest at the time.

"I basically did a door knock and met some of the executives in person," says Nguyen. "They told me then that internally they had made no decision to open a new market so I kind of stayed persistent with them over the next 10 years, checking in once in a while."

The persistence paid off as McDonald's eventually said yes to the idea and chose Nguyen from a pool of around a 1,000 applicants to be its local partner. Needless to say, he is confident of the positive impact the company will bring. "It is a symbol of something to people outside," says Nguyen. "In the months after the global announcement was made I never had more interest or enquiry about Vietnam than I did in all my years here." ▀