AVCJ
ASIAN VENTURE CAPITAL JOURNAL

Asia's Private Equity News Source

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Hard-won returns?

All the deals, drama and distributions of 2014; plus predictions for 2015 Page 9

DEAL OF THE WEEK

Holidays with Hony

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PROFILE

Disruptive influence

Jenny Lee's journey from defense to GGV Page 31

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For more information contact:

Asia Pacific PE Group Leader
Honson To
+86 (10) 8508 7055
honson.to@kpmg.com

Australia
David Willis
+61(2) 9346 6220
davidwillis@kpmg.com.au

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

Hong Kong
Kenneth Pang
+852 2140 2838
kenneth.pang@kpmg.com

Indonesia
David East
+62 (21) 574 0877
deast@siddharta.co.id

Japan
Paul Ford
+81 (3) 5218 6784
paul.ford@jp.kpmg.com

Korea
Jin-Man Kim
+82 (2) 2112 0786
jinmankim@kr.kpmg.com

Malaysia
Chan Siew Mei
+60 (3) 7721 7063
siewmeichan@kpmg.com.my

New Zealand
Ian Thursfield
+64 (9) 367 5858
ithursfield@kpmg.co.nz

Philippines
Michael Guarin
+63 (2) 885 7000 ext. 347
mguarin@kpmg.com

Singapore
Andrew Thompson
+65 6213 2929
andrewthompson8@kpmg.com.sg

Taiwan
Vincent Chang
+886 (2) 8101 6666 ext. 05185
vwchang@kpmg.com.tw

Thailand
Bob Ellis
+66 (2) 677 2118
bellis1@kpmg.co.th

Vietnam
John Ditty
+84 (8) 3821 9266 ext. 8100
jditty@kpmg.com.vn

kpmg.com

EDITOR'S VIEWPOINT

tim.burroughs@incisivemedia.com

Five trends for 2015

AFTER A MIXED 2013, ASIAN PRIVATE equity has enjoyed an impressive 2014. But what do the next 12 months have in store? Here are some ideas…

- **Larger private rounds in the tech space**

Chinese mobile phone maker Xiaomi is said to be in talks over an investment that would value the company at $50 billion. Five years ago, this business did not exit. Two years ago, it was completing a $216 million Series D round at a valuation of $10 billion. Baring some dramatic reassessment of opportunities in the China, India and increasingly Southeast Asia technology space, companies will continue to raise larger rounds at higher valuations. VCs may start to resist the rising expectations of entrepreneurs looking for a Series A round, but for the likes of Xiaomi and Indian e-commerce player Flipkart, investors a) tend to be public markets investors looking for private markets alpha, not traditional VCs, and b) might argue that these companies are clear market leaders with defensible positions and the eventual IPOs will deliver even loftier valuations. Time will tell.

- **It will be tough to better the 2014 trade sale total**

Asia private equity exits have hit an all-time high of $57 billion in 2014. At $8.5 billion and $37.9 billion, the IPO and trade sale exit figures are the second-biggest and biggest on record. The obvious question is whether this performance can be replicated in 2015. And the answer, particularly in the case of trade sales, is almost certainly no. This does not mean distributions will dry up, just that 2014 will be difficult to top. Three of the four largest trade sales ever seen in Asia have come this year: Affinity Equity Partners and KKR exited Oriental Brewery for $5.8 billion, QIC got $5.4 billion for Queensland Motorways (with a further transaction taking the total proceeds to $6.2 billion), and Permira sold Arysta LifeScience for $3.5 billion. There have only been eight disclosed transactions in excess of $3 billion.

- **The IPO total will not be topped, but watch out for volatility**

The $25 billion contribution that Alibaba Group made to the $55.2 billion in proceeds generated by Asia private equity-backed IPOs this year is clearly not going to be repeated. That in itself is no cause for concern. However, the volatility creeping into the US and Australian markets, which have been so active over the past 12 months, is a worry. In both markets, some offerings have been pulled in recent weeks while others have underperformed. The tap isn't being turned off – even in Australia, which has been known to turn quite abruptly, there appears to be sufficient momentum that one large, poorly received offering would not have devastating effects. But investors may become more selective. In China too, although for different reasons, conditions remain uncertain.

- **Judgment day for Indian private equity**

Sentiment appears to be turning on Indian private equity, with country-focused managers having raised nearly $2.4 billion so far this year, up from $1.9 billion in 2013. AVCJ can think of at least eight managers, who are either in the market or about to enter it, looking for combined commitments in the region of $3 billion. A clutch of funds will be raised quickly, others will take a long time and the rest will struggle along somewhere in the middle. With public markets rebounding in anticipation of Prime Minister Nahendra Modi rolling out promised and much-needed economic reforms, the GPs have picked their timing well. Or have they? As we have seen with Japan, the possibility of policy innovation excites markets, but they soon lose steam in the absence of concrete action.

- **A big year for Australian infrastructure**

There has been a degree of activity in 2014 on the Australian infrastructure front, with QIC selling Queensland Motorways, Hastings Fund Management acquiring Port of Newcastle and Macquarie buying ANZ Terminals. Next year, however, could be much bigger. It estimated that A$50-100 billion ($41-82 billion) of infrastructure assets will be privatized over the next 2-3 years, with New South Wales' electricity distribution and transmission businesses thought be worth about A$30 billion, while the equivalent assets in Queensland are even larger. Local superannuation funds have demonstrated an appetite for these deals and the managers they work with – Hastings, IFM Investors, et al – could end up quite busy. With so much demand, these transactions do not come cheap.

Tim Burroughs
Managing Editor
Asian Venture Capital Journal

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ASIAN VENTURE CAPITAL JOURNAL

Managing Editor
Tim Burroughs (852) 3411 4909
Staff Writers
Andrew Woodman (852) 3411 4852
Winnie Liu (852) 3411 4907

Creative Director
Dicky Tang
Designers
Catherine Chau, Edith Leung,
Mansfield Hor, Tony Chow

Senior Research Manager
Helen Lee
Research Associates
Herbert Yum, Isas Chu,
Jason Chong, Kaho Mak

Circulation Manager
Sally Yip
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Prudence Lau
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Director, Business Development
Darryl Mag

Manager, Business Development
Anil Nathani, Samuel Lau

Sales Coordinator
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Conference Managers
Jonathon Cohen, Sarah Doyle,
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 Nanshatan,
Chaoyang District, Beijing,
People's Republic of China
T. (86) 10 5869 6203
F. (86) 10 5869 6205
E. beijing@avcj.com

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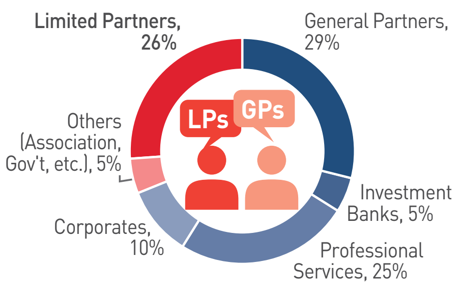

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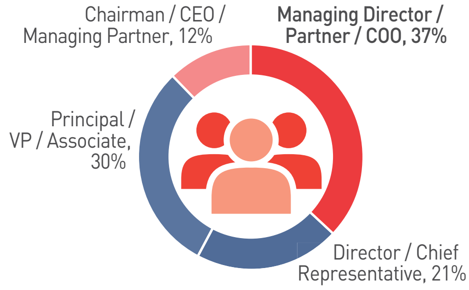

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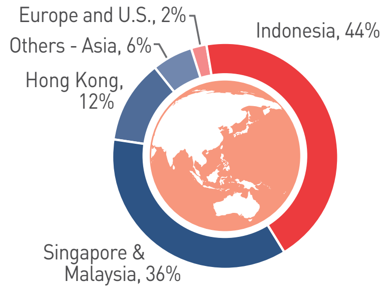

Registration: **Yeni Kittrell** T: **+852 3411 4836** E: **Yeni.Kittrell@incisivemedia.com**
Sponsorship: **Anil Nathani** T: **+852 3411 4938** E: **Anil.Nathani@incisivemedia.com**

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ASIA PACIFIC

SC Capital raises $850m for fourth Asia real estate fund

SC Capital Management has reached a final close of $850 million on its fourth Asia-focused property fund. The corpus represents a substantial increase on Fund III, which raised $530 million in 2011.

AUSTRALASIA

Australia's Bradken opens books to PE suitors

Australian mining industry supplier Bradken has agreed to open its books to Pacific Equity Partners (PEP) and Bain Capital following the private equity firms' offer to buy the company for A$872 million ($731 million). Bradken said in a regulatory filing that it had received other inbound inquiries from prospective investors.

VC-backed LanzaTech raises $60m from NZ Super

The New Zealand Superannuation Fund has provided $60 million growth capital for low-carbon fuels producer LanzaTech. Founded in New Zealand in 2005 and now headquartered in Chicago, LanzaTech has developed a technology for converting carbon dioxide into fuel and chemical products.

GREATER CHINA

Hony, Goldman lead investment in Neusoft units

A consortium including Hony Capital, Goldman Sachs and Canada Pension Plan Investment Board (CPPIB) has agreed to invest $610 million in Neusoft Corporation, a Chinese IT services provider. They will inject RMB1.6 billion ($258 million) into Neusoft Medical System and buy RMB1.13 billion worth of shares in the unit. In addition, there will be a $170 million investment in Neusoft Xikang.

VC-backed dating app gains 26% on trading debut

Chinese VC-backed mobile dating app Momo gained 26% on its first day of trading on NASDAQ following a $216 million IPO. The company sold 16 million American Depository Shares (ADS) at $13.50 apiece, representing the mid-point of the indicative range.

Chinese taxi-booking app Didi Dache raises $700m

Singapore's Temasek Holdings, DST Global and Chinese internet giant Tencent Holdings have led a new round of funding worth $700 million for Didi Dache, a Chinese taxi-booking app. The company claims this is the single biggest investment in China's mobile internet sector.

Earlier this year, Didi reportedly received up to $100 million in a Series C round of funding from CITIC Private Equity and Tencent. Last year, the domestic internet giant committed $15 million to the company, while GSR Ventures contributed $3 million in an earlier round.

Founded in 2012, Didi connects prospective passengers with vacant taxis. It integrates with Tencent's instant-message app WeChat to allow users to book taxis from inside the app. In August, the company launched Didi Black to target high-end customers. Didi claims to have over 100 million registered users and more than one million taxi drivers on its platform. Its services cover 300 cities and the company processes 5.2 million orders per day. The Didi Black service now covers 16 major cities, with daily orders surpassing 150,000.

Its main rival is Kuaidi Dache, which is backed by Alibaba Group. According to a report from Analysys International, 154 million people in China used a taxi-booking app in the third quarter this year, with the vast majority of orders going to Kuadi and Didi.

Hony makes partial exit from Zoomlion via buyback

Zoomlion Heavy Industry Science & Technology, China's biggest construction equipment marker, has agreed to buy back a 2.19% stake in itself from Hony Capital for RMB843 million ($136 million). The private equity firm, which first invested in Zoomion in 2006, will see its stake fall to 6.79% from the current 8.89%.

Qualcomm invests $40m in Chinese start-ups

Qualcomm Ventures has invested $40 million in four Chinese start-ups and Walden International's latest VC fund. The four start-ups are: 7Invensun, an eye-tracking solution provider; Chukong Technologies, a mobile entertainment platform provider; inPlug, a smart home device solutions specialist; and Unisound, a voice recognition and processing technology provider.

Beijing Enlight Media launches $160m VC fund

Chinese media and entertainment group Enlight Media has launched a venture fund with a target of RMB1 billion ($160 million). The Hanxing Enlight Venture Investment Fund will be operated in partnership with China Renaissance. Enlight Media will itself commit RMB200 million.

GA-backed Xiabu Xiabu targets $146m HK IPO

Xiabu Xiabu, a Chinese hotpot chain backed by General Atlantic, is seeking to raise up to HK$1.13 billion ($146 million) through a Hong Kong IPO. The company will sell 227.1 million shares at up HK$4.40-5.00 apiece. General Atlantic holds a 41.49% stake in Xiabu Xiabu, which will fall to 32.32% upon listing.

Ping An VC, Qiming invest in car-sharing platform

Ping An Ventures, a VC arm of insurer Ping An Group, and Qiming Venture Partners have co-led a $30 million Series A round of funding for Baojia.com, a Chinese peer-to-peer car-sharing platform. The service allows car owners to register for rental services, while drivers can use their mobile phones to search for available cars.

China social mobile app raises $17m from VCs

Pengpeng, a Chinese social mobile gaming app, has raised $17 million in a Series B round of funding from KPCB China, Ventech Capital and Magic Stone Alternative Investments. US-based Wicklow Capital, individual investor Jonathan Teo and an undisclosed Southeast Asian family office also participated.

Mandarin exits Dagong Europe to JV partner

Mandarin Capital Partners has sold its 40% stake in a European credit ratings agency to joint

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venture partner Dagong Global Credit Rating. China-based Dagong is now the sole owner of the asset. Dagong Europe Credit Rating was established in Milan in 2012 and won regulatory approval the following year.

NORTH ASIA

Carlyle, Unison to exit Covalent

The Carlyle Group and Unison Capital are to exit their stake in Covalent Materials, a Japanese semiconductor materials manufacturer, to US ceramics group CoorsTek. The deal is understood to be worth more than JPY50 billion ($416 million), including debt.

CITIC launches tender offer for Schott Moritex

CITIC Capital Partners has launched a tender offer to acquire a controlling stake in Schott Moritex Corporation, a Japan-based manufacturer of vision lenses for machines. The company develops technology in the fields of optical fibers, machine vision, automated optical alignment, optical lenses, and software.

Japan PE acquires two businesses

Mid-market GP Japan Private Equity has acquired plastics manufacturer Sekisui Chemicals and care home services business Healthy Service. Sekisui produces a range of high-performance plastics used by the electronics, automobiles, life sciences and construction sectors. Healthy Service provides in-home nursing services for the elderly through a national network of care providers and a number of small group nursing homes.

SOUTH ASIA

IDFC, RDIF to invest $1b in infrastructure

IDFC and the Russia Direct Investment Fund (RDIF) will together invest $1 billion in infrastructure and related industries with a view to accelerating economic cooperation between Russia and India. Each party will contribute $500 million to the initiative.

OPIC commits $42m to Lighthouse's India fund

The Overseas Private Investment Corporation

BlackRock PE leads $300m round for Coupang

BlackRock Private Equity Partners has led a $300 million round of funding for Coupang, South Korea's largest online retailer. It has now raised nearly $500 million from private investors. Wellington Management, Greenoaks Capital Management and Rose Park Advisors also participated in the round. They were among the investors in May 2014, when Coupang raised $100 million, led by Sequoia Capital. The firm has also previously received capital from Maverick Capital, LaunchTime and Altos Ventures.

Coupang was founded in 2010 by Bom Kim, who remains CEO and chairman. The company

started out as a Groupon-style service, selling discount deal coupons, but quickly moved into direct retail of physical goods. It sells a wide variety of merchandise - from baby goods to beauty products - and is now the largest online fulfillment operator in Korea, offering same-day delivery nationwide.

Coupang exceeded $1 billion in gross merchandise value (GMV) for 2013 - achieving the mark faster than any other company in the world - and is currently operating at an annualized run rate of over $2.2 billion. The company's mobile platform accounts for 70% of revenue and 80% of total traffic. Mobile GMV alone has already reached $1 billion for 2014 to date. It is unclear whether Coupang has achieved profitability.

(OPIC), a US government development finance arm, has committed $42 million to Lighthouse Funds' second India vehicle. India 2020 Fund II, which is targeting $125 million, reached a first close of $60 million in August 2013.

I Squared Capital to buy toll road from IJM

I Squared Capital, a PE firm set up by former executives of Morgan Stanley's infrastructure investment unit, has agreed to buy a toll road in northwestern India from Malaysia-based IJM Corp. ISQ Asia Infrastructure I-A Private will pay INR5.25 billion ($85 million) for the Jaipur-Mahua Tollway Private across two tranches.

Oman-India fund backs GSO Crop Science

The Oman India Joint Investment Fund (OIJIF) has invested INR950 million ($15.3 million) in GSP Crop Science, an Indian agro-chemicals company. Headquartered in Gujarat, GSP was set up in 1972 as manufacturer of crop fertilizer; it expanded its business in the 1990s to include pesticide products.

VC-backed taxi apps banned following rape case

India's state governments have been instructed to ban all unregistered web-based taxi booking services - impacting VC-backed start-ups like Ola and TaxiforSure – following a rape involving a driver contracted by US-based Uber. Dehli was the first state to impose the ban and has since been followed by Maharashtra, Uttar Pradesh, Karnataka, Chandigarh and Telangana.

IFC to invest $100m in Axis Bank

The International Finance Corporation (IFC), an investment arm of the World Bank, has pledged to invest up to $100 million in India's Axis Bank. It will subscribe to a $100 million fixed-rate infrastructure bond issued by the bank.

SOUTHEAST ASIA

Tembusu, Bona to create $100m media fund

Singapore-based PE firm Tembusu Partners and local media entrepreneur Calvin Cheng have joined forces with Yu Dong, China Bona Film Group's CEO, to launch a $100 million fund targeting China's media and entertainment industry. Bona is likely to be one of the anchor investors along with Thailand's Chia Tai Group.

Riverside debuts in SE Asia with chemicals deal

The Riverside Company has bought chemicals distributor Drex-Chem Malaysia in its first ever Southeast Asia deal. The company serves international chemical producers looking to supply the Malaysian market, counting leading global paints and coating companies, and consumer products companies among its clients.

This announcement appears as a matter of record only. November 2014

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tim.burroughs@incisivemedia.com

2014: Record-setting

Strong capital markets facilitate bumper exit activity; pan-regionals, venture capital dominate fundraising; China's leads revival in growth capital investment, with Korea still buyout central

EXITS: LIQUIDITY AT LAST

Led by Oriental Brewery and Alibaba Group, Asia private equity exits touch new highs in 2014

YOU CAN PUT CAPITAL TO WORK IN ASIA, but can you get it out when you're finished? The LP community has been preoccupied with this question amidst concerns that paper gains on investments in the region's fast-growing emerging markets are not matched by equally sparkling realizations. The total value to paid in (TVPI) multiple now shares the spotlight with the distributions to paid in (DPI) multiple.

A sprinkling of landmarks does not necessarily suggest a sea change in exits – in India and China for example, many deals completed at high valuations remain in fund portfolios, with no liquidity in sight. However, it is worth noting that 2014 has seen Asia's largest-ever private equity trade sale and the world's largest-ever IPO.

As of mid-December, there had been over 500 exits in 2014, generating proceeds of $57 billion, the highest annual total on record. This compares to $43.1 billion for the whole of 2013 and $53.7 billion in 2012. Open market exits are actually down on last year – $8.5 billion versus $10.8 billion – but this has more than made up for by a rich vein of trade sales ($37.9 billion versus $27.3 billion) and IPOs ($8.5 billion versus $3.2 billion).

At $6.2 billion, QIC's sale of Queensland Motorways is the biggest exit of the year, but this happened across two transactions. The largest single deal – and by some distance the region's leading trade sale, if infrastructure transactions are excluded – is the $5.8 billion exit of Oriental Brewery by Affinity Equity Partners and KKR.

The private equity firms bought the business from Anheuser-Busch InBev (ABI) for $1.8 billion, including around $1 billion in debt in January 2010. They turned it into the top-selling beer maker in South Korea and sold it back to ABI for $5.8 billion in early 2014 for an estimated money multiple of more than 5x.

Permira also scored a sizeable exit with the sale of Japanese agricultural chemicals maker Arysta LifeSciences to US-based Platform Specialty Products (PSP) for about $3.51 billion – it bought the company for $2.2 billion in 2007 and previously tried to take it public – while Affinity offloaded its majority stake in Australian deli meats producer Primo Group when Brazil's JBS bought the business outright for $1.25 billion. Affinity acquired Primo for $758 million in 2011.

No other disclosed trade scale crossed the $1 billion threshold. The next-largest is MBK Partners' $696 million exit of Japanese software developer Yayoi to Orix Corp (while the same GP's sale of Taiwan cable TV provider CNS to Ting Hsin International Group for $2.4 billion has been announced, it has yet to close, and this wouldn't be the first time an agreement has fallen through).

The top 10 exits include three IPOs, which saw PE investors sell down part of their stakes. Eight backers of Alibaba Group – in alphabetical order: Asia Alternatives Management, Boyu Capital, China Investment Corp, CITIC Capital, Siguler Guff, Silver Lake, Temasek Holdings-owned Pavilion Capital and Yunfeng Capital – exited a small percentage of the Chinese e-commerce giant at IPO. But even a tiny slice of a $25 billion offering is big in dollar terms, and they took $2.2 billion off the table.

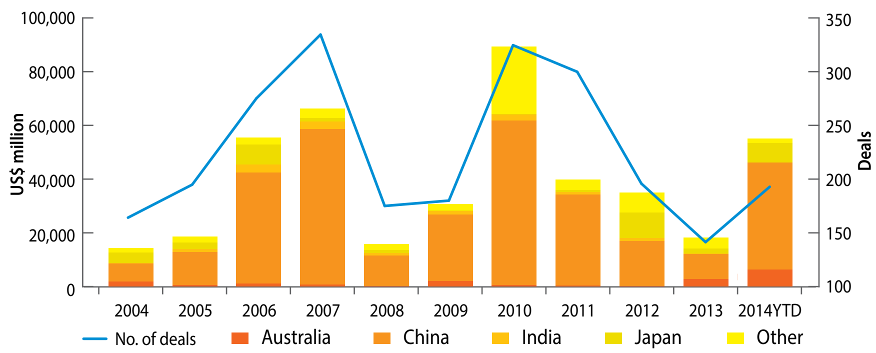
Silver Lake is said to have committed $500 million to the company across two rounds in 2011 and 2012. The PE firm's partial exit was worth $278.8 million and it retains a 2.2% interest with a current valuation of around $5.7 billion. Yunfeng Capital sold $442 million in shares through the IPO and now has a 1.1% stake worth nearly $2.9 billion.

Based on the investment multiple, Capital Today's gain from JD.com, another Chinese e-commerce player that went public this year, is even more spectacular. The PE firm, which was one of JD.com's earliest investors, is said to be sitting on a 100x windfall following the $1.78 billion offering. It has made two partial exits, one at the IPO and another on the open market, raking in about $140 million, and retains shares currently worth around $2 billion. DST Global, Tiger Global Management and Hillhouse Capital also made partial exits.

Two Japan investments, Japan Display and Skylark, join Alibaba in the top 10, with Innovation Network Corporation of Japan and Bain Capital taking out money. Private equity-backed IPOs – not all of which involved exits – have generated total proceeds of $55.2 billion so far this year, the most since 2010.

China is the big turnaround, with the government-imposed embargo on new share listings lifted at the end of 2013 and the US markets receptive once again to VC-backed Chinese offerings. Having seen a paltry $9.4 billion worth of IPOs in 2013 – the least since 2004 – the likes of Alibaba, JD.com and WH Group have sent the 2014 total past $39 billion. Thirteen of 101 offerings were on US bourses.

Asia private equity-backed IPOs



Source: AVCJ Research

tim.burroughs@incisivemedia.com

Largest disclosed private equity exits, 2014

Investee	Seller	Amount (US$m)	Exit type
Queensland Motorways (Australia)*	Queensland Investment Corporation	6232.0	Trade sale
Oriental Brewery (Korea)	Affinity Equity Partners; KKR	5800.0	Trade sale
Arysta LifeScience Corporation (Japan)	Permira Advisers	3510.0	Trade sale
Alibaba Group (China)	Silver Lake; Yunfeng Capital; Boyu Capital; CIC; CITIC Capital; Asia Alternatives; Siguler Guff; Temasek	2211.4	IPO
Japan Display (Japan)	Innovation Network Corporation of Japan	1649.7	IPO
Kokusai Kogyo (Japan)	Cerberus Capital	1375.8	Buy back
Primo Smallgoods (Australia)	Affinity Equity Partners	1263.9	Trade sale
Queensland Motorways (Australia)	Queensland Investment Corporation	779.0	Secondary
Yayoi (Japan)	MBK Partners	696.2	Trade sale
Bushu Pharmaceuticals (Japan)	Tokio Marine Capital	665.2	Secondary
Skylark (Japan)	Bain Capital; Japan Industrial Partners	644.1	IPO

*Two transactions
Source: AVCJ Research

Australia also carried the momentum that built up over the second half of 2013 into this year, which has seen a record $6.3 billion raised through 19 PE-backed IPOs. Healthscope led the way with a $2.1 billion offering, allowing The Carlyle Group and TPG Capital to realize proceeds of $445 million. Quadrant Private Equity has listed four companies – Estia Health, APN Outdoor, iSentia Group and Burson Group – raising a combined $1.37 billion, of which the PE firm received $500 million, with more still to come.

Pacific Equity Partners was responsible for two IPOs, Spotless Group and Asaleo Care, worth $1.56 billion, and managed to secure a full exit from the latter. The GP received close to $550 million from the two offerings. There were also trade sales of Peters Ice Cream and Griffin's Foods, plus a block trade of Veda Group stock, which takes realizations for 2014 to more than $2 billion.

Private equity exits in Australia as a whole have also reached a never-before-seen high of $14.1 billion, driven by $2 billion from IPO exits and $11.8 billion from trade sales. However, the Queensland Motorways transaction accounts for over half the trade sale total. As with Alibaba and Oriental Brewery, a mega deal really moves the needle.

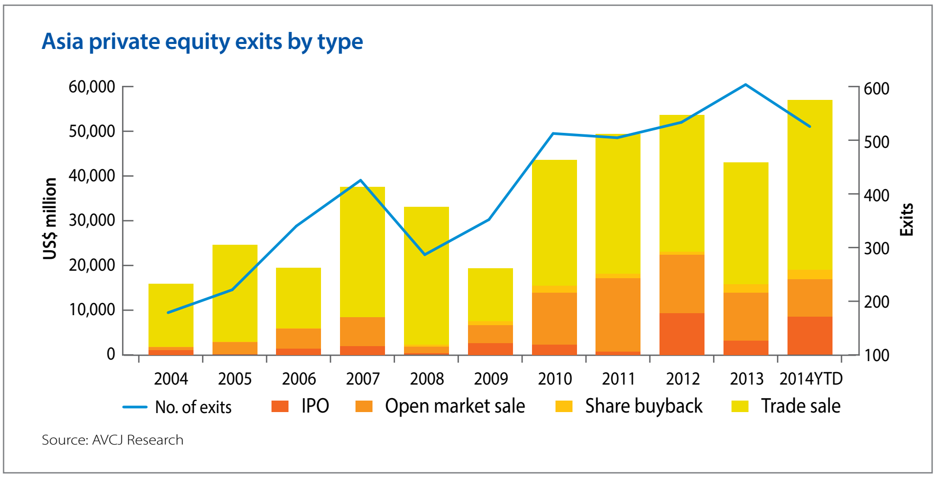
FUNDRAISING: MISSION COMPLETED

Pan-regional players and China venture capital are the dominant fundraising themes of 2014

WHEN THE CARLYLE GROUP REACHED a final close of $3.9 billion on its fourth pan-regional fund in September it drew a line under a three-year process that has seen nearly all of the largest global and Asia-based PE firms raise their first flagship vehicles since before the global financial crisis. In dollar terms alone, this has dominated the fundraising landscape.

Starting with Bain Capital Asia II, which reached a final close in July 2012, roughly one year after launch, eight firms have raised $27.2 billion between them. This accounts for about 14% of the total capital committed to Asian private equity over the same three-year period. Remove renminbi-denominated funds from the calculations and the share rises to nearly 20%.

In addition to Bain and Carlyle, KKR, MBK Partners, Affinity Equity Partners, CVC Capital



Source: AVCJ Research

JANUARY

$190m – IMM Private Equity buys a 21% stake in Korean cable TV operator T-Broad Holdings for $190m

3x – The Carlyle Group exits its stake in India's Tirumala Milk Products to Groupe Lactis for $275-300m, generating a 3x return

$100m – OCBC Bank launches its $100m fund under the Shanghai Qualified Foreign Limited Partner program

$18.4b – Apollo Global Management holds an $18.4b final close on its eighth global fund

$1.36b – China's Fosun pays $1.36b to buy Portuguese insurer Caixa Seguros e Saúde

$407m – Platinum Equity pays Australia's Telstra Corp $407m for a 70% stake in its directories unit, Sensis

$190m – NewQuest Capital acquires China Hydroelectric in a take-private deal that values the company at $190m

$120m – SoftBank leads a $120m Series B round for Chinese app platform Wandoujia

$887m – A group led by CITIC Capital completes its $887m take-private of China software firm AsiaInfo-Linkage

5x – KKR and Affinity exit Korea's Oriental Brewery to AB InBev for $5.8b, generating a more than 5x return

$285m – Carlyle raises $285m after making a partial exit from Hong Kong-listed Haier Electronics

$1.4b – EQT reaches a $1.4b close on its mid-market fund focusing on Asia and Northern Europe

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tim.burroughs@incisivemedia.com

Partners, TPG Capital and Morgan Stanley Private Equity Asia have raised funds.

In all but two cases the funds are larger than their predecessors. Four finished above target with two increasing their hard caps. Aggregate capital raised by the eight in this vintage is $5.3 billion larger than the last. Overall private equity fundraising by Asia-focused managers – taking into account incremental and final closes – came to $205 billion between 2005 and 2008; it stands at approximately $240 billion for 2011-2014, although nearly 40% of that went into renminbi funds. Brand names and big buyouts clearly still have appeal.

The big pan-regional funds that impacted the 2014 fundraising data are managed by Carlyle, Affinity, CVC, TPG and Morgan Stanley. However, in some cases there were first and second closes in 2013. Affinity, for example, announced a final close in mid-January but would have finished sooner had there not been negotiations with LPs to raise the hard cap. Like most of its counterparts, Affinity saw a sharp increase in commitments from Asian and Middle East investors. Having contributed 15% of the Fund III corpus, they now account for 39% of Fund IV, more than the North American LP share.

These five GPs together raised $16.2 billion, helping the region-wide total to $51.3 billion as of mid-December. The 2013 total of $50.9 billion has been passed and 2012's $55.4 billion may be within reach. Unsurprisingly, the number of funds attracting capital has fallen significantly. It currently stands at 214, compared to 372 in 2013 and 362 in 2012.

Four funds – Carlyle, Affinity, CVC and TPG – raised in excess of $3 billion, followed by CDH Investments, which closed its fifth China vehicle on $2.55 billion. Apart from Baring Private Equity Asia, which is expected to announce a final close on its sixth fund of $3.85 billion early in the new year, it is difficult to think of GPs likely to raise over $3 billion in 2015. PAG and Hony Capital are among those expected to come back to market in the next 12 months and demand will surely be substantial enough that they could break through the $3 billion ceiling, but it remains to be seen whether they think they should.

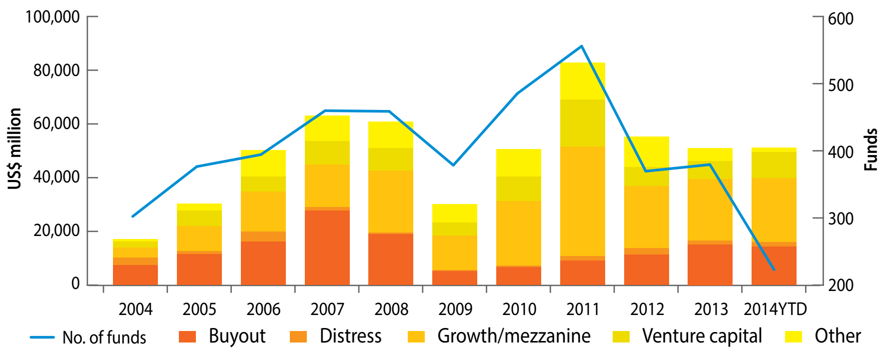
Fund size discipline is a concern in Asia, and this is exacerbated by the "flight to quality" still prevalent in the region. Managers with strong track records find it easier to raise capital and private equity is still relatively youthful in the region, so few can illustrate sustained outperformance. When LPs are fighting for allocations, it is all too tempting for a GP to increase the target, which could result in the firm leaving its strategic comfort zone.

Nevertheless, a number of managers raised sizeable funds at short order in 2014 and remained in the mid-market range. Quadrant Private Equity closed its seventh Australia and New Zealand-focused vehicle at A$850 million ($758 million) after just over one month in the market; it was two times oversubscribed.

Asia special situations investor SSG Capital Partners and China growth capital player Orchid Asia raised $915 million and $920 million, respectively, but both had in excess of $1 billion in demand. Crescent Capital Partners, another Australian GP, closed Fund V at A$675 million ($565 million) in 10 weeks and there was only space for small number of new LPs.

The situation was similar among the China venture capital firms. They have raised $6.9 billion in 2014, the highest annual total on record with

Asia private equity fundraising by fund type



Source: AVCJ Research

Largest final closes by independent GPs, 2014

Fund Name (strategy)	Capital raised (US$m)
Carlyle Asia Partners IV (Asia)	3900.0
Affinity Asia Pacific Fund IV (Asia)	3800.0
CVC Capital Partners Asia Pacific IV (Asia)	3500.0
TPG Asia VI (Asia)	3300.0
CDH Fund V (China)	2550.0
Morgan Stanley Private Equity Asia IV (Asia)	1700.0
Yunfeng Fund II (China)	1100.0
Orchid Asia VI (China)	920.0
SSG Capital Partners III (Asia)	915.0
India Infrastructure Fund II (India)	900.0
Skylark (Japan)	644.1

Source: AVCJ Research

FEBRUARY

$1.3b – Navis Capital Partners reaches a $1.3b final close on its seventh Asia fund

$493m – Japan Industrial Partners acquires Vaio, Sony's PC division, for an estimated $493m

$1.37b – Cerberus Capital Management exits Japanese property firm Kokusai Kogyo for around $1.37b

$100m – China fashion e-commerce firm Vancl raises $100m from Temasek, IDG, Ceyuan Ventures and SAIF Partners

$200m – Adveq buys 18,000 hectares of Australian almond orchards from Olam International for $200m

$199m – Tiger Global acquires stake in Alibaba Group from game developer Giant Interactive for $199m

$100m – Alibaba, Temasek, and Qiming invest $100m in China education platform TutorGroup

$262m – ClearVue Partners closes its first fund at $262m – exceeding its $200m target

$2.5b – Hopu Investment participates in a $2.5b investment in Global Logistic Properties' China business

20% – Tencent buys a 20% stake in Chinese VC-backed restaurant review site Dianping

$93.5m – Baring PE Asia sells its 41.7% stake in Cardig Aero Services to Singapore Airport Terminal Services for $93.5 million

$330m – An EQT Partners-led group acquires Australian radiology provider I-Med for $330m

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tim.burroughs@incisivemedia.com

the exception of 2011, when a lot of renminbi managers were also in the market. But the number of successful closes is just 44, down from 114 in 2011 and 67 in 2008. GGV Capital, IDG Capital Partners, Legend Capital, Qiming Venture Partners, Morningside Technologies, Matrix Partners and DCM have been through several cycles and can rely on the support of loyal LPs.

These seven managers raised $3.3 billion between them as VC funds as a whole accounted for 30% of the $22.3 billion committed to China-focused GPs. It was just 14% in 2013 and has never previously exceeded 25%. Asia-wide venture capital fundraising stands at $9.7 billion, 19% of the regional total, compared to 13% in 2013.

While most of the established China VC firms took advantage of positive sentiment towards tech globally and China in particular – thanks to a surge in US IPOs and increasingly acquisitive domestic internet companies – and raised funds, they are not alone. A new generation of China venture capital investors is emerging, led by successful entrepreneurs who are essentially putting money back into the system that produced them.

This is most visible in seed and early-stage investments by individuals, but a number of institutional funds are also being raised. The team behind Banyan Capital spun out from IDG and closed their first fund at $206 million at the start of the year; a second fund is currently being raised. Vision Knight Capital, founded by ex-Alibaba.com CEO David Wei is already deploying Fund II, which closed at $550 million; Shunwei Capital Partners, set up by super angel Lei Jun, raised $525 million for its second fund.

Vision Knight classifies itself as private equity rather than venture capital, given the firm's operational focus and average check size. Yunfeng Capital, the brainchild of David Yu and Jack Ma, founders of Target Media and Alibaba, respectively, also features in this segment. It raised $1.1 billion for Fund II. With a number of VC firms also raising opportunity funds – which focus on later stage deals involving existing portfolios – the tech investment space is adapting to larger private rounds and later IPOs.

Largest private markets deals, 2014

Investee	Investor	Amount (US$m)
A.S. Watson Group (Hong Kong)	Temasek	5,660.3
Sinopec Marketing (China)	CICC; Bohai Industrial Investment Fund Management; RRJ Capital; Haixia Capital; Goldstone Investment; Hopu Investment	5,035.4
China Huarong Asset Management (China)	CICC; Warburg Pincus; CITIC Securities; China Life Insurance; Fosun; Khazanah Nasional; Goldman Sachs; COFCO Group	2,362.3
Global Logistic Properties China (China)	Bank of China; China Life Insurance; Hopu Investment; Boyu Capital; China Development Bank International	2,355.0
ADT Caps (Korea)	The Carlyle Group	1,920.0
BesTV New Media (China)	Haitong Chuangyi Capital; Shanghai Guohe; BOCOM International; SAIC Capital; CEL Venture Capital; China Minsheng Capital; China Development Bank Capital	1,272.1
Olam International (Singapore)	Temasek	1,197.2
Goodpack (Singapore)	KKR	1,116.9
Fujian Nanping Nanfu Battery (China)	CDH Investments	1,000.0
Flipkart (India)	Naspers; Tiger Global; Accel Partners; Morgan Stanley; DST Global; GIC Private; Sofina; Iconiq Capital	1,000.0
Skylark (Japan)	Bain Capital; Japan Industrial Partners	644.1

Source: AVCJ Research

INVESTMENT: BACK WITH A BANG

Growth deals rebound, with China to the fore. South Korea retains its title as Asia Pacific's buyout hotspot

CDH INVESTMENTS' ACQUISITION OF Fujian Nanping Nanfu Battery for around $600 million is exceptional for a number of reasons. Corporate carve-outs are still relatively rare in Chinese PE but a firm returning to invest in a former portfolio company – CDH and Morgan Stanley Private Equity Asia bought Nanfu about 15 years ago and sold it to Gillette – is likely unprecedented.

On a more basic level, this is also one of the largest buyouts ever seen in China, especially if the privatizations of US-listed Chinese companies are ruled out because most do not result in a change of control. For all the talk about more control deals – and they will come as the economy and the private equity industry matures – the country is and will remain primarily a growth capital market.

Asia is on course for its biggest year for PE investments since 2007, with $76.8 billion transacted as of mid-December. This is already more than either of the previous two years – circa $68 billion – and $77.1 billion posted in 2011 will almost certainly be passed. Buyouts are actually down on the 2013 total but there has been a surge in minority growth capital activity, which stands at $33.6 billion, compared to $20.5 billion the previous year. China is a key factor.

MARCH

$758m – Quadrant Private Equity closes its seventh fund at $758m after just over one month in the market

$2.5b – Japan's GPIF forms a partnership with DBJ and OMERS to invest up to $2.5b in infrastructure assets

$1.93b – The Carlyle Group agrees to buy security systems provider Tyco International's South Korean unit for $1.93b

$215m – CVC raises $215 million by cutting its stake in Indonesian retailer Matahari Department Store

$325m – Fosun International acquires a 20.5% stake in dairy producer Beijing Sanyuan Foods for $325m

$330m – DCM closes its DCM Ventures China Fund VII at $330m, above its initial $250m target

$804m – Alibaba Group pays $804m for a 60% stake in Hong Kong-listed ChinaVision Media

$2.9b – A consortium including Baring PE Asia and Hony Capital takes Chinese game developer Giant Interactive private, valuing the business at around $2.9 billion

$500m – Qiming Venture Partners raises about $500m for its fourth US dollar-denominated China venture capital fund

$250 – NZ Super partners with KKR to commit up to $250m to oil and gas investments in North America

$5.7b – Temasek agrees to buy a 25% stake in A.S. Watson, a health and beauty retailer for $5.7b

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tim.burroughs@incisivemedia.com

Private equity investment in the country came to $20.7 billion in 2013, the lowest total in four years. It has rebounded to $31.8 billion so far in 2014, as GPs take advantage of slowing economic growth, which makes entrepreneurs more sensible on valuations and more open to the support private equity can provide in a challenging commercial environment. Having said that, the number of deals completed is still the lowest since 2009.

China was the target jurisdiction for Asia's four largest investments of 2014, and each one involved a minority equity stake. Temasek Holdings leads the way, having paid $5.7 billion for a 24.95% in A.S. Watson, a health and beauty retailer owned by Hong Kong tycoon Li Ka-Shing – a Hong Kong deal but essentially a China play.

This is followed by the $5 billion China International Capital Corp. (CICC), Bohai Industrial Investment Fund Management, RRJ Capital, Haixia Capital, Goldstone Investment and Hop Investment put into Sinopec Marketing as part of a consortium that took a 29.99% stake. Third and fourth place are also consortium deals: a $2.36 billion commitment to China Huarong Asset Management, and a $2.35 billion investment in Global Logistics Properties' China business.

In a quiet year for Australia – PE investment stands at $7.2 billion, about half the 2013 total and the lowest sum in four years – as would-be buyout targets turned to the buyout capital markets instead, the real control deal hotspot remains South Korea.

Investment is actually down on last year ($8 billion versus $9.4 billion) but the country has seen more buyout activity than any other market in Asia, with $5.3 billion transacted. Australia is second on $4.8 billion. The Korean share of total Asia buyouts is 23%, up from 17.5% in 2013 and 9.9% in 2012. The country accounts for approximately 14% of Asia Pacific GDP.

The Carlyle Group's acquisition of security systems provider ADT Caps is far and away the largest transaction at $1.93 billion. The seller was US-based Tyco International and divestments by multinationals are a proven source of deal flow in Korea. However, nearly half of the buyouts completed were divestments by domestic conglomerates that need to ease their debt burdens or are under political pressure to sell.

Carve-outs include: Standard Chartered Private Equity teaming up with Samyang Corp. to buy Hyosung Corp's packaging business for $396 million; Morgan Stanley Private Equity Asia's acquisition of a construction materials business from a subsidiary of Hanwha Group for $294 million; and a Goldman Sachs-led consortium's buying a controlling stake in the industrial gas business of Daesung Group for $262 million.

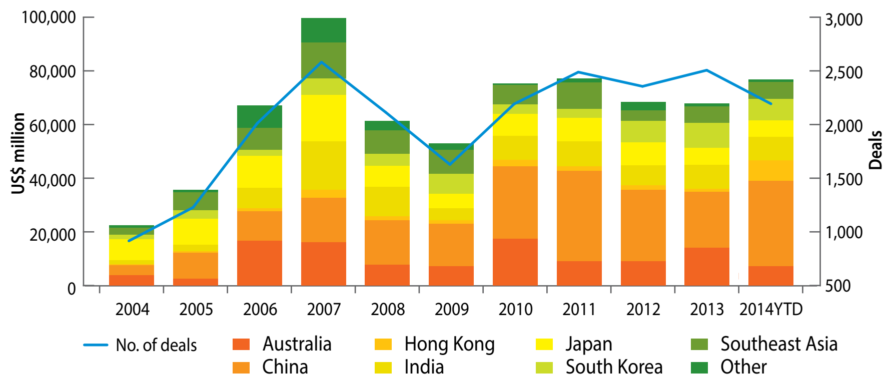
An unusual addition to the 10 largest deals in Asia this year is the $1 billion round of funding for Indian e-commerce platform Flipkart. This is ostensibly a venture capital deal, although the check size is so large that traditional VC players no longer participate: South Africa's Naspers, Tiger Global Management, Accel Partners, Morgan Stanley, DST Global, GIC Private, Sofina and Iconiq Capital stumped up the cash at an estimated $7 billion valuation.

A total of $14.2 billion has gone into 1,600 VC deals in Asia this year, $5.7 billion more than in 2013 although there are about 200 fewer transactions. Early-stage deals - which are more narrowly defined - are also at record high: $4.8 billion has been committed, up from $3.8 billion in 2013. Twelve early-stage investments that have surpassed $50 million, more than the previous two years combined, as the average size of funding rounds rises at every stage.

Of the 10 largest VC rounds that have taken place globally this year, six were in Asia: Flipkart; China's Beijingmate, Xunlei, Meituan and Youxinpai; and Australia's Campaign Monitor. Xiaomi, a Chinese mobile phone maker that has been around for less than five years, is said to be negotiating a funding round at a valuation of $50 billion; two years after a Series E round at $10 billion.

Escalating valuations in the tech space are not unique to Asia – led by China and India – but they are arguably justified on the basis of a unique rationale focused on rapid growth, increasing mobile usage and disruptive technologies. It is debatable to what extent the region is ensnared in a valuation bubble, and indeed whether it will burst or simply deflate.

Asia private equity investment by market



Source: AVCJ Research

$304m – Baring Private Equity Asia-backed school operator Nord Anglia Education raises $304m in its New York IPO

$692m – Alibaba Group invests $692m for a 34% stake in China department store Intime Retail Group operator backed by Singapore's GIC Private

APRIL

$1.67b – KKR completes its $1.67b acquisition of an 80% stake in Japan's Panasonic Healthcare

$200m – BVCF reaches a $200m final close for its third China life sciences fund

$550m – Vision Knight reaches a final $550m close on it second China fund

$250m – RRJ Capital and Temasek invest $250m in Chinese logistics player Shanghai Yupei Group

$250m – Insight Venture commits $250m to Australia's Campaign Monitor, a maker of email-marketing software

$350m – Matrix Partners reaches a final close on its third China VC fund at $350m

$1b – Australia's Pacific Equity Partners (PEP) reaches a $1b first close on its fifth fund, which has an overal target of $2b

$300m – CVC Capital Partners completes its acquisition Chinese restaurant chain South Beauty for a reported $300m

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He said, she said: A year in quotes

THE IMPACT OF ABENOMICS ON PE:
"Private equity has been in Japan since 1987 and we have seen the ups and down of many administrations. But I will go out on a limb and say that this is best chance I have ever seen for Japan"
Anthony Miller, PAG

"I would say it is better to describe the third arrow as a thousand needles of reform that need to be implemented and introduced. Some of those needles are working very well but some still need to be redefined"
Hiro Hirano, KKR

"The typical explanation for this is Abenomics; businesses are doing well and the weakening of then yen means now is the right time to sell the divisions, but I don't agree. Actually, corporations now have a more urgent sense of crisis as they know they cannot depend on Abenomics, alone. They feel they have to be strategically prepared now and that is the new psychology among the management we are seeing now"
Masamichi Yoshizawa, Longreach Group

THE IMPORTANCE OF LOCAL EMPOWERMENT:
"We are all about shoe leather in the street, identifying deals, and trying to preempt processes. I think that is different to the basis on which most buyout big buyouts do deals - which is often through connection at very senior levels of government and business, and good relations with investment banks"
Rodney Muse, Navis Capital Partners

"There is one simple rule: it can only work in Asia if your investment committee, your deal team and your actual decision-makers eat, sleep, and wake up in an Asian time zone. If you are waking up at and presenting your case to a New York-based team at midnight - you are not going to be a competitive player in Asia"
Rob Petty, Clearwater Capital Partners

EXPANSION NOT COMING AT THE EXPENSE OF CORE VALUES:
"KKR's founders have taken what was once a single product in a single market and successfully created a multi-strategy product on a global scale. It all comes back to a strong culture that the founders have instilled within the firm. We have expanded into different markets but we keep our DNA"
Ming Lu, KKR

"You can industrialize alpha but we cannot be all things to all people. What is the culture that is right for this organization? You cannot have a strong, centralized structure and strong regional decision making. You can have a system to empower people at local level or have a centrally controlled system that allows people to execute at local level"
Guy Hands, Terra Firma (right)

CHASING GROWTH:
"If you find yourself looking at GDP growth data or long-term exchange rates, trying to find where PE will be successful you are looking at the wrong data sets. You need to get down into the detail of what the manager is doing"
Tim Sims, Pacific Equity Partners

"You aren't trying to find the unique growth industry. The more interesting, exciting and exotic sector the more money is thrown at it. Where there is high growth there are high prices"
Jim Hildebrandt, Bain Capital

"It's not unusual that nowadays in PE there is no such thing as an inexpensive investment. In most markets there is an oversupply of capital"
Charles Huh, CVC Capital Partners

VALUATION BUBBLES IN THE TECHN SPACE:
"The bubble analogy does not do justice to the market we are in right now - that oversimplifies things because something is changing and something is happening in the market from a valuation perspective. The competitive opportunity and the market opportunity are now so great that companies are raising more capital earlier on in their life-cycle than they were to take advantage of these opportunities"
Scott Kupor, Andreessen Horowitz

"Companies are raising more money than they need, which is encouraging negative behavior. Also, companies that shouldn't get funded are getting funded, particularly with copycat start-ups, which places an even greater burden on good companies"
David Yuan, Redpoint Ventures

"If you bet on a first mover, give them a lot of money and let them run as fast as they can, then they will become a huge company. If that happens, it doesn't matter what price you pay, you will make a lot of money," she said. "In Chinese we say, 'If the typhoon comes, the pigs can fly.' It is very important to do all your work and make sure this is the right pig"
Kathy Xu, Capital Today Group

CONTROL DEALS IN INDIA:
"The lessons we have learned from our earlier

$1.2b – Alibaba Group and Yunfeng Capital buy an 18.5% stake in online video firm Youku Tudou for $1.2b

$200 – EQT sells Taiwanese cable TV network Gala Television Corp to domestic conglomerate Formosa Plastics Group for $200m

MAY

$1.8n – RRJ Capital and Temasek invest $1.8b in NN Group , the insurance unit of Dutch lender ING Group

70% – Bain Capital buys 70% of Australia's Retail Zoo, the owner of health drink franchise Boost Juice Bars, from The Riverside Company

$400m – Emerald Hill Capital Partners reaches a final close of $400m on its third Asian fund-of-funds

$825m – India's Aion Capital Partners reaches an $825m final close on its maiden special situations fund

$662m – GGV reaches a final close of $622m on its fifth Sino-US fund

$235m – Global mid-market firm Riverside reaches a $235m final close on its second Asia fund

$3.5b – CVC Capital Partners holds a final close on its fourth pan-Asian fund at the hard cap of $3.5b

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funds is that we have to be in control of our destiny. We are seeing enough traction for buyout deals and believe being in control and having more avenues for exits is the right way. That is why our focus will be on doing more buyouts" *Prateek Dhawan, Everstone Capital*

"Where there is an ability to delist companies that will be the single biggest source of control transactions. Because the alternative is take control of companies where there are succession issues and that is a question of making sure you know who you are backing – this is not a market that is full of people who have been backed before and it is not a market that is replete with corporate carve-outs"
Gautham Radhakrishnan, Tata Opportunities Fund

TAIWAN'S UNCERTAIN ATTITUDE TOWARDS PE BUYOUTS:

"At a time when private equity has become one of the most active channels for capital investment and transferring expertise worldwide, Taiwan has attracted a little private equity in recent years. In an increasingly integrated regional and global marketplace, Taiwan simply can't afford not to have private equity investment"
Kurt Tong, Bureau of Economic and Business Affairs, US Department of State

"I know some of you are very concerned about some [processing] cases. But we will make some changes so the processes become more transparent and predictable – like today's weather, it's very blue" *Tien-Mu Huang, Taiwan's Financial Supervisory Commission*

SILVER LAKE'S INVESTMENT IN ALIBABA GROUP:

"Alibaba was at the far end of an extreme for us format-wise. I remember one of my colleagues on the investment committee saying, 'So your base case is an IPO with a $100 billion valuation. How many times has that happened before?' At the time the answer was zero. It seems quite conservative now" *Ken Hao, Silver Lake*

"The transaction was unusual. To have Silver Lake come in and say we have kicked the tires and looked under the hood and it's a good company – that was a great validation of the company"
Joe Tsai, Alibaba Group

LPS OWNING STAKES IN GPS:

"We strongly believe the GP should be independent. While it might be interesting for us, it will change the level of a GP's independence down the road; things change, markets change, and they might want to do something not that is suitable going forward" *Ivan A. Vercoutere, LGT Capital Partners*

"For us the difference is our accountability to the board and to our stakeholders, so while GP independence sounds good, it just doesn't really cut it for us and I am not sure what it gives us," he said. "From our perspective, accountability to our partners – peer institutions and GPs who align their objectives with ours – really works"
Jacques Demers, OMERS

OVERVALUED REAL ASSETS IN DEVELOPED MARKETS:

"If you look around the world you see people paying ridiculous prices which give the impression that there is too much capital chasing too few deals - Australia is a case in point. The reality is that 80% of the capital going into real assets is chasing 20% of the deals and it's the low-hanging fruit"
Niel Thassim, Brookfield Asset Management.

"The most interesting opportunities for us at the moment are in emerging markets because the deal flow in the developed world does not make sense to us from a pricing perspective"
Natalie Meyenn, MLC Investment Management

CHINA TECH START-UPS ACCEPTING STRATEGIC CAPITAL:

"I tell portfolio company founders: 'Unless you're in a critical moment and need a large amount of cash, don't go for strategic capital. Raising venture capital keeps you more independent and so you can cooperate with every strategic investor.' If a founder decides to partner with one of them, he should make sure the buyer has a clear strategic angle and that the assets are quantified and written into a legal document"
J.P. Gan, Qiming Venture Partners (left)

"In the domestic market, companies and VC backers are more than happy to sell to Baidu, Alibaba or Tencent because it is like an endorsement from a king, bringing them into his kingdom. But of course sometimes it ends up going to the hell"
Alex Zhang, Shenzhen Cowin Venture Capital

AUSTRALIAN LPS AND CO-INVESTMENT:

"It is an issue of compensation, remuneration and the ability to retain staff. People are in-sourcing but no one is saying, 'How do we compensate and get alignment across our internal teams so that we get the same outcome as if we were outsourcing?' It is about more than just saving five basis points in costs" *Michael Lukin, ROC Partners*

"Once you build an internal team it is very difficult to stop investing in that area. If a GP underperforms we are not there in the next fundraise, but if you have built an internal team what are you going to do?" *David Simons, Future Fund*

$500m – China VC Legend Capital reaches a final close of $500m on its sixth US dollar-denominated fund

$915m – SSG Capital Partners closes its third Asia special situations fund at the hard cap of $915m

$3.3b – TPG Capital closes its sixth pan-Asia fund at $3.3b after more than two years in the market

$919m – Pacific Equity Partners-owned cleaning and catering contractor Spotless raises $919m in its Australia IPO

$1.78 – PE-backed Chinese online retailer JD.com raises $1.78 billion in its US IPO

$1.1b – China-focused Yunfeng Capital reaches a final close of around $1.1 billion on its second fund

$1.1b – KKR buys Singapore's Goodpack, the world's largest makerof intermediate bulk containers (IBCs), for $1.1b

$416m – Pacific Equity Partners (PEP) exits Australia's Peters Ice Cream to UK ice cream company R&R for a reported $416m

JUNE

$525m – China VC Shunwei Capital Partner closes its second fund at $525m

$586m – IDG Capital Partners reaches a final close of $586m on its latest China venture capital fund

$321m – Yunfeng Capital and CITIC Private Equity invest $321m in a farming subsidiary of Chinese dairy producer Inner Mongolia Yili Industrial Group

$1.2b – TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan (OTPP) buy DTZ, the property services arm of Australia-

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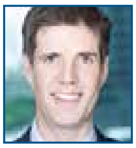

Marcus Simpson
Head of
Global Private Equity
QIC

Michael Weaver
Portfolio Manager
SUNSUPER

A snapshot of LPs who attended the event:

Aberdeen Asset Management • Abu Dhabi Investment Authority • **Adveq** • Aeris Capital • **Albert Investments** • AMP Capital • **ATP PEP** • Australia Post Superannuation Scheme • **Australian Government Commonwealth Superannuation** • AustSafe Super • **AvSuper** • Axiom Asia Private Capital • **Bessemer Trust** • BlackRock Private Equity Partners • **Capital Dynamics** • Challenger • Christian Super • **CIC** • Cogent Partners • **Coller Capital** • Commonwealth Superannuation Corporation (CSC) • **CPP Investment Board** • DuPont Capital Management • **Eagle Asia Partners** • Employees Provident Fund • **Equity Trustees** • ESSSuper Emergency Services & State Super • **European Investment Fund (EIF)** • First State Super • **FLAG Squadron** • Funds SA • **Future Fund** • GE Asset Management • **GESB** • GIC Special Investments • Hamilton Lane • **HarbourVest Partners** • Hermes GPE • **Hesta** • Industry Funds Management • **International Finance Corporation (IFC)** • IOOF Holdings • **Khazanah Nasional Berhad** • Lexington Partners • **Macquarie Investment Management Private Markets** *... and many others!*

Registration: **Carolyn Law** T: **+852 3411 4837** E: **Carolyn.Law@incisivemedia.com**
Sponsorship: **Darryl Mag** T: **+852 3411 4919** E: **Darryl.Mag@incisivemedia.com**

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Musical chairs: Asia PE people moves

A selection of the transfers, promotions, arrivals and departures in the private equity community in 2014

LIMITED PARTNERS

ADVEQ: Viswanathan Parameswar is promoted to executive director and head of the firm's Asia program.

ALTERNATIVE INVESTMENT CAPITAL: Yasufumi Hirao, previously head of Mitsubishi Corporation's private equity portfolio, is appointed president and CEO.

AUDA: Jacob Chiu is appointed managing director and head of Asian investments, while Eunseok So joins as a senior vice president. Both previously worked at FLAG Squadron Asia. Lucian Wu, formerly of Paul Capital Partners, arrives as a managing director focused on secondary investments.

BLACKROCK: Ryan Stork is appointed chairman and head of operations for Asia Pacific, replacing Mark McCombe who will relocate to the US to become the company's global head of institutional client business and chairman of the alternative investment division.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM: Ted Eliopoulos becomes CIO, having previously occupied the role in an interim capacity; he replaces Joseph Dear who passed away in February after a long battle with cancer.

CHINA INVESTMENT CORPORATION: Chairman and CEO Xuedong Ding resigns to become chairman at China International Capital Corporation; Keping Li is named vice chairman and president in place of Xiqing Gao, who has reached the mandatory age of retirement.

DEUTSCHE ASSET & WEALTH MANAGEMENT: Jason Sambanju, formerly of Paul Capital Partners, joins as head of Asia secondaries.

EMERALD HILL: Tommy Yip, partner and head of North Asia, resigns to form a new China-focused fund-of-funds. His partner will be Low Kah-Fai of Eagle Asia Partners.

FLAG CAPITAL: Myron Zhu, previously head of J.P. Morgan's alternative investments division in the region, becomes partner and co-head of Asia alongside Wen Tan.

GOVERNMENT PENSION INVESTMENT FUND: Hiro Mizuno, a partner at Coller Capital, is appointed to the newly-created role of CIO. As a result he steps down from GPIF's investment committee, which he joined earlier in the year.

FUTURE FUND: Raphael Arndt is appointed CIO, stepping up from the role of head of infrastructure and timberlands; Barry Brakey, head of property, takes on the infrastructure and timberlands brief; Stephen Gilmore, head of investment strategy, takes on additional responsibility for managing and monitoring portfolio risk settings.

HAMILTON LANE: In Hong Kong, Mingchen Xia becomes a principal on the Asia fund investment team and Josh Jacob is promoted to principal with responsibility for the local client services team; Tomoko Kitao is promoted to director in the Tokyo office, while Masayoshi Yazawa is hired as a senior advisor to lead business development efforts in Japan; Joshua Kahn, a managing director in the Hong Kong office, leaves the firm.

HARBOURVEST PARTNERS: Hemal Mirani agrees to return to the company – five years after she departed for CVC Capital Partners – as a managing director responsible for fundraising and operations.

HQ CAPITAL: David Pierce, formerly of FLAG Squadron Asia, joins as head of Asia.

KOREA INVESTMENT CORPORATION: Heung-Sik Choo, formerly director general at Bank of Korea's reserve management group, is appointed CIO, replacing Dong-Ik Lee; Hong-Chul Ahn, who served as interim CIO following


David Pierce


Hiro Mizuno


Tommy Yip


Jacob Chiu

listed UGL, for an enterprise valuation $1.2b

$192m – Quadrant Private Equity exits Australian pet supplies business City Farmers to veterinary services provider Greencross for $192m

100% – The Carlyle Group acquires a 100% stake in Japan's Sunsho Pharmaceutical for an undisclosed sum

$260m – Lightspeed China Partners reaches a final close of $260m on its second China fund, exceeding the target of $220m

$736m – Tencent pays $736 m for a 19.9% stake in Chinese VC-backed classifieds site 58.com

JULY

$106m – GIC Private and Olympus Capital Asia lead a $106m million Series D round of investment in China's Huaxia Dairy

$316m – NewQuest Capital Partners reaches a final close of $316m on its second fund, exceeding the $300m target

$764m – CDH Investments, CITIC Private Equity, New Horizon Capital and GIC Private make a partial exit from Luye Pharma Group as the Chinese drug maker raises $764m via a Hong Kong IPO

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Lee's resignation, becomes head of KIC's research center.

NEUBERGER BERMAN: Clifford Chiu, who previously led KKR's fundraising efforts in Asia, becomes a senior advisor, tasked with helping build the investment manager's client base across the region.

NORTHGATE CAPITAL: Lye Thiam Koh departs for a new role as portfolio manager with the National University of Singapore's (NUS) investment office.

ONTARIO TEACHERS' PENSION PLAN: Dan Kiang is hired from Mount Kellett Asia to cover relationship investing out of Hong Kong

PANTHEON: Jie Gong, formerly of Morgan Stanley Alternative Investment Partners, joins as a Hong Kong-based partner with a focus on China.

STATE OF NEVADA: Dan Schwartz, former chairman of AVCJ and owner of the business between 1992 and 2006 ahead of its sale to Incisive Media, is elected state treasurer.

GENERAL PARTNERS

3I GROUP: Arun Nanda, previously infrastructure sector president at Mahindra & Mahindra, is appointed non-executive chairman of Indian operations.

ADVENT INTERNATIONAL: Dr. Dahai Yu, former president of Evonik China, joins as an operating partner to cover investments in the chemicals sector.

AEQUUS CAPITAL PARTNERS: Amit Kakar, previously head of healthcare investments at Avenue Capital Group, forms Aequus in


Chae Michael


Dan Schwartz


Grant Kelley


John Haddock

partnership with Chris Seaver, who last year stepped down as CEO of CLSA Capital Partners, and Mark Maciejewski, co-founder of Dinova Capital.

APOLLO GLOBAL MANAGEMENT: Grant Kelley, head of the Asia Pacific real estate business, joins listed Singapore property developer City Developments as CEO.

AVENUE CAPITAL GROUP: Anil Gorthy and Dan Galanter arrive from PAG as senior portfolio manager and business development-focused managing director, respectively.

THE BLACKSTONE GROUP: Michael Chae, head of international private equity, relocates to New York after a four-year stint in Hong Kong, although he continues to overseas Asia-Pacific PE investments; Ed Huang and Yi Luo assume responsibility for China private equity, while Jan Neilsen and James Carnegie – who is promoted to senior managing director in Sydney – head the business elsewhere in Asia; Singapore chairman Gautam Banerjee becomes a senior managing director and co-chairman of the Asia operating committee; Anthony Leung, chairman for Greater China, leaves to join Nan Fung Group as CEO.

CANAAN PARTNERS: Managing Director Rahul Khanna is leaving to launch Trifecta Capital Partners, a venture debt investor

CHAMP PRIVATE EQUITY: John Haddock, previously a managing director, become the firm's first CEO as founding partners Bill Ferris and Joe Skrzynski prepare to scale back their involvement.

CHINA INTERNATIONAL CAPITAL CORPORATION: Levin Zhu, son of former Chinese premier Zhu Rongji, quits as CEO and Liqun Jin resigns as chairman.

CHRYSCAPITAL PARTNERS: Gulpreet Kohli, a managing director sits on the investment committee and runs consumer sector coverage in addition to leading fundraising efforts, leaves the firm.

CVC CAPITAL PARTNERS: Jeremy Hobbins, previously of Trinity, Li & Fung, Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes, joins as senior advisor to the pan Asia team.

EVERSTONE CAPITAL: Goldman Sachs veteran L. Brooks Entwistle joins as partner and group CEO.

FENOX VENTURE CAPITAL: Shameem Ahsan, a serial entrepreneur, angel investor and president of the Bangladesh Association of Software & Information Services (BASIS), becomes a general partner to lead investment activities in Bangladesh; former Sony CEO Nobuyuki Idei joins as a board advisor.

GGV CAPITAL: David Zhu, former chief operating officer of Chinese internet giant Baidu, joins as a venture partner.

INFOCOMM INVESTMENTS: Zach Tan is

$1.7b – Morgan Stanley Private Equity Asia (MSPEA) closes its fourth Asian fund at $1.7b

$1.5b – Chinese PE firm Hony Capital buys restaurant chain Pizza Express from UK GP Cinven Partners for $1.5b

$608m – Pacific Equity Partners (PEP) sells Griffin's Foods to Philippines food and beverage conglomerate Universal Robina (URC) for $608m

$426m – Baring Private Equity Asia acquires a substantial stake in UK lifestyle retailer Cath Kidston from TA Associates in a deal valuing the business at $426m

$3.6b – Healthscope, an Australian hospital operator backed by TPG Capital and The Carlyle Group, raises $3.6b in its Australia IPO

$1b – Indian e-commerce firm Flipkart raises $1b in funding from new and existing backers

$800m – The Blackstone Group invests $800m in Malaysia-based oil and gas exploration start-up Tamarind Energy

AUGUST

$300m – CVC Capital Partners raises as much as $300m as it further cuts its stake in Indonesia's Matahari Department Store

$124m – Rundong Auto Group, a China car dealership chain backed by KKR, raises $124m in its Hong Kong IPO

$750m – Baring Private Equity Asia buys a $750m stake in Grenada-based medical St George's University alongside Canadian private equity firm Atlas

$333m – Philippine Long Distance Telephone Company (PLDT) buys a 10%

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named director and head of the Singapore government-backed investor's newly-opened London office

J-STAR: Biotech professional Yuki Kashiyama is brought in as an operating principal.

KKR: David Liu and Ming Lu are appointed co-heads of Asia private equity at KKR, while remaining country leaders for China and Southeast Asia, respectively; Justin Reizes, who leads the firm's activities in Australia, also starts working on an Asia-wide energy and resources platform; Sanjay Nayar, head of India, takes on additional responsibility for credit and capital markets offerings; Heramb Hajarnavis, India private equity leader, departs to launch his own investment firm; Jaka Prasetya, formerly of Leafgreen Capital Partners, becomes managing director with responsibility for Indonesia; Ridha Wirakusumah, a director with the firm, leaves to pursue other opportunities; within the energy and infrastructure team, Tony Schultz becomes a managing director in Sydney, while director Ash Upadhyaya relocates to Singapore from the US.

KKR CAPSTONE: Scott Bookmyer leaves his role as Asia head to become COO for KKR in the region; Matthew Claughton comes on board as a Sydney-based director; Matthew Chang, previously of Roland Berger Strategy Consulting, becomes a China-focused managing director.

L CAPITAL ASIA: Bijou Kurien, former CEO India's Reliance Retail, becomes a member of the strategic advisory board.

LIGHTBOX: Following KPCB and Sherpalo Ventures' decision to withdraw from India, Sandeep Murthy spins out to form Lightbox and acquires the existing portfolio with backing from secondary investors.

PACIFIC EQUITY PARTNERS: Managing Director Rob Koczkar departs to become CEO of non-profit investor Social Ventures Australia.

PARTNERS GROUP: Cyrus Driver is named head of Asian private equity, replacing Andreas Baumann who relocates to the US to head up Partners Group's business in the Americas.

PRIMAVERA: David Lin leave his post as managing director at CITIC Goldstone Investment - the direct investment arm of China's CITIC Securities – to join the firm as a managing director.

QIMING VENTURE PARTNERS: Helen Wong and Jing Wu, formerly of GGV Capital and CITIC Private Equity, respectively, join as partners with responsibility for investment in the internet and consumer sectors; Kuantai Yeh is hired from Highland Capital Partners as an information technology-focused partner.

SIGULER GUFF: Patricia Dinneen leaves the firm to join the Emerging Markets Private Equity Association as a senior advisor; Ralph Jaeger replaces Dinneen as portfolio manager for Brazil, Russia, India and China, as well as certain frontier markets.

SOS VENTURES: William Bao Bean, formerly managing director with corporate venture unit Singtel Innov8, joined as an investment partner in China, with additional responsibility for Chinaccelerator.

STANDARD CHARTERED: Andrew Yee, global head of infrastructure for the principal finance division, leaves the firm and relocates to Europe.

TA ASSOCIATES: Edward Sippel and Naveen Wadhera are promoted to co-heads of Asia business, with the latter relocating to Hong Kong from Mumbai; Naresh Patwari joins as a director in the Mumbai office.

TDF CAPITAL: Tina Ju, founding and managing partner at KPCB China, launches a new fund under the TDF banner in conjunction with Frank Wang, previously of Morgan Creek.

TPG CAPITAL: Japan head Jun Tsusaka resigns to form an independent investment firm targeting small and medium-sized enterprises; Ganen Sarvananthan, former executive director and head of investments at Malaysian sovereign wealth fund Khazanah, becomes a partner and managing director; Manish Chokhani, previously of Axis Capital, is appointed chairman of TPG Growth India.

VISION KNIGHT CAPITAL: Pak-Seng Lai, formerly head of Asia at Auda, joins as a managing partner.

WAVEMAKER PACIFIC: Two tech entrepreneurs, Dennis Goh and Nix Nolledo, are appointed to the investment team.


David Liu


Edward Sippel


Tina Ju


William Bean

stake in e-commerce incubator Rocket Internet for $333m

$925m – Dairy Farm International buys a 19.9% stake in Headland Capital-backed Chinese supermarket Yonghui Superstore for $925m

$200m – Carlyle and Tiger Global Management invest $200m Chinese mobile classifieds site Ganji.com

$117m – TPG Capital invests about $117m in Union Bank of Colombo (UBC) in Sri Lanka's largest-ever PE buyout

$488m – Warburg Pincus and a unit of China steel producer Shanghai Baosteel Group buy industrial gas assets from Henan Jinkai Chemical Investment Holding for $488m

$920b – Orchid Asia closes its sixth China growth capital fund, hitting the hard cap of $920m

$400m – KKR pays $400m for an 18% stake in Chinese chicken producer Fujian Sunner Development

SEPTEMBER

$314m – Affinity Equity Partners pays $314 million for a 35% interest in Virgin Australia's frequent flyer program

3x – Providence Equity makes a part exit from Indian mobile network Idea Cellular selling a $234m stake and generating a 3x return

$3.9b – The Carlyle Group reaches a final close on its fourth Asian fund at $3.9b

$648m – MLC, a unit of National Australia Bank (NAB) sells a $648m portfolio of PE investments to Partners Group

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Predictions for 2015

From China and India to Southeast Asia and Japan, private equity professionals give their perspectives on the year to come for fundraising, investments and exits

RUPERT CHAMBERLAIN, HEAD OF TRANSACTION SERVICES AT KPMG CHINA, ON CHINA AND SOUTHEAST ASIA DEAL ACTIVITY:
We have witnessed a very busy year with strong fundraising activity, investment and realizations. It puts Asia on a par with more mature PE markets as the full investment cycle becomes visible on a scale not seen before.

In terms of investment themes ahead, the focus is still on the China macro story. Opportunities related to general economic growth and mega trends are prevalent, for example the healthcare needs of an ageing population and the growing demand for consumer and leisure-related products from an increasingly wealthy middle class. Investment in the energy sector, a focus in the last few years, however, remains uncertain due to oil price volatility.

I don't think we are at a stage yet where we will see a significant number of buyouts. In terms of exits, we are seeing more trade sales and secondaries.

China continues to offer good opportunities for private equity but it is a comparatively higher risk market. Exits remain challenging – over the past few months, for example, we have seen a number of cases in which investees were not able to opt for planned IPOs or refinance debt as a fall back. As pre-IPO deals are not materializing to the same extent as before, GPs are spending more time on their investment thesis and due diligence. This should continue into 2015. They realize that the market has changed and this can impact the types of businesses they invest in, as well as time horizons for realizations.

Southeast Asia has moved higher on the agenda for a number of larger funds. Some PE firms have relocated professionals to Singapore in order to serve that market. They realize there is potential for ASEAN as an economic group and so they are buying into ASEAN-based businesses. Meanwhile, we also see greater opportunities for buyout and control deals, as opposed to the minority positions that have dominated in the past.

We have also found that LPs are also looking much more closely at GPs' environmental and social governance (ESG) policies. Many want to deploy larger sums of capital with fewer managers. And some larger players are moving into multi-asset classes, including credit, private equity, hedge funds, real estate and infrastructure. Additionally, some are investing from their own balance sheet.

We therefore expect 2015 to be an exciting year, especially on the investment front, given the sums raised and the number of GPs looking to deploy capital.


Rupert Chamberlain


Greg Hara

GREG HARA, CEO OF J-STAR, ON JAPAN:
I am cautiously optimistic about the macro environment, but there are mixed signs in the Japanese private equity market right now. There has been a lot of talk about the recent technical recession but the feeling is still that market sentiment and GDP growth will pick up sharply. Many economists expect this will be a one-time hiccup and, based on the strong support he still has, Prime Minister Shinzo Abe will even push harder with his economic reforms.

The Bank of Japan's monetary policy will continue, and a cap on corporate tax should be realized in the new year. We will still have a weak yen and, while no one is hoping it goes to JPY150 to the dollar, most assume that the rate will be stabilize at around JPY120, which should help exports as well as earnings from overseas. I also hope that the political tensions with Japan's neighbors will ease; if these relationships are going to get better then there should be more trade between the countries. That said a good macro environment does not always equate to a good PE market.

Without question, corporate M&A is picking up and this offers some good exit opportunities along with secondary deals. The IPO market is also reopening, which will prompt GPs to take their portfolio companies public.

The entry market on the other hand is not so good. It is getting tougher to execute new transactions because of higher pricing and increased competition – especially in the small to mid-market. Meanwhile, company owners

OCTOBER

9x – Mekong Capital generates a 9x return as it exits its stake in Vietnam restaurant chain Golden Gate to Standard Chartered Private Equity (SCPE) for $35m

$25b – PE-backed Alibaba Group raises $25b in its US IPO

$466m – KKR agrees to buy Japanese electronics manufacturer Pioneer Corporation's DJ equipment division for $466m

$260m – Warburg Pincus and Tiger Global Management invest $260m in China car auction platform Youxipai.com

8x – Japan's J-Star exits Burn Holdings, a repair business, to Shinsei Corporate Investment and Creation Capital; the return multiple is 8x

$600m – Affinity Equity Partners buys a significant minority stake in Malaysia-based poultry producer Leong Hup International for $600m

$501m – Marunouchi Capital exits Japanese high-end supermarket chain Seijo Ishii to convenience store giant Lawson for $501m

$900m – IDFC Alternatives reaches a final close on its second Indian core infrastructure fund at $900m

$130m – Indian mid-market GP Gaja Capital reaches a $130 million first close on its second fund

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

are becoming more bullish and they are not in hurry to sell. As a result, auctions have become the standard and finding propriety deals is more difficult.

DAVID IRELAND, SENIOR PARTNER AT NAVIS CAPITAL PARTNERS, ON SOUTHEAST ASIA:
It has been a good year for Navis in Southeast Asia. Our businesses and geographies have been stable with the possible exception of Thailand. Obviously, the political turmoil earlier in the year was an issue but I think the Thai business environment has improved in the second half of 2014. There are some opportunities coming forward but this year has generally been challenging.

In other parts of the region, there were no huge external events that negatively impacted the overall economic picture. The ASEAN region saw a fair amount of growth and we have found lots of interesting companies in which to invest.

Next year hopefully the investment environment will remain attractive, although everyone is keeping an eye on certain issues. Firstly, a stronger US dollar will impact some companies, particularly in Southeast Asia. There will also be a lot of focus on China and its economy. If there is a hard landing or growth slows dramatically that would have a knock-on effect in Southeast Asia as the trading relationship with China has grown substantially. The substantial fall in the price of oil will also be a major theme for 2015 – helping some companies and economies, but hurting others. It will be a key consideration when assessing investment opportunities.

Finally, the ASEAN Economic Community (AEC) is supposed to come into effect in 2015 and this process will be interesting to watch. Our sense is that most countries in Southeast Asia aren't ready for the AEC yet, so there will be still quite a lot of work to do on implementation. However, ultimately it will be positive for ASEAN businesses and for cross-border investing. Cross-border transactions will become more common once investment barriers are relaxed. It is unclear how quickly liberalization will occur in 2015 but there is definitely a trend for more ASEAN integration.

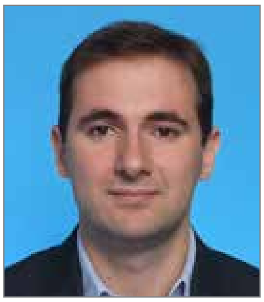
As a whole, I don't think the turning of the calendar will make a huge difference. Things right now are reasonably stable, and there continue to be opportunities for us.

XIANG GAO, CO-FOUNDER AT BANYAN CAPITAL, ON CHINA VC:
This year there are many new faces in China's venture capital industry. We spun out from IDG Capital Partners in January and a number of other funds have been set up since then.

There is a two-year window of opportunity for Chinese start-ups. Since the second half of last year, a wave of Chinese companies has gone for IPOs overseas. The overall market for technology firms has picked up, and this is inspiring more entrepreneurs to start their own businesses. This will benefit to VC investors too, because there are more projects in which we can invest. Venture capitalists, in particular those that have been active in the market for more than 10 years, are excited about this new opportunity.

The last decade of Chinese venture capital was dominated by foreign players, such as IDG, Sequoia Capital and Matrix Partners, although the people who run their local operations are Chinese. To certain extent, the VC landscape has changed, with more local firms participating. We have established ourselves at IDG and it was the right time to look for the next stage of development. One of the reasons the timing was right is we have built up strong relationships with local entrepreneurs. Not only have they put capital in our debut fund, but they are also sharing resources, such as management skills, with our portfolio companies. On the exit front, they will become an option for us through M&A transactions.

Xiang Gao



Javad Movsoumov

The internet bubble doesn't scare us. In some ways it is an opportunity. Chinese internet giants – Alibaba, Tencent and Baidu – were on the rise during the dotcom bubble in late 1990s. As a VC investor, the most challenging part is how to identify the best deals when the bubble is emerging. That also differentiates us from other VCs.

Valuations have definitely gone up a lot compared to two years ago, but we should look at the situation in the proper context. The big increases usually happen after the Series B round when a company reaches a market valuation of more than $100 million. And then capital is coming from different kinds of investors, such as private equity. Traditionally, they focused on pre-IPO deals for real estate developers but now they are flocking into tech, media and telcom. We focus on Series A rounds and the valuations are still reasonable.

JAVAD MOVSOUMOV, EXECUTIVE DIRECTOR OF UBS' PRIVATE FUNDS GROUP, ON FUNDRAISING:
From the fundraising perspective this last year can be characterized by a robust appetite for pan-Asian funds, and if you look at the larger end of the market a lot of firms have been in the market and raised quite a bit of capital.

However, one of the struggles over the same

NOVEMBER

$900m – South Korean GP Hahn & Co reaches a first close of approximately $900m on its second fund

$200m – Navis Capital Partners exits Trio Engineered Products to Weir Group for $220m

80% – Bain Capital acquires an 80% interest in China-based Lionbridge Financial Leasing

$3.5b – Permira exits Japanese agri-chemicals firm Arysta LifeSciences to Platform Specialty Products for $3.5b

$100m – SoftBank leads $100m round of funding for Indonesian online marketplace Tokpedia

$350m – Chinese mobile shopping portal Koudai Gouwu raises a $350m Series C round of funding

$627m –SoftBank Group invests $627m in Indian e-commerce site Snapdeal

$391m – GIC Private pays $391m for a 9.64% stake in Philippines liquor producer Emperador

$400m – Bain Capital raises $400m through a partial exit from India's Hero MotoCorp

$760m – Baring Private Equity Asia buys Japan's Bushu Pharmaceuticals from Tokio Marine Capital for $670m

$692m – MBK Partners exits Japanese accounting software firm Yayoi to Orix Corp. for $692m

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

period has been the returns that US mid-market funds delivered – especially in the 2008-2009 vintage – which are significantly better than Asian PE returns. A lot of investors have therefore committed the majority of their capital outside of Asia. If you have a PE fund investing in emerging markets in Asia – and not performing as well as its US counterparts – you have to make a pretty sophisticated argument as to why those investors should commit to Asia.

The reason why the pan-Asian funds have enjoyed a degree of success is that they provide a safe pair of hands in an Asian market that has been challenged by limited exit activity in places like China and India. If you are an investor looking to deploy capital in Asia right now you will have a tough time trying to pick a country-focused fund that is able to deliver the same risk-adjusted returns.

What is interesting is that because the majority of the large pan-Asian funds have raised capital, there definitely won't be much choice for investors looking to back pan-regional strategies, so the fundraising stats will trend down. If you put China funds and pan-Asian funds to one side, most of Asia's markets are pretty niche, so much of the fundraising among country-focused funds will be driven by the handful of high quality GPs raising at that particular point in time. For example, I think we will see an uptick in fundraising in countries like Korea where a couple of quality managers are coming to market.

It will be interesting to see what happens in China. The market has been going through some pain on the exit side but it seems the back log is somewhat unplugging itself – so we expect China fundraising will start to pick up. There was a "wait and see" attitude that will hopefully translate into commitments in the coming year.

In India there are already a number of established managers raising capital right now and we expect there will be an abnormally high number of GPs in the market in 2015 as many of them have been waiting for a better macro backdrop. On the other hand, I think the investor sentiment hasn't shifted just yet, and so a number of these managers will be disappointed.


Jonathan English


Martin Mok

JONATHAN ENGLISH, MANAGING DIRECTOR AT PORTFOLIO ADVISORS, ON FUNDS-OF-FUNDS:

Seasoned Asian fund-of-funds have benefited from healthy exit activity over the last 24 months with significant liquidity from China, Australia and pan-Asia managers. There are also a large number of private equity and venture-backed listed companies that should provide more distributions in 2015. Next year we expect further exit activity as the A-share and H-share markets improve.

I expect the fundraising environment to improve for Asian fund-of-funds as investor appetite normalizes for US private equity. Western-based LPs' dynamics have been positively impacted by the amount of capital returned over the last several years. I'm optimistic that the fund-of-funds segment of the market will be a viable option to provide attractive risk-adjusted returns. The sample size of fund-of-funds managers with a mature or maturing first fund track record has increased, providing prospective LPs the ability to benchmark the opportunity set.

As the market matures, fund-of-funds will seek to further differentiate themselves against their peers. The value propositions range from GP access plays to niche regional or sector-focused offerings to co-investment or secondary-heavy portfolios.

I think secondaries are an interesting component of Asian private equity portfolios and we have witnessed the market developing in terms of deal flow and executable transactions. The last 12 months have been challenged by sellers' pricing expectations for quality assets, but nimble buyers are afforded unique purchasing opportunities, which will progress throughout 2015.

> **"The issue is how do you crack the secondary market and take out the minority investors who often have even higher price expectations that some entrepreneurs"** – Martin Mok

MARTIN MOK, PARTNER AT EQT CAPITAL PARTNERS, ON CHINA DEALS AND EXITS:

I don't think we are either extremely bullish or extremely bearish for 2015. The local IPO market in China has opened up and on the whole it is getting a bit more traction; the secondary market has also improved. I think the local IPO market will open up further throughout 2015 to point that we might get as many as 10 offerings a month. If that is the case it will release pressure on a lot of renminbi-denominated funds –

$653m – The Blackstone Group agrees buys the chemicals division of Australian explosive company Orica for $653m

$433m – Japanese electronics chain Nojima buys mobile phone retailer ITX from Japan Industrial Partners (JIP) for $433m

$1.25b – Affinity Equity Partners exits Australian meats producer Primo Group to Brazil's JBS for an enterprise valuation of $1.25b

$150m – The Blackstone Group invests $150 in Australian retirement village developer National Lifestyle Villages (NLV)

$150m – CVC Capital Partners acquires a 50% stake in Japanese telecommunications carrier Arteria Networks for $150m

DECEMBER

$700m – Temasek, DST Global and Tencent Holdings lead a $700m round of funding for Didi Dache, a Chinese taxi-booking app

$700m – Temasek leads a $249m round for Southeast Asia-based online retailer Lazada, taking the total raised since inception to $700m

$697m – TPG Capital agrees to sell its stake in China Grand Automotive Services to a Haitong International-led group for $697m

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

especially those focused on pre-IPO deals – so there will be more money going back to LPs.

Aside from more listings, and a more vibrant secondaries market, I expect improvements in government policy that will help exits. Trade sales will continue to do well, as they have over the last few years, but they are likely to take a greater percentage of the total exit pie – as much as 30-40% – as more companies are willing to buy from private equity to consolidate their positions in China market. For example, this month a unit of Swire Pacific bought our portfolio company Chongqing New Qinyuan Bakery in order to build up its presence in China's food and beverage sector.

Overall, I think corporates increasingly seeing private equity portfolios as a place to look for deals. They recognize that we serve a function in terms of cleaning up businesses, putting in a stronger corporate governance culture, and improving key performance indicators and reporting systems. A lot of corporates still just don't know how to do it, and they don't have the risk appetite to buy these companies directly.

On the more negative side, deal activity has increased this year and will probably continue to increase next year. So you will have a lot of GPs running into each other, which means there will be fewer attractive companies that have not had private equity money.

The issue is how do you crack the secondary market and take out the minority investors who often have even higher price expectations than some entrepreneurs. At least with entrepreneurs there is some kind of alignment of interest; minority investors are just focusing on their redemption rights.


Bobby Pauly


Hugh Mason

BOBBY PAULY, PARTNER AT TATA OPPORTUNITIES FUND, ON INDIA:

Over the last couple of years Indi has seen its lowest GDP growth since 1991, with the economy expanding at less than 5%. But we have started to come out of that in 2014, and my prediction is that over the next few years growth will be around 6-7%.

Our focus will be preparing out portfolio companies for growth in three ways: getting balance sheets in top form; setting up new capabilities, whether it is acquiring new technology or competences, so we can capitalize on growth opportunities; and helping companies building strong teams. If we put these strategies into place in the first half of 2015, we will be well positioned for the second half of the year.

Also from a macro perspective, the last quarter has seen a fall in the price of crude oil, which I expect will stabilize at below $70 a barrel over the next year or so. The implication for India is far reaching. In 2015, the consumer price index is likely to fall to 5-6% and, as a net crude importer, the drop in prices will have a positive impact on our current account deficit.

The currency has also been fairly stable compared to other emerging markets at INR60-62 to the dollar. This has been reflected by a better investment outlook for people taking longer term bets where the worry of the currency depreciation has been reduced. Needless to say, this has had a big impact on public markets – India's are the best-performing in the region.

Overall, 2015 will be a year of stabilization as underlying earnings growth starts to drive public market valuations. I think investors in Europe and North America are now looking at India more seriously now – we have had substantially more requests for meetings than in the past. Many large institutional investors are interested in Tata as a group and some of our companies are also looking at growth opportunities where these investors can participate directly.

HUGH MASON, CO-FOUNDER OF JFDI.ASIA, ON ACCELERATORS:

Over the next year or so accelerators are going to become more specialized. We are no longer the only accelerator in Singapore, so as more people come into the space we will see more players targeting particular verticals. At the same, a lot of accelerators will go bust and people will get ripped off, but that is all part of the accelerator model evolution.

One of the things worth considering is that 2-3 years ago there were many cities in Asia that didn't have a travel booking site, or tax service app, but now a lot of those low hanging fruits are gone – even if you go somewhere like Cambodia you are likely to find an app for booking buses. Now, start-ups are focusing on the next level up; businesses like e-commerce where you need boots on the ground, fulfillment, logistics, payments – the kind of thing Rocket Internet is doing.

There are three layers of start-ups. At the bottom is all the low hanging fruit – apps, anything that a bunch of guys can just have a go at. The next level is things like e-commerce and above that is the harder stuff like financial technology and healthcare, which is regulated. Then you have areas that are very scientifically differentiated – where you work with research institutions and look for ways to build technology.

Just as private equity investors have to become more hands-on and act smart to add value, accelerators can't just say: "Hey guys, come and hang out here and build a start-up." That is over. People have to up their game and that is good thing.

$618.9m – Capital Today, DST Advisors and Hillhouse Capital Management raise $618.9 million through a follow-on offering in China's JD.com

$610m – A consortium including Hony Capital, Goldman Sachs and Canada Pension Plan Investment Board agrees to invest $610m in Chinese medical device maker Neusoft

$300m – BlackRock Private Equity Partners leads a $300m round of funding for Coupang, South Korea's largest online retailer

$250m – SoftBank Corp. commits $250m to Southeast Asia-focused mobile taxi-booking platform GrabTaxi

38% – A Fosun-led consortium offers EUR23.5 per share for Club Med, up 38% on its initial bid submitted last year

26% – Chinese VC-backed mobile dating app Momo gains 26% on its first day of trading on NASDAQ following a $216 million IPO

10wks – Crescent Capital Partners reaches a final close on its fifth Australia and New Zealand-focused fund at $565 million after only 10 weeks in the market

2 – The Carlyle Group buys a majority stake in India-based publisher Newgen KnowledgeWorks, taking ownership of the business for a second time

Snapshots from the 2014 AVCJ Forum

The global investment elite gathered 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, KKR's Ming Lu, Auda's Ernest Boles, Terra Firma's Guy Hands and KPMG's Robert Ohrenstein


Scott Kupor of Andreessen Horowitz


Paul Weiss' Jack Lange (left) and PAG's Weijian Shan


Lexington Partners' Marshall Parke (right) presides over a panel of PE leaders


India-focused GPs discuss real and expected improvements in investor sentiment


The institutional investors' luncheon


Standing room only at the Investment Summit


Impact investing comes under the spotlight

Alibaba's Joe Tsai (right) with Silver Lake's Ken Hao


K.Y. Tang, chairman of Affinity Equity Partners, addresses attendees at the gala dinner


Yoshito Hori (center) and the Globis Capital Partners team


Networking outside the main ballroom


Kirk Beaton of Lexington Partners

The 2014 AVCJ Awards winners

tim.burroughs@incisivemedia.com

Expansion plans

Auda is scaling up its operations in Asia, opening a Shanghai office and making several new hires. CEO Ernest Boles, Head of Asia Jacob Chiu, and Managing Director Lucian Wu explain how they are addressing the opportunity

Q: Auda opened an office in Shanghai earlier this year and Jacob and Lucian are two of a number of new hires. What are your plans?

ERNEST BOLES: The first investments were made, as a family office, in the late 1990s. In 2007 we established a presence in Asia and built a team focused predominately on primary investing. We have some secondaries and co-investment, but it has fundamentally been a fund-of-funds primary strategy on a pan-Asian basis. We see a real opportunity for continued growth in Asia and have decided to expand our team with additional senior resources, including a senior secondary capability. We want to better position ourselves to access opportunities in the region and at the same time be better positioned to support separately managed account mandates.

Q: Do you increasing demand for separately managed accounts?

EB: Directionally there seems to be a growing demand for separately managed accounts, often looking for a combination of primary, secondary and co-investments. Clients might have been in the region for 10 years through fund of funds and are looking at the separate account as a solution to expand their portfolio, be more selective, and/or be more involved in the portfolio construction process. It is completely client-driven. There isn't a specific minimum threshold and more of a question of what is required to achieve appropriate levels of diversification. To diversify, you would ideally allocate to at least 10 GPs in the portfolio, so a $5 million commitment per GP would require at least $50 million.

Q: What sort of primary-secondary-co-investment blend do you have in the core comingled products?

EB: The portfolio typically is structured with ranges of 60-70% in primary, 20-30% in secondaries, and zero to 10% in co-investment. Those are general guidelines to give our clients a sense as to what the portfolio would look like, but we keep the framework relatively flexible. We closed our latest global secondaries program last year with $330 million, which is currently being invested. We have done four secondary deals in Asia, with two coming from the latest secondaries fund.

> "Over the last few years I have seen more directs than LP stakes in Asia compared to the developed markets, but things are evolving" – Lucian Wu

Q: Are the Asian secondaries opportunities mainly LP stakes or directs?

LUCIAN WU: We expect to do a bit of both. Over the last few years I have seen more directs than LP stakes in Asia compared to the developed markets, but things are evolving. We are now beginning to see more LP interests being traded here. There seems to be more investor fatigue around India, for example. It has become a very interesting secondary market and we think it may be for a while. In the last 3-4 years we have seen a lot of movement in between franchises, creating spin-out opportunities and direct opportunities. So it has been kind of active.


Ernest Boles


Jacob Chiu


Lucian Wu

Q: You previously worked at Paul Capital, a secondaries specialist. How does being part of a multi-strategy firm change your approach?

LW: A multi-strategy one-stop shop – that is what investors seem to be looking for nowadays. We believe that to be credible, one has to be able to provide all those services and then let the investor choose what is best for them. One strong differentiating factor for Auda is that we operate as one team. It is not uncommon in other houses for the secondaries guys not to talk to the primary guys.

EB: We have a global platform with shared resources and local expertise and execution. Our approach has been to make sure that we are a single team with very clear lines of responsibility. We share resources – call it the analyst pool – on a global basis. For example, we recently sent one of our Hong Kong-based professionals to New York for six months for training on our secondaries strategy, which is executed globally. There is a weekly call where we allocate resources and prioritize deals. A particular transaction might be staffed from Bad Homburg, Hong Kong and New York.

Q: So how far-reaching is the expansion strategy?

EB: We are owned by the Harald Quandt family and have launched a global initiative under the brand HQ Capital. This is intended to bring together our different alternative asset management businesses: Auda; Real Estate Capital Partners, which up until now that has been a US-focused property development and asset management business; and Equita, a direct investment business that targets mid-cap companies in German-speaking areas. We have brought in David Pierce under HQ Capital to help us think about how we can expand our global team. The question is, are there different investment opportunities in the region we should be exploring? When we entered private equity in Asia we looked at the various opportunities, made some investments to gain experience, and then began to offer that to our client base. We intend to follow the same kind of strategy for the other asset classes. In addition, we have brought US and European capital to the East and we think we are in a position to develop relationships with capital sources in the East for our US and European investment capabilities.

Q: Will the different functions be brought together under a single name?

EB: We will probably consolidate, but a decision hasn't been taken on that yet. The overall aim is to ensure that we maintain the same level of expertise within each investment area. The current concept would be to consolidate certain shared services – such as corporate office functions, investor relations and business development functions – under HQ Capital so that we are leveraging resources and trying to maximize the impact we make. The investment silos would remain relatively intact, but, for example, someone on the business development side in Germany might have a broader dialogue with his clients rather than just asking, "Are you interested in private equity?" We are not selling products, we are trying to deliver solutions; we are trying to understand what the client is thinking about in terms of how to allocate capital across the alternative asset classes. We will probably do a combination of organic expansion and bolt-ons. We traditionally have grown organically and that is a more likely path, but we are open to considering multiple opportunities.

Q: In terms of investment, what is Auda's geographical exposure within Asia?

JACOB CHIU: We have about 60% allocated to China with the rest is spread around India, Southeast Asia and developed markets in Asia, as well. We still see a lot of opportunities in China, thanks to continued economic growth, urbanization, the rise of the middle class, and because good companies and entrepreneurs still have difficulty accessing capital. Having said that, growth seems to have slowed down and we see opportunities outside of China as well, and these have different characteristics. In India, for example, when we look at it manager by manager, we see some managers that have generated good returns, although not many. Similarly, we have exposure in Southeast Asia through a couple of managers and there is quite a lot of capital entering that region, but exits are still an issue. We are monitoring it. We still have the appetite to work with the good managers that have shown they can deliver, not only in terms of TVPI [total value to paid in] but also DPI [distributed to paid in].

> **"The decision by some service providers to go direct, as opposed to the separately managed account or fund-of-funds model, might be based more on internal economics"** – Ernest Boles

EB: DPI is important. When I have conversations with our German investors, everyone buys into the growth story and sees the long-term potential of Asia. What they are hoping for are stronger realizations. We all know that there have been capital markets issues in China and so on, but DPI is a topic that is often raised in conversations. And that is another reason why secondaries are an interesting addition to the portfolio in that it can mitigate the j-curve effect.

Q: Would you say LPs have been disappointed by Asian PE?

EB: Disappointment might be too strong a word. But a general expectation was for a more rapid return of capital – that the dynamic growth in the region would translate into quicker distributions.

Q: In certain cases, GPs in Asia have seen a rapid scale-up in fund size. Is this a concern?

JC: It really depends on the manager. With some managers, they increase the fund size and it takes time for the quality to come; with others, they deliver quality deals at larger sizes. What we look at is the post-deal revenue and net profit growth. If both continue to grow we can get comfortable that a deal is good. We have to look into whether their track record is relevant. If they have been doing $50 million deals but after they raise the fund size the check size becomes $100 million, then the dynamic would be different.

Q: What is your response to claims that the fund-of-funds model is not sustainable?

EB: I think that the fundamental model of the fund-of-funds as a way to provide access or exposure to the asset class is valid. There is a perception that is not entirely correct – that the costs associated with the underlying model provide such a drag on returns that it is simply not generating attractive returns. However, it is possible to neutralize that effect so that the fund-of-fund economics are more in line with the economics of a separately managed account. This means clients are not driven by the economics question when deciding the vehicles in which they invest. We have some very large, sophisticated German institutions that simply don't want separately managed accounts. They have been running broadly diversified portfolios for years, they don't miss out on vintages, and they have some of the best returns in our entire client base. If you can provide a fund-of-funds that is appropriately structured from an economic perspective and separately managed accounts, you are in a position to address the diverse requirements of your clients. The decision by some service providers to go direct, as opposed to the separately managed account or fund-of-funds model, might be based more on internal economics. There is fee compression in the fund-of-funds industry and that may be a factor driving the business direction, more so than the investment rationale.

Q: Do you have particular requirements in terms discretion within a mandate?

EB: We are relatively flexible. We have mandates that are fully discretionary where we agree on portfolio construction guidelines and execute the mandate; we have mandates where the client has a veto right; we have mandates where decisions have to be approved and the client is more involved in the process; we have mandates where we send clients investment proposals and we execute on their behalf. There is a broad range of options available. When I look at our clientele, some groups are thinly staffed and need support. Others are developing their own internal capabilities but they still want to see our pipeline and hear our advice. In certain cases, clients are looking more for assistance on the reporting and information flow side, where we can provide cash flow estimates and other services. Investing is just one aspect of the process; monitoring and reporting on the underlying asset is another part of the business that is of interest to clients.

andrew.woodman@incisivemedia.com

EQT bakery investment proves out

EQT'S 2010 ACQUISITION OF controlling stake in Chongqing New Qinyuan Bakery – which it has just exited to Swire Pacific – was something of a coup for the European mid-market GP. Not only did the firm overcome several competitors, but it also managed to turn a minority transaction into a buyout.

"When PricewaterhouseCoopers (PwC) was approached to help raise foreign capital for the business it was originally intended to be a 20% growth equity deal," explains Martin Mok, a partner with EQT in Hong Kong. "Most people followed the rules and went for a minority stake, but we wanted control, so we pitched for 65% and we got it, with the founders retaining 35%."

The size of the deal was not disclosed but the investment – made via EQT's second Greater China fund – fell within the GP's standard enterprise value range of $100-250 million.

At the time Qinyuan had been business for 21 years and was displaying healthy growth. With 223 outlets, it was already a leading retail bakery chain in Southwest China – with a 40% market share in Chongqing and Guiyang – selling pastries, cakes, cookies, beverages, moon cakes and rice dumplings. EQT claims to have leveraged its global domain expertise to take the company to the next level.

"We previously made an investment in Vaasan & Vaasan, the biggest industrial baking company in Northern Europe," says Mok. "Qinyuan is a retail business, so it was a bit different, but it was still familiar territory, and we had already completed a number of retail deals."


Moon cakes: Qinyuan fare

The PE firm drew upon its industry advisor network, bringing in Yiu Keung Yeung, formerly CEO of KFC Hong Kong and COO of hotpot chain Little Sheep as chairman. It then tapped its European connections.

"We visited Matti Lappalainen [the CEO of Vaasan & Vaasan] with the management three times during the ownership period," says Mok. "We didn't just visit Vaasan & Vaasan's plants but toured other the companies that Matti could put us in touch with."

The visits gave Qinyuan insights into state-of-the art bake-off technology, which involves freezing prepared dough products to be shipped and baked-off in store. By employing this method, Qinyuan was able to save on labor costs and improve supply chain efficiency.

The company expanded to around 460 outlets; of which 200 provide onsite baking facilities combined with a café setting. Meanwhile, revenues have grown from $34 million in 2010 to an expected $105 million for the current financial year; EBITDA has increased nearly threefold to $17 million.

EQT eventually hired UBS to help find a buyer by the end of 2013 and began negotiations with number of strategic suitors before settling on Swire Foods, a unit of Hong Kong-listed Swire Pacific. Mok adds that the improvements made in terms of governance and efficiency made Qinyuan an ideal target for the global conglomerate.

Carlyle starts a new chapter with Newgen

WHEN THE CARLYLE GROUP FIRST PARTED ways with India-based publishing and technical services provider Newgen KnowledgeWorks in 2011 it was on good terms.

Carlyle had first backed the company in 2004, paying $9.4 million for a 50% stake via its 2002 vintage Carlyle Asia Venture Partners II – a $250 million fund. Over the holding period the company's revenue grew at a compound annual rate of 22.1%, while EBITDA increased by 20.6%. When the GP came to exit its enlarged 60% stake to Franklin Templeton Private Equity, Aureos South Asia Fund (now managed by The Abraaj Group) and ePlanet Capital seven years later, it was worth $22 million.


Gone digital: Newgen

"We developed a close relationship with the company and the promoter, Prabhakar Ram, during the investment period and continued to keep in touch after exiting the investment," explains Shankar Narayanan, managing director at Carlyle India.

And so when the PE firm was given the opportunity to invest again, it could proceed with confidence. A stake of 54.85% has been acquired from the investors Carlyle exited the business to previously for $32.8 million. However, Newgen is a much-changed company.

Set up in 1996, it offers end-to-end publishing and technical services for books and journals, from content creation to marketing. The company has production centers in India, the UK and the US, and claims to work with some of the world's largest publishers, including Cambridge University Press, Columbia University Press, Chase Publishing and Harvard Business.

"Newgen's business is on a much stronger footing with a higher level of client engagement and stickiness driven by the breadth of its service offering, technology, and automation," says Narayanan. "It has consistently invested 3-5% of its annual revenues in building automated tools, plug-ins and building blocks so that customers can publish quicker, better and cheaper."

The focus is now on strengthening Newgen's business and broadening its product offering. This involves diversifying into businesses such as financial publishing via Spectra; digital marketing through ePagemaker; and bespoke publishing and documentation solutions via GPSL .

In much the same way as Carlyle helped expand Newgen during its initial ownership period, the PE firm will use global relationships cultivated through the OneCarlyle platform – the name for the GP's network of operating partners – to access other markets, raise funds and seek out possible acquisitions than can help fuel inorganic expansion.

"Publishing services are expected to consolidate over the next few years and Newgen will be a big beneficiary of this trend," says Narayanan "Historically, the company has consistently plugged capability gaps through acquisitions or seeding new offerings; it will be in a similar position to make strategic acquisitions to further accelerate its growth."

winnie.liu@incisivemedia.com

Hony takes a trip to Tuniu

A PRIVATE FUNDING ROUND WAS NOT Tuniu's original plan. Earlier this month, the US-listed Chinese online package tour provider informed regulators that it wanted to raise $100 million via a public offering.

However, during the first week of December the company's stock dropped more than 18% to $10.77. Hony Capital came in and, together with other strategic investors, agreed to invest $148 million through a private placement.

"It's possible the drop in the share price was the work of short-sellers who wanted to take advantage of the follow-on offering," a source close to the company told AVCJ. "Hony has been looking at opportunities in this industry for a while and now it has the chance to get involved at only a small premium."

Tuniu issued a total of 37 million new ordinary shares at $4.02 apiece or $12.06 per American Depository Share – which represents a 3.19% premium over the average close for the last five trading days. Hony and online retailer JD.com each contributed $50 million, while Ctrip pitched in with $15 million. The remaining $33 million was split between Tuniu's CEO and COO.

John Zhao, Hony's CEO, said that Tuniu has established itself as a strong player in online booking, offering good services at reasonable prices. "The internet, especially the mobile internet, is changing people's lifestyles and influencing many traditional industries," he added. "Hony Capital focuses on how new technology transforms traditional industries through the combination of online platforms and offline services."

Youth of today: Up for tours?

Tuniu listed in the US in May, raising $72 million. Between 2008 and its IPO, the company received least $113 million across four rounds of funding from DCM, Gobi Partners, Sequoia Capital, Highland Capital Partners, Japan's Rakuten and Singapore's Temasek Holdings. DCM, Ctrip and Qihoo 360 also committed capital through a private placement alongside the IPO.

Prior to the latest investment, DCM was Tuniu's largest single shareholder with a 24% stake. It has now been diluted to around 16%.

"The partnership is a good thing for Tuniu," the source said, noting that the company could gain traction with JD.com's user base, complement Ctrip's existing strengths in online travel, and get expansion capital from Hony.

Ctrip's core business is providing flight ticket and hotel bookings through partnerships with various travel agencies and hotel operators. Tuniu has a different approach, focusing on packaged tourism, but the model doesn't appear to be gaining traction with younger travelers, who often don't want to join tours. Losses amounted to $17 million in the third quarter, compared to $2 million a year earlier.

However, some industry participants believe the company has huge potential in the outbound travel market. Brokerage CLSA estimates Chinese spending on tourism could triple by 2020 with more than 200 million people venturing overseas.

winnie.liu@incisivemedia.com

China geek

Self-proclaimed geek Jenny Lee began her career working on fighter jets for the Singapore government. Now a managing partner at GGV Capital, she is backing a new generation of China start-ups

"A FEW DAYS AGO I MET A DRONE START-up in Beijing and the founder tried to explain to me how drones work. I said, 'It's okay, I learned all this 20 years ago,'" Jenny Lee, managing partner at Sino-US venture capital firm GGV Capital, says with smile. "Drone technology and application is a very hot space right now but in the old days, most people did not know about it. These were unmanned aerial vehicles mostly used for defense applications and deployment."

Lee is well versed in this area. Born in Singapore, she majored in electrical engineering at Cornell University in the US via a scholarship program run by Singapore Technologies Group. Her first job was in the electronic warfare division at Singapore Technology Aerospace – and her first project involved drones.

As a systems technician, Lee was responsible for retrofitting fighter jets and devising the weapons set-up and rules of engagement for different conflict situations.

"It was like war-gaming," says Lee. "I call myself a geek. I love to see how technology can evolve from defense to commercial, industrial and consumer applications. Many of today's internet technologies came from defense, such as man-machine interfaces, security and encryption."

Early starter

Lee's ambitions to become a venture capital investor date back to time at Cornwell, when she sat in on some business classes. One day a professor gave a lecture on how VC funds allow companies to get financing.'

"I talked to my professor and he said that if I wanted to be a good venture capitalist, I must either learn from good VC mentors – who are hard to find – or go and work for a company and then come back into the VC world with industry experience," Lee says, "So I worked as an engineer for a few years."

The five years spent in aerospace taught her how the commercialization of technology can change lives. This was followed by an MBA in the US. Lee subsequently found her way into investment banking with Morgan Stanley in Hong Kong in 2001. This was the first time she set foot in Greater China, although the job itself, while providing a valuable grounding in capital markets, wasn't as "cool" as she had imagined.

"For me, it's important to know in life what I want and what I don't like or what I'm not good at," Lee says. "Once I have that figured out, I don't waste time and just move on to the next task."

However, she did not expect to end up working in China. After a year at Morgan Stanley, Lee moved to Jafco and saw first-hand the burgeoning technology scene. This was the period in which the likes of Alibaba Group and Baidu were receiving their first VC funding. A job opportunity presented itself at GGV and Lee helped set up the firm's China office in 2005.

To begin with, she had to fly from Hong Kong to Shanghai once a month with a suitcase full of cash. "This was before the company had a bank account in China, so I had to bring in renminbi to pay the staff and local lawyers," she recalls.

Gender imbalance

Ten years ago, China's VC industry was in its nascent stages and few entrepreneurs really understood how the process worked. Lee therefore was an educator as well as an investor.

"I spent a lot of time explaining term sheets to CEOs. Companies used to have a common share structure and there was no concept of preferred shares. A VC term sheet included a list of rights – preferred shares, liquidation – and they didn't understand," she says. "Now the market is more advanced and entrepreneurs can negotiate."

One aspect of venture capital that has not changed is male dominance. Lee doesn't mind being a woman in a man's world, saying her personality allows her to fit in. She adds that there are fewer networking activities in China venture capital compared to traditional private equity, while the younger generation of entrepreneurs "aren't that crazy for partying."

The biggest challenge remains understanding how these entrepreneurs think – and being able to take, and explain, tough decisions.

"If a company runs out of cash, you have to tell them it's game over," notes Lee. "When the product is really too early or not suitable for the market, you may have to close the business. Women in VC have to be very strong and not be afraid to have their own views. It's a lonely job."

> "Women in VC must be very strong and not be afraid to have their own views. It's a lonely job"

Lee's portfolio at GGV includes social networking platform YY, which went public in 2012; 21Vianet, the largest carrier-neutral internet data center service provider with market cap of around $1 billion; and HiSoft, which merged with VanceInfo to become Pactera.

She still sees huge opportunities in mobile technology, which is disrupting traditional businesses. "The big giants [Alibaba, Tencent and Baidu] can't do everything. They're trying hard to understand the new market through M&A or investments. In areas like the internet of things, on-demand services, cross-border mobile convergence, online-to-offline, they are not dominant," Lee says.

At the same time, the VC industry is becoming more global. Winning deals in China relies not only on knowledge of a particular technology, but also understanding how to engage with local entrepreneurs. Lee believes that established GPs with strong reputations will prevail in this more competitive environment.

"It is very tough for new funds coming into the industry," she says. "If you're in the US and trying to set up a fund in China, I would say 'Do not come here or you will die'. Even smaller funds that have been her for a couple of years have greater local advantages. We have been in China for 14 years, so how can you compete?"