



Brownfield boom

Big ticket investors make expensive plays for Australian infrastructure [▶ Page 7](#)

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India private equity comes in from the cold

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DEAL OF THE WEEK



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RELOCATION NOTICE

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Out of the shadows

AFTER A FEW YEARS OF DARKNESS,

India's private equity industry is once again seeing the light of the day. In fact, India may be one of the hottest markets for PE investors right now. I am basing this on the rather unscientific observations from some of our recently concluded events, namely the AVCJ Forum in Hong Kong and the AVCJ India Forum in Mumbai.

The general mood at different AVCJ events has always served as a bellwether of the industry's health or sentiment in specific markets. For those of you who are regulars at our conferences, you may recall that two or three years ago, there wasn't much of an audience for the India panel in Hong Kong. But after an encouraging pick-up in 2014 we witnessed a very strong showing in 2015.

The India session of the Investment Summit on November 5 attracted an audience of more than 150 LPs and GPs. Meanwhile, the conference in Mumbai was attended by over 250 delegates and record number of LPs. Perhaps this is a sign that allocations are returning to India-focused managers.

Speaking of our India event, the mood at the conference was generally positive and optimistic. Many speakers acknowledged a successful year, although everyone was quick to point out that lessons have been learned from the previous cycle. The consensus view is that LPs gave too much money to unproven GPs, with the inevitable result. Some capital is still tied up in underperforming portfolios, hence the words of caution.

AVCJ events attendance aside, is India really in the midst of a revival? Well, the industry certainly appears to be doing better than last year on all fronts.

According to AVCJ Research, private equity investment year-to-date stands at \$15.1 billion, higher than any 12-month total since 2007. Much of this has gone into technology, with ride-hailing service Ola raising \$900 million across two rounds and e-commerce player receiving \$700 million in one. However, there has also been some interesting buyout activity, such as Baring

Private Equity Asia taking out The Blackstone Group and other shareholders to gain control of CMS Info Systems.

Exits are also on a roll, with more than 100 liquidity events generating cumulative proceeds of \$8.3 billion, an all-time record. A small number of trade sales account for the vast majority of this – such as the acquisition of a 51% stake in Viom Networks for \$1.2 billion – with public market sales slower than in recent years.

However, a mini-resurgence in IPO activity suggests more money will come out further down the line. There have been 12 offerings so far in 2015 (equal to the previous three years combined) with \$823 million in capital raised. Café Coffee Day, a portfolio company of KKR, New Silk Route Advisors and Standard Chartered Private Equity, is the largest of the PE-backed IPOs.

Finally, in terms of fundraising, a total of 23 funds have received \$3.7 billion towards incremental or final closes since the start of the year. It is important to look at where the capital is going, though. LPs have focused the bulk of their commitments on a handful of seasoned managers, including the likes of India Value Fund Advisors and Everstone Capital in the private equity space and VC players such as Sequoia Capita and SAIF India.

To conclude, India is certainly a market on the rise, with some investors also looking at the market more favorably than China from a macroeconomic perspective. The fact that the experienced GPs with track records are getting funded could well mean higher level of saviness and discipline in investments and exits in the years ahead. Meanwhile, private equity penetration continues to lag behind markets of similar size, which suggests plenty of opportunities should be available.

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ASIA PACIFIC

Adams Street promotes Yar-Ping Soo

Yar-Ping Soo, a partner with Adams Street Partners, has been appointed head of the firm's Asian investment team, succeeding Piau-Voon Wang, who will become a senior advisor. Wang's decision to step back – he will leave Adams Street in due course but stay within the PE industry in a different capacity – was reported by AVCJ last month.

AUSTRALASIA

Archer agrees Healthe Care sale to Luye

Archer Capital has agreed to sell Healthe Care, Australia's third-largest private hospital group, to China-based Luye Medical Group, for \$688 million. Archer acquired Healthe Care from CHAMP Ventures in 2011, paying A\$240 million (then \$255 million).

Atlassian to raise up to \$425.5m in US IPO

Atlassian, an enterprise software company founded in Sydney by two Australian entrepreneurs, has set terms to raise up to \$425.5 million through its NASDAQ IPO. The company, which is backed by Accel Partners among others, will sell 20 million shares at \$16.50-18.50 apiece, pre-overallotment option. This equates to an overall valuation of \$3.4-3.8 billion.

Tyro Payments receives \$72m in funding

Tiger Global Management, TDM Asset Management and Mike Cannon-Brookes, co-founder of Atlassian, have provided A\$100 million (\$72 million) in funding for Tyro Payments, an Australian financial technology company with aspirations of becoming a bank. Tiger Global has contributed the bulk of the round, putting in A\$59.5 million.

GREATER CHINA

Taiwan must think globally - AVCJ Forum

Taiwan needs to think globally as it looks for ways that domestic companies can leverage growth

CMC, CITIC back City Football Group

China Media Capital Holdings (CMC Holdings) and CITIC Capital have paid \$400 million for a 13% stake in Abu Dhabi-based City Football Group (CFG), which owns the Manchester City Football Club and other related businesses. The investment values CFG at \$3 billion and it came after more than six months of discussions among the parties, according to a statement. It was announced weeks after Chinese President Xi Jinping visited Manchester City's training ground.



The Chinese investor group will acquire new shares issued by the CFG, in addition to the ordinary shares held by Abu Dhabi United Group, currently the sole shareholder. That entity is owned by Sheikh Mansour bin Zayed Al Nahyan.

Manchester City has returned profit for the first time since being bought by Sheikh Mansour for \$360 million in 2008. Prior to that, the club was owned by former Thailand Prime Minister Thaksin Shinawatra. The investment in CFG is expected to see CMC and CITIC Capital bring Manchester City in China to play matches, as well as to help CFG expand internationally. The company also owns New York City FC and Melbourne City FC and is a minority shareholder in Japanese club Yokohama F. Marinos.

in other markets, but this means addressing mainland Chinese involvement in the economy. Speaking at the AVCJ Taiwan Forum, C.Y. Huang, president of FCC Partners, noted that mainland China companies showing an interest in cross-strait M&A, but it remains a sensitive issue. "We need more M&A and we need to look at the China factor. Do we view Chinese counterparties as threats or partners?" he said.

Legend Capital to list on New Third Board

Chinese venture capital firm Legend Capital has applied to list on the National Equities Exchange and Quotation (NEEQ), also known as the New Third Board. Legend divides its operations into

onshore and offshore divisions, having started to raise renminbi-denominated funds in 2009 alongside US dollar funds. The offering comprises only the onshore renminbi business.

Century Huatong to buy PE-backed gaming assets

Shenzhen-listed Zhejiang Century Huatong Group will acquire game developers China Mobile Games & Entertainment Group (CMGE) and DianDian Interactive for a combined RMB13.5 billion (\$2.1 billion). CMGE was privatized by PE units of Orient Securities, Changjiang Securities, and Beijing HT Capital Investment in August. DianDian was acquired by V-Capital, the corporate PE arm of Jiangsu Huaxicun, six months ago.

Blue Whale buys Denham-backed Tall City

Blue Whale Energy, a China-based energy investment firm, has agreed to buy the oil and gas exploration and production assets of Tall City Exploration – a Denham Capital portfolio company – for \$803 million. Tall City was formed in 2012 to build up a portfolio of assets in Texas and New Mexico. It received a \$300 million equity commitment from Denham.

IKang adopts poison pill to thwart rival offer



IKang Healthcare Group – a US-listed Chinese company that is subject to competing PE-backed privatization proposals – plans a rights issue, or "poison pill" strategy, intended to thwart the external bid. A bid submitted by the company's founder and FountainVest Partners was topped last week by an offer from industry rival Meinian Onehealth and several PE firms.

Digital advertising firm iPinYou raises \$78m

iPinYou, a Chinese real-time bidding digital advertising platform, has completed a RMB500 million (\$78 million) round of funding led by China Mobile Innovation Industry Fund. Other domestic investors include Beiguang Wenzhi Gehua Fund and Shenzhen Capital also participated.

P2P car rental app Atzuche raises \$47m

Atzuche, a Shanghai-based peer-to-peer (P2P) car rental start-up, has raised a RMB300 million (\$47 million) Series B round of funding from



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China Pacific Insurance, Ivy Capital, Hearst Capital, Matrix Partners and Ceyuan Ventures. Founded in 2014, Atzuche's platform allows car owners to earn money by renting out their vehicles to pre-screened customers.

Goldman commits \$20m to biotech firm

Goldman Sachs has committed \$20 million in a Series B round of funding to Ascletois, a Hangzhou-based biotechnology company. Ascletois develops new treatments for infectious diseases and cancer based on the hepatitis C Virus (HCV).

Social networking app for runners gets \$18m

Joyrun, a Chinese social networking app that targets recreational runners, has completed a \$18 million Series B round of funding led by Arena Capital, a local sport-focused venture capital firm. The app allows users to find running partners, share experiences and organize contests. It claims to have 500,000 daily active users.

NORTH ASIA

CJ rules out bid for MBK's Coway stake

South Korean conglomerate CJ Corporation decided against submitting a final bid for a controlling stake in Coway, a domestic water purifier manufacturer, from MBK Partners. No reason was given for the decision. Previous reports suggested that MBK's 31% stake could sell for upwards of KRW2 trillion (\$1.7 billion).

J-Star's medical insurer makes bolt-on

Nihon Hoken Service (NHS), a Tokyo-based insurance agency and insurance solicitation business bought by J-Star earlier this year, has completed the bolt-on acquisition of industry peer Sokisha Corporation. The deal is part of a broader plan to bring about consolidation in an industry that is facing higher costs with the impending introduction of the Insurance Business Act.

HarbourVest opens Korea office

HarbourVest Partners has opened an office in Seoul. It will be led by Minjun Chung, who is already responsible for investment opportunities

India PE primed for a pay-off - AVCJ Forum

While India's private equity industry has been slow to deliver rewards to LPs, the groundwork has been laid for investors to see returns in the near future, industry participants told the AVCJ India Forum.

Steve Byrom, head of private equity at Australia's Future Fund, said that the industry was previously held back by overenthusiastic LP commitments to newcomer GPs. Those investments caused some difficulty for those LPs, with capital tied up in funds that have only recently started to pay off, and some not performing as expected. "We've held back in



putting money into the market, one, while we wait for that capital overhang to clear itself, but two, to allow us to see the actual winners start emerging out of this industry. And I think we're beginning to see that now," said Byrom.

M.K. Sinha, CEO of IDFC Alternatives, agreed, characterizing the 2004-2008 time frame for investors as one of "rose-tinted glasses" in which LPs would sometimes overlook the risks. He added that GPs have had to learn to be more cautious, and to look at the India market from a long-term rather than an opportunistic perspective.

and client relations in South Korea. This is the firm's fourth base in Asia – joining Hong Kong, Tokyo and Beijing – and the ninth globally.

SOUTH ASIA

TPG, Tillman to Reliance's telecom towers

Reliance Communications, the telecommunications services division of India's Reliance Group, has agreed to sell its tower assets to TPG Capital and Tillman Global Holdings. The buyers are also considering purchasing Reliance's inter-city and intra-city optic fiber assets in a separate and independent transaction. Reliance

will use the proceeds of the transaction to pay down its debt.

VCs to exit as Flipkart backs MapMyIndia

Indian e-commerce giant Flipkart has committed an undisclosed sum to GPS navigation and location-based services provider MapMyIndia, providing an exit for investors Nexus Venture Partners and Lightbox Ventures. Flipkart plans to add MapMyIndia's navigation and location capabilities across its supply chain.

ICICI Venture appoints new CEO

India-based ICICI Venture has appointed Prashant Purker as managing director and CEO. He replaces Vishakha Mulye, who recently moved to parent group ICICI Bank as executive director. Purker joined ICICI Venture in 2009 and previously served as executive director.

SOUTHEAST ASIA

DBS to support Singapore's start-ups

DBS Bank will invest S\$10 million (\$7 million) over the next five years in initiatives aimed at supporting Singapore start-ups. These initiatives include a variety of DBS-owned programs, partnerships with accelerators, as well as other start-up programs. They include DBS HotSpot, a three-month pre-accelerator program that focuses on very early-stage start-ups.

PropertyGuru buys Indonesia's RumahDijual

PropertyGuru, a Singapore-based online real estate portal backed by TPG Capital, Square Peg Capital and Emtek Group, has bought Indonesian property listings site RumahDijual for an undisclosed sum. Indonesia is PropertyGuru's second biggest market in terms of web traffic.

Singapore beauty app Vanitee secures \$3.5m

Singapore-based beauty services booking app Vanitee has closed its first round of funding at S\$5 million (\$3.6 million). The round was led by entrepreneur Ivan Lee and Japanese beauty portal @cosme, who together committed S\$3 million. Earlier this year Southeast Asia-focused beauty product distributor Luxasia and angel investor Robert Yap invested S\$2 million.

Size matters

Infrastructure privatizations in Australia are commanding ever higher price tags by virtue of their perceived quality and relative rarity. It is increasingly difficult for smaller investors to compete

“YOU DO HAVE TO SCRATCH YOUR HEAD

and wonder how you could ever get comfortable with a price so high,” says Tim Bryan, a partner at KPMG Australia.

The topic is the A\$10.26 billion (\$7.5 billion) valuation for New South Wales government electricity network operator TransGrid, which was recently sold to a consortium including Hastings Fund Management, Caisse de dépôt et placement du Québec (CDPQ) and the Abu Dhabi Investment Authority (ADIA). But the observation could equally apply to any of the large-scale infrastructure privatization deals completed by various Australian states have pursued over the last half decade.

From the \$3 billion sale of Queensland Motorways to QIC in 2010 to Transgrid, with the likes of Port Botany & Kembla – a \$5.3 billion acquisition in 2013 by IFM, ADIA and AustralianSuper – in between, investors have shown a readiness to write big checks for brownfield assets.

The high prices are welcome news to the sellers, of course. Since 2013, starting with the sale of Port Botany & Kembla by New South Wales, state governments have looked to sell off brownfield assets in order to fund construction of greenfield projects. However, despite the enthusiasm from all parties involved in such transactions, the valuations have left some members of the investment community in danger of being squeezed out.

“A lot of the smaller or mid-tier infrastructure players are now thinking about not participating in those auction processes that really are a cost of capital shootout,” says Bryan. “They’re starting to talk about how to get further up the risk curve in terms of sourcing deals and assets with a little bit more operational risk attached to them.”

With privatized infrastructure assets expected to continue to hit the block, investors with pockets deep enough to afford them and investment strategies to make use of them will continue to take advantage of the opportunities as they come up. Others must find more creative ways to turn the deals to their advantage.

Patchy deal flow

Despite the interest in Australian infrastructure privatizations, the deals have been relatively few

and far between. AVCJ Research reports only nine such transactions in the last 10 years, though the majority occurred in the last five. These data do not include the TransGrid sale.

Valuations have climbed much faster than the rate of deals. The three privatizations before 2010 had a combined valuation less than the smallest two deals since, and those two were the only transactions for less than \$1 billion in that time period. In total the nine privatization deals since 2005 represent over \$14 billion in capital.

The relative rarity of infrastructure deals is the commonly accepted reason for their high price, as infrastructure-focused investors compete to take advantage of assets that are available. As for the rarity itself, that is commonly blamed on the hesitance of governments to pursue

However, there are continuing questions of which investors will be able to take advantage of the opportunities. Infrastructure privatizations tend to feature big ticket players like sovereign wealth funds, superannuation funds and pension funds. Many of them have far more capital than places to deploy it.

“Capital availability has never been a problem here, it’s just that the opportunity to deploy has always been quite patchy and limited,” says Michael Hanna, head of infrastructure for Australia at IFM Investors, which participated in the Port Botany & Kembla deal and the sale of the Port of Brisbane in 2010. “If you’re not willing to develop the opportunities to absorb that capital, that capital is highly mobile, and it will go to where it can find a home.”

“These are substantial funds, and some private investors, both local and offshore. And they know what they are doing when they’re bidding for these assets, they’re paying prices after full due diligence, and the assets are very well prepared”

– Bill Napier

privatizations, due to fear of backlash from voters – as was demonstrated recently in the case of Queensland.

“Probably the major disappointment in 2015 for many infrastructure investors is that none of the Queensland privatizations happened,” says Mark McLean, Australia head for Morgan Stanley Infrastructure Partners. “They didn’t happen because the Queensland government unexpectedly lost the election – partly because the public was not convinced of the benefits from the privatizations.”

Skepticism is an understandable reaction among voters considering the sale of public infrastructure assets, but it does not fix the dilemma that many governments face of having to pay for maintenance of existing assets while raising money to build new ones. The asset recycling programs may represent a way around this political risk by linking one to the other.

Not only resources separate these large players from the mid-tier or low-cap infrastructure-focused funds. A sovereign wealth fund or pension fund does not need to exit after a five year holding period, unlike a private equity firm; this makes these players well-suited to a long-term asset like infrastructure.

Moreover, the size of the larger players actually forces them into a dominant role in many cases, simply because their commitments have to be large in order to ensure healthy returns. “The larger players ultimately need to deploy capital, and it’s very difficult to do that by writing smaller transactions that may be riskier,” says KPMG’s Bryan. “They really need to be playing in these large auction processes with \$10 billion price tags attached in order to deploy capital.”

The thought of continued high valuations raises the prospect of a bubble forming. In some

Largest Australian infrastructure privatization since 2005

Date	Deal size (US\$m)	Investee
Nov-15	7,266.60	TransGrid
Apr-13	5,271.71	Port Botany & Kembla
Nov-10	3,037.61	Queensland Motorways
Nov-10	2,131.28	Port of Brisbane
Oct-12	1,533.47	QR National
Apr-14	811.51	Port of Newcastle
Apr-14	435.43	Midwest Infrastructure - Oakajee Deep Water Port & Rail Network
Dec-08	355.74	Cairns Airport
Dec-07	309.19	Hobart International Airport
Nov-08	138.32	Mackay Airport

Source: AVCJ Research

ways the thought of a potential future correction could be a relief to the smaller investors. However, industry observers believe that a crash is unlikely.

“There’s quite a degree of confidence in that high quality investors are the ones winning these bids,” says Bill Napier, partner at Jones Day. “These are substantial funds, and some private investors, both local and offshore. And they know what they’re doing when they’re bidding for these assets, they’re paying prices after full due diligence, and the assets are well prepared.”

Innovative approaches

Smaller players that want to stay involved may be able to find ways to coexist alongside the giants. One example of this is IFM, which set up an infrastructure fund with no end date. The vehicle, currently in its 20th year, allows a longer-term outlook. This longer tenure has allowed IFM to participate in deals as a partner to the likes of QIC and ADIA.

“Typically we’re not working with a closed-end fund or a listed entity that has a short-term, yield-driven focus, or is looking to exit within a discrete period of time,” says IFM’s Hanna. “We are looking for other investors that are looking to invest for decades, not years.”

Funds could also identify a space to operate in the years following the initial privatization, as well. While infrastructure assets in principle are long-term holdings with little action after the first investment, in practice there are opportunities that do come up.

The Port of Brisbane sale is one example: Three years after purchasing a 26.7% stake alongside the other investors, Global Infrastructure Partners (GIP) sold its 26.7% interest to CDPQ. In another case, QIC sold its entire stake in Queensland Motorways to a group of investors including ADIA in 2014, four years after purchasing the company.

“Even in assets that have been bought by

a consortium of superannuation funds and pension funds, all of whom theoretically have an indefinite time horizon, invariably over the course of five or 10 years after a deal is done, there are shareholdings that are bought and sold. There’s always trading,” says Morgan Stanley’s McLean.

It is not uncommon for an investor that wants an infrastructure asset to hold off on participating in the privatization deal itself. Taking part in an auction is a long and expensive process, with a great deal of effort needed for due diligence; a firm that loses out on the auction can find itself on the hook for millions of dollars in fees with nothing to show for it. Skipping the process can leave the interested party with its funds intact and a clear field on which to plan its eventual takeover offer.

The winning investor can take advantage of this tendency as well. Ross Israel, global head of infrastructure at QIC, notes that some asset buyers incorporate the chance of a post-acquisition offer into their plans for the holding.

“In some cases the buyers have a set timeframe for delivering a business plan, de-risking an asset, getting an uplift in value and then having the discipline to sell, just as a matter of course, or because they are re-weighting portfolios,” Israel says. “They can find buyers because the asset has been de-risked against what they might have perceived as the risk return when the asset was privatized or sold.”

Risk is a factor that may weigh on the minds of investors, particularly those that consider greenfield or less developed brownfield assets. One of the most notorious cases is Sydney’s Cross City Tunnel, a toll road project that was launched as a public-private partnership (PPP) in 2005 with A\$680 million in debt and equity financing.

Traffic volumes on the completed road never came close to meeting the optimistic forecasts made before the construction. This was a problem repeated by several PPP road projects in the early to mid-2000s, and like most of them,

the Cross City Tunnel was never able to pay back its investors, eventually entering voluntary administration in 2013.

“Certainly pre-crisis, there were a large number of greenfield road deals,” says Morgan Stanley’s McLean. “Many bidders put a lot of pressure on their traffic forecasters in order to be competitive in these deals, which was a factor in traffic forecasts on greenfield toll roads being too high.”

The uncertain nature of greenfield investments, which must rely on predictions that can be driven by wishful thinking rather than real data, contrasts sharply with the established nature of established brownfield opportunities, which have a history that investors can judge prior to making a decision. Again, asset-recycling programs are one way through which investors can acquire assets that are perceived as proven and reliable, while letting state governments take the risk of new construction.

No let up

With interest among investors remaining high, several industry watchers believe that further privatizations are virtually guaranteed. States that have seen their own actions succeed are likely to seek more, and those who see others succeed will probably want to get in on the action themselves.

“There are almost always six or seven true indicative bidders for a business that’s being privatized,” says Jones Day’s Napier. “The processes are used to handling six or seven indicative bidders, reducing them to a field to go forward to final bid with the announcement of a winner then.”

Along with expanded offerings by state governments, Australia’s federal government is also a possible source of deals, as the nation’s leadership manages its own class of railway assets. The federal government is already providing financial support to state asset recycling programs, and instituting its own program would allow it to pursue similar goals.

For the small-cap and mid-tier infrastructure investors, meanwhile, the struggle to stay relevant in a world catering to giants will continue. Funds will either need to find a way to adapt their processes to find rewarding opportunities, or cede the arena and seek investments elsewhere.

“I’ve even had a few clients tell me they are thinking about speaking to our private equity guys to see what deals they’re currently sourcing,” says KPMG’s Bryan. “They may start to think about getting up towards that risk profile, because there’s just no point playing in these auction processes that are heavily competitive and require very low cost of capital and returns.”

J-Star sees low-voltage potential

THE DEREGULATION OF JAPAN'S RETAIL

electricity market, thought to be worth JPY7.5 trillion (\$62 billion), has been penciled in for April 2016. Households will be able to choose their preferred supplier based on price and service quality, which is likely to lead to increased competition.

Rakuten, which operates the country's largest online marketplace, has already announced plans to enter the space through an alliance with Marubeni Corporation. The plan is to offer a home energy management system that leverages Rakuten's user base and Marubeni's existing skills in the power sector.

The two companies will focus on low-voltage users, which includes the internet company's tens of thousands of small business customers. Household-targeted services may follow.

This development is of great interest to J-Star, which recently acquired ESCO, an energy savings solutions provider. The company works with small-scale property managers, installing LED lights and electric breakers, as well as providing related installation and inspection services.

While most of its industry peers target large developments and high voltage power, ESCO aims smaller and – in voltage terms – lower.

"Based on our research, we believe ESCO is the only company in Japan focusing on smaller buildings," says Kenta Shima, a manager on J-Star's investment team. "The buildings are small and so individual sale sizes are small as well, which means it is difficult to operate in this area unless you very high efficiency."

ESCO's strong hit rate among the condominium associations that comprise the bulk of its client base is thanks to deep ties within the apartment management companies. The company wins a lot of business through referrals and it pays finder's fees to management companies that make introductions to prospective condominium association customers. It generates annual sales of approximately JPY4 billion (\$32 million), while EBITDA is below JPY4 million.

J-Star was introduced to the company through a bank and spend six months conducting due diligence. It was a succession-planning deal, although the former CEO remains involved, having wanted to professionalize management to support further growth and realize his capital gain from the business.

Household electricity bills in Japan are high by international standards. The issue became more of a concern following the earthquake of 2011, which prompted a nuclear shutdown and pushed prices even higher. J-Star expects people to place greater emphasis on energy-saving, while the regulatory

changes are likely to shake-up the industry.

There are also plans to expand what is already a nationwide platform through M&A. "We believe ESCO can become a core player in this market," Shima added. "Most of the local providers of LED lighting and electronic breakers are very small with only 5-10 employees." ▀



Energy saving: Rising priority

GFS brings Navis meaty returns

AS BRAZILIAN CHILLED FOOD PRODUCER

BRF welcomes its new acquisition Golden Foods Siam (GFS), it may send a thank-you note to Navis Capital Partners.

The Thailand-based cooked chicken producer has been part of Navis' portfolio since 2009, when it was bought from Netherlands-based VION Foods Group. VION had acquired GFS' UK-based parent, Grampian Country Foods Group, the year before. The shifts in ownership had been difficult for GFS' management to handle, and the owners in turn had a hard time prioritizing the needs of a chicken factory half a world away.

"That was something that was very interesting to us, as a theme that we had pursued over the years, where we see a good business that's not necessarily in the core of a big multinational or a big player elsewhere," David Ireland, a partner at Navis, told AVCJ earlier this year.

The GP felt that GFS' management team was capable of growing the business faster than their owners were letting them. Not only did the company have a product that was in demand around the world, the value that it added

through the cooking process meant it would be insulated from sudden changes in demand for raw chicken.

"Pure chicken is just a commodity play, there are lots of ups and downs, which is difficult for a company that wants to hold for five or six years, because you may get a bad cycle," Ireland said. "That emphasis on value-add to a certain extent de-risks the pure commodity risk of chicken."

Upon buying the company Navis set about making long-overdue investments. Just months after the acquisition the GP approved a new cooking factory to serve the Asian market. The new plant doubled GFS' production and allowed it to significantly expand its global reach.

Expansion proved to be one of the themes of Navis' ownership. The firm has been keen to grow the company's geographical customer base, building the sales team in order to make inroads into the Middle East, Korea, Europe and Southeast

Asia. GFS is now present in 15 markets globally.

With Navis' investments, GFS' output has increased from 26,000 metric tons in 2010 to 43,000 metric tons in 2014. This makes it the third-biggest cooked chicken producer in

Thailand. BRF, which sees the chicken producer as an asset to build its global presence, will take on board all of GFS' shares and its assets in Thailand and Europe. For Navis, it means a \$360 million pay day and a 3.4x return.

One of the PE firm's most recent investments in GFS was a new feed mill for its farming

operation to improve the company's vertical integration. Though Navis had begun to look for an exit, it did not hesitate to make the commitment.

"We had great confidence in the management team," Ireland said. "They recommended it, we did the financial analysis, and because of the success of our previous investment, we had the confidence to make it." ▀



Poultry: Big in Thailand

First on the scene

InnoVen Capital, formerly SVB India, is the oldest player in India's nascent venture debt market. CEO Ajay Hattangdi discusses the firm's experiences as a pioneer and Temasek's plans for regional expansion

Q: What were the factors driving your entry in the venture debt market in India?

A: One of the trends that was emerging in 2007 was that VC investors, which were traditionally focused on the US market, were beginning to look at expanding and investing in other markets, including India. There was a study conducted around that time which showed that more than half of all VC investments over the next 10 years would be outside the US. Given that venture debt has accounted for roughly 10-12% of VC investments in more developed markets, the writing on the wall was clear. We followed the opportunity to set up a venture debt business in India.

Q: What was your strategy for building up the India business?

A: From the start our strategy was to set up a non-banking finance company (NBFC), as a first step towards setting up a business in India. Eventually we wanted to expand and become a full-service bank that focused on start-ups and early-stage companies. This is similar to the model that banks like Silicon Valley Bank operate in the US. But at that point a bank license was not available, so the NBFC was an obvious route to start lending.

Q: How did the deal with Temasek and UOB come about?

A: As business picked up momentum we needed more capital to continue funding growth. However, it seemed that a bank license was going to

be increasingly difficult to get given the changing dynamics within the Indian banking sector. Without a clear path to a license, we needed to bring in investors that to provide the capital needed for growing our business. A decision was made in December 2013 to go through a buyout. Around that time, that we were introduced to Temasek and UOB, which had been working on a strategy to build a venture debt business for the Asian market. The growing interest among VC investors in the region coincided with the Singapore government's drive to develop Singapore as a hub for innovation. Similar to the move that defined our India strategy, it was felt that there would be an obvious need for venture debt as the venture capital ecosystem in Asia began to develop. Investing in the business that we had built in India was the perfect opportunity to get a running start.

Q: What is UOB and Temasek's plan for the firm?

A: The strategy of the investors is to leverage the know-how and experience of the team in expanding the venture debt proposition to other markets in Asia under the InnoVen brand. This will be the first pan-Asian business of its kind. InnoVen is already established as the oldest and most active venture debt provider in India. The team is now looking to establish a presence in other markets in Asia. Operations in Singapore have just begun with Southeast Asia as the most immediate opportunity. Other large markets like China will also be considered in 2016 and beyond.



“Unless you get to a certain scale as a company, the route to borrowing from the banks is still limited. Even large companies, at \$50-\$100 million in revenue, are potential opportunities for venture debt, whereas in most other markets some alternative form of capital would be provided”

(AIF). As opposed to an AIF, an NBFC also confers more flexibility in the manner in which loans are made and creditor rights exercised. Finally, the regulatory and compliance framework applicable to NBFCs promotes a higher level of governance and prudential behavior, which is obviously comforting for investors.

Q: How is your firm set up to handle the unique characteristics of the Indian venture market?

A: The investing canvas is much wider in India. VCs are investing across the spectrum, whether it's logistics, fast food, e-commerce or healthcare. As debt providers, we have to get comfortable with lending to models across all industries. This is where the knowledge and experience of the team is an advantage. It stems from the understanding that Indian companies tend to have varied bases of value creation. Factors such as first-mover advantage, having a strong distribution network, building a unique process, or developing a recognizable brand confer relatively important competitive advantages in a disaggregated and geographically diverse market like India. The team grasps those dynamics and modifies the framework within which loans are evaluated, structured and monitored. In essence, the lending proposition takes advantage of the wide canvas of opportunities that India offers. The other thing about India is that we have to get comfortable lending to companies across sizes and stages of the life cycle. Because here, unless you get to

a certain scale as a company, borrowing from the banks is still limited. Even large companies, with \$50-\$100 million in revenue, are potential opportunities for venture debt, whereas in most other markets some alternative form of capital would be provided.

Q: How do you protect yourselves from exposure to bad situations?

A: Our adage is that you cannot avoid risk; you can only mitigate and manage it. Other than a tight diligence process, we have set norms for ourselves in terms of industry exposure and the size of loans that we do, to make sure that we're not overexposed to any one segment. Our relationships with VC investors built on mutual trust enables direct and honest feedback on deals which is another critical component of the risk mitigation strategy. At times they will tell us, "This might be a

good deal for me, as an equity investor, because I'm paid to take these risks, but companies in this segment are going to go through a lot of pain, so you

“You have to be very honest about the kinds of deals you’re looking at and the kind of assessments you make. Venture debt doesn’t give you the license to abrogate your responsibility to diligence a deal”

need to think about whether this is the best place for you to be as a lender today.”

Q: InnoVen was the first venture debt lender in India. What sort of challenges have there been introducing the model to this market?

A: When you are the first one to provide anything new, you have

to spend a lot of time educating the market about the product and how it works. It's harder to do it as the only one around, rather than if you're one of five

or six doing it. I think that we have done a lot of the heavy lifting over the last several years. That evangelizing effort has begun to pay dividends now. Our business has started picking up momentum not just as the venture capital industry grows but also as Investors have begun to have a much deeper appreciation of what venture

debt can do for their companies.

Q: What is the most important element of doing venture debt?

A: I think the real secret of this business is not thinking about the upside potential in deals, but focusing instead on conducting due diligence as a lender does with both eyes on downside protection. It's very easy to look at a company that's raised a \$50 million round of capital and think that it's too big to fail. A lot of times what's happening is that the larger rounds of equity are not supporting a larger cash runway, and are still providing companies that same 10 or 12 months of cash that a much smaller round did two years back. You have to be very honest about the kinds of deals you're looking at and the kind of assessments you make. Venture debt doesn't give you the license to abrogate your responsibility to diligence a deal. ▀

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Private Equity Forum

2016



More than 550 persons attended APEF 2015, of which more than half were partners and C-suite executives. APEF 2016 should attract even more participants, with speakers representing limited partners **Alpinvest, Asia Alternatives, Church Pension, HQ Capital, HarbourVest, Manulife Asset Management, Partners Group, Ontario Teachers' Pension Plan, Pantheon and Temasek**, general partners such as **Advantage Partners, Bain Capital, the Carlyle Group, Hony Capital, KKR, L Capital, PAG Asia** and **SSG**, and advisors including **Cambridge Associates, Capital Dynamics, First Bridge Strategy, Hamilton Lane, Portfolio Advisors** and **StepStone**.

The Asia Private Equity Forum is organized annually by the Hong Kong Venture Capital & Private Equity Association, Asia's oldest and largest private equity industry association. APEF 2016 forms part of the Hong Kong Government's international financial week, which includes the Asian Financial Forum to be held on 18 and 19 January at the same venue.

For regular updates on APEF 2016's agenda, please follow us on our APEF website at apef.hkvca.com.hk. Alternatively, contact the HKVCA by email at apef@hkvca.com.hk."

Opening Keynote



Dr. Fred Hu
Chairman & CEO
Primavera Capital Group

Luncheon Keynote



Daniel Mintz
Founding Managing Director
Olympus Capital Asia

Closing Keynote



Charles Ong
Co-Chairman and Co-CEO
RRJ Group

Barry Lau
Managing Partner &
Chief Investment Officer
(Private Credit)
Adamas Asset Management

Robert Appleby
Co-Founder & Chief
Investment Officer and
Chairman of Investment
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Taisuke Sasanuma
Representative Partner
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Michael M. Camacho
Principal
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Han Kim
Managing Director and
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Jonathan Hulbert
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Rebecca Xu
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Asia Alternatives Management

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The 15th AVCJ Awards

AS THE INDUSTRY'S PREMIER INFORMATION SOURCE, THE ASIAN

Venture Capital Journal tasks itself with highlighting the firms, professionals, investments, exits and fundraises that are a cut above the rest. We do this on a weekly basis in print and on an annual basis through our the AVCJ Private Equity & Venture Capital Awards.

The awards are a showcase for first-class innovation, ingenuity and performance. They are also unique in how they are distributed – relying primarily on nominations and votes cast by Asia's private equity and venture capital community, but with contributions from a select panel of industry judges as well as the AVCJ Editorial Board.

Following a significant change in format last year, the 15th iteration of the awards featured just one new prize. The venture capital deal of the year category was split in two: early stage technology and late stage technology (for companies with enterprise valuations above \$500 million). This is intended to acknowledge the proliferation of sizeable transactions in the technology space that would more accurately be described as growth capital than venture capital.

The nomination and voting process was unchanged. Nominations opened in late August and names were put forward on behalf of third parties and well as directly. Individual firms were restricted to one submission per category. All submissions had to relate to fundraising, investment and exit activity over the 12-month period ended September 18, 2015.

The entries were evaluated by the AVCJ Editorial Board and a long list was created. The judges assessed the AVCJ Editorial Board's long list and had the opportunity – if they wished – to review the original submission papers and propose alternative categories. Their collective recommendations formed the basis of the final shortlists drawn up for each category.

Voting began on October 6 and ran until October 22. The entire private equity and venture capital community was able to participate in the vote, although they were asked to register – providing name, firm and contact details – so as to avoid vote packing. As in previous years, no more than 10 votes were accepted from the employees of a single firm.

The results were collated, assessed and final recommendations put forward. The PE and VC community had a 50% say in the outcome, with the judges and the AVCJ Editorial Board each accounting for 25%.

This assessment process did not apply in two categories. The Operational Value-Add Award recognizes private equity-driven value creation in an Asia-based business. It is presented at the discretion of the AVCJ Editorial Board with substantial input from a separate judging panel comprising industry professionals who work on the operations side. Given the nature of the category, we were only able to consider submissions accompanied by supporting documentation.

Similarly, the AVCJ Special Achievement Award is presented at the discretion of the AVCJ Editorial Board, although suggestions from the PE and VC community were considered. It recognizes an individual who has distinguished himself or herself in facilitating the growth of the private equity and venture capital industry in Asia.

As in previous years, we are indebted to our expert judges, who made time to participate in the process. For 2015, they included representatives from:

- Adams Street Partners
- Allianz Capital Partners
- AlInvest Partners
- Asia Alternatives
- Hamilton Lane
- HarbourVest Partners
- HQ Capital
- LGT Capital Partners
- Morgan Stanley Alternative Investment Partners
- Pantheon
- Portfolio Advisors
- StepStone

The judging panel for the Operational Value Add Award included:

- AlixPartners
- Alvarez & Marsal
- Cinven
- KPMG
- PwC

The winners were announced at an invitation-only gala dinner in Hong Kong on November 2, preceding the AVCJ Forum. Many congratulations to those who took home the prizes and many thanks to everyone who participated.

We will persevere in our efforts to make the AVCJ Awards relevant, appealing and reflective of the work being done throughout the asset class in Asia. With this in mind, any feedback is much appreciated.

Tim Burroughs
Managing Editor
Asian Venture Capital Journal

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“This is the second time we’ve won this award and we really appreciate it this year because we’ve done the most deals we’ve ever done, the most exits. It has been a really active year for us across Japan, China, India and Australia”

– Jim Hildebrandt, Bain Capital

“What we tell a lot of our companies is that if you want to grow your business you have to try and grow the market - if the market grows, everyone grows. It is nice to see how the whole market is growing and I think the industry is poised for even further growth with the professionalism and all the service providers now supporting the industry”

– Jean Eric Salata, Baring Private Equity Asia





Roll of Honor

Fundraising of the Year - Venture Capital: Banyan Partners Fund II (Banyan Capital)

Fundraising of the Year - Mid Cap: Ascendent Capital Partners II (Ascendent Capital Partners)

Fundraising of the Year - Large Cap: Baring Asia Private Equity Fund VI (Baring Private Equity Asia)

Deal of the Year - Early Stage Technology: Ninebot (Sequoia Capital/Shunwei Capital Partners/WestSummit Capital/Xiaomi)

Deal of the Year - Late Stage Technology: Didi Kuaidi (Alibaba Group/Capital International/China Investment Corp/Coatue Management/Ping An Ventures/Temasek Holdings/Tencent Holdings)

Deal of the Year - Mid Cap: SBI Life Living Corp (Advantage Partners)

Deal of the Year - Large Cap: Halle Visteon Climate Control Corp (Hahn & Company)

Exit of the Year - IPO: Hong Kong Broadband (CVC Capital Partners/Alpinvest Partners/GIC Private)

Exit of the Year - Mid Cap: Bushu Pharmaceuticals (Tokio Marine Capital)

Exit of the Year - Large Cap: Spotless Group (Pacific Equity Partners)

VC Professional of the Year: Neil Shen (Sequoia Capital)

PE Professional of the Year: Jean Eric Salata (Baring Private Equity Asia)

Operational Value Add: ECO Industrial Environmental Engineering (Navis Capital Partners)

Firm of the Year: Bain Capital

AVCJ Special Achievement: Ta-Lin Hsu (H&Q Asia Pacific)

“Innovation has the power to change the world, change behavior. [Chinese Premier] Li Keqiang said he wants to see all Chinese to become entrepreneurs. The funding of these enterprises will become very important for the future and it will make the world do better”

– Ta-Lin Hsu, H&Q Asia Pacific



“Making money in private equity is not easy. Making money in Navis without leverage in Southeast Asia is tougher still and it takes hard work and shoe leather and a lot of guts,” Muse said. “ECO Industrial Environmental Engineering was a 12-round bout, if you think of a boxing match, and it could have gone either way. It was sheer constitution and hard work that ended in the very positive outcome you see now”

– Rodney Muse, Navis Capital Partners

The local network

FIRM OF THE YEAR Bain Capital enjoyed its most active year in Asia as positive experiences from previous deals and proactive engagement with entrepreneurs helped deliver a string of new investments

BAIN CAPITAL'S DIALOGUE WITH HIROSHI

Hashimoto began four years ago. He had created one of Japan's largest traditional inn and hot spring chains, accumulating establishments as the 1980s boom turned to 1990s stagnation, prompting a string of sell-offs. With 29 spas and resorts nationwide, Oedo-onsen was an example of consolidation and professionalization. It was also essentially a sideline to Hashimoto's circuit board manufacturing interest.

"The business had gotten to the scale where he thought he couldn't really run it himself and he wanted to transition to a long-term owner and get some liquidity for his family," says David Gross-Loh, a Japan-based managing director with Bain.

The private equity firm was introduced to Hashimoto by a mutual acquaintance who recognized the potential match. This led to years of discussions as Hashimoto repeatedly weighed the possibilities, reluctant to let go of a business that had seen a 30% increase in sales growth since 2007 and was generating JPY35 billion (\$284 million) in revenue. Finally, in March of this year, a deal worth JPY50 billion, including debt, was agreed.

Bain sees opportunities for further consolidation within the industry, having identified hundreds of individual properties that might be available. It also wants to attract more international visitors. To Gross-Loh, the deal also stands as testament to the effort made cultivating local relationships.

"It's a cumulative effort – you meet lots of companies, you build relationships, it takes time," he says. "I feel in the last several years we have hit our stride and we are seeing the fruits of that investment. It has helped our deal flow and we are finding attractive opportunities. In 2015, we've had a number of proprietary deal successes across Asia that came from relationships we built several years ago."

Incremental approach

Bain's history in Asia has been characterized by measured expansion. The first pan-regional fund, which closed in 2007 at \$1 billion, focused on just China and Japan. Four years later, Fund II came in at \$2.3 billion, with Australia and India added to the mix. The geographic remit has expanded once again for Fund III as Southeast Asia and

South Korea were included in a vehicle that is said to have a target of \$2.5 billion and a hard cap of \$3 billion.

At the same time, the private equity firm has taken steps to develop a more proactive deal-sourcing template for the region. "If you look at some of our markets, they are highly intermediated and deals tended to be auction-centric. It's not easy to get great deals in highly competitive situations," says Amit Chandra, an India-based managing director with the firm. "Finding a way to move away from that as much as possible was a strategic imperative."

This template is tailored to fit the realities of

but the founder retained significant equity ownership and influence, and the banks were uncomfortable with the governance situation. Bain bought the company, took out the existing creditors and brought in new banks to provide financing.

It is an open question as to whether, as recently as five years ago, the banks would have pushed as hard as they did. There is equal uncertainty as to whether private equity would have been acceptable to the various stakeholders as a form of replacement capital.

"Historically, they might have tried to bring in a friendly company or another group company, but those buyers are fraught with difficulty because they are slow-moving, they don't know if they can run the company, and there are often cultural differences," says Gross-Loh. "Private equity becomes a logical solution – we move fast, we are independent, we are friendly to the banks, and there is more certainty. That is an option now that didn't exist or wasn't given as much consideration five years ago."

Bain had already been looking at potential acquisitions in the fresh produce space and had spoken to several of Yukiguni Maitake's competitors, so when this opportunity presented itself there was sufficient domain knowledge in place. But the key factor in this and other transactions,

is how the opportunity was presented:

introductions by respected third parties who know of Bain's track record in the market.

Oedo-onsen is perhaps the most vivid example of track record triggering deal flow. The aforementioned mutual acquaintance thought Bain would be a good fit for Hashimoto's company because of the work it had done on casual dining chain Skylark. While the business models differ, there are similarities in terms of the kind of professionalization of management required, and Gross-Loh says this resonated with Hashimoto.

When Bain acquired Skylark for JPY160 billion in 2011, the company was going through one of the rougher patches of its 40-year history. It had been bought by its previous private equity owner during the boom market of 2006 and failed to live up to the ambitious numbers. Bain helped turnaround the business and has since realized



Rupert Chamberlain of KPMG (left) presents the Firm of the Year award to Bain Capital's Jim Hildebrandt

different geographies and Chandra describes Japan as the market in which Bain has moved furthest. "Most situations are proprietary and we have known the sellers for a long period of time and often we are the only people talking to them," he explains.

Oedo-onsen is one of three Japan deals completed in 2015. Bain also acquired Japan Wind Development for JPY9.7 billion and paid around JPY9.5 billion for Yukiguni Maitake, a mushroom producer. Both were tender offers for publicly-listed companies, relationships and business needs were a greater consideration than method of acquisition.

In the case of Yukiguni Maitake, it had run into trouble after rolling out a somewhat experimental production technology that failed to deliver and ended up eating into the company's profit. A new CEO was brought in

around JPY140 billion through an IPO in October 2014 and a supplementary share sale earlier this year. It still holds a substantial minority stake.

“Skylark has been a really important case study that people can’t ignore. It was a very large transaction and there were doubters, but we took a different engagement approach with management and it checked all the boxes in terms of being a successful transformation of a well-known branded business,” says Gross-Loh. “In many ways Skylark was typical of a lot of Japanese businesses – innovative and well-positioned, but inefficiently run and not focused enough on operational excellence.”

Certainly, the Bain playbook for Skylark is similar to those used before and since. First, the management team was bolstered with the appointment of several key foreign executives. Then standards and tracking metrics were introduced so the company could establish where it was making money, benchmark its cost structures against industry peers, and identify ways to improve margins.

With Skylark, particular attention was paid to customer service in order to address issues such as waiting times and consistency in the quality of food preparation across the outlets. Table arrangements were reconfigured, productivity went up, wait times went down, and the company reported improved customer satisfaction scores and seeing steady same store sales (SSS) growth for the first time in several years. Then Bain embarked on the third leg of its strategy: expansion.

Show your value

The notion of a strong case study creating new investment opportunities is not unique to Japan. Chandra notes that Indian entrepreneurs increasingly ask private equity firms to provide evidence of the operational improvements they claim to be able to make. This not only involves supplying case study materials, but also making executives from current and former portfolio companies available to the entrepreneurs for questioning.

“If you look at some of our markets, they are highly intermediated and deals tend to be auction-centric. It’s not easy to get great deals in highly competitive situations”

– Amit Chandra

“It is not ‘I’m a large global investor with money to invest in India,’” Chandra says. “The conversation is about their industry, how we can help with their supply chain issues, how we can bring working capital down, how we can improve their strategic effectiveness in particular markets. Then they say, ‘Connect me to someone who can give an example of how you did this; and you facilitate those conversations.’”

As a result, negotiations can focus less on price and more on what the target company wants from an investor. “We have to figure out what their sensitivities are and we then look for a deal that addresses their needs and our needs,” says Jonathan Zhu, a managing director with Bain in China. “Their needs would include price, deal certainty, and if they remain a shareholder, ability to grow the business. We need to be able to buy into a business at a reasonable valuation so we can achieve a good return.”

This dynamic does not remove the necessity of auctions in the likes of India, China and Australia – some markets are just highly intermediated by nature – although proactive deal-sourcing can either preempt a process or swing the odds in Bain’s favor.

Chandra condenses the five-year evolution of the firm’s India sourcing strategy into three deals. The first was Genpact, a business processing outsourcing company in which Bain acquired a 30% stake for around \$1 billion in 2012. The firm researched the industry and Genpact was consistently identified as best in class, leading to informal talks with management and the owners, General Atlantic and Oak Hill Capital. When those two PE investors decided to exit part of their stake they wanted a simple process and so reached out to just two parties. Bain was one of them.

This deal was followed in 2013 by the acquisition of The Blackstone Group’s stake in Emcure Pharmaceuticals. Bain registered its interest very early on and when the company pulled back from a domestic IPO in order to stay under private ownership for longer, it was the only interested party to engage in serious negotiations.

L&T Finance Holdings, a unit of engineering conglomerate Larsen & Toubro, followed a similar path: Bain spent several years cultivating a relationship with the owner, negotiated a \$199 million investment on a proprietary basis, and was therefore well ahead of the pack when other groups expressed an interest. While not the only party involved in these processes, engagement was bilateral or within a limited auction.

“There are still people who prefer wide auctions but increasingly we see a preference for particular capability sets,” says Chandra. “There was a time, around 2007-2008, when capital was looked at as a complete commodity. But some people have realized that private capital has its

“In many ways Skylark was typical of a lot of Japanese businesses – innovative and well-positioned, but inefficiently run and not focused enough on operational excellence”

– David Gross-Loh

value in the characteristics of who provides it, and there are some investors who are better suited to you from cultural and capability reasons.”

Top-down, bottom-up

These deal-sourcing efforts are underpinned by five industry verticals that Bain explores globally and for which it has dedicated teams. In China and Japan – still the Asian markets where the firm’s bench is deepest, with around 25 people apiece – there are country teams covering consumer-retail, healthcare, industrials, financial and business services, and technology, media and telecom. The Japan team includes four senior executives who only assist with deal-sourcing.

Nevertheless, the nature of the opportunities that emerge from broad local networks is difficult to predict. As Bain’s experiences in China suggest, the traditional top-down approach of sector teams is best deployed in tandem with bottom-up work by investment professionals on the ground.

For example, the firm had been looking at leasing businesses and was therefore aware of Lionbridge, which spun out from a local industrial equipment manufacturer, a Bain executive heard through a former university classmate that the Lionbridge’s new sponsor was looking to divest. This opened the door to a proprietary deal that closed last October. Meanwhile, Rise Education started out as a potential growth deal in 2012 before a disagreement between the founders turned it into a control investment one year later.

As for VXI, a call center operator that serves multinational and Chinese clients, Zhu has known one of the founders for more than 20 years – but it wasn’t until relatively recently that he considered to be a business that Bain would invest in.

“In 2011, I could see it scaling and thought it might become interesting, and in 2012 VXI had grown to a size suitable for Bain Capital and the founder wanted to bring us in,” he says. “They never considered any other investor.”

Scaling up

FUNDRAISING OF THE YEAR – LARGE CAP & PE PROFESSIONAL OF THE YEAR Jean Eric Salata, CEO and founding partner of Baring Private Equity Asia, on why fund and deal sizes are getting bigger

Q: Why do pan-regional funds appear to be getting bigger in Asia?

A: The asset class in Asia is growing and the investor base is still under-allocated to the region relative to other parts of the developed private equity world. The amount of capital being raised in this part of the world is therefore likely to grow over time, but activity is becoming more concentrated. A handful of large funds are raising larger pools of capital than they did for their predecessor funds, and there is a more mixed fundraising result for everyone else. Those funds are getting larger because there is a desire among LPs to support institutionalized firms that have more depth and a long track record, where they feel they can have a meaningful relationship with the fund manager.

Q: Are we reaching a point where fund sizes top out?

A: I don't think we are anywhere close to seeing where fund sizes top out, but the ability to increase fund size is a function of how well you are managing your current fund and the reasons for raising a larger fund. There are many examples of funds in the US and Europe that are north of \$10 billion or \$15 billion and they tend to be (by definition since they are attracting a large number of LP commitments) strong performers. I haven't seen any data that suggests top quartile funds are consistently smaller funds. On the contrary, my sense is that the larger funds have delivered more consistent performance across multiple vintages. If your objective is to pick the single top-performing fund in a market, it is more likely to be a small fund not a big fund – that is the law of large numbers. But it is not easy to identify those in advance. If your objective is to have high levels of certainty of achieving an above average outcome on your commitment, the chances of getting it right are higher with larger, more institutional firms than newer funds that tend to be less proven and a bit more driven by investment trends.

Q: To what extent are you seeing opportunities to write larger checks?

A: We are seeing plenty of opportunities to invest in companies with an enterprise value of \$500 million to \$1 billion where we are deploying \$200-500 million in equity. The market has really developed in that deal size

category. And while it is competitive, there are maybe five or 10 funds in that space, not 100. We had demand for \$6 billion in commitments in our last fund raise but capped the fund at \$3.85 billion of outside money plus another \$140 million of our own. Looking at the deal flow today and where



KPMG's Kenneth Pang (left) and Jean Eric Salata

we are with our pipeline and commitments, I wish we had raised a little bit more money. We could already have been more than 50% invested within 12 months of closing the fund, but that is not a smart thing to do because we need vintage diversification. So we are managing our investment pace, syndicating more equity to co-investors, and turning deals down that we otherwise might have done.

Q: How do you correlate the smaller fund sizes and different strategies on which track records are based with what firms want to do today?

A: In Asia particularly, the industry is a lot more dynamic than developed markets. What worked 10 years ago is not necessarily the strategy that is going to be successful today, nor is it the strategy that is going to be successful 10 years from now. Look at growth versus buyout investing. Buyouts were in their infancy in Asia 10 years ago but they have since become more mainstream. Meanwhile, there was a tremendous need for growth capital in the formative phase of many Chinese companies, but that opportunity is different today because companies are bigger, markets are more mature, and there are more sources of capital. There is a

demand for different kinds of solutions related to generational change in businesses or consolidation pressure companies are facing as a result of slowing growth. In the past were operating with one hand tied behind our back because we didn't have control and we didn't have financial leverage, so all the return had to come from growth in the business rather than margin improvement or some sort of operational efficiencies. Now the drivers of the return profile are more diversified.

Q: From Nord Anglia Education in 2008 to Vistra Group this year, Baring Asia's deals are also more global than before...

A: There are firms we compete against that are already global and we want to make sure we have the perspective and capabilities to address that. I think you can still be specialized in Asia and invest in global companies, although at the same time there is a danger of overextending a strategy of cross-border or globalization and doing things that are outside of your core competencies. Vistra is a good example of a company that is very global but based in Hong Kong. These kinds of deals relate to the question of fund size as well because these targets tend to be larger, more established companies. They require a larger equity check underwriting and they are also much more complex in terms of financing, due diligence and post-deal integration. Could we have done Nord Anglia or Vistra in Fund III? Absolutely not. We wouldn't have had the money nor the capabilities.

Q: Vistra is also an example of one of several secondary deals you have done. Why are they becoming more prevalent?

A: That is a very natural progression of the private equity industry. It's the majority of the market in Europe and it's proven to be a very successful strategy generally.

Q: And then two secondary deals in India – Hexaware and CMS Info Systems – were buyouts of businesses in which the existing investors had minority stakes...

A: In India there hasn't been a lot of liquidity for private equity investments and longer-than-expected holding periods. The public markets aren't necessarily providing liquidity and there isn't a huge amount of trade sale activity. In some cases, there is a generational change

“Looking at the deal flow today and where we are with our pipeline and commitments, I wish we had raised a little bit more money”

issue as well as a cyclical issue, and we are starting to see family members or founders being convinced by their PE investors to sell control of their businesses. That is what happened with Hexaware Technologies – we bought 75% from the founder and from two other PE funds that had small stakes, and a bit from the public markets as well.

Q: Is this happening in other markets as well?

A: Yes. It's not news that emerging Asia has been underperforming; public markets have been choppy and sentiment has been pretty negative. Money has been going to the US, where the stock market is close to an all-time high, while Asia is trading at close to a single-

digit earnings multiple. The normal paths to liquidity have not been that straightforward. There are some exceptions – there have been some good trade sales and IPOs – but there are a lot more cases of investments that are orphaned or have been held longer than intended. We see opportunities to step in and buy these businesses at reasonable valuations.

Q: Internet businesses are absent from your portfolio at a time when many other PE firms are looking at the space. Why is this?

A: My view is there is a serious bubble in the sector and the vast majority of investments are not going to work out. It's a sector that has attracted a lot of capital, and it is transforming the way business is done, but it's not clear to me that this is creating a lot of value for the investors or companies operating those businesses. The biggest beneficiaries are consumers who get access to goods and services at lower prices because investors are subsidizing uneconomic price levels.

Q: What are you seeing in terms of LP interest in co-investment?

A: Investors are certainly focused on getting more co-investment opportunities. I view that as a positive. It means people have a higher conviction about investing in Asia; they no

longer view the region as so risky that they will put money into a diversified fund but never directly into a deal. We had about \$500 million in co-investment alongside Fund V and I would expect it to be similar in the current fund if not greater. That is very much in line with our approach. We want to do deals with more predictable outcomes, higher entry barriers, stable cash flow profiles, and control. We want to be active owners and have more control over the outcome – by setting and executing a strategy – rather than relying on external factors like market growth.

Q: What other factors are important to this approach?

A: You need scale to have operational capabilities, to look at different markets with in-country teams, to have dedicated people in certain sectors and for certain types of transactions. And you need some scale at the fund level to build this internal scale – these things feed off each other. If you are a \$500 million fund you can't operate the way we do today, with 130 people, including a 10-person operating team. You might only have 10 people on your investment team. There are limitations both ways and I think it's a healthy debate about what the right fund size should be at any given point in a cycle. ▀

Expansion on two wheels

DEAL OF THE YEAR – EARLY STAGE TECHNOLOGY China-based electric scooter manufacturer Ninebot made an aggressive move into the US with the purchase of Segway. VCs were happy to support the deal

NINEBOT, WHICH STARTED OUT AS AN online crowdfunding project in 2012, is known for manufacturing two-wheeled, self-balancing personal transport vehicles for one person. The concept and design inevitably invited comparisons with US-based counterpart Segway. These comparisons were previously a source of tension between the companies. Last September, Dean Kamen, Segway's founder, filed a trade complaint with the US authorities against Ninebot. According to the complaint, Ninebot and other Chinese companies had infringed Segway's patents.

Segway has been in business for 15 years and has accumulated a weighty portfolio of more than 400 patents. While the complaint has yet come to any official conclusion, earlier this year, Ninebot announced it had bought its US rival, supported by \$80 million in Series A funding. Sequoia Capital, Shunwei Capital Partners and WestSummit Capital all participated in the round, alongside Chinese smart phone maker Xiaomi.

Xiaomi and Shunwei have been pursuing investment opportunities in the internet-of-things (IoT) space. Xiaomi specifically was drawn to the work that Ninebot had already put into making its vehicles internet-capable; it hoped to add the electric vehicles to its own Xiaomi smart device ecosystem.

“We invested in Ninebot last year and this year we re-upped because the company needed money to do that acquisition, which we thought was a great idea,” says Neil Shen, founding and managing partner of Sequoia China.

Ninebot acquired all of Segway's assets and Segway became a wholly-owned subsidiary of Ninebot, although two brands remain separate. Raymond Yang, managing partner at WestSummit, previously told AVCJ that Ninebot's purchase could help Segway, as high prices and lack of innovation have seen the company lose out to other emerging players.

Prior to the acquisition, Ninebot was already distributing products in 60 countries. The

company now has at its disposal Segway's 250 distribution channels in 80 countries. The two brands could be sold side-by-side or Ninebot might choose to re-brand its own vehicles under the Segway name.

Lufeng Gao, Ninebot's founder and CEO, sees huge potential in the short-distance transportation market globally. He tips this segment, as well as the mobile robotics platform industry, to see substantial growth over the next 10 years. As such, the start-up will continue to expand its product portfolio. It will apply a series of technologies, including electric driving, mobile internet, and human-computer interaction, in developing the future of transportation.

“With acquisitions like that you probably need to be opportunistic. But I do see some interesting IoT companies from China, such as Huawei Technology, which is part of Xiaomi ecosystem, and DJI. These are different from O2O companies in that they tend to enter the international market more aggressively,” says Shen. ▀



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Tree of life

FUNDRAISING OF THE YEAR - VENTURE CAPITAL Set up in 2013, Banyan Capital got busy quickly in China's early-stage space and is now managing its second US dollar fund, which closed at \$362 million

BANYAN CAPITAL'S FUNDRAISING HAS been concentrated and seamless. The GP, which spun out from IDG Capital Partners in 2013, closed its debut fund at \$206 million in early 2014, raised a \$362 million second vehicle 12 months later, and then three months after that raised \$100 million for follow-on investments in Fund I portfolio companies.

Within two years of coming into existence, the VC firm has three US dollar-denominated funds and two RMB funds, with around \$700 million and RMB1 billion (\$156 million) in assets under management.

"When we set up the firm, we didn't think it could actually grow to the scale it has today," says Xiang Gao, co-founder of Banyan. "There are a number of factors responsible for this result."

Perhaps the most important is the investment environment in 2013. Domestic and foreign investors were worried about China's internet industry; the prevailing view was that innovation had reached a bottleneck there would be few new technologies for VCs to look at.

"We viewed it differently, we thought the real internet age had just started," Gao explains. "Prior to that, the development of internet was only on the infrastructure side. Over the next 5-10 years, starting from 2013, we expected internet technology to penetrate even further into every industry. When we made presentations to LPs, there was an important slide that said, 'The internet will ultimately change everything.' That was and is our belief and we have expended a lot of effort based on this."

What's in a name?

Banyan was founded by Gao, Zhen Zhang and Bin Yue who focused on technology, media and telecom (TMT) investments for IDG. Zhang and Gao, who were both partners at the firm, have been working together for about 10 years. Yue also previously worked at advisory firm China Renaissance Capital.

The three founders first came up with a Chinese name for the firm – "Guao Rong," a kind of fig tree with large spreading evergreen crown intended to represent the widespread entrepreneur and LP network built by the firm. As for the logo, the founders used the first letters of each of their given names – X, Y and Z – and arranged them as if the branches of a tree.

"Our firm started with only three partners

but we now have a team of 26 people," Gao says. "Zhang is based in Beijing and I'm in Guangzhou, but we communicate very well on project decisions even though we are in different cities. That is only possible because we already had a close working relationship."

Although Banyan was a first-time fund in 2013, its principals were not first-time managers. They had witnessed the growth of the Chinese internet over a period of 10 years, building up a



Anthony Wu, CFO of Banyan Capital, addresses the audience

track record in the process, and this helped LPs get comfortable with the team. They were also reassured by Banyan's ties to local entrepreneurs.

"In the past, you might have been successful without any supports from entrepreneurs. In today's competitive environment, that doesn't work," Gao explains. "We invited many Chinese entrepreneurs and executives to become our LPs – we have executives from at least 20 listed internet companies in our funds. They not only provide capital but also refer good deals to us."

The launch of Banyan's second US dollar-denominated fund came sooner than expected. The firm originally had Fund II penciled in for the second quarter of 2015. This plan changed when sit-downs with a handful of international LPs – in Asia for annual general meetings of other GPs – crystallized into prospective commitments.

In response to this interest, the team decided to begin fundraising in the fourth quarter of 2014. Banyan Partners Fund II was substantially oversubscribed with demand reaching \$500 million. The fund also saw a transition from an LP base dominated by high net worth individuals (HNWIs) to one featuring institutional investors.

"Over the last two years, we have seen many

new faces in China's venture capital industry. However, we were the first to team to spin out from a reputable traditional venture fund and that meant we got a lot of attention from investors," Gao adds.

Early-stage priority

Banyan typically focuses on early and growth-stage TMT investments. While Series A rounds remain the primary focus of Fund II, the firm

plans on participating in more Series B investments. Vertical e-commerce platforms, mobile internet, intelligent hardware, and online-to-offline (O2O) businesses are priority targets. If specific companies have strong growth prospects, the GP will also consider joining Series C or D round as well, although this will be a minority focus.

The primary reason for raising a fund solely for follow-on investments was that capital was being deployed from the main fund – including the reserve set aside for subsequent rounds – faster than expected.

"What we found in 2014 was that it might be the best time in 10 years for VCs to invest in high-quality companies," says Gao. "Since the second half of 2013, a wave of Chinese companies had gone IPOs. The overall market for technology firms had picked up and this is inspiring more entrepreneurs to start their own business."

"What we found in 2014 was that it might be the best time in 10 years for VCs to invest in high-quality companies," says Gao. "Since 2013, a wave of Chinese companies have gone public and the overall market for technology firms has picked up. This is inspiring more entrepreneurs to start their own businesses. We were excited about this opportunity and we deployed our debut fund quickly and didn't have enough left to support our existing portfolio companies."

However, he adds that the annex fund should not be seen as part of a strategic shift from early to late-stage investments. The team's biggest strength remains identifying promising ideas and entrepreneurs before everyone else.

Furthermore, the overexcitement in this space appears to be easing off. "The market is always up and down, that's happened over the last 10 years," Gao says. "We have nothing to fear from the market cooling. In fact, we think it's a good time to nurture new innovative ideas." ▀

End of the cab war?

DEAL OF THE YEAR – LATE STAGE TECHNOLOGY Having raised \$3 billion in the largest-ever private funding round for a start-up, newly-merged Didi Kuaidi is looking to put past rivalries behind it

FOR ENTREPRENEURS WHO WANT TO

address China's mass market, the key is coming up with ideas that are closely aligned to basic human needs: clothing, food, shelter and transportation. Back in 2012, Joe Lee, chief strategy officer and co-founder of Kuaidi Dache, opted for transportation.

"I've been living in China for more than 10 years and transportation has always been an issue. There are two pain points in the system: traffic jams and difficulties getting a cab," he recalls. "I looked at all the transportation-related mobile apps overseas but didn't find anything that was applicable to China. Unlike Western markets, where taking a taxi is premium transportation, cabs in China are very cheap. So I twisted the business model to fit into the local market."

Coming out of the internet industry, Lee and his partners had little idea how to persuade drivers to install their taxi-booking app. They ended up identifying three types of location – airports, low price restaurants and public washrooms – where they could stop drivers and promote the app. A driver waiting for an airport fare might seem an easy target, but the Kuaidi team had trouble getting access.

"We went to the airports but there were all fenced up, so someone used wire cutters and we got into the taxi-waiting zone. It was supposed to be a restricted area, but that's the way it works in China. And that is how we got the first 10,000 drivers to download the app. Entrepreneurship is like that. You should have the power to make things happen," says Lee.

Cutthroat competition

When Kuaidi was launched in China, there were over 40 players at the space, including the company's rival-turned-partner Didi Dache. With copycats in abundance, the market became highly competitive. Kuaidi adopted an aggressive marketing campaign, called a dual-subsidy program. It paid drivers RMB10 each to download the app and another RMB10 to every passenger who placed an order. Didi and the rest soon followed suit.

"At that time we didn't have backing from Alibaba. We paid for the subsidies using our own money – which came from me selling my previous businesses," says Lee. "Our lifeline was calculated by days, it seemed like a clock was counting down. But we did believe that we were adding values to the society, and I told

my friends, partners and staff that we should continue."

In time the sheer intensity of competition took its toll. Other players were wiped out, leaving Didi and Kuaidi to fight for control of the taxi-booking space. They had different expansion strategies. While Didi concentrated on major Chinese cities, Kuaidi targeted a broader range of second- and third-tier urban centers like Hangzhou.

Alibaba Group and Tencent Holdings then came in – the former backed Kuaidi and the latter backed Didi – and the scale of the battle began to spiral.

"In 2014 there was a high-profile subsidy war. I think all the players – including Didi, Kuaidi, Alibaba and Tencent – had spent more than RMB3 billion (\$467 million) getting users to

headquartered Uber confirmed that it had raised \$1.2 billion for a dedicated China unit.

Didi Kuaidi then finalized a \$3 billion funding round, said to be the largest ever fundraise by a private internet start-up globally. New investors included China Investment Corporation (CIC), Ping An Ventures and Capital International. Existing backers, including Alibaba Group, Tencent Holdings, Temasek Holdings and Coatue Management, also participated.

Maturing market

"Without other industry players, there is no way for us to educate the market alone at such a fast pace. You need some sort of competition to draw users' attention and get them to learn about a service and take advantage of it," Lee says. "Competition isn't that bad as you think."

"I looked at all the transportation-related mobile apps overseas but didn't find anything that was applicable to China"

– Joe Lee

download the apps," Lee says. "We were being backed by venture capital at the same time. I wouldn't call it burning cash, more a type of educational investment. We were educating people to use something very new and that required us to put in a lot of capital."

Earlier this year, Didi and Kuaidi closed their previous rounds of funding at \$700 million and \$600 million, respectively. Didi received capital from Temasek Holdings, DST Global, GGV Capital, CITIC Private Equity and others, while Kuaidi won support from the likes of SoftBank and Tiger Global Management.

Around the same time, Jean Liu, daughter of Chuanzhi Liu, chairman of Legend Holdings, joined Didi. She was responsible for initiating the merger talks that, on Valentine's Day 2015, created one of the largest ride-hailing apps in the world.

Primarily a digital intermediary for taxi companies, the combined entity has quickly expanded into car-pooling, vehicle rental, designated driver services, and private car booking that includes rides in Audi and Mercedes-Benz vehicles for high-end customers. The company increasingly finds itself in direct competition with Uber, which also offers a variety of services in China. In September, US-

After merger, Didi Kuaidi joined a \$350 million round for Southeast Asia's GrabTaxi and then it invested \$100 million in US-based Lyft as part of strategic alliance. Three months ago, the combined company invested in Ola as part of a funding round worth \$250 million. Finally, this week the four companies announced a global partnership, so that customers of one service can use their local app to order rides when travelling in markets in which other services operate.

In addition, the combined Didi Kuaidi entity has ended subsidies and is looking to create a pricing system based on data generated before the relentless undercutting set it. Lee notes that Kuaidi had come up with a sustainable, profit-oriented business model even before the merger – and it represents a different strategy to Uber.

"We're very grateful to have the support from financial investors," says Lee. "But the world changes. The strategy we used three years ago isn't repeatable. Users have different kind of expectation nowadays regarding the O2O [online-to-offline] services, and you have to come up with different ways to meet those expectations.

"Simply paying out money to educate the market doesn't work anymore as the untapped opportunities emerged into narrower verticals." ▀

Capital plus

FUNDRAISING OF THE YEAR – MID CAP As corporate China adjusts to a slower growth environment, Ascendent Capital Partners' strategy of providing advice alongside capital resonated with LPs

THE CONTRAST BETWEEN ASCENDENT

Capital Partners' first and second fundraises could not have been starker. The debut vehicle encountered challenges that face many first-time funds, closing at \$365 million in 2011, below the initial target. Four years on, Fund II was substantially oversubscribed, reaching its hard cap of \$600 million in July 2015 after only about four months in the market.

The GP's fortunes are to a certain extent intertwined with those of the broader Chinese economy. "Given the change in the macro environment, more sophisticated LPs realize that our strategy makes sense," says Kevin Zhang, one of Ascendent's founding partners. "People who might have had doubts four years ago when the economy was still booming today see the edge we have in a slowdown. They understand the benefits of the advice-plus-capital approach."

This approach has been likened to a merchant banking meets private equity. Zhang and fellow co-founding partner Liang Meng tap

into networks built up over the course of years spent in M&A advisory, capital markets and private equity investment. The firm establishes a dialogue with companies and presents them with ideas before proposing investments.

Meng adds that LPs bought into the strategy simply because they explained how it worked through Fund I. "We would do this at every annual meeting, using examples of deals and testimonies from companies we had invested in and advised," he says. "That consistency and transparency, plus the macro environment changes, all contributed to a better understanding of Ascendent."

Exits also helped. WH Group, where Meng and Zhang are longstanding unofficial advisors to the founder went public last year and Ascendent has sold its position, while Nano Resources, a components supplier for high speed trains, completed a reverse merger in Shanghai.

Ascendent is looking to build deeper operational capabilities and industry insights over

the next five years. Healthcare and education are both of particular interest. While the Fund I portfolio includes a hospital asset and a drug distribution business, the debut investment from Fund II is RYB Education, a leading pre-school care provider.

"There were several early-stage investors and we took them out to become a very significant shareholder," says Meng. "We are looking at additional roll-up acquisitions. This is the largest kindergarten business in China in terms of coverage but it still has a less than 0.5% market share. The industry is fragmented and will consolidate."

The GP is also looking robotics and automation with a view to supporting manufacturing sector upgrades. "China's slowdown has a lot to do with the lack of total factor productivity growth and an aging population," Zhang adds. "The idea is to focus on artificial intelligence and potentially buy technology in the West that can be applied in China." ▀

Divestment day

DEAL OF THE YEAR – MID CAP Advantage Partners leveraged its expertise in corporate carve-outs to acquire SBI Life Living. It plans to split the business in two so that each half can achieve its full potential

WITH ACQUISITIONS SUCH AS SANYO

Electric's digital camera unit and Hitachi High-Tech Instruments, Advantage Partners has developed a reputation for mid-market corporate carve-outs in Japan. It served the firm well when pursuing SBI Life Living.

Corporate parent SBI Holdings conducted a strategic review of its business last year and concluded that the Life Living asset was non-core. Advantage identified the opportunity and then had to persuade SBI Holdings that it was the most appropriate buyer.

"We have a strong relationship with the senior management of SBI Holdings and we have experience doing these kinds of transactions. SBI valued this experience and our insights into the business," says Toru Indo, a principal at Advantage. The GP agreed to buy Life Living at an enterprise valuation of JPY10.6 billion (\$86 million) and the transaction closed in February 2015.

The deal presented two additional challenges that don't necessarily come with a standard

carve-out. First, Life Living was listed and so Advantage had to structure the transaction as a tender offer, which meant addressing the needs of minority shareholders. A majority of the minority supported the bid.

Second, the private equity firm wanted SBI to re-invest in the deal and hold a 20% stake in Life Living. This was mainly driven by the fact that many employees at the subsidiary had been dispatched from the parent, and Advantage felt it was important to retain some ties to SBI.

Not all the existing management stayed with the business post-acquisition and Advantage built a new team under the leadership of a chairman who previously served as CEO at another of the GP's portfolio companies, condominium management business Community One. "He has a strong background in real estate and he is experienced in the internet and entertainment businesses as well," Shinichiro Kita, a senior partner at Advantage, adds.

These two competencies are particularly

important given the disparate nature of Life Living's operations. The company reported EBITDA of JPY2.99 billion and revenue of JPY8.1 billion for the 12 months ended March 2015, split between a real estate development unit and an internet media platform.

While the real estate business is expected to see steady growth internet media is on course for faster expansion. Life Living's prime assets is Ticket Retail Center, Japan's leading online ticket exchange platform for live events. Additional capital has been allocated for service planning, systems development, marketing and recruitment.

In the absence of synergies between the two businesses, Advantage concluded that dividing them up was the best way to ensure each one could prosper. "Different organizations, different financing, and different management are required for each to realize its potential," Kita adds. "We decided to manage the two organizations separately." ▀

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Deal Status: Agreement in Principle
 Acquisition Technique: Leveraged Buyout
 Acquisition Attitude: Neutral

Involved Companies

Company Name	Deal Role	Amount (US\$m)	Deal Status	Industry	Nationality
China Everbright Ltd.	Investor	n/d	n/d	Private Equity	United States
China Everbright Ltd.	Investor	n/d	n/d	Private Equity	Hong Kong
CITIC Capital Partners Ltd.	Investor	n/d	n/d	Private Equity	Hong Kong
China Everbright Ltd.	Investor	n/d	n/d	Private Equity	China (PRC)
Non-shou Jiang	Investor	n/d	n/d	Unclassified	China (PRC)
China Everbright Ltd.	Investee	n/d	n/d	Advertising	China (PRC)
Frank International Ltd.	Seller	n/d	-17.20%	Steel	China (PRC)
Undisclosed Shareholder(s)	Seller	n/d	-65.24%	Unclassified	United States
Chinacore Global Markets Asia Ltd.	Financial Adviser, Investor	n/d	n/d	Security/Investment Banking	United States
Chinacore Global Markets Asia Ltd.	Financial Adviser, Investor	n/d	n/d	Security/Investment Banking	United States
Chinacore Global Markets Asia Ltd.	Financial Adviser, Investor	n/d	n/d	Security/Investment Banking	United States
Chinacore Global Markets Asia Ltd.	Financial Adviser, Investor	n/d	n/d	Security/Investment Banking	United States
Chinacore Global Markets Asia Ltd.	Financial Adviser, Investor	n/d	n/d	Security/Investment Banking	United States
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A careful carve-out

DEAL OF THE YEAR – LARGE CAP Hahn & Co spent three years talking to Visteon about its Korean subsidiary Halla Visteon Climate Control before sealing a proprietary deal supported by innovative funding

MANY PRIVATE EQUITY INVESTORS KEEP A

quiet eye on businesses they would particularly like to own and might one day become available, even if the possibility of a deal sometimes appears slim. For Scott Hahn, CEO of Korean GP Hahn & Co, Halla Visteon Climate Control (HVCC) was in that category.

Hahn & Co. had a proven aptitude and appetite for auto parts, having acquired Coavis, leading manufacturer of fuel pump modules, in 2012. But HVCC was a different proposition, Korea's largest independent auto parts maker and the second-largest producer of automotive thermal systems in the world.

"We signed a NDA [non-disclosure agreement] for this opportunity in 2012," Hahn says. "We spent a long time cultivating the relationship and it was a very large deal, but this was a company we had always wanted to own and run."

Sensing an opportunity

Halla Climate Control was formed in 1986 as a joint venture between Mando Machinery Corporation – a subsidiary of car parts maker Mando Corp, which was in turn controlled by domestic conglomerate Halla Group – and Ford Motor Company. Halla Group collapsed during the Asian financial crisis and so Ford bought its partner's 35% stake and assume control. Visteon then spun out from Ford to become an independent auto parts manufacturer, taking the 70% interest in the Halla Climate Control with it as part of the deal.

Hahn & Co's opportunity emerged when Visteon launched a tender offer to take full ownership of HVCC but was unable to win minority shareholders' support. "When the tender offer was unsuccessful, we were able to provide an alternative solution," says Hahn, who by this point had established a dialogue with Timothy Leuliette, Visteon's US-based CEO.

At the time, Hahn & Co. was still investing its debut fund, a \$750 million vehicle raised in 2011 following the founder's departure from Morgan Stanley Private Equity Asia. Any deal involving Halla Climate Control would be difficult to absorb, but then the target became even bigger.

The company produces air-conditioning systems for the interior of vehicles, thermal management systems that extract and re-use heat produced by engines, and cooling solutions for electric-powered and hybrid vehicles. Visteon had a similar climate control business outside



Keith Kim of Hahn & Co

of Korea and it decided to combine the two, forming HVCC.

Suddenly, the company had 33 plants, five R&D centers and seven marketing facilities across 18 countries, with 15,500 employees. Sales revenue rose from KRW3.65 trillion (\$3.1 billion) in 2012 to KRW5.19 billion in 2013, following integration of the sister business, while total assets increased from KRW2.23 trillion to KRW2.95 trillion.

If Hahn & Co. wanted to buy HVCC, how would it fund the deal? "It coincided with our main second fundraise so we decided to raise more capital as we started to get some conviction about the opportunity," says Hahn.

The firm closed its second fund at the hard cap of \$1.2 billion in the first week of December and raised a separate \$700 million co-investment pool to support the HVCC acquisition. That deal, worth \$3.6 billion, was announced in mid-December, with Hankook Tire participating as a co-investor. The transaction was negotiated on a proprietary basis, although Visteon was obliged to hold a go-shop period in order to reassure shareholders that it had sought best value. There was no change in the arrangement.

"It was a company we had always wanted to own and operate" – Scott Hahn

HVCC – which has since been renamed Hanon Systems – The HVCC investment does not involve shared control, with Hahn & Co. holding 51% to Hankook's 19%. However, AVCJ understands that the strategic player, which is the world's seventh-largest tire manufacturer, has first right of refusal on the asset, although only within a set time period.

Future plans

Hanon reported revenue of KRW5.45 trillion for the 2014 financial year, while net income dropped to KRW290.4 billion from KRW312.1 billion. Korea accounts for approximately one third of sales, down from close to half in 2012, and Hyundai Motor and Ford remain significant global customers, contributing 50% and 25% of revenue, respectively.

The sector is characterized by a high degree of customer concentration but there are plans to diversify Hanon's revenue base. Hahn & Co. is also focused on improving operational efficiency across the sales and production functions. In particular, there has been some structural re-organization with a view to creating a fully integrated and independent regional player. The CEO of Coavis has been brought in to lead these efforts.

Hanon has set a target of \$10 billion in sales by 2020 – more than doubling the 2014 figure – and Hahn expects to see a change in the drivers of this growth. The company's traditional strength has been in-cabin air conditioners and heaters, but in the future greater importance will be placed on solutions that address engine downsizing and increasingly strict regulations on emissions and fuel economy.

Hanon has already developed a centrifugal air compressor that was installed in the first mass-produced hydrogen fuel cell electric vehicle. Another innovation is a system that recycles waste heat produced by the heat pump and puts it to other uses, helping reduce a vehicle's energy consumption and increase driving range on a single battery charge.

"The thermal and emissions side of the business is somewhat overlooked but we think over the next several years there will be tremendous change in the auto industry and we can position Hanon to capitalize on these exciting changes," Hahn says. "It is about half and half in terms of revenue right now, but the thermal and emissions management side is growing faster." ▀

Broad appeal

EXIT OF THE YEAR – IPO Having acquired Hong Kong Broadband Network in 2012, CVC Capital Partners built on an already successful business, which continues to outperform in the public markets

IT NORMALLY TAKES ABOUT SIX MONTHS to prepare a company for a Hong Kong IPO. However, CVC Capital Partners started the laying the ground for an offering by Hong Kong Broadband Network (HKBN) almost as soon as it acquired the business in 2012.

“As part of our investment thesis we identified a Hong Kong IPO as the optimum next step for HKBN and so together with management we immediately implemented a strategy to ensure public market investors were familiar with the business,” says James Redmayne, a director with CVC. This involved the CEO and CFO running a roadshow after every set of half year and full year results, during which they explained the HKBN business model and kept investors up-to-date on the company’s progress.

Then in October of last year, HKBN started formal preparations for a listing in the first quarter of 2015. The company began trading on March 5, having raised HK\$5.8 billion (\$750 million) by pricing the deal at HK\$9.00 per share, the top end of the indicative range.

CVC held a 68.44% interest in HKBN ahead of the IPO. It sold 539.2 million shares

CVC alone, this represented a HK\$482 million payout and a final exit, with a money multiple of approximately 3.5x. AlInvest also sold its remaining shares, but GIC continues to hold a small stake.

A position of strength

CVC bought HKBN from Hong Kong Television Network (then City Telecom) in early 2012 for HK\$4.87 billion. The PE firm subsequently sold a \$40 million stake to GIC and a \$29 million stake to AlInvest.

billion in 2014, up from HK\$1.94 billion the previous year. A net loss of HK\$138.9 million also turned into a profit of HK\$53.5 million.

“Due to the low interest rate environment, there was significant appetite for high-yield stocks,” Redmayne recalls. “HKBN had historically made a significant investment – about HK\$4.1 billion over a number of years – in its fiber infrastructure and as a result it had entered a highly cash generative phase. This cash generation, combined with the incredibly strong growth – the business was seeing 15% profit

“Together with management, we immediately implemented a strategy to ensure public market investors were familiar with the business” – James Redmayne

HKBN, the number two internet service provider in Hong Kong, was already a successful business when CVC came in, having already increased subscriber numbers from 683,000 in 2007 to 1.3 million by 2012. In addition, the company had demonstrated impressive revenue growth against its fixed line industry peers with a compound annual growth rate (CAGR) of 9.1% in 2012 – 2% ahead of second-placed Hutchinson Telecom Hong Kong.

As such, the private equity firm’s first priority was to keep a strong business ticking over. One way to achieve this was by retaining existing management and properly incentivizing them, which led to members of the management team being invited to co-invest individually alongside CVC. The core of executives involved asked to extend the co-investment program to include 79 managers in total. If the business outperformed, they would receive a larger share of the upside.

The GP introduced several initiatives to grow the business, including expanding HKBN’s Wi-Fi coverage to 15,000 hot spots across Hong Kong and completing the bolt-on acquisition of Y5Zone. The B2B wholesale provider of wireless broadband network services operates 6,500 hot spots in Hong Kong and more than 600 in selected cities on the mainland. This deal alone took the combined HKBN-Y5Zone Wi-Fi network in Hong Kong to 7,000 hot spots.

When preparations for the IPO commenced, HKBN had 2.1 million residential subscribers, or a 35% market share, and 1,900 commercial subscribers. It recorded turnover of HK\$2.13

growth and 30% cash flow growth – offered investors a unique and attractive combination of growth and yield.”

Ringing endorsement

Canada Pension Plan Investment Board (CPPIB), a key global relationship for CVC, had expressed an interest in investing HKBN quite some time ago. Ahead of the IPO, the pension plan spent time familiarizing itself with the business and established a strong relationship with management. It then came in as a cornerstone investor in the IPO, paying \$200 million for a 17.14% interest in the company.

“When it came to the IPO, CPPIB made it clear that they would like to be a cornerstone investor. For CVC, this participation was a key element to the deal given their high-quality reputation, long-term investment approach and strong track record,” says Redmayne.

HKBN’s turnover jumped 10% year-on-year to reach HK\$2.34 billion this year, while net profit increased 95% to HK\$104 million. The stock is currently trading around the HK\$10.00 mark, having jumped more than 10% since its listing.

“At times there is a general misconception that PE firms only look to sell a business when it reaches at its peak. This couldn’t be further from the truth,” Redmayne adds. “PE funds have a finite life and so we need to divest in order to return capital to investors. We want to have confidence that the businesses will continue to perform post-listing and deliver public market investors an attractive return on their investment.”



Alvarez & Marsal’s James Dubow and CVC’s John Kim

in offering, realizing proceeds of HK\$4.85 billion and reducing its stake to 14.44%. This fell to 5.95% after the over-allotment option was fully exercised, netting the GP a further HK\$767 million. Two co-investors, GIC Private and AlInvest Partners, also made partial exits, receiving HK\$749 million between them.

In September, CVC and its co-investors sold a 7.6% stake in HKBN following the expiry of a six-month post-IPO lock-up period. The stake was worth approximately HK\$679 million. For

The Bushu bounce

EXIT OF THE YEAR – MID CAP Tokio Marine aimed to awaken the ambition of Japan's Bushu Pharmaceuticals and show how a good GP can turn companies around. A 6x return was its reward

WHEN KOJI SASAKI, PRESIDENT AND managing partner of Tokio Marine Capital, looks back at his firm's four-year investment in Japan's Bushu Pharmaceuticals, he sees two transformational success stories. One occurred in the world of private equity, the other in the Japanese pharmaceutical industry. Tokio Marine played a role in both.

At the time of the PE firm's acquisition of Bushu in 2010, it was a subsidiary of pharmaceutical developer Shionogi & Co. The company had begun in 1998 as an independent contract manufacturing organization (CMO), and although it had some other clients, Shionogi dominated the production lines.

"About 45% of their sales depended on their parent, prior to our investment," says Sasaki. "Their main task was to make a stable and high-quality product on behalf of Shionogi. But Bushu had little incentive to actively explore and expand to other customers."

The GP suspected there was potential in Bushu that was going to waste. With Shionogi as its owner, the manufacturer had to limit its associations to those clients that received parental approval. If it could become fully independent once again, rival drug manufacturers such as Takeda, Daiichi Sankyo and Astellas would no longer be off limits.

Japan's CMO sector had begun to take off following the passage of the Pharmaceutical Affairs Law in 2005, which opened the door to full outsourcing of drug production. An underperforming manufacturer was the perfect entry point into the rising market.

A strategy re-thought

With this goal in mind, Tokio Marine paid JPY8.56 billion (then \$93 million) to acquire a 100% stake in Bushu. The new owners set about re-focusing management from addressing a single major client to aggressively courting and winning contracts on a neutral and independent basis.

"They were very sincere and honest people, but they were not aggressive," Sasaki remembers. "We wanted to change the management philosophy from a heavily operation-oriented to a more entrepreneurial mindset."

One of the principal tools to accomplish this change was recruitment. Though Tokio Marine intended to keep existing management in place, it felt that fresh blood was necessary to enliven some of the company's departments – in particular, sales, which before the acquisition had

a full-time staff of only four people. The GP also brought in new team members to spur strategic planning for the long-term growth it believed the company was capable of.

Sasaki points out that Tokio Marine tried not to impose changes on the management team, preferring to make suggestions that management was free to adopt or reject. The firm hoped to build trust as staff came to understand that the new owners wanted the



Tokio Marine Capital's Koji Sasaki

"We wanted to change the management philosophy from a heavily operation-oriented to a more entrepreneurial mindset"

– Koji Sasaki

best for the company. "It was kind of a step-by-step agreement with the managers," Sasaki says.

In addition to winning over the former parent company's domestic rivals, the enlarged sales department hoped to grow its client base beyond the Japanese market, playing on the popularity of foreign pharmaceutical brands. A local manufacturing partner could help foreign drug manufacturers avoid import duties; it would also help them to meet the very high quality and safety standards of Japanese consumers.

Before this goal could be achieved the

company had to expand its production capacity. Upon acquisition, Bushu's sole manufacturing facility in Saitama prefecture was limited to producing 3.5 billion tablets per year.

To meet the needs of expansion, the company looked to pharmaceutical developer Eisai, which owned a factory, also in Saitama, that was operating at less than full capacity. Bushu negotiated a deal in 2013 to take over the plant and its employees and contract with Eisai to manufacture its drugs. The acquisition boosted the company's capacity to 10 billion tablets per year and also provided access to facilities for making injectable medicines.

Passing the baton

The growth that Tokio Marine had helped to put in place began to have the desired effect on management. Having won the market in Japan – with CMOs nevertheless still representing a smaller share of the drug market than the global average, leaving plenty of room for growth – company leadership looked to a global listing.

Reaching that stage would take more resources than a domestic GP could provide. "Tokio Marine Capital is a very local player in a global sense," says Sasaki. "We are Tokyo-oriented, and while everyone knows our name in Japan, that is not so elsewhere in the world. Therefore, what we could do in terms of support for growth was limited."

The firm began looking for a suitable candidate that could both help Bushu realize its global ambitions and give Tokio Marine its fair price. After a global and domestic auction, the GP selected Baring Private Equity Asia, selling Bushu in November 2014 at an enterprise valuation of JPY77.3 billion. The investment had generated a 6x multiple and a 45.7% IRR.

For Sasaki, Tokio Marine's four-year relationship with Bushu represents the good that can come of a dedicated GP working with receptive management. However, more important to him is the progress that the company represents for the Japanese pharmaceutical industry.

"In contrast to the global big pharma players, Japanese pharmaceutical companies looked less open to change," he says. "But the Japanese industry is also changing. We have observed the rapid increase of outsourcing as demonstrated by Bushu's CMO sales growth; and the increase of M&A across the industry, as shown by Bushu's acquisition of the Eisai business. I think this trend will continue for years to come." ▀

A rowing team in purple shirts and life jackets is shown from behind, rowing a dragon boat on a blue body of water. The boat has a white and blue patterned side. The background is a deep blue sky.

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A clean exit

EXIT OF THE YEAR – LARGE CAP Pacific Equity Partners took about 12 months to reel in cleaning and catering contractor Spotless, but swift improvements resulted in a 2.4x return within the two years

SPOTLESS WAS A CLASSIC

underperforming market leader. Founded by Ian McMullin in 1946 as a single dry cleaning shop in Melbourne, the company became Australia's largest cleaning and catering contractor. Despite listing on the domestic bourse in 1961, Spotless was essentially family-controlled until the early 2000s. When the McMullin and his cohorts stepped back, performance began to slip.

"The management team has added a lot of duplicative corporate overhead leading to a massive deterioration in margins," notes Geoff Hutchinson, a managing director with Pacific Equity Partners (PEP). "In our view, the only thing wrong with the business was the way it was being run. If we could change the management and return to some of the older practices margins could be restored."

This proved to be the case, with EBITDA margins improving from 6.2% in 2012, when PEP bought the business, to 11.2% for the 2015 financial year. Having returned Spotless to public ownership in May 2014, the private equity firm followed up a partial exit at the IPO with three share sales between December 2014 and August of this year. The investment generated an IRR of 55% and a multiple of 2.4x.

Hard won

Buying Spotless was no easy matter, however. PEP carried out substantial pre-investment planning, spending 12 months on due diligence and constructing a detailed value creation plan.

The sticking point was the board, which opposed a deal. The private equity firm finally prevailed in April 2012 with a bid of A\$720

million, explaining why PEP pursued the business. "There were strong long-term outsourcing trends and a good underlying base. But the business was run with too much cost in it, and most of that was head office, not the contracts."

Spotless employs approximately 39,000 people across Australia and New Zealand, servicing more than 1,750 contracts covering facilities management, food and cleaning. Projects range from facilities maintenance for the New Zealand Department of Corrections to running non-match-day functions at the Melbourne Cricket Ground.

PEP's value creation plan included a week-by-week agenda for the first four months and it was implemented immediately. Within the initial few days of ownership, the CEO and all but one of his direct reports had exited the business and a new management team was installed. They embarked on a cost-cutting drive, which saw a 50% drop in administrative and management overheads, aggregate procurement cost savings of 70%, and the renegotiation or exit of loss-making and marginal contracts.

There were also two key divestments: Braiform, a coat-hanger business that made strategic and financial sense before garment manufacturing moved to Asia but not after it; and Spotless' uncompetitive international services division, the sale of which enabled the company to focus purely on Australia and New Zealand.

Another major initiative involved reorganizing the company structure to improve customer focus and business development potential. "Spotless used to market itself based on service



Paul Shaw of Pacific Equity Partners

year, the company announced five purchases.

The IPO came during a strong period for Australian offerings. PEP had taken Veda Group public about six months earlier and Asaleo Care completed its IPO around the same time. However, Hutchinson says the timing was more based on the fact that the business was ready.

"The core of the cost reduction had been done, and the orientation towards a customer-facing organization had established a strong revenue pipeline," he explains. "At IPO the PEP funds held a 40% stake in escrow until we delivered the prospectus forecast."

When Spotless went public, it projected EBITDA of A\$248.8 million for the 2014 financial year and delivered A\$252.2 million. It also bettered the 2015 projection of A\$301.4 million, generating A\$316.4 million. However, in December, the company announced that EBITDA growth would be flat in the 2016 financial year with net profit expected to fall 10% year-on-year.

The change was put down to slower new business growth in the second half of the year as customers delayed or deferred tender decisions. It has also taken Spotless longer than anticipated to integrate recently-acquired businesses.

Australia's media and markets were unforgiving and the stock price has dropped below the IPO price. Nevertheless, the company remains – in terms of revenue, profit and margins – in a stronger position than it was on going public. ▀

"If we could change the management and return to some of the older practices, margins could be restored"

– Geoff Hutchinson

million (then \$752 million) which translated into an enterprise valuation of A\$1.1 billion, after securing options over shares representing a sizeable minority stake in the business. PEP's fourth fund took a 72.5% stake in the business, co-investors were allocated 20.6%, and the balance sat with company management.

"Spotless is the biggest services provider in Australia by some distance – it has some very large contracts that only 1-2 other providers

delivery categories – cleaning, catering, facilities management," Hutchinson explains. "This was changed to focus on customer sectors such as health, education, defense and government. You want to sell multi-service offers and minimize the number of touch points. This also means you can change the overhead structure."

PEP also supported Spotless in the pursuit of several bolt-on acquisitions in order to access new business lines. During the 2015 financial

Deal of two halves

OPERATIONAL VALUE ADD Navis Capital Partners saw in ECO Industrial Environmental Engineering a potential leader in the hazardous waste management industry. Getting there was tougher than expected

“AVERAGE MANAGEMENT TEAMS ARE

essentially an enemy of alpha,” says Nick Bloy, managing partner at Navis Capital Partners. “We learned that you shouldn’t tolerate mediocre or even average management – you will generate to beta, and you aren’t paid to do that. Either management becomes good quickly or you have to replace them, and it’s a painful transition.”

Navis’ investment in ECO Industrial Environmental Engineering was very much a holding period of two halves. The first, between 2007 and 2011, was characterized by frustration with a management team that manifestly failed to deliver. The second, which culminated in a trade sale earlier this year, involved new leadership, better governance, and a turnaround that at one point barely seemed possible.

It was, Bloy adds, a lesson that “if you have a humane reaction to people and place hope in

million from its fifth fund. The remaining investor was the CEO, who had around a 5% stake and was allocated performance-based incentives that could translate into twice as much equity. He was a dominant personality and Navis was reluctant to upset the balance.

“We felt we could influence him to do the

“You shouldn’t tolerate mediocre or even average management - you will generate beta, and you aren’t paid to do that”

– Nick Bloy

expanding manufacturing output and resultant waste volumes.

However, the company was unfocused, with a reputation for being lax on governance and regulatory compliance. It was highly dependent on the general waste management space – taking woodchips created by land maintenance and turning them into energy, recycling plastic bottles – which is a highly commoditized business with minimal barriers to entry and offers low returns.

Furthermore, ECO Industrial was riddled with inefficiencies, from operating two separate sites in different parts of Singapore to running unprofitable incinerators.

“There was one cogeneration woodchip-fired power plant but we had to pay for the woodchips, whereas with a hazardous waste cogeneration plant you are paid for taking the waste and for producing electricity and steam from it,” recalls Rick Reidinger, who was brought in as CEO of the company in 2011 and stayed in the role after Navis exited. “Another incinerator didn’t produce power and steam, and was just small and fairly inefficient.”

The investment was predicated on tightening up operations and moving away from general waste management and invest the capital tied up in that side of the business in hazardous waste services. Not only did local licensing make it a difficult segment to enter, but it was also capital intensive, highly regulated, and populated by sophisticated and demanding customers such as Chevron, Exxon Mobil, and GlaxoSmithKline.

An early win came in 2008 when ECO Industrial won a 10-year exclusive contract from the Public Utilities Board of Singapore to treat sewage sludge, which required a dedicated incineration facility. However, the global financial crisis hit manufacturing, which turn cut back hazardous waste production. This was followed by continuing problems with the CEO, who turned out to be weak on strategic and compliance.

The situation came to a head in 2011 when it emerged that the CEO’s behavior was more egregious than anyone had anticipated.

ECO Industrial’s sewage treatment facility is equipped with a penstock, or sluice, to ensure untreated waste does not enter the sewage system; if any is detected, the gate comes down to stem the flow. The CEO discovered that removing the device and dropping it into a bucket of clean water within 30 seconds tricked



James Dubow of Alvarez & Marsal presents the award to Navis Capital Partners’ Rodney Muse

the notion that they will get better, in general it’s a recipe for value destruction.”

When the private equity firm came across Singapore-based ECO Industrial in 2007, it was an unspectacular player in a waste management industry that had significant growth potential. Navis heard about the company because the founders, a group of local entrepreneurs, were considering an IPO. However, as the business lacked scale, joining the Singapore Exchange brought with it the danger of minimal investor interest, low share turnover, and zero liquidity.

Navis structured a private buyout of all but one of the existing investors, committing \$45.4

million from its fifth fund. The remaining investor was the CEO, who had around a 5% stake and was allocated performance-based incentives that could translate into twice as much equity. He was a dominant personality and Navis was reluctant to upset the balance.

Room to improve

ECO Industrial was attractive because it held one of only four licenses granted by the Singapore government for treatment of hazardous waste material. The company also had a strong customer base, suitable technical capabilities, and in Navis’ view, the potential to become a market leader that grew in tandem with

the sensor and waste could enter the system unchecked.

It was a classic corner-cutting maneuver, essentially allowing ECO Industrial to charge for waste water coming in and incur no cost for treating it, before pumping it straight back out again. "It put the very *raison d'être* of the business at risk," says Bloy. "The regulators could have shut us down and never allowed us to re-open. It could be totally disastrous."

The CEO was fired for cause and Navis bought back his stake in the company at a steep discount by way of a penalty. ECO Industrial went to the regulators, explained what had happened, and promised to clean up the business. Several other senior management figures were removed around the same time.

Reidinger, who previously served as regional director of AECOM's environmental business unit in Asia, was at the time a portfolio director with Navis responsible for environmental services. Already a board member at ECO Industrial, he was sent in full-time as acting CEO. Reidinger's to-do list included repairing relationships with customers and the regulator, restructuring the management team, and re-engineering the business from a revenue and an operations perspective.

Taking action

Low-value customers were dropped as ECO Industrial vacated general waste management for higher-margin hazardous waste services, while one of the sites was sold off and the \$11 million in proceeds was put towards the industrial waste facility. "We were able to eliminate 10-20% of the manpower with no loss of revenue or important business, because we were closing the low-margin areas," says Reidinger. "This allowed us to invest in the good side of the business."

There were more than a dozen investments in advanced new facilities and upgrades between 2011 and 2015, but the critical point came in 2012 when Navis approved the construction of a large hazardous waste-to-energy plant in order to expand incineration capacity substantially. The capital – Bloy estimates it was in the region of \$20-30 million – came from cash reserves and through some financial leverage, but the real issue was time. It was already year five of the investment.

"When we made that decision we knew it would take 20 months to build the plant and then another year of operation to get utilization up. Any big complex, capital intensive equipment when run at low levels of capacity utilization will have high costs. There's no profit until you reach 60-70% utilization," he adds. "When we pulled the trigger on that we knew we were delaying the exit at least until 2015."

In addition to replacing the two unprofitable incineration plants with high-end cogeneration

apparatus, ECO Industrial's solvent recovery processes were improved, contributing to a 38% increase in blended slop oil resale prices, and capacity was expanded. More efficient incineration meant less landfill waste, and steps were taken to ensure that any waste generated went into landfill at reduced cost.

Surplus electricity from incineration was used to support on-site operations, while the logistics system was altered so that truck drivers were paid per trip rather than per hour, resulting in an increased number of trips and consequent cost savings. Drivers also received proper training

run the business on, so it was very clear why performance was improving. We got down to the final two bidders in May or June and within a month an agreement was signed with Beijing Capital Group (BCG)."

A logical buyer

BCG, which operates wastewater treatment, water construction and real estate businesses in China, saw ECO Industrial as platform from which it could expand into the Southeast Asia waste management market. The company had already made its ambitions plain a year earlier,

“Without the new facilities and the re-engineering, we couldn't have done any of this – we couldn't have taken the additional waste because we didn't have the capacity. That took a big investment and a lot of thought”

– Rick Reidinger

and each one was certified to drive two types of truck, another efficiency initiative.

Revenue did not go up straight away. After reaching \$44 million in 2008, the figure bobbed around the same mark for five years, before rising to \$56 million in 2014 and an estimated \$66 million for this year. EBITDA followed an even steeper trajectory, rising from \$8 million in 2012 to \$12 million, \$17 million and \$25 million over the following three years. For 2014 and 2015, EBITDA margins also improved, hitting 30% or more for the first time in years.

"Without the new facilities and the re-engineering, we couldn't have done any of this – we couldn't have taken the additional waste because we didn't have the capacity. That took a big investment and a lot of thought, coming up with a cogeneration plant that would actually work," says Reidinger. "Revenue went from \$45 million in 2011 to \$43 million in 2012 because we dropped some customers, but in that first year we went from 325 staff to 230, a more than 30% cut."

By 2014, with volumes ramping up and utilization rates encouraging, Navis began to explore its exit options. A mandate was awarded to boutique investment bank TC Capital towards the end of the year and an investment memorandum was released in February 2015 to approximately 30 strategic investors. This resulted in 15 proposals from groups based in Europe, Japan, Australia, Singapore, Malaysia and the US.

"We didn't open up the process to financial investors, just strategic players, and shortlisted a few based on issues such as price and confidence in closing a deal," says Reidinger. "There were KPIs [key performance indicators] that we had

outmuscling several rival bidders to secure Transpacific Industries Group's (TPI) New Zealand waste management business for NZ\$950 million (\$794 million). Reidinger was suitably impressed by the group's due diligence process and plans that he agreed to stay on as CEO of ECO Industrial.

Bloy agrees that it makes sense for any group seeking a foothold in Southeast Asia to start in Singapore, the most complex and demanding waste management market in the region. And ECO Industrial is one of few fully-licensed operators likely to become available. At the same time, though, there is a strong Chinese rationale to BCG's acquisition.

"There are 40 cities in China that are the size of Singapore and they will develop the needs of Singapore over the next 10-20 years. All of them will require a hazardous waste management solution," he says. "BCG can take ECO Industrial and replicate it in every Chinese city that needs this kind of capability."

Navis received \$246 million (\$179 million) for its controlling interest in the business. While the gross IRR came in at 20% – reflecting the longer-than-usual holding period – the return multiple was a healthy 3.8x.

"It didn't look good for the first three or four years, but most LPs understand that you can't prematurely judge a good or bad investment. That is one of the advantage of private equity; it gives you the staying power to move through macro and micro problems," Bloy adds. "There were some very painful moments and some stress, but we learned a great deal from ECO Industrial and it has left us better-informed on more recent investments." ▀

Talent spotter

VENTURE CAPITAL PROFESSIONAL OF THE YEAR Neil Shen, managing partner of Sequoia Capital China, on identifying stand-out entrepreneurs and the competitive dynamics of a maturing start-up ecosystem

Q: What major differences do you see in entrepreneurship in China now and when you set up Ctrip in 1999?

A: Go back 10 years and the opportunity was concentrated in the TMT [technology, media and telecom] sector. It is getting broader now. In addition to TMT, we see opportunities in healthcare, consumer and to certain extent cleantech and energy. Another difference is mobile internet, which has brought down entry barriers for entrepreneurs. During the PC era, it took time to come up with a product but today it's much faster – and that also means more competitions. The other important dynamic is that the whole ecosystem for entrepreneurship has now been well built in China. When I was an entrepreneur at Ctrip, there were only a few venture capital firms active. Today you get a full spectrum of investors, from seed, angel, and venture capital to growth capital. They are now also providing a lot of value-added services. If you're an entrepreneur and have a great business idea or technology, someone will help you not just financially but in other aspects as well. It's just like what you see in Silicon Valley.

Q: In the past year, a number of Sequoia portfolio companies have raised very large rounds at high valuations. What drew you to these companies in the first place?

A: That's the real excitement for us - making investments in the early stages. When we invested in Xing Wang, we didn't know that Meituan would become a one-stop shop for local services. Back then it was the early stages of mobile internet and his original idea was to provide discounted services from local restaurants. We knew some US players were doing that, but I didn't see Xing as just a copycat. He had learnt something from what Groupon was doing but he took the game to a different level, expanding into food delivery, movie tickets and hotel bookings. Whenever he achieves a milestone, he thinks, "How can I expand my business and make it more appealing? How I can compete in the whole O2O [online-to-offline] space?" That's the same spirit we had at Ctrip. From the very first day, I thought that hotel-booking market should be disrupted because the traditional call centers were a bit backward. Over the years, Ctrip has become a one-stop shop for all travel

services. If you asked me in 1999 whether I could imagine this would be the case today, the answer would have been no. With Xing it was the same. We have grown with him and continued to provide help to him whenever possible.



Neil Shen: Sequoia's China chief

Q: When Meituan emerged in 2010, many companies were trying to get into group-buying in China. What convinced you that company could be a market leader?

A: Sometimes we get it right and sometimes we get it wrong and hopefully much less in the latter case. At that time, our conviction was really coming from the CEO like Xing himself. I looked at him and said, "I feel entrepreneurship from this guy and his business model makes sense and he also seems to execute well." We had met a few other entrepreneurs who wanted to do the same thing, but he was someone we felt understood that business the best and he shared a lot of similar ideas with us. That is the part of investment – you have to back the right people, even though many start out with similar businesses. A lot of companies wanted to be the Groupon of China at that time, but now there are only two players: Xing's Meituan and Tao Zhang's Dianping. With this competition, hundreds of others have died.

Q: Why did you invest in Meituan as well as Dianping, given that until the merger they were rivals?

A: We also invested in Dianping at a very early stage, when it was still in a shabby office in Shanghai nine years ago. We didn't invest for their group-buying business but the

Yelp-like restaurant listings business. This was before we backed Meituan. Actually, when Meituan started its group-buying business, I asked Dianping if they wanted to enter the same area. The CEO said he wanted to think about it because he saw Dianping more as an advertisement service platform for merchants. So we invested in Xing and a few months later Dianping realized this was an important area to be involved in. These companies were not competitors when we started, but the boundaries in the internet industry are often unclear; as companies become bigger, they step into each other's territory. It is an interesting part of our business. When I invested in Lefeng, I didn't think it would end up competing with Jumei, a cosmetics e-commerce site. Lefeng wanted to be a lifestyle platform but then it started selling cosmetics as well. When I invested in Vipshop, I didn't think it would compete directly with JD.com; it happened because they were both very successful. As a venture capitalist, I have always been mindful of not getting into two companies in the same space at the same time, because it hurts the entrepreneurs.

Q: Do you encourage competing companies to merge?

A: Of the top five Chinese e-commerce companies, we are shareholders in Alibaba, Vipshop, JD.com and Jumei. As an early-stage investor, it's very difficult to say whether one day companies will end up competing with each other. In the case of Lefeng, the company had two options – work with Vipshop or Jumei. We talked to Lefeng, told the team they had to make a decision, facilitated a conversation between the parties, and advised each of them. But as to whether they merge or not and who to merge, it isn't my call. You also have to remember that every merger is different, and there doesn't have to be a merger between two competitors in a similar space. We didn't know Meituan and Dianping would merge, for example. Earlier in the year, the two CEOs still had different strategies and considerations.

Q: Are there any particular examples of companies or trends you've missed or joined too late?

A: Yes – Didi Dache [before the merger with Kuaidi Dache], unfortunately we only got into

“When I was an entrepreneur at Ctrip, there were only a few venture capital firms active. Today you get the full spectrum of investors, from seed, angel and venture capital to growth capital. They are now also providing a lot of value-added services”

strong coverage on the research side, and this creates problems. As a result, there are situations in which turning into A-share listing could be a good move for the company, but I am not suggesting that entrepreneurs should take advantage of the valuation gap between the A-share market and overseas markets. Again, we just follow what the founders want to do. If they want to go back to China, we might back the company as a growth capital investor.

the Series C round. In fact, we backed the first Uber-type of taxi-hailing app in China, which was launched in Beijing. The founder couldn't carry it through competition with Didi and Kuaidi, and long after the battle was lost we turned out attentions to Didi. We got in at the Series C, which looks pretty good given the recent valuation.

emerging. We started looking at financial technology about five years ago. Enterprise software is another area of interest. And then we have been investing in the internet-of-things space for the past two years. How big an opportunity will these be compared to e-commerce? It's too early to tell.

Q: There are now a number of large-scale players in e-commerce and O2O services. Where are you looking for the next big opportunity?

A: There are many segments in the O2O space that have been addressed to a great degree, so opportunities are fewer compared to five years ago. In the meantime, new sectors are

Q: Sequoia is supporting some privatizations of Chinese companies listed in the US. Do you expect this trend – and domestic re-listings – to continue?

A: Some entrepreneurs appreciate that a domestic listing might be a better fit, because investors in China would understand the business better. I tend to agree with them. Many Chinese companies in the US lack

Q: It is suggested that some companies would be unable to list domestically without removing their variable interest entity (VIE) structures, which would require their foreign investors to exit. Would Sequoia raise a renminbi fund to address this 'replacement capital' opportunity?

A: No. We have raised renminbi-denominated funds since 2008 and we have a substantial pool of local currency capital to deploy. We are probably one of the largest renminbi GPs in China. We won't raise money specifically for the take-private deals. Some companies de-listing in the US may ultimately re-list domestically, and so renminbi might be a better fit for them. Overall I think the renminbi market has become much deeper over the past seven years. ▀



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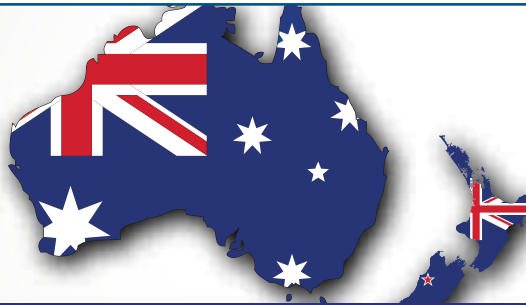
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The power of venture

AVCJ SPECIAL ACHIEVEMENT As founder and chairman of H&Q Asia Pacific, Ta-Lin Hsu has played a key role in the development of private equity in Asia. He continues to look for ways to spread innovation

THE FIRST INVESTMENT MADE BY THE H&Q

Han Tech Fund – a Taiwan-focused vehicle set up in 1986 with the support of Hambrecht & Quist – was in Acer. The nascent PC maker went public 18 months later and the subsequent exit delivered a return of more than 4x.

IBM had brought out the PC several years earlier and Taiwan responded with gusto, creating a high-tech industry based on subcontracted manufacturing of semiconductors, computers and related components for developed markets.

Ta-Lin Hsu was there, heading the VC fund that leveraged this high-tech awakening. Nearly 40 years on, he remains within the industry as founder and chairman of H&Q Asia Pacific, but the focus has inevitably shifted. Rather than helping Asian companies become manufacturing outposts to the world, Hsu is supporting them as they seek out new technologies in the US in a bid to breathe new life into aging business models.

This is the purpose of H&Q's Global Innovation Center (GIC) initiative, which recently set up a home in two commercial properties not far from San Francisco International Airport. The private equity firm paid \$90 million for the space, with another \$10 million earmarked for developing the networking, programming and technology transfer that underpins the GIC concept.

Hsu admits he has gone full circle. "We followed the money and at first that was foreign direct investment into Asia," he says. "Now it is reversed. The underlying reason is the West is led by innovation. The US has such innovative power because it is a melting pot with so many talented individuals of foreign origin."

Taiwan's renaissance

His role in the early days of Asian venture capital is also indirectly linked to a technology park. Born and raised in Taiwan, but educated at the University of California Berkeley before joining IBM, Hsu returned home in part because of the Hsinchu Science & Industrial Park. Established in 1980, this facility was intended to be Taiwan's answer to Silicon Valley, a place for the diaspora to seed their US experience into a generation of domestic hardware start-ups.

Venture capital was part of the puzzle and in 1982 the government approached Hambrecht & Quest, a tech-focused investment bank, for help. Hsu, who offered the requisite language and

technical skills, came in as the bridge between Silicon Valley and Taipei. The \$20 million H&Q Han Tech Fund was the result. In addition to Acer, it backed companies producing everything from motherboards and to mice.

By the early 1990s, Taiwan was supplying roughly half the key components for PCs globally. Mainland China also set its sights on technology manufacturing, with the introduction of hubs in Shenzhen and Beijing's Zhongguancun district. In India, Bangalore began to come to the fore.

"It was thought the global technology sector would operate under a distributed system," Hsu recalls. "There would be seven centers. But if you look at what has happened over the last

important financial tool," Hsu adds. "Institutional investors have traditionally considered venture capital and private equity to be alternatives, but these days, with all the innovation and the venture capital boom, you could argue they have become more mainstream. In China they are encouraging everyone to become an entrepreneur."

A global game

H&Q Asia Pacific has invested in more than 700 companies through 26 funds since inception and has total assets under management of \$3.5 billion. Asked to list the components of an ideal fund to address the current technology landscape, Hsu simply says it would have to target the whole world.

"It's a global game now and you can't limit yourself – it's like saying you only want to compete in table tennis at the Olympic Games and avoid basketball. But then you need to assemble a globally competitive team and then cooperate with local talent where you don't have it. Our job is to create the best team in Silicon Valley. They might be Taiwanese, Singaporean, Indian or Israeli, it doesn't matter where they come from, provided they are globally competitive."

In the subcontracted manufacturing world a local strategy works because companies don't need to understand how or why their customers are selling

to, just produce the goods as cheaply and efficiently as possible. But this approach has been undermined by wage inflation in developing markets, and these companies are now looking to H&Q for helping finding new answers.

Transformation is a challenge for big companies, but Hsu thinks it can be achieved by sending pilot teams of engineers to Silicon Valley and incentivizing them by offering equity in a new company based on technologies they identify. This new company could then be listed or acquired by the Asian parent. H&Q's GIC is intended to serve as a base from which these forays can be made.

"It's all about utilizing Silicon Valley's power and the entrepreneurship incentive to rejuvenate the old company," Hsu says. "I want to help the constituent companies, but I would also like first right of refusal to put our fund's money into the companies we help." ▀



H&Q Asia Pacific's Ta-Lin Hsu (left) with AVCJ Publisher Allen Lee

five or so years, Silicon Valley still stands out. It is unbeatable in technology innovation and that is because the other places depend on locals, with very little injection of foreign capital."

Once established, H&Q did not sit still. The firm entered the Philippines in 1986, Singapore in 1988, Malaysia in 1990, Thailand in 1991, China in 1993, Indonesia in 1995 and South Korea in 1998. Technology was always the primary focus but the nature of opportunities brought more sectors into play, particularly consumer-oriented areas.

A number of these funds were mandates from governments, companies and development organizations. In this respect, Hsu describes his activities in a developmental context, albeit one that had to deliver returns to investors. He is also an advocate of Kwoh-Ting Li, known as the father of Taiwan's economic miracle for his contribution to the emergence of the technology sector.

"Venture capital has become an increasingly

Asian Private Equity & Venture Capital Award Winners

2014

Fundraising of the Year – Venture Capital: Qiming Venture Partners IV (Qiming Venture Partners)

Fundraising of the Year – Mid Cap: Quadrant Private Equity No.4 (Quadrant Private Equity)

Fundraising of the Year – Large Cap: CVC Capital Partners Asia Pacific IV (CVC Capital Partners)

Deal of the Year – Venture Capital: Flipkart (Tiger Global/Naspers/GIC Private/Morgan Stanley Investment Management/DST Global/Accel Partners/Iconiq Capital/Sofina)

Deal of the Year – Mid Cap: IMAX China (FountainVest Partners/CMC Capital Partners)

Deal of the Year – Large Cap: Nanfu Battery (CDH Investments)

Exit of the Year – IPO: Alibaba Group (Silver Lake/China Investment Corporation/Yunfeng Capital/CITIC Capital/Boyuu Capital/Nepoch Capital/Asia Alternatives/Pavilion Capital/Siguler Guff)

Exit of the Year – Mid Cap: United Cinemas (Advantage Partners)

Exit of the Year – Large Cap: Oriental Brewery (Affinity Equity Partners/KKR)

VC Professional of the Year: Jixun Foo (GGV Capital)

PE Professional of the Year: David Liu & Julian J. Wolhardt (KKR)

Operational Value Add: Oriental Brewery (Affinity Equity Partners/KKR)

Firm of the Year: Affinity Equity Partners

AVCJ Special Achievement: Victor Chu (First Eastern Investment Group)

2013

Fundraising of the Year: KKR Asian Fund II (KKR)

Private Equity Exit of the Year: Matahari Department Store (CVC Capital Partners)

Venture Capital Deal of the Year: Tujia (CDH Investments/Qiming Venture Partners/GGV Capital/Lightspeed China/Ctrip/HomeAway)

Private Equity Deal of the Year: Panasonic Healthcare (KKR)

Venture Capital Professional of the Year: Richard Liu (Morningside Technologies)

Private Equity Professional of the Year: Michael B. Kim (MBK Partners)

Operational Value-Add: Yonghui Superstores (Headland Capital Partners)

Firm of the Year: KKR

AVCJ Special Achievement: Wu Shangzhi (CDH Investments)

2012

Fundraising of the Year: PAG Asia I (PAG)

Private Equity Exit of the Year: King's Safetywear (Navis Capital Partners)

Venture Capital Deal of the Year: Xiaomi (IDG Capital Partners/Morningside Ventures /Qiming Venture Partners/Qualcomm Ventures/Beijing ShunWei Venture Capital/DST Advisors/Temasek Holdings)

Private Equity Deal of the Year: Tianhe Chemicals Group (Morgan Stanley Private Equity Asia)

Venture Capital Professional of the Year: Sanjeev Aggarwal (Helion Venture Partners)

Private Equity Professional of the Year: Roy Kuan (CVC Capital Partners)

Firm of the Year: Bain Capital

AVCJ Special Achievement: Lewis Rutherford (Inter-Asia Management)

2011

Deal of the Year: Hyva Holdings (Unitas Capital)

Firm of the Year: Archer Capital

Fundraising of the Year: Baring Asia Private Equity Fund V (Baring Private Equity Asia)

IPO of the Year: Yonghui Superstores (Headland Capital Partners)

Trade Sale of the Year: Beijing Leader & Harvest Technology (Affinity Equity Partners/Unitas Capital)

Private Equity Professional of the Year: Peter Wiggs (Archer Capital)

Venture Capital Professional of the Year: Sandeep Singhal (Nexus India)

Lifetime Achievement Award: Philip Bilden (HarbourVest Partners)

2010

Venture Capital Professional of the Year: Joe Zhou (KPCB)

Venture Capital Firm of the Year: Sequoia Capital India

Deal of the Year: Sanyo Logistics

Trade Sale of the Year: Parkway Holdings

IPO of the Year: China Pacific Insurance

Fundraising of the Year: CDH Fund IV (CDH Investments)

Private Equity Professional of the Year: Weijian Shan (PAG)

Private Equity Firm of the Year: TPG Capital

Lifetime Achievement award: David Bonderman, TPG Capital

2009

Firm of the Year: India Value fund Advisors
Buyout of the Year: Oriental Brewery (Affinity Equity Partners/KKR)
Private Equity Professional of the Year: Jean Eric Salata (Baring Private Equity Asia)
Venture Capital Professional of the Year: Andrew Yan (Softbank Asia Infrastructure Fund)
Exit of the Year: Shenzhen Development Bank (TPG Capital)
Entrepreneur of the Year: Gautam Adani (Adani Group)
Fundraising of the Year: MBK Partners II (MBK Partners)
Lifetime Achievement Award: George Raffini
Publisher's Award: Daniel Schwartz

2008

Firm of the Year: Affinity Equity Partners
Buyout of the year: Magnum Corp (CVC Asia Pacific)
Private Equity Professional of the Year: John Zhao (Hony Capital)
Venture Capital Professional of the Year: Sonny Wu (GSR Ventures)
Exit of the Year: Himart (Affinity Equity Partners)
Entrepreneur of the Year: Tulsi Tanti (Suzlon Energy)
Fundraising of the Year: Hony Capital Fund III (Hony Capital)
Lifetime Achievement Award: William Ferris, Castle Harlan Australia Mezzanine Partners

2007

Firm of the Year: Advantage Partners
Buyout of the Year: DCA Group (CVC Asia Pacific)
Professional of the Year: Joe Bae (KKR)
Exit of the Year: Belle International Holdings (CDH Investments/Morgan Stanley Private Equity Asia)
Entrepreneur of the Year: Ben Fan (Neo-Neon International)
Fundraising of the Year: Affinity Equity Partners

2006

Entrepreneur of the Year: Jason Jiang (Focus Media)
Buyout of the Year: Brambles Industries (KKR)
Exit of the Year: Suntech Power (Actis/Dragontach Ventures/Goldman Sachs/Natixis Private Equity)
Private Equity Firm of the Year: Pacific Equity Partners
Private Equity Professional of the Year: Dan Carroll (TPG Capital)

2005

Entrepreneur of the Year: Jack Ma (Alibaba Group)
Buyout of the Year: Himart (Affinity Equity Partners)
Exit of the Year: Korea First Bank (Newbridge Capital)
Private Equity Firm of the Year: Newbridge Capital
Private Equity Professional of the Year: K.Y. Tang (Affinity Equity Partners)

2004

Entrepreneur of the Year: Neil Shen (Ctrip.com)
Buyout of the Year: Hanaro Telecom (Newbridge Capital)
Exit of the Year: Pacific Brands (CVC Asia Pacific/Catalyst Investment Partners)
Private Equity Firm of the Year: JP Morgan Partners Asia
Private Equity Professional of the Year: Maarten Ruijs (CVC Asia Pacific)

2003

Entrepreneur of the Year: Yibo Shao (Eachnet)
Buyout of the Year: Yellow Pages Singapore (CVC Asia Pacific/JP Morgan Partners Asia)
Exit of the Year: Vantec Corporation (3i/PPM Ventures)
Private Equity Firm of the Year: CVC Asia Pacific
Private Equity Professional of the Year: T.J. Huang (AsiaVest Partners, TCW/YFY)

2002

Entrepreneur of the Year: Richard Chang (SMIC)
Buyout of the Year: Haitai Confectionery (CVC Asia Pacific/JP Morgan Partners Asia/UBS Capital)
Exit of the Year: Good Morning Securities (H&Q Asia Pacific/Lombard/GIC Private)
Private Equity Firm of the Year: UBS Capital
Private Equity Professional of the Year: Chan Sun (Walburg Pincus)
Special Achievement Award: Inter-Asia Venture Management

2001

Entrepreneur of the Year: Narayana Murthy (Infosys Technologies)
Private Equity Firm of the Year: Telecom Venture Group
Private Equity Professional of the Year: Lip-Bu Tan (Walden International)



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