AVCJ Weekly Digest

22 June 2022

COVER STORY

PLACEMENT AGENTS: ASIA ENTRIES

Asia's sparse placement agent scene is fleshing itself out despite macro headwinds, but the model is being revised to adapt to a changing market.

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LP INTERVIEW

HYWIN HOLDINGS ON CHINA PRIVATE WEALTH

US-listed Hywin Holdings is plugging China's rich into private asset classes one handshake at a time despite increasing digitisation in this wealth migration theme. PE is a fast-growing slice of the pie.
Read more

FUND FOCUS

LPs ENDORSE POTENTIA'S SOFTWARE THESIS

Potentia Capital took just four months to close its second fund on USD 438m, emphasizing the growing appeal of B2B technology opportunities in Australia and New Zealand.
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DEAL FOCUS

TH CAPITAL IDENTIFIES KEY NICHE IN ENERGY STORAGE

Zhongchu Guoneng Technology is leading China's push into compressed air energy storage as a means of harnessing fast-rising yet unstable wind and solar capacity. Tsinghua Holdings Capital is among the backers.
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DEAL FOCUS

PAKISTAN'S DASTGYR ASPIRES TO EMULATE ALIBABA

SOSV sees parallels between the e-commerce awakenings in Pakistan and China, though 20 years apart. Dastgyr has positioned itself at the fore, but it wants to be asset-light rather than asset-heavy.
Read more

DEAL FOCUS

SOFTWARE COMBINED SEES SENSE IN AGGREGATION

Backed by majority owner Navis Capital Partners, Australia-based Software Combined wants to reach up to USD 35m of EBITDA within three years through acquisitions of smaller B2B players.
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By the Numbers

AVCJ RESEARCH

AUSTRALIA & NEW ZEALAND IN SIX TRENDS

To coincide with this week's AVCJ Australia & New Zealand Forum (see here for the full special issue) ...

Bifurcation in fundraising: With more than half of 2022 still to run, nearly USD 2.6bn has been committed to buyout funds, helping propel overall fundraising total past USD 3.3bn. That is already comfortably more than the USD 2.6bn raised in 2021. Much depends on which managers are in the market. BGH Capital emphasized the gap between “haves” and “have nots” in fundraising, taking less than six months to reach a final close of AUD 3.6bn (USD 2.6bn) in early March.

The rise and fall of Canva? Valuation markdowns of Australia-based design and collaboration platform Canva by T. Rowe Price and Franklin Templeton demonstrated how the public market sell-of in tech stocks is filtering through to private markets. Canva is a poster child for pandemic-driven uptake and a key asset for several local VC firms. Experiences in other markets suggest that markdowns by mutual funds do not necessarily inflict lasting harm.

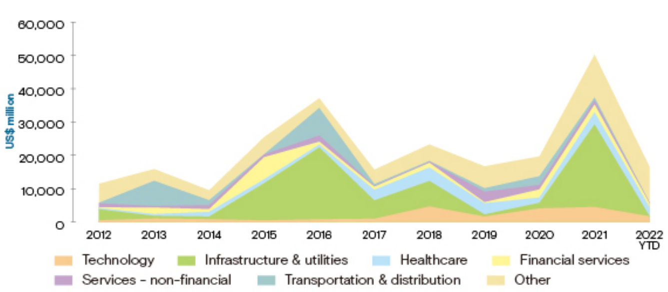
Utilities dominate deal flow: In the first three months of 2021, when private equity deal flow in Australia rose quarter-on-quarter while every other major market in Asia regressed, hospitality and healthcare were in the ascendency. These are widely viewed as defensible sectors in an uncertain market. Invariably, though, whenever headline PE investment hits a peak, it is driven by a handful of infrastructure and utilities deals. Nearly half the record USD 50.1bn deployed last year went into this area.

Devil in the definition (of infra): EQT’s USD 1.67bn acquisition of a majority stake in cancer care provider Icon Group – through its infrastructure fund – is just one example of how the line between private equity and infrastructure is blurring. It is not unusual for businesses with fixed assets to be reclassified as they are de-risked, but infrastructure GPs are stretching the definition of core-plus, driven by in part by low interest rates and ample liquidity. They see PE firms as sources of – and rivals for – deal flow.

IPO markets favour technology: Until recently, at least, public market investors in Australia and New Zealand prized one sector above all others: technology. Despite intermittent pandemic-related lockdowns, PE-backed IPOs staged a resurgence in 2020 with USD 2.5bn raised through 16 offerings. It continued in 2021, which saw 15 companies raise USD 2.7bn. More than a dozen of the IPOs in 2020-2021 involved technology companies. Healthcare, the next most prolific sector, only saw six.

Alternatives managers for sale: EQT’s acquisition of Baring Private Equity Asia and PAG filing for a Hong Kong IPO have grabbed the headlines in terms of GP-level M&A. Two smaller transactions in Australia received less attention: Five V Capital selling a 25% GP stake to Pinnacle Investment Management Group and the acquisition of New Forests by Mitsui & Co. and Nomura Holdings. Deal flow is likely to remain intermittent, but there remain willing buyers and sellers beyond the realm of the large-cap GPs.

Australasia private equity investment by sector



Source: AVCJ Research

All of the trends featured here were sourced from AVCJ's proprietary database, AVCJ Research, featuring comprehensive information on private equity deals, fundraises and exits.

Read more on AVCJ Research

The rest of the week

FUNDS

- Legend axes consumer from latest China TMT fund
- Sequoia raises $2.85b for India, Southeast Asia
- Japan's WiL raises USD 1bn
- India's 8i Ventures seeks $50m for Fund II
- Hillhouse reaches first close on China carbon neutrality fund

DEALS

- Infrastructure funds move towards software - Infralogic Forum
- India's ShareChat closes $520m round, hits $5b valuation
- Japan's Aspirant buys beauty brand John Masters Organics
- China life sciences research business gets $300m Series C
- Alpha Wave backs India e-sports platform FanClash
- Capital Today leads $40m Series B for China's XYZ Robotics
- Tencent, Block join Series B for Indonesia's Flip
- India payments player Innoviti expands Series D to $22m

For your calendar

UPCOMING EVENTS

- **23 June 2022** - Mergermarket M&A Forum - Australia
- **25 July 2022** - Infralogic Investors Forum - Asia Pacific
- **26-27 July 2022** - AVCJ Southeast Asia Forum
- **28 July 2022** - Mergermarket M&A Forum - Southeast Asia
- **7 September 2022** - AVCJ Korea Forum
- **13 September 2022** - Infralogic Investors Forum - Japan
- **14-15 September 2022** - AVCJ Japan Forum
- **25-26 October 2022** - AVCJ China Forum
- **27 October 2022** - Mergermarket M&A Forum - China
- **15-17 November 2022** - AVCJ Private Equity & Venture Forum

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