AVCJ Weekly Digest

31 May 2023

COVER STORY

ASIA PRIVATE CREDIT: MUFFLED MOMENTUM

The conservative virtues of private credit relative to private equity are appealing in a risk-off world, but global participation in Asia may be limited.

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LP INTERVIEW

AUSTRALIA'S ESCALA PARTNERS

ESCALA PARTNERS

Escala Partners is one of a cluster of Australia-based wealth management platforms attracting more attention from private equity fundraisers. Getting on its approved list requires push as well as pull.
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DEAL FOCUS

GO AIMS TO BRING JAPAN'S TAXIS UP TO SPEED

Goldman Sachs-backed taxi-hailing platform Go wants to address Japan's taxi driver shortage and bring digitalisation to an industry that remains rooted in an analogue world.
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DEAL FOCUS

KKR BRINGS IMPACT TO THE CLASSROOM

EQuest Education has enlarged its K-12 school footprint in Vietnam through a string of acquisitions. KKR continues to support this consolidation effort via its global impact investment strategy.
[Read more]

DEAL FOCUS

U POWER WINS BACKING FOR EV TURNKEY PROPOSITION

China's U Power has developed an integrated chassis as a cost-effective foundation on which electric vehicle makers can build their own creations. Government and independent investors are piling in.
[Read more]

DEAL FOCUS

CHALO THINKS BEYOND THE BUS STOP

India bus-tracking app Chalo is helping fleet operators eliminate fraud and improve efficiency while giving passengers greater visibility on services. It is keen to scale – geographically and vertically.
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By the Numbers

AVCJ RESEARCH

EXITS GRIDLOCK

China Youzan, an e-commerce software-as-a-service (SaaS) business, represents one of the more protracted and complex private equity exit stories in the region. The company received several rounds of funding in the early to mid-2010s – from investors that might have been expecting it to follow the standard offshore IPO route.

Instead, China Youzan was acquired by Hong Kong-listed China Innovationpay Group in 2018. This listed entity was renamed China Youzan and the e-commerce SaaS operating business, Youzan Technology, became its key subsidiary. It was an all-share deal, with investors in the start-up swapping some of their equity for shares in the listed entity. They still owned a significant piece of Youzan Technology directly.

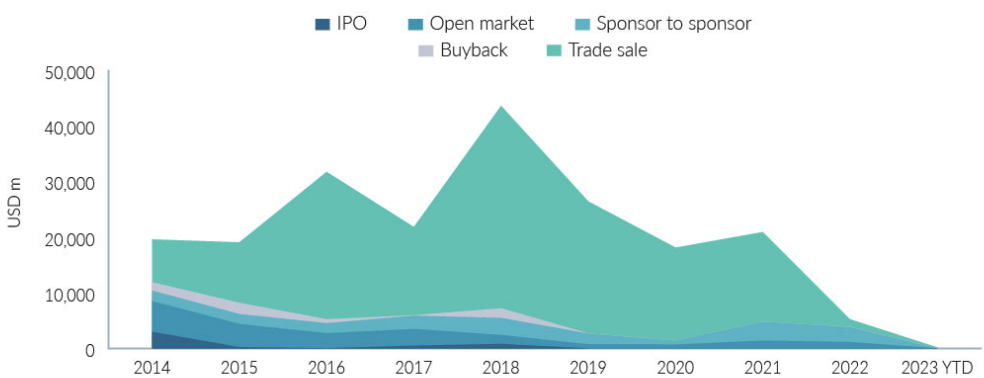
Part two of what had effectively become a trade sale appears to have been thwarted by COVID-19 and global tech selloffs. China Youzan stock peaked at HKD 4.19 in 2021 but then fell sharply, reaching HKD 0.07 in late 2022. A founder-led take-private bid for China Youzan – which included a proposal to divvy up shares in the Youzan Technology, essentially creating a standalone business – failed in 2021.

Now, though, there has been a breakthrough. China Youzan has agreed to take full control of Youzan Technology for HKD 2.6bn (USD 334.5m), creating a liquidity event for the likes of Hillhouse Capital, Matrix Partners China, and Gaocheng Capital. They will receive yet more China Youzan stock.

The resolution coincides with efforts to stabilise China Youzan's business, notably a raft of cost-cutting measures, including job cuts, that ended years of escalating losses.

Assuming the investors' now liquid positions can turn into distributions, it would add a touch of much-needed gloss to a bleak environment. In the eight years to 2021, annual average exit proceeds from private equity-backed Chinese companies amounted to USD 25.1bn. Proceeds feel to USD 5.2bn in 2022 and the first few months of 2023 have been little better.

China private equity exits



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

DEALS

- PE-backed CompareAsiaGroup merges with US-listed SPAC
- UK, India-based Builder.ai raises $250m Series D
- China National Energy Storage raises $143m
- Digital bank Tyme wins funding for SE Asia, Africa expansion
- India home appliance manufacturer Atomberg raises $86m
- Prosperity7 backs China autonomous driving player Hyperview
- Australian satellite provider Fleet gets $33m Series C
- Shenzhen Capital backs Chinese titanium metal producer
- Japan's Heartseed raises $14m Series D
- Indonesia e-commerce player Evermos gets $39m Series C
- Square Peg leads round for India payments start-up
- Singapore's BandLab raises $25m
- China generative AI start-up Luchen gets Series A funding

For your calendar

UPCOMING EVENTS

- **27-28 June 2023** - AVCJ Japan Forum
- **29 June 2023** - Mergermarket M&A Forum - Japan
- **5-6 September 2023** - AVCJ China Forum
- **13 November 2023** - AVCJ Diversity & Inclusion Forum
- **13 November 2023** - AVCJ ESG Forum
- **14-16 November 2023** - 36th AVCJ Private Equity & Venture Forum
- **6 December 2023** - Mergermarket M&A Forum - Hong Kong

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