

6<sup>th</sup> annual edition

# Asian Private Equity and Venture Capital Review 2010



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# MAKING SENSE OF A YEAR OF CONTRASTS

## Asia: Buffered, but still affected by the crisis

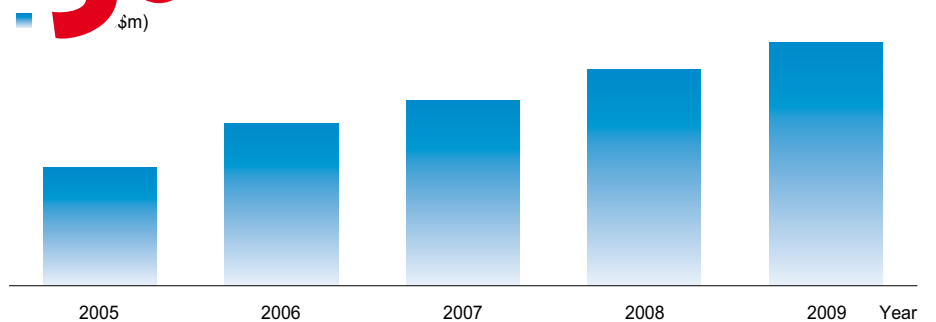
Asia is not the US, and it is not Europe, which for private equity over the past 12 months, is a decidedly good thing. "Asia has actually fared a lot better than the other parts of the world," noted Andrew Liu, Managing Partner & CEO, Unitas Capital. From the debt side, Howard Marks, Chairman of Oaktree concurs. "All regions suffered, but the generally lower use of leverage in Asia meant that the pain was proportionately less."

### Asia proved to be a nuanced region

This does not mean Asian private equity was hit hard. In Asia, markets were unevenly affected by a myriad of factors. 2009 is not a year of fast truths or geographic preference as much as it is a story of nuance. Peeling back the layers of an onion, Asia is not...

...but a few markets – notably Cambodia, Malaysia, and the Philippines – saw significant growth. Investment increased in all but Thailand and Vietnam.

FIG 1.1  
ASIA - TOTAL CAPITAL UNDER MANAGEMENT



Source: AVCJ Research

Many hoping to meet fundraising goals had to cut their expected target numbers, but funds did manage to raise money from LPs looking for exposure to the region, particularly China and India.

Another factor that separates Asia from other regions is the influence of sovereign wealth funds as private equity players, partners and competition. While it is unclear what their role will be going forward, they are making a name for themselves in this space.

# INVESTMENT CLIMATE AND DEAL FLOW

## Where there's a will, there's a way... for some

As seems to be the umbrella theme for 2009, "Asia" did not tell a consistent story. The first half of the year saw very few investments as firms scrambled to manage their existing portfolio companies. But throughout the year, those operating in certain markets – namely China, Australia and Indonesia – were able to find companies with sound fundamentals that warranted investment even against an uncertain global economic backdrop.

### Hand-holding for portfolio companies took first priority

The first half of the year was characterized by company hand-holding. Miranda Tang, Managing Director at CVC Asia, noted in February of 2009, "Relatively, we have been focusing on supporting our portfolio companies through 4Q2008 and 1H2009 in post-investment monitoring and communicating with our LPs."

Chairman of The Longreach Group noted, "The downturn in which portfolio companies had capital structures and managements able to withstand a severe economic shock."



### ASIA - TOTAL INVESTMENT IN PRIVATE EQUITY

US\$Million	2005	2006	2007	2008	2009
Australasia	XXX	XXX	XXX	XXX	XXX
Greater China	XXX	XXX	XXX	XXX	XXX
North Asia	XXX	XXX	XXX	XXX	XXX
South Asia	XXX	XXX	XXX	XXX	XXX
Southeast Asia	XXX	XXX	XXX	XXX	XXX
Others	XXX	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX	XXX

Notes:  
 Australasia includes Australia, New Zealand, and Papua New Guinea  
 Greater China includes China (PRC), Hong Kong, Macau and Taiwan  
 North Asia includes Japan and South Korea  
 South Asia includes Bangladesh, India, Pakistan, and Sri Lanka  
 Southeast Asia includes Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam  
 Source: AVCJ Research

# AN UNSAVORY EXIT ENVIRONMENT AND FALLING M&A MARKET

## In a holding pattern

### Interest and appetite for deals on hold

Unsurprisingly, exits did not take up a considerable amount of fund managers' energy in 2009, particularly in the first half of the year. Even for companies that were primed for an IPO or seeing interest from trade buyers, all but a few held, waiting for valuations to come back up and appetite to reappear. In the first half of the year, Paul Shaw, Director of Asia, says, "A number of large businesses were presented to us that had required large amounts of low-cost financing that were not viable."

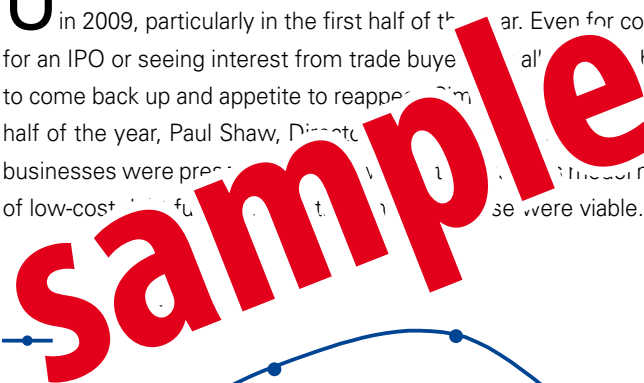
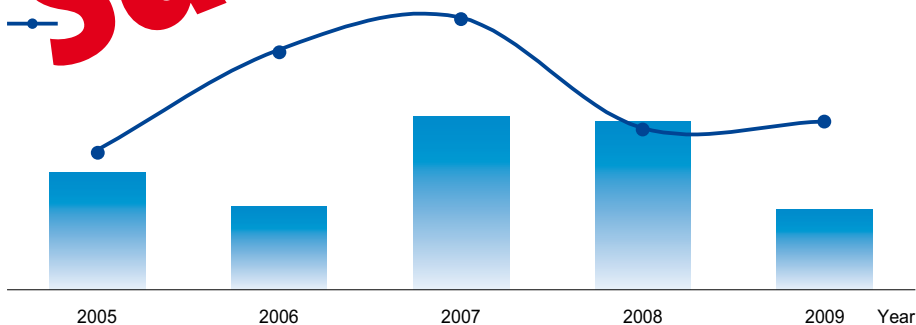


FIG 4.1  
ASIA - TRADE SALE EXITS IN PRIVATE EQUITY



Source: AVCJ Research

### IPOS PICKED UP IN THE SECOND HALF OF THE YEAR

After nine months of silence, the stock markets in Hong Kong and Shenzhen picked up speed with a slew of standout private-equity backed IPOs in the fourth quarter. How well they fared coming into the first quarter of 2010 is another story, but there is no doubt that a pent up appetite for stakes in newly listed companies helped end the year on a high note for many funds and their LPs.