

5<sup>th</sup> annual edition

# Asian Buyout Review 2011

**SAMPLE**



# CONTENTS

	Page
<b>1 INTRODUCTION</b>	<b>6</b>
Market Overview	
<b>2 BUYOUT INVESTING</b>	<b>9</b>
Indian summer?	
<b>3 BUYOUT FUNDRAISING</b>	<b>13</b>
Surviving the second GFC	
<b>4 REGIONAL ANALYSIS</b>	<b>18</b>
Australasia: Bigger and better times?	
Greater China: Turning	
North Asia: Picking winners	
South Asia: Investing in	
South East Asia: A	
Scouting for	
<b>5 GOING AHEAD</b>	<b>38</b>
Breaks in the clouds	
<b>6 APPENDICES</b>	<b>39</b>

**SAMPLE**

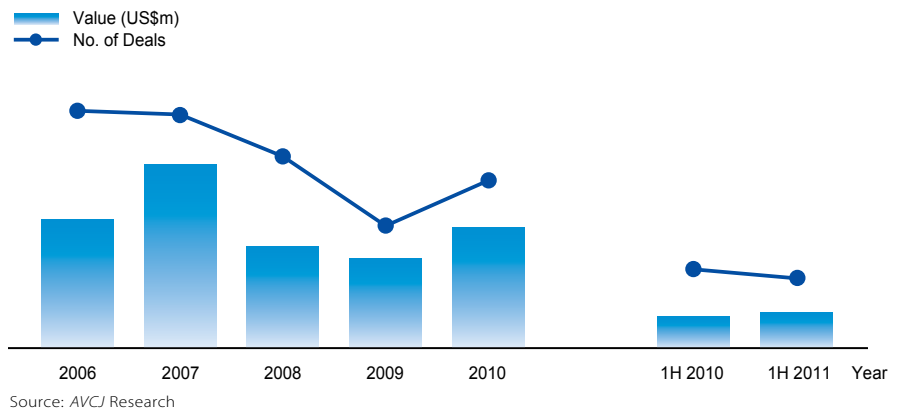
# INTRODUCTION

## Market Overview

Buyout players in Asia Pacific in 2010-11 have been in the lucky position of playing in a strong and recovering market. Total private equity investments in the region for 2010 reached their highest level since the onset of the financial crisis, with over \$67 billion of deals, compared to 2009's almost \$40 billion. The first half of 2011 at least also showed signs of recovery, with just over \$24.5 billion of 1H11 – not quite back to the previous post-crisis totals, with just over \$21 billion for 1H10. Asia Pacific M&A recovered in 2010 to over \$380.5 billion of deals, and in the first half of 2011 came in at just under the previous first half's total, at almost \$146 billion compared to 1H10's \$155 billion. So – once again, at least until the second dip in 2H11 – Asia Pacific buyouts had the underlying M&A momentum to sustain them. Fundraising also held up well, rising out of a trough in 2009, with a total of just over \$37.5 billion raised for private equity in the region in 2010, down from 2008's \$54.2 billion but well up on 2009's almost \$25 billion, and almost steady into 2011, at just over \$19.3 billion for 1H11 compared to almost \$21 billion for 1H10.



FIG 1.1  
ASIA – PRIVATE EQUITY INVESTMENTS MADE



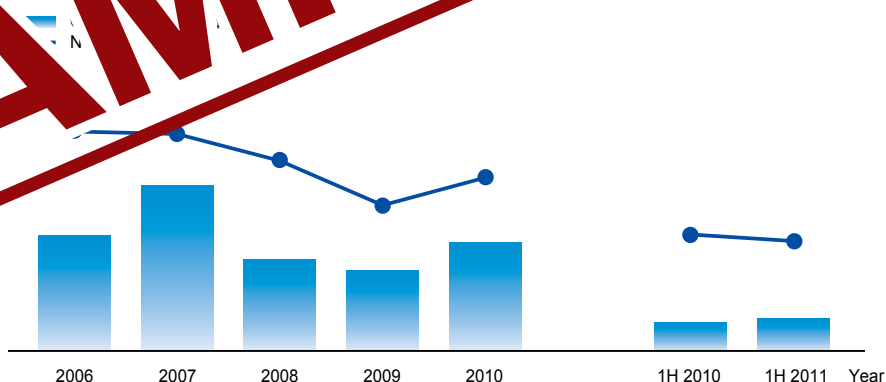
Asia was not the only relatively strong performer, at least until mid-2011. The European buyout market in 2011 bid fair to match or exceed the value of 2010 activity, while in the US, investments more than doubled in 2010 compared to 2009 figures. And, significantly,

# BUYOUT INVESTING

## Indian summer?

Buyout investments in 2010 scored encouragingly well, with almost \$30.6 billion of buyout capital committed to 170 deals during the year, compared to just under \$22.8 billion in 125 deals in 2009, and barely \$25.8 billion in 145 deals for 2008. And the first half of 2011 sustained the tempo, with almost \$9.1 billion committed in 71 deals, \$1 billion more than 1H10's total for that period. Buyout investments accounted for their contribution to Asia Pacific's overall M&A value of \$10.1 billion, up from \$6.5 billion in 2009 and 6.2% of the region's M&A value versus 7.2% in 2009 and 6.8% in 1H11.

FIG 1  
ASIA – BUYOUT INVESTMENTS M&A VALUE (\$ BILLION)



Source: AVCJ Research

Plus, from some viewpoints, 2010 was a propitious time to invest. “The best time to make investments is during the recovery years [from a recession],” opines XD Yang, Managing Director and Co-Head of Carlyle Asia Partners. “We do think 2010 is a year like that: in the early stages of regional economic recovery and growth.”

Good news for the region’s buyout managers? Perhaps. But as so often in Asia, look below the headline numbers and a more complex, somewhat less encouraging picture emerges.

For one thing, all but one of 2010’s \$2 billion+ buyout investments were made by government-connected institutions, SWFs, or major institutional investors. Carlyle Asia and TPG Capital, with their \$2.36 billion acquisition of Australia’s Healthscope in July 2010, were the standout investors who managed to close the period’s biggest “pure” private equity deal. The biggest deal of the year per se was the over \$3.85 billion investment in Japan Airlines by Japan’s state-connected Enterprise Turnaround Initiative Corporation, a deal unlikely to witness the classic buyout post-investment disciplines of strict market-oriented

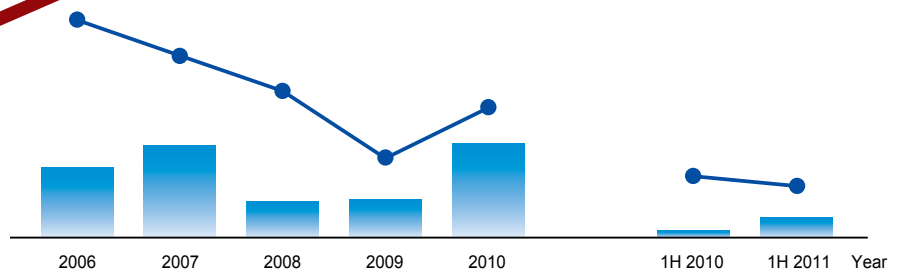
# REGIONAL ANALYSIS

## Australasia: Bigger and better than ever?

As already noted, Australia and New Zealand delivered the lion's share of the review period's buyouts, 51% of 2010's investment total, with a value at very slightly under \$16 billion, and holding up its share in 1H2011 with almost 50%. Out of 2010's top ten deals by value, six were Australian. In fact, 2010 was Australia's highest-ever year for buyouts, exceeding even 2007's \$15 billion. However, in 2011, buyout deals struggled to aggregate more than \$4.1 billion, a 75% drop on 2010's performance. The percentage of overall Australian private equity buyouts in 2010 rose to 92.1% in 2010 and 85.8% in 1H11, while the value of buyouts in 2010 also ensured that Australian buyouts commanded a high share of the total for the year: 17.5%.



AUSTRALASIA – BUYOUTS



Source: AVCJ Research

Apart from July's Healthscope deal, Australia's jumbo 2010 buyouts were all about infrastructure and utilities: Queensland Motorways, Intoll Group, Port of Brisbane, Alinta Energy Group, DP World Australia – all big assets, all north of \$1.5 billion (or just below, for DP World). And 2011, though it saw Australia's commanding buyout market lead eroded by China, saw more big Oz deals, though none past the \$1 billion mark: the Blackstone Group's almost \$753 million investment in Valad Property Group in April, Archer Capital's \$502 million acquisition of Quick Service Restaurants in June, and Alberta Investment Management Corp.'s \$410 million acquisition of Great Southern Plantations in January. And New Zealand, a moribund buyout market for many quarters, finally sprang back to life in January 2011 with Affinity Equity Partners' almost \$460 million acquisition of NZ Poultry Holdings.