

ASEAN Private Equity

Preqin is proud to present another collaborative piece with Singapore Venture Capital & Private Equity Association (SVCA), with insight into the dynamic ASEAN private equity market, supported by the latest data on fund managers, fundraising, and deals.

2014 saw 25 ASEAN-focused private equity funds reach a final close, securing a total of \$13.4bn (Fig. 2). Though the number of such vehicles closed each year has declined since 2012, the average fund size has risen to a record \$609mn in 2014, with three vehicles in particular driving up the mean (Affinity Asia Pacific Fund IV, \$3.8bn; CVC Capital Partners Asia Pacific IV, \$3.5bn; Navis Asia Fund VII, \$1.5bn).

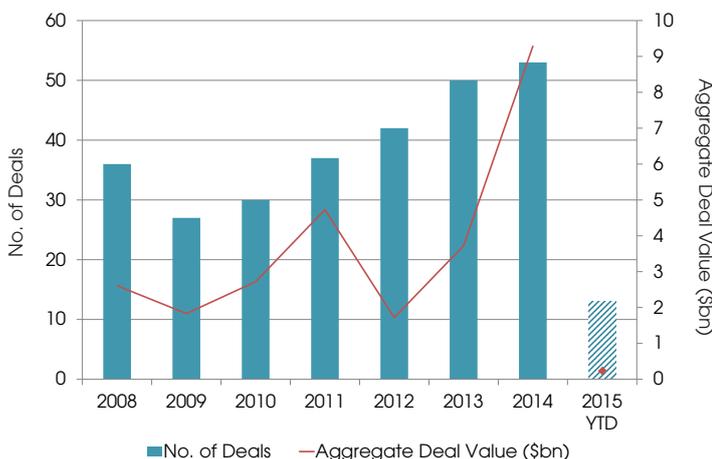
Appetite for investment opportunities in the region clearly remains substantial, with emphasis on venture capital and growth funds (Fig. 3). Furthermore, deal activity has seen upward trends, with aggregate deal value reaching record levels of \$9.3bn for private equity-backed buyout deals and \$1bn for venture deals in 2014 (Figs. 4-5).

Fig. 2: Annual ASEAN-Focused Private Equity Fundraising, 2009 – 2015 YTD (As of 17 April)



Source: Preqin Funds in Market

Fig. 4: Number and Aggregate Value of Private Equity-Backed Buyout Deals in ASEAN, 2008 - 2015 YTD (As at 17th April 2015)



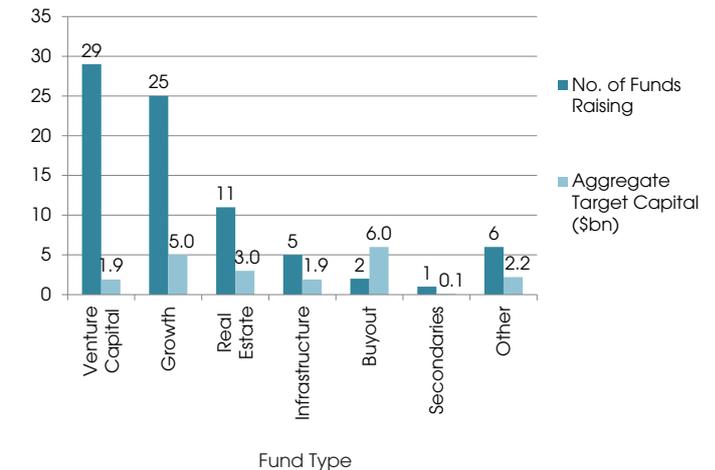
Source: Preqin Buyout Deals Analyst

Fig. 1: Five Largest ASEAN-Based Private Equity Fund Managers by Estimated Dry Powder

Firm	Location	Estimated Dry Powder (\$mn)
Navis Capital Partners	Malaysia	1,503
Axiom Asia Private Capital	Singapore	921
L Capital Asia	Singapore	573
TAEL Partners	Singapore	555
Northstar Group	Singapore	512

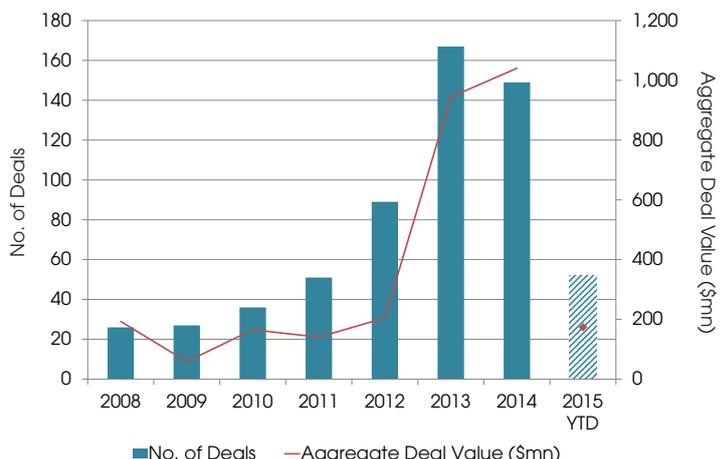
Source: Preqin Fund Manager Profiles

Fig. 3: ASEAN-Focused Private Equity Funds Currently in Market by Fund Type



Source: Preqin Funds in Market

Fig. 5: Number and Aggregate Value of Venture Capital Deals* in ASEAN, 2008 - 2015 YTD (As at 17th April 2015)



Source: Preqin Venture Deals Analyst

*Figures exclude add-ons, grants, mergers, secondary stock purchases and venture debt

Private Equity & Venture Capital Assets under Management in 2014 - SVCA

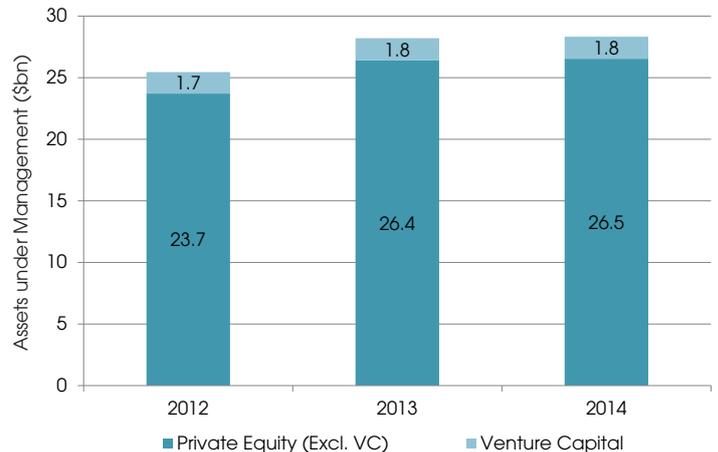
In 2014, although the total number of new funds raised with Asia-focused themes (including country-focused and pan-Asian funds) increased, average fund size was smaller at around \$300mn. Assets under management of private equity and venture capital fund managers in Singapore remained flat at around \$28.3bn (SGD 36bn).

Singapore-based fund managers were focused on putting money to work as total private equity and venture capital investments more than tripled, exceeding \$9bn. Private equity investment highlights included the \$1.4bn buyout of SGX-listed Goodpack by KKR and Blackstone's \$800mn investment in Tamarind Energy. Venture capital investments by Singapore-based fund managers also increased, exceeding \$400mn with the largest percentage growth into Southeast Asia.

Total private equity and venture capital investments in Southeast Asia saw a year-on-year increase with a significant rise in the number of early stage venture capital deals. Attracted by the rising middle class and potentially large market for internet and mobile products and services, the number of investments in early stage Indonesian technology companies more than doubled in 2014. Singapore's stable legal structure, pro-business tax environment and government incentives for technology start-ups continued to be attractive for the setup of both early stage enterprises and venture capital funds. Singapore continued to be a major investment hub with Singapore-based fund managers accounting for more than 55% of total private equity and venture capital investments into Southeast Asia.

**AUM estimates include committed capital (uncalled commitments or dry powder plus unrealized value of portfolio assets) for funds with principal management or invested capital for funds with discretionary/advisory management responsibilities in Singapore excluding sovereign wealth funds.*

Fig. 1: Singapore Private Equity and Venture Capital Assets under Management* (AUM), 2012 - 2014



Source: SVCA

Investments in Singapore-based target companies also took the lion's share, with a total exceeding \$2.7bn. Venture capital investments in Singapore companies were augmented by foreign capital co-investing with local funds such as investments by Softbank, Hillhouse Capital and GGVC into GrabTaxi.

Source new investors for funds

Identify new investment opportunities

Conduct competitor and market analysis

Find potential deal opportunities

Develop new business



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Ample Opportunities for Further Growth

- Ravi Thakran, Group President, LVMH South Asia, South East Asia & Middle East and Managing Partner, L Capital Asia

What are your sentiments on the current private equity market in ASEAN?

We launched the L Capital Asia business in late 2009, with a defined focus on China and India, and an opportunistic stance on Singapore and other ASEAN markets. Coincidentally, our very first investment was in Singapore, with Sincere Watches, which proved to be a very successful investment, and we have since made additional investments in Singapore and set-up a full time team to evaluate opportunities in this region. While we are yet to make an investment in any other ASEAN country, these countries are attractive consumption markets for a number of our portfolio companies, and we are on the lookout for additional investment opportunities across the region.

Why did L Capital Asia locate its head office in Singapore?

Singapore has established a strong reputation as a regional financial centre, with a world class regulatory, legal and tax framework and physical and social infrastructure that global investors are comfortable with. In addition, with our pan-Asian focus, including Oceania, Singapore offers the logical mid-point.

What strategies do you think LPs will be committing capital to in the year ahead?

LPs have been looking at increasing their exposure to alternatives and, within that, increasing the share of private equity, plus their emerging markets exposure, with a view to boost returns. With the uncertain economic environment that we live in, the one mega theme that nobody can ignore is the multi-fold rise of the Asian middle class, and thereby discretionary consumption, and we are seeing a continued uptick in LP interest behind the domestic consumption strategy in Asia manifest through all facets including VC investments, mid-market growth and buyout plays. Even for the generalists operating in Asia, consumer is a big theme.

How do you stand out from the crowd to attract investor capital?

L Capital Asia is a private equity business sponsored by LVMH, the world's leading luxury conglomerate and we share a mutually beneficial relationship. We are able to leverage on LVMH's expertise and network across the entire investment process from proprietary deal origination and industry-specific due diligence to post-transaction operational value-add to portfolio companies.

We typically invest only in those situations where there is some strategic or operating value we can bring to the table. We are not passive investors, but we also do not have the intention of running businesses, and the focus is more on advising and mentoring, both at the Board level, as well as the operating level through regular monitoring and very targeted workshops, and then in connecting the dots in terms of helping companies getting access to the right resources, be that in the form of human resources, consultants, distributions partners, etc. Improving access to retail real estate, distribution footprints as well as media, often by leveraging our Sponsor's networks, is also a key area of value add.

Are there particular industries which you think present exceptional opportunities?

At L Capital Asia, we only focus on lifestyle consumption as a broad theme, with a strong underlying driver in the multi-fold growth in the middle class population across Asia, a phenomenon that will play out over the next few decades and create huge growth opportunities for aspirational consumption as people move up from shopping for basic necessities. In particular, we seek to invest primarily into AAA brands which have the characteristics of being Aspirational, Affordable and Alternative. In general, such brands can be classified as "lifestyle" consumer products and services positioned between the luxury and mass-market segments and combining some of the most attractive characteristics of each. We believe that changing demographics and an increasing affluent middleclass across China, India and South-East Asia will create significant demand for AAA brands and lead to the emergence of many new, highly attractive brands with global marketing potential. In addition to high growth rates, these brands are able to generate higher gross margins and returns on capital, and prove to be more resilient during times of economic downturn.

Which countries within ASEAN do you think will be attractive for investments this year?

For us, Singapore has been the mainstay of our investments within the ASEAN region, and we think that will continue. That is not to state that we are not looking at investment opportunities in other markets, but more from the stand-point of finding businesses of scale that someone like us can step into and make a meaningful difference. At this stage of development of most of the other markets, there are very few local lifestyle product brands that have emerged, and the focus will be more on selective retail, distribution, services and tourism styled opportunities in these other markets.

What is your outlook for ASEAN?

ASEAN as a whole is very promising. Not all of the countries and their economies are fully developed, thus providing ample opportunities for further growth and expansion. The various governments have noted the slowdown in China's growth rates and increased cost structures, and thus they are leveraging on this by introducing suitable measures to attract more investments into their country. With lower costs in various ASEAN countries, investors will consider these attractive alternatives and thus help ASEAN develop and progress even further. In turn, the economies will improve and we will enjoy higher purchasing power, leading to increased private consumption.

Ravi Thakran is the Managing Partner of **L Capital Asia**. He is also the Group President for LVMH South Asia, South East Asia & Middle East. Ravi has over 20 years of operating experience. Prior to joining LVMH, he has worked with organisations like Tata Group, Swatch Group and Nike. Ravi has led development of leading luxury brands in Europe and Asia Pacific regions. www.lcapitalasia.com