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Fund manager ShawKwei sees gold as Asian companies grow grey

By Annabeth Leow
leowhma@sph.com.sg
@AnnabethLeowBT

Singapore

WITH low interest rates driving up valuations and economic growth slow but decent, now is "a really good time" for private equity activity – no matter whether funds are looking to invest anew or make an exit.

That's the word from Kyle Shaw, managing partner of Asian fund manager ShawKwei & Partners, which has offices in Hong Kong and Singapore.

Mr Shaw was in town for the opening of the new headquarters of formerly listed precision manufacturer Beyonics, which his firm bought out in 2012.

It has replaced four smaller manufacturing sites across the island with a 230,000 sq ft integrated facility, valued at S$43 million, in Marsiling. The five-storey, purpose-built development is leased for a 10-year term from AIMS AMP Capital Industrial Reit.

Beyonics was last year merged with Chosen Holdings – another Singapore manufacturer that ShawKwei privatised and delisted – in a strategic pivot away from hard disk drives to lower-volume, higher-margin business, such as components for the automotive and medical segments.

Managing partner Kyle Shaw is also in favour of nabbing businesses performing below capacity and turning them around. One such case is Beyonics, which his firm bought out in 2012. BT PHOTO: SEAH KWANG PENG

"I would say that South-east Asia, specifically Singapore, Malaysia and Thailand, are still very attractive places to look," Mr Shaw told *The Business Times*, citing the region's "sophisticated workers", supportive government policies and value chain of suppliers and customers.

"We're also attracted to southern China, the Guangdong area. Values are good there."

Still, "for us, more important is the specific company situation – what's the ownership, what's the history, what do they do, how's the employees, the customers.

"There's a lot of micro issues that are by far more important than macro, so to be honest I'm sort of ambivalent whether it's a Singapore company or a Guangdong company or a Shanghai company."

Describing the market for acquisitions as "okay" at the moment, Mr Shaw said that the greying of Asia presents an opportunity to step in when older company owners decide to leave the businesses that they founded during the boom years.

"A lot of the private equity industry, maybe the top 10 players, are all dealing with more than US$5 billion," he said. To him, this leaves ample room for ShawKwei to play with its comfort zone of investing in industrial manufacturing businesses with revenue of US$100 million to US$800 million.

Another acquisition strategy for ShawKwei involves nabbing businesses performing below capacity.

The firm snapped up Beyonics for US$115 million – 38 per cent higher than the company's market capitalisation on its last full day of trading, before news of the buy-out broke.

Beyonics had previously posted a S$17.5 million net loss for the full year to July 31, 2011.

Under its new owners, it has turned around, with Ebitda (earnings before interest, taxes, depreciation, and amortisation) last year standing at US$18.4 million, the company said.

Another recent ShawKwei deal, with loss-making offshore oil and gas solutions provider Gaylin Holdings, was announced last month.

The S$68 million conditional placement agreement is set to net ShawKwei a 75.64 per cent stake in that company's enlarged share capital.

"At the end of 2014, as the price of oil fell dramatically, we started looking at the offshore oil and gas industry here in Singapore," said Mr Shaw.

"Some of those companies have, unfortunately, not been able to survive. But we think Gaylin is a survivor. We think they're best at what they do in the market . . . And we think this is an opportunity for us to make an investment in the sector.

"We think oil prices will be stable probably around this level for many years to come. We're not looking for a big price rise, we don't think that will happen."