

# THE SECRET INGREDIENT

Standing out from the crowd



INSIGHTS





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**Michael J Fieweger**  
Chair of Global  
Private Equity  
Practice Group

**WELCOME** to our 2016 edition of Insights, an annual look at some of the big trends in the global private equity and infrastructure fund industries. Our aim is to share perspectives and tips that will help keep you abreast of market developments.

As we go to press, the global political and economic outlook is looking uncertain. More and more countries are looking inwards and many political debates worldwide include renewed vigour around domestic policy and trade protectionism. With the Brexit referendum in the UK imminent, and the US presidential elections dominating headlines, the private equity industry among many others is facing a time of great uncertainty. In addition, many sectors and regions are being affected by the significant drop in oil prices over the past 12 months, and currency fluctuations which are causing many investors to re-think their approach to previously stable markets.

That said, with challenges come opportunities. In this report we take a look at private equity and infrastructure funds which are seizing these opportunities by setting themselves apart from the crowd, either by challenging the status quo, or by demonstrating resilience and continuity in a time of change. We explore the “secret ingredient” they have each used to discover and execute first-rate investments and the stark contrast of approaches of change vs. continuity.

### **Leaps forward**

One such “ingredient” is taking what you do well in one area or market and applying it elsewhere. Carl Kistenmacher of EQT Partners talks to us on **page 8** about EQT’s impressive expansion over the past few years, including most notably the introduction of their already successful model into the Asian market. Similarly, Area Advisors provides its perspective on the opportunity of a new regional distribution center in Malaysia on **page 12**. On **page 42**, Stephen Burns, Whitehelm Capital’s Head of Europe and Americas offers a glimpse into the future, by talking of what could be the next big infrastructure asset – the “Smart City”.

Looking inward, the past 12 months have shown some important advances in improving diversity within our industry. On **page 16** we talk to two of the founders of Level 20 about the critical importance of gender diversity in private equity, and their ambitions for the next year.

## Staying power

Another “ingredient” used by some private equity sponsors and funds is remaining loyal to a specific market, model or ethos despite market challenges. Helios, one of the largest Africa-focussed investment funds, explains on [page 22](#) the business rationale behind its loyalty to the African financial market when large financial institutions are exiting en masse. We also spoke to Alex- Handrah Aimé about how, despite the many challenges facing the market, Africa remains ripe with opportunity for both investments and exits and how Emerging Capital Partners’ ethos of working closely with management teams is more important than ever [page 38](#).

On [page 32](#), Colin Clark of The Rohatyn Group provides insight into how The Rohatyn Group’s approach to raising investment has evolved over time, whilst staying true to its core values of growing family businesses in the Emerging Europe into market-leaders. On [page 26](#) Dutch Pension fund APG explains how it has also remained true to its approach to long-term investments and its core definition of infrastructure in a crowded market.

As highlighted in a number of the articles already mentioned, whilst investment strategy is as important as ever, keeping an eye on an exit opportunity is also key – on [page 48](#) we talk to Richard Cormack of Goldman Sachs, who looks at the potential impact of the Brexit vote, the US presidential elections and other factors affecting sponsors’ decision to pursue IPOs, private sales or both to maximize their return on investment. Wrapping up, we catch up with Marsh, Paragon International and AIG on the developments of Warranty & Indemnity insurance in North America, EMEA and Asia Pacific on [page 62](#), and we discuss the rising use of reverse break fees to allocate the risk associated with merger control conditions on [page 52](#).

Whatever ingredients you use to secure success, we wish you the best of luck with your deal-doing in 2016 and beyond.

Enjoy the report.



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With  
challenges  
come  
opportunities...  
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# NORTHERN LIGHTS IN ASIA

**Carl Kistenmacher**, Director of Investment Advisor **EQT Partners Singapore**, explains how the Swedish private equity firm has expanded its strategy over the past 22 years from focusing on Nordic investments to moving into mainland Europe, Asia and the US.



**EQT has grown immensely in the last two decades. Can you give us a recap of its journey?**

EQT now has almost 400 employees across three continents, which for a private equity house is remarkable. From its conception in 1994, EQT focused on investments in Scandinavia, then Europe, and more recently in Asia starting in 2006 and South East Asia in 2009. EQT has made 13 investments across Asia Pacific so far, including EQT Mid Market Fund's acquisition of I-Med Radiology Network, Australia's largest radiology provider, for US\$400 million.

**Why the shift in focus from the Nordics to Asia?**

When EQT moved from purely Nordic-based investments to opportunities in Germany in 1999, it was a significant milestone, one which proved to be very successful. It became clear we were capable of expanding geographically and that EQT's governance model could be applied in different jurisdictions. EQT saw great investment potential in Asia and we felt it was a region where the governance model would work well.

**How does EQT's governance model work?**

EQT applies a corporate governance model to all majority-owned portfolio companies. The model provides clear roles and responsibilities for the board, the management team and EQT. One of the key differences compared to other sponsors is the importance it places on industry specialists. We carefully consider the needs of the portfolio company and its management team and handpick the relevant specialists from EQT's network of industrial advisors. This approach gives management access to tailored expertise to support them in the day-to-day running of the business.



Carl Kistenmacher joined EQT in 2009 after working in midcap private and public M&A at an investment bank in Stockholm.

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With market  
growth  
slowing,  
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need  
international  
experience  
to make their  
companies  
more  
competitive.”

Another important aspect of EQT's governance model is the troika, comprised of the chairman, EQT partner and portfolio company CEO. While it does not have decision-making powers, the troika provides a sparring partner for the CEO and allows management to escalate and resolve issues without delay. We also require the industry experts to invest in the portfolio company alongside EQT and the management teams as a way of aligning everyone's interests.

**Does the governance model work well across regions? How does an entrepreneur in, for instance, South East Asia react to the model?**

There are differences in the reactions of business owners when introducing this model in Asia where board members and management teams are typically more conservative about how they invest and how much they invest than those in Europe. We find Asian management teams and board members are ultimately willing to invest, but we have to devote more time to explaining the process and proving how EQT can add value.

We are finding, however, that regional companies in Asia are increasingly seeking these types of models as they face more pressure to compete with international players. It can be difficult for these entrepreneurs to find that kind of knowledge and experience without going to competitors, so private equity houses have a unique opportunity to act as a safe haven.

**How does EQT approach board composition for a new investment?**

We spend considerable time selecting our network of industry specialists to ensure the competencies of the EQT portfolio company board members are tailored to the business requirements. We also have sector teams that evaluate whether we have the right mix of industry experience and skills on the board.

**How does your approach create value for owners and management?**

The main benefit of the governance model is that the troika provides a sounding board for the CEO that

enables management to make decisions more quickly than a board that meets only six times a year. For example, if an add-on opportunity arises, the troika can evaluate that opportunity and determine the strategy so that when it reaches the board for decision it's well prepared and thought through.

### **What are the cultural differences in doing deals in Asia versus the West?**

Some aspects of EQT's investment structure and governance model require more explanation in Asia because they are not yet as common in that market, such as our incentive models for management and the board of directors.

### **In what ways does the EQT ownership model work well in the Asian market?**

EQT's ownership model is more hands on and integrated than those of many other sponsors, which provides greater comfort for more conservative companies and their founders. With market growth in Asia slowing in many countries, professional managers and owners need international experience to make their companies more competitive in the global market. A lot of international players are moving into Asia and competing with local companies, making it important for these local companies to adapt quickly to changing conditions. This is where we feel EQT can add value based on our experience with issues such as expanding into new geographies or deciding whether to invest new capital.

### **Which industries do you think offer the greatest potential for private equity investment in Asia?**

The services and healthcare sectors. Healthcare in particular is interesting because different markets have very different levels of maturity. South East Asia, for example, has significant unmet healthcare needs and there is serious demand for growth in this sector. Government investment in healthcare is exceeding GDP growth in many countries like Vietnam, Indonesia and Philippines, where CAGR of government spending is 8% to 15%. In the long run this is not sustainable so they will need private actors like EQT.

## **M&A trends**

### **What M&A trends do you think we'll see in Asia over the next five years?**

When the market slows in places like Asia, companies have to adapt to compete. This leads to an increase in consolidations, which drives M&A activity. For example, activity in the healthcare sector in South East Asia is slow, particularly for mid-market transactions. We are preparing EQT for more activity in this sector as financing becomes available and more companies need to consolidate. What is currently holding back volume is the need for pricing calibration between sellers and buyers. In Europe buyers and sellers seem more willing to agree to price adjustments but in Asia we are still finding large gaps, partly because there are a greater number of comparable transactions being conducted in Europe that buyers and sellers can use as benchmarks for valuation. I think the valuation gaps in Asia will close as we see market growth slow down even further.

# MALAYSIA: THE REAL DEALS



Private equity firm **Area Advisors** is making a big push into Malaysia's commercial real estate sector, moving from advising institutional investors on their real estate projects to making investments itself through an industrial development fund. Area's Executive Director **Jeyabalan Parasingam** explains the opportunities he sees in Malaysia and why it could become Area's regional distribution center for Asia Pacific.



**What made you switch from acting as an advisory company to institutional investors to setting up an industrial development fund?**

In 2012 Area made its first investment in a 230-acre industrial park in Iskandar Johor. That was a very successful project for us and it convinced us there was a need to set up a platform to deliver Grade A industrial assets to the Malaysian market. In particular, pension funds in Malaysia with large and growing capital that needs to be deployed lack real estate investment opportunities. They have had to invest in assets abroad such as in the UK. But now Area is providing them with similar investment-grade assets in Malaysia.

**Where do you see the investment opportunities in the next five years?**

We are excited by the prospects in Malaysia. With the demand for logistics facilities growing at over 10% per annum driven by investments in infrastructure, such as ports, airports, railways and roads, we are looking to build between 5 to 10 million square feet of logistics facilities across Malaysia. Given its lower cost structure compared to Singapore, we believe Malaysia makes a good regional distribution center for Asia Pacific.

We also see opportunities in Malaysia's ecommerce sector as more consumers shop online and use other delivery services. We are optimistic that demand for warehouses that cater to that segment will be strong for the next five years.

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**What trends do you see in the commercial real estate market?**

We are seeing a lot of consolidation of real estate space. The average size of warehouses has increased from 150,000 square feet to 500,000 square feet. The rising cost of land has meant that two-storey warehouses are becoming more of the norm. We also expect facility owners to become more focused on improving productivity through greater automation.

In Malaysia, logistics seems to be the least understood segment in the real investment world. As more investors look for the next investment opportunity and seek better returns, we expect more competition for logistics and warehousing assets in the future.

**In many Western markets green buildings are becoming an investment focus as more businesses seek to reduce their carbon footprints. What role does sustainable real estate play in your investments?**

Sustainable real estate plays a big role in our investment strategy, especially as the end users demand it. Our customers are not only looking for green buildings, but also strategically located warehouses that reduce their carbon footprint for transportation as well.

**Is the political and economic instability of Malaysia an issue for you?**

Like many countries in Asia Pacific and the Middle East, Malaysia is going through a major change in how government performance is measured. There is a stronger demand for accountability, transparency and competence. While the economic and political climate are factors we take into account, they are not risks we can control and they don't determine whether an asset is attractive from a medium to long-term investment perspective.

**Did the devaluation of the Malaysian ringgit impact your plans?**

The weakening of the ringgit has been a positive development for us as it has made Malaysia more competitive. Inflation has remained benign and there is ample liquidity in the banking system. The government has taken proactive measures to contain the budget deficit by introducing GST, reducing expenditures and encouraging foreign direct investments.

**How do you think the Malaysian economy will fare over the next two to three years compared to its neighbors?**

We think ASEAN as a whole will continue to grow at a steady pace and we expect the Malaysian economy to grow by 4% to 5% per annum. As the government continues to wean the economy from a range of subsidies, we expect the private sector to place greater emphasis on productivity and cost competitiveness. This is assuming that the liberalization of the Malaysian economy continues. The government's commitment to joining the Trans-Pacific Partnership Agreement is a good sign.

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# LEVELLING THE PLAYING FIELD

## **Hanneke Smits and Jennifer Dunstan**

are two of 12 female executives who founded Level 20 last year, with the goal of boosting the percentage of women in senior roles in the private equity industry to 20% by 2020 — an ambitious target given that women now account for just 5% of industry leadership.

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Our aim is to encourage everyone to join the conversation.  
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Based in London, Level 20 educates PE leaders on how to attract and retain women and provides mentoring and networking events for its 600 members. Smits, now chairman of Level 20, is a former chief investment officer at Adams Street Partners. Dunstan is a partner on the Fund Investor Relations team at 3i Group.

### **Tell us about Level 20. How and why was it formed?**

**Smits:** We all met through our work in private equity and would get together regularly to share our experiences. It soon became apparent to us that women throughout the industry would benefit from this type of support. A lot of private equity firms are small and young women have few female role models to look up to. Our aim is to inspire women to join and succeed in the private equity industry and to create greater representation of women at all levels.



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issue.”

**How does Level 20 differ from similar organizations?**

Smits: Level 20 views gender diversity as an industry issue, not only a women’s issue. Our aim is to encourage everyone to join the conversation because it’s critical to get both men and women involved.

**Why is increasing diversity so important for the private equity industry?**

Dunstan: We believe gender diversity at all levels, particularly senior levels, will lead to superior investment performance. Diverse teams are more representative of society and research shows they make better investment and business decisions. Diverse teams are also well regarded by management teams who have more women in senior roles and want a fund or sponsor to reflect their own make-up and values.

**Why are there are so few women in senior positions?**

Dunstan: The problem is twofold. First, women are not joining the private equity industry at the same rate as men, perhaps because young women still see the private equity industry as male dominated and not family friendly. Also, private equity firms rarely hire recent graduates and instead recruit more experienced candidates from investment banking and management consultancies, which have male-to-female ratios as high as 80-20 even at junior levels. Even within the investment banks, women are, on average, choosing less analytical paths, with few choosing to specialize in equity modelling or M&A, for example.

Secondly, if women do choose a career in private equity, they often self-select out when they reach the middle of their careers. This is the stage at which many women would like to start a family and they face trying to balance their personal and professional lives, which can be particularly challenging in private equity due to the hours and level of commitment required.

### **What should private equity industry leaders do to address these challenges?**

Dunstan: There is clearly a lot of work to be done in engaging with universities and business schools to show young women what a career in private equity can offer. In the past few years we have seen changes in how PE firms approach recruitment, with more firms advertising their diversity and flexible working policies. We hope this will continue. However, the private equity industry has the challenge of scale. Most firms are very small and only recruit 1 or 2 individuals a year, so it's more difficult for initiatives like this to make a real impact. That's why part of our mission is to share best practices across the industry.

To retain the talented women the industry does attract, some firms have started to think differently about pace. At the 10-year point of a woman's career she may be considering partnership or promotion to a senior role and starting a family. We need to ask why these two things have to happen at the same time. Given that we are all likely to be working much longer than our predecessors, why can't we pace ourselves so we can have both?

### **Are there any areas where you feel progress has already been made?**

Smits: General awareness of the importance of creating an environment where women want to work has increased significantly. Companies in all industries are recognizing they will lose great talent if they do not compete in this way. In addition, developments in technology such as video conferencing, instant messaging, blackberries and being able to sign documents electronically have made flexible working possible. A lot of firms are focusing on this to attract and retain talented employees, and working remotely or unconventional hours now has less stigma.



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### **Hanneke Smits**

Non-Executive Director,  
Sofina SA., Trustee,  
Impetus-PEF

Hanneke started her career in the private equity industry in 1992 with Pantheon, and subsequently moved to Adams Street Partners to establish its presence in Europe and Asia. Hanneke is currently engaged in a number of Non-Executive roles, including as a Director of Sofina SA, a Euronext listed investment company.

### **What is left to be done?**

**Dunstan:** One challenge many firms are discussing is how carry (the return obtained from holding an asset) should be allocated when a woman goes on maternity leave or chooses to work part-time so she can spend time with her family. It's a structural issue the industry has to find a solution for but is essentially no different from when an employee resigns from a company but is still entitled to carry.

### **How has the private equity industry responded to Level 20?**

**Smits:** We have received a very positive response to our work so far. When talking to leaders at General Partner and Limited Partner firms, it's clear they are having internal discussions about diversity, particularly gender diversity. Firms are seeking ways to address the issue but need to be able to compare approaches with their peers to make real progress. We want to take our learnings both at a micro level (from the Level 20 mentoring program) and at a macro level (from our roundtable discussions and larger events) to share knowledge and give these organizations the tools they need to bring about change. This topic is on everyone's agenda and our role is to facilitate the discussion by providing data and resources to move things along as quickly as possible.

### **Tell us more about the Level 20 mentoring program. How did it come about, and how does it work?**

**Dunstan:** As senior women in the private equity industry, we each found we were frequently being approached by more junior women to act as mentors. Unfortunately we didn't have the time to mentor everyone who asked, but it made us realize that young women in private equity were clearly in need of this support. If we could create a formal structure to provide this support, the industry could really benefit.



We started with a pilot program and now have 23 pairs who have been carefully matched. At the moment the program focuses on matching female mentees in mid-level roles at GPs and LPs firms with three to eight years of experience with men and women in senior positions in similar areas but from different firms. Involving men in the mentoring program is key to making the work of Level 20 inclusive, and we are thrilled to have so many fantastic mentors involved in the program.

The mentoring year runs from September to May/June and we recommend that pairs meet six times a year. The mentor and mentee decide what issues they would like to talk about and nothing is off limits.

**What advice would you give to young women in private equity?**

**Smits:** It's important to remember that anything is possible but you have to want to do it. No one is going to hand it to you on a plate. Have the confidence to ask for what you want.

**Dunstan:** Choose your firm carefully. Look at its diversity and flexible working policies and try to determine whether it's a firm that shares your values and will support your goals. Look to see whether there are other women working at the firm, what they have achieved, and how they have progressed.

To become a member of Level 20 or learn more about their events, visit [www.level20.org](http://www.level20.org). To be considered for the mentoring program, contact the organization via the link on [www.level20.org/mentoring](http://www.level20.org/mentoring).



**Jennifer Dunstan**

Partner, Head of Fund Investor Relations, 3i

Jennifer started working in the private equity industry in 1994. She is the Partner heading the Fund Investor Relations team at 3i, and previously spent nine years at Terra Firma Capital Partners and Nomura's Principal Finance Group (PFG), where she was Managing Director.

# BANKING FOR ALL



Helios Principal **Souleymane Ba** explains why **Helios** sees opportunity in the African banking sector while others are retreating.

In April 2016, Helios Investment Partners, one of the largest investment firms focused on Africa, acquired two financial services businesses from Crown Agents Limited, a UK-based international development company owned by a non-profit-making foundation. The two businesses provide payments, trade finance, foreign exchange and investment management services to governments, development organizations, donors, central banks, investment fund managers, and corporations operating in Africa, the Caribbean and South East Asia. The Crown Agents transaction marks the first time an African-managed fund has won approval from regulators to acquire a UK financial institution.

**Why did Helios decide to acquire UK-regulated Crown Agents Bank (“CAB”) and Crown Agents Investment Management (“CAIM”)?**

CAB is a UK-regulated commercial bank focused on the provision of transactional banking services to sub-Saharan Africa and other emerging markets. As a specialist provider of financial services to governments, central banks, development organizations, financial institutions and corporates, CAB focuses predominantly on Africa, managing deposits and facilitates payments, foreign exchange and trade finance transactions through a network of correspondent banks. African entities make up over 70% of CAB’s commercial bank client base and over 50% of its central bank client base.

CAIM is a UK-regulated and licenced investment manager providing specialist services to governments, central banks and ministries of finance, in addition to public and private sector pension and insurance funds. Like CAB, CAIM focuses predominately on Africa. Over 60% of the investment manager’s top 20 external clients are African entities. It has longstanding relationships with central banks and provides training to the treasurers, employees and key decision-makers in the finance ministries of those banks across the continent. CAIM provides access to other UK financial institutions such as the Bank of England, which is important to its customers. Crown Agents offers something unique in that it acts as a credible platform for a range of customers, facilitating the payments they make globally.

A key aspect of this transaction is financial inclusion, which is consistent with our acquisitions in the past, such as our 2007 acquisition of a stake in Equity Bank in Kenya. At the time of Helios’ investment in Equity Bank, a large segment of the Kenyan population, particularly in the rural and informal economy, were viewed by traditional banks as an unattractive demographic and were therefore excluded from the financial system. Equity built a successful bank serving the financially excluded and became the leading bank in East Africa both in terms of profitability and number of accounts.



“The trust that the management teams place in us enables us to pool our resources and work side-by-side.”



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The same theme of financial exclusion is also playing out at the institutional level, even with high street banks in small and medium size countries. The large global banks do not view those customers as attractive, which results in many of these institutions being excluded from the global financial system. They struggle to build correspondent banking relationships, effect payments, get access to currencies or execute trade finance transactions, which hampers economic development. Helios' investment addresses this substantial unmet need.

**Does it concern you that banks like Barclays and HSBC are exiting the African market?**

We approach the region from a different perspective. Larger global institutions may find, due to increased regulation and capital requirements, that it is too onerous for them to serve the financial markets in Africa, particularly when Africa and frontier markets represent a minuscule portion of their assets. Ultimately, it makes sense for them to focus on their core markets where they have most of their assets. For CAB and CAIM on the other hand, those “neglected markets” are core, and we see opportunity given the significant and growing demand in our markets for transactional banking services. By applying a focused model, we feel we can succeed in creating the leading independent transactional banking institution and investment management companies focused on Africa and other under-served markets.

The key is having deep relationships, transactional banking expertise and a platform with relevant products, adequate systems and people that not only meet customer's needs in Africa but on a global basis. CAB and CAIM have a 180-year legacy of focusing on these under-served markets and we plan to inject both financial and non-financial resources to enable them to achieve their ambition. We work on the ground with the expertise, local knowledge and understanding, and hands-on involvement that these businesses require, which larger public financial institutions may not be able to do.



### **How do you plan to overcome or avoid the difficulties that these institutions have identified?**

It is important to have a clearly defined target market and customer, and to build a business that is consistent with that choice. CAB and CAIM will focus on small and medium size markets and not try to become a business adept at serving retail customers in Europe, multibillion dollar US companies, and small African corporates at the same time. In addition, maintaining a high quality, low risk, hard currency balance sheet is critical. Also, our sector expertise and on-the-ground presence in Africa allows us to understand market trends and to capitalize on this insight.

### **What are the challenges of acquiring a business like CAB and CAIM?**

The first challenge is ensuring that we remain good custodians of the great legacy Crown Agents Limited has built over its 180-year history. That means continuing to meet the needs of existing customers and ensuring a smooth transition.

The second challenge is selecting the correct approach to grow the business. If you are used to building businesses in more developed markets where your main customers are large multinationals, the systems you use would be tailored to these large customers and difficult to apply to the needs of smaller customers. The model you adopt must reflect the DNA of the organization, and in the case of CAB and CAIM it needs to focus on the mindset and culture of its existing customers so that customers realize they are important to CAB and CAIM, even if the large global banks have neglected them.

This approach requires intensive management to drive strong returns on investment, a key differentiator for Helios. We have an investment team for sourcing, negotiating and structuring deals, collaborating with a separate portfolio operations group that works alongside management to develop and implement the business plan. The trust that the management teams of portfolio companies place in us enables us to pool our resources and work side-by-side in identifying and addressing the needs of our businesses.

## **Consolidation**

### **Do you envisage consolidating the bank and asset management company with any of your other portfolio companies?**

When I think about Helios' investments I think of building institutions that fill a market segment that is under-served by many players. As a result, there will naturally be geographical overlaps between CAB, CAIM and many of our other portfolio companies.

We aim to help our portfolio companies grow with their customers. We hope there will be opportunities for our portfolio companies to work together to increase efficiency and profits, for example with the foreign exchange businesses, but this will always be on an arm's length basis. This is because, particularly for the bank and asset manager, we want to retain the customers' trust and the independence of the bank is an important factor in this.

A full-page background image showing the lower half of a person running on a paved track. The sun is low on the horizon, creating a strong lens flare and casting a long shadow of the runner. The sky is a mix of orange and blue.

# IN THE LONG RUN

The past 12 months have shown a significant increase in valuations in the infrastructure space and a widening of the definition of infrastructure assets as many investors look elsewhere for infra-like returns. **Ron Boots**, Head of Infrastructure Europe at **APG Asset Management** talks to us about APG's evolution from LP to direct investor, and explains how the Dutch pension fund has remained true to its approach to long-term investments and its core definition of infrastructure.

**How crowded is the infra space right now and how does APG differentiate itself as an investor?**

The market is quite crowded. There is a lot of capital chasing projects available and some transactions are getting overwhelming attention. But this is really the tip of the iceberg for pension fund investors. There is a lot of capital on the side-lines which could be (re)deployed into infrastructure. The industry has only allocated less than 1% of AuM to the asset class and, in line with our own policy, we expect that to grow to 2-3% or even higher. With interest rates remaining stubbornly where they are, that shift is a natural progression but also a relative value question.

APG's approach to direct investments is that we are here for the long-term and not looking for a quick turn on our investment. We are also a flexible capital provider and can provide additional capital to portfolio companies post deal to fund M&A, CAPEX programmes, restructurings, etc. With over 400 billion euros under management we can make sizeable equity investments which give us access to a part of the market which smaller/mid-market players cannot reach. In order to execute our strategy we have built a dedicated global infrastructure team of 20 members spread across our offices in New York, Hong Kong and Amsterdam.

**APG is now a serious direct investor in infrastructure but continues to be one of the largest LPs for funds.**

**How difficult is it to go direct whilst also being an LP?**

**What are your requirements of GPs?**

Our approach has evolved over the last decade – it's been a gradual journey from LP, to co-investor to direct investor. We chose to go direct to have better control of our destiny and, to a certain extent, to reduce costs. Whilst to date we have always been a minority investor on our deals, we exercise significant influence over our investee companies either through the legal minority protections we negotiate when we go into deals or, more practically, through building consensus with co-shareholders and board members around decisions that are important to us. We invest a lot in ensuring that our board nominees are equipped to deal with the board-room decision making and maximising their impact.



“We are here for the long-term and not looking for a quick turn on our investment.”

We still invest in funds where the fund offers niche asset or geographical experience that we may not have in-house. For example, our tie-up with Aquila Capital is a good example. Whilst our team has solid renewables experience in-house, hydropower is a very specialized asset class and traditionally has been at the lower end of the return spectrum. Aquila Capital has an excellent understanding of the industry and screens the market actively to identify opportunities, including the smaller deals which wouldn't be on our team's radar. Another example is our alliance with Argo Infrastructure Partners. This platform gives us access to lower risk energy infrastructure investments in the US and Canada, including midstream, utilities and long-term contracted power assets in addition to low-carbon energy investments.

Where we invest in funds we obviously want to secure acceptable cost and governance. We want good alignment of interests and are an active (founding) member of both the Global Infrastructure Investor Association (GIIA) and GRESB Infrastructure. The aims of GIIA are to be the independent and public voice for investors in global infrastructure, to build increased public understanding, engaging collaboratively with policy makers to create fair, long term investment environments that help stimulate economic growth and provide guidance on best practice, transparency and standardization. GRESB Infrastructure is a tool for systematic assessment, objective scoring and peer benchmarking of the environmental, social and governance (ESG) performance of infrastructure investments. Infrastructure probably still can learn from real estate.

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Our approach has evolved over the last decade – it's been a gradual journey.

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**Fund tenures seem to be getting longer in the asset class, reflecting the long term nature of core infrastructure assets. Is this something which APG advocates?**

We are less invested in infrastructure funds today. Where we do invest in funds we are open to longer tenures but this brings with it additional complexities which need to be addressed. Investors cannot be forced to wait 20-25 years to attain liquidity and likewise fund managers cannot wait that long for their carry. There should be a partial pay out of carry after a number of years based on the performance of the fund as a whole over that period over an appropriate watermark and/or claw back mechanism. Likewise, investors should be given a liquidity option after a period of time so that those who want to exit can, but other investors can stay in.

**Many sponsors have been very philosophical about the asset class, not taking construction or merchant risk and focussing only on certain OECD countries. With a scarcity of good assets, many have become less picky. What is APG's approach?**

The trade-off between risk and reward remains at the top of our list on deal origination. As our team grows we can handle additional risks, such as getting into assets earlier and trying new markets. We ascribe to the philosophy that risk stays with those who can best analyse and best price it. If we don't know how to analyse a risk then insurance may help us. Development risk is generally not something we will touch largely but we are willing to take construction risk and have invested at the construction stage of projects in the later stages where we have good visibility on the outcome. There are also some projects which are structured to bring in financial sponsors at the construction stage where contractually the exposure to construction risk is very limited as this is absorbed by the industrial party.

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Risk stays  
with those  
who can best  
analyse and  
best price it.  
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Our clients  
are also  
expressing a  
greater desire  
for highly  
sustainable  
investments.  
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We have a very analytical approach – for a long time, we decided not to invest in offshore wind as we have not been convinced by the technology and we have not been prepared to invest on the back of assumptions and forecasts only. Compensation therefore was considered too low for the risks taken. Consequently we have been studying the output performance of the industry for some time and the technology certainly has improved. The asset class has definitely stabilized and is safer and is something in which we are considering participating more actively.

We have a fairly broad global remit and are certainly looking further East and further South for deal opportunities. Speaking several languages within the team has proven to help a lot.

**What is your view on the pipeline for the next 6-12 months and where do you think activity will be?**

The pipeline looks very good. We will remain close to our core definition of infrastructure. Our activity will most likely be a bit of everything: brownfield, greenfield (not development), regulated assets, telecommunication, renewables, Public-Private Partnerships (PPPs) including social infrastructure, fund restructurings, and so on.

Our clients are also expressing a greater desire for highly sustainable investments (HSI). Our overall HSI exposure is expected to grow from approximately one billion to 5 billion euros by 2020 with a focus on CO2 reductions and further ESG integration.

In terms of geographical focus, we will focus on the same markets. As a Dutch pension fund, ‘Orange’ transactions in the Netherlands naturally carry a high degree of comfort for us about the political landscape. We have however, almost naturally, also invested heavily in the UK over the past decade. With the Brexit debate hotting up we are obviously monitoring that actively. If Brexit were to happen we are considering which of our investments would be affected and how to react. In terms of pipeline we will probably not add a lot of new exposure to the UK ahead of the outcome of the vote in June.



More generally we will continue to structure joint ventures and alliances to facilitate our pipeline of deals. Where we see fit we will still commit to niche funds either by region or sector.

Important to our industry is also our continuous support of important initiatives like GIIA and GRESB Infrastructure.

# EASTERN EUROPE: FAMILY VALUES



**Colin Clark**, Managing Director and Head of **The Rohatyn Group's** CEEMEA region, sees lots of investment opportunity in Eastern Europe, particularly through partnerships with family-owned businesses. He discusses the region's market conditions and why TRG recently disposed of major investments in Bulgaria, Turkey and Egypt.





**You recently sold your interest in Amoun Pharmaceuticals, the largest generic pharmaceuticals company in Egypt, to Valeant. You also sold your interests in Beymen, the leading luxury retailer in Turkey, and Boyner, the leading department store chain in Turkey, to Boyner Perakende ve Tekstil Yatırımları and exited Huvepharma in Bulgaria. What drove those exits?**

Each of these exits occurred due to a combination of factors: (i) the underlying businesses were performing very well; (ii) market conditions were right for an exit; and (iii) an exit window was available for only a short period of time, and due to the hard work and focus of the team we were able to close each transaction successfully.

In general terms, our approach is to invest in leading companies, many of which are family owned, and work together with the family to take the business to the next level of performance. We deliver our returns to investors primarily through top line growth of our portfolio companies. Typical strategies we adopt include accelerating performance in the company's home market, expanding into neighbouring regions and globally through our international connections and delivering bolt-on acquisitions that open up new markets and/or deliver substantial synergies. These efforts are supported by internationalising internal decision making, financial reporting and governance within each company. We spend a lot of time inside each portfolio company building value for our investors and focus on making sure the business is operating as well as it can, which underpins our ability to optimize our exits.

Recent exits from Egypt, Turkey and Bulgaria have demonstrated our ability to deliver for our investors in spite of challenging market conditions. Navigating through the global financial crisis, significant political upheaval in Egypt and currency devaluation in Turkey was certainly not straightforward but due to our focus on driving top line growth and timing the exit correctly, we were able to deliver attractive returns for our investors. During our period of ownership, Amoun, Beymen, Boyner and Huvepharma's revenues grew substantially.

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We work with the family to take the business to the next level.  
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**What has changed since you spun out of Citigroup in 2013 and merged with TRG?**

It is now 2.5 years since the core team of former CVCI (Citi Venture Capital International) professionals spun out of Citi. Our approach to investments hasn't changed and is consistent with our investment philosophy going back to the formation of CVCI in the early 2000s. What has changed is the way we raise funds, rather than how we invest them. Historically, we raised large global emerging markets funds and investment decisions were made purely on the merits of each business rather than geographical allocations or preferences. We see this approach changing as the investment community demands more say on allocation decisions and the continuing drive to be closer to portfolio companies. In this respect, TRG has a number of focused regional funds including South East Asia and Latin America and we are in the process of establishing an Emerging Europe offering.

**Which jurisdictions are you avoiding right now?**

We have not invested in Russia for some time and do not expect this to change going forward. In addition we are also avoiding former CIS countries including Ukraine due to a lack of market stability and the limited possibility for conditions to improve in the near-term. Turkey is a core market for us where we continue to be active but remain cautious at the moment given the increasing political noise.

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What has changed is the way we raise funds, rather than how we invest them.

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### **Where do you see the biggest investment opportunities?**

Across Emerging Europe we are focussing on Poland, the Baltics, Czech Republic, Slovakia, Hungary, Romania and Bulgaria. Emerging Europe has one of the lowest private equity penetration rates globally, which indicates room for growth and limited competition for deals, particularly mid-market transactions with equity tickets around 30-50 million euros. While there may be limited opportunities for buyouts, we are seeing many opportunities for partnering with family-owned businesses and helping them grow into regional and global leaders – that’s been a real differentiating factor for us.

### **Why do you see more opportunities in partnering with family businesses vs. buyouts?**

TRG’s approach in the region has focussed on partnering with founders as a means to open up investment opportunities into some of the region’s best companies and then exit alongside them when we eventually sell. There are buy-out opportunities available but these are in short supply. We see a shortage of available capital across the region and across the capital structure with private equity, senior debt, mezzanine and junior debt more difficult to come by than in the past. This is in spite of the improving macroeconomic environment across the region. We offer capital to help grow the business and, leveraging TRG’s global network, international connectivity to expand the company’s reach, which many founders find attractive. Our view is that with the right strategy and focus on execution, any of our companies has the potential to grow into a leading international business.



“Emerging Europe has one of the lowest private equity penetration rates.”



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It is also important to have a clear exit strategy before you acquire a business.

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**What strategies have helped you make successful exits?**

The million dollar question is, “When is the right time to sell?” Sometimes you need a little bit of luck, but successful exits primarily come from building great companies and being disciplined enough to exit them when the opportunity presents itself. At times our industry can suffer from hubris especially around the exit decision and so keeping one’s feet firmly on the ground is paramount to ensure the right calls are made.

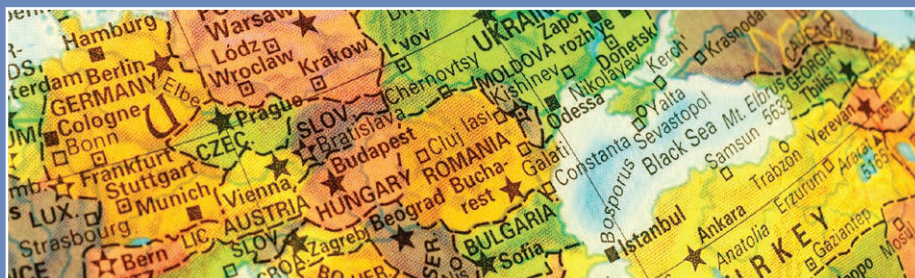
The Amoun exit is a good example of us taking a long-term view. TRG was initially looking to sell in 2011/12 but because of the political turmoil in Egypt we abandoned the exit process and focused on making further improvements in the business, including bringing in many new members to the management team to drive further growth, upgrading the plant and expanding the product range. As a result, the business experienced strong growth and we were in a significantly enhanced position once the window for an exit opened again.

It is also important to have a clear exit strategy before you acquire a business. Our experience in Turkey is a good example. We were able to secure a very attractive exit from Beymen and Boyner by selling back to our partner. While this was not part of our original exit thesis, we leveraged the robust rights originally negotiated on entry to secure an attractive exit for our investors. At the same time, we timed our exit well in this case by locking in a deferred sale structure in May 2013 fixing TRG’s exit proceeds in USD. By the time all of our exit proceeds were received in mid-2015, the Turkish Lira had devalued by c. 50% from May 2013 levels.



**Given that in many instances you are not acquiring control in the business, governance rights must form an important protection for your interests. Do you get resistance from family businesses?**

Clearly when entering into a partnership, you are not just performing due diligence on the company but also on the prospective partner. In many cases, picking the right partner is just as important as the quality of the underlying business. While we take minority positions, our approach is not passive in nature and this is clearly communicated to our partners prior to an investment and is consistent with our approach to the market over the past 12 years. This manifests itself in an extensive list of corporate veto rights that we always insist upon, multiple exit rights (since we like to have at least a Plan A and Plan B for our exit) as well as downside protection. We like to structure investments where possible to mitigate risk. Clearly the combination of these extensive requirements is not for every partner but our strong track record in building leading international companies from the region convinces most prospective partners that the value of their business will be greater in the future with the support of TRG as a partner.



# CLOUDS OVER AFRICA

This year has already proven to be a challenging one for private equity investors in Africa, with dramatic currency fluctuations, depressed oil and copper prices and sluggish demand from China and Europe, the continent's largest trade partners. We spoke to **Alex-Handrah Aimé**, Managing Director of **Emerging Capital Partners Johannesburg**, about ECP's approach to investing given the current realities.

**What challenges are you seeing in the African market?**

Prolonged low commodity prices have had a significant impact on countries like South Africa while low oil prices have hurt Nigeria's and Angola's economies because their hard currency reserves are driven by oil. With lower growth in key emerging markets, particularly China, and volatility because of the strengthening US dollar, investors have become more cautious across global markets. That's likely to have implications for deal flow because of valuation gaps between buyers and sellers.

That said, people often miss that Africa is actually a net importer of oil, so having low oil prices should be an overall positive for the continent. Large economies like Nigeria have also diversified in recent years into sectors like telecoms and financial services so the drop in oil prices should only be a short-term shock.

**How have these economic trends impacted ECP's investments?**

From ECP's perspective, the region is still ripe with opportunity. In fact from 2014 to 2015, the total value of private equity funds in Africa rose from US\$1.9 billion to US\$4.3 billion, according to research by the African Private Equity & Venture Capital Association. During this period of volatility, it's more important than ever for investors to work with teams with deep local knowledge and experience across multiple cycles. That experience enables firms like ECP to distinguish near-term market-driven challenges from the fundamental performance of the underlying businesses. It allows us to continue to take calculated risks on new investments where we see strong management teams and longer-term potential.

**Do you think the economic downturn and lower commodity prices will create value-driven opportunities for sponsors in the African market?**

For those investing in new jurisdictions such as Mozambique gas and Uganda or Kenya oil, it is a timing issue. It's difficult from a private equity perspective when you have a narrow window to identify whether you are already hitting bottom or whether you will have to wait another two to three years for a cycle to run its course. On the other hand, financial investors to Africa have



“Financial investors have historically over-invested in commodity and oil-driven sectors.”

historically over-invested in commodity and oil-driven sectors rather than in infrastructure, logistics, and other consumer sectors that support a more diversified economy. So more domestic sectors are now getting more attention and private equity firms such as ECP are leading that trend.

**You mentioned volatility because of the strengthening US dollar. How are foreign exchange fluctuations impacting investment?**

It's definitely impacting investment in Africa, but you need to look at it over a three- to five-year period and ask whether the underlying growth of the business is such that you can outrun the impact of the currency depreciation. If you are investing in businesses that are truly domestic and have some level of natural hedging or hard-currency-driven revenue, you're more insulated from the volatility.

**How does ECP try to manage foreign exchange risk?**

There are three ways to address forex risk. You can manage it at the fund level, the portfolio level, or you can remain unhedged. We try to build a geographically diversified portfolio so that, for example, fluctuations in the Nigerian Naira or South African Rand don't impact our investments in the east Africa market. You don't want to be over-exposed in any one region. And because African currencies are not easy to hedge, you also have to focus on the fundamentals of the business to ensure there is natural hedging.

**What is the exit environment in Africa?**

Many prospective investors still query the feasibility and number of exit routes available to private equity firms, but I think some of this nervousness is misplaced. ECP

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There is a lot of low-hanging fruit... but it's really about finding the right management team.

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has achieved more than 34 exits in the past 15 years through a range of trade sales, public market IPOs and structured exits, which shows that with the proper strategy, strong exits are possible. 2014 was a standout year for exits on the continent, with private equity firms announcing a total of 40 exits.

The deepening of Africa's economies and the emergence of a sizable middle class has also caught the attention of international strategic investors in sectors beyond natural resources. We see large corporations setting up offices in hub economies like Kenya where they can find high-growth companies to add to their portfolios. More than 40% of our exits since 2012 have been to strategic investors, such as our sale of Continental Reinsurance, a Nigerian reinsurance company, to a multinational Moroccan insurance company in 2014. These strategic sales are likely to continue.

#### **What other ways can investors exit their investments in Africa?**

Listings on local exchanges have also become a more viable exit strategy. Although IPOs in Africa remain challenging, over the last few years we have seen the local capital markets deepen. ECP has fully exited nine companies through listings on African stock exchanges, including a leading Nigerian mobile telecommunications operator via the Nigerian Stock Exchange, the first listing of a telecom company on the NSE.

The global investment world's increasing interest in African high-growth companies has also provided opportunities to exit through international equity markets. For example, ECP fully exited Société Internationale de Plantations d'Hévéas, a leading natural rubber producer and exporter, through block sales on the NYSE Euronext Paris. An increasing number of Sub-Saharan African stocks are listed on international exchanges. We expect these types of exit opportunities to continue to grow.

## **Trends**

### **Do you see a developing trend of strategics taking an equity position with a sponsor at the outset of an investment?**

Absolutely. This allows strategics to partner with private equity firms that have local teams with local knowledge, so if they don't have a lot of on-the-ground experience it's a great way to gain comfort with the environment and to take control later. The pairing also works well for private equity firms because strategics often have deep industry knowledge that can positively impact the return on investment. There is a lot of low-hanging fruit and your eyes are often bigger than your stomach when you work in African private equity. But ultimately, it's really about finding the right management team with whom you can partner to execute a shared vision.

# SMART CITIES



**Stephen Burns, Whitehelm Capital's** Head of Europe and Americas, explains how the "Smart Concession" model works and what it offers, both to cities and investors.

In December 2015, Whitehelm Capital and Cisco announced a joint venture to provide the funding and technology cities need to become "smart cities", equipped with things like sensor-based street lights that turn on and off depending on activity, apps citizens can use to find available parking spaces and waste bins that signal to the collection depot when they need to be emptied. Although the benefits smart cities can offer are very attractive to many cities, most cities can't afford the upfront costs of implementation, which is why Whitehelm and Cisco have developed a new financing mechanism to fund these projects.



### What is a smart city?

A Smart City is one that overlays digital infrastructure across the traditional, mechanical and physical infrastructure. The digital overlay, or wireless mesh (Wi-Fi etc), uses ubiquitous digital sensing devices to provide real-time actionable intelligence that connects everything to everything else, and is commonly referred to as the 'Internet of Things' or 'Internet of Everything'.

Consider for example:

- Street lighting that adapts to activity and notifies when maintenance is required
- Real time information about the location of available on street car parking spaces
- Waste bins that signal to the collection depot when they need to be emptied
- Traffic systems that can dynamically adjust to divert traffic away from congested areas or allow priority access to emergency vehicles
- Automatic collection of tolls, parking payments or infringements through the use of sensors

These sorts of Smart City solutions generate large cost savings and more energy and operationally efficient cities that adapt to the needs of the citizens, businesses and visitors. Critically to connect these solutions a wireless mesh across the city is required.

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Smart City  
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generate large  
cost savings.  
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The benefits  
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### **Will Smart Cities become the exception or the norm?**

It's difficult to say categorically how prevalent Smart Cities will become. That said, globally cities face similar challenges including managing the effects of population growth and increasing urbanization, concerns and constraints on the suitability and environmental impact of their activities, and competition for people, businesses and new opportunities. Given these challenges, it would seem that the benefits of becoming a Smart City would be relevant and attractive to most developed cities.

Further, the Whitehelm Cisco Smart City initiative aligns with the innovation agenda of most cities in that the smart infrastructure will promote entrepreneurs, develop solutions to local problems within cities and thus creating new jobs, opportunities and capital inflow into the city.

Recent technology advances in digitization, connected devices and sensor development mean that there is a huge opportunity for cities to address these challenges in a holistic way by becoming Smart Cities. All the cities we have spoken with are actively considering how best to introduce smart technology into their cities.

### **What makes this fall into the infrastructure asset class? Isn't this more a private equity play?**

Smart City investments constitute an investment in communications infrastructure, which has long been accepted as a core infrastructure investment (typically concession based arrangements). For a Smart City investment we are taking this well-established structure and amending it to suit the requirements of Smart Cities.

In the case of Smart City infrastructure, we build flexibility into the concession agreement to allow for technology upgrades and new smart cities solutions to be rolled out as technology allows and the city's needs evolve. Investors are compensated predominantly by an availability concession payment. And as is the case in other concession arrangements, risks such as technology, construction and O&M are passed to partners that are best placed to manage those risks.

The characteristics of the resulting investment opportunity is consistent with other infrastructure assets, including:

- Essential service characteristics
- Long term contracted and stable cashflows
- High barriers to entry
- Creditworthy counterparty
- Inflation protection

**What do you see as the principal risks to the investment thesis?**

There are a number of challenges facing the deployment of Smart City infrastructure investments. Some of the common road blocks include:

**Silos within City Government:** The costs and benefits of deploying Smart City infrastructure will likely span a number of the departments within city governments (lighting, parking, water, traffic etc.) so it requires close cooperation across these departments to establish and validate an opportunity. That cooperation becomes more challenging in larger cities where those departments are very considerable organizations in their own right. Ultimately, larger cities will adopt Smart City technology but we expect they will lag behind the smaller to medium-sized cities which are able to be perhaps more agile.

**Long-term commitment:** There are many cities that have had less than satisfactory experiences with concession models, in particular their lack of flexibility to adapt as circumstances change. This is magnified when considering the rate at which technology changes. We have addressed these concerns by embedding flexibility at the core of the concession to allow for the funding of upgrades and the rollout of new applications and services as they become available or are required. This ensures that cities see the original investment as not the end of the Smart City journey but the beginning of a partnership.



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We allow for  
technology  
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new solutions  
to be rolled out  
as technology  
allows.  
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**Ownership of the infrastructure and data:** Some cities are adverse to third parties owning their infrastructure or data, borne out of dissatisfaction with the value received through prior privatizations and genuine privacy concerns. In relation to ownership, the concession will cover the design, build, operation and maintenance of the lighting and smart city infrastructure, with ownership remaining with the city. The concession will also include a revenue sharing mechanism to ensure that both parties continue to benefit from new savings and revenues that accrue as technology and solutions evolve. Further, the data generated by the smart infrastructure belongs to the city such that it can enable the benefits of Smart Cities to continue to accrue to its citizens. We are not looking to monetize the data in any way.

**What makes the Cisco/Whitehelm tie-up special?**

Whitehelm and Cisco are collaborating globally with the joint ambition of delivering funded Smart City solutions to cities. This includes the objective of developing a multi-billion dollar pipeline of investment opportunities globally. The global collaboration is a completely new approach to scaling Smart Cities around the world leveraging best in class technological capabilities from Cisco and extensive experience in financing global infrastructure projects from Whitehelm Capital.

From cities' perspective, they are attracted to the benefits that Smart City technology offers and our solution offers the ability for them to achieve those benefits without upfront investment and in a broadly cost neutral way. For infrastructure investors, Smart Cities infrastructure will be a significant new sub-sector of infrastructure which has huge investment potential given the capital required globally and the attractive characteristics it involves.

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Global collaboration is a completely new approach to scaling Smart Cities around the world.

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**What does the pipeline look like? Is this a global play for you or targeted at certain key countries?**

As discussed, many of the challenges faced by cities are common across the globe and indeed Cisco and Whitehelm have had interest from all corners of the globe. This interest has been funnelled into a highly qualified city engagement process that has produced a strong pipeline of prospective investment opportunities, some of which we expect to reach financial close within 12 months. We have targeted our initial efforts on cities within the OECD in which our investor base has experience. Also, we expect to focus on cities that have less than one million people given the challenges of larger cities as described earlier.





# TWO-LANE TRAFFIC

As the head of equity capital markets for **Goldman Sachs** in London, **Richard Cormack** pays close attention to investment trends in Central and Eastern Europe, including the potential impact of the Brexit vote in June and continued market volatility on IPOs versus private sales. He has advised clients on many of the most significant recent IPOs including McCarthy & Stone, Worldpay Group and OVS.

**In the last 18 months we've seen a number of dual-tracks going down the sale path. Do you expect that trend to grow this year?**

The current cycle probably started in October 2012. From then until early 2014 IPOs prevailed in dual-track processes because of the strong funds flow from the US into European equities. IPO prices performed well in the after-market and sponsors had a reasonable level of comfort that valuations were fuller in the public market than on private sales.



Over the past 12 to 18 months, dual-track outcomes have been more balanced. Public markets have become choppy, leading to a moderation in IPO pricing. Under these circumstances, the “bird in the hand” aspect of a private bid becomes more attractive. IPO markets are still in good health but as the exuberance has died down, public market valuations are becoming more in line with private valuations. That trend will continue to support the return to a balance of outcomes between IPOs and sales in dual-track exits.

**What factors should sponsors consider before kicking-off a dual-track process?**

The key factors usually depend on the asset, length of investment, and market outlook. This will determine whether a sponsor is predisposed to an IPO or a sale. The questions to ask are: is there strategic interest? Will a leveraged buyout perform better than a public market exit? Although we are not seeing a lot of secondary buyouts outbid an IPO – where dual tracks have gone down the sale route the buyer has tended to be a strategic or non-traditional sponsor (ie Asia / Middle East investor) - if sellers can achieve good value then they may prefer a full sale and clean cash exit.

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Public markets have become choppy, leading to a moderation in IPO pricing.

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**Does Goldman Sachs have a preferred approach to running dual-tracks?**

It's not efficient to run as hard on both tracks, so you need to have an idea of your expected outcome at the outset to shape the process. At the same time, you need to be nimble. RAC and Brakes are two recent examples of dual-track transactions we worked on where the primary focus switched from one track to the other in the final two or three weeks. The only guiding rule we have is that we make a firm decision to go the IPO route before making any Intention to Float (ITF) announcement.

**What added value can Goldman Sachs offer sponsors looking to dual-track?**

We have the leading ECM and M&A footprint both in Europe and globally, which puts us in good shape to execute transactions on whichever track they proceed. We have a flourishing sponsor business, as well as global access to buyers including those from Turkey, China, Singapore, South Africa and the United Arab Emirates.

**Do you think we will see more cornerstone deals in EMEA and if so, why?**

Traditionally, cornerstone structures have been prevalent in Asia. In Europe, Sweden is the one market where there is a more common practice of attracting up-front cornerstone demand. One reason for their limited impact in Europe is they are perceived to be less helpful for liquidity in the aftermarket and to even have a price constraining effect in the aftermarket. In European processes, anchor investors (non committed pre-launch indications) are used rather than cornerstones which can be a more constructive way to get to the desired outcome and offer more flexibility for tailoring strategies.

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It's not efficient to run as hard on both tracks.

**There is a lot of uncertainty surrounding the Brexit referendum. How do you think it will impact exit timetables?**

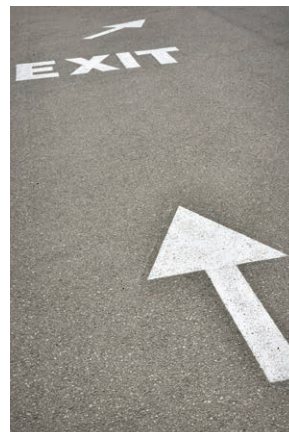
In terms of the London market with its recent experiences with the Scottish referendum and the General Election, it is playing out as expected. We had anticipated for a while that the referendum would be scheduled for around the summer and so sponsors and advisers have planned this year's deals around it. It's no coincidence that four of the first six European IPOs this year were in the UK because deals either went early or have been pushed back to Q3 or Q4 to avoid overlapping with the vote. The impact on the continental European market is harder to predict. It hasn't had a significant impact so far, but the greater the uncertainty in outcome as we approach June 23, the more likely that timetables for continental European timetables deals will factor in the vote.

**What about the effect of the US Presidential elections in November?**

I would not expect it to be a major dampener or boost on market activity here. You probably wouldn't want to price your deal in early November, but traditionally the US Presidential election doesn't have a direct impact on the European market albeit this year's contest may be more unpredictable than some.

**We've seen a lot of market volatility so far in 2016. If this trend continues, what affect do you think it will have on the post-IPO block trade exit business?**

Shareholders have received a lot of comfort from the evidence that throughout the cycle sponsors have been able to sell down in full within 9 to 18 months of an IPO. There's nothing to suggest this trend won't continue throughout this year and next. From a wider-trend perspective, we're seeing larger free floats (typically 40-50%) than a few years ago. By launching IPOs with that larger free float sponsors have benefited from greater liquidity in the aftermarket and being able to complete their sell-down in a single block rather than two or three repeat trades.



# CARVING UP THE RISK

The rising use of reverse break fees



Private M&A deals are frequently conditioned on multiple merger control approvals — a risk which can be quantified and allocated between the parties with a break fee. We take a look at the pros and cons of these fees and why they're on the rise.

In the last decade, the number of merger control regimes worldwide has shot up from about 70 to 130. Because notification triggers tend to have more to do with the size and geographic spread of the parties doing a deal than whether it raises competition concerns, many transactions may need clearance in a long list of countries even when there is little overlap between the buyer's and seller's business lines.

Growing confidence to pursue aggressive deals is also leading to more transactions that raise competition concerns, including add-on deals by private equity funds. The rise in the number of these add-on deals means that PE funds are bumping up against tricky competition issues as they strive to increase market share or complement existing portfolios.

Greater scrutiny by merger control authorities is causing major delays in transaction timetables and creating more uncertainty. In more complex cases, the government's stance has resulted in the buyer having to sell off part of the overlapping business and even the deal collapsing.

In April 2015, for example, Applied Materials and Tokyo Electron walked away from their proposed US\$29 billion merger because of opposition from the US Department of Justice. A month later, Scandinavian telecom operators Telenor and TeliaSonera abandoned their plan to combine their Danish operations after failing to secure EU antitrust approval.

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Given the rise in deal uncertainty, more buyers and sellers are trying to quantify and allocate the antitrust risk between them. A menu of risk-shifting provisions is available. The options range from seller-friendly “hell or high water” clauses that require the buyer to pay the seller the agreed consideration for the target business even if the buyer is blocked from completing the acquisition, to commitments on how much effort the buyer is required to expend to obtain approvals.

One downside to these agreements is that if the parties specify which assets the buyer must divest to obtain clearance, it could provide antitrust authorities with a roadmap for the areas of greatest competitive concern. In less complex deals in which there is scope to argue for clearance without remedies, it may be better not to include these clauses. On the other hand, in more complex cases in jurisdictions such as the US and EU, agencies are becoming more familiar with these provisions and specifying possible carve-out assets probably only involves a small incremental risk for the parties.

We’re increasingly seeing the parties negotiate a reverse break fee to manage antitrust risk. These clauses can be useful if the buyer isn’t prepared to take on the antitrust risk or if the parties disagree on how big that risk is, particularly when the seller may be inclined to accept a lower bid from an alternative bidder with a perceived lower antitrust risk. The fee shows how far a buyer is willing to go to get a deal through while capping its liability. At the same time, it guarantees the seller compensation if the deal fails for antitrust reasons. Plus, if the reverse break fee is big enough, it won’t be as easy for the buyer to escape considering divestitures to get the deal through.

Reverse break fees can, however, delay the merger control timetable if the buyer decides to challenge the regulator's concerns from every angle. One variant we might see in a transaction that is at risk of progressing slowly is a ticking fee. Unlike a reverse break fee which only becomes payable to the seller when the deal is terminated, ticking fees require the buyer to start making payments when the antitrust timetable starts to slip, which encourages the buyer to make filings and solve antitrust concerns quickly.

Given that reverse break fees represent a huge potential cost to buyers, having local knowledge of merger rules and conducting risk assessments can help reduce the long list of merger control approvals a transaction needs. Pre-filing consultations with the local competition authority can also ensure the deal is reviewed quickly, without holding up the wider deal timetable.

Plus, in more complex deals, it is possible to consult with antitrust agencies early to find out what kind of remedies they might require for approval. That can provide the time and space the parties need to work out what they may be willing to divest in a worse case scenario and even enable them to address the antitrust risk upfront by modifying the deal. All of this footwork arms the parties with the analysis they need to quantify the risk and agree to a carefully considered reverse break fee which will be attractive to both the buyer and seller.

## How much is too much?

We are seeing a fairly wide range of reverse break fees as a percentage of deal value. Some are as high as more than 7%, such as in the Verizon/Vodafone merger where the parties agreed a reverse break fee of US\$10 billion. The break fee in the Pfizer/Wyeth deal was US\$4.5 billion, more than 6% of deal value.

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Local knowledge can reduce the merger control approvals a transaction needs.

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# INFRASTRUCTURE: **SURGING PIPELINE**

**Sergio Ronga**, Managing Director  
at **DC Advisory**, spoke to us about  
the current status of the European  
infrastructure market.



**What were the highlights of the European infrastructure market in 2015 from DC Advisory's perspective?**

DC Advisory had a successful 2015 advising on a number of transactions which reached completion, including the acquisition by Antin of Amedes (a leading German healthcare platform), the acquisition by a consortium made up of Infracapital and AMP Capital of Adven (a Finnish energy infrastructure and services business), and the acquisition by First State of the Helsingor-Helsingborg ferry route.

DC Advisory was also involved in the successful refinancings of ESP (which operates gas and electricity distribution networks in the UK and is owned by Eiser) and LBC Tank Terminals (which operates bulk chemical and petroleum storage terminals around the globe and is owned by a consortium of Whitehelm (on behalf of Australian funds), PGGM and APG).





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Asset prices have risen dramatically... sellers are obtaining increasingly better terms.

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**What are the current trends in the European infrastructure sector and what is driving those trends?**

There has been a significant inflow of liquidity into the market (both debt and equity) over the past 24 months, driven by the resilience of European infrastructure assets during recent uncertain global economic conditions and increasing amounts of capital available for deployment in the asset class. As a result, asset prices have risen (dramatically), sellers are obtaining increasingly better terms and buyers have to buy into ambitious management plans – and not simply rely on underlying performance in order to get their acquisition pricing to be competitive.

The increase in asset prices has meant that core infrastructure assets are going to their natural homes (direct pension fund investors, insurance companies and sovereign wealth funds). Closed-end funds seeking 10% IRR (or higher) are being priced out of the core infrastructure auction processes and, consequently, are attracted to the ‘hybrid’ or ‘core-plus’ space. District heating, oil and dry bulk storage and pipelines, for example, are becoming increasingly sought after assets for these funds.

Looking forward, there is a wave of secondary assets coming up for sale as a number of closed-end funds (originally invested between 2004 and 2008) look to exit their investments. Interestingly, as infrastructure assets are trading at higher prices and the market becomes ever more competitive with investors looking to deploy capital, a number of the closed-end funds are being extended by their LPs to avoid the requirement to ‘flip’ what are otherwise scarce core infrastructure assets.

### **Is the pipeline still strong for 2016?**

The pipeline is still very strong with a number of secondary assets expected to come to the market this year, such as the potential sale of Elenia (the Finnish electricity distribution network) owned by 3i and Goldman Sachs Infrastructure Partners. In addition, new assets will also enter the market as part of corporate disposals and government privatizations. Assets expected to enter the market include the privatization of National Grid's gas distribution network, Network Rail's electricity distribution network and certain French regional airports including Nice and Lyon.

With the pursuit of these assets expected to be highly competitive, bidders are already positioning themselves strategically. The infrastructure funds are having to choose which assets they chase and which they pass on, wary of investing time and money on processes that will ultimately be secured by the stronger purchasing power of direct investors such as pension and sovereign wealth funds. This poses a dilemma for the sell-side advisers who are carefully seeking out gaps in the pipeline to attract sufficient and the right type of liquidity to processes and avoiding any overlap that might split the focus of bidders.

### **Given the competition for assets, what are managers doing to improve investment value?**

'Core plus' is where the majority of closed-end funds see value in the current market. In addition, an increasing number of funds are also looking at greenfield opportunities, such as taking construction risk on renewable energy projects, in some cases, as part of a portfolio with other operational renewable assets.

Some managers are also looking at platform deals, utilising existing platforms to do bolt on acquisitions to create further value and improve their competitive positioning.

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New assets  
will enter the  
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government  
privatizations.  
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We are seeing  
increased  
activity in  
Eastern  
Europe.  
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We are also seeing managers looking for a blended portfolio risk with some funds bidding on core infrastructure assets as a base (seed asset) for their funds whilst at the same time looking to add 'core plus' assets to the portfolio to achieve higher return expectations and requirements (on a blended basis).

**Outside of Western Europe, would you say that the Southern and Eastern European markets remain an attractive region for infrastructure investors?**

Most funds are active in Southern Europe as they have OECD mandates, albeit some still require a premium (although that's starting to be eroded) against similar assets in Western Europe.

In Eastern Europe, deals are transacted more on an opportunistic and strategic basis. However, we are seeing increased activity in this region. The potential privatization of three Lithuanian airports, for example, will certainly attract much interest across the investor groups.

**On the debt side, are you seeing an erosion of pricing and loan terms for lenders?**

We are seeing some, albeit still limited compared to pre-crisis, leverage creep as well as aggressive reductions in margins in most current debt structures. In loan documentation, we have also seen a move towards more sponsor-friendly terms including, more frequent inclusion of change of control (portability) language, more sponsor-friendly equity cures, and an increase in covenant headroom.

**How important is alternative funding in the European infrastructure debt market?**

Alternative funding is providing a viable alternative to the capital markets as well as competition to the banking product, especially for longer dated maturities. There is, however, still only a limited appetite for involving private placement funds in M&A processes (due to execution risk and inability to run trees), but they are becoming increasingly popular as an alternative to capital market activity in refinancings.

It should be noted that there is a clear distinction, in the private placement market, between those private placement funds looking for fixed rate investment grade lending against those who look to compete against the banking market product by offering, for example, longer tenors for an illiquidity premium.

An important dynamic in refinancing processes is the existing swap position, as those private placement funds that are able to lend on a floating rate basis are able to make their offering more compelling in the refinancing process where the existing swaps need to remain in place.

From the asset/sponsor's perspective, it is important that the lending structure is carefully considered to ensure a long-term platform is put in place to allow for the issue of bank debt, private placement and/or high yield bonds in the future. The security and intercreditor arrangements in this respect will be key.

#### **How is DC Advisory adapting to the changes in the European infrastructure market?**

The growing interest from the infrastructure funds in the 'core-plus' and 'hybrid' assets has been significant in the successful track record achieved at DC Advisory to date. Among the emerging 'core-plus' sectors, we are expecting significant interest among infrastructure investors in 2016 in healthcare, bulk storage, smart meters and rolling stock leasing businesses. This is a strong area of focus for DC Advisory and one where we believe we can add significant value to our clients given our strong M&A and debt advisory capabilities.

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In 2016 we are expecting significant interest in healthcare, bulk storage, smart meters and rolling stock.

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# COVERED

## The rise of W&I insurance

We talked to three W&I insurance experts in North America, EMEA and Asia Pacific to find out what's happening in their markets.

From its origins in the 1980s as a sell-side product used in only a handful of private equity transactions, Warranty & Indemnity insurance has grown to become a fundamental deal-risk management product used by both private equity and corporate buyers and sellers. Providing a buyer with recourse if the seller breaches its warranties, W&I insurance can eliminate the need for escrows and purchase price hold-back mechanisms, allow sellers to limit their liability for warranty claims (sometimes as low as €1/£1/\$1,) and even provide a buyer with additional protections to those negotiated with the seller in the sale documents, such as longer claims periods and higher caps for warranty claims.

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Buyers are realizing the product is necessary to compete with private equity bidders.

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## Yem Mai

Senior VP, Marsh Transactional Risk Practice  
Focus: North America



### **What are the current trends in the North American W&I market?**

W&I policies almost doubled between 2013 and 2014, an increase we attribute to greater acceptance of W&I insurance by corporates and private equity houses in the US and Canadian markets. This has been driven by sellers and buyers recognizing that W&I insurance can mean the difference between a successful and unsuccessful auction process. For sellers, W&I insurance can make the sales package more attractive to bidders, as many sellers are offering to fund all or part of the buyer-side policy as an inducement to proceed with the transaction whilst also limiting their post-closing liability. Buyers, especially corporate buyers, are realizing the product is necessary to compete with private equity bidders because the product will allow them to accept a seller's proposed limitations on liability. As a result, demand has continued to rise in 2015, especially in US\$1 billion-plus transactions. Our expectation is that this trend will continue as the buoyant M&A market drives policy uptake.



### **Who is purchasing W&I insurance for their M&A transactions?**

We almost exclusively broker policies to buyers. In fact, we only brokered six sell-side policies last year out of 186. A few years ago, private equity sponsors thought if they offered to buy W&I insurance, it gave them a competitive advantage over other buyers. Those days seemed to be numbered. More and more corporate and private equity buyers are coming to the table at the beginning of an auction willing to use W&I. Sellers are also giving buyers preliminary buyer-side quotes at the start of the process.

### **How has the pricing of W&I policies changed?**

Pricing for W&I insurance in North America remains stable, with rates at 3% to 4% of the limit of liability. While pricing in the US and Canada is the highest among Western economies, policy holders get broader coverage. Underwriters in the US and Canada are more willing to remove their consequential damages and multiplied damages exclusions and provide cover for representations and warranties on a broader basis than is set out in the sale documents.

### **What do you think will happen in the W&I market over the next year?**

We believe more corporates will continue to use the product as sellers to attract private equity bidders, and as buyers to compete with them. We also expect to see more insurers willing to provide transactional risk insurance but pricing will remain steady.



More buyers are coming to the table at the beginning of an auction willing to use W&I.

## Brian Hendry

Head of M&A Insurance Group, Paragon International  
Focus: EMEA



### **What trends are you seeing in the EMEA W&I market?**

As the result of increased demand for W&I insurance, the number of underwriters providing cover has more than doubled in the past two years. As the W&I insurance market continues to expand, we expect to see specialization by industry sector, geography or type of risk. To a degree this has started where certain W&I insurers have already developed expertise in the real estate sector and can offer a comprehensive policy to encompass general warranty risks, tax exposures and title risks. As the European W&I market matures further it will be interesting to see how each insurer differentiates its product from the next.

### **What are the biggest challenges W&I insurers face in the EMEA market?**

Macro-economic issues apart, with more insurers available and bigger underwriting teams within these insurers, the EMEA W&I insurance market is approaching a stage where underwriting resources are able to match deal opportunity. This means insurers will need to compete more aggressively for new business and demonstrate why their offering is more attractive. It has been many years since insurers had to compete on this basis and it should result in a positive outcome for insurance buyers as the increased competition drives product evolution.

As sellers continue to run aggressive auction processes in which the warrantors take a minimal cap of liability in the SPA combined with a “stapled” buy-side W&I policy (i.e. a policy in the name of the buyer which the seller negotiates on the buyer’s behalf), insurers will have to focus more on the disclosure and due diligence processes and accompanying warranty language negotiations. The experience of the underwriters in assessing the key W&I insurance exposures and positively addressing these within the W&I insurance process will become increasingly important.



## Michael Turnbull

Asia Pacific M&A Manager, AIG

### **How would you characterize the Asian W&I market?**

The Asia Pacific region is diverse, made up of many countries with different ways of doing business. The W&I market is comprised of three categories. First, the highly sophisticated markets of Australasia, where the use of W&I is widespread, particularly in the private equity space. Second, the mature markets of Hong Kong, Singapore, Japan and South Korea, where the use of W&I has grown significantly in recent years. And third, markets such as China and other South-East Asian countries, where corporates and private equity bidders are starting to see the use of W&I as a viable alternative to other risk management options such as monetary escrows.

### **What trends are you seeing in the Asia Pacific W&I market?**

In 2015 we sold more policies in the region than in any prior year, writing 82 policies that insured deals with a total value of US\$20 billion. Buy-side policies were the most popular, accounting for 89% of our Asia Pacific policies.

### **What is driving increased use of W&I policies in Asia Pacific?**

The recent increase of Asian outbound investment has led to more Asian corporates buying the product because sellers in EMEA and the US are making W&I insurance a prerequisite for doing the deal. We're also seeing money going the other way, with US and European investors buying the policies when making acquisitions in Asia Pacific because they view the deals as higher risk.

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In 2015 we sold more policies in the Asia Pacific region than in any prior year.

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### **Which W&I markets were the most active?**

Last year Australasia continued to be the busiest in Asia Pacific but we also wrote our first W&I policies in the Philippines and Malaysia. The rise in W&I use is expected to continue in 2016 as advisers and private equity firms become increasingly comfortable with the concept. The Australia market is becoming a global leader in both the sophistication of advisers looking to improve coverage and competition amongst insurers as more W&I providers enter the market and look for ways to differentiate their offerings, such as new breach cover for matters that arise between signing and completions and tipping retentions for lower risk deals.



# Baker & McKenzie Global Private Equity Deals List, 2015-2016

A summary of some of the recent key private equity deals on which we have advised.

## Deal size:

Small = USD50m or less  
 Lower-mid = USD50m – USD250m  
 Upper-mid = USD250m – USD500m  
 Large = USD500m +

Party for which Baker & McKenzie acted on the deal is in **bold**.

## EMEA

Target	Transaction Description	Deal Size	Deal Geography
Consumer and Retail			
Brakes Group	Advised <b>Bain Capital</b> on sale to Sysco	Large	UK, France, Sweden
Cutting's Group	Advised <b>Guzman Gastronomía</b> , a company controlled by Miura Fund 1, on acquisition	Confidential	Spain
Davigel	Advised <b>Bain Capital</b> and <b>Brakes</b> on LBO from Nestlé	Upper-mid	France, Belgium, Spain
EasyPack sp. z o.o.	Advised <b>EasyPack sp. z o.o.</b> on a private equity fund raising from Franklin Templeton and TFI PZU	Large	Poland
Fresh Direct	Advised <b>Bain Capital</b> and <b>Brakes</b> on LBO	Lower-mid	UK
Mektebim Egitim Kurumları A.Ş.	Advised <b>Sedco Holding</b> on acquisition	Lower-mid	(i) Saudi Arabia (ii) Turkey
Olgar Group	Advised the <b>Olgar Group</b> on a stake sale to Global Investment House	Confidential	(i) Kuwait (ii) Netherlands (iii) Turkey
Pepe Jeans S.L.	Advised the shareholders of Pepe Jeans SL on the sale to M1 and L Capital Asia.	Large	(i) Hungary (ii) India (iii) Luxembourg (iv) Netherlands (v) Spain (vi) UK
Russia Baltic Pork Invest	Advised <b>Charoen Pokphand Foods</b> on acquisition from Capman Russian Fund	Lower-mid	(i) Russia (ii) Thailand (iii) UK
Waterlogic	Advised management on PTP by Castik Capital	Lower-mid	UK
Yörsan Group	Advised <b>Abraaj</b> on acquisition through Dairy Fresh Süt Ürünleri ve Gıda Yatırımları Sanayi ve Ticaret A.Ş.	Upper-mid	(i) England (ii) Netherlands (iii) Turkey



Target	Transaction Description	Deal Size	Deal Geography
<b>Healthcare</b>			
Amoun Pharmaceuticals	Advised <b>The Rohatyn Group, Capital International, Concord and Ethemba Capital</b> on sale to Valeant Pharmaceuticals	Large	(i) Egypt (ii) UK (iii) US
Euromedic International	Advised <b>Montagu Private Equity</b> on the sale to Ares Life Sciences.	Confidential	Bosnia; Bulgaria; Croatia; Czech Republic; Germany; Greece; Hungary; Italy; Ireland; Lithuania; Netherlands; Poland; Portugal; Romania; Russia; Switzerland; Turkey; UK
Medical Park Group	Advised <b>The Carlyle Group</b> , the US-based private equity firm, on the proposed 40 percent sale of its shares in , the Turkey-based healthcare provider, to Turkven, the Turkey-based private equity firm.	Confidential	(i) Turkey (ii) US
Sinulan Forte	Advised <b>The Carlyle Group</b> , the US-based private equity firm, on the proposed 40 percent sale of its shares in , the Turkey-based healthcare provider, to Turkven, the Turkey-based private equity firm.	Confidential	(i) Czech Republic (ii) Poland (iii) Switzerland
<b>Telecommunications, Media and Technology</b>			
Akamon Entertainment	Advised <b>Gala Marketing, CEO and Shareholder</b> of Akamon Entertainment Millenium, on the sale to Imperus Technologies. Axon Partners Group and Bonsai Venture Capital are the other sellers.	Small	(i) Canada (ii) Spain
CMOSIS NV	Advised <b>ING België, ING-Activator Fund, PMV, Capital-E</b> and certain other sellers on the sale to TA Associates	Confidential	(i) Belgium (ii) UK
Halla Visteon Climate Control Corp.	Advised <b>Hahn &amp; Company</b> on acquisition	Large	(i) South Korea (ii) Turkey
Idealista, S.A.	Advised <b>Tiger and other shareholders</b> on the sale of the company to Apax	Confidential	(i) Spain (ii) Italy (iii) Portugal
M&R Holdings Group	Advised <b>Corinthian Capital Group</b> on acquisition of entities from Mr. Richard Hoffman and Mrs. Elizabeth Hoffman	Confidential	(i) Poland (ii) US
Netmarble Turkey	Advised <b>Burak Balik</b> on the stake sale to Netmarble Games	Confidential	Turkey
PhysIQOL Group	Advised <b>TA Associates</b> on buyout	Confidential	(i) Belgium (ii) Luxembourg (iii) US
Pitney Bowes	Advised <b>Pitney Bowes</b> on disposal of Document Messaging Technologies and Global Mailing Solutions hardware businesses to PHI Fund	Small	(i) Austria (ii) Belgium (iii) Luxembourg (iv) Netherlands (v) Portugal (vi) Spain
SocietyOne Holdings Pty Ltd.	Advised <b>Reinventure Fund I LP</b> on acquisition of a minority equity stake	Small	Australia
Snips	Advised <b>500 Startup</b> , a US seed fund and startup accelerator, on its investment	Confidential	France
Trustinsoft	Advised <b>Trustinsoft</b> on the fund raising from investment funds alongside business angels.	Small	France
XBC B.V. (Xeikon group)	Advised <b>Flint Group International B.V.</b> on the acquisition from Gimv NV and Bencis Capital Partners	Confidential	(i) Belgium (ii) Luxembourg (iii) Netherlands
Veritas	Advised <b>Symantec</b> on sale to The Carlyle Group	Large	Global

Target	Transaction Description	Deal Size	Deal Geography
Natural Resources and Industry			
ABB Full Service	Advised <b>Nordic Capital VIII Ltd.</b> on acquisition from ABB Ltd.	Confidential	(i) Switzerland (ii) Sweden (iii) UK
Andrew Alliance SA	Advised <b>Omega Fund IV</b> , LP on the B Round VC investment	Confidential	(i) Switzerland (iii) UK
Buffalo Coal	Advised <b>Buffalo Coal</b> on closing of a bridge loan and subsequent roll over into an amended convertible loan package with Resource Capital Funds	Small	South Africa
FCC Logística S.A.	Advised <b>FCC Versia</b> on sale to Corpfín Capital	Small	(i) Germany (ii) Portugal (iii) Spain
Innovia Group Holding	Advised <b>Altamar Capital Privado</b> on acquisition from Candover	Lower-mid	(i) UK (ii) Spain
Kilic Deniz Urunleri Uretim Ithalat Ihracat ve Ticaret A.S.	Advised <b>NBK Capital</b> on sale of its shares to Kilic Holding A.S.	Confidential	Turkey
Lonstroff Group	Advised <b>Sumitomo Rubber Industries Ltd.</b> on acquisition from BV Holding AG.	Confidential	(i) Japan (ii) Switzerland
Motovario	Advised <b>Teco Electric &amp; Machinery</b> on acquisition from the PE Fund Synergo	Confidential	Italy
Tanatex Deutschland GmbH Leverkusen	Advised <b>Diersch &amp; Schroder</b> on acquisition from an institutional Dutch private equity investor	Small	(i) China (ii) Hong Kong (iii) Germany (iv) Netherlands
Ten Cate Enbi	Advised <b>Platinum Equity</b> on acquisition from Koninklijke Ten Cate	Confidential	Netherlands
Consolidated Aviation Services Group	Advised <b>Platinum Equity</b> on LBO from ICV Partners.	Confidential	US
Worldwide Flight Services Group	Advised <b>Platinum Equity</b> on LBO from LBO France and certain members of target management.	Confidential	(i) France (ii) UK (iii) US
Financial Services and Funds			
Alpha portfolio	Advised <b>Colony Capital</b> on acquisition from Lloyds Banking Group	Lower-mid	(i) Luxembourg (ii) Spain (iii) UK (iv) US
Corporate Employee Financial Services Business	Advised <b>UBS AG</b> on carve-out and sale of the Corporate Employee Financial Services Business to Montagu Private Equity	Confidential	(i) Germany (ii) Singapore (iii) Switzerland (iv) UK
GE Capital	Advised <b>Ardian</b> , on purchase of a portfolio of funds interests	Large	(i) UK (ii) US
Invercat Exterior FCR	Advised <b>Riva y Garcia</b> on acquisition of 100 percent of participations of the private equity fund	Confidential	Spain
Moroccan Touristic Fund	Advised <b>Al Ajial Funds</b> on the funding of a joint venture among state owned funds of Morocco, Qatar, Abu Dhabi, and Kuwait regarding the creation of a new fund	Large	Morocco
Storrun windfarm	Advised <b>Whitehelm Capital</b> and <b>Prime Super</b> on buy-out from DONG Energy	Confidential	Sweden
Temasek	Advised <b>Ardian</b> on acquisition of a portfolio of certain interests in private equity funds	Large	(i) France; (ii) Scotland (iii) Singapore
Venis Capital II	Advised <b>Vendis Capital Management</b> on the establishment of the new private equity fund	Lower-mid	(i) Belgium (ii) Luxembourg (iii) US

Target	Transaction Description	Deal Size	Deal Geography
<b>Infrastructure</b>			
Moto	Advised six institutional investors on the disposal of a 82.5% stake in Moto (the UK's largest motorway services operator)	Large	UK
MEIF Renewables	Advised <b>Macquarie European Infrastructure Fund</b> on the disposal of MEIF Renewables (its UK renewables portfolio comprising onshore wind, biomass and landfill gas)	Lower-mid	UK
GetTaxi	Advised MCI.TechVentures1.0, subfund managed by <b>Private Equity Managers S.A. capital group</b> , on acquisition	Small	(i) Israel (ii) Poland (iii) UK
IJS Global Group	Advised <b>Brynwood Partners</b> on the worldwide restructuring and subsequent sale to Nimbus	Confidential	Australia; China; Czech Republic; France; Germany; Italy; Netherlands; Poland; US; UK
<b>Real Estate</b>			
7 Silk 'in Vienna	Advised <b>TH Real Estate</b> on acquisition for the special real estate fund Warburg-Henderson Austria Fonds Nr. 2	Small	Austria
Cuesta de San Vicente 26-28, St.	Advised <b>Inversiones Leonor de Castilla</b> on sale of a real estate asset located in Madrid city centre to Knightsbridge	Small	Spain
Generali	Advised <b>Tristan Capital Partners</b> on acquisition of a large mixed portfolio (offices, retail, residential)	Lower-mid	Netherlands
Ilustracion St.	Advised <b>Sucesores de Rivadeneyra</b> on sale of a real estate asset located in central Madrid to Knightsbridge	Small	Spain
Londenstraat 8 Property NV and Nijverheidsstraat 8 Property NV	Advising <b>Equity Estate Europroperty Fund</b> on the disposal of the companies Londenstraat 8 Property NV and Nijverheidsstraat 8 Property NV each holding a warehouse in the Flemish Region.	Confidential	Belgium
Three schools in the UAE	Advising <b>Eastgate Capital</b> on the acquisition (and leaseback) of three schools from GEMS Education.	Lower-mid	UAE
Pyramida Shopping Center	Advising private equity property investors from the US and the UK on the USD 21 million acquisition of the Pyramida Shopping Center.	Small	Ukraine
Secured credit portfolio	Advised <b>Bankia</b> on the sale of a secured credit portfolio to Oaktree and Chenavari, comprising loans amounting to EUR1.312 billion.	Large	Spain
Green Park business park, Reading, UK	Advised <b>Mapletree Investments</b> on its acquisition of 79 hectare Green Park business park, Reading, UK from Oxford Properties. The transaction was the largest regional business park acquisition in the UK in 2015/16.	Large	UK
Three retail shopping malls in Budapest, Hungary.	Advised <b>Morgan Stanley Real Estate</b> on its acquisition, with CC Real and Wing, of three retail shopping malls in Budapest, Hungary.	Confidential	Hungary
Galaxy Properties SA/NV	Advised <b>ATP</b> and <b>AXA Real Estate Belgium</b> on the acquisition of 100 percent of the shares of Galaxy Properties SA/NV, from Cofinimmo, a leading Belgian listed real estate company.	Upper-mid	Belgium

# Asia Pacific and Americas

Target	Transaction Description	Transaction Value	Deal Geography
<b>Consumer and Retail</b>			
CaterCare Australia Pty Ltd	Advised <b>CHAMP Ventures</b> on acquisition of a minority interest from certain existing shareholders	Lower-mid	Australia
Dr.Wu Skincare	Advised <b>L Capital Asia</b> on the investment for a significant minority equity stake.	Small	Taiwan
G5 Search Marketing	Advised <b>G5 Search Marketing</b> on sale to Peak Equity Partners	Confidential	US
Gala TV Corporation	Advised <b>EQT</b> on the sale to Yung-Tsai Investment Co., Ltd.	Confidential	(i) China (ii) Hong Kong (iii) Taiwan
KPN Academy Co., Ltd.	Advised <b>The Abraaj Group</b> on its acquisition of shares	Small	Thailand
Leong Hup International Sdn Bhd (LHI)	Advised <b>Affinity Equity Partners</b> on acquisition	Confidential	(i) Indonesia (ii) Malaysia (iii) Singapore (iv) Vietnam
Luxola Pte. Ltd.	Advised <b>Sephora S.A.</b> on its acquisition from F&H Fund Management Pte Ltd., Gree Ventures and Queensbridge Venture Partners	Confidential	(i) India (ii) Indonesia (iii) Malaysia (iv) Thailand (v) Singapore
Mon Hue Restaurant (ultimate parent company and its subsidiaries)	Advised <b>Hope Sun Holdings Limited</b> , a subsidiary of AIF Capital Limited, on the acquisition of a portion of the shares of the ultimate parent company of Mon Hue Restaurant and its subsidiaries	Small	Vietnam
New Bakery Company	Advised <b>One Equity Partners</b> and its portfolio company <b>East Balt LLC</b> , on acquisition from Wendy's International	Lower-mid	US
NV Multi Asia Sdn Bhd	Advised <b>AIF Capital Asia IV L.P.</b> on its acquisition via its special purpose vehicle, Neverland Global Limited.	Lower-mid	(i) Hong Kong (ii) Indonesia (iii) Malaysia (iv) Singapore
Sensis	Advised <b>Platinum Equity</b> on acquisition from Telstra.	Upper-mid	(i) Australia (ii) United States
Tenby Educare Sdn. Bhd.	Advised <b>Ekuiti Nasional Berhad</b> on the acquisition by its subsidiary Ilmu Education Group Sdn. Bhd. from Bonanza Ventures Holdings Sdn Bhd.	Small	Malaysia
Visteon Corporation	Advised <b>Cerberus Capital Management L.P.</b> on the carve out and sale of the interiors business	Confidential	(i) Indonesia (ii) Japan (iii) Thailand

Target	Transaction Description	Transaction Value	Deal Geography
<b>Healthcare</b>			
Arcadia Biosciences Inc.	Advised <b>Mandala Capital Limited</b> on investment in the Series D preferred stock	Small	US
CH2 Group	Advised <b>CH2 Group and its majority shareholders (Australian Pharmaceutical Industries Limited and Allegro Funds)</b> on the sale to former management/minority shareholders	Small	Australia
Excelsior Medical Corporation	Advised <b>ICU Medical</b> on acquisition of the SwabCab and SwabFlush business of a portfolio company of RoundTable Healthcare Partners LP, and the simultaneous sale of the SwabFlush business to Medline Industries	Lower-mid	US
I-MED Network	Advised <b>EQT Mid Market</b> on its acquisition	Upper-mid	(i) Australia (ii) Cayman Islands (iii) Netherlands (iv) Singapore (v) UK
Oncolytics Biotech Inc.	Advised <b>Lincoln Park Capital Fund LLC</b> on a common share purchase agreement under a prospectus supplement	Small	Canada
South Coast Radiology	Advised <b>Lake Imaging Holdings Pty Ltd.</b> on acquisition. As part of the acquisition Advent Private Capital took a 35% interest in the merged group.	Confidential	Australia
<b>Telecommunications, Media and Technology</b>			
AP Teleguam Holdings, Inc.	Advised <b>PT Telekomunikasi Indonesia (Persero) Tbk</b> on acquisition from Advantage Partners.	Confidential	(i) Indonesia (ii) Singapore (iii) United States
Dataflow Verification Services Limited	Advised <b>EQT</b> on its acquisition of a 70% majority stake from the founders.	Confidential	(i) British Virgin Islands (ii) Hong Kong (iii) India (iv) Jordan (v) Netherlands (vi) Singapore (vii) United Arab Emirates (viii) UK
Internet Brands	Advised <b>Internet Brand</b> on sale to Kohlberg Kravis Roberts	Large	(i) Canada (ii) USA
Teleguam Holdings LLC	Advised Telekomunikasi Indonesia Tbk PT on acquisition from Advantage Partners LLP	Confidential	(i) Guam (ii) Indonesia (iii) Japan
Torque Solutions (Australia) Pty Ltd.	Advised <b>Torque Solutions (Australia) Pty Ltd.</b> on sale to Velocity Frequent Flyer, a joint venture between Virgin Australia and Affinity Private Equity	Confidential	Australia

Target	Transaction Description	Transaction Value	Deal Geography
<b>Natural Resources and Industry</b>			
Anglo American Norte	Advised <b>Audley Capital</b> with <b>Orion</b> on buy-out	Large0	Chile
Drex-Chem (M) Sdn. Bhd. (DCM) and DCM Personal Care Sdn. Bhd.(DCMP)	Advised the <b>individual shareholders and owners of DCM and DCMP</b> on the sale of their entire issued and paid up share capital to Riverside Asia Partners Pte. Ltd.	Small	(i) Malaysia (ii) United States
Industrial Packaging Group	Advised <b>Illinois Tool Works Inc.</b> on the sale to The Carlyle Group	Large	Global
MPI Products	Advised <b>Monomoy Capital Partners</b> on sale to Wingate Capital	Confidential	US
TransGrid	Advised <b>Caisse de Depot et Placement du Quebec (CDPQ)</b> on winning consortium bid for the 99-year lease of the New South Wales electricity distribution company	Large	Australia
<b>Financial Services and Funds</b>			
Angeion Group	Advising <b>Angeion Group</b> on its planned sale of a 50% stake to private equity and venture capital firms.	Small	Australia
AREA Industrial Development Fund I L.P.	Advised <b>AREA Capital Partners</b> on the formation and final closing of a private equity real estate fund focused on the investment and development of industrial, commercial and logistics real estate projects	Lower-mid	(i) Canada (ii) Denmark (iii) Malaysia (iv) Singapore
BURN Holdings Inc.	Advised <b>J-STAR Number One Investment Limited Partnership</b> on its joint sale of all of its shares in BURN Holdings Inc.	Small	Japan
Chosen Holdings Limited	Advised <b>Shaw Kwei &amp; Partners Ltd.</b> on voluntary conditional cash offer by its vehicle, Southshore Pte. Ltd.	Small	Singapore
Co-investment vehicle	Advised <b>Gaw Capital Partners</b> in structuring, documenting and negotiating the terms of the co-investment vehicle which was established to acquire Pacific Century Place in Beijing	Large	(i) Cayman Islands (ii) China (iii) Hong Kong (iv) Korea (v) United Arab Emirates
Gateway IV Co-Investment (Centurion) L.P.	Advised <b>Gaw Capital Partners</b> on the formation of a co-investment fund, which was formed for purposes of co-investing with Gateway Fund IV in logistics projects in China.	Confidential	(i) Cayman Islands (ii) China (iii) Hong Kong (iv) Malaysia (v) South Korea (vi) United States
Investment fund vehicles	Advised <b>Gaw Capital Partners</b> on the formation of two investment fund vehicles to fund the acquisition of an office building in London	Confidential	(i) British Virgin Islands (ii) Hong Kong (iii) South Korea (iv) UK
Pacific Equity Partners Fund V-C, L.P.	Advised <b>Ardian Ltd.</b> on investment by AXA Capital Asia III L.P. into Pacific Equity Partners Fund V-C, L.P.	Small	(i) Australia (ii) Singapore

Target	Transaction Description	Transaction Value	Deal Geography
<b>Real Estate</b>			
Big Hotel	Advised <b>Gaw Capital Partners</b> on acquisition	Lower-mid	(i) Hong Kong (ii) Singapore
Commonfund Strategic Solutions Real estate Opportunity Fund 2014, L.P.	Represented the <b>Townsend Group</b> on the establishment of a closed-end real estate investment vehicle	Small	US
Hotel Urbano	The <b>Priceline Group</b> on minority equity investment in Hotel Urbano whose major shareholder is Insight Venture Partners	Lower-mid	Brazil
Residential developments in China	Advised <b>Canada Pension Plan Investment Board</b> on its venture with China Vanke Co., Ltd. Through this venture, CPPIB will over time invest in the Chinese residential market.	Upper-mid	(i) Cayman Islands (ii) China (iii) Hong Kong
A portfolio of institutional-grade, modern logistics real estate assets across South Korea	Advised <b>APG Asset Management N.V.</b> on its establishment of a joint venture platform with e-Shang and Kendall Square Logistics Properties. Canada Pension Plan Investment Board ("CPPIB") joined APG to form the JV with e-Shang	Large	(i) Canada (ii) Hong Kong (iii) Netherlands (iv) Singapore (v) South Korea
Institutional-grade, modern logistics real estate assets across China.	Advised <b>APG Asset Management N.V.</b> on its creation of a strategic joint venture with e-Shang, a company backed by private equity firm Warburg Pincus.	Large	(i) China (ii) Netherlands
Leasehold interest in 161 Collins Street, Melbourne	Advised <b>SachsenFonds Australian Property Investment I GmbH</b> on the sale of its leasehold interest in 161 Collins Street, Melbourne to a nominee of Pembroke Real Estate Australia LLC	Lower-mid	Australia
Ebisu i Mark Gate building, Tokyo	Advised <b>Invesco Ltd.</b> , on the financing of its acquisition of Ebisu i Mark Gate building, Tokyo, from Shimizu Corporation group.	Large	Japan



# Baker & McKenzie Private Equity

## Global resources to meet your needs

Our global Private Equity practice acts for a wide range of financial investors, portfolio companies and management teams. With 300 private equity lawyers across Asia Pacific, Europe and the Americas, and the support from a global network of legal resources, we mobilize and integrate multidisciplinary teams to seamlessly execute cross-border transactions and capture investment opportunities.

We bring industry expertise developed through long standing relationships with our corporate and finance clients to bear on our deals, in industries such as financial services, healthcare, infrastructure, natural resources, energy, real estate and TMT.

## A strong and growing market reputation

Our team comes highly recommended by leading legal directories across key financial centers as well as developing markets, with 20 practitioners ranked in private equity areas in IFLR1000 2014.

The practice has a strong position in fund structuring. Chambers Global 2015 recommends the team for particular expertise in real estate funds, a considerable share of the registered funds market, its cross-border capability, consistent quality, strong client service, and high-value work for private equity clients.

On the transactional side, offices across Asia Pacific, Europe and the Americas are recognized for their private equity expertise, which provides a strong platform for cross-border and multi-jurisdictional mandates. Teams are noted for their commercial advice, understanding the client's business, and multi-disciplinary approach, often working closely with tax, finance, M&A and employment groups.

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They have the capacity and resources to think things through from a multi-jurisdictional point of view.

**Client quote, Investment Funds: Global-wide, Chambers Global 2014**

They can tap into their network of offices, so we get prompt responses even when they come from the other side of the world.

**Client quote, Investment Funds: Asia Pacific-wide, Chambers Asia Pacific 2014**

For me it's having good lead partners who know senior management well and know the company.

**Client quote, Private Equity: UK-wide, Chambers UK 2015**

A very high-quality collection of individuals...The quality of the work product has always put my firm in a better position.

**Client quote, Corporate/M&A & Private Equity: Illinois, Chambers USA 2014**

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