



AVCJ Private Equity & Buyouts Forum

November 12 – 14 , 2008 Hong Kong

“When less is more – growth capital seals the deal”

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William Owens, Managing Director

AEA Investors (Asia)

Peter Amour, Chief Executive Officer

AIF Capital

Harjit Bhatia, Chairman & Managing Partner

Private Equity Asia

Credit Suisse



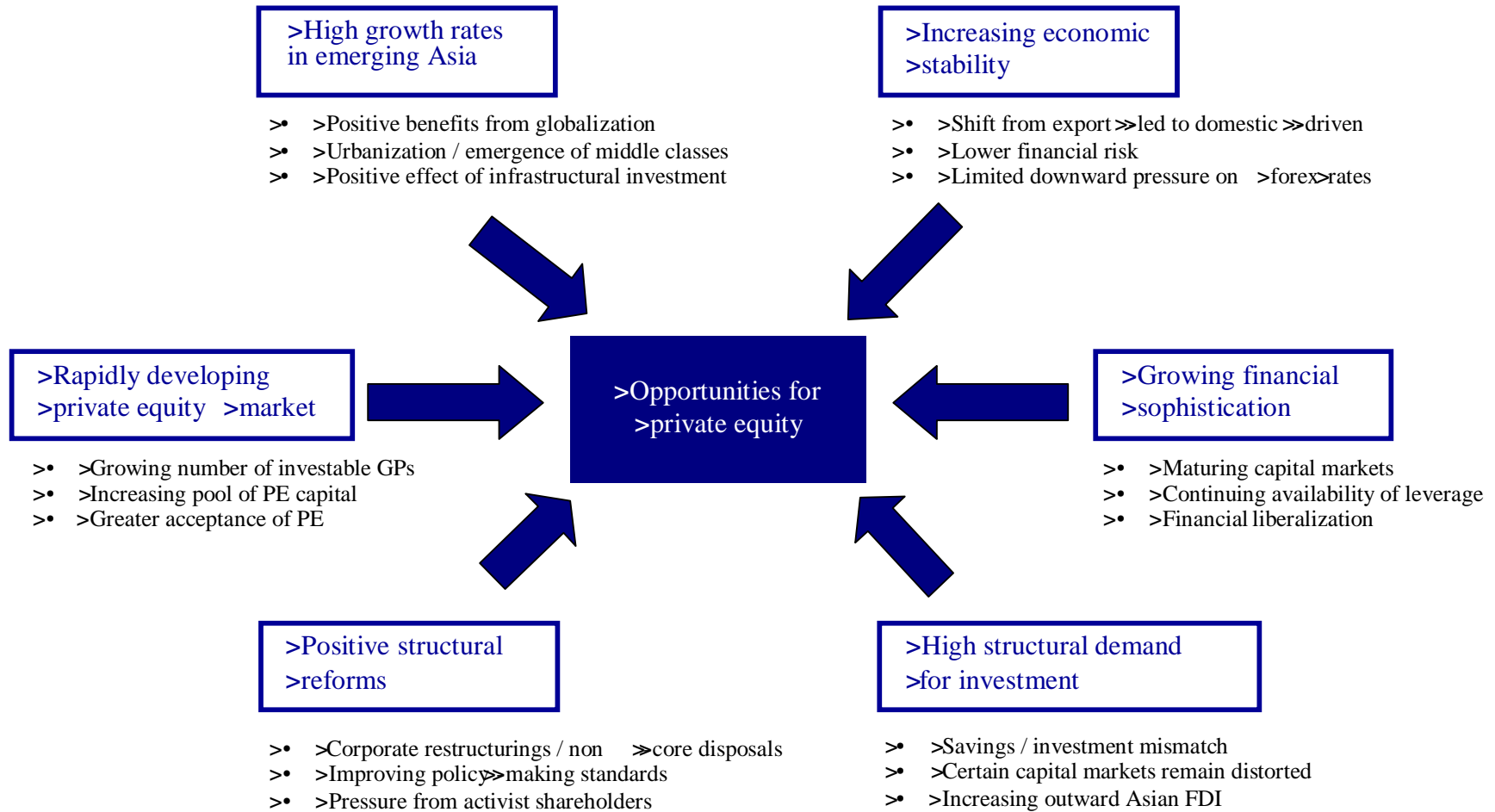
Asia Mezzanine Capital Group

Mobilizing global capital for Asia's most promising companies

Is it a good time to invest in Asia private equity?



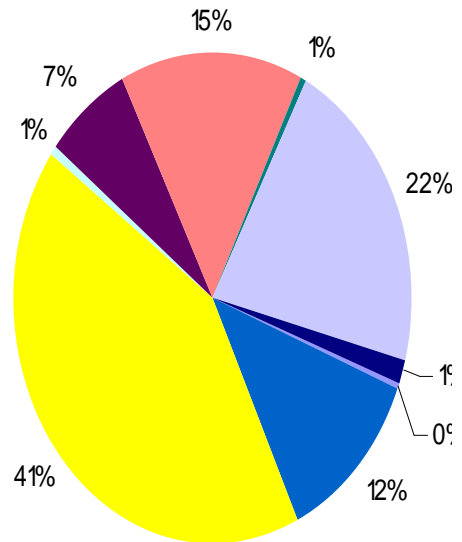
> Multiple growth drivers



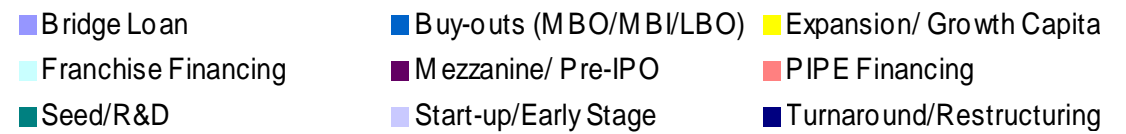
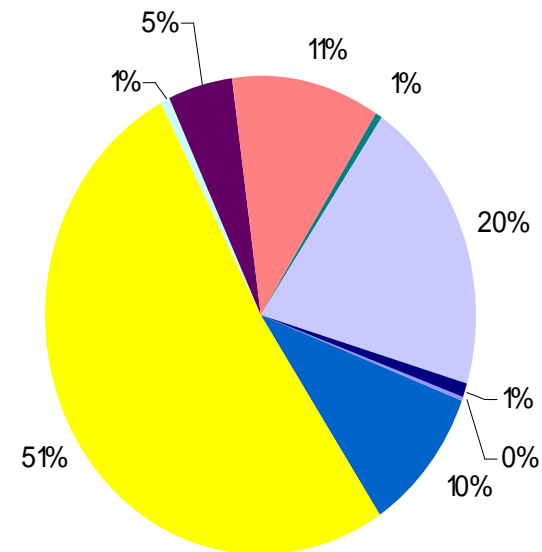
>Provided by Squadron Capital Hong Kong

>Asia - Private Equity Investment Stage by Volume Breakdown 2006 – YTD 2008

2006



YTD 2008

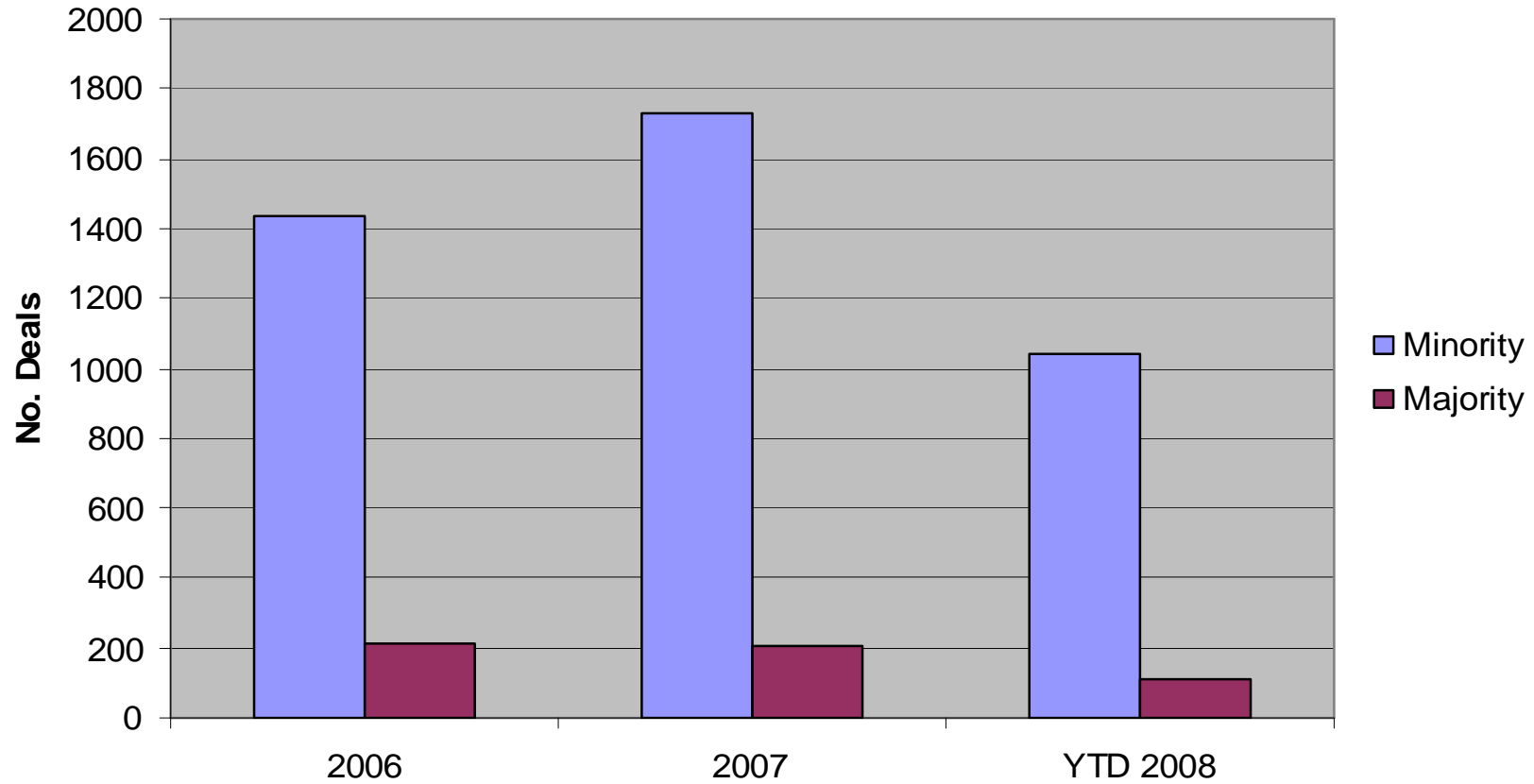


>Source: AVCJ Research

>Asia – Deal Breakdown – Number of Deals;
>Minority Vs. Majority Stakes 2006 – YTD 2008, By Volume.



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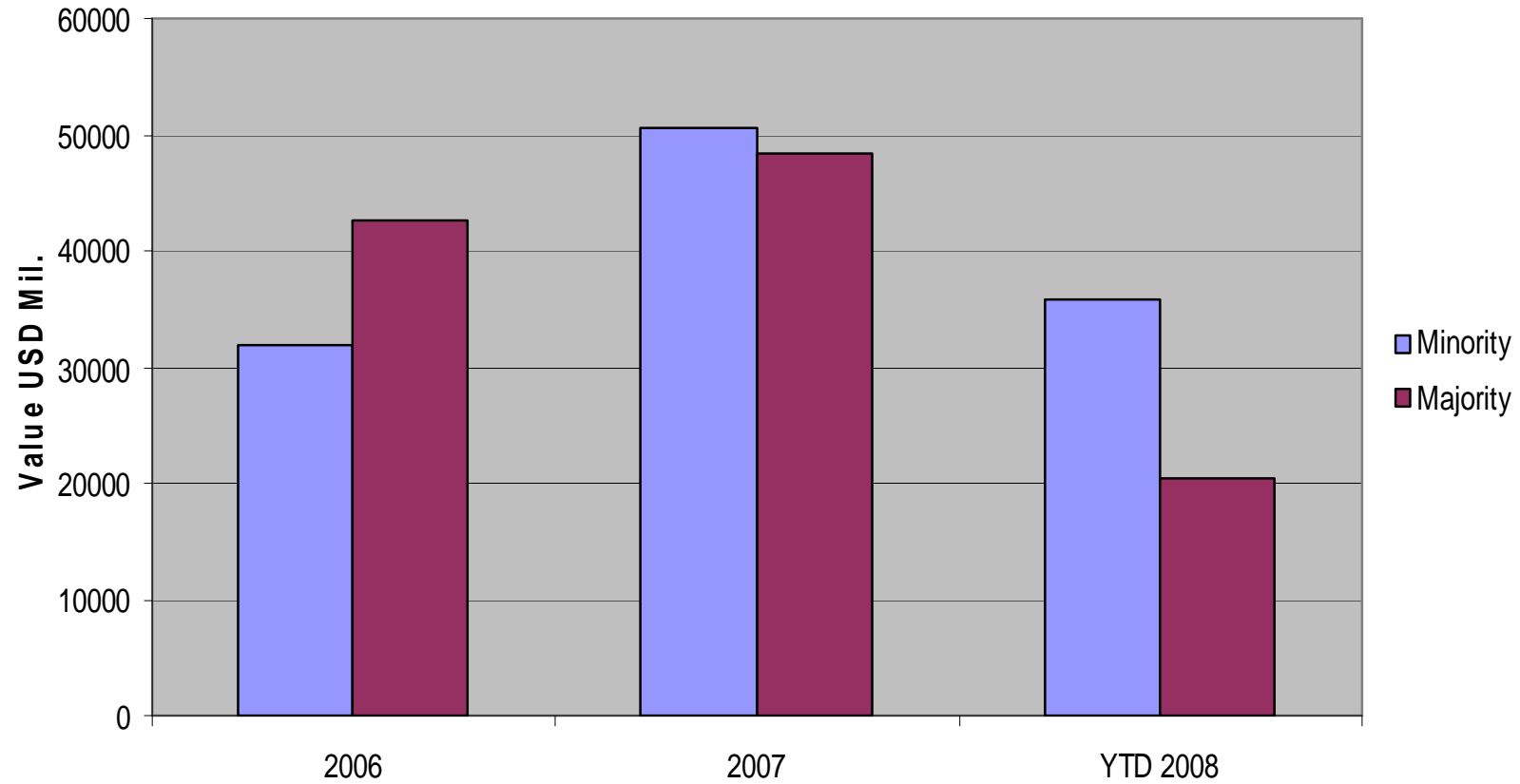


>Source: AVCJ Research

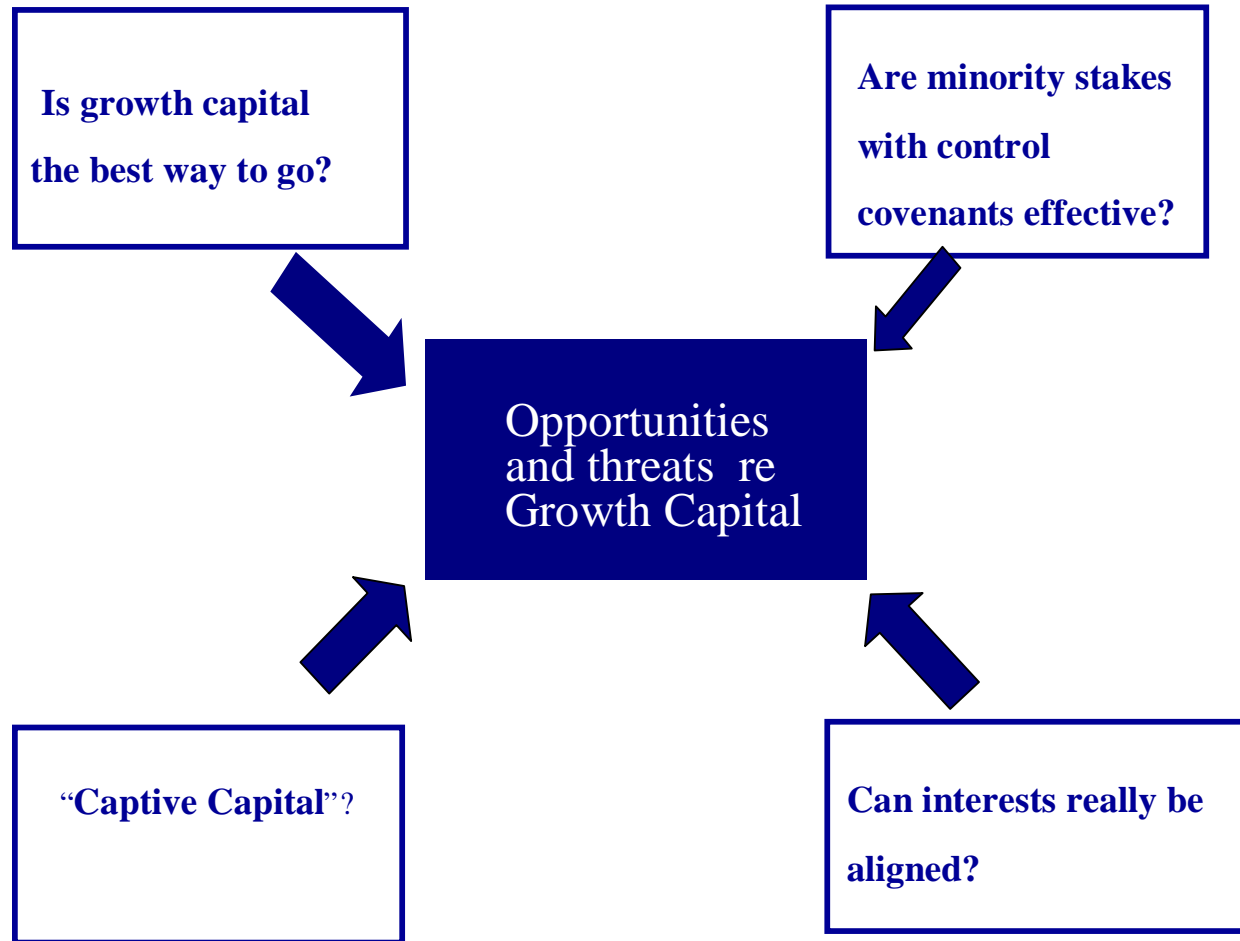
>Asia – Deal Breakdown – US\$ Volume;
>Minority Vs. Majority Stakes 2006 – YTD 2008, By Value USD



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>Source: AVCJ Research





➤ **Independent Mezzanine Finance Specialist focused solely on Asia:**

Direct investment firm comprised of a team of former credit-oriented ex-bankers, private equity practitioners and businessmen. Currently manage the Asia Strategic Capital Fund, L.P., a pan-Asian direct investment fund.

➤ **Strategic Financial Partner for medium sized companies and PE firms:**

Help fund major capex programs/projects, mergers, acquisitions, restructurings and recaps and buyouts with non-controlling capital.

➤ **Pioneers in the Asian Mezzanine Markets:**
Certain senior members founded and managed the first mezzanine fund for Asia, the US\$246 million Asian Infrastructure Mezzanine Capital Fund, sponsored by Prudential Financial and the Asian Development Bank.

➤ **Active investor in today's markets:**
While the Credit Crunch has reduced availability of most forms of capital, we are actively investing mezzanine capital throughout Asia.

Strategic Partners:



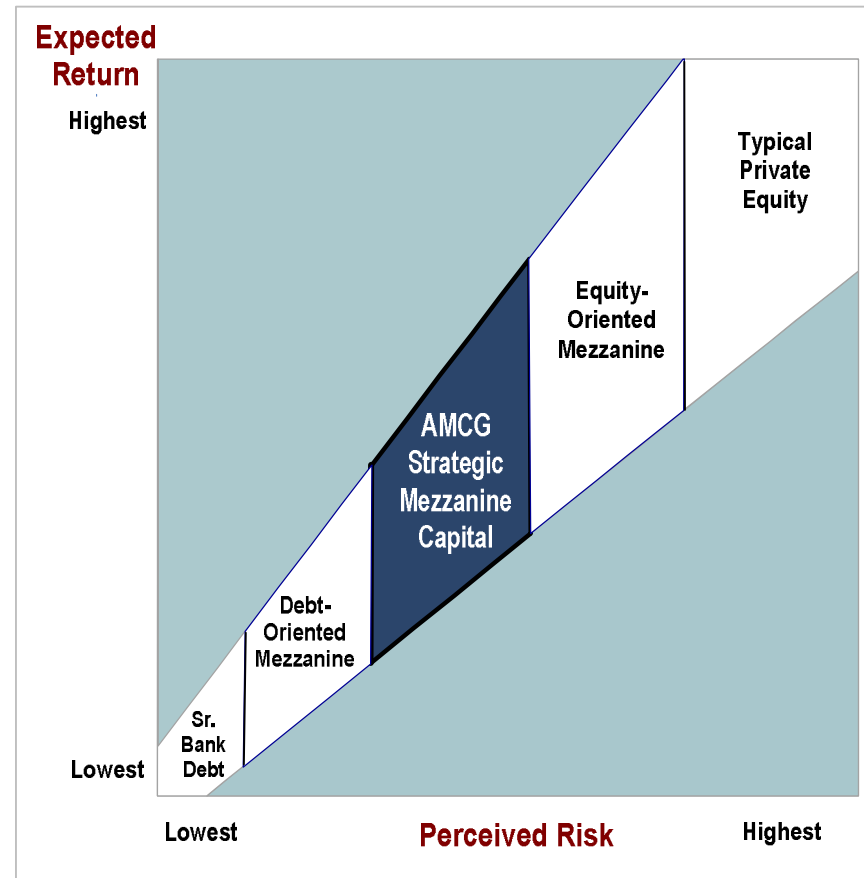
Types of Mezzanine Finance and “Strategic Mezzanine Capital”: Profiles of Expected Returns/Perceived Risks



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General Characteristics:

- Layer of capital between senior debt and common equity, including subordinated debt, preference shares, convertible bonds
- Repayment of debt component through amortization or conversion
- Covenant protection and creditor rights
- Equity participations





1 - Fill a Financing Gap

When enterprises have limited access to more senior debt:

- Can serve as the only “debt-type” capital
- May leverage other debt and equity capital
- Longer time horizon than banks and hedge funds

2 - Minimize Equity Dilution

Lowers the cost of capital relative to ordinary private equity:

- Trades off potentially unlimited, but uncertain, equity returns for a lower but somewhat more certain return debt-like return, while preserving elements of equity participation, with flexible terms.
- Less equity dilution for existing shareholders

3 - Leverage to Boost Equity Returns

Enhances equity returns in buyouts as complement to already “maxed-out” prudent levels of senior debt .

Reduces amount of cash equity required by sponsor with non-competing capital

4 - Offer Flexibility

Enables flexible structuring to meet specific needs of borrowers:

- Adjust amortization schedule to match cash flows
- Some element of PIK may be possible
- Can utilize mechanisms to reduce dilution

5 - Strategic & Financial Benefits

Provides expertise for support, advice and assistance:

- Validation of the business and its strategy
- Assists with financing strategy and implementation
- Provides regional/global relationship-access via network

Highly applicable to:

Growth Capital

Buyouts



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