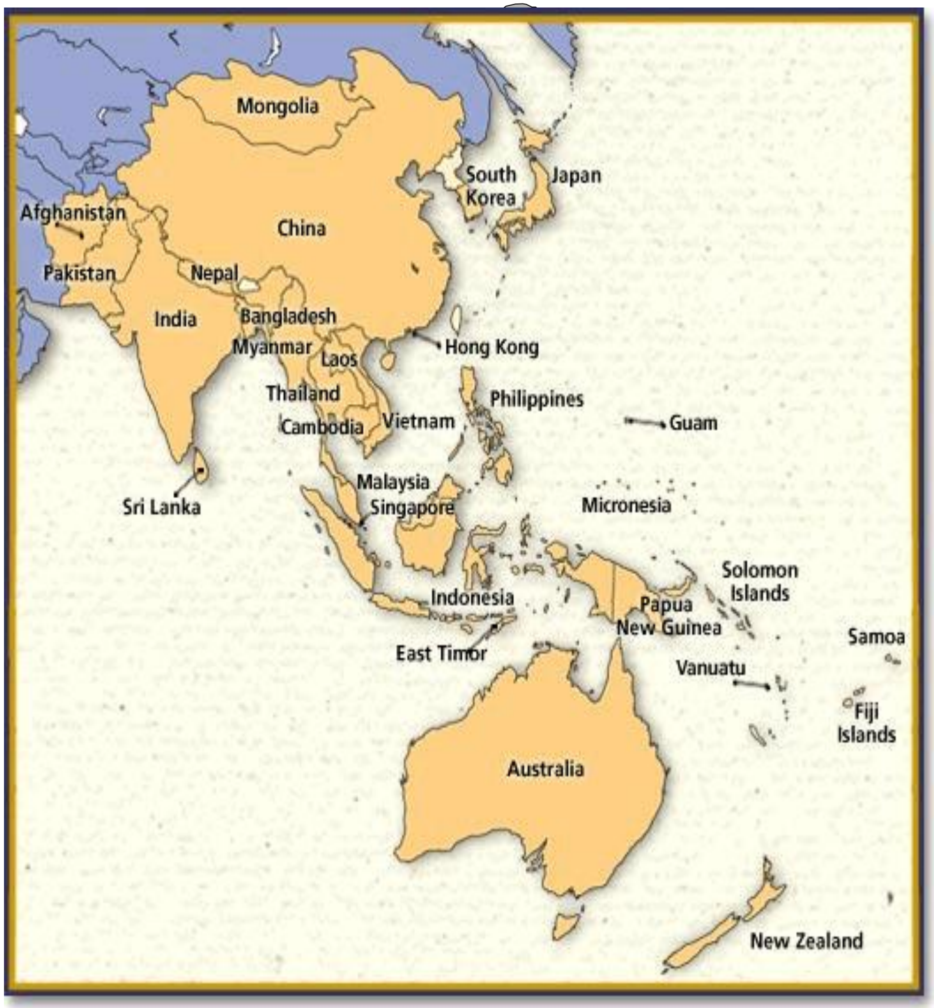



AVCJ Asian Private Equity
& Venture Forum
July 8, 2008 – New York
**"Asian Private Equity:**
***continued growth and opportunity?"***

**Moderator:**
**Rodney Muse, Founder Partner**
**NAVIS CAPITAL PARTNERS**
**Panelists:**
**Harjit Bhatia, Chairman, Private Equity Asia**
**CREDIT SUISSE**
**Michael Cook, CEO**
**MACQUARIE CAPITAL ALLIANCE GROUP**
**Joseph W. Ferrigno III, Managing Partner**
**ASIA MEZZANINE CAPITAL GROUP**
**Benjamin Jenkins, Sr. Managing Director**
**THE BLACKSTONE GROUP**
**Thomas Quinn, Managing Principal**
**THE JORDAN COMPANY**

# Introduction to AMCG



- **Independent Specialist Mezzanine Fund Manager:**
  Team composed of credit-oriented ex-bankers, private equity practitioners, businessmen and management consultants. Currently manage the **Asia Strategic Capital Fund, L.P.**, a pan-Asian direct investment fund providing mezzanine/hybrid-type capital.

- **Strategic Financial Partner for Medium- sized Companies and PE firms:**
  Help fund promising companies undergoing major strategic developments: very large capital expenditure programs/projects, mergers, acquisitions, restructurings, recapitalizations and buyouts with longer-term 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:**
  While the "Credit Crunch "has reduced availability of most forms of capital, AMCG is actively investing mezzanine capital today in promising companies throughout Asia.

## Strategic Partners:

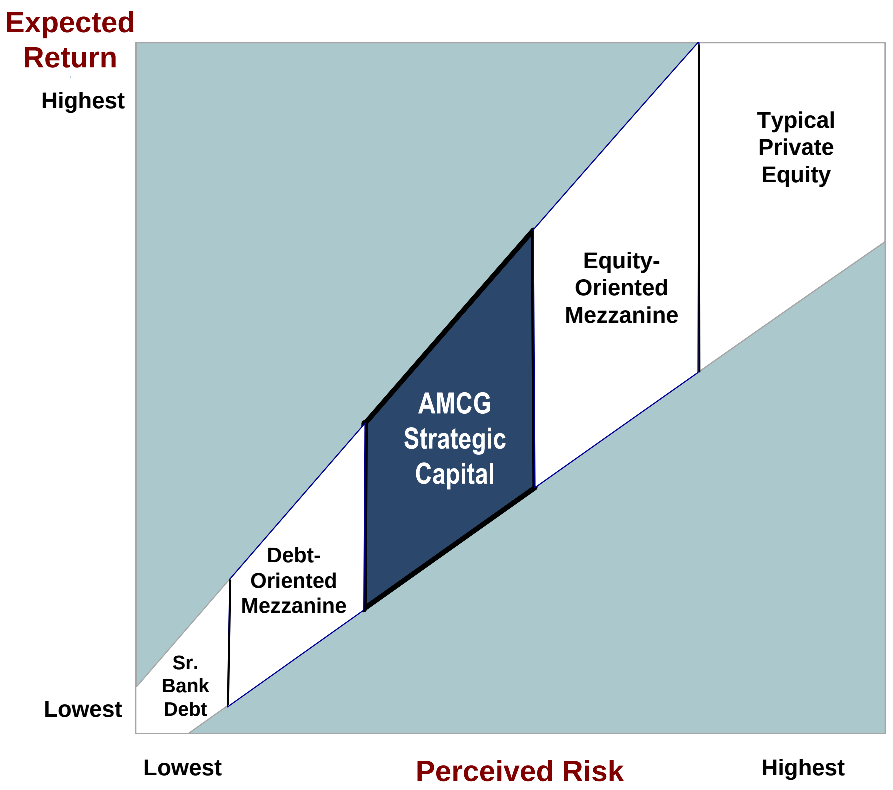
IL&FS INVESTMENT MANAGERS LIMITED

ORIX

NEW YORK LIFE

- **Structural Characteristics**
  - > Layer of capital between senior debt and equity with debt and equity components, typically subordinated debt with equity warrants
  - > Amortization/redemption
  - > Equity participations via warrants, options and other forms
  - > Covenants protections and creditor rights

- **Costs**
  - > Current cash interest
  - > PIK interest
  - > Equity participations



## ➢Economics 101 *(“It’s the Economy, Stupid”)*

✓**Stronger Macro Conditions**: GDP and populations growth rates higher

✓**Productivity Growth Potential:** Has a much longer way to go, e.g. telecommunications, computer and software applications

✓**Economic Convergence Theor**y: Asia catches up to the developed world at a rate that exceeds the developed world’s growth rate

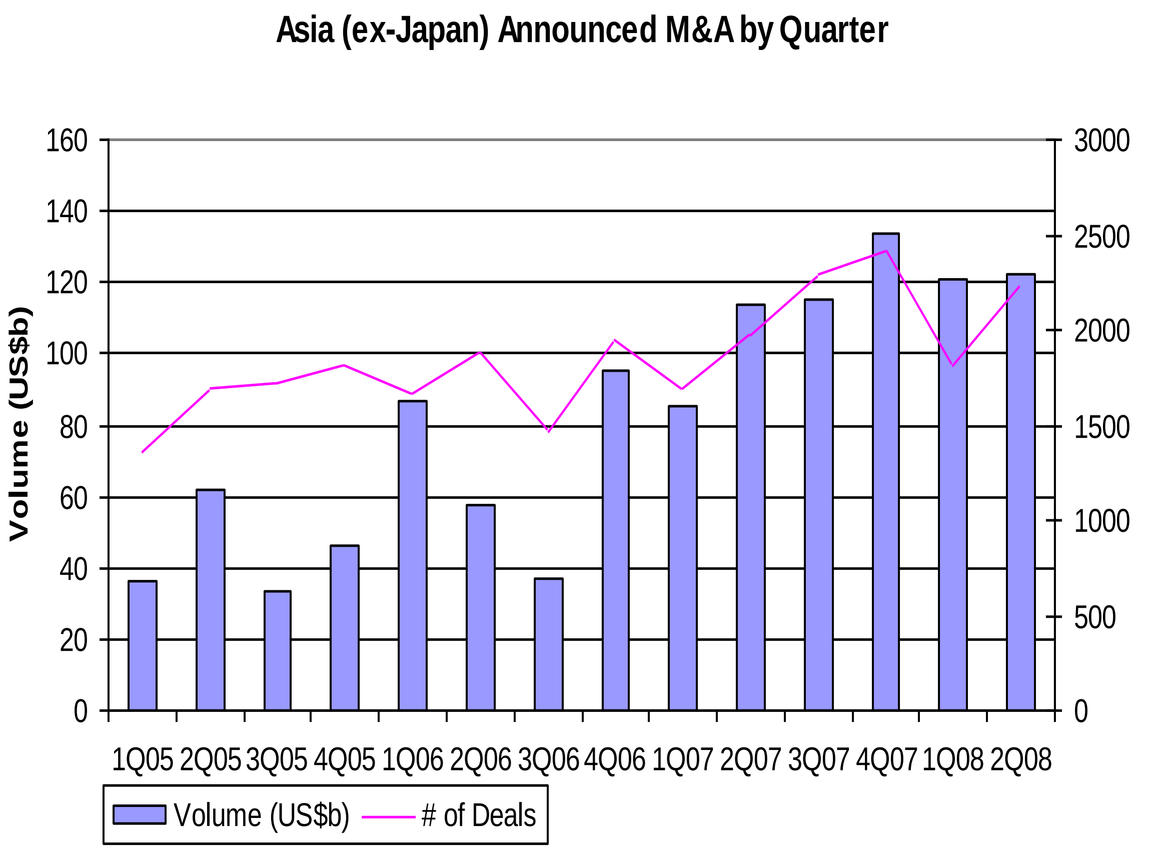
✓**Country Risk Mitigants**: Huge financial reserves have been accumulated vs. over-indebted national systems and large obligations to others

✓**Main PE Investment Opportunity Drivers** :

- Huge growth in infrastructure, infrastructure-related and consumer businesses.
- Major established trend toward more domestic, intra-regional and global mergers and acquisitions

✓**Value of “Intelligent Capital” is High:** Rewards from improvements in business management and technology transfers can be huge

✓**Decoupling is a Myth:** “Contagion” is becoming “congruence”




*Source: Thomoson Retuers*

**Key messages:**

- Asian M&A activity remains robust, partly leading to the strong syndicated loan markets.
- Activity remains near record levels – announced volume during the first half of 2008 was only slightly less than the volume for the whole year of 2006.

## ➢Finance 101 *("No Nobel Prize Winners Needed or Wanted")*

✓**Less Financial Risk**: Financing structures employ lower leverage

✓**Limited Alchemy**: Little use of the CDO market

✓**Higher Reinvestment Rate**: Retained earnings reinvestment is higher

✓**Reasonable Valuations:** Significant equity and debt market corrections occurring

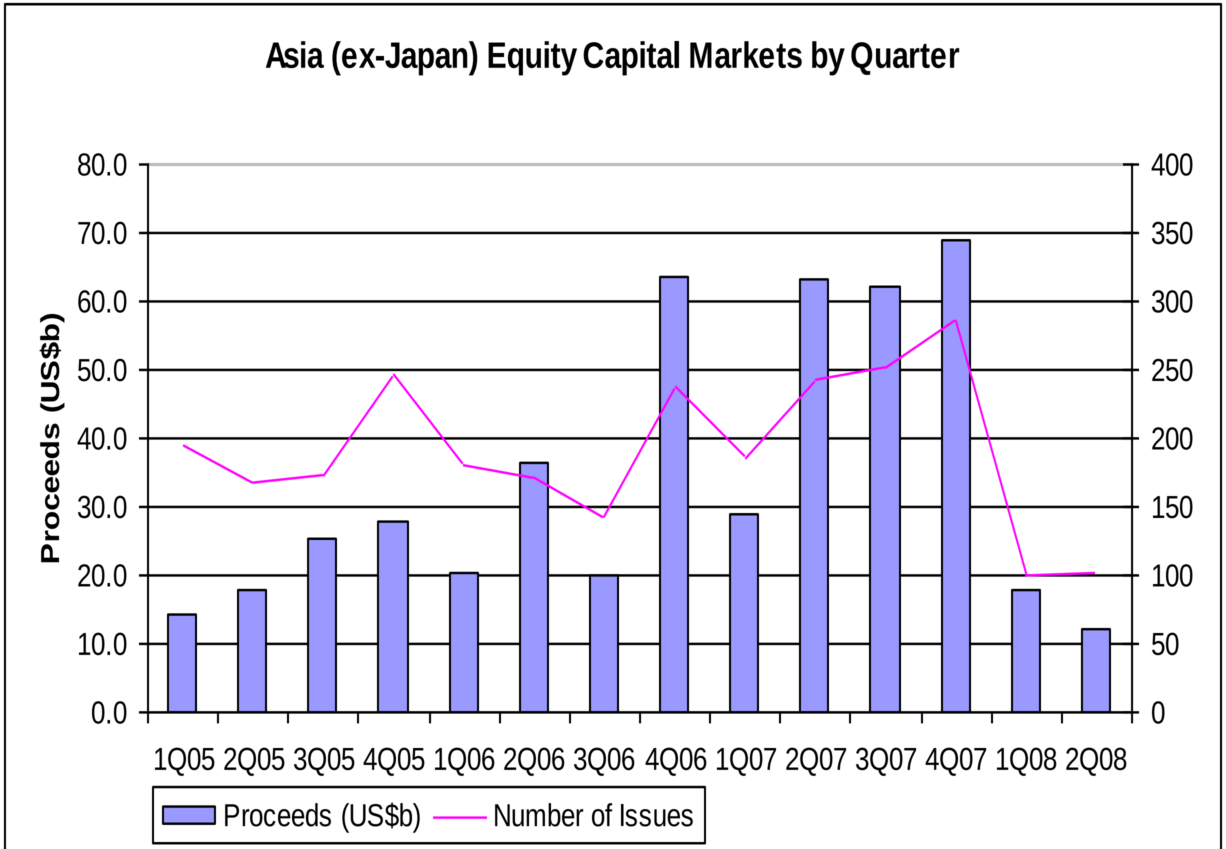
✓**Limited Equity Market Dependency**: Large segment of the private equity market is not dependent of the stock market (ex-Japan)

✓**High Equity Market Volatility**: Public equity market volatility is high and issuance volumes highly sensitive to sentiment

✓**Decoupling is a Myth** – "Contagion" is becoming "congruence"

# "Asian Private Equity: *continued growth and opportunity?"* - Asia (ex-Japan) Equity Capital Markets Trends





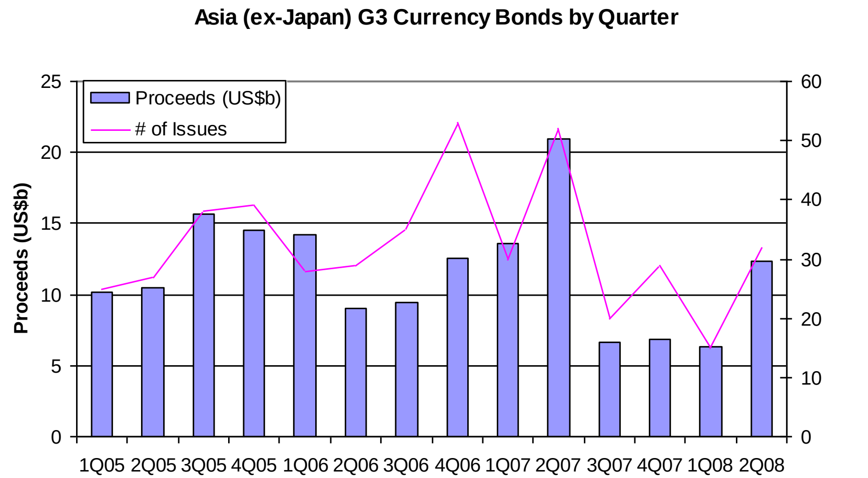

*Source: Thomson Reuters*

**Key Points:**

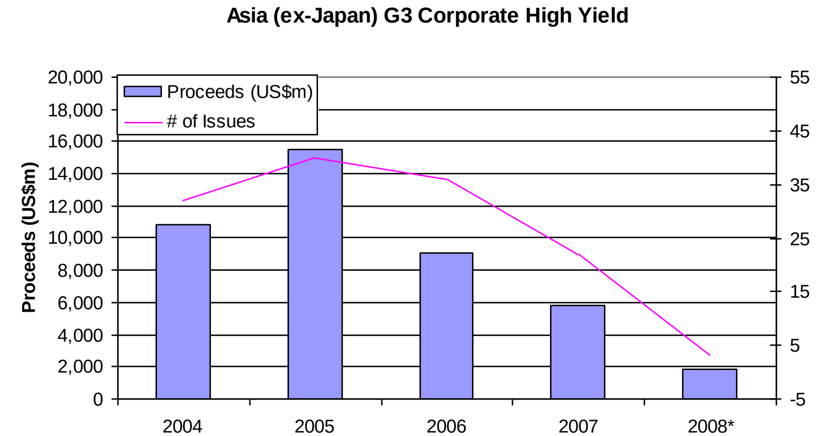
- Proceeds volumes have declined dramatically during the first half of 2008 with volumes off by 2/3 vs. the record levels of 2007.
- Negative trends accelerated during Q2 2008 with volumes off by ~80%.
- Several new listings have been pulled or postponed in recent weeks.

# "Asian Private Equity: *continued growth and opportunity?*" Asia (ex-Japan) Debt Capital Markets

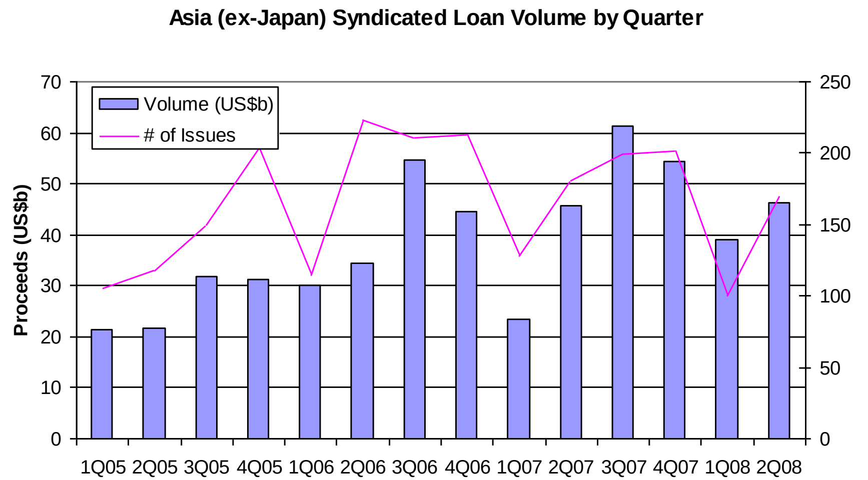




*Source: Thomson Reuters*



*Source: Dealogic*
*2008* through June 27, 2008*



*Source: Thomson Reuters*

**Key Points:**

- Issuance in the debt markets has been mixed with a decline by just less than half in the bond market but increased borrowings in the syndicated loan markets, somewhat offsetting declines in other markets.
- High yield market issuance remains relatively light, well off 2005 levels.
- Pricing trends in Asian debt markets have been negative with significant increases in spreads across all three markets.

## Some Lessons Are Never Learned

- “Neither a borrower nor a lender be; for loan oft loses both itself and friend.”

  WILLIAM SHAKESPEARE, *Hamlet*

- “If you would know the value of money, go and try to borrow some; for he that goes a borrowing goes a sorrowing.”

  BENJAMIN FRANKLIN, *Poor Richard's Almanac*

- “Home life ceases to be free and beautiful as soon as it is founded on borrowing and debt.”

  HENRIK IBSEN, *A Doll's House*

## ➢ Outlooks for PE Buyout, Growth, and Distressed Investing Options

- **Buyouts:** Returns in Asia not so adversely affected by lower leverage and longer exit times
- **Growth:** Opportunities continue to be more highly attractive than public equities
- **Investment Thesis - China**: Intact: continuing massive urbanization, steady improvements in infrastructure and in the implementation of reforms (enterprise, financial and legal systems) and high government stability = Domestic Growth & Global Buyouts.
- **Investment Thesis - Japan**: Emerging slowly but surely: large size and huge unlocked values in businesses due to significant corporate governance reforms stimulated by activist investors = Domestic & Global Buyouts; Domestic Growth
- **Investment Thesis – India**: Not currently as attractive as China. **P/V**ision **vs. P/E**arnings = Only OK if the great visions can be implemented near term…..which they cannot
- **Investment Thesis – ASEAN**: Countries selectively attractive = Domestic and Regional Buyouts, Domestic Growth and Distressed
- **Developed World Distressed:** Currently may be more attractive than in Asia, because valuation reductions have been much greater = upside may be much higher.

# Contact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