



Chris Seaver

* CEO * CLSA Capital Partners

Chris Seaver is the CEO of CLSA Capital Partners, the alternative asset-management arm of CLSA Asia Pacific Markets, with \$2.7 billion under management across six Asia-focused private-equity strategies.

How did you start out in private equity?

I worked in law for many years, in private practice and investment banking, where much of my time was spent on private-equity deals. At some point along the way, I decided that I enjoyed the finance and risk-taking components of private equity much more than explaining to people why they shouldn't take certain risks.

Where does CLSA Capital Partners stand today?

We are, by Asia standards, a relatively large PE manager with AUM in excess of \$2.7 billion; but we are not all that large by global standards.

There exist certain inflection points for growth in private-equity firms, which you can identify very roughly, depending on focus and region, at around one, three and five billion dollars in AUM. We are at such an inflection point, with close to \$3 billion currently in AUM, the next logical inflection point for us would be around \$5 billion.

How do you find deals in China, especially given the competition from domestic RMB funds?

First off, what we don't do is chase the plethora of funds doing very high valuation deals. There are possibly 2,000 or more domestic PE funds in China today. They have effectively changed the competitive landscape for PE, largely because of the stratospheric valuations they are willing to pay for investee companies. Also, the vast majority of domestic PE funds manages RMB 100 million or

less and has LPs who tend to be largely high-net-worth individuals rather than institutional investors.

We try to maintain a very disciplined approach based on our processes, and not chase soaring valuations, as well as look hard before investing to determine how we can add value to the investee company.

Despite the popular buzz about China buy-out, China (and in fact most of Asia) is primarily a minority-stake, growth capital market.

How do you reconcile Japan's macro inertia with an active private-equity investing programme?

I think you first have to distinguish between the macroeconomic conditions and what is beneficial for private equity investment.

The performance of many Japan-focused PE managers has been poor over the last five years. However, some, including ourselves, have excelled by focusing on small

and mid-cap buy-outs of companies that target certain of these sub-sectors of the market, for example businesses that have growing demographics, such as customers over 65 years of age, a rapidly growing segment of the population.

Another sub-theme is the issue of generational transfer within many smaller companies in Japan. There are about 1,500 to 2,000 small companies in Japan, maybe more, that are very high quality companies but at a crossroads in terms of generational transfer of management; these companies often have no family or other "home grown" successor.

It's a perfect opportunity for a knowledgeable PE firm to enter and assist with that transition and then assisting the company in the next stage of growth.

Can you pick a couple of deals that are your personal

favourites from across all the CLSA funds?

Speaking of Japan, one company in which we have invested is a consumer-oriented retail company that has grown earnings on average 20% year-on-year, and is now beginning to expand into other markets in Asia.

We're now assisting that company in that expansion. It's a favorite because it exemplifies exactly what we were just talking about – the fantastic opportunities in private equity within difficult economies.

The second one is an Indian financial services company invested into by Aria, our Asia ex-Japan growth capital fund. It is an extremely well run company and its systems are as good as any company I've ever seen in this sector.

It also marries its ability to generate revenue with benefiting the community in which it operates, in projects that, for example, provide low- or no-cost education for kids from low-income families and, in another case, helping with distribution networks for local farmers.

We were drawn to the way in which the company employed community work to actually enhance their profitability.

CHRIS SEAVER'S CV

EDUCATION

1981 University of Virginia College of Arts and Sciences
1985 University of Virginia School of Law

CAREER

2008-to date CEO, CLSA Capital Partners
2007-08 MD, Darby Overseas Investments
2001-07 MD, Asia general counsel, JP Morgan Chase
1999-2001 MD, general counsel and head of execution, JP Morgan, LabMorgan
1992-97 Vice president, JP Morgan

What is the biggest risk in private-equity investing across Asia?

Beyond the principal developed markets (Hong Kong, Singapore and Japan), you cannot apply the same risk-management approach, model or analysis to any jurisdiction or sector. The fifteen or so jurisdictions in Asia all work and operate so very differently. Every transaction is a new, fresh risk proposition.

How is the market for making successful private-equity exits in Asia?

The exit environment has improved significantly since 2009 but is still challenging in many jurisdictions. In Japan, for example, the ability to do

trade sales will give you a better set of options and typically, believe it or not, better valuations, than will an IPO. Six to 12 months ago, the IPO market in China was doing quite well and firms could achieve very good valuations; but more recently, the equity markets have fared less well, and we are now encountering an increasingly difficult public exit market in China, a trend we expect will continue at least in the short run.

How do you perceive the capital raising market for private equity?

It is difficult. There's no question about it. The environment has changed for some time to come.

While many, if not most, of

the world's large institutional investors profess great interest in Asia and Asian PE, and there is a significant wall of money particularly in the US poised to fulfill that aim, there are also economic and structural issues that cause many investors to be more conservative, and more deliberative, than they were in the past.

Lower amounts of capital, at least for now, are being invested into Asian PE, and fund-raising take on average 22 months instead of nine months. This is despite the realization that few markets over the next 20 years will come close to producing the returns found in Asia.

Some of the structural issues involve LPs being over-allocated, sometimes materially, to private equity, exacerbated by the fact that many investors did not actively invest into the uptick in public markets in 2009 and 2010.

There are also balance-sheet mismatches for some LPs, where liabilities may have increased with layoffs and early retirement cycles in the wake of the financial crisis, but overall assets may not have kept pace. Some investors also have liquidity issues, which can argue against increased investment into PE. ■

PICTURE CREDIT: AFP PHOTO/MIKE CLARKE