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SND AWARD WINNER

PE firm finds opening in exit-seeking founders

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THE first generation of Asia's manufacturing entrepreneurs are getting old, and private equity (PE) firm Shaw Kwei & Partners is ready to help with a retirement package.

For the past five years, the firm has been pursuing a non-traditional strategy of taking majority stakes in manufacturing companies, the latest being soon-to-be-privatised Chosen Holdings. It is a plan calculated to capture the opportunities created by the growing number of first-generation bosses in the region who are looking for an exit.

Shaw Kwei, an Asia-focused US$450 million private equity firm with about US$150 million yet to be deployed, this month succeeded in buying enough shares of Chosen to take the precision manufacturer private for just north of US$51 million.

As is typically the case with most of its investments, Shaw Kwei will assess the company's finances, the efficiency of its operations and assets, and try to give the company a fresh breath of life.

"It's all about. . .taking what is a good business and transforming it for the next chapter of its life," Shaw Kwei managing director Kyle Shaw said.

Mr Shaw shared that Chosen managing director and founder Aloysius Lim is keen to retire eventually, which was a reason for Mr Lim's willingness to sell his shares in the company.

That is a plot line that Shaw Kwei believes will increasingly be told.

The basis for that conviction is partly founded on demographics.

"A lot of the generation in the 80s, 90s, that were growing businesses, today those men and women are in their 60s, and often times they've had fewer children, and those children have been well-educated, and they want to become doctors, lawyers, bankers, journalists, they don't necessarily want to go run the family business. So you're looking at a succession issue that is just now starting to be more and more apparent," Mr Shaw said.

Because these founders are essentially looking for an exit, Shaw Kwei five years ago decided to shift its strategy towards taking majority stakes, like in Chosen's case. That places most of the risk burden on Shaw Kwei, but also gives it better control of its assets and the potential to generate better returns.

"You control the timing of the exit because you can control the company," Mr Shaw said, adding: "If you control it. . .it's easy to take a dividend or it's easy to sell the business or part of the business."

Shaw Kwei has yet to exit any of its majority investments over the past five years, however.

"We're happily working on the companies and trying to manage them to create value," said Mr Shaw, who noted that the industry expectation of making two to three times of the investment also applies to Shaw Kwei. "To be honest none of our strategies have come to a point where it's time to exit. The time to exit would be when we feel that we've done all that we can with the company."

Shaw Kwei already sees a number of potential investments in the region and Singapore based on its criteria.

Said Shaw Kwei executive director Brian Lau: "There are, I can tell you, many Aloysius's out there. . .We want to help more of the folks like Aloysius. Some of them have come out to us, and the message should be, there's a good path for their exit."
