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ShawKwei backs HK cosmetics packaging firm with eye on M&A

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Kyle Shaw, founder and managing partner of ShawKwei and Partners

EVEN AS Covid-19 slows down deal-making, private equity firm ShawKwei and Partners has made an undisclosed investment in International Cosmetic Suppliers (ICS), a Hong Kong-based provider of cosmetic, beauty and skin care product packaging.

Kyle Shaw, founder and managing partner of ShawKwei, told *The Business Times* that his firm will work with ICS to pursue strategic acquisitions in Asia, the US and Europe to grow the business. ICS founder Sue Nichols will remain as the firm's chief executive.

ShawKwei had been studying the cosmetics packaging industry for some years "for opportunities that would fit our style" before deciding to back ICS, Mr Shaw said. "It's an industry that's characterised by a very high level of sophistication; customers demand a high standard. So it's an area that's a profitable one if you're able to satisfy the market's needs," he said.

Founded in 1991, ICS specialises in the design, supply chain and logistics of cosmetics packaging such as palette boxes, droppers and eyeliner bottles. The firm is headquartered in Hong Kong, and has offices in Taiwan, China, the US and Australia.

"What we liked about ICS is that it has 30 years of experience in this industry, working with customers and manufacturing facilities. So we felt that it's a great platform for us to get involved with to make other acquisitions, whether it's in cosmetic brands or packaging," Mr Shaw said.

On the acquisitions that ICS will make, he added: "We're going to be looking for complementary businesses that we think have a sustainable proposition, a strong management and maybe the company is looking for the next chapter in its history – whether it's succession planning or an injection of capital to help them finance their plans."

ShawKwei's latest investment comes as private equity deal flows have slowed down amid the Covid-19 pandemic. According to a Mergermarket report, there were only five private equity buyouts in the region in the first quarter of 2020 worth a total of US\$58 million, marking the lowest quarterly buyout value since Q2 2009.

But Mr Shaw is unfazed by the economic uncertainties, as he believes that ICS is resilient enough to be a long-term play. When asked if ICS may be impacted by the political volatility in Hong Kong, he highlighted that the company has a presence in other markets and was still able to sustain its operations through the turmoil last year.

ShawKwei is also currently keeping busy supporting its existing portfolio companies, which include Singapore precision manufacturer Beyonics and SGX-listed Amos Group.

With Beyonics, ShawKwei has been focused on managing account receivables collection, reducing costs and providing staff with paid time off. Beyonics has also been pursuing an automation project since end-2019 to reduce its direct labour headcount while increasing quality. Over 80 per cent of the firm's manufacturing capacity in South-east Asia.

In Amos' case, ShawKwei has been similarly focused on cash management. Alcona, the unit under Amos that produces personal protective equipment for the marine industry, has been focused on products in demand due to Covid-19, such as hand sanitisers and disinfectants.

While housekeeping efforts will be essential, ShawKwei still plans to continue deal-making, especially in an environment where valuations are set to soften. But Mr Shaw emphasised that his firm wants to back companies that are sustainable into the long-term, and not distressed ones.

“It’s always a challenge to make an investment when times are a bit rough, it does make you stop and think about it a bit more carefully. When times are good, people can literally throw money at things and feel very confident, because everyone thinks that it will work out. When times are bad, it does require more careful thought and discipline, but that’s not a bad thing,” he said.