



PRIVATE EQUITY  
INTERNATIONAL

# operational excellence

awards 2017

Welcome to *Private Equity International's*  
sixth **Operational Excellence Awards** –  
our annual celebration of the industry's  
best value-creation stories of the last year



## Winners

### AMERICAS

- Large-cap  
**The Carlyle Group – Vogue International**
- Upper mid-market  
**Cerberus Capital Management – Bowlmor AMF**
- Lower mid-market  
**Francisco Partners – Paymetric**
- Small-cap  
**The Riverside Company – YourMembership**

### EMEA

- Large-cap  
**Partners Group and Capvis – VAT Group**
- Upper mid-market  
**EQT – Faerch Plast**
- Lower mid-market  
**Gilde Equity Management – Banketgroep**
- Small-cap  
**YFM Equity Partners – GO Outdoors**

### ASIA-PACIFIC

- Upper mid-market  
**ShawKwei & Partners – YongLe Tape**
- Lower mid-market  
**Advantage Partners – Hisense Broadband Multimedia Technologies**
- Small-cap  
**Mekong Capital – Mobile World**

## How we reached our decision

What do a bankrupt 10-pin American bowling firm, a struggling Dutch pastry maker and a tiny Vietnamese mobile phone retailer have in common? It's the kind of question that crops up every year when we choose the winners of our annual Operational Excellence Awards, celebrating the GPs that have done the most to transform portfolio companies.

All three of these companies – US bowling alley operator Bowlmor AMF, Dutch baker Banketgroep and Vietnam's Mobile World – have made this year's winners list in another stark reminder of the power of private equity to turnaround wildly different industries.

Now in their sixth year, the search for the award winners starts in July when we ask fund managers to submit their best examples of how they deliver operational value as owners. To be eligible for this year's awards, an investment had to be either fully or partially realised after 1 June 2016. Entries are invited from three regions – Americas, Asia-Pacific and Europe, Middle East and Africa. We then divided them into four categories, according to the deal's entry price – large-cap (greater than \$500 million), upper mid-cap (\$150 million-\$500 million), lower mid-cap (\$50 million-\$150 million) and small-cap (less than \$50 million).

Competition was particularly tough this year. There were record entry levels in many categories, making it a difficult call for the judges, who comprise some of the leading scholars and operational experts in the private equity industry.

It's never easy. How exactly do you balance the dizzying array of entrants in sectors ranging from financial services to outdoor retailers and Chinese tape manufacturers, all with multiples that would please even the most demanding investor? And returns are only part of the criteria. GPs are also expected to provide specific details of the changes and the initiatives they had undertaken, from product development and acquisition activity through to supply chain improvement and management enhancement.

And not just details but tangible evidence of how these initiatives created value. Impressive exit numbers were clearly a plus, but the main thing our judges were looking for was some genuinely ground-breaking work.

"The entries get better every year," said long-time judge Steve Kaplan, professor of entrepreneurship and finance at the University of Chicago's Booth School of Business. Or as fellow judge and ex-3i executive Miles Graham put it: "This year (once again) it is more challenging to identify clear winners than last year."

But there was widespread agreement that the 11 winners – there was no large-cap Asia-Pacific award this year – really had achieved the astonishing turnarounds we've come to expect from this remarkable roll of honour.

*\*Hisense is not included in the write-ups due to confidentiality issues*

**WINNER – UPPER MID-MARKET**

# ShawKwei & Partners: YongLe Tape

Hong Kong-based ShawKwei & Partners discovered Singapore-listed YongLe Tape, previously named CHT, in 2007 when it was hunting for investment ideas and ran searches on Chinese companies.

Over the years, ShawKwei had studied the speciality tapes manufacturer and brought in consultants to advise on the transaction. The impact of the global financial crisis was, however, the catalyst to the acquisition. The crisis hit YongLe severely and its shares were trading at depressed prices. When the business improved a few years later, ShawKwei took it private, paying 18 cents per share for an aggregate \$66 million, a 98 percent premium over its then trading price.

Founded in 1985, YongLe manufactures and distributes various tape products to auto manufacturers, the electronics industry and retailers. Known as China's 3M, the company is also the largest global PVC adhesive tape manufacturer.

Post-acquisition ShawKwei made management changes by hiring a new chief financial officer, introduced a monthly financial reporting and audit process, brought in a management incentive plan and implemented SAP for financial and operational reporting.

The most significant change, however, was rebranding the company under the "YongLe" brand, where previously it had four different names.

Kyle Shaw, founder and managing partner of ShawKwei, says a key driver for change was a six-month rebranding exercise for YongLe. "Bringing



*YongLe: from old world industry to modern efficiency*

management together in a room to discuss and strategise the company's vision, goals, as well as corporate culture to sharpen the brand also served to re-charge morale and the overall sense of purpose as we positioned the company for future growth opportunities," says Shaw.

Product expansion was also a priority. ShawKwei supported and doubled down on the industrialisation of its existing products. This included the growth of higher margin cloth tape for the European market for companies such as Daimler and Volkswagen, low volatile organic compounds tape for the Japan market and the industrialisation of a proprietary hot-melt manufacturing process.

"The key factor in products like these is know-how. Making tape is not in and of itself hard but making millions of square feet of tape per month without having a lot of

wastage is all about an efficiency game," Shaw says.

Another major initiative by ShawKwei was to consolidate YongLe's 14 small manufacturing facilities located near Beijing and Shanghai into a single mega-factory. The company sold these plants for \$8 million to move manufacturing operations to a new custom-built 880,000 sq ft leased facility. In the process, \$30 million of CAPEX was injected to upgrade manufacturing equipment and to shift to European (rather than Chinese) rollers and cutters. As a result, production lines were reduced by a third and production output per line increased by 30 percent.

In addition, the company installed a state-of-the-art solvency recycling system imported from Italy, which significantly improved recycling of chemicals from 65 percent to over 99 percent. This equipment upgrade reduced the amount of new chemicals needed and lowered the plant's impact to the environment.

With these changes, YongLe Tape recorded total revenues of over 1 billion yuan (\$145 million; €135 million) in fiscal year 2016. The increased profitability allowed it to pay off all of its \$47 million debt, provide an annual dividend of approximately 10 percent of profits and accumulate a cash balance of \$55 million which was distributed to its shareholders.

In June this year ShawKwei completed the sale of YongLe to Avery Dennison for \$200 million, garnering a 5.1x exit multiple and 37 percent net IRR. ■



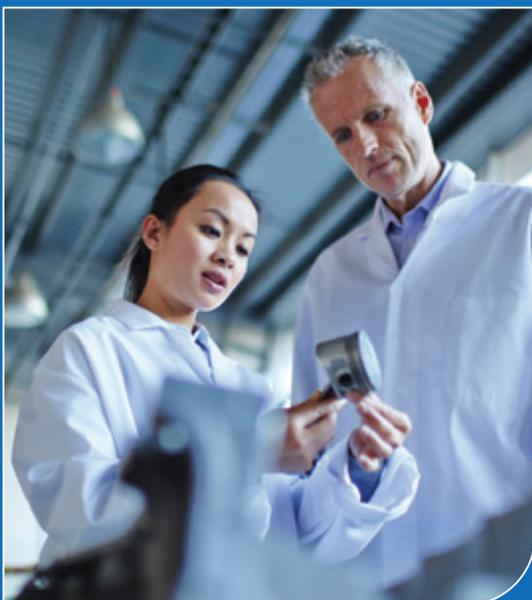
**5.1x**  
Exit multiple



**37%**  
Net IRR



**320%**  
EBITDA growth



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WINNER: UPPER MID-MARKET, ASIA-PACIFIC

## The Power of Partnership

ShawKwei & Partners is a private equity fund manager based in Asia. We have been investing across Asia for over 25 years and understand the challenges facing Asian companies competing in today's global markets.

We invest with mid-market industrial and service businesses capitalizing on ShawKwei's core strengths: detailed and insightful analysis, operational skills, and transformation experience to drive business profitability and capital efficiency.

We take significant ownership stakes in our investments coupled with our disciplined and hands-on management. ShawKwei's partnership with management is pivotal to transforming and improving those investments.

For more information visit: [ShawKwei.com](http://ShawKwei.com)



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