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FINANCING LEVERAGED BUYOUTS IN ASIA: OPPORTUNITIES AND OBSTACLES

BY NACHUM KAPLAN



In just a few years the leveraged buyout market transformed itself from a relative backwater to one of the most dynamic areas of the world's capital markets. But the collapse of the US sub-prime market and the ensuing credit squeeze brought the boom in the US and Europe to an abrupt end, and with it, the widely anticipated Asian LBO boom was nipped in the bud.

These are trying times for the big LBO players. Private equity firms, still flush with cash, are running out of suitable assets to buy in more traditional markets and will need to act soon to maintain their

investors' confidence. The banks, meanwhile, having spent a great deal of time and money rolling out leveraged finance teams in Asia, now need to decide whether to disband them or to start making them pay their way.

Financing Leveraged Buyouts in Asia: Opportunities and obstacles, an IFR intelligence report, assesses the damage inflicted by the credit squeeze on this exciting sector, weighs the factors that will determine its recovery and looks beyond liquidity issues at the long-term trends that will outline the market's future shape, explaining where money might be made and how.

FEATURING THE VIEWS OF LEADING PLAYERS IN THE ASIAN LBO MARKET, INCLUDING:

Boey Yin Chong, Managing Director, Syndicated Finance, Corporate and Investment Banking, **DBS Bank**

Alan Hirakawa, Head of Leveraged Finance, Asia, **Barclays Capital**

Oliver Duff, Global Head of Leveraged Finance, **HSBC**

John Hourican, Head of Leveraged Finance and High-yield, Europe and Asia, **Royal Bank of Scotland**

Tim Whitehead, Executive Director, Co-head of Leveraged Finance, Australia and New Zealand, **Goldman Sachs JB Were**.

Farhan Faruqui, Managing Director, Head of Loans and Leveraged Finance, Asia Pacific, **Citigroup**

Satoru Aoyama, Director, **Fitch Ratings**, Japan

Charles Wang, Partner in law firm, **Zhong Lun**

Anthony Wu, General Partner in private equity firm, **Hupomone Capital Partners**

...plus details on two more key reports:
OPPORTUNITIES IN: JAPANESE CAPITAL MARKETS
OPPORTUNITIES IN: CHINA'S CAPITAL MARKETS

FINANCING LEVERAGED BUYOUTS IN ASIA: OPPORTUNITIES AND OBSTACLES

BY NACHUM KAPLAN

The US and European markets are at the end of an incredible LBO boom. But while the collapse of the US sub-prime market has stalled most LBO activity for now, many of the players in leveraged finance have their sights set firmly on Asia.

On the face of it, this makes sense. All of the factors that had everyone tipping a boom in Asian leveraged finance before the credit squeeze are still valid. Asia is the world's largest economic zone, the region is booming and the leveraged buyout market is very underdeveloped relative to the market elsewhere. There is also a growing pool of highly liquid Asian banks, largely untouched by US sub-prime drama, which is becoming much more well-disposed to leveraged finance. The global credit crunch knocked-out the US and European markets, but it only slowed the Asian market's relentless development. Asia is down but not out and will get to its feet before any other region.

MARKET CHALLENGES

Weighed against this optimism are significant obstacles. Many Asian markets are heavily regulated, causing huge problems for sponsors. Bankers, too, often face a bewildering array of restrictions when financing such deals. Most Asian companies lack the accounting transparency that enables investors to get comfortable with a credit, while legal arrangements can be very complex, causing serious difficulties should a buyout turn sour. Underlying everything is an innate political and cultural resistance to leveraged buyouts in much of Asia that does little to foster trust towards sponsors, making the negotiation of deals that much more difficult.

Financing Leveraged Buyouts in Asia: Opportunities and obstacles, written by Nachum Kaplan, IFR's former Loans and High Yield associate editor, offers an excellent overview of the subject. This unique report assesses the LBO outlook across the continent, before looking in more detail at each of the most promising countries and challenging jurisdictions, describing for each the major opportunities and obstacles facing sponsors, bankers and investors.

Countries featured include:

- Australia
- Japan
- China
- India
- Taiwan
- Singapore
- Malaysia
- South Korea

The report examines in detail the peculiarities of each country's market, looks at ways around the burdensome regulatory obstacles, explores local versus foreign bank dynamics, considers private equity's changing tactics in a slowing market, and weighs the implications of the global credit squeeze and downward corrections in equity markets.

KEY DATA & OPINION

Supported throughout by a wealth of Thomson data, and featuring the candid views of some of the region's most experienced practitioners, this report should make fascinating reading for anyone looking for a stake in what could be a truly immense market. The report also features case studies of some of the most illustrative Asian LBO deals to date:

- Qantas** (Australia)
- Arysta LifeScience** (Japan)
- Harbin Pharmaceuticals** (China)
- GUM Holdings** (China)
- Gecis International** (India)
- Fletronic Software Systems** (India)
- Fila** (South Korea)

ABOUT THE AUTHOR

Nachum Kaplan

Nachum Kaplan is IFR's former associate editor of Loans and High Yield at International Financing Review (IFR) magazine in London, where he was also the senior judge for the loan and high-yield categories of IFR's annual capital markets awards. Nachum has been with IFR since 2001 and is now associate editor, publishing, Asia Pacific, based in Singapore.

A financial journalist with more than 15 years international experience, he has worked in his native Australia, Indonesia, United Kingdom and Singapore and has traveled extensively in Asia, Europe and the US as part of his work.

He began his career as a stock, bond and currency market reporter for the Herald Sun, Australia's biggest-selling daily newspaper. He then moved to Indonesia where he worked for The Jakarta Post English-language daily after which he joined US financial newswire Bridge News, where he became the Jakarta bureau chief. He reported on the 1997-1998 Asian Financial Crisis and the subsequent political turmoil that culminated in the downfall of Indonesian dictator President Soeharto after a 32-year rule. He moved to London with Bridge News in 2000.

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Financing Leveraged Buyouts in Asia: Opportunities and obstacles is also available in PDF format, enabling you to share key information with colleagues across your company.

To discuss this option and pricing please email john.woodward@thomson.com

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OPPORTUNITIES IN: JAPANESE CAPITAL MARKETS

BY BENJAMIN FULFORD



The long anticipated shift of the world's economic, financial and political power to Asia has begun. Japan is set to play a key role in managing the transition because of its unique position of trust in both Asia and in the West. Japan itself is facing many challenges ahead, including the daunting prospect of several years of wrenching fiscal restructuring, in contrast to greater proactivity in managing its US\$5.5 trillion overseas financial portfolio. For investors, these and the many more issues covered in the report will amount to a paradigm shift filled with both opportunity and risk.

This ground-breaking report draws on interviews with senior sources to guide global bankers through what promise to be

both turbulent and potentially vastly rewarding times, and covers:

The Geo-politics of Japan

– discusses diplomacy, military, demographics and domestic-politics

The Economy

– covering macro and micro economic trends, and the latest in manufacturing and the service sectors

Financial markets

– providing analysis of developments in the banking sector, the stock market, Japanese government debt, privatisation, private pensions, foreign holdings, hedge funds and the yen carry trade.

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OPPORTUNITIES IN: CHINA'S CAPITAL MARKETS

BY ELLIOT WILSON



It is clear that China offers vast opportunities for banks and other corporates keen to share in perhaps the most extraordinary economic transition in history. Yet the country's huge unemployment, groaning infrastructure, growing environmental problems and restrictive regulations, among a host of other factors, conspire to create many hazards for the unwary investor.

Opportunities in: China's Capital Markets provides a comprehensive analysis of the state of China's economy and banking system.

Major themes explored include:

- The outlook for the Chinese economy
- Capital market reforms to date, and those in the pipeline
- The future development of China's banking systems
- China's investment plans for its US\$1.4trn of foreign reserves
- Opportunities and pitfalls for banks and investors.

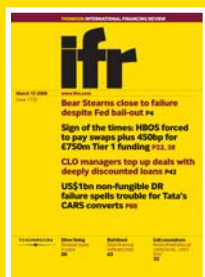
Based on extensive original research, including interviews with over 30 prominent figures within the Chinese capital markets, both domestic and foreign, this report should be vital to everyone looking to profit from China's huge range of opportunities while keeping their shirts on their backs.

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