

BUILDING PRIVATE EQUITY BUSINESSES AND CAREER



The private equity industry in Asia has gained prominence in recent years. Investors seeking higher yield and diversification from the western countries are increasingly drawn to Asia's long-term macroeconomic growth story for emerging markets like China, India, Indo-China and Southeast Asia.

As one of the top global financial centres in the world, Singapore is well-positioned as a gateway to the region, especially ASEAN countries. Top-tier players like KKR and Blackstone have since opened their offices in Singapore to expand their footprint in Southeast Asia.

In Singapore, recent deals involving household names, such as Advent International acquiring The Learning Lab and the sale of Crystal Jade to L Capital Asia, have made private equity more widely known to the general public.

However, most only have a vague understanding, often mistaking private equity for venture capital or private investments.

Mr Yong Kwok Ping, Chief Executive Officer of a Greater China-based private equity firm with over US\$6.2 billion under management, and the principal facilitator for FTI's specialist workshops, shares his insights on private equity and his passion for nurturing talent for the industry.

While the Singapore government is keen to develop the PE sector, Mr Yong feels that we still lack a critical mass of talent and local expertise. He says, "Some of the big players have set up offices here but we don't have a big pool of local talent to support them. The extent that private equity companies can grow in Singapore really depends on plugging that gap in the talent pool."

For a start, Mr Yong believes that we should create a better understanding of private equity. Private equity in Asia is quite different from the west, where leverage buyouts are fairly common. In comparison, private equity in Asia is essentially based on a growth model.

Mr Yong says, "Knowledge of private equity in Asia is still rudimentary. There are many misconceptions. Private equity is not just about finance or investment. Instead, it

is about injecting the right expertise to maximise growth and profits for the company. Private equity firms need to create value by bringing in their expertise in management, marketing, securing distribution networks, etc. to maximise profit and growth. If you can do that well, the rewards can be very handsome."

He dismisses concerns about private equity being a high risk business, explaining that "Private equity is not risky in the same way as venture capital investments, which typically focusses on start-ups. Private equity typically invests in existing or matured businesses. For example, we might invest in a business that has been around for 10 to 20 years. The odds are high that if its financials are good and it has a good track record; it is unlikely to collapse overnight. But of course, how well you run the business after you invest in it depends on your skills."

Mr Yong does not think that there is too much money chasing too few deals. In reality, the opportunities are vast. Private equity firms can choose different strategies and focus. Even for investments in the same sector, firms can focus on different geographical locations so they do not end up competing with each other.



Mr Yong enthuses, “PE is not a deskbound business. You travel all over the world, meet different people and learn about different types of businesses. One day you could be visiting a gold mine in China, the next day you could be evaluating a US movie production. Knowledge in management, finance, marketing and operations will all come in useful.”

It is not surprising that the PE industry has attracted growing interest as a career choice among MBA students in Ivy League universities in the US and Europe. Comparatively speaking, there is still a lack of awareness in Asia.

Mr Yong shares, “I feel inspired to teach and help people learn more about PE, especially from an Asian perspective. When we first designed the specialist workshops offered by FTI in 2008, we used many western examples. Over the years, we have included more case studies from Asia to help participants better understand the use of different PE models in matured versus emerging markets.” He adds, “Participants who attend the workshops come from different walks of life and have different learning objectives. Some are looking for a career switch, others want to know how

they could work with PE funds to grow their business. I am pleased that some of them are now working in, or with, the PE industry. I hope to reach out and let more people understand that PE offers a good career path.”

The Financial Training Institute @ SMU (FTI) offers specialist workshops aimed at equipping participants with the practical knowledge and competencies to undertake the entire PE investment process. The topics include: deal sourcing, due diligence, negotiating and structuring deals, managing PE portfolios, and implementing exit strategies. About 200 participants have attended the workshops since 2009.

Visit www.fti.smu.edu.sg for more information about workshops and training programs.

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