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Deals are getting more complicated

NAVIS Capital partner Tan Chow Yin feels that Malaysia is an interesting market for private equity, and an increasingly developed one. It has the appropriate governance structures, institutional backing, and most importantly, availability of interesting opportunities.

Navis currently has US\$3bil (RM9.3bil) under management. Its Navis Asia Fund 6 currently has a fund size of US\$1.2bil (RM3.6bil).

Navis has made more than 54 investments since 2000, with about 10 of these in Malaysia. That makes Navis one of the most active private equity investors in this part of the world.

While Tan acknowledges that in an increasingly competitive space, deals are getting more complicated, this does not mean they are getting better.



Tan: ‘There are a lot of SMEs that should not be listed given their low level of trading liquidity.’

Beyond the various signed papers must lie a fundamental alignment of interests.

“In the past, if a successful businessman wanted to diversify his wealth away from concentrated risk, he does not have much choice beyond taking his business public. Today he does, especially if he can accept private equity players as active partners and not just passive shareholders. There are a lot of SMEs that should not be listed given their low level of trading liquidity,” says Tan.

Tan says that Navis' philosophy and approach haven't changed much over the years. Nonetheless, as a country's economy evolves, so does it.

“For example, food services used to be a big part of our portfolio, but very much less now. Basic manufacturing is also

a sector we have moved away from. As GDP in countries we invest in grow, services increasingly gain more prominence over basic manufacturing, where competitive advantages are defined merely by the cost of production factors,” says Tan.

Not surprisingly, Navis is bullish on the consumer sector.

A continuously recurring theme in Navis, and reason why we are so bullish on South East Asia, is the rise of the Asian consumer. We like sectors that are freely competitive. Branded consumer products, education, specialized business services, entertainment and niche manufacturing are some examples of sectors that will benefit directly or indirectly from rising affluence,” says Tan.

As Navis likes sectors that are freely competitive, it does not invest in commodities or businesses where it doesn't quite understand, for example renewable energies where government intervention or subsidies are still required.

Over the years, Navis has made a number of investments in Malaysia. It invested in Drypers, a diapers business, which yielded one of its best returns. It also invested in Big Tree, an outdoor media company which it later exited to [Media Prima Bhd](#).

More recently, Navis has invested in Alliance Cosmetics, the brand owner of Silky Girl cosmetic products.

“When we invested in 2010, 0% of our sales were coming from Indonesia. Today, that figure is closer to 6%. As you probably read recently, we have also made two investments in Malaysia this year. SEGi is one of the top tertiary education provider in Malaysia with 27,000 students. MBO is the 3rd largest cinema operator in Malaysia with 111 screens across 15 locations,” says Tan. - **By Tee Lin Say**

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