

Private Equity Spotlight: Affirma Capital gearing up for more deals in South Korea and beyond

Singapore-headquartered **Affirma Capital**, formerly known as Standard Chartered PE, is set to accelerate its investments and activities in South Korea and other investee regions with a new look, founding partner and Head of Korea Kim Taeyub said.

Though its core focus on mid-cap deals in emerging markets remains, it expects to broaden its investment scope and size with increased flexibility in structuring deals, being freed from restrictions it used to have as part of a listed bank, he said.

It anticipates increasing the level of an equity check to KRW 70bn- KRW 80bn (USD 60m- USD 70m) from around KRW 50bn previously and would seek potential targets with an enterprise value of KRW 100bn -KRW 500bn, he said.

Affirma Capital has finalized the management buyout from the bank that was led by seven partners and backed by Intermediate Capital Group's (ICG) Strategic Equity funds, after closing a spin-off process that lasted three years, according to its press release on 1 August.

The firm seeks both minority and controlling stake deals, and has been attracted to a diverse mix of sectors spanning services, consumer, media, industrials, and environmental businesses. It is increasingly interested in the tech space in South Korea, and keeps a close watch on the healthcare industry for opportunistic buys, he said.

Further, it has invested in fintech, insurance, auto lease and micro financing businesses across Vietnam, China and India. Since it is no longer restricted to acquiring only a minority stake in large financial institutions, it expects to look at the financial services sector more actively.

It may also consider setting up a project fund for South Korea, he said.

Affirma Capital has assets under management of USD 3.6bn spread across Southeast Asia, India, China, South Korea, the Middle East and Africa. Holding over 50 investments, the top investee sectors are industrial products and services, consumer and financial services, according to *Mergermarket* [data](#).

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 1501 Broadway, 8th Floor, New York, NY 10036 USA Tel: +1 212 686 5606

APAC: 16/F Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong Tel: +852 2158 9790

Team efforts

At least two managing directors across the region are jointly involved in the decision making process from due diligence to negotiations for investments, Kim noted.

The collaboration among regional experts in the APAC region boosts its competence in asset analysis, enabling the firm to pursue the “relative value” strategy in picking up investment targets until the exit. It can therefore optimize its portfolio selection and management in a wider macro view, he said.

For instance, while the education sector had explosive growth in China and Vietnam, it is less appealing in South Korea given the regulations and declining birth rate, he added.

Alongside conglomerates’ non-core divestitures, family-succession issues have been the main target universe, he continued.

The acquisitions of **Sung Gyung Food**, a seasoned laver maker, **Sunwoo MT**, Korea's third largest meat wholesale company, and **Hwasung Cosmetics**, a color cosmetics maker, were named as cases of the latter. Likewise, its former Chinese portfolios- English kindergarten **Etonkids Education Group** and **Siyanli industrial**, a high-end beauty and spa chain operator, were also targets from the generational changes of the family-run businesses, he added.

New fund

Meanwhile, Affirma Capital is in talks with prospective investors to form its fifth South Korean fund sometime next year, two sources familiar with the situation told this news service. The new fund could have a size of between KRW 500bn and KRW 1bn, but details are not yet finalized, they said. The firm raised KRW 256bn in the fund IV in August 2016 with a maturity period of eight years, as per its fund registration record.

Affirma Capital has set up four funds in South Korea which were deployed in and outside of the country, Kim said, declining to comment on next plans.

Its target IRR is about 20%, he added.

Portfolios and exits

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

APAC: Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790

The company sees the average portfolio tenure as about four to five years, according to Kim.

It opts for multiple options for exits and has listed three Korean portfolios - **Hyundai Autoever** [KRX: 307950], **AJ Networks** [KRX: 095570] and **Samyang Packaging** [KRX:272550]. It still holds a partial interest in them and is closely engaged with the co-shareholders as a strategic partner to support growth, he added.

Separately, Affirma Capital is working to beef up **Mad for Garlic** after it withdrew plans to sell the South Korean western dining concept chain last year, he said. The directly managed restaurant has expanded the number of outlets to 41 from 27 since its acquisition in late 2014.

“We can buy two to three more brands,” he said, adding that it aims to expand its B2B catering and retail businesses.

It is reviewing several targets in the range of KRW 10bn-KRW 200bn, he said. Simultaneously, it has been working to digitalize the system to minimize operational costs and would partner with its affiliates in response to the growing HMR (home meal ready) and meal kit market in the country. It made a series of bolt-on acquisitions to Mad For Garlic similar to how it scaled up the waste treatment and environmental business assets.

Affirma Capital has years of experience and knowledge in the food sector, Kim said, pointing to **Crystal Jade**, the Singapore-based restaurant chain, which it acquired in 2015.

“We have invested more than 10 years in Korea” said Kim. As a long-time player, it has deepened relations with its stakeholders as well as advisory firms including Big 4. **Bae Kim & Lee**, **Shin & Kim**, and **Kim & Chang** are among its former legal counsels, he added.

Face

Kim has done more than 15 investments since his joining in 2008 and serves on the boards of several companies including Environment Management Corporation, the waste treatment company, Sunwoo MT and AJ Networks. He previously worked at Boston Consulting Group and Shinhan Private Equity.

by Kate Kim in Seoul with analytics by Jinting Jin in HK

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

APAC: Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790

Please find out more about [Affirma Capital's South Korean portfolios](#).

If you would like to view the previous Asian edition of Private Equity Spotlight, please click [here](#).

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

APAC: Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790