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Ikhlas sitting on dry powder of more than US\$175 mil

BY JOYCE GOH

Just over a year from its first close and in the thick of a pandemic, did regional private equity (PE) firm Ikhlas Capital Singapore Pte Ltd start at the best or worst of times? Datuk Seri Nazir Razak, its chairman and founding partner, believes it has been "lucky".

"Although we managed to raise about US\$200 million [in our first close] by April last year, we took the view that valuations were a bit frothy. We proceeded with only one small investment before Covid-19 came along, so the fund is practically all dry powder," he tells *The Edge*. First close is finalised when a PE firm decides that it has reached a comfortable fund size to start operating and making investments.

Nazir discloses that Ikhlas today sits on ammunition of more than US\$175 million (RM760.6 million), before leverage.

While Ikhlas' investment horizon is long term — it typically stays invested in a company for about five years — Nazir says the current crisis will change relative valuations tremendously and bring about a new normal with very different sectoral outlooks.

"The fundraising environment has turned sharply, so we are very fortunate to have raised US\$200 million, which already makes us one of the largest first-time funds around. In the early phase of a crisis, the gap between buyers and sellers tends to be wide, but it will narrow and soon there will be a lot of deals to be done," he notes.

Last week, Ikhlas confirmed its second deal, which is also its largest so far.

The regional PE firm is investing US\$18 million in a 30% stake in Glacier Megafridge Inc (GMI), a leading integrated cold chain service provider in the Philippines.

"We like this business, as it rides

Nazir discloses that Asean-focused Ikhlas is 'more open to situational opportunities' in other sectors to widen the net and catch well-managed companies with good prospects that can do better with its capital, advice and network



on the fast-growing movement and storage of frozen goods across the country. Barriers to entry are quite high in terms of cost and complexity, and they are already among the top three in terms of market share [in the country]," explains Nazir.

"Our core sectors are consumer, logistics, finance and technology. We still think those sectors will do well in the new normal."

Last August, Ikhlas acquired a 10% stake in Pelikan International Corp Bhd for RM21.39 million (US\$5 million), or 39 sen a share.

Now, Nazir discloses that Asean-focused Ikhlas is "more open to situational opportunities" in other sectors to widen the net and catch well-managed companies with good prospects that can do better with its capital, advice and network.

"At Ikhlas, we offer companies growth capital. We don't look for control; we partner with the promoters and value add in terms of

corporate strategy and finance as well as our network across Asean. Many of the top conglomerates in the region are our investors, and they can be partners or clients of companies that we invest in," he points out.

The other founding partners of Ikhlas are well-connected personalities Kenny Kim (CIMB Group Holdings Bhd former chief financial officer), Gita Irawan Wirjawan (Indonesia's former trade minister) and Cesar Parisima (the Philippines' former secretary of finance).

Kim is also Ikhlas CEO and Gita is alternate chairman.

News about the inception of Ikhlas first surfaced in the market at end-2017. At that time, word on the street was that the new regional fund was looking to raise a whopping US\$1 billion but, eventually, when Ikhlas started its fundraising exercise in 2018, it was revealed that it aimed to raise up to US\$500

million in funds. It is understood that 35% of Ikhlas' investors are Malaysians and the rest are from other Asean countries.

More than a year after its first close, Nazir says: "We have to be realistic about the impact of Covid-19. It is ironic that, while prospects for us to outperform in investments have improved, we have to be less optimistic about how much funds we can raise.

"We are not formally revising targets because \$500 million is just a hard cap (we won't accept more than that) and will just do our best."

Asked whether he sees any bright spots in all the doom and gloom today, Nazir says he still "finds it hard to come to terms with the scale of the devastation, the cost in terms of lives and livelihoods".

"It is disruptive to practically every business, and mostly for the worse. But, as with every crisis, companies in the right sectors that

strategise correctly can come out of this in a relatively better position," he notes.

Sharing about the one-year journey thus far, Nazir says the new challenge has been very interesting and everything was built from scratch.

"It was started with the partners' own hard-earned savings, so we have been very conscious of every sen. We are a new fund, so we had to rely on our personal reputation to back both raising and investing money," he states.

How different or similar is PE to the "high octane" banking life he had left behind?

Nazir says it has been very different from running a multinational conglomerate such as CIMB Group Holdings Bhd, yet it has also been similar to when he started out with CIMB, the merchant bank.

A banker for almost three decades, Nazir was chairman of the country's second-largest banking group from 2014 to 2018 when he retired from banking. Prior to that, he was its CEO for 15 years.

CIMB in the late 1980s was a "new challenger" in the capital markets, Nazir recalls. "I worked in a small corporate finance team, where we had each other's backs and were determined to win every day. Against all odds, in 1992, we won the mandate for the mega Tenaga Nasional IPO. CIMB milked everything it could from that deal to grow from strength to strength."

Like CIMB in its early days, Ikhlas is today the "new kid on the block" in the PE arena, as Nazir puts it. "I am excited about how far we can take Ikhlas. Hopefully, we will grow up to become another institution that enriches the landscape of the financial industry in Asean."

Can Ikhlas get there? Only time will tell. Given the current uncertain environment, what is certain is that this new kid on the block will have to cautiously take its step by step. ■

VALUATOR

Company(Brand)	Mention	Tone	ROI
Bername - MREM (Bernama - MREM 6)	1	0	RM 0
CIMB - ASEAN (CIMB - ASEAN)	3	0	RM 0
CIMB Group (CIMB Asset Management/Private Equity)	1	0	RM 0
CIMB Group (CIMB Consumer Banking)	3	0	RM 0
CIMB Group (CIMB Group)	6	0	RM 0
CIMB Group (CIMB Wholesale Banking)	1	0	RM 0
CIMB Investment Bank Berhad (CIMB - Banking & Finance Industry)	2	0	RM 0
Ministry of Communications and Information (MCI) (Singapore Top	1	0	RM 0
MyCC-business (MyCC-business)	2	0	RM 0
Pelikan International Corp Bhd (Pelikan Holdings)	1	0	RM 0
Randstad - Banking & Financial Services (Banking & Financial	5	0	RM 0
Randstad - Banking & Financial Services (Banking & Financial	5	0	RM 0
Securities Commission Malaysia (Malaysia Capital Market)	3	0	RM 0
Star Reacher - Coronavirus (Star Reacher - Coronavirus)	2	0	RM 0
Tenaga Nasional Berhad (TNB) (Tenaga Nasional)	1	0	RM 0
The Edge Communications Sdn Bhd (The Edge)	1	0	RM 0