

*CONFIDENTIAL*



**EE532**

**Private Equity  
Case Study**

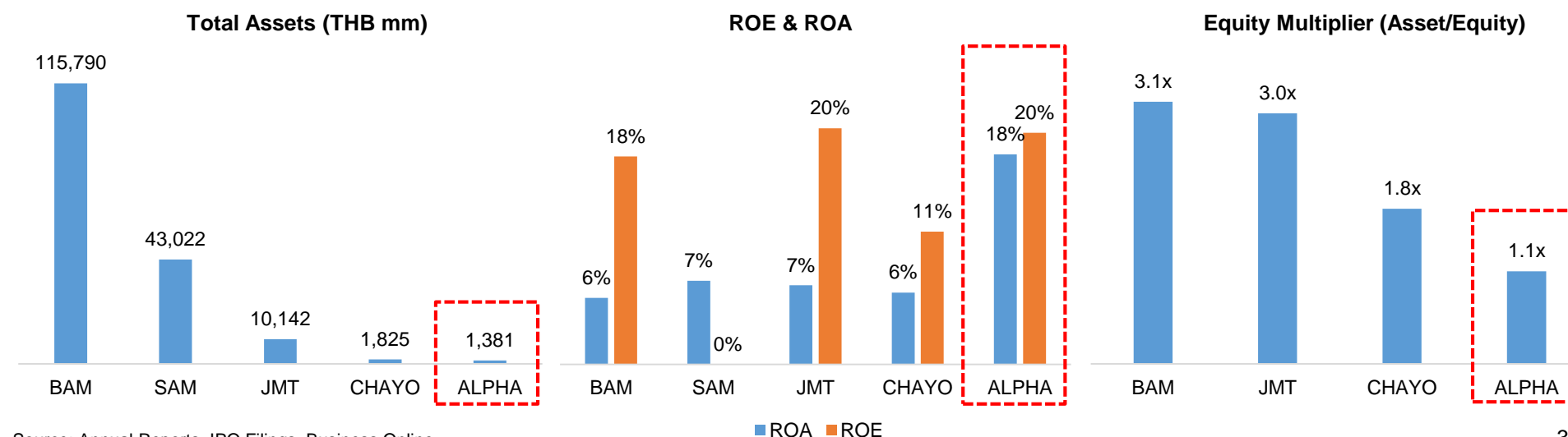
# Case Study: Growth Play

- Established in 1998 through a JV between GE Capital and Goldman Sachs, Alpha Capital AMC (“**Alpha**”) is an asset management company, with a focus on buying NPLs/NPAs from commercial banks and then working out solutions with borrowers
  - From 1999 – 2008, it has managed c. 14,000 loans with principal of USD 7bn
- Due to the Global Financial Crisis in 2008, the business has started to wind down as GE Capital and Goldman Sachs were saving their main businesses overseas
  - No new growth, but focusing on collecting cash flows from existing portfolios
- SSG Capital Management (“**SSG**”) acquired 100% ownership of Alpha in 2016 for USD 45mm (all debt)
  - SSG has further institutionalized Alpha, injecting capital for Alpha to resume bidding for NPLs/NPAs
  - SSG has re-invented underwriting standards by utilizing huge amount of data across the country and across asset type that Alpha has kept since 1998
  - SSG has closely managed collections and changed the firm’s culture to be more active, resulting in shorter resolution timeline from 60 months to 49 months
  - SSG has proactively reached out to the banks and other asset management companies for other growth potentials e.g. single asset acquisition, restructuring
- Alpha has collected about THB 1bn (USD 30mm) each year since 2016, paying down all debt and its book value has grown by 2x in 3 years
- Current, Alpha manages 8 portfolios, with principal of THB 18bn, and expects to collect THB 8bn through 2023
- SSG has recently sold 49% ownership to local strategic partner for c. USD 50mm, valuing the business at c. USD 103 (vs purchase price of USD 45mm)

# Comparable Companies – AMCs in Thailand

- There are 3 listed AMCs in Thailand – BAM, the largest AMC is trading at 2.2x P/BV. While smaller AMCs with higher growth such as JMT and CHAYO are trading at 5.2x and 3.9x respectively.
- Alpha achieved the highest ROA (3 times that of comps), as well as ROE even without leverage (1.1x equity multiplier vs. 1.8x – 3.1x comps)

<i>THB mm, otherwise stated</i>	Total Assets	Equity	Equity Multiplier (Asset/Equity)	Total Revenue	Net Income	ROA	ROE	P/E <sup>/1</sup>	P/BV <sup>/1</sup>	Data as of
BAM	115,790	37,066	3.1x	12,257	6,549	6%	18%	12.6x	2.2x	FY 2019
SAM	43,022	(199,209)	n.a.	5,307	3,057	7%	n.a.	n.a.	n.a.	FY 2018
JMT	10,142	3,396	3.0x	2,551	681	7%	20%	26.1x	5.2x	FY 2019
CHAYO	1,825	987	1.8x	318	111	6%	11%	34.5x	3.9x	FY 2019
ALPHA	1,381	1,252	1.1x	503	246	18%	20%	n.a.	n.a.	FY 2019

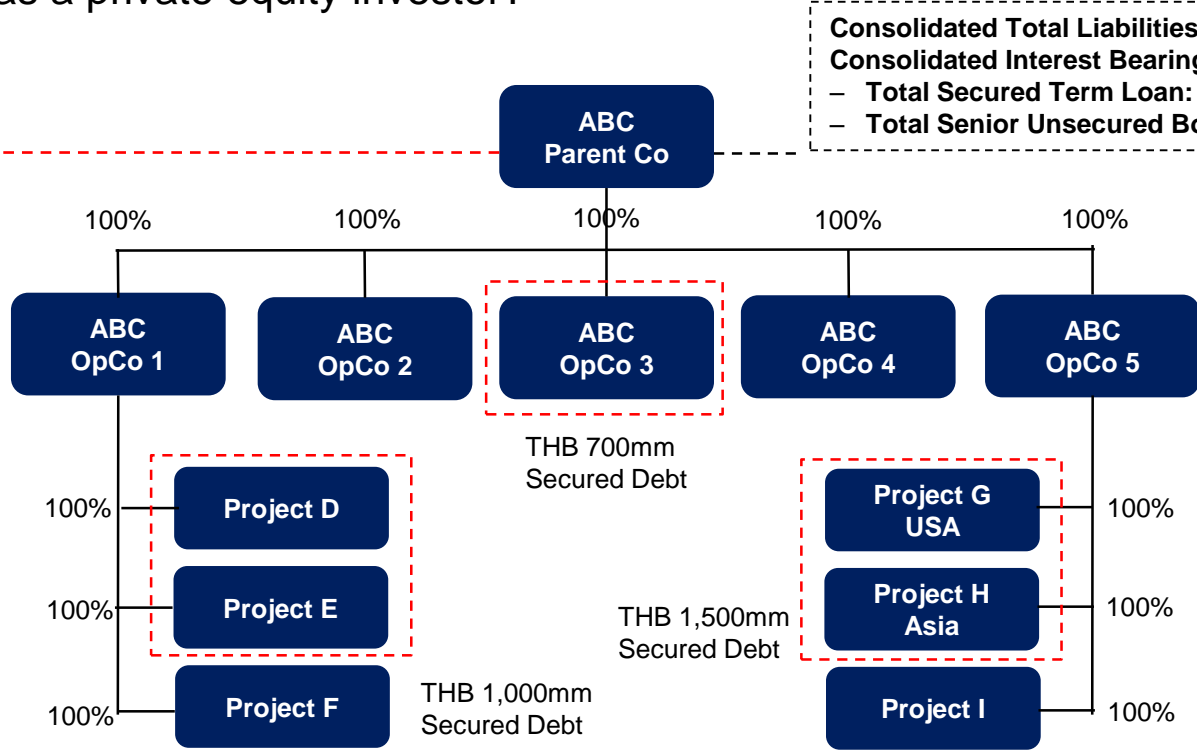


Source: Annual Reports, IPO Filings, Business Online  
 Note: /1 Based on market cap as of 13 Jan 2020

# Case: Restructuring Play

- ABC is a listed real estate developer, with peak market cap of USD 1bn. Recently, ABC has faced severe financial difficulties as they defaulted on one of their debts, triggering cross default against the entire capital structure. Its market cap has dropped by 90% since then
- ABC has two pending real estate projects to be completed, but now all lenders have pull the plug. ABC is fighting for its survival.
- What can we do as a private equity investor?

<b>Project 1:</b>	
Value:	THB 8,000mm
Collected:	THB 2,100mm
Net Value:	THB 5,200mm
Pre-sold:	95%
Construction:	90%
<b>CAPEX Need:</b>	<b>THB 1,800mm</b>
<b>Overdue:</b>	<b>THB 350mm</b>
<b>Buyout Units:</b>	<b>THB 120mm</b>
<b>Working Cap:</b>	<b>THB 330mm</b>
1 <sup>st</sup> Lien Debt:	THB 2,100mm
1 <sup>st</sup> Lien Acc. R:	THB 140mm
LTV:	93%
<b>Project 2:</b>	
Value:	THB 4,000mm.
Net Value:	THB 1,800mm
Pre-sold:	6%
Construction:	90%
<b>CAPEX Need:</b>	<b>THB 500mm</b>
<b>Overdue:</b>	<b>THB 800mm</b>
<b>Buyout Units:</b>	<b>THB 60mm</b>
1 <sup>st</sup> Lien Debt:	THB 3,030mm
1 <sup>st</sup> Lien Acc. R:	THB 200mm
Equity:	THB 2,600mm
LTV:	>100%



<b>Consolidated Total Liabilities:</b>	THB 17,922mm (\$575mm)
<b>Consolidated Interest Bearing Debt:</b>	THB 11,869mm (\$381mm)
– Total Secured Term Loan:	THB 10,386mm (\$333mm)
– Total Senior Unsecured Bonds:	THB 1,483mm (\$48mm)

# Case: Restructuring Play (Cont'd)

- SSG's play in this case is to provide private debt to help with the constructions, but
  - Align interests with existing lenders, without us in the game they only end up with bad loans
  - Request to be 1<sup>st</sup> lien in the structure to get paid back first
  - Negotiate discount payment, delayed payment, and deferred payment with contractors
  - Request a completion guarantee from contractors in terms of costs and timeline
  - Align interests with pre-sold buyers, ensuring the delivery timeline of the units
  - Align interests with ABC since they no longer have skin in the game
  - Find backup plan to protect the downside e.g. in Event of Default
- Make sure risk & reward makes sense for the restructuring play
- Focus on the downside e.g. have your downside plans agreed with all parties from the start
- Someone has to take a haircut, but you should still find the most possible win-win solution

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