INTERVIEW-Olympus Capital builds bridges to snag Japan deals

By Chawadee Nualkhair
679 words
9 June 2005
12:27
Reuters News
English

TOKYO, June 9 (Reuters) - Private equity firm **Olympus Capital** may be considered a foreign fund in Japan, but it seeks to build successful buyout deals by forging consensus Japanese-style instead of focusing solely on majority control.

Fresh from announcing its fifth acquisition in Japan, **Olympus Capital** is looking to do what it has done here for the past three years: select deals in firms boasting competitive strategies and huge growth potential.

"Some of the funds come in with perhaps a very narrow definition of what a buyout deal should be -- namely, a control deal," said David Shen, Tokyo-based managing director of Olympus Capital Holdings Asia, which oversees more than $800 million.

"In Asia, to be successful, we have to adapt to the local business practices and sensitivities. It's not like we bring a recipe and say 'here'. We try to be creative, we try to be flexible, we try to listen," he told Reuters in an interview.

With buyout funds numbering at least 69 against a single 3 billion yen ($28 million) fund in 1997, competition for deals in Japan has mushroomed, sparked by success for players such as Ripplewood Holdings and the Carlyle Group.

"Private equity activity will continue to increase in Japan, both in terms of number of deals as well as deal size," said the Taiwan-born, U.S.-educated Shen, noting that Olympus planned to add two to three more people to its Tokyo office to demonstrate the firm's favourable view of the market.

"By the same token, as Japan's private equity market matures, there will also be an increase in the number of funds."

To set itself apart, Olympus, founded in 1997, emphasises a "partnership orientation" with the target company, and does not shy away from taking minority stakes in firms aligned with strong strategic partners.

"The underlying principle is that in forging that partnership we have to reach an understanding and mutual commitment to reach a vision. Actual ownership is almost secondary in a way."

It also focuses on developing its own deals instead of solely participating in auctions: "In an auction, you pay more or lose. There's very little differentiation. In a proprietary deal, we differentiate ourselves with the partnership concept."

The former Goldman Sachs banker, who studied to become a doctor at Cornell University, may have opted for high finance instead but is still getting the chance to do some major surgery on firms with strong niche markets and growth potential.

He said favoured sectors were industries where Japanese companies had historically enjoyed world leadership but were increasingly facing global pressure, such as precision components, materials, auto parts and branded consumer goods.

Its five investments in Japan to date include agrochemicals concern Arysta LifeScience Corp., in which it invested $150 million for a stake of slightly more than 40 percent.

Its latest investment is a capital injection of up to 5.1 billion yen in Japanese restaurant chain Atom Corp. . It has also brought in a strategic partner, pub and restaurant operator Colowide Co. , to help run that business.

"We think Atom fits a number of our criteria because we believe there is a lot of platform potential," said Shen, who enjoys all Japanese food except kaiseki, formal multi-course dinners, because it "takes a little too long".

But Olympus is a picky eater, choosing only those deals that fit in with its partnership philosophy and expected potential. Of 2,500 potential deals it has looked at, it has closed 20 -- 18 of them proprietary.

To Shen, that's not a bad thing.

"We want to be prudent with our capital and create value for our shareholders as well as for our portfolio companies," he said, adding that shareholders included Sumitomo Trust & Banking Co. Ltd. .

"There is no pressure for us to do a deal. There is pressure for us to do good deals." ($1=107.20 yen)

FINANCIAL-JAPAN-OLYMPUS (INTERVIEW)|LANGEN|J|ABN|E|RBN|D|U

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