

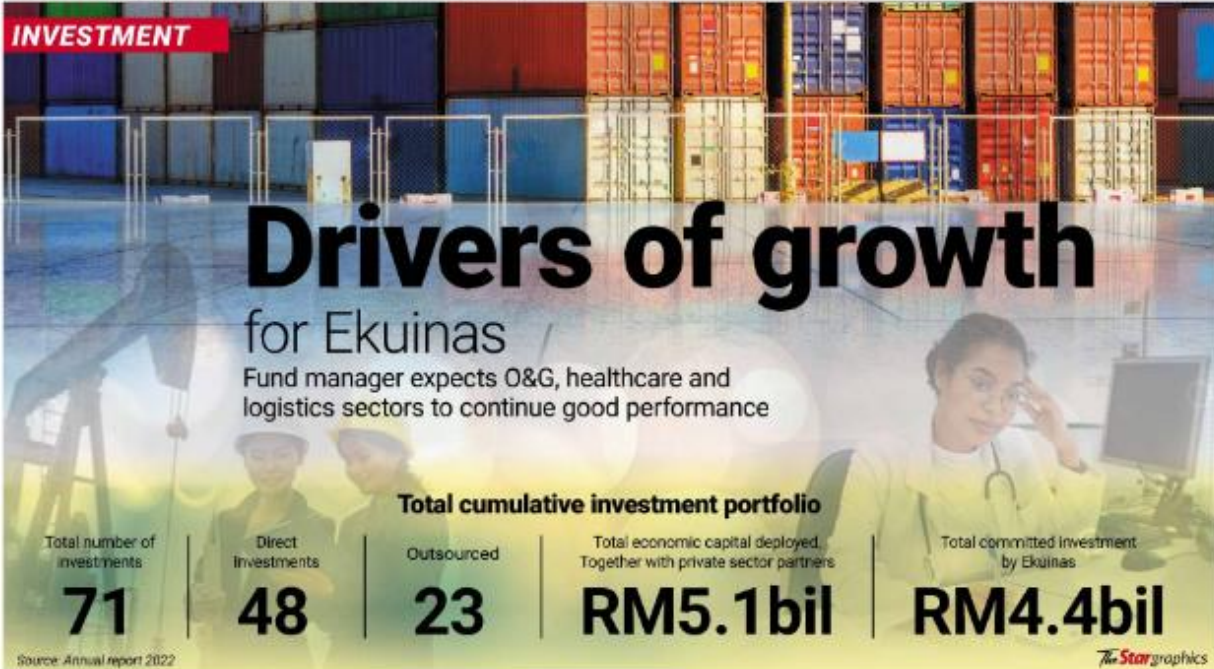
Media Monitoring

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INVESTMENT



Drivers of growth for Ekuinas

Fund manager expects O&G, healthcare and logistics sectors to continue good performance

Total cumulative investment portfolio				
Total number of investments	Direct Investments	Outsourced	Total economic capital deployed, Together with private sector partners	Total committed investment by Ekuinas
71	48	23	RM5.1 bil	RM4.4bil

Source: Annual report 2022 The Star graphics

By **DANIEL KHOO**
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KUALA LUMPUR: Ekuiti Nasional Bhd (Ekuinas) expects some key economic sectors in Malaysia to drive returns this year.

For its financial year ended 2022 (FY22), the government-linked private equity (PE) fund manager said its portfolio companies recorded a consolidated revenue growth of 30.2% and earnings before interest, tax, depreciation and amortisation growth of 31.3% compared with 12.3% and 27.2% respectively in the FY21.

"I think sectors such as oil and gas (O&G) and logistics will continue to perform well this year.

"Also, the healthcare sector, which consists of the medical and pharmaceutical, will continue its good performance," chief executive officer Syed Yasir Arafat Syed Abd Kadir told a press conference on

"The deal pipeline remains healthy, we were quite careful in terms of the selection of our agreements."

Syed Yasir Arafat Syed Abd Kadir

Ekuinas FY22 results here yesterday.

The fund, which undertakes investments with the aim of ensuring sustainable bumiputra wealth creation and economic participation, has direct investments in the O&G, education, retail and food and beverage, healthcare and pharmaceuticals, manufacturing and technology.

It also invests in other businesses through outsourced fund managers (OFMs).

The fund has recently acquired a controlling stake in Xepergi Sdn Bhd, as a bolt-on investment for portfolio company Dava.

"Ekuinas had also incorporated Dana Asas, a RM100mil fund with deal ticket size of RM10mil to RM30mil, aimed at high potential mid-market bumiputra companies.

"The fund saw the completion of its maiden investment in the first quarter of

2023 with Eagle Cliffe (M) Sdn Bhd, which owns the network of Kaiser Farmasi outlets," it said.

"Kaiser marked our first investment under Dana Asas, aimed to catalyse bumiputra mid-market companies," Syed Yasir Arafat said in a statement.

Commenting on Ekuinas' FY22 performance, he said the O&G, logistics, retail and healthcare sectors helped the fund manager to boost its overall growth.

"The deal pipeline remains healthy, we were quite careful in terms of the selection of our agreements. Some of the standout performers in FY21 didn't fare as well as in FY22.

"The hot sector in FY21 was the technology industry. People were anticipating purely e-commerce or online platforms as the way to go with the boom of Zoom," he said.

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Ekuinas wants quality and right valuation for deals

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However, towards end-2022, he noted that the situation began to normalise as the pandemic subsided and people went out to dine and shop again.

Meanwhile, chairman Raja Tan Sri Arshad Raja Tun Uda said Ekuinas would continue to maintain investment discipline when it comes to sourcing for deals.

"I think this is very important – while there are many good deals for us to consider, we must ensure we acquire them at the right valuation. We have to ensure there is quality at the right valuation and that we can help to add value then exit in the future which is the goal of a PE fund. We must maintain this investment discipline in FY22 and continue to do so for FY23," Raja Arshad said.

He said the second half of FY22 saw significant macroeconomic headwinds and subdued sentiment which is a trend it expects to sustain well into this year.

"While global geopolitical conflict remains unresolved, businesses continue to forge

ahead, focusing on operational excellence, resilience, and agility, mindful that disruptions are to be expected and energy shifts, climate change, decarbonising of our economies and food security continue to gain momentum," Raja Arshad added.

"Both Ekuinas' direct and outsourced funds have increased bumiputra equity ownership to the tune of RM6.5bil, the equivalent of 1.6 times the capital invested.

"There was also an increase of 21.9% in bumiputra management across its portfolio companies since Ekuinas' entry, while total shareholders' value increased to RM8.2bil or 2.1 times the capital invested," he pointed out.

On its OFM performance, Ekuinas noted that investments from this segment had yielded lower returns to the fund.

Ekuinas outsourced (tranche one) fund saw slight improvements with an internal rate of return (IRR) of 4.1% in 2022 compared with 3.3% in 2021.

On the other hand, the Ekuinas outsourced (tranche two) fund performance remained subdued with a negative IRR of 2.7%, down

from negative IRR of 0.8% in 2021.

According to its 2022 annual report, Ekuinas' OFMs are Navis Capital Partners with a fund size of RM301.9mil, TAEL Partners with a fund size of RM101mil, RM Capital Partners with a fund size of RM109.1mil and Cope Private Equity with a fund size of RM80mil.

Syed Yasir Arafat also said there were various reasons for the underperformance of the outsource funds.

"It is tough to say, perhaps it was partly due to the selection process of the (portfolio companies) at the beginning when they invested into those companies. I think the earlier investment thesis into these companies didn't quite materialise. It could also be the relationship between the outsourced fund and the portfolio company," he said.

"There could be many different factors, but one of the key things for a fund to be successful is to have a minimum fund size – perhaps if it is too small it may be tough to hire good talent. You need to rely on management fee to hire talent, so it is hard to hire talent when you have a fairly small fund," he added.