

## Unitas completes landmark Hyva deal

### ASIAN PRIVATE EQUITY FIRM UNITAS

Capital, has completed the acquisition of Hyva Holdings B.V. from Europe's 3i, for an enterprise value of EUR525 million (\$761.5 million). The acquisition was partly financed through a high yield bond, marking the first time such a financial instrument has been used to leverage a private equity deal in Asia.

Based in the Netherlands, Hyva is a global leader in the production of hydraulic cylinders and hydraulic-tipping solutions used for heavy-duty transportation equipment, generally related to infrastructure, mining and environmental services. It has 36 subsidiaries across 32 countries worldwide.

Since 3i acquired the company in 2004, Hyva has launched its operations in China and other global emerging markets including India and Brazil -- it now has leading market positions, with market shares of over 40% for hydraulic cylinders, in each of these markets. With these successful launches, Hyva has cultivated a reputation for its ability to do business in emerging markets, where it has needed to create sales, service and manufacturing operations to cope with these markets' rapid economic growth.

The deal has proven profitable for 3i, with the UK-based firm reportedly investing EUR125 million (then \$160 million) to acquire the company in an MBO in 2004. Credit Suisse managed the exit process for 3i.

### A year in the making

The Hyva's acquisition has been in the works for approximately a year, with the finalized deal announced in December. "At the beginning of the deal negotiations, we knew that Hyva was a good, entrepreneurial business with an exceptional management team, and growth of around 20% per year," John Lewis, Partner and CIO of Unitas Capital, told *AVCJ*. Beside Unitas, other contenders to acquire the asset were believed to include London-headquartered private equity fund Permira and Chinese strategic Chongqing Machinery & Electric Company. But it was Unitas that bested the group.

"We were keen on winning the auction and secured the interim bank financing in order to provide certain funds to the seller," added Lewis, who said that Unitas swiftly secured the bank financing, in the knowledge that it would subsequently come back to test the high-yield bond market. When bidders were asked to present their bank-financing commitment, "we put in the final bid and signed a deal that gave

certainty to Hyva's seller in December," Lewis said.

The current CEO of Hyva, Louwrens Dijkstra, will relinquish his position following the completion of the transaction, however, the majority of Hyva's management team will remain unchanged.

Lewis noted that Unitas would particularly focus on acquisition and expansion initiatives, which includes bolstering Hyva's manufacturing footprint, implementing lean processes, ramping up its supply chain and developing new products. He added that Unitas' broad skill set will be "complemented by NWS' deep understanding of the China mining and infrastructure sectors."

### Hi-yield financing

The transaction remains unique because of Unitas' financing of the deal. When private equity funds use leverage for acquisitions in Asia, they typically take bank loans. Instead, Unitas has adopted a pioneering position to finance its buyout, using a \$375 million high-yield bond

"Using a high-yield bond for the acquisition instead of bank loans is better for Hyva because we do not want the company to be too constricted for cash spending and acquisitions, which it needs for growth," Lewis said.

Generally speaking, bank leverage for Asian buyouts is saddled with heavy amortizations over a five-year financial period, and with restrictive covenants, whereas high-yield bonds have a level of flexibility in their capital structure.

"Using high-yields for buyouts may be pioneering in Asia, but high yield is an extremely well-established way of financing buyouts in other parts of the world including the US and Europe," Lewis said, adding that high-yield bonds hold the possibility of increasing their financing potential for Asian private equity buyouts.

### Emerging market specialist

Although Hyva is a Western European company, it made sense for an Asian focused firm like Unitas as a large portion of Hyva's revenue is derived from its recent expansion of its business



Unitas leveraged finance for Hyva's takeover through the use of high yield bonds, a first in Asia

issued by Hyva Global B.V. for the transaction.

Hyva Global is an entity controlled by Unitas and NWS Holdings Limited, the listed infrastructure and service arm of Hong Kong-based New World Development Company Limited. The high yield bond replaced a \$350 million, five-year term loan acquisition facility that was fully underwritten by Bank of America Merrill Lynch, Goldman Sachs, Nomura Holdings and Standard Chartered Bank, according to a company statement.

in Asia, particularly China and India, for the past few years. Hyva also has a strong presence in Brazil, which together with China and India accounts for 70% of its 2010 annual revenue, which totaled EUR486 million (\$702.7 million).

Going forward, Lewis noted that Unitas believes that more opportunities will emerge in these core countries, and other emerging countries in Africa and Asia - Indonesia in particular, where Unitas has plenty of experience -- may be Hyva's next frontiers. ▀