

WINNER – LARGE CAP

Kohlberg Kravis Roberts: Oriental Brewery

Korea is not a market renowned for giving foreign private equity firms access to well-loved domestic businesses and letting them reap the rewards of their investment.

Luckily for Kohlberg Kravis Roberts, this deal involving Korea's Oriental Brewery, once part of the conglomerate Doosan Group and maker of the popular Cass Beer, turned out to be an exception.

KKR, one of the world's largest private equity firms, acquired OB in May 2009 from Anheuser-Busch InBev in a \$1.8 billion deal.

Subsequently, KKR sold 50 percent of its investment to pan-Asian private equity firm Affinity Equity Partners, whose investment team collaborated with the US-based group on its highly successful entry into and exit from the business.

KKR and Affinity then sold the business back to AB InBev in January this year, with the business' former owners paying \$5.8 billion to the private equity pair. KKR has not disclosed its financial return on the deal, but sources suggest the firm reaped a 5.3x exit multiple and a gross IRR of about 42 percent.

While the KKR and Affinity investment team worked closely with the portfolio company, the operational value was largely driven by KKR's operating unit KKR Capstone.

Indeed, the return was well-deserved since during its ownership, KKR Capstone spent between 10 and 15 days per month with the business. Between 2009 and 2013, revenue

grew by 80 percent, with EBITDA increasing 108 percent during the same period and market share rising by 20 percent.

Thanks in part to the successful re-launch of beverage lines including OB Golden Lager and Cass Light – which have experienced 93 percent and 132 percent volume growth respectively since their re-launch in 2010 and 2009 – KKR Capstone helped OB regain its leadership position in the Korean market by 2012.

“[KKR helped] get it back to a number one position in the market, [which OB] hadn't held in 15 years ... [Given] the 20 percent increase in market share in a fairly competitive [market], and the scale of the effort here, [because] OB is a very large company ... To move the needle that much on this business meant it was the deserving candidate,” said judge Suvir Varma, Asia head of private equity at Bain & Company.

As well as successfully re-launching old brands, KKR Capstone, along with KKR and Affinity, pulled a

132%
OB Golden Lager volume growth

80%
Sales growth, 2009-13

108%
EBITDA growth, 2009-13

5.3x
Return multiple on exit

number of other operational levers to achieve growth.

Geographically, KKR supported OB's expansion into Korea's southern region, by targeting new wholesalers and new cities to gain market share in an area previously dominated by its competitor.

Moreover, the firm supported the appointments of key management, including IS Chang – who's now the chief executive of OB – as head of sales, and Alex Song as chief marketing officer. The institution of a high-quality sales management team contributed to an 80 percent rise in sales between 2009 and 2013.

KKR also bolstered capital investment in OB's three production facilities from \$30.7 million in 2009 to \$92.2 million in 2013, in order to modernise equipment, expand operations and introduce greener production methods.

Judge Robert Partridge, managing partner at EY, explained: “They demonstrated that [they could change the organisation] – with the new management they brought in, in what I would describe as a market where bringing in management itself is a major challenge, but also in making sure its workforce was trained and could cope with the added capacity and increased brand investment and expansion.” ■

OB: success was brewing for KKR



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