

## Services sector shows resilience amidst slowdown

It is widely expected that the financial crisis emanating from the U.S. will cause a global slowdown. Banks undergoing painful deleveraging will cause contraction in economic activity and investment, resulting in higher unemployment and reduction in U.S. consumer demand over the next 12-24 months. Latest GDP figures for Asian export driven economies are already showing slowdown. Comparatively speaking, the services sector is showing stronger resilience in withstanding the economic headwind. Services companies, which are generally targeted towards domestic demand rather than exports, are still enjoying revenue growth and profits as they are not affected by slowdown in sales or the sharp increase in raw material and energy cost. As a result, parts of the services sector continue to possess well funded balance sheets and expect above average growth rates.

Bigger players in these markets also enjoy the benefits of economies of scale and are starting to see industry consolidation opportunities. In September, Ayala Corp and Providence Equity Partners agreed to acquire eTelecare, a leading contact centres company from the Philippines for US\$290 million while Telekom Malaysia made an offer to privatise its IT outsourcing subsidiary at a valuation of US\$294 million. Both deals are valued at revenue multiple of 1-2X and PER of 19-26X, largely in line with pre credit crisis metrics.

In developing Asia, services sector as a percentage of GDP (see table) is still small compared to that of developed economies in the West and Japan. Going forward, services sector growth should continue to be higher than GDP growth of Asian countries.

	Selected Asian Countries				Services as % of GDP
	2007		Jan-June 2008		
	GDP	Services Sector Growth	GDP	Services Sector Growth	
Hong Kong	6.4	7.2	5.8	6.5 e	91
Taiwan	5.7	5.2	3.2	4.9	73
Singapore	7.5	14.4	4.5	16.5	66
Philippines	7.2	8.1	4.9	5.6	54
Thailand	4.8	4.3	5.7	na	45
Malaysia	6.3	9.7	6.7	7.8	44
Indonesia	6.3	6.6	6.4	6.0	41
China	11.9	12.6	10.4	10.5	40
Vietnam	8.5	8.7	6.5	7.6	38

Source: Various publications      e - estimate      na - not available

## Vietnam : Grasping The Opportune Moment

Until early this year, Vietnam was the hotspot for international investors being the rising star of South East Asia with unabated GDP growths of about 8% per annum over the last three years. Today Vietnam's economy is dangerously overheated, and there are fears that the region's biggest market reform success story is heading towards a financial meltdown.

Inflation jumped to 27.9% in September, and stock market is down more than 60% over the last year. A looming property bubble threatens to burst with disastrous consequences for local banks. Meanwhile, trade deficit is widening, fueling worries that it the country could run out of reserves to defend its own currency. The trade deficit weaken investors' confidence putting downward pressure on the Dong. To curb inflation, the State Bank has put a brake on money supply growth, and expanded bond issues to absorb local currency. It has also applied stricter rules for lending, increased compulsory bank reserves, and hiked interest rates to 18%.

Where does this leave investors? The crisis has inadvertently created opportunities for private equity investors that did not exist before. Leading up to the boom, many Vietnamese business owners invested or borrowed speculatively to invest in the property market or stock market. The property and stock investments have since plummeted. With tightening liquidity and credit crunch, entrepreneurs whose cash are trapped in properties or stocks are forced to turn to other sources of funding as bank loans are not available or becoming too expensive to make business sense. The devaluation of the dong also caught many businesses off guard as foreign imports are significantly more expensive almost overnight. Businesses are forced to seek other forms of working capital amidst a tight credit environment.

Despite this time of uncertainty, Vietnam continues to attract foreign direct investment. In the first eight months of 2008, there has already been \$47 billion in foreign investment, up 373% from the same point a year earlier. Vietnam is an emerging economy competing in the global market. With its ascension to the World Trade Organisation, competitive manufacturing base and growing domestic market, it will continue to be attractive to foreign investors with a longer term view.

## Naspers backs BuzzCity with US\$10 million investment



BuzzCity, a developer of global wireless communities and consumer services, has secured US\$10 million growth capital financing by new investor Naspers, a South Africa based integrated multinational media company.

BuzzCity will use the financing to extend market share for its core property, myGamma.com and its network of sites. The company's growth strategy will continue to focus on growing the membership base of myGamma, developing more user generated content through member services and applications; invest in applications aimed at maximising partnership opportunities and growing myGamma's portfolio of advertising clients.

Naspers is a multinational media company with principal operations in electronic media and print media with significant operations in South Africa, Sub-Saharan Africa, Greece, Cyprus, the Netherlands, the United States, Thailand, India and China. The company is listed on NASDAQ with a market capitalisation in excess of US\$6 billion.

BuzzCity and Naspers aim to combine their competencies in mobile and online offerings to provide the leading communication and community centric mobile and internet services that enable user's participation anywhere, anytime and with any device.

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## OWW invests in medical aesthetic services provider Beijing Evercare



OWW led an investment into Beijing EverCare 伊美尔 ("EverCare") ([www.evercare.com.cn](http://www.evercare.com.cn)). Established in 2001, EverCare is one of the largest privately-owned medical aesthetic groups in China. It runs a chain of 6 private medical aesthetic centres in Beijing, Tianjin and Qingdao, with a new centre to be operational

by end 2008 in Haerbin.

EverCare offers both surgical and non-surgical based medical aesthetic treatment services including aesthetic surgery, laser treatment, injection, anti-ageing treatment, hair re-grow and transplant as well as weight management. Revenue had almost doubled between 2005 and 2007, with the company recording growth rates higher than the industry average. EverCare intends to add to its stable of medical centres through the opening of new centres as well as acquisitions.

With rising income and living standards, consumers are beginning to embrace lifestyle services. It is estimated that the beauty industry has grown in excess of 15% in recent years and has reached a size of RMB240 billion in 2006. EverCare is well-placed to benefit from the booming demand for medical aesthetic services.

## About OWW

OWW Capital Partners Pte Ltd ("OWW") ([www.oww.com.sg](http://www.oww.com.sg)), formerly known as OCBC, Wearnes & Walden Management (Singapore) Pte Ltd, was established by OCBC Bank, WBL Corporation and Walden International in 1991. In October 2006, the management team of OWW acquired WBL Corporation's interests and the company assumed its current name.

OWW focuses on expansion stage companies in the enterprise and consumer services sectors within the South East Asia and North Asia regions.

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