

INTERVIEW | 专访

Why PE will rise again | 私募行业在中国为何再度兴起

Peter Fuhrman, chairman of China First Capital, talks to David Tring about his company's disciplined focus, what the IPO freeze means for PE investors and how a ruling from a court in China has removed a layer of safety for PE firms | 中国首创投资有限公司(China First Capital)董事长 Peter Fuhrman 与 David Tring 进行了交流，讨论了中国首创的关注重点、首次公开募股暂停对私募投资者的意义以及某项中国法院的裁决将如何削弱私募的安全屏障

What is China First Capital?

China First Capital is a China-focused international bank. I am its chairman and founder. Establishing in 2008, and now running, China First Capital is the fulfilment of a deeply-held ambition nurtured for over 30 years. I first came to China in 1981, as part of a first intake of American graduate students in China. I left China after school and then built a career in the US and Europe. But, throughout, I never lost sight of the goal to return to China and start a business that would contribute meaningfully and positively to the country's revival and long-term prosperity.

China First Capital maintains a disciplined focus on — and strives for a leadership position in — four distinct business areas:

1. Private placement and equity financing for China's high growth private entrepreneur-led companies;
2. Private equity Secondaries, buy-side & sell-side representation for acquisitions and early liquidity events;
3. Strategic M&A advisory, both cross-border and domestic transactions; and
4. Restructuring and growth capital financing and advisory for China's State Owned Enterprises.

China First Capital is small by investment banking industry standards. Our transaction volume over the preceding twelve months was around \$250 million. But, we aim to punch above our weight. China First Capital's geographical reach and client mandates are across all regions of China, with exceptional proprietary deal flow. We have significant domain expertise in most major industries in China's private and public sector, structuring transactions for a diversified group of companies and financial sponsors to help them grow and globalise. We seek to be a knowledge-driven company, committed to the

long-term economic prosperity of Chinese business and society, backed by proprietary research (in both Chinese and English), that is generally unmatched by other boutique investment banks or advisory firms active in China.

What have been some of the legislative changes to the PE sector this year that are affecting you?

The recent policy and legislative changes are mainly no more than tweaks. There has been some sparring within China over which regulator would oversee private equity. But, overall, the PE industry in China is both lightly and effectively regulated. A key change, however, occurred through the legal system within China, when a court in Western China invalidated the put clause of a PE deal done within China, ruling that the PE firm involved had ignored China's securities laws in crafting this escape mechanism for their investment. While the court ruled on only a single example, the logic applied in this case seems to me, and many others, to be both persuasive and potentially broad-reaching. For PE firms that traditionally added this put clause to all contracts they signed to invest in Chinese companies, and came to rely on it as a way to compel the company to buy them out after a number of years if no IPO took place, there is now real doubt about whether a put clause is worth the paper it's printed on. Simply put, for PE firms, it means their life-raft here in China has perhaps sprung a leak.

What are some of the hottest sectors in China that are attracting PE investors?

With IPOs suspended within China and Chinese private companies decidedly unwelcome in the capital markets that once embraced them by the truckload — the US and Hong Kong — there are no hot sectors for PE investment in China now. The PE industry in

China, once high-flying, is now decidedly grounded and covered in tarpaulin. What is perhaps most unfortunate about this is that what we are seeing mainly is a crisis within China's PE industry, not within the ranks of China's very dynamic private entrepreneurial economy. In other words, while financing has all but dried up, China's private companies continue, in many cases, to excel and outperform those everywhere else in the world. The PE firms made a fundamental miscalculation by pouring money into too many deals where their only method of exit, of getting their money back with a profit, was through an IPO. By our count, there are now over 7,500 PE-invested deals in China all awaiting exit, at a time when few, if any exits are occurring. Since PE firms themselves have a finite life in almost all cases, this means over \$100bn in capital is now stuck inside deals with no high-probability way to exit before the PE funds themselves reach their planned expiry. The PE industry has never seen anything quite like what is happening now in China.

What is a typical day like for you at China First Capital?

We are lucky to work for an outstanding group of companies, mainly all Chinese domestic. Indeed, I am the only non-Chinese thing about the business. I am in China doing absolutely what I love doing. There are no aspects of my working day that I find tedious or unpleasant. Even at my busiest, I am aware I am at most a few hours away from the next in an endless series of totally delicious Chinese meals. That alone has a levitating effect on my spirit. But, the real source of pleasure and purpose is in befriending and working beside entrepreneurs in China who are infinitely more skilled, more driven and wiser to the ways of the world and more successful than I ever could hope to be.

We are quite busy now working for one of China's largest SOEs. It's something of a departure for us, since most of our work is with private sector companies. But, this is a fascinating transaction that provides me with a quite privileged insider's view of the way a large state-owned business operates here in China, the additional layers of decision-making and the unique environment that places far greater onus on increasing revenues than profits.

“ The PE industry has never seen anything quite like what is happening now in China | 私募行业从未出现过中国正经历的情况 ”

▶▶ What do you find are some of the major issues or concerns for foreign PE clients when doing deals in China?

All investors looking to make money in China, whether on the stock market or through private equity and venture capital, must confront the same huge uncertainty – not that China itself will stop its remarkable economic transformation and stop growing at levels that leave the rest of the developed world behind in the dust. This growth I believe will continue for at least the next 20 years. The big unknown has to do with the actual situation inside the Chinese company you are buying into. Can the financial statements and Big Four audits be relied on? Are the actual profits what the company asserts them to be? How great is the risk that investors' money will disappear down some unseen rat hole?

Some frightening stories have come to light in the last two years. How widespread is the problem of accounting fraud in China? Part of the problem really is just the law of big numbers. With a population almost triple that of the US and Western Europe combined, China has a lot of everything, including both remarkable businesses run by individuals who are the entrepreneurial equal of Henry Ford and Steve Jobs, and well as some shady operators.

What is your outlook for China's PE sector in the coming 12 months?

I believe the current crisis will abate, and stock markets will once again allow Chinese private sector companies to do IPOs. The IPOs will be far fewer in number than in 2010, but still the revival of IPO exits will also thaw the current deep-freeze that has shut down most PE activity across China. PE firms will again start to invest, and put a dent in the \$30 billion or more in capital they have raised to invest in China but have left untouched. The PE industry in China, since its founding a little more than a decade ago, grew enormously large but never really matured. There are now too many PE firms. By some count, the number exceeds 1,000, including hundreds of renminbi PE firms started and run by people with no real experience investing in private companies. Their future appears dire. At the same time, the global PE firms that bestride the industry, including Carlyle, Blackstone, TPG, KKR, have yet to fully establish they can operate as efficiently and profitably in China as they do in Europe and the US.

While the China PE industry struggles to recover from many self-inflicted wounds, China's private sector companies will continue to find and exploit huge opportunities for growth and profit in China, as the nation's one billion consumers grow ever richer and ever more demanding.

介绍一下中国首创？

首创投资是一家专注于服务中国的国际投资银行。我是该公司的董事长和创始人。中国首创从 2008 年发展至今，实现了我 30 多年来深植心底的雄心壮志。1981 年，我作为到中国学习的首批美国研究生中的一员首次来到中国。毕业后我离开了中国，然后在美国和欧洲展开了职业生涯。但是，自始至终，我从未忘

记自己的目标：返回中国并创立一番真正有益于中国经济复苏和长期繁荣的事业。

中国首创一直密切关注以下四个不同的业务领域，并在这些领域中争取领先地位：

1. 为中国高速增长企业提供股权融资的私募资金；
2. 私募股权代理人，兼并活动及企业早期融资中买卖双方的代理人；
3. 针对跨国和国内交易提供战略并购咨询；以及
4. 为中国国有企业提供结构重组和增资融资的咨询。

按照投资银行行业标准来说，中国首创属于小型银行。我们过去十二个月的交易额约为 2.5 亿美元。但是，我们会一直努力超越自己。中国首创区域分布和客户服务范围覆盖整个中国，拥有特殊专有项目来源。我们涉猎面广、专业，涵盖中国私营和公有的大多数行业，为各种公司和投资人构建交易以助其发展和实现全球化。我们致力于成为知识驱动型公司，努力推动中国商业和社会的长期经济繁荣，并以市场研究（不论是中文还是英文）为支持，这些是在中国发展的其他小型专业银行或咨询公司无法比拟的。

今年哪些针对私募行业的法规变化对您有所影响？

近期主要对政策和法规进行了微调。对于监管私募股权的监管机构，中国国内一直存在争论。但是，总的来说，中国的私募行业得到了宽松有效的监管。然而，中国西部某法院判定在中国境内完成的一项私募股权交易条款中的就私募资金的退出机制无效，并裁定相关私募股权公司为其投资起草退出机制时忽视了为中国证券法，这意味着中国的法律制度出现了重大变化。尽管裁决仅针对单个案例，但此案例中应用的规则对我和很多人来说都很有说服力并可能影响深远。很多私募公司在中国投资时，通常会在所有合同上添加此类退出机制的条款，并以此为依据在多年未进行首次公开募股的情况下迫使公司购买股份，现在应好好考虑是否值得添加回售条款了。简而言之，对于私募股权公司来说，这意味着他们在中国已不能高枕无忧。

在中国，最吸引私募投资者的领域有哪些？

随着首次公开募股(IPO)在中国暂停，同时中国私有企业在曾经受欢迎的资本市场（例如美国和中国香港）中也逐渐受到冷落，现在中国已不存在私募投资的热门领域了。中国的私募股权投资行业曾经发展飞速，但现在已明显放缓并受到阻碍。最不幸的是，是私募行业里出现了危机，并不是中国极具活力的私有企业经济发生了危机。换句话说，虽然融资市场已经枯竭，但在很多情况下，中国的私有企业仍将继续超越世界各地的同类型公司。私募公司犯了基本的错误，过多地将资金投入那些只能通过上市而退出项目并收回利润的交易。根据我们的计算，目前中国有 7,500 多项私募投资在等待退出，而真正能够按计划退出的公司少之又少。由于在大部分情况下私募公司自身经营时间有限，这意味着 1,000 多亿美元的资金现在都滞留在交易中，在计划期满前退出的可能性极小。私募行业在国外从未出现过中国正经历的情况。

您在中国首创的工作是怎样的？

能为优秀的公司（主要是中国国内公司）工作，我们感到非常荣幸。事实上，我自己是这份工作中唯一的“非中国元素”。我在中国做著我热爱的工作。工作从未让我觉得乏味或不愉快。甚至在我最忙的时候，我会想到几小时后就能享受各种中国美味。光这一点就能让我精神振奋。但是，中国有许多远比我想象得更专业、更积极、更明智和更成功的企业家，与他们进行交流与合作才是我真正的快乐来源和目标所在。

我们现在正忙于为中国最大的国有企业之一提供服务。由于我们大多数工作是面向私营企业的，所以这对我们来说是全新的体验。但是，这次令人激动的交易让我有机会从内部了解中国大型国有企业的运作方式、决策制定的其他层面以及中国企业重视营收的增加而不仅仅是看利润。

您认为外国私募客户在中国从事交易时的主要关注点有哪些？

所有想在中国赚钱（无论是在股票市场还是通过私募、风险投资）的投资者都必须面对同样巨大的不确定性 - 中国本身不会停止飞速的经济转型。我认为这样的发展至少还会持续 20 年。这种巨大的不确定性与投资买入的中国公司的内部实际情况有关。能否依赖财务报表和四大会计师事务所的审计结果？公司的实际利润真如他们所说的那样吗？投资者的资金消失在无底洞的风险有多大？

过去两年中发生了一些令人担忧的事。中国会计欺诈的问题有多普遍？出现这个问题的一部分原因是人口基数过大。中国的人口是美国和西欧人口总数的近三倍，鱼龙混杂，既有如 Henry Ford 和 Steve Jobs 一样的企业家运营的优秀企业，也存在一些不正当经营者。

您认为中国的私募行业在未来一年中前景如何？

我认为当前的危机将会减弱，股票市场会再次让中国私营企业进行首次公开募股。虽然首次公开募股数量将少于 2010 年，但允许私募通过首次公开募股退出后，当前中国大部分私募活动停止的局面将得到缓解。私募公司将重新开始投资，并将削减曾经筹集用于在中国投资但未作处理的 300 亿美元或更多资金。中国的私募行业自十多年前成型以来已发展壮大，但从未真正成熟。现在有太多私募公司了。一些数据表明，现在已有超过 1,000 家私募股权公司，包括数百个由不具备投资私有企业实际经验的人士创办和运营的人民币私募股权公司。它们的未来岌岌可危。与此同时，跨行业的全球私募股权公司（包括 Carlyle、Blackstone、TPG、KKR）尚未在中国达到其与在欧洲和美国一样的高效地运作。

虽然中国的私募行业正努力从很多自身造成的创伤中恢复，但因为中国的十亿消费者会越来越富，需求也会不断增长，所以中国的私营企业可继续寻找并利用国内的巨大发展和利润机会。◀