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ZACD makes foray into financial services with senior hires

It is rolling out corporate finance and advisory, mergers and acquisitions and equity and debt market advisory

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AHEAD of a planned initial public offering (IPO) this year, ZACD Group has consolidated its fund management, property investments and agency business and is now venturing into the new area of financial services, enabled by a slew of senior hires from the finance sector.

The group is better known for its investments in development projects here and is seen in joint bidding for land with developers like Qingjian Realty. Last year's restructuring has also placed the property agency business of SLP International directly under its wings.

With the opening of its Hong Kong office on Thursday, ZACD is rolling out corporate finance and advisory, mergers and acquisitions (M&As) and equity and debt market advisory.

In all, some 30 middle to senior personnel from the banks are joining ZACD - a hiring move that "requires a lot of courage and a lot of capital" in the words of ZACD chairman Kain Sim.

Chief among these hires is Ryan Gwee, former head of private banking at Standard Chartered Bank in China, who joined ZACD as equity partner and group managing director last year.

His joining, among others, is set to lure Chinese and European investors into ZACD's investors pool that is now predominantly Indonesians, Singaporeans and institutions.

"We have the war-chest to buy the assets; we need to manage the properties, so we have a property management arm; and when we need to dispose the properties at maturity, it is our agency that will help us dispose them," Ms Sim told BT in an interview.

This "integrated solutions model" is ensuring a strong projects pipeline for its agency business under SLP, which is slated to grow from close to 1,000 agents in Singapore to at least 2,500 through acquisitions.

"We are coming with real estate heritage - we have this ability to identify opportunistic buys in niche market and value-add in various situations with different partners," Ms Sim said. "In addition to that, with new equity partners coming in from Ryan's side, we are able to tap the capital market for this expansion."

Ms Sim and her husband Stanley Yeo, founder of ZACD and co-founder of SLP, are majority shareholders of ZACD.

Mr Gwee pointed out that the group's new venture into bespoke financial services harnesses the strong client base of small-and-medium enterprises that ZACD and SLP have built up in the past 16 years. Many of



ZACD's hiring move "requires a lot of courage and a lot of capital", say chairman Kain Sim. With her is Ryan Gwee, who joined ZACD as equity partner and group managing director last year. PHOTO: SLP INTERNATIONAL

them would like to do business in China or tap investors there.

"These owners, besides buying and selling office and industrial spaces through us, also have other needs, for example, trade financing, corporate restructuring, raising of equity loans, simple M&A or overseas expansion. This gap is then filled by ZACD Financial Group in Hong Kong. Nothing is stopping us from helping local SMEs to list or tap the market," he said. "They have a choice to go to the

bank but we can be the adviser to advise them how to navigate the financial market, which is a very bespoke service."

Mr Gwee signalled that in time to come, there will be ZACD Securities, ZACD Investment Banking, and ZACD Asset Management under the financial services arm.

While its focus in Singapore lies in real estate, ZACD is expanding its fund management licence to one that covers all asset classes next month.

This will allow ZACD to create a series of "special situations" funds to tap the equities market, money market, and fixed income.

The Singapore financial services and fund management team will be expanded from 10 to 25, while the Hong Kong office will start with a team of six. Mr Gwee quipped that these ex-bankers will be structuring deals to give all ZACD's stakeholders and investors "an unfair advantage".

Amid jittery market sentiments, "the best strategies come in a weak market," he added. This was seen in ZACD's first private equity fund under the Asia Real Estate Opportunities (ARO) series launched in 2010 after the global financial crisis.

Fund I, which had an equity size of S\$125 million and a 70-75 per cent gearing, has yielded an average 28 per cent internal rate of return (IRR) from investing in a residential project RiverParc Residence, an industrial project Synergy@Kaki Bukit and an income-producing industrial asset, 7000 AMK.

Armed with a war chest of US\$300 million returns from Fund I, ZACD is looking to raise US\$500 million for Fund II, which will shoot for no less than 28 per cent IRR. "For our fund size, a very sweet spot is between US\$50-80 million purchase," Mr Gwee said.

The new senior hires will be sourcing for "sweet off-market deals", he added. Even before Fund II is launched, there are already potential assets on the table and due diligence taking place, he said.

ZACD has historically committed 10 per cent of every dollar raised from investors. In its past 32 investments in industrial and residential projects, it has taken minority stakes of 10-35 per cent so that it does not take on undue development risk.

Some backtesting of earnings resilience within the consolidated group has found that non-agency businesses shine in bad times. Last year, they accounted for 95 per cent of earnings and are expected to make up 75 per cent of group earnings this year.

"We should be growing year-on-year at no less than 18 per cent (in group earnings) even in this current market," Mr Gwee said. Last year, ZACD's consolidated earnings grew more than 15 per cent from 2014.

By June this year, ZACD is expected to be fit for listing, Mr Gwee said. But he added that it is early days to comment on the public float or funds to be raised. While the Singapore bourse may be its first choice, ZACD is keeping its options open in search of the best valuation.