

ZJ Advisory sees opportunities to grow

| BY TONY C H GOH |

While the current lacklustre economic environment is taking its toll on corporations and businesses, small and nimble businesses are taking the opportunity to carve out a place for themselves in their industries.

This is especially true of ZJ Advisory Sdn Bhd, a privately owned boutique financial house founded in 2003 by three former bankers — Poi Koon Hwee, Lim Beng Guan and Danny Choong — which has managed to grow by finding its niche in corporate advisory and related services.

Lim, ZJ's co-founder and one of its leading advisers, says in an interview with *The Edge* that there is a market that is underserved by the large and more established financial institutions, particularly in corporate finance.

"There are many companies, especially smaller listed entities or privately held businesses, that lack the necessary resources or know how to undertake complex corporate finance. This is where we come in as we are not a deal maker, but rather provide advice and expertise. One example is taking the lead in promoting consolidation and growth through mergers and acquisitions (M&A), including

the necessary requirements to execute cross-border deals," says Lim.

As for the current financial crisis, Lim foresees an increase in demand for advisory services in corporate debt restructuring, business turnaround plans and M&A.

Backed by a professional staff strength of 15 consultants, ZJ offers corporate finance advisory and debt market fund-raising activities. It also has a research department and provides its clients investor relations services.

Newfields Advisor Sdn Bhd and BinaFikir Sdn Bhd (before it became part of Maybank Investment Bank) are the other boutique financial houses in the market and are considered as ZJ's peers.

For now, Lim is especially excited about the prospects for M&A and feels that this should not be confined to the large and cash-rich companies. Smaller companies with good business models and potential are missing out on this opportunity to take on the big boys in their respective industries, he says.

"M&A are not something that should be confined to the back seat in favour of conserving cash. Instead, companies should take advantage of the situation, especially in this region," says Lim.

In a report released by the Asian



KENNY YAP/THE EDGE

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Development Bank on March 9, it is stated that there is an estimated US\$9.6 trillion in distressed assets in Asian economies caused by the global financial crisis.

In tandem with the slowdown in economic activities, there has been a noticeable drop in M&A over the past few months. According to the Securities Commission's annual report, the number of applications for M&A dropped by 27.9% to 297 last year compared to 412 in 2007.

ZJ's idea is to highlight the opportunities available to Malaysian companies during this time of crisis, in particular with the delever-

aging of assets and repatriation of funds in Asia by the Western institutional investors.

"The key focus will be on highly leveraged industries or sectors that are experiencing overcapacity. At the same time, Western private equity firms are now trying to repatriate funds back to the US and European markets, which again offers local firms a chance to hunt for good deals," says Lim.

Another plus factor is the strength of the ringgit against some major currencies, such as the Australian dollar and the pound sterling, which have depreciated by 17.22% and 20.85% respectively against the local currency from a year ago.

Lim says Malaysia's population of around 27 million is too small for some businesses to survive without consolidation and cites automotive parts makers, oil and gas services and electronic industry players as examples of industries that should consolidate.

He says currently there is no clear leadership, with around 20 to 30 Tier 1 car parts makers, when the ideal size to support the country's car industry is around five leading players.

Since it was founded five years ago, ZJ has been at the forefront of M&A activities in Malaysia, and was

involved in some of the largest and most high-profile deals despite its relatively small size, including deals for Malaysian companies in Germany, Italy, Australia and the UAE.

ZJ's notable deals in the last few years include Kinsteel Bhd's acquisition of a 51% stake in Perwaja Steel Bhd for RM297.6 million and KNM Group Bhd's acquisition of Borsig of Germany for RM1.65 billion.

It was also involved in the acquisition of a 55% stake in Konsortium Abass Sdn Bhd by privately owned Titisan Modal Sdn Bhd worth RM528 million in 2007 as well as EP Manufacturing Sdn Bhd's acquisition of Circle Network Sdn Bhd worth RM38.5 million.

ZJ is now in the midst of concluding some major M&A deals for Malaysia-based companies and remains optimistic that the relatively healthy financial institutions in Malaysia will provide the necessary support in terms of funding for it to realise this aim.

Going forward, ZJ is looking at expanding its talent pool by around 25% in the near term, with the hope of having around 20 to 25 professional advisers eventually. It will also grow its presence in Islamic finance as this is recognised as one of the high-growth segments in the financial industry. **E**