**Asian investors – a private equity opportunity**

Europe is making overtures to Asian investors, with private equity leading the way, says Dr Frank-Jürgen Richter of Horasis.

**At a glance**

* Europe is attracting large amounts of FDI, particularly from China and India
* Competing on a global basis requires root-and-branch change in the way companies operate – as well as investment
* Private equity's skills in this area, plus the depressed valuations of European companies, present a major opportunity

The last few years have been terrible for Europe. The sovereign debt crisis, combined with overall stagnation in most European economies, has led to unprecedented uncertainty. Such turbulence has also led to an overall fall in foreign direct investment (FDI) globally.

Most countries in Europe have realised that the solution to these issues lies outside Europe. In February 2011, Vince Cable, secretary of state for business, innovation and skills, presented a paper entitled "Trade and Investment for Growth" to the parliament. The paper laid out the government's plans to encourage exports from the UK, enhance inward investment and strengthen international trading systems. The UK remains one of the top destinations in Europe for FDI. Cable's paper shows the way forward for other European economies as well.

The UK and France have retained their dominance in European FDI but other countries, such as Germany and members of Eastern Europe, are providing stiff competition. Sectors in which we are seeing the most action include business services, software, machinery and the automotive industries.

There are a host of new opportunities in this interconnected world. New consumers in BRIC countries are an exciting prospect for European companies. Apart from opportunities to expand in Europe, there are several possibilities in fast-growing emerging markets.

**The challenge of global competition**

Competing globally will require grass-root changes in the way companies function. With the support of British government, over 20,000 SMEs have ventured into new international markets and secured over £800m (€961.2m) of high-value opportunities overseas in just one year. These changes require financing.

Indian industrial giant Tata has invested over $15bn (€11.4bn) in buying iconic British companies including Jaguar Land Rover, Corus and Tetley. With Tata's investments, the companies have grown considerably. They have been able to bring in innovation and expand their markets in emerging economies. In fact, Tata is now one of the UK's largest employers in the manufacturing industry with over 45,000 staff.

**Chinese push**

In 2011, Europe emerged as the leading destination for China's international investment, ahead of the US. This month, China Investment Corp received $30bn from the Chinese government with the intention of targeting Europe. Chinese companies are also aggressively acquiring assets in the continent – one of the most notable being Geely Holding Group's purchase of Volvo Car Corporation from Ford in 2010.

The trend for international investments in Europe has been to acquire strategic assets that have an ability to scale up and expand. Brands with a significant global legacy and heritage are also highly sought after.

**Private equity involvement**

This is where private equity comes in. Such firms are playing a dominant role in bringing in investment to Europe and reviving economies. They are helping European companies become more competitive globally by augmenting growth and developing business beyond boundaries. They are also playing a major role in fostering entrepreneurship and innovation. A host of private equity firms are also talking about a strategy involving buying in Europe and expanding in Asia.

David M Rubenstein, co-founder of the Carlyle Group, said at the recent SuperReturn International conference that Europe is currently one of the world’s greatest investment opportunities. There’s no other part of the world that will see so many assets sold at a discount. With the current slowdown in European economies, the valuation of many companies has become extremely interesting for buyout houses, and once invested they have the necessary nous to catch the eye of cash-rich Asian investors.  
  
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