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Australia was a big surprise for the investment arm of luxury house LVMH, as Ravi Thakran tells Anne Hyland .

Former News Corp director Ken Cowley was sitting in the lobby of Raffles Hotel in Singapore when Ravi Thakran introduced himself and suggested a cup of coffee.

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Thakran, who is LVMH Moët Hennessy group president for south Asia, south-east Asia and the Middle East, has a good eye for an opportunity, which is perhaps why the luxury group also anointed him to **lead** its private **equity** arm, L Capital Asia.

The meeting between Cowley and Thakran would not immediately throw up an opportunity. The two men stayed in touch, however, and in 2013, Thakran would **lead** L Capital into buying half of bush outfitter R.M. Williams, which Cowley has chaired for the past two decades.

Cowley, once one of Rupert Murdoch's most trusted lieutenants, says he could have sold half of R.M. Williams, famously known for its boots, many times over to a parade of wealthy Australians. Instead, 79-year-old Cowley, who was being prodded by wife Maureen to find a buyer for R.M. Williams, opted to sell 49.9 per cent of the **company** to L Capital for \$53 **million**.

"I'm very comfortable knowing there's a good safe home for it if I climb the stairway to heaven," Cowley says. "I gave Ravi an option on the other 50.1 per cent." At his next meeting with Thakran, he expects to conclude the **sale** of all of R.M. Williams to L Capital. Why was L Capital a safer home than another rich Australian? "I'm good at assessing people and looking at whether I can trust them and that's helped me all my life," Cowley says. "I trust Ravi."

Trust is a word used recurrently by Australian business people working with Thakran and L Capital, one of the latest private **equity** groups to make a big splash in Australia. Trust, however, is not a term recently associated with private **equity** groups. Many earned a reputation before the global financial crisis for enriching themselves more than the companies they bought and sold. Private **equity** firms traditionally buy undervalued companies using mostly borrowed money, fix them up and sell them for a fast profit. Focused on lifestyle sector

Thakran, who worked for Indian conglomerate Tata Group, the Swatch Group and Nike before joining LVMH in 2001, says L Capital is not that type of private **equity** player. "We are very unique and different in our approach," he says. Which is what you'd expect Thakran to say, but he goes on to make his case. Firstly, he argues L Capital is sector focused rather than sector agnostic, and only buys businesses in areas where, through its LVMH connection, it has deep expertise. This broadly covers fashion, beauty, health, food, beverage and lifestyle.

Thakran says most companies it invests in do not need capital, which, he argues, is another point where it differs from traditional private **equity**. "We have not used leverage in any of the 18 companies we have invested in, in Asia, so far," he says. "We don't believe in just leveraging up the companies

and taking cash out to improve the returns. Our reputation will be built on what we did with the companies during our tenure with them." And that tenure is typically five years.

Perhaps the greatest differentiation between L Capital and other private **equity** groups is that it's a subsidiary of the revered French luxury goods conglomerate, LVMH, home to super premium brands, including Dior, Louis Vuitton and Krug. L Capital works closely with LVMH, drawing on the latter's expertise in building brands, market channels and innovative products, and applying this to the companies it invests in.

This is the theory at least but it does work in practice, says John Manos, a co-director and owner of jones the grocer, Becasse and Charlie & Co. The Melbourne-headquartered jones the grocer group sold 50 per cent to L Capital in 2012.

"We felt it was a good time to look at bringing in an investment partner to take the business to the next level," Manos says. "We looked at various options. With the LVMH relationship, we felt L Capital understood brands and what it took to maintain the integrity of the brand and build on that."

L Capital and Manos are rapidly expanding jones the grocer group, which has 28 stores in Australia and overseas, with the aim to get to 40 by the end of 2015. Manos says the connection helps when he negotiates sites overseas.

"When you can walk into **China** and sit down with a landlord because that landlord knows that L Capital/LVMH is invested in your brand, it gives your brand a lot of credibility. It automatically gave us an audience with a whole lot of landlords that wouldn't otherwise have met with Mr John Manos from jones the grocer." Lucrative bedfellow

Australia has proven a fertile ground for investments for L Capital, more so than Thakran initially expected. "We didn't have anybody stationed in Australia. Now we have a team and we are looking at expanding that team further."

Private **equity** has been a lucrative bedfellow for LVMH. It set up L Capital Management, its European private **equity** group, in 2001 and then followed with L Capital Asia in 2009. L Capital Asia closed its first \$US635 **million** investment vehicle in 2010 and has since returned almost 30 per cent to investors, among them sovereign wealth funds in Singapore and Abu Dhabi, and Australian fund manager IFM Investors.

"I genuinely believe if you add authentic value you bring a great multiple," Thakran says. In January, L Capital Asia closed its second vehicle, raising \$US950 **million**, of which it has invested a third, with a chunk of that going to Australia.

As well as jones the grocer and R.M. Williams, L Capital has bought into sportswear group 2XU and is eyeing off more investments in food, beverage and fashion. 2XU aspires to become Australia's first global sportswear brand, aiming for sales of \$1 **billion**. Australia's small population forces brands to look for growth outside the country and Thakran says they should be capitalising on Asia's expanding middle class. Food and beverage are of interest because of Australia's strong reputation for food quality in Asia, particularly in countries such as **China**, which has food security issues.

"Australian companies should look at the Asia Pacific as a natural frontier, not a natural barrier. We should find more Australian brands successful in the Asia Pacific, doing far bigger business than they do at home," Thakran says.

L Capital missed out on investing in skincare group Aesop, which suggests that not everyone wants to partner with it. "We would have loved to have had Aesop in our portfolio. Instead, they sold a majority share to a **company** in Brazil. We believe we could have done a far better job, but then they're doing OK. That's life."

Juggling the two roles means Thakran travels a lot but he says he finds it energising. "I have two very exciting roles, which makes it easier to fall in love with your job. I work with such beautiful brands at LVMH. And L Capital is also very exciting because I'm using all this knowledge I've gained over last two-and-a-half decades."

Thakran says what companies are looking for from L Capital is help in taking their businesses to the next level, whether expanding into department stores in Japan or Europe, or extending their product line at home. "What they are looking for is knowledge of how to get more innovative products; how to connect to the global market; what kind of store design. All these details are a must for them to make a journey. That is where we go into these companies into these companies."

L Capital Asia has 50 staff working for it across the region, drawn from retail careers at LVMH and other brands such as Tommy Hilfiger and Coach. It also has a strategic advisory board that includes executives from trading group Noble, LVMH, YTL group, and leading Asian businessmen such as Hong Kong's David Li and Singapore's Victor Sassoon.

Paradoxically, LVMH is not allowed to buy any of the businesses that L Capital invests in, a restriction set down in its constitution.

Thakran admits that R.M. Williams would have been a good fit with LVMH but, "given the mandate we would not. We would rather let that company go public and be owned by a majority of Australians."

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