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HD **U.S. Investors Regain Appetite for Funding Asia Buyouts; Financing of KKR Buyout of Singapore Company Was First Since Financial Crisis**

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U.S. investors are funding Asian buyouts for the first time since the financial crisis.

To help finance its purchase of a Singapore packaging company, U.S. private-equity firm KKR & Co. recently secured $720 million from U.S. institutional investors, whose renewed risk appetite and search for yield has opened them to such deals in Asia.

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That deal has spurred more interest in getting U.S. investors to finance Asian buyouts.

"More than half of deals that we are working on in the pipeline [in Australia and Asia] involve exploring solutions in the U.S. debt markets," said Siong Ooi, head of syndicated and leveraged finance for the Asian-Pacific region at Bank of America Merrill Lynch in Hong Kong.

KKR secured about three-quarters of the funding it needed for its $1.1 billion purchase of Goodpack Ltd. in a leveraged loan, where the debt sits with the packaging firm. To do so, it turned to the term-loan B market, a favored source of funding among private-equity buyers in the West, in which institutional investors with greater appetites for risk lend directly to borrowers.

That market has been growing again after a dramatic slump six years ago, at the beginning of the financial crisis. It has reached volumes of $340 billion so far this year, compared with $70.7 billion during the same period in 2008, according to Dealogic.

Until recently, almost all such loans backed by institutional investors were to U.S. companies, and when the investors did look to the Asian-Pacific region, it was to Australia, particularly because of its English-language legal framework, which gave them more confidence.

One of the biggest loans made by U.S. investors in the Asian-Pacific region in recent years was the $4.95 billion to Australian iron-ore miner Fortescue Metals Group Ltd., which used the money to refinance its debt last November, according to Thomson Reuters LPC.

The last and only previous time that U.S. investors backed an acquisition in Asia was in 2007, when private-equity firms Affinity Equity Partners and TPG Capital bought Singapore precision-engineering companyUnited Test & Assembly Center Ltd. for US$1.5 billion and borrowed US$625 million from U.S. investors.

Now, U.S. investors are increasingly willing to look beyond Australia to the rest of the region, said Julien Begasse de Dhaem, Asian-Pacific head of fixed-income capital markets at Morgan Stanley. "This natural progression has continued with interest now developing in Asian companies with a global presence," he said.

Private-equity firms generally like borrowing from U.S. investors because such loans include fewer restrictions or covenants and minimal amortization, meaning they mainly pay interest until the principal is due.

The financing on KKR's buyout, for example, wasn't about cheap funding. In fact, banks in Asia would have charged similar or even lower interest rates. It was more about restrictions and terms. The debt on the Goodpack **acquisition** represents leverage of 6.1 times the packaging **company**'s 2013 earnings before interest, taxes, depreciation and amortization, excluding one-time items. The norm for leveraged loans in Asia is four to five times. In addition, the loan is in two tranches—one to be paid back in seven years and one in eight years, compared with a likely five years if the loan had been made in Asia.

To be sure, U.S. investors aren't jumping to finance every deal in Asia. HCP Holdings Inc., a Shanghai-based packaging **company** owned by private-**equity firm** TPG, tried to borrow $380 **million** from the term-loan **B** market in late July, just 10 days after KKR began seeking funding for Goodpack. HCP had the misfortune of tapping the market at a time of heightened tensions between Ukraine and Russia, which had damped U.S. investors' appetite for risk and foreign assets, a person familiar with the situation said.

KKR, Goodpack and TPG declined to comment. HCP couldn't be reached for comment.

CO godpk : Goodpack Limited | kkr : KKR & Co. L.P.

IN i77002 : Freight Transportation Arrangement | i81502 : Trusts/Funds/Financial Vehicles | i8150203 : Private Equity | ialtinv : Alternative Investments | icargo : Freight/Cargo Transport | ifinal : Financial Services | iinv : Investing/Securities | itsp : Transportation/Shipping

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