



ASIA

NAVIS EMBRACES RISK WITH HILL & ASSOCIATES MBO

Fresh from the fund-raising circuit for its \$300 million Fund V, (see *AVCJ* May 3), Navis Capital Partners has executed an MBO in a risky business, acquiring over 90% of Hill & Associates, one of the region's leading risk management consultancies. The deal is essentially a recapitalization of the business, with existing management and new hires joining Navis in injecting new capital.

"There's a hard side to the business," Nicholas Bloy, Founding Partner at Navis, told *AVCJ*. "That involves physical protection, asset protection, sending helicopters to pick up expats, and so on. The most interesting side to us is the softer side, which includes things like brand protection, copyright protection, and anti-piracy. That's the area of the business that's growing fastest."

As part of the deal, Hill & Associates' current CEO Colin Hill will become Chairman and yield his present post to Richard Hickson, a security industry professional most recently president of Brinks Inc. Kim Frisinger, whose career began with the FBI, will also join as Executive Vice President and Practice Head of Business Intelligence & Integrity Risk.

"They're in 17 offices across the region and perfectly placed," Bloy explained. "It's a relatively fragmented business, probably close to \$2 billion across the whole of Asia ... The investment thesis is that the fixed costs of those 17 offices have already been incurred, and the goal now is to build revenues on top of that platform." Rodney Muse, also Founding

Partner at Navis, added that, "the bulk of the investment was used to retire debt and to put Hill in a position to grow."

Bloy said that Navis's own pedigree from the Boston Consulting Group was very relevant to running a business like Hill & Associates. "My partners and I know what it takes to run a people-centred consultancy business. We'll control the board, but our forum for intervention is the executive committee, with about seven from Hill & Associates and three from Navis."

He added that Hill & Associates' capabilities had also helped Navis more than once. "This firm and firms like it are really excellent at helping with pre-transaction due diligence.



Nicholas Bloy

We've used Hill ourselves as a client. It's amazing what they can uncover. Internally, we've decided that as a matter of course we should use Hill or a company like them." But he took care to point out that other private equity funds employing Hill & Associates, "should be totally confident that there would be no slewing of information."

According to Bloy, Navis is open on exit strategy, but committed to the company for now: "we're always out there with a five-year view. The industry globally has been quite acquisitive. I suspect that Hill will be a very attractive M&A candidate from one of the big US-based and Europe-based guys." -PSM

CHINA

IDG, LEGEND TO INVEST IN SEARCH ENGINE ZHONGSOU

IDG Technology Venture Investment and Legend Capital have confirmed to *AVCJ* that they are to invest into Chinese search engine Zhongsou. IDG, which previously invested into two other Chinese search engines, Baidu.com and 3721.com, will commit about \$3 million to the company.

"Before this round of investment, IDG was already a shareholder in [Zhongsou]," IDG General Partner Jianguang Li told *AVCJ*. "Actually, we have a direct or indirect relationship with almost every search engine business in China. Generally speaking, we think there's room for search

tool development in the future. There are dominant players in the market, but we still think there are different approaches, different ways, different technologies."

A spinoff of HC International, which is listed on Hong Kong's GEM board, Zhongsou received investment funding from China Internet Information Center and IDG

VC in 2004. Zhongsou was briefly the subject of rumors in the Chinese press in April that Mary Meeker, famed Morgan Stanley tech analyst of the dotcom bubble era, had visited the company during a trip to China. -SY



Hugo Shong, IDG's senior GP in Asia