

# Bloy charts course as Navis navigates Asian waters



Nicholas Bloy

[Navis Capital Partners](#) has long been among the better known local players in the region, not least for its Boston Consulting Group pedigree and its strikingly sustained deal flow. Founded in 1999, the firm since 2003 has ventured beyond its Southeast Asian origins, with greater commitment to India as well as new investments and a new office in Australia (see *AVCJ Nov 20*). Furthermore, Navis's website states that the firm "expects to raise a new buyout fund in 2007." *AVCJ* spoke to [Nicholas Bloy](#), one of the three founders of Navis, about the firm.

## Deal flow and dollar value

Bloy quantified Navis's notable deal flow for 2006. "We completed seven control

deals with two more to finish before the end of the year, so a total of nine deals during the year," he told *AVCJ*. "They're all control deals, as always in Navis. In total we put out \$180 million."

Navis has a reputation for keeping gearing low: for the 2006 deals, Bloy remarked, "the total on to that would be about \$40-45 million, which means a total of \$220 million." This is more a strategic decision than a reflection of deal size. "The thesis is simply that in a dynamic industry segment or category, in an emerging market, your first priority is to grow. Growth requires capital, so acquisition finance can create a tension with the desire to reinvest in the industry and build a competitive position," he said. Navis does adjust this, however, in more mature markets like Australia. "The reinvestment requirement for an industry that's growing at 25% is much greater than an industry that's growing at 5%," he told *AVCJ*. "The lower growth is, the more appropriate leverage is to boost equity returns."

According to Bloy, "our core investment range is in the \$15-50 million range, and exceptionally up to but unlikely to be more than \$100 million." This space, he believes, has suffered less from the recent influx of new funds and more capital. "There's likely to be some erosion of returns at the large buyout end of the market ... For the middle-size buyout, which has also been a pretty good space for the past five or six years, I don't see quite the same erosion."

## Macro thesis and investment focus

Navis's investment focus seeks to take advantage of a macro opportunity that the firm has identified. As Bloy describes it, "holding aside Australia, emerging Asia is such an empirically observable, sustainable phenomenon, as well as the Asian consumer's propensity for brands, including Western brands. How could you ignore the opportunity?"

However, applying this to the firm's 2006 deals, he added, "they're two thirds consumer-oriented. And I further would say that they are all domestic or regional businesses. There are no long-distance or export-oriented businesses there, which we think are a bit of a tired theme." Part of this aversion to export-focused businesses is because, as Bloy says, "a lot of your advantage is local country comparative advantage, which requires relatively steady-state currency exchange rates. And if local currencies were to strengthen, suddenly your advantage could get wiped out, and you have no control over that." This, he feels, is "a somewhat more fragile investment thesis than being a great brand and product manager in a domestic market selling to local consumers, where so many of the value levers are under your discretionary control."

This preference puts a premium on execution. "The more fast-moving and dynamic an industry, the greater the

opportunities to outcompete, because market share is less entrenched or less sticky," in Bloy's words. This is where Navis seeks to apply its consulting experience. "It comes from generic expertise in consulting, when you're always advising clients about how to build competitive advantage, to analyze competitive dynamics."

## Character and continuity of Navis

According to Bloy, Navis's BCG roots have defined much of the firm's character. "We have very low staff turnover. In the whole life of Navis, we've only lost six professionals out of a total of 34 we have now," he pointed out to *AVCJ*. He feels this is "maybe because of the apprenticeship model, where people come in at a junior level and then get promoted up from within. We have a collegial atmosphere in the firm."

Bloy contrasted this with the eat-what-you-kill competitiveness of investment banking. "Everyone participates in our carried interest pool, including our administrative and support staff, and that creates some cohesion," he told *AVCJ*. "All of my partners and I, since we left business school, have always been in the more benign environment, and that's what we quite naturally without conscious thought brought into Navis."

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