

## KKR and Citic in \$1.5bn bid for control of United Envirotech

By Jennifer Hughes in Hong Kong

KKR and Citic have launched a joint \$1.5bn bid for control for a Chinese water treatment group, in the first collaboration between the US private equity group and one of China's oldest and most sprawling state-owned enterprises.

The conditional offer values Singapore-listed United Envirotech at S\$1.9bn (\$1.5bn), which at S\$1.65 a share would see KKR profit handsomely from its initial 2011 investment in UEL via bonds convertible into shares at 45 cents.

The deal marks another example of the private equity group's strategy of investing in China's environmental and consumer needs, often alongside state-owned enterprises. Earlier this year it injected \$400m into the country's largest chicken producer and led an investment into a pork producer owned by Cofco, the state-owned agribusiness group.

Water has long been identified as a priority sector for China – and is included as such in Beijing's current five-year plan. Less than a third of China's water is treated, compared with more than 90 per cent in developed markets, and its water resources are roughly a quarter of the global average a head, according to the World Bank.

Wang Jiong, vice-chairman of Citic, said: "Environmental protection is a top priority for China, and Citic foresees not only commercial opportunity but also societal benefit from this investment."

Assuming conditions are met, including official Chinese approval of Citic's involvement, the two will formally launch the UEL offer via a vehicle jointly owned by KKR and Citic Environment Protection.

Henry Kravis, one of KKR's founders, described the deal as the formation of a partnership with Citic, which he called a "world-class" company.

The deal will leave Citic as UEL's single largest shareholder.

Trading in shares of UEL was halted on Wednesday. The stock closed at S\$1.51 prior to the offer being made, having gained two-thirds so far this year.

Between KKR's existing equity stake plus commitments from UEL executives and some independent shareholders, the offer has already secured support totalling 51 per cent of the outstanding shares.

KKR began its association with UEL in 2011, buying \$114m of the company's bonds that convert into shares at 45 cents. In 2013 it bought a further \$40m of stock at 50 Singapore cents a share.