

Deal focus: Cornell picks Lorom for Asia debut



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Cornell Capital, a US-based mid-market buyout firm, is starting to realize its Asian ambitions with an investment in Taiwan-based industrial supplier Lorom Holding. Bolt-on expansions appear likely

For its \$1.3 billion debut fund, Cornell Capital is looking to build a relatively concentrated portfolio of no more than 11 companies. The first eight are based in North America and six have an element of Asian exposure. The recently announced ninth, specialist cable manufacturer Lorom Holding, is headquartered in Taiwan.

“We want opportunities where we can utilize our presence in the US,” explains Joyce Hsu, partner and head of Asia at the firm. “Lorom is a private family business that has grown to a global scale without outside capital. The company wants to go public and it is in the hands of second-generation owners who understand the power of having a financial sponsor as a backer. Right now, only 10% of sales are in the US, so we’re helping them target customers and look for M&A opportunities.”

Lorom does not manufacture commodity cable products. It comes up with tailor-made solutions for customers, of which the largest portion are in the automotive sector. There are more than 500 engineers in a staff of approximately 6,000 and 80% of the manufacturing takes place in China. While automotive remains a priority, the company wants to expand its footprint in networking technology and medical devices. Most of the new customers in these segments are likely to be US-based.

Cornell Capital was established in 2013 by Henry Cornell, a former vice chairman of Goldman Sachs’ merchant banking division and who also founded the firm’s Asia principal investment business. The New York-headquartered GP opened a Hong Kong office two years ago with a view to helping North American portfolio companies with Asia entry strategies as well as sourcing and evaluating local investment opportunities. Five of Cornell Capital’s 18 investment professionals are in Hong Kong.

“We have looked across the US middle market private equity fund universe and we have not been able to find another manager that has set itself up in the way that we have – using the team in Asia not only to look for investments in Asia, but to provide value across the portfolio,” says Elizabeth Wahab, the firm’s COO.

Add-on acquisitions are a theme in the private equity firm’s portfolio. Where initial investments fall below the \$100 million minimum check size, there is an expectation that add-ons will take it past that mark. Similarly, while fund investments generally top out at \$150 million, Cornell Capital has LP co-investors that can support equity commitments of around \$1 billion if a portfolio company is pursuing an aggressive expansion plan.

Lorom is likely to be no exception as it scales up ahead of a planned Taiwan IPO. Cornell Capital has taken a significant minority interest, after an initial introduction from a Taiwan based advisor led to seven months of exclusive due diligence. “It’s a family business and they take a partnership approach to working with customers, so they liked our style,” Hsu says.