

US-ATMC-Stanford University
"Water Resource Management
in China:
Challenges and Opportunities"

by

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NewCap Partners Overview

- Private Investment Banking Firm
- Founded 1987
- Services
 - Mergers and acquisitions
 - Late-stage private equity
 - Greater China Region transactions
- Focused on "middle-market" companies (\$10 - \$100 million)

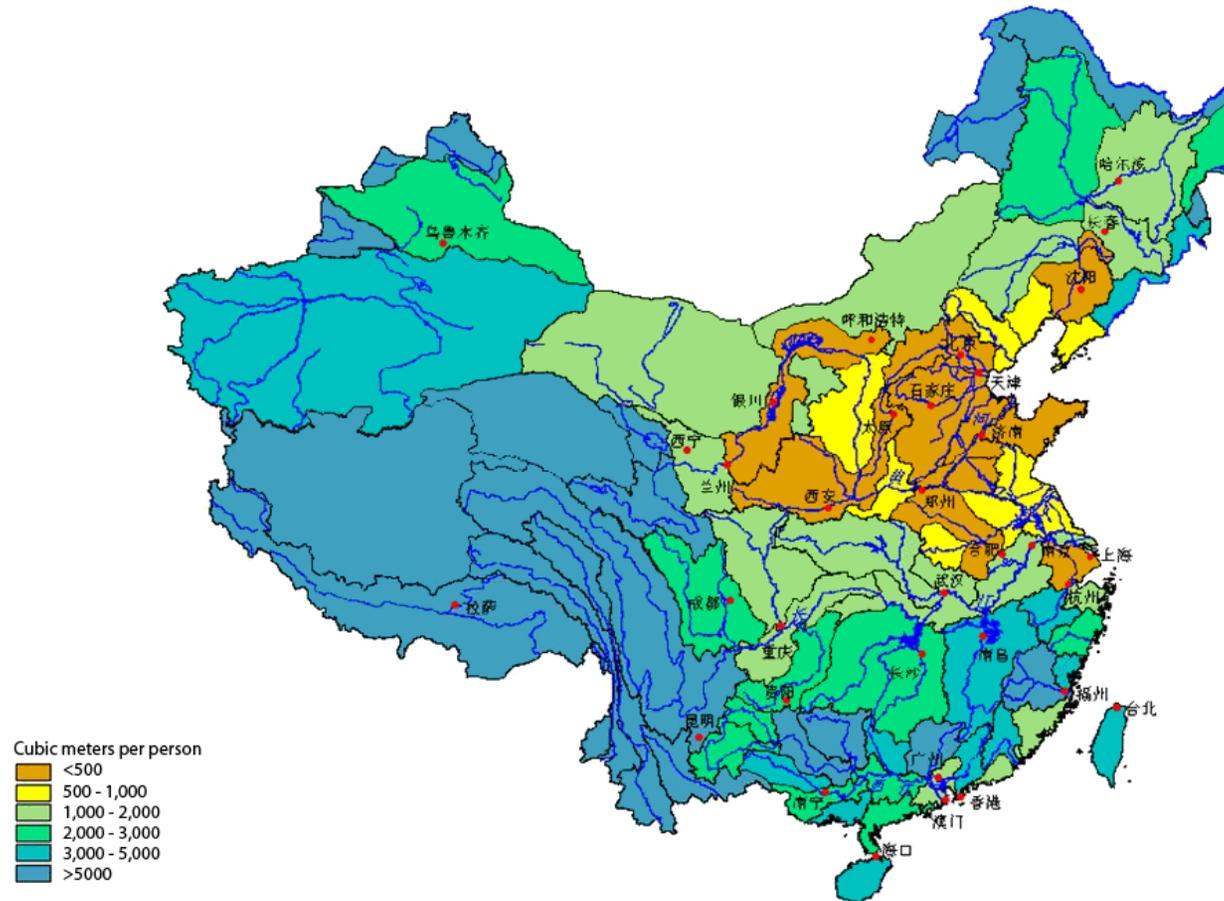


China's Water Crisis

- Widespread shortages
 - 22% of global population
7% of fresh water
 - Severe shortages in 26 of 31 provinces (Merrill Lynch 2010)
- Rampant pollution
 - 50% of urban & 96% of rural waste is discharged untreated
 - <7% of ground water is potable
 - 32% of 'drinking water' is unfit for consumption



China Per Capita Water Resources



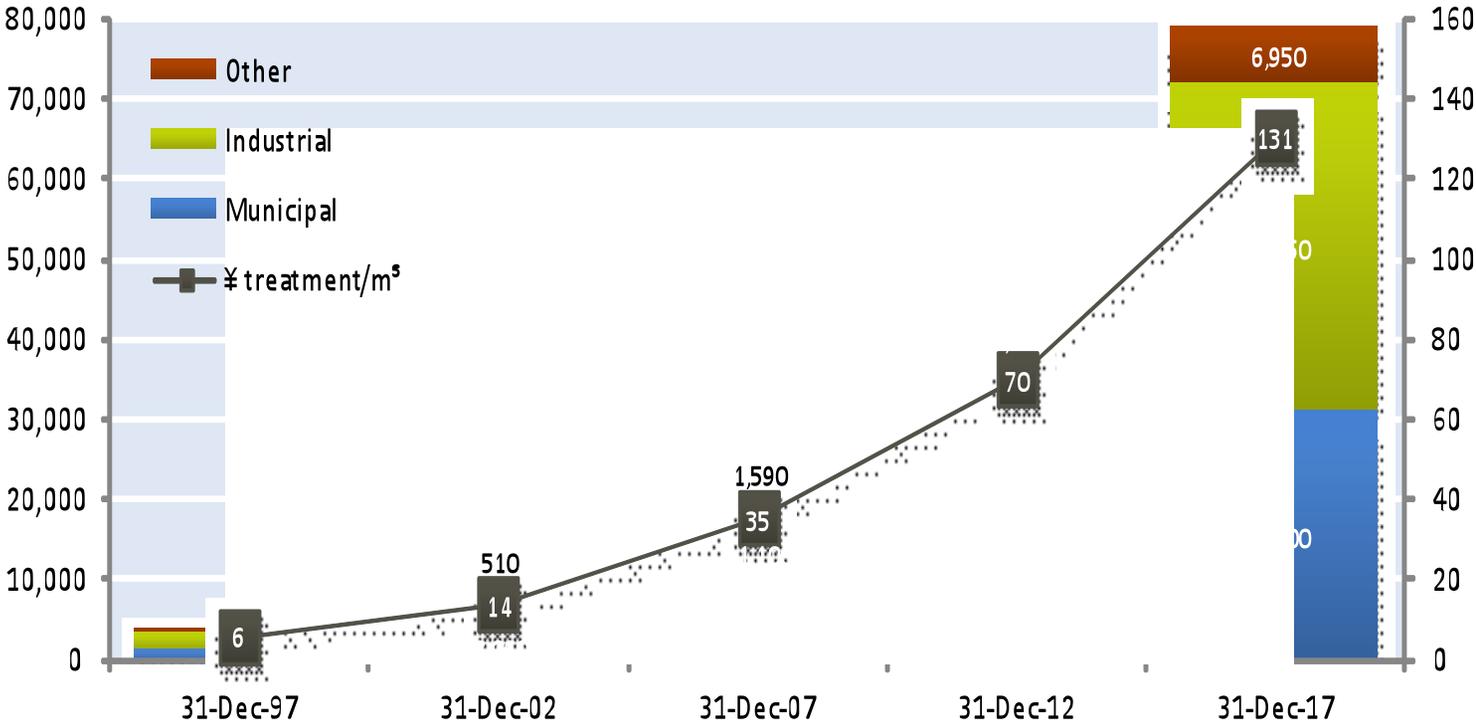
China Government Working on H2O Problem

- \$147bn committed to water initiatives in China from 2010 through 2015
- Water Plants
 - 1,993 operating
 - 2,360 under construction
 - 7,000 planned



China Water Treatment Markets

(Freedonia 2008)—billions RMB



Many H2O Markets/Products



Overview of Products and End Markets

	Components and Equipment	Treatment	Instruments and Controls	Services	Operations and Maintenance
Municipal Industrial	❖ Centrifugal Pumps	❖ RO / Desalination	❖ Water Meters (Utility)	❖ Plant Design, Engineering and Construction	❖ Public Private Partnerships
	❖ Positive Displacement Pumps	❖ Chemical	❖ Process Controls	❖ Consulting Services	❖ Wastewater Reuse
	❖ Dosing Meter Pumps	❖ Activated Carbon	❖ Software	❖ Water Distribution (Utility)	❖ Resource Management
	❖ Industrial Valves	❖ UV Disinfection	❖ Analytical Instruments	❖ Meter Data Management	
	❖ Pipes & Tanks	❖ Advanced Oxidation	❖ SCADA and Remote Monitoring	❖ Aftermarket Parts and Services	
	❖ Clarifiers / Screening	❖ Ozone	❖ Test Kits	❖ Chemical Delivery	
	❖ Odor Control	❖ Biological	❖ Flow Meters		
Commercial Residential	❖ Plumbing & Small Gauge Valves	❖ Conditioning		❖ Packaged Treatment Systems	❖ N/A
	❖ Grinder Pumps	❖ Softening	❖ Appliance Controls (OEM)	❖ Restaurant / Hospitality Hygiene	
	❖ Well Pumps	❖ Filtration (Appliances)		❖ Home and Office Delivery	
	❖ Sump Pumps	❖ UV Disinfection	❖ Pool Products	❖ Bottled Water	
	❖ Pool Products	❖ Chemical (Chlorine)		❖ Water Conditioning Consumables	
	❖ Kitchen & Bath				

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Why Investment Interest in China H2O Companies

		<u>Market Cap/Revenue</u>		
	<u>#</u>	<u>Low</u>	<u>Median</u>	<u>High</u>
China Co's	19	0.8X	4.2X	11.0X
Global H2O Co's	30	0.8X	2.0X	6.4X



Summary of China H2O Opportunities

Opportunities

- China Government providing large amounts of money
- Largest H2O markets globally for at least next ten years
- China looking for cost effective water technologies and solutions from global suppliers
- Shorter time to market in China Water markets than in US
- Excellent opportunity to get good valuations and IPO exits
- Moving from lowest initial cost solutions to total cost solutions taking into account lower operating costs of better technologies-energy costs are twice the US rate
- Domestic H2O companies looking to partner with Intl groups



Summary of China H2O Challenges

Challenges

- ❖ Need excellent and continuous political connections and interactions
- ❖ China H2O markets are very fragmented-No global or domestic Chinese H2O company have >3% market share
- ❖ There are >10,000 water companies in China
- ❖ Corruption is widespread in water districts outside of major cities
- ❖ “Buy China” is a major issue for foreign companies or JVs
- ❖ Chinese government providing funds to Chinese companies to copy/duplicate global H2O companies’ technologies.
- ❖ IP issues should be a concern if doing business in China

