Profile: Leopard Capital's Douglas Clayton

By Susannah Birkwood
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Leopard Capital CEO Douglas Clayton refused to let gun-wielding Cambodians distract him from setting up the country's first private equity fund. He prides himself on being first on the ground in frontier markets

"You felt like you could get killed in the night and nobody would ever know."

This was Douglas Clayton's perception of Cambodia when he first visited the country as a tourist in 1991. Sixteen years later - despite having only been back on two occasions in the interim - Clayton established Cambodia's first private equity firm, Leopard Capital.

"I said that if in 16 years this country can completely transform from a very scary, dangerous place to a place where I could bring my family, in another 16 years it might be a modern country," he says by way of explanation for the move. When he first visited, the UN was going into Cambodia to enforce an election; the streets were unpaved, unlit and unclean, "and all these people were walking around with guns."

The road to setting up a Cambodia-focused fund started in a somewhat unexpected way. The son of a dentist, US-born Clayton grew up in Connecticut. He gained an army scholarship to study history at Cornell University and went straight into army intelligence school after graduating. There, despite a fear of heights, a 22-year-old Clayton received parachute training - in which he had to jump out of a plane five times. "It was an unnatural thing but you had no choice," he recalls.

Clayton was also taught basic intelligence techniques, which were put to the test when he was sent to Korea in 1983 to head up a 48-strong platoon of soldiers as a second lieutenant. The platoon's responsibility was to listen to official phone calls made by US army soldiers, to see if they were revealing secrets. "I'd actually recommend a military officer's stint to anyone who wants to go into business because very quickly you learn how to manage people and figure out what's important," Clayton tells AVCJ.

There and back again

Clayton speaks highly of his year in Korea, where lived in a local community, and gained his first glimpse at the business world by teaching English to local executives during the evenings.

Soon, though, it was time to return to the US, where a post awaited providing counter-intelligence for solders going to the Middle East. After 18 months Clayton bought a one-way ticket to Hong Kong in 1986. He'd visited the city during his time in Korea and had been told by a friend that this was the place to start a career in finance.

Clayton began his job hunt at a time when Chinese industrialization was beginning in earnest. He witnessed factories being built in rice fields which today are fully-fledged cities. After six weeks and numerous rejections, he secured an entry-level position at Sun Hung Kai Securities, then the largest stock brokerage in China.

The training program was simplistic in the extreme. "They assigned me a guy who could barely speak English and he dialed up the US on my first day and said ‘This guy's an American investor. You're an American. Tell him what's going on in the market,'" Clayton says. "So after making a fool of myself a few times, I started learning quickly."

In 1988, a friend decided to start his own brokerage, Kerry Securities, so Clayton was taken on as the head of research. After a year, he was sent to Thailand - then a frontier market - to establish a local office for the firm. There Clayton found the woman he would later marry, and with whom he has adopted three local children over the past two decades.

He went on to head up CLSA Securities' Thailand office before being transferred to New York in 1997 to establish the Latin America division. Two years on, Asia beckoned again. By this point, sentiment was improving in Thailand following the Asian financial crisis. Reforms were being made and domestic companies were looking for capital to get businesses restarted. In the absence of bank debt, they were willing to consider private equity for the first time.

Clayton seized the opportunity to start a corporate finance boutique, Abacus Equity Partners, and advised on three PE transactions over two years. The most successful of these was Bangkok Ranch, a transaction which was shopped to 52 investors. The 52nd of these - Navis Capital Partners - decided to take the deal, and later reaped a return 12x on its investment.

"That's a very good example of where the popular opinion in PE isn't always right," says Clayton. "Many people didn't think it was a good deal, but if they'd looked a little bit differently - like Navis did - they could have got a big return."

Uncharted territory

This kind of thinking is what gave Clayton the courage to start his own business again in 2007. Most investors in Southeast Asia had Vietnam in their sights, which meant Cambodia was largely untapped yet it displayed characteristics of a high-growth market.

Leopard Capital aimed to address this opportunity. After a tough fundraising spree during the middle of the global financial crisis - in which Clayton estimates he visited 55 cities, some of them multiple times, and approached 1,000 people - a modest $34 million was raised. The fund has since made 13 investments in Cambodia, Laos and Thailand.

Leopard now has a team managing its Cambodia portfolio, while Clayton and several others have relocated to Bangkok to set up a global hub to replicate its Cambodia strategy in Myanmar, Bangladesh and Haiti. "I want to do things that haven't been done before -to create the first multi-regional frontier specialist," explains Clayton. "There are perhaps other ways to make money faster, but this approach is pioneering, it's hard and it does a lot of good for the world."