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M&A Activity in APAC

September 2021

Corporate and Investment Banking Practice



M&A market sentiment in APAC seems cautiously optimistic and positive

M&A Activity remains dynamic after a strong start to 2021

- Deal volumes in APAC surged to its highest level ever in H12021 – aggregating to US\$610bn (up 75% Y-o-Y)
 - The upside can be attributed to strong global M&A markets that registered strongest opening period ever, with volumes aggregating to US\$2.8tn (up 131% Y-o-Y)
 - Number of deals in M&A markets grew by 17% Y-o-Y during H1 2021
 - The IPO market in North Asia remained hot, whereas companies in Southeast Asia raised a record US\$4.9bn through IPOs in the first six months of 2021
 - As of YTD 2021, APAC M&A deal value stood at US\$700bn (up 78% Y-o-Y), backed up by strong growth in Australia and South Korea
- In APAC, Japan was the only major geography where deal volumes declined marginally, down 4% in YTD 2021 (Y-o-Y)
- Out of ~32,300 deals that were announced globally, APAC and Americas accounted for 33% each and EMEA accounted for 34% of total deals

Economic recovery in many countries remains slow due to resurgence of COVID-19 and lag in vaccination progress

- Despite the evolution of new COVID-19 variants (e.g. Delta) across different APAC regions, markets continue to perform reasonably well
 - Countries like Malaysia, Cambodia, Vietnam, Indonesia and Thailand reported elevated infection rates lately
 - Fresh COVID-19 waves have triggered lockdowns and have created significant disruption to economic activity
- India was hit hard during the 2nd wave of pandemic which peaked in May wherein average daily cases aggregated around 420K. The severity of this wave appears to have receded as daily new cases have declined
 - As of September 05, average daily case load hovered around 41K and overall recovery rate stood at 97.4%
 - India stepped up its vaccination program and administered 180mn doses in August, meaning daily average vaccinations at ~6mn doses
 - As of September 05, India had administered more than 687mn doses & inoculated c.50% of its eligible population with the first dose
- APAC's GDP is expected to grow ~5.9% in 2021, led by India (9.5%) and China (8.1%). However, it is expected to grow by 4.5% in 2022

Source: Refinitiv; YTD as of July 22, 2021; Figures in USDbn, World Bank and IMF

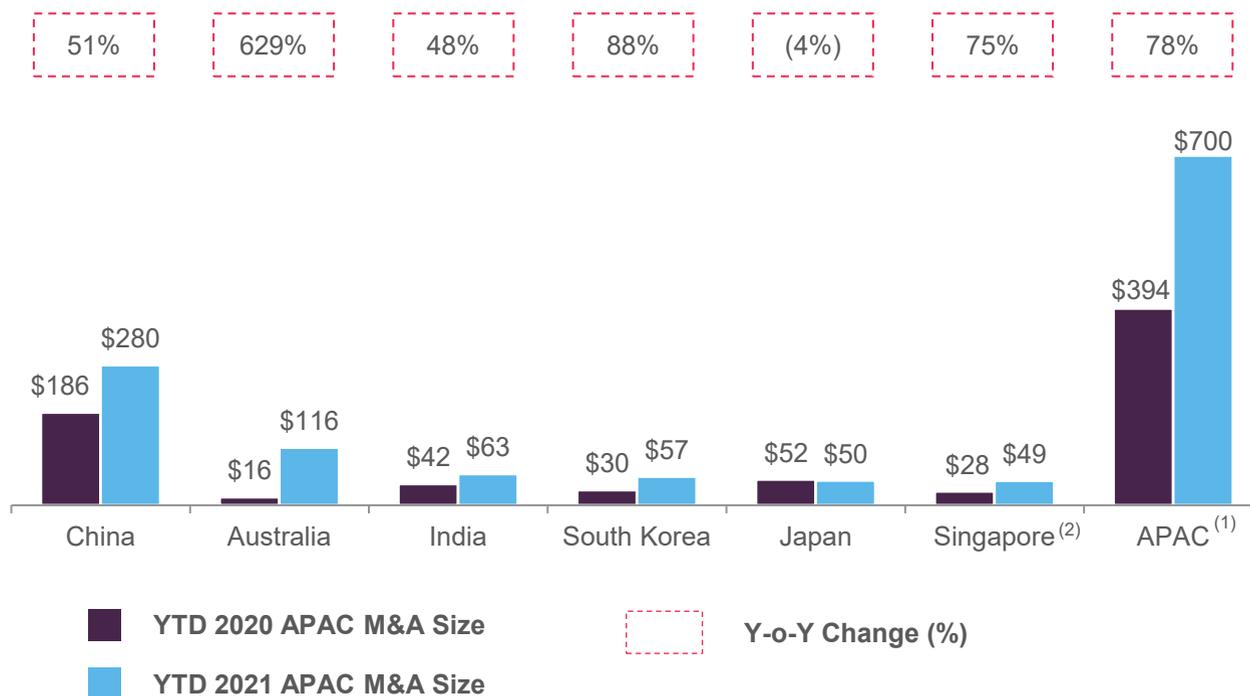
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(1) Includes Japan

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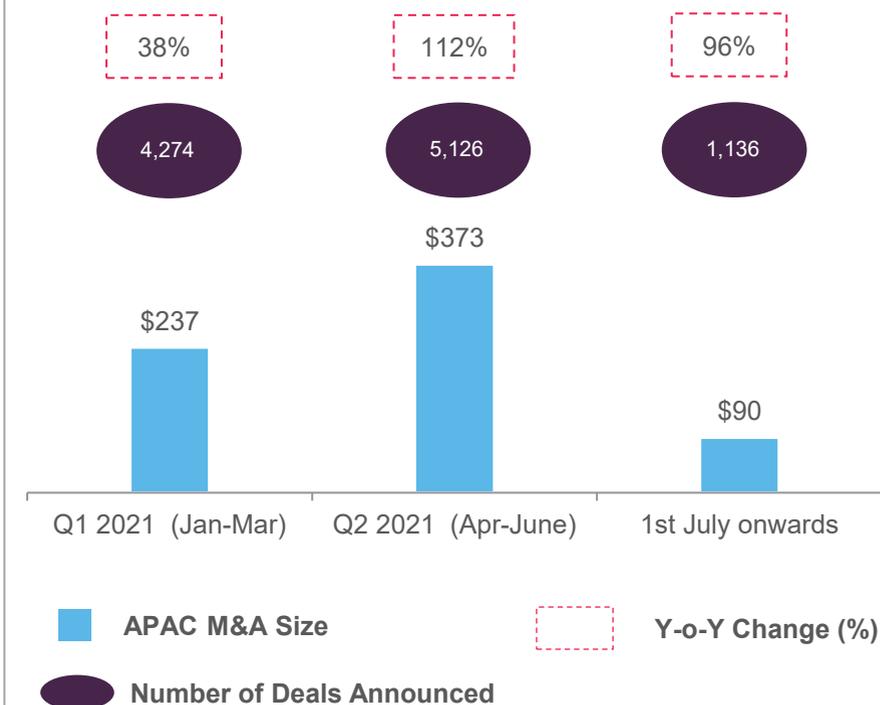
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Momentum in deal making activity has continued and led to a Y-o-Y growth of 78%

- Activity level in M&A markets continued to head north, driven by the technology sector which accounted for ~23% of total deals in YTD 2021
- ✓ M&A markets in almost all major geographies including Australia, China, and South Korea witnessed exponential growth
- ✓ The only exception was Japan, which witnessed negative growth and weighed on an otherwise upbeat APAC market



- In Q2 2021, the APAC M&A market surged by 112% due to strong volumes in the region
- Rising deal volumes and a high number of announced deals will likely ensure sustainable growth for the rest of the year



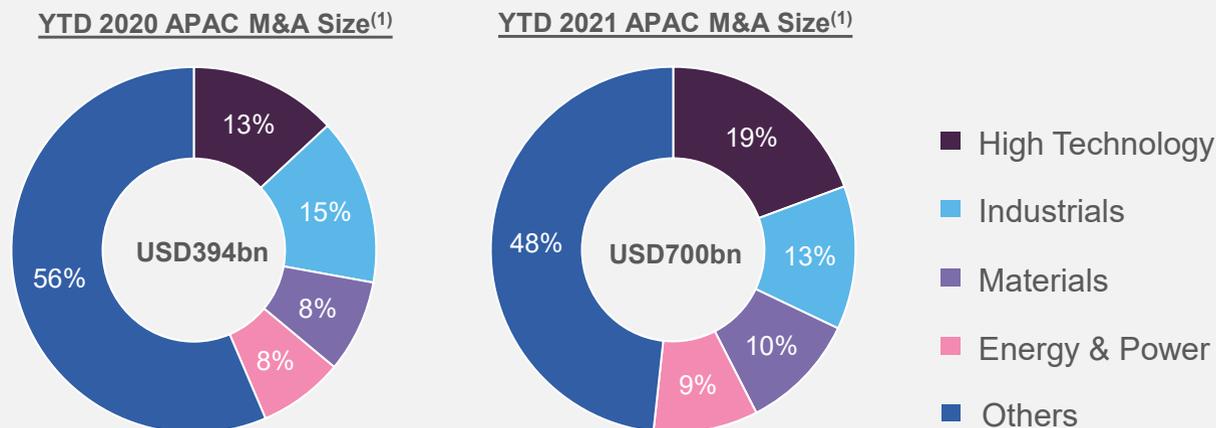
Source: Refinitiv; YTD as of July 22, 2021; SDC, Figures in USDbn

(1) Includes Japan

(2) Figures extrapolated using data until June 30, 2021

High growth in technology, energy and consumer space, seemed to be the common theme across capital markets

- Technology remained as the best performing sector and accounted for 19% of the announced deals
- ✓ In APAC, deal making in technology sector more than doubled, in sync with global M&A market where it registered an all-time high in H1 2021
- Materials and Energy sector also showed slight increase in the contribution (10% in YTD 2021) towards deal making
- UBS and Citigroup advised the most number of deals among the top 10 deals in 2021 in APAC



YTD 2021: Top Announced M&A (Based on Transaction Value)

Ann. Date	Target	Target's Advisor	Txn. Value (USDbn)	Acquirer	Acquirer's Advisor
20-July-21	Oil Search	Goldman Sachs / Macquarie	\$8.8	Santos	Citigroup
24-Jun-21	Endeavour Group	Citigroup / JP Morgan / UBS	\$8.2	Shareholders	-
17-May-21	Giga Energy	ARC group	\$7.4	Yunhong International	-
10-May-21	Crown Resorts	UBS	\$7.3	Star Enterprise	Credit Suisse / Flagstaff Partners
10-May-21	Boral	Citigroup	\$6.8	Network Invest	Barrenjoey Capital Partners
21-Apr-21	Runze Tech Developers	-	\$6.6	Shanghai Precise Packaging	Guoyuan Securities
13-Apr-21	Grab Holdings	JPMorgan / UBS / Morgan Stanley / Evercore	\$39.6	Altimeter Growth	Blackrock / Fidelity
05-Apr-21	Autostore AS	Morgan Stanley	\$2.8	SoftBank Group	-
25-Mar-21	Koninklijke Philips ⁽²⁾	Goldman Sachs	\$4.4	Hillhouse Capital Group	Moelis & Co
22-Mar-21	Crown Resorts	UBS	\$6.2	Blackstone Group	Morgan Stanley

Source: Company Press Releases and Refinitiv; YTD as of July 22, 2021, Figures in USDbn

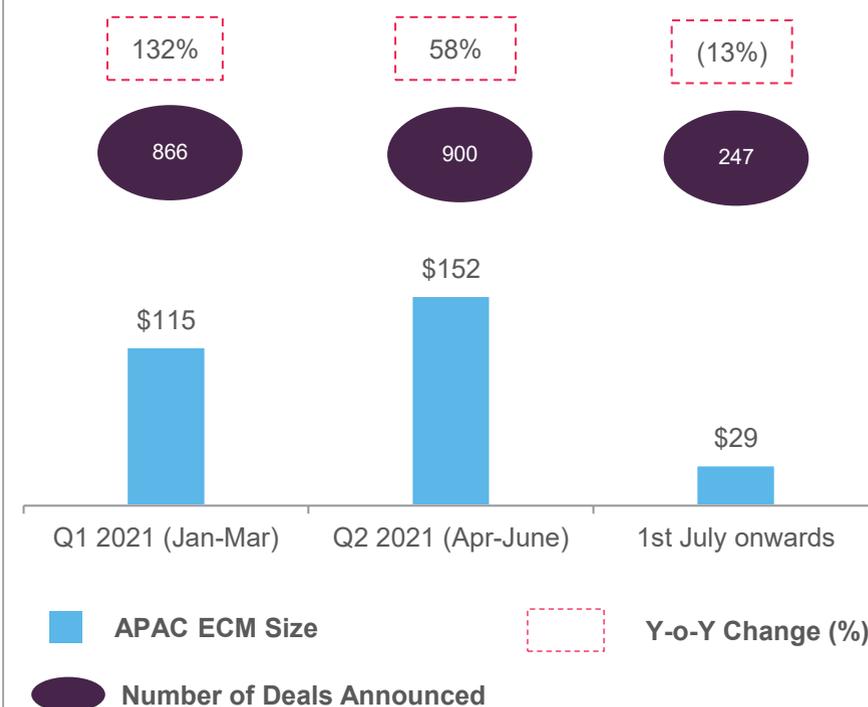
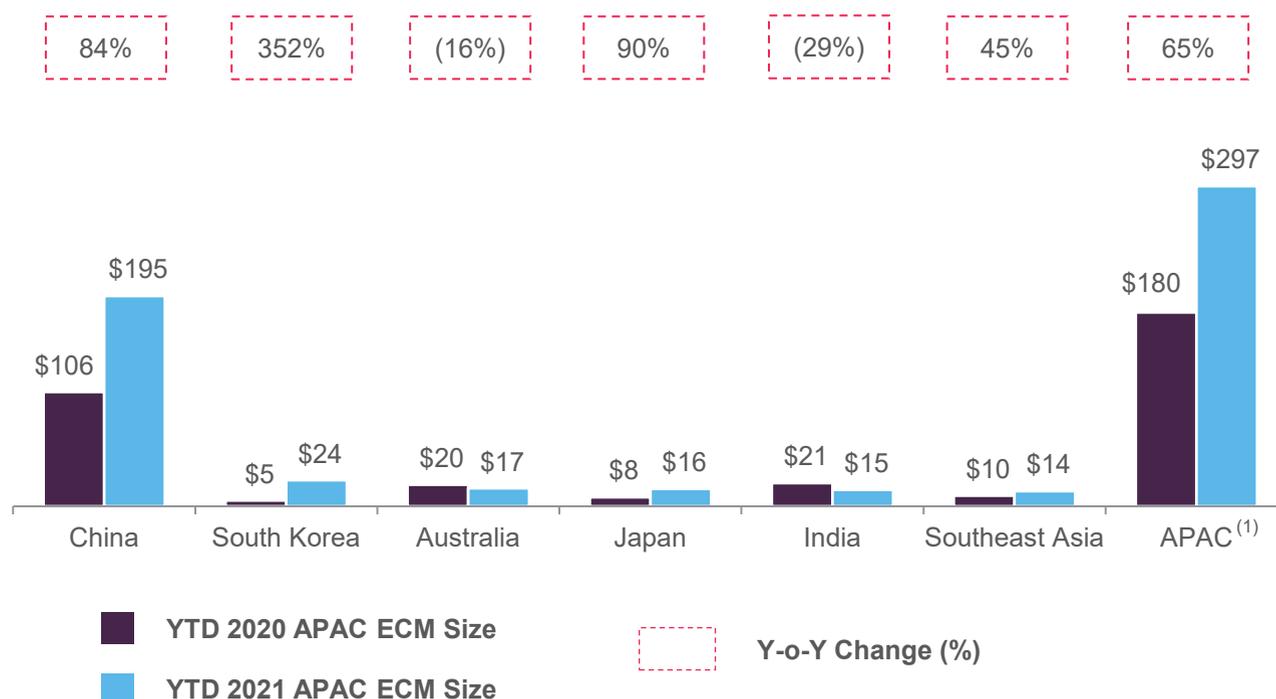
(1) Includes Japan

(2) For Dom Biz

ECM activity surged across consumer, technology and media & entertainment sectors

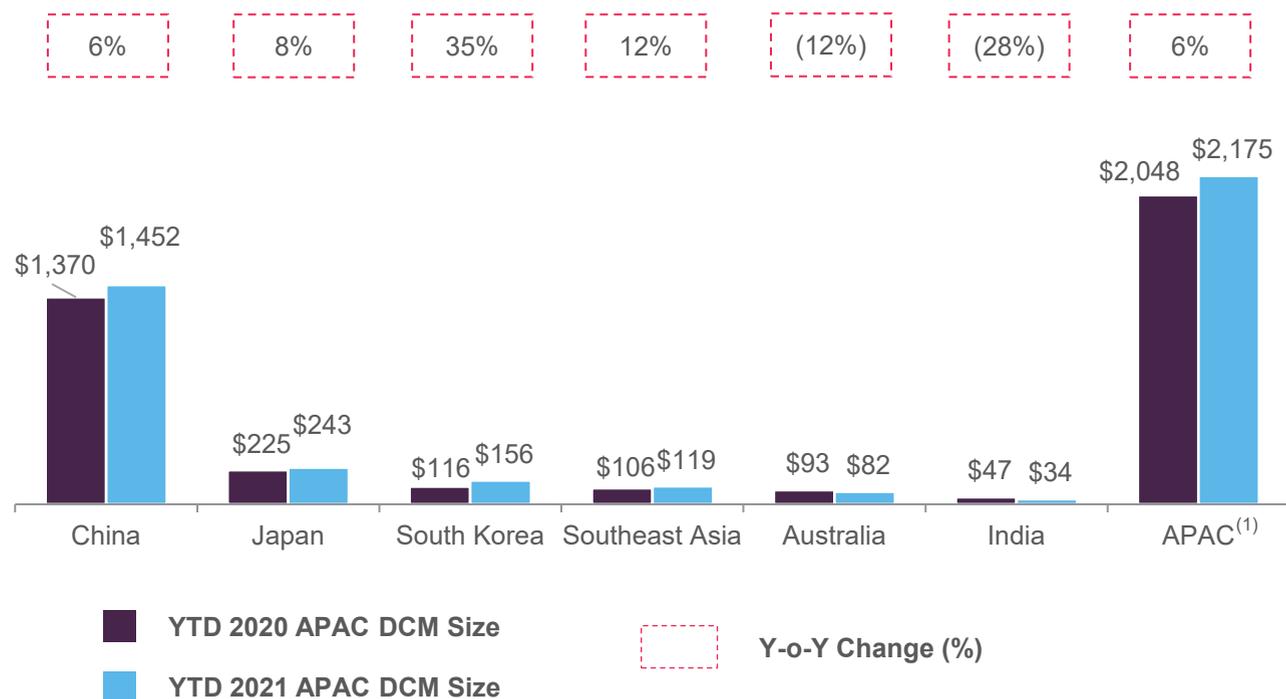
- ECM markets in APAC⁽¹⁾ continued to witness high growth in 2021, due to increasing number of IPOs and follow-on offerings
 - ✓ China, Japan and South Korea lead the way with stellar growth
 - ✓ Deal activity in Australia and India declined by 16% and 29% (Y-o-Y), respectively

- ECM deal volumes lost some steam after end of Q1, but grew by 58% in Q2 (Y-o-Y)
- Offerings by China-domicile issuers accounted for 26% of ECM activity in H1 2021, up two-folds compared to year ago

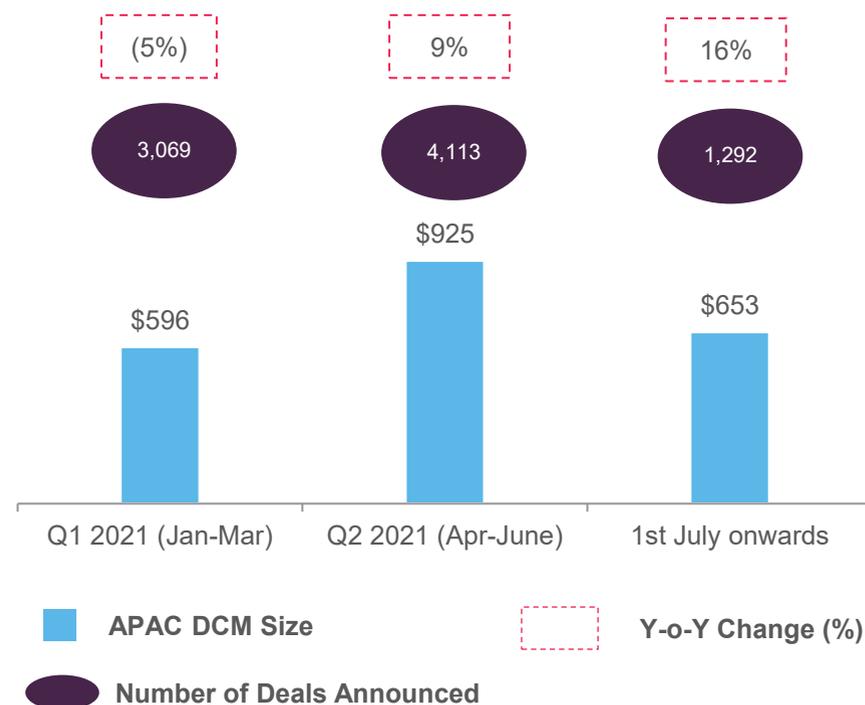


DCM activity was moderately high in real estate and consumer sectors but negative across other sectors

- Debt markets in APAC⁽¹⁾ grew by 6% in YTD 2021 and fared better than global markets, which were down 6% Y-o-Y
 - ✓ South Korea & Japan continued their strong performance and exhibited Y-o-Y growth of 35% and 8%, respectively
 - ✓ Offerings in Australia and India were down by 12% and 28% Y-o-Y respectively, which significantly weighed on the overall growth



- Deal volumes in debt markets grew by 9% in Q2 2021, after a relatively quiet Q1 2021
- Local currency bond offerings aggregated US\$1.4tn in H1 2021, the strongest H1 for issuance since in 1980



Changing pandemic dynamics and stringent financial environment can dampen recovery and growth prospects

Country	Announced M&A Value (USD, bn)		Key Economic Indicators and COVID-19 Situation ⁽¹⁾
	2020	YTD 2021	
China	\$523.3bn (up 35% Y-o-Y)	\$280.2bn (up 51% Y-o-Y)	<ul style="list-style-type: none"> In Q2 2021, China's GDP grew by 1.3% Q-o-Q and 7.9% Y-o-Y, with growth coming down drastically from first quarter. The IMF estimates the country's GDP to increase by 8.1% in 2021 The World Bank expects the Chinese economy to expand by nearly 8.5% in 2021 The Shanghai Composite Index increased by 2.2% in YTD 2021, after decreasing by 1.7% in Q1 2021 In July, China's exports rose by 19.3% Y-o-Y, whereas imports grew by 28.1% Y-o-Y which resulted into a trade surplus of US\$56.6bn for the month of July. China's factory activity grew at a slower pace in July due to high raw material costs, equipment maintenance, as well as extreme weather China's core CPI rose by 1.3% Y-o-Y in July, suggesting improvement in domestic demand. Food prices declined by 3.7% Y-o-Y, mainly due to a 43.5% plunge in pork prices As of September 05, 2021, China had reported 28 new COVID-19 cases across different regions and the country has been witnessing steady number of cases lately. China has now administered more than 2bn doses of vaccine for its population & c.62% of its total population stands fully vaccinated
Japan	\$130.4bn (up 7% Y-o-Y)	\$49.5bn (down 4% Y-o-Y)	<ul style="list-style-type: none"> In Q2 2021, Japan's GDP grew by 0.3% Q-o-Q and by 1.3% Y-o-Y on the back of improved private consumption and capital expenditures, which rose by 0.8% and 1.7% Q-o-Q respectively. The IMF estimates Japan's GDP to grow by 2.8% in 2021 and 3.0% in 2022 As per the Ministry of Finance, exports surged by 23.2% Y-o-Y (highest in the last 11 years), while imports increased by 12.2% Y-o-Y in H1 2021. The trade balance had a surplus of US\$8.9bn The Nikkei 225 Index increased by 6.9% in YTD 2021, after rising by 7.0% in Q1 2021 Japan reported ~16,000 new infections as on September 05, 2021 with nearly 1,850 cases in Tokyo, which is now seeing a consistent drop in number of new cases. With over 47% of its population fully vaccinated, Japan's vaccination rate has vastly improved in last month or so Japan's economic recovery will depend on whether the government's vaccination program and other efforts can control the spread of the virus. Japan is administering more than a million shots a day

Source: Refinitiv; YTD as of July 22, 2021, IMF and Press search

(1) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of September 03, 2021

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Changing pandemic dynamics and stringent financial environment can dampen recovery and growth prospects

Country	Announced M&A Value (USD, bn)		Key Economic Indicators and COVID-19 Situation ⁽¹⁾
	2020	YTD 2021	
India	\$73.6bn (down 7% Y-o-Y)	\$62.5bn (up 48% Y-o-Y)	<ul style="list-style-type: none"> In Q4 2021 (January–March 2021), India's GDP increased by 1.6% Q-o-Q and contracted by 7.3% Y-o-Y, marking the first full-year contraction in the last four decades (since 1980) The IMF estimates India's GDP to decline by 9.5% in 2021 and increase by 8.5% in 2022. However, the World Bank expects the Indian economy to grow by 8.3% in 2021 The BSE Sensex Index climbed up 20.7% in YTD 2021, after growing by a modest 2.8% in Q1 2021 India faced a devastating second wave of COVID-19 cases, which peaked in May 2021. With daily average cases of more than 41K for the last 7 days (as of September 05, 2021), India is still witnessing steady rate of COVID-19 cases and the government has advised cautious times ahead Exports rose by 48.3% Y-o-Y to US\$32.5bn in June, while imports grew by 41.9% to US\$41.8bn, even as the trade deficit stood at US\$9.4bn The overall global demand has been buoyant. However, partial lockdowns in different parts of India compelled factories to operate at 50% strength. India is witnessing a decline in daily cases and resumption of economic activity. The country's economic recovery will likely be led by exports
Australia	\$72.7bn (up 6% Y-o-Y)	\$115.5bn (up 629% Y-o-Y)	<ul style="list-style-type: none"> In Q1 2021, Australia's GDP grew by 1.8% Q-o-Q and beat all the forecasts, driven by a surge in private investment and increased household spending. The IMF estimates the GDP to grow by 5.3% in 2021 (up from 4.5% in April) and by 3.0% in 2022 According to Reserve Bank of Australia (RBA), Industrial activity will contract in Q3 2021 and unemployment rate will rise. However, it expects the economy to rebound towards the end of the year. The ASX 200 Index grew by 12.5% in YTD 2021, after increasing by 1.6% in Q1 2021 The Australian government has been able to keep the number of COVID-19 cases largely under control and has staged a remarkable economic comeback since 2020, helped by timely monetary and fiscal stimulus As of September 05, 2021, Australia had only 61,600 cases of COVID-19. However, recent outbreaks of the Delta variant and accompanying lockdowns will likely weigh on economic activity, especially in the September quarter. As a result, there is a high degree of uncertainty to the outlook for the second half of this year

Source: Refinitiv; YTD as of July 22, 2021, IMF and Press search

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Changing pandemic dynamics and stringent financial environment can dampen recovery and growth prospects

Country	Announced M&A Value (USD, bn)		Key Economic Indicators and COVID-19 Situation ⁽¹⁾
	2020	YTD 2021	
Singapore	\$47.4bn (up 11% Y-o-Y)	\$48.5bn ⁽²⁾ (up 75% Y-o-Y)	<ul style="list-style-type: none"> In Q1 2021, Singapore's GDP grew by 1.3% Y-o-Y and increased by 3.1% Q-o-Q. The IMF estimates the GDP to grow by 5.2% in 2021 and by 3.2% in 2022 As per the Ministry of Trade and Industry (MTI), in Q2 2021, Singapore's GDP contracted by 1.8% Q-o-Q on a seasonally adjusted basis (as per advanced estimates) and grew by 14.7% Y-o-Y. The MTI recently upgraded its forecast for GDP growth to 6-7% for 2021 The Singapore Straits Time Index grew by 7.9% in YTD 2021, after increasing by 10.7% in Q1 2021 Singapore has recently reported a spike in COVID-19 cases, as Ministry of Health reported 186 new cases (as of September 05, 2021). With more than 81% of its population inoculated, Singapore will continue to rely on vaccination and testing to keep the COVID-19 situation under control Singapore expects its economy to grow faster than predicted as its vaccination program gains pace, allowing for more economic activity and boosting demand for goods and services
South Korea	\$65.5bn (down 7% Y-o-Y)	\$56.9bn (up 88 Y-o-Y)	<ul style="list-style-type: none"> In Q2 2021, South Korea's GDP increased by 5.9% Y-o-Y, the highest in this decade and grew by 0.7% Q-o-Q. The IMF estimates the GDP to grow by 4.3% in 2021 and 3.4% in 2022 The Key growth drivers in the second quarter were rise in private consumption and government expenditure, which increased 3.5% and 3.9% Q-o-Q, respectively. The pace of economic growth is expected to slow in the third quarter as the government recently implemented its most stringent COVID-19 to contain the outbreak South Korea's manufacturing sector indicated a continued improvement in operating conditions, with a PMI of 53.0 in July, as manufacturers signaled an expansion in new order inflows for the 10th consecutive month South Korea reported more than 1,700 new daily COVID-19 cases (as of September 02, 2021) as it extended social distancing curbs for several weeks to control the outbreak. Also c.58% of its population has received one dose of vaccination and c.33% has been fully vaccinated The KOSPI Index increased by 8.7% in YTD 2021, after modestly growing by 4.0% in Q1 2021

Source: Refinitiv; YTD as of July 22, 2021, IMF and Press search

(1) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of September 03, 2021

(2) Figures extrapolated using data until June 30, 2021

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Although SPAC transactions have slowed down due to stringent regulations, bankers expect growth in deal activity in coming months



You still haven't seen capex demand come through because the Southeast Asian region is still kind of nascent in the recovery but you will start to see this re-emerging alongside refinancing and consolidation and M&A demand

— Amit Khattar, Deutsche Bank Asia-Pacific
(Head of Investment Banking)



We're only half way through the year, but if market conditions remain constructive and based on our backlog, we look well placed to break all records...The themes continue to be tech, consumer and healthcare. The spread of capital market and M&A deals is very much across all countries

— David Biller, Citigroup South East Asia,
(Head of banking, capital markets and advisory business)



We remain optimistic about the economic recovery, as exports and investments should remain a pillar of strength, while the implementation of the extra fiscal budgets will help cushion some of the negative impact of the recent COVID outbreak

— Lloyd Chan, Oxford Economics
(Chief Economist)



The Delta variant is dominant around the world right now, and it has already affected IMF's growth forecasts...For instance, the downgrade that we have for emerging Asia, including India, comes because of the Delta variant and the rising number of cases that we are seeing in many parts of the world, including in Indonesia and Malaysia. In the US also we are seeing cases going up again. So, that is an important concern, and even though we have incorporated some of it in our forecast, there is still an important downside risk, depending upon how this evolves in the future

— Gita Gopinath, IMF
(Chief Economist)



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