



M&A Activity in APAC

September 2020

Corporate and Investment Banking Practice



M&A Activity in APAC

Green shoots in APAC M&A are visible from July 2020

- **M&A activity over the years**

- The volume of M&A activity in APAC⁽¹⁾ increased by 13% YTD compared to 2019 and aggregated to \$585bn, primarily due to higher deal volumes in China and Japan
 - Of the ~28,500 deals announced globally, ~10,700 or 37% of the total deals were announced in APAC, followed by North America (~9,500) and Europe (~7,500)
- Small and mid-size deals (value less than US\$500mn) are far more common in APAC, and accounted for 47% of the total transactions (in terms of deal value) in APAC in 2019 compared with 18% for the rest of the world

- **M&A recovery will be driven by emergence from COVID-19, the strength and duration of economic stimulus packages, and economic growth**

- While economies are slowly being unlocked in many APAC regions, Australia, South Korea, New Zealand and Vietnam have gone back to lockdown owing to the resurgence of COVID-19 cases
- In India, cases continue to rise but its high recovery rates (~77.8%) and low fatality rates (~1.7%) are big positives
- Economic growth in APAC is expected to decline by 3.2% in 2020. However, recovery is expected in 2021 and APAC's GDP is expected to grow by 4.5% in 2021, led by China and India

- **M&A activity is looking up**

- Between July 1, 2020, and September 3, 2020, deals worth ~\$235bn were announced, up from \$158bn announced in Q2 2020
- Assuming the current run rate in announced M&A deals and no further deterioration in the COVID-19 situation, we might see growth in APAC M&A in 2020. This should be a big positive, as announced M&A value has been slowing down over the last three years and declined by ~11% between 2017 and 2019

Source: Refinitiv; YTD as of September 03, 2020; Figures in US\$bn, BCG report and IMF

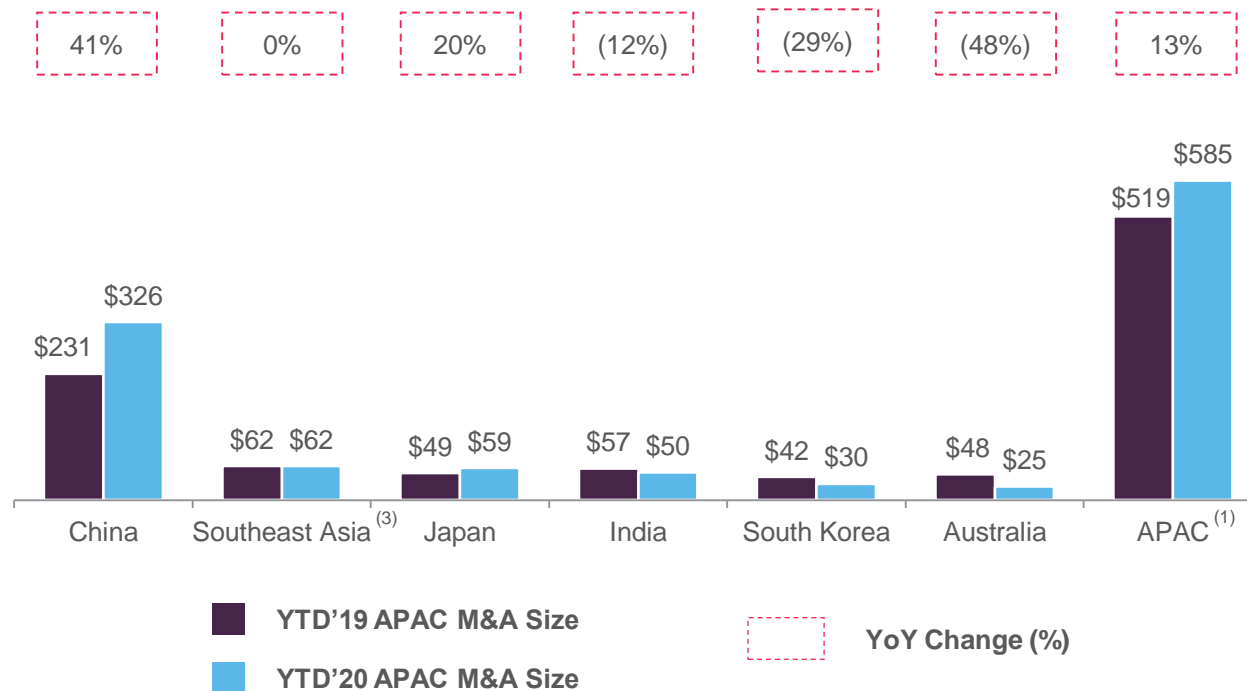
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(1) Includes Japan

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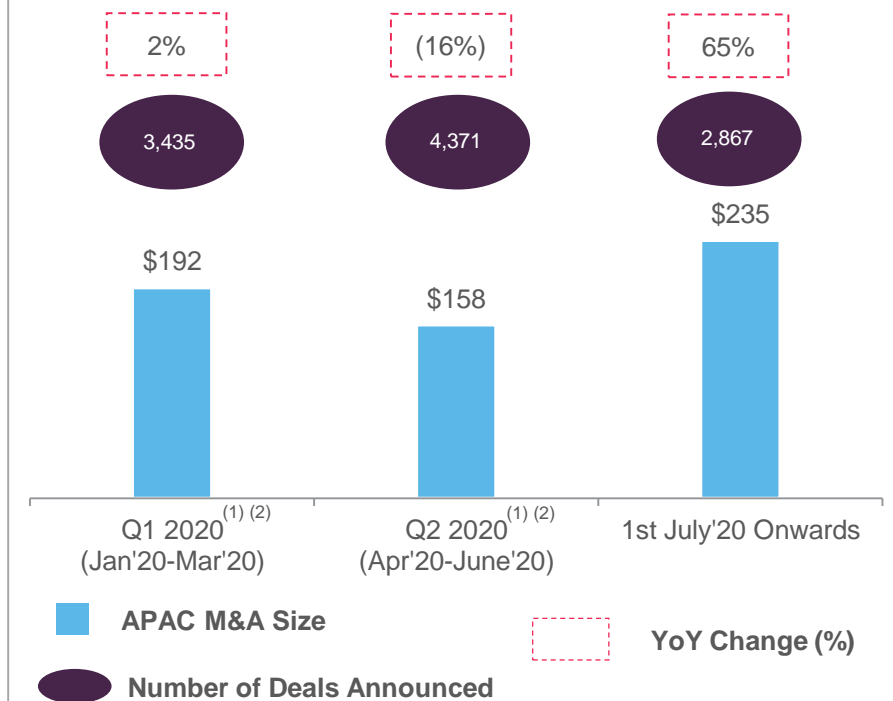


Deal Activity in APAC is Picking Up, Even Though Markets Remain Subdued Globally

- China and Japan have been the flag bearers of positive growth in FY20, with YTD growth of 41% and 20% (Y-o-Y) in deal value respectively
 - ✓ Japan displayed an impressive growth last year (with 40% growth in aggregate deal value, which closed at \$131bn for FY19)



- Deal activity has gained momentum from the start of H2 2020



Source: Refinitiv; YTD as of September 03, 2020; Figures in US\$bn

(1) Includes Japan

(2) Refinitiv report ending March 31, 2020 and June 30, 2020

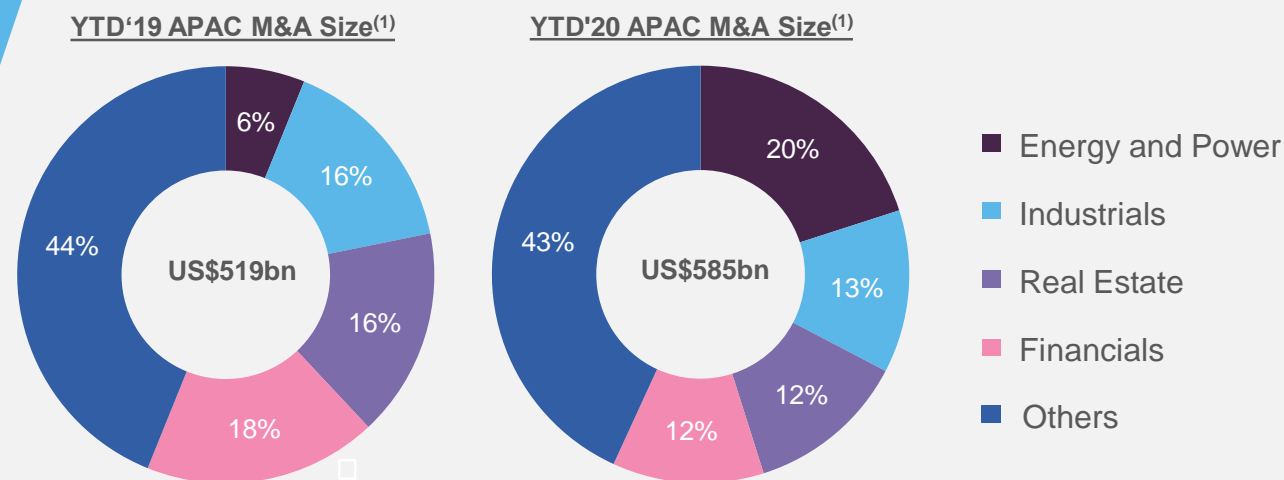
(3) Southeast Asia includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Singapore, Thailand, Philippines and Vietnam

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Recent Announcements of Big Ticket Deals Indicate Gradual Increase in Market Confidence

- Announcement of a few mega deals in 2020 have somewhat increased the aggregate deal activity in APAC
 - ✓ However, overall market confidence continues to be a little subdued
- Quite a few deals have been put on hold as buyers are waiting to gauge the true impact of the pandemic. A few examples include:
 - ✓ SoftBank terminating its \$3.0bn tender offer for WeWork
 - ✓ BDMS⁽²⁾ scrapping its \$3.2bn bid to take over Bumrungrad Hospital



YTD: Top Announced M&As (based on transaction value)

Ann. Date	Target	Target's Domicile	Txn. Value (US\$bn)	Acquirer	Acquirer's Domicile
30-Aug-20	Future Group (Retail Business)	India	\$3.4	Reliance Industries	India
25-Aug-20	Virgin Australia Holdings	Australia	\$3.4	Bain Capital	United States
2-Aug-20	Marathon Petroleum ⁽³⁾	United States	\$21.1	Seven & i Holdings Co	Japan
15-July-20	Jio Platforms	India	\$4.5	Google	United States
8-July-20	FamilyMart	Japan	\$5.4	Retail Investment Company	Japan
8-Jun-20	Sembcorp Marine	Singapore	\$5.3	Shareholder group	Singapore
23-May-20	China Everbright Bank	China	\$5.4	China Everbright Group	China
19-May-20	Sony Financial Holdings	Japan	\$4.0	Sony Corp	Japan
8-May-20	Jio Platforms	India	\$1.5	Vista Equity Partners	United States
23-Apr-20	Jio Platforms	India	\$5.7	Facebook	United States
3-Apr-20	Bank of Jinzhou-Credit assets	China	\$6.4	Beijing Chengfang Huida	China
2-Apr-20	58.com	China	\$6.7	Quantum Bloom	China

Source: Company Press Releases and Refinitiv; YTD as of September 03, 2020, Figures in US\$bn

(1) Includes Japan

(2) Represents Bangkok Dusit Medical Services

(3) For Speedway Gas Stations

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Economic Growth, Money Supply, and COVID-19 Status to Determine APAC Deal Activity

Country	Announced M&A Value (US\$ in bn)		Key Economic Indicators and COVID-19 Situation ⁽²⁾
	2019 Full Year	YTD 2020 ⁽¹⁾	
China	\$389.9bn (down 12% y-o-y)	\$326.2bn (up 41% y-o-y)	<ul style="list-style-type: none"> In Q2 2020, the GDP grew by 3.2% y-o-y and is expected to record an increase of 1% and 8.2% for 2020 and 2021, respectively (as per the IMF) The Shanghai Composite Index is up 9.7% YTD, after declining by 10.9% between January and March 2020 The government completed the auction of 1 trillion yuan (US\$141bn) of special treasury bonds; the proceeds will be used for economic stimulus Manufacturing, services, and construction have started showing improvement. Purchasing Manager's Indices (PMI) data for these sectors recorded above 50 for May, June, and July The resurgence of COVID-19 cases in Beijing and neighboring cities may limit recovery
Japan	\$130.7bn (up 40% y-o-y)	\$58.6bn (up 20% y-o-y)	<ul style="list-style-type: none"> In Q2 2020, the GDP declined by 27.8% y-o-y and 7.8% versus Q1 2020. The Japanese economy has declined for the third successive quarter. The IMF estimates the GDP to decline by 5.8% in 2020 and grow by 2.4% in 2021 The Nikkei 225 Index was up by 1.1% YTD, after declining by 18.5% between January and March 2020 Japan's stimulus package of JPY 117 trillion (US\$1.1trn), which is 21% of the 2019 GDP, is one of the largest globally; the majority of the package is aimed at safeguarding employment and businesses Japan slipped into a recession earlier this year and the recent increase in COVID-19 cases could further derail the overall recovery

Source: Refinitiv; IMF and Press search

(1) Represents YTD data as of September 03, 2020

(2) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of September 03, 2020

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Economic Growth, Money Supply, and COVID-19 Status to Determine APAC Deal Activity

Country	Announced M&A Value (US\$ in bn)		Key Economic Indicators and COVID-19 Situation ⁽²⁾
	2019 Full Year	YTD 2020 ⁽¹⁾	
India	\$78.2bn (down 32% y-o-y)	\$50.4bn (down 12% y-o-y)	<ul style="list-style-type: none"> In Q1 FY2021, the GDP (April 2020–June 2020) contracted by 23.9% y-o-y. The IMF estimates it to decline to 4.5% in 2020 and increase by 6% in 2021 The BSE Sensex Index fell 5.6% YTD, after declining by 28.7% between January and March 2020 The US\$260bn stimulus package (1% of GDP), coupled with the reduced repo and reverse repo rates, seem to have boosted liquidity in the market; a second stimulus package is expected soon Although the number of COVID-19 cases have increased in recent months but India is expected to recover faster as it has very high recovery rate (~77.8%) and low fatality rate (~1.7%). A second wave of fresh COVID-19 cases can still affect economic growth
Australia	\$73.9bn (down 27% Y-o-Y)	\$24.7bn (down 48% y-o-y)	<ul style="list-style-type: none"> In Q2 2020, the GDP declined by 6.3% y-o-y. The country is officially in recession now. The IMF estimates the GDP to decline 4.5% in 2020 (up from its April prediction of a 6.7% decline) and increase by 4.0% in 2021 The US\$120bn stimulus package (8.6% of GDP), together with weekly repo operations and temporary capital requirements relief for banks, seems to bode well for the economy In addition, the Australian government also completed the sale of sovereign bonds of US\$15bn in August 2020 The ASX 200 Index is down by 8.6% YTD, after declining by 24.1% between January and March 2020 The resurgence of cases in Victoria and an additional six-week lockdown is expected to impact economic growth

Source: Refinitiv; IMF and Press search

(1) Represents YTD data as of September 03, 2020

(2) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of September 03, 2020

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Economic Growth, Money Supply, and COVID-19 Status to Determine APAC Deal Activity

Country	Announced M&A Value (US\$ in bn)		Key Economic Indicators and COVID-19 Situation ⁽²⁾
	2019 Full Year	YTD 2020 ⁽¹⁾	
Singapore	\$46.2bn (up 104% y-o-y)	\$24.4bn ⁽³⁾ (up 4% y-o-y)	<ul style="list-style-type: none"> In Q2 2020, the GDP declined 13.2% y-o-y, higher than the Ministry of Trade and Industry's estimate of 12.6%. The IMF estimates it to decline by 3.5% in 2020 and increase by 3% in 2021. The government expects the full year GDP numbers to contract 5–7%. Singapore also slipped into recession in the last quarter owing to decimated retail expenditures, with recovery still looking afar The overall stimulus package of US\$72bn (19.7% of GDP) helped corporates and small businesses. The government plans to extend the stimulus package by US\$6bn The Singapore Straits Time Index is down by 22.1% YTD, after declining by 23.7% between January and March 2020
South Korea	\$114.2bn (up 22% Y-o-Y)	\$29.8bn (down 29% y-o-y)	<ul style="list-style-type: none"> In Q2 2020, the GDP declined by 3.0% y-o-y; the IMF estimates it to decline 2.1% in 2020 (after expanding 2.0% in 2019) and increase by 3.4% in 2021 South Korea fell into recession on back of poor exports. The surge in COVID-19 cases in August is expected to push down overall recovery The government has offered various stimulus packages aggregating to US\$222bn (14% of GDP) The government has recently announced to spend US\$95bn over the next five years spur future economic growth The KOSPI Index is up by 10.1% YTD after declining 19.3% between January and March 2020

Source: Refinitiv; IMF and Press search

(1) Represents YTD data as of September 03, 2020

(2) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of September 03, 2020

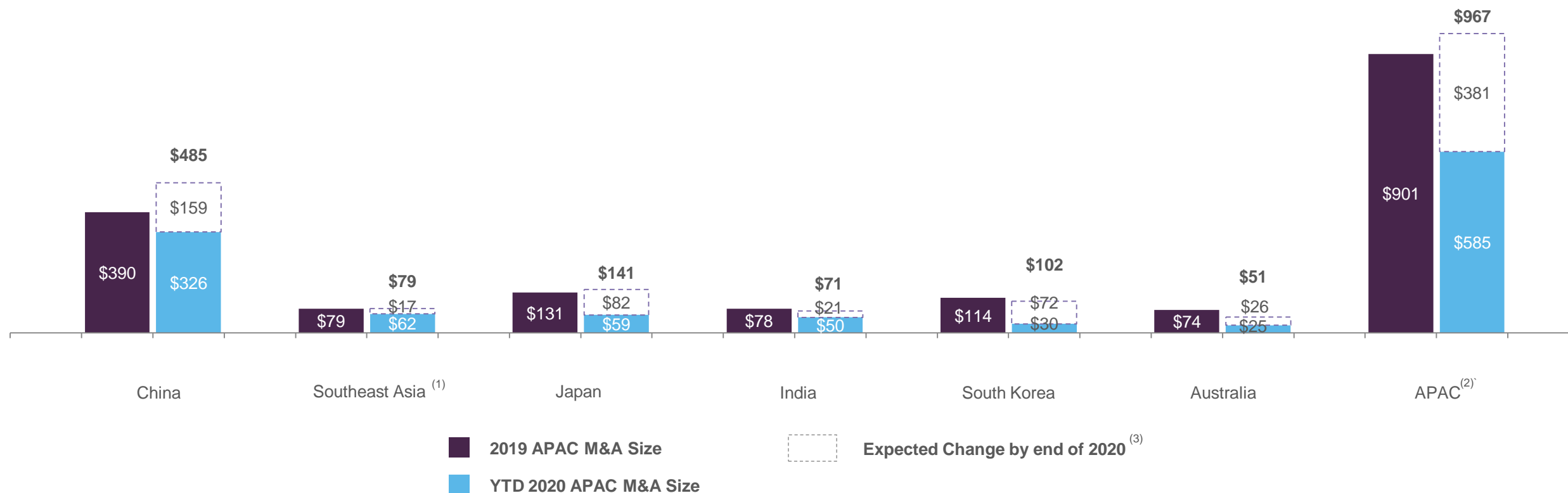
(3) Represents data as of June 30, 2020

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Getting a Broader Sense of How APAC M&A May Look Like By End-2020

- “Looking ahead, while Asia-Europe and Asia-US activity might be dampened right now, there is a lot of intra-Asia activity taking place, and this will continue. Cross-border transactions into the US, especially in the context of Chinese bidders/buyers, are without question going to be muted” – Raghu Narain, Head of Investment Banking, Natixis Asia Pacific
- “There are domestic consolidation discussions underway in almost every market” – Rohit Chatterji, Co-head of Asia-Pacific M&A at JPMorgan



Source: Refinitiv; YTD as of September 03, 2020; Figures in US\$bn

(1) Southeast Asia includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, Philippines and Vietnam

(2) Includes Japan

(3) Actual numbers (04th Sep – 31st Dec 2019) added to get full year figures for FY20, assuming the same growth as last year

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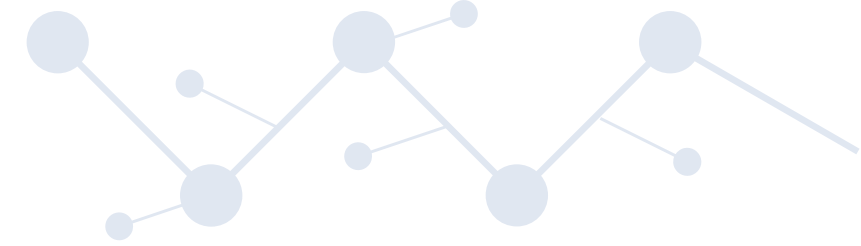
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