



M&A Activity in APAC

February 2021

Corporate and Investment Banking Practice



M&A in APAC⁽¹⁾ increased by 15% in 2020 primarily due to a surge of activity in Q3 2020

Overall M&A activity fared well in 2020

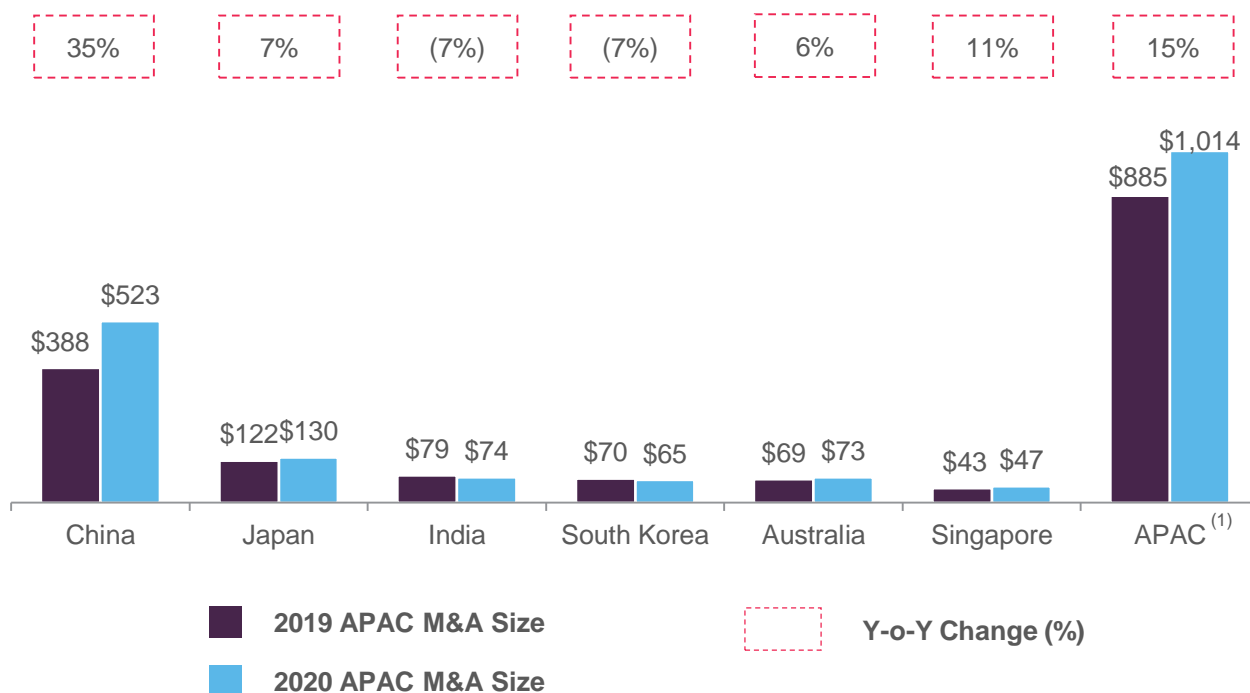
- Deal sentiment in markets such as China, Japan, Singapore, and Australia has remained upbeat since Q3 2020. This was the primary reason driving growth in APAC
- M&A deal volume in APAC⁽¹⁾ increased by 15% in 2020 compared with 2019
 - M&A deal value stood at USD1,014bn due to renewed market sentiment in the latter half of 2020
 - Of ~49,035 deals announced globally, APAC, North America, and EMEA accounted for 36%, 33%, and 31%, respectively
- APAC saw many high value deals in Q3 2020, with total deal value aggregating \$369bn - the highest ever third quarter on record
 - This was backed by domestic M&A and technology deals
 - The upside was driven by mega deals in China's O&G sector and Japan's Telecommunications sector

Resurgence of COVID-19 cases & new strain has brought some uncertainty towards revival of the economic growth

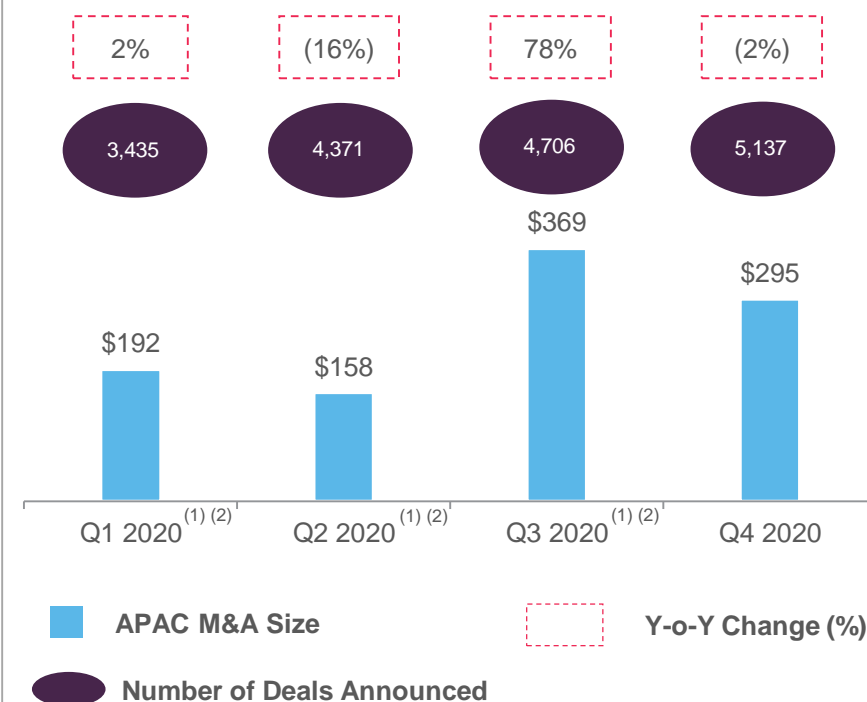
- The situation remains largely controlled in terms of overall COVID-19 cases across APAC regions
 - Although countries like China, Japan, Hong Kong, India and South Korea are still reporting steady number of cases, however the curve seems to be heading downwards
- Towards the end of 2020, Australia and New Zealand witnessed a brief rise in COVID-19 cases. However, strict measures by the governments restricted any community transmission or large-scale outbreak
- In India, daily number of cases are off the highs as witnessed in November and December, recovery rates (~97.0%) and fatality rates (~1.4%) have been continuously improving
- APAC's GDP is expected to decline by ~3.5% in 2020. However, it is expected to rebound in 2021 and grow by ~5.7%, led by India (11.5%) and China (8.1%)
- Multiple vaccine approvals and the launch of vaccination programs in a few countries have boosted hopes of recovery from the pandemic

M&A activity started recovering at the end of H1 2020; strong H2 2020 ensured double digit growth for the full year

- Increase in deal activity in H2 2020 drove growth in M&A deal value
 - ✓ Significant growth in China, Singapore and Japan enabled APAC M&A to beat the COVID-19 blues
 - ✓ India and South Korea were the only major countries with negative growth



- We witnessed incremental growth in number of deals from Q1 till Q4; however, Q3 recorded the highest overall deal value due to announcement of multiple big ticket deals



Source: Refinitiv; YTD as of December 31, 2020; SDC, Figures in USDbn

(1) Includes Japan

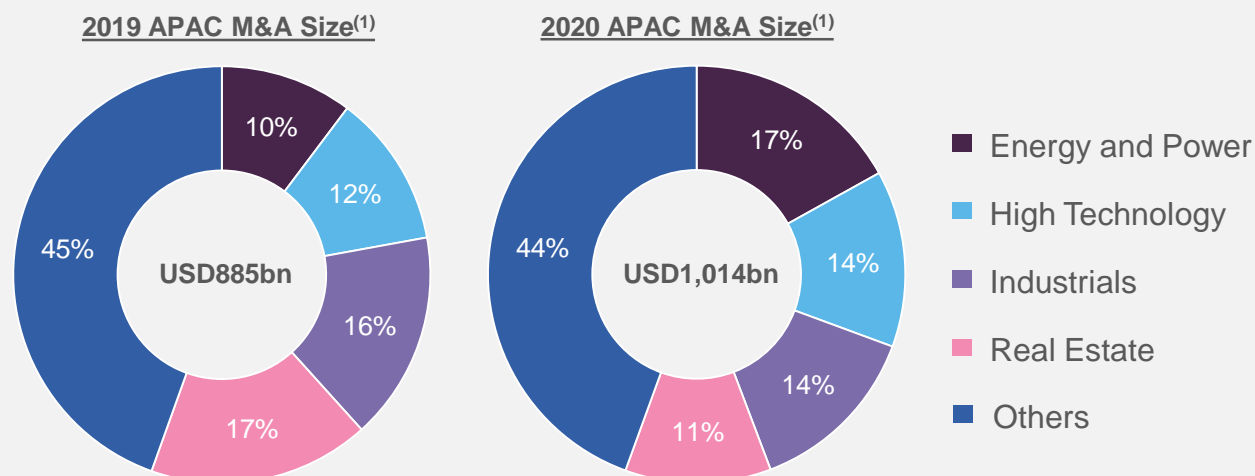
(2) Refinitiv report ending March 31, 2020, June 30, 2020 & Sep 30, 2020

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Deal sentiment improved gradually throughout the year

- Deal activity in the Energy and Power sector increased to 17% in 2020, compared with 10% in 2019
 - ✓ Mega deals involving Marathon Petroleum, PetroChina, and Kunlun Energy led the pack
- Technology was the second-best sector in terms of overall deal making, following the global M&A trend which registered an all time high in 2020



2020: Top Announced M&A (Based on Transaction Value)

| Ann. Date | Target | Target's Domicile | Txn. Value (USDbn) | Acquirer | Acquirer's Domicile |
|------------|-------------------------------------|-------------------|--------------------|------------------------------|---------------------|
| 24-Dec-20 | Kunlun Energy (Dalian LNG terminal) | China | \$6.3 | China Oil & Gas Pipeline | China |
| 9-Dec-20 | Infratil | New Zealand | \$5.8 | Australian Super | Australia |
| 27-Oct-20 | China Gezhouba Group | China | \$14.4 | China Energy Engineering | China |
| 25-Oct-20 | Coca-Cola Amatil | Australia | \$5.7 | Coca-Cola European Partners | United Kingdom |
| 20-Oct-20 | Intel ⁽²⁾ | United States | \$9.0 | SK Hynix | South Korea |
| 29-Sep-20 | NTT DoCoMo | Japan | \$40.2 | Nippon Telegraph & Telephone | Japan |
| 21-Aug-20 | Wuthelam Holdings | Singapore | \$12.1 | Nippon Paint Holdings | Japan |
| 23-July-20 | Marathon Petroleum ⁽³⁾ | United States | \$21.1 | Seven & i Holdings Co | Japan |
| 23-July-20 | Petro China - Pipeline assets | China | \$49.1 | China Oil & Gas Pipeline | China |
| 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 |
| 21-Mar-20 | Liaoning Zhongwang | China | \$6.6 | CRED Holding | China |

Source: Company Press Releases and Refinitiv; YTD as of December 31, 2020, Figures in USDbn

(1) Includes Japan

(2) For Nand Memory unit

(3) For Speedway Gas Stations

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Strong fiscal policies, domestic investments & roll-out of vaccines to hold the key for markets

| Country | Announced M&A Value (USD, bn) | | Key Economic Indicators and COVID-19 Situation ⁽¹⁾ |
|---------|----------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2019 | 2020 | |
| China | \$387.7bn (down by 12% Y-o-Y) | \$523.3bn (up by 35% Y-o-Y) | <ul style="list-style-type: none"> In Q4 2020, China's GDP grew by 2.6% Q-o-Q and by 2.3% Y-o-Y in 2020, the slowest growth rate in last 45 years. 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 8.0% in 2021 The Shanghai Composite Index increased by 12.6% in 2020, after declining by 10.9% in Q1 2020 Trade surplus rose to a record USD78.2bn in December, exceeding the previous high of USD75.4bn in November, as export growth outstripped imports and closed at USD535.0bn in 2020 (the highest since 2015) The government recently approved vaccine for the general public, while China based Sinopharm is ramping up the production for mass vaccination across the country However, China's manufacturing index fell for second consecutive month, with PMI falling to 51.3 in January 2021, while the non-manufacturing gauge dropped to 52.4 from 55.7 in December 2020. Travel curbs, recent lockdown in Northern China & continuously falling service PMI may slowdown the overall economic recovery |
| Japan | \$121.8bn (up by 40% Y-o-Y) | \$130.4bn (up by 7% Y-o-Y) | <ul style="list-style-type: none"> In Q3 2020, Japan's GDP grew by 22.9% Y-o-Y and 5.3% Q-o-Q. The IMF estimates the GDP to decline by 5.1% in 2020, and then grow by 3.1% in 2021 As per the Ministry of Finance, exports increased by 2.4%, while imports fell by 11.6% Y-o-Y in December 2020. Both exports and imports declined by 11.1% and 13.8%, respectively, for the full year 2020 The Nikkei 225 Index recovered well and increased by 18.3% in 2020, after declining by 18.5% in Q1 2020 The Government of Japan recently announced a state of emergency in Tokyo, Kanagawa, Saitama, and Chiba prompted by surging number of COVID-19 cases. It is expected to extend the restrictions to seven more neighboring prefectures In December 2020, Japan's cabinet approved a third supplementary budget to fund a fresh USD708bn stimulus package to increase focus on investment in new growth areas such as green and digital innovation |

Strong fiscal policies, domestic investments & roll-out of vaccines to hold the key for markets

| Country | Announced M&A Value (USD, bn) | | Key Economic Indicators and COVID-19 Situation ⁽¹⁾ |
|-----------|---------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2019 | 2020 | |
| India | \$79.1bn (down by 32% Y-o-Y) | \$73.6bn (down by 7% Y-o-Y) | <ul style="list-style-type: none"> In Q2 2021 (July–September 2020), India's GDP declined by 7.5% Y-o-Y. The IMF estimates the GDP to decline by 8.0% in 2020 and increase by 11.5% in 2021 The IMF's outlook for the Indian economy remains bright. It expects the GDP to register decent growth in 2021. However, the World Bank expects the Indian economy to contract by 9.6% in 2020 and grow by 5.4% in 2021 The BSE Sensex Index increased by 15.6% in 2020, after declining by 28.7% in Q1 2020 (January-March) COVID-19 cases crossed the 10mn mark towards the end of 2020. However, India's improving recovery rate (~97.0%) and decreasing fatality rate (~1.4%) are a huge positive for economic recovery. Overall, the number of cases has been steadily declining across the country, after a surge in November With record collection in GST revenue (~INR1.2 lakh crore) in January 2021, India's economy is showing signs of a 'V-shaped' recovery in 2021, along with the return of consumer confidence. The latest union budget's focus on improving infrastructure and planned privatization of PSUs to drive economic growth |
| Australia | \$68.6bn (down by 27% Y-o-Y) | \$72.7bn (up by 6% Y-o-Y) | <ul style="list-style-type: none"> In Q3 2020, Australia's GDP grew by 3.3% Q-o-Q and declined by 3.8% Y-o-Y. The IMF estimates the GDP to shrink by 2.9% in 2020 (up from its October 2020 prediction of a 4.2% decline) and rise by 3.5% in 2021 The recovery of economy was led by household spending, which increased by 7.9% due to massive fiscal and monetary stimulus by the Australian government since March 2020. The Reserve Bank of Australia expects economic growth to be robust in the December 2020 quarter The ASX 200 Index recovered from a 24.1% dip in Q1 2020, to a decline of 1.5% for full year 2020 States such as Victoria, NSW, and Australian Capital Territory (ACT) have not reported any locally infected COVID-19 cases recently. However, the government recently imposed lockdowns in Queensland and Brisbane due to fresh COVID-19 cases, which may deter economic recovery |

Strong fiscal policies, domestic investments & roll-out of vaccines to hold the key for markets

| Country | Announced M&A Value (USD, bn) | | Key Economic Indicators and COVID-19 Situation ⁽¹⁾ |
|-------------|--------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2019 | 2020 | |
| Singapore | \$42.7bn (up by 104% Y-o-Y) | \$47.4bn (up by 11% Y-o-Y) | <ul style="list-style-type: none"> In Q3 2020, Singapore's GDP declined by 7.0% Y-o-Y and grew by 7.9% on a quarterly and seasonally adjusted basis due to a phased reopening of the economy. The IMF estimates the GDP to decline by 6.0% in 2020 and increase by 5.0% in 2021 As per the Ministry of Trade and Industry (MTI), in Q4 2020, Singapore's GDP declined by 3.8% Y-o-Y and grew by 2.1% Q-o-Q on a seasonally adjusted basis. Overall, the GDP contracted by 5.8% Y-o-Y in 2020 The Singapore Straits Time Index declined by 12.6% in 2020, after decreasing by 23.7% in Q1 2020 Singapore has largely curbed the rise in COVID-19 cases (with less than 250 active cases as of January 17, 2021) through a strong contact-tracking system and extensive ban on foreign travel Singapore became one of the early recipients of the Pfizer-BioNtech vaccine in December. It is gearing up for a mass vaccine roll out to inoculate its entire population by the end of 2021 |
| South Korea | \$70.3bn (up by 22% Y-o-Y) | \$65.5bn (down by 7% Y-o-Y) | <ul style="list-style-type: none"> In Q3 2020, South Korea's GDP declined by 1.3% Y-o-Y and grew by 1.9% compared with the June quarter [Q2 2020]. The IMF estimates the GDP to decline by 1.1% in 2020 (after a 2.0% rise in 2019) and increase by 3.1% in 2021 On an inflation-adjusted basis, the Ministry of Economy and Finance expects South Korea's GDP to grow by 3.2% and the state-run Korea Development Institute projects a rise of 3.1% in 2021 South Korea's manufacturing sector continued its growth momentum, with a nine-year high PMI of 53.1 in January 2021, as the country is trying to recover from a COVID-19-triggered downturn Seoul and Gyoneggi reported 100+ daily cases due to a resurgence in COVID-19 infections in November. In the rest of South Korea, the pandemic seems to be under control The KOSPI Index was one of the best performers in APAC and increased by 32.1% in 2020, after declining by 19.3% in Q1 2020 |

Source: Refinitiv; YTD as of December 31, 2020, IMF, SDC and Press search

(1) Benchmark indices include Shanghai Composite Index, Nikkei 225, Straits Times Index, BSE Sensex, ASX 200 and KOSPI. Data as of December 31, 2020

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The effects of COVID-19 were worse than that of the 2008 financial crisis; however, APAC has been resilient and is on a recovery path



Private consumption could emerge as the key growth driver with release of excess savings and full job market recovery, while a stronger global demand and reduced risks of trade tensions would boost manufacturing capex, outweighing slower construction activity and a slightly narrower current account surplus

— Robin Xing, Morgan Stanley Asia
(Chief economist)



As lessons from the post-financial crisis period show, early and bold choices on portfolio-transforming investments, particularly acquisitions and divestments, can help reframe the future of a whole organization and position it for growth beyond the crisis. Dealmakers have demonstrated the ability to close transactions despite travel restrictions in Asia-Pacific. As borders gradually re-open, we anticipate increased transaction volumes in the coming quarters both domestic and cross borders

— Yew-Poh Mak, EY Asia-Pacific,
(Strategy and Transactions Leader)



We're at the start of an era similar to the aftermath of the global financial crisis. Be it a post- or with-coronavirus era, things will change - there should be more industrial reorganization and cross-border transactions... Consultations on local deals are up about 30% to 40% from a normal year, with clients seeking advice on 'every kind of transaction' during the pandemic

— Shunichi Tsunoda, Nomura Japan
(Global M&A head)



The biggest story has to be the enormous rebound we have experienced. Talk about dog years, we went through a three-to-five year cycle in just six months

— Cary Kochman, Citigroup
(Global co-head of M&A)



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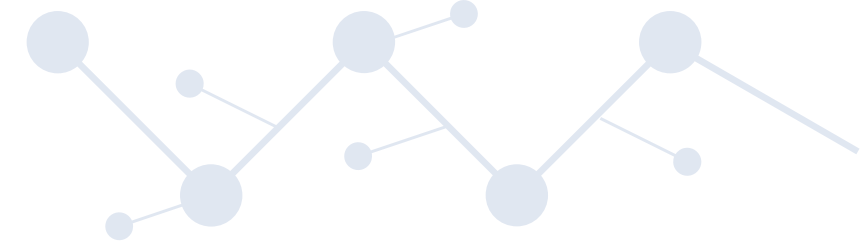
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