

EVALUERVE



APAC M&A in 2022

Corporate and Investment Banking Practice

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Global Disruptions and Gloomy Developments Impacted Deal Activity in 2022

Global and APAC⁽¹⁾ M&A slowed down from record-setting pace in 2021

- Deal volumes in the APAC⁽¹⁾ declined on back of slowest Q1 in two years and aggregated US\$678bn in YTD 2022 (down 27% Y-o-Y)
- Deal making in the global market also decreased compared to 2021, aggregating US\$2.7tn in YTD 2022 (down 33% Y-o-Y)
 - Overall sentiment in M&A markets is subdued, as the number of deals declined by 17% Y-o-Y to 26,703 in H1 2022
- M&A activity in APAC (on YTD basis) was partially backed by strong growth in India (up 58% Y-o-Y)
 - The financial and industrial sectors emerged as the leading contributors to deal activity in APAC, accounting for ~37% of total deals
 - Deal volumes in China plunged 30% Y-o-Y to \$243bn, in YTD 2022
- Of the ~38,000 deals announced globally, the EMEA accounted for 37%, while the Americas and APAC accounted for 33% and 30%, respectively

Stable governance and progressive lifting of COVID-19 restrictions hold the key to recovery

- As per IMF, APAC's annual economic growth is expected to be slower than estimated earlier in 2022
- Global uncertainties, emergence of new COVID-19 variants, and tightening financial conditions will challenge growth
 - There has been a recent resurgence in infection rates, as South Korea, Japan, and China have been reporting high number of cases
- Barring a resurgence in Maharashtra, Delhi, and Kerala (mainly fueled by the BA.2 variant) earlier in July, the overall COVID-19 situation in India has remained largely under control in 2022
 - On September 26, 2022, India reported ~5,383 new cases and an overall recovery rate of 98.7%; the number of active cases stood at 43,515 while the daily positivity rate dropped to 1.6%
 - As of September 26, 2022, India had administered over 2.2bn vaccination doses; ~69% of its population was fully vaccinated
- APAC's GDP is expected to grow by 3.8% in 2022, led by India (7.4%) based on IMF's forecast. However, it is expected to slow down and grow by 3.3% in 2023

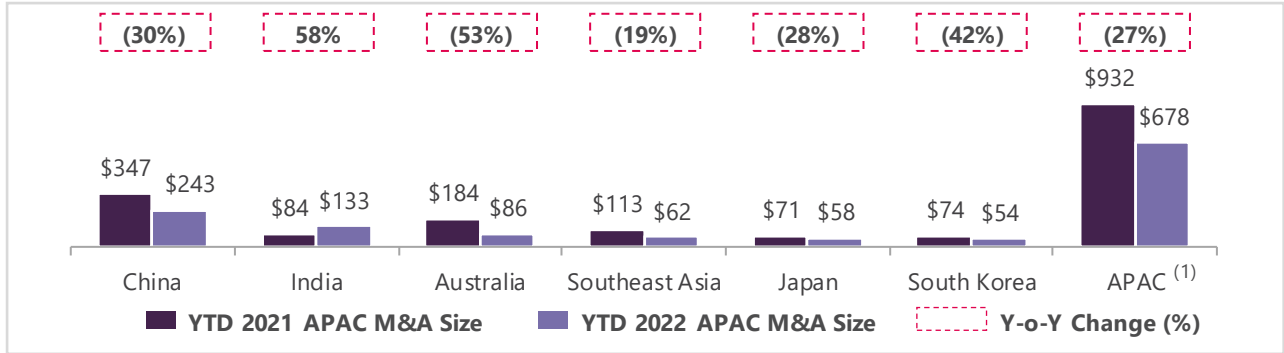
Source: Refinitiv; Data as of September 23, 2022; Figures in USDbn, World Bank and IMF

1) Includes Japan

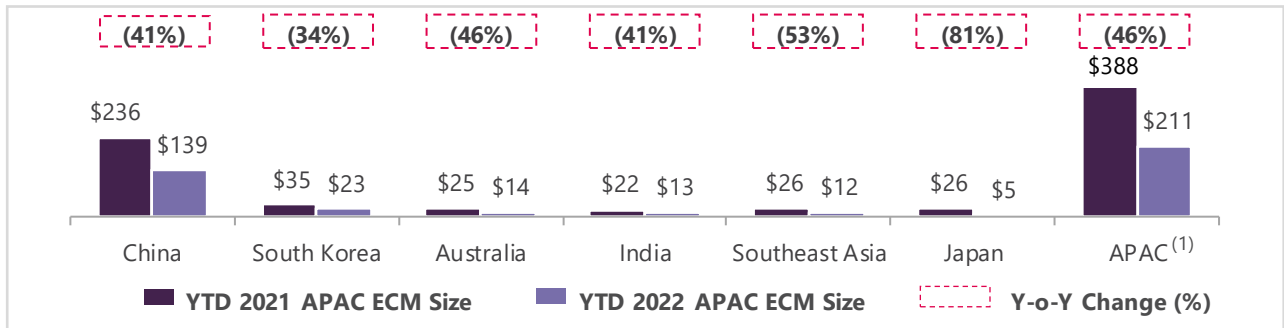


Deal Volumes Have Just Not Gathered Any Steam in 2022

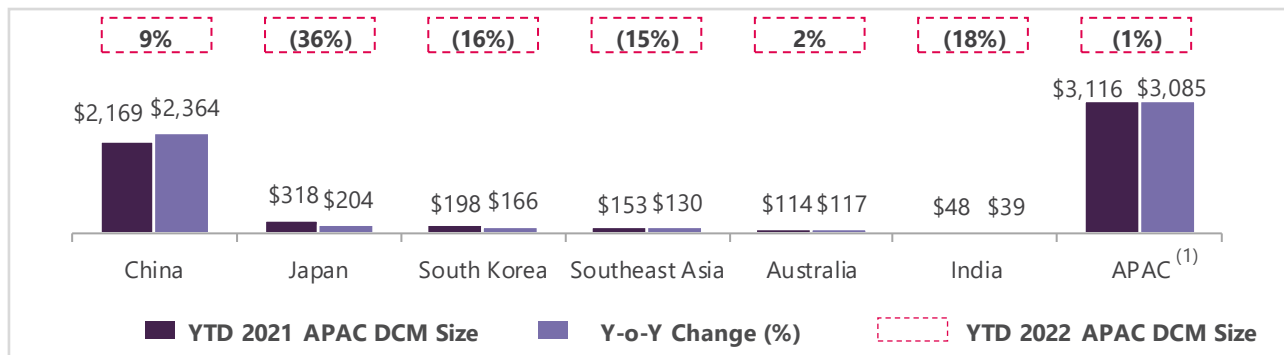
- The APAC⁽¹⁾ M&A market is in a flux, as deal-making and deal volumes declined by 27% in YTD 2022 (on Y-o-Y basis)
 - Deal volumes in China and Australia have declined by 30% and 53%, respectively



- Equity capital market (ECM) deal volumes in APAC⁽¹⁾ declined by 46% in YTD 2022



- Deal volumes in APAC⁽¹⁾ debt capital markets (DCM) decreased marginally by 1% in YTD 2022; APAC accounted for ~64% of global deals



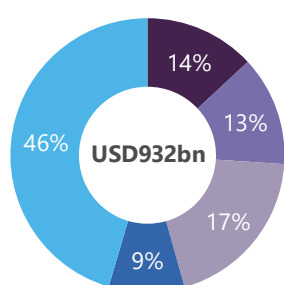
Source: Refinitiv; Data as of September 23, 2022; Figures in USDbn

1) Includes Japan.

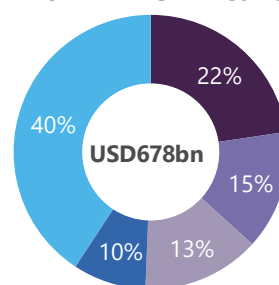
Financial Sector Registered Highest Y-o-Y Growth in Deal Making in 2022

- The financial sector emerged as the highest contributor to deal making in the APAC, accounting for 22% of total deals⁽²⁾ in YTD 2022
 - The industrial sector was the second highest contributor in the APAC M&A market, where it accounted for 15% of total deals⁽²⁾
 - The financial, industrial, and technology sectors accounted for a bulk (~50%) of M&A deal volumes in the APAC on a cumulative basis

YTD 2021 APAC⁽¹⁾ M&A Size



YTD 2022 APAC⁽¹⁾ M&A Size



Top Announced M&A (By Transaction Value): YTD 2022

Ann. Date	Target	Target's Advisor	Txn. Value (USDbn)	Acquirer	Acquirer's Advisor
30-June-22	Three Gorges Jinshajiang	-	\$12.8	China Yangtze Power	Citic Securities / Huatai United
10-June-22	AVIC Electromechanical Sys	GF Securities	\$7.6	China Avionics Systems	AVIC Securities / CSC Financial
28-Apr-22	Hitachi Transport System	Morgan Stanley / UBS	\$8.5	Kohlberg Kravis Roberts	BofA / SMBC Nikko Securities
20-Apr-22	Ramsay Health Care	UBS	\$20.9	Private Group	Credit Suisse AG
04-Apr-22	Housing Dvlp Fin Corp	Credit Suisse / Jefferies / Axis Bank	\$60.4	HDFC Bank	Morgan Stanley / Goldman Sachs

Source: Company Press Releases and Refinitiv; Data as of September 23, 2022, Figures in USDbn

1) Includes Japan

(2) In terms of deal value

Investors Remain Optimistic Although Rising Interest Rates and Steep Inflation Impair M&A Growth

- Due to some unexpected volatilities, in the short term, some transactions which are signed but not yet closed could be impacted, and transactions currently underway may collapse...For incomplete transactions, parties may seek to rely on material adverse change provisions to walk away...Some parties may even forgo money already deposited in escrow accounts as a transaction guarantee to avoid completing the transaction

— Miranda Zhao, Natixis Corporate & Investment Banking (*Head of M&A, Asia Pacific*)

- M&A activity in the financial sector will continue but deals will be selective and localized and propelled by a variety of specific criteria...The desire to move fast and go deep with tech is rising and this can only be achieved through acquisition of new technology enablers

— Brian Chia, Baker McKenzie (*Chairperson, Asia-Pacific M&A practice*)

- While conglomerates will consolidate to become stronger and gain market share in their core sectors, there will be renewed or new initiatives around two big themes: ESG and digital...Regularly, we find the next generation has interests in other themes, particularly tech platforms and ESG

— Sonjoy Chatterjee, Goldman Sachs (*Chairman and CEO, India*)

Outlook for 2022

Economic Forecast

As geopolitical and financial factors continued to impact market sentiments, APAC deal volumes are expected to remain sluggish this year. Dealmakers are not too optimistic, as APAC economic growth is expected to slow down further in 2022 and grow at a reduced rate of ~3.8% (significantly down from 4.3% in April)

Containing COVID-19

Although in much of the world the acute impact of the COVID-19 pandemic is fading, intermittent resurgence of newer subvariants continue to leave its impact on growth. Universal vaccination remains the best shield against further variants

Global Factors

Concerns regarding economic uncertainty and inbound recession have increased in recent months. Tighter financial policies, the current geopolitical situation, and rising food and energy prices pose a grave threat to the medium-term outlook for world economy

Source: Press search, World Bank and IMF



About the Author




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