

EVALUERVE



M&A in APAC – YTD Sep 2023

Corporate and Investment Banking Practice

November 2023

Declining inflation not enough to propel global economic growth

M&A activities in APAC slowed down as global M&A dipped to new lows

- In YTD Sep 2023, global M&A deals declined to US\$2tn, down by 27% Y-o-Y. It was the slowest deal-making period since 2013
 - During this period, ~41,000 deals were announced globally (down by 8% Y-o-Y), the lowest in the last three years
 - The EMEA and Americas each accounted for 35% of the total deals, while APAC accounted for 30%
- The total value of deals in APAC⁽¹⁾ aggregated US\$536bn in YTD Sep 2023 (down by 22% Y-o-Y), marking the slowest first nine-month period since 2013
 - Deal values in India and South East Asia slipped by 57% Y-o-Y each to ~US\$61bn, which significantly weighed on the overall growth of the APAC M&A
 - The material and industrial sectors accounted for ~37% of all deals in APAC and were the top contributors to deal activity
- Japan was the only region among major APAC geographies, which experienced growth in YTD Sep 2023 with a 28% Y-o-Y jump in deal values (aggregated US\$76bn)

Despite a challenging global environment, there is hope for APAC economies

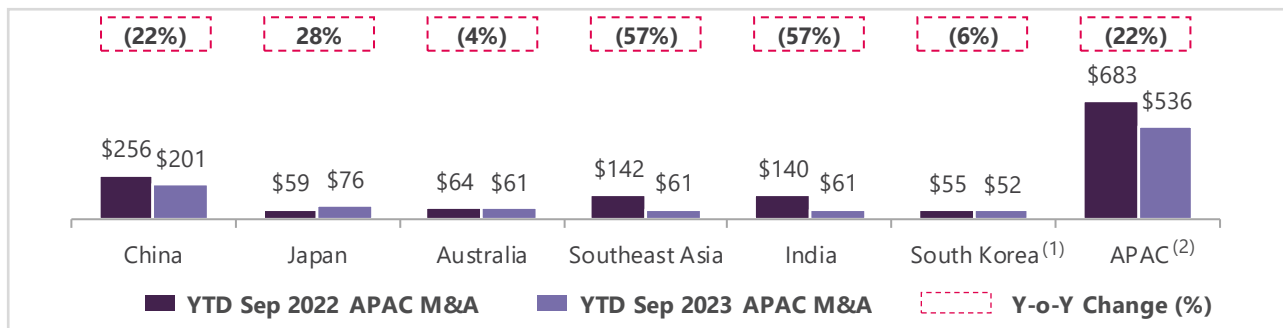
- Economic activity in APAC remains on track to contribute significantly towards global growth in 2023, despite a challenging environment and synchronized monetary tightening
 - The upside can be attributed to robust domestic demand, partially reflecting a draw-down in excess savings, along with China's reopening after the pandemic
- China showed some signs of recovery with strengthening of retail sales in Q3 2023, however, its economy remained fragile and long-term growth prospects seem weak
- India is leading the pack among developing economies as the IMF recently revised its growth forecasts for 2023 by 0.2% from its previous projections, due to robust momentum from domestic investments
- According to the latest projections by the IMF, APAC's GDP is expected to grow by 3.0% in 2023, led by India with 6.3% growth. Further, APAC's growth is expected to decline to 2.9% in 2024

Source: Refinitiv; Data as on September 30, 2023; Figures in USDbn, IMF

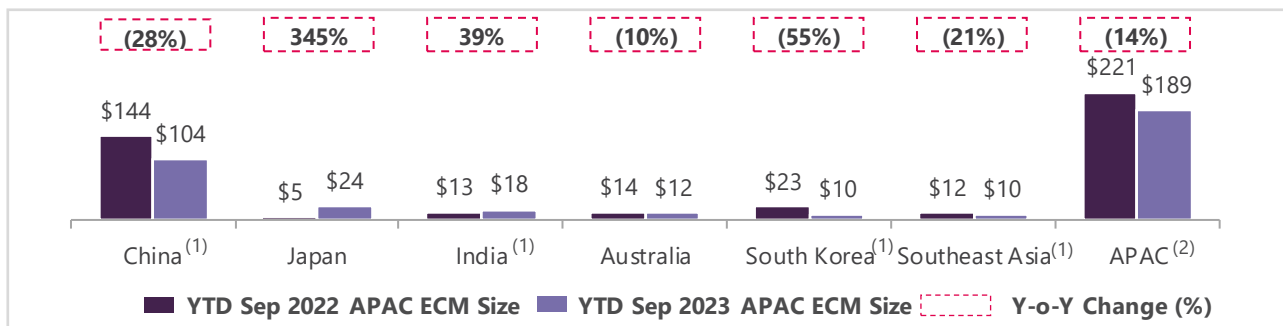
(1) Includes Japan

Subdued market activity prevailed in APAC amid global headwinds

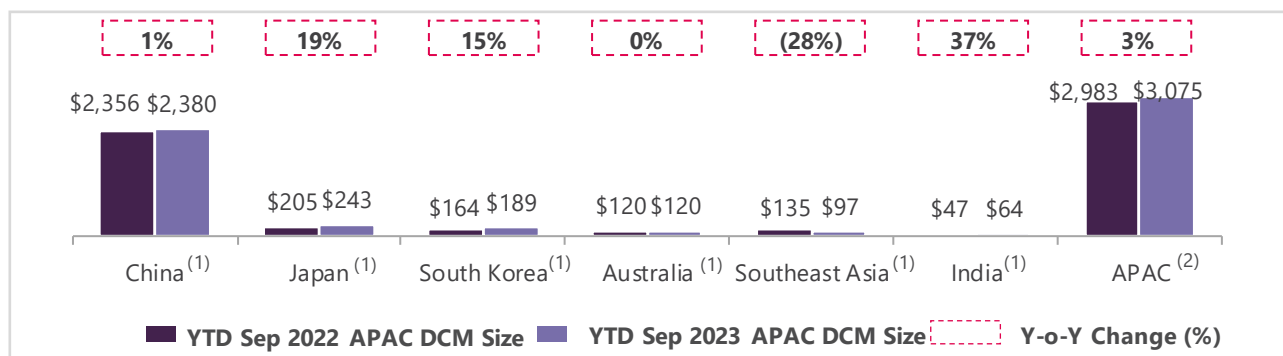
- In YTD Sep 2023, M&A activities in APAC remained sluggish, with total deal value declining by 22% Y-o-Y
 - However, deal value in Japan grew by 28% during the same period



- Deal value in equity capital markets (ECM) in APAC fell by 14% in YTD Sep 2023



- The value of deals in the debt capital market (DCM) in APAC improved by 3% in YTD Sep 2023. Asian local currency bond offerings aggregated to US\$2.7tn (up by 2% Y-o-Y), marking the strongest opening nine months



Source: Refinitiv; Data as on September 30, 2023; Figures in USDbn

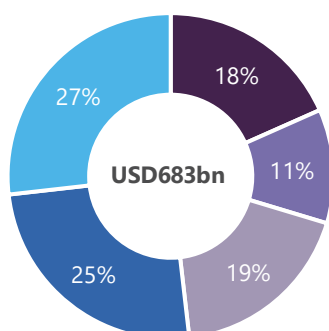
1) Interpolated figures using data as on Oct 12, 2023

2) Includes Japan and Australia

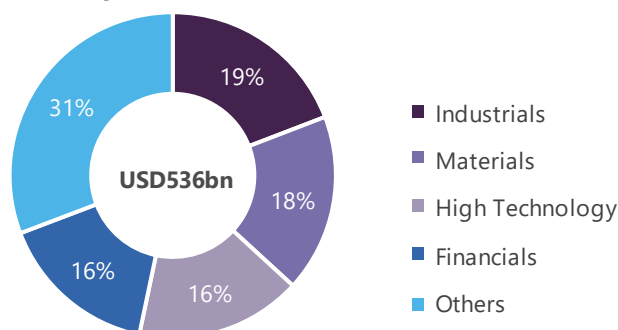
In YTD Sep 2023, the Materials sector witnessed the highest Y-o-Y growth in M&A market

- In YTD Sep 2023, the Industrials sector emerged as a top contributor to M&A deals in APAC, accounting for 19% of the total deals⁽¹⁾, followed closely by the Materials sector, which accounted for 18% share
 - During the same period, the Financials sector saw the highest decline in deal value on a Y-o-Y basis
 - In line with M&A activities across the globe, deal volumes in APAC decreased in YTD Sep 2023 (down by 22% Y-o-Y)

YTD Sep 2022 APAC⁽²⁾ M&A Size



YTD Sep 2023 APAC⁽²⁾ M&A Size



- Industrials
- Materials
- High Technology
- Financials
- Others

Top Announced M&A (by Transaction Value): YTD Sep 2023

Date of Announcement	Target	Target's Advisor	Transaction Value (USDbn)	Acquirer	Acquirer's Advisor
12-May-23	VinFast Auto	Chardan Capital Markets	\$23.0	Black Spade Acquisition	Jones Trading Institutional Services
06-Feb-23	Newcrest Mining	JPMorgan Chase / Gresham Partners	\$19.8	Newmont Corp	Lazard / BofA Securities
21-Aug-23	Jio Financial Services	Goldman Sachs/Morgan Stanley/Citigroup	\$18.3	Shareholders	-
26-June-23	JSR Corp	Mizuho/Mitsubishi UFJ Morgan Stanley	\$7.0	JICC-02	Nomura/JP Morgan
31-July-23	SharkNinja Operating	Morgan Stanley/ The Goldman Sachs	\$6.1	Shareholders	-

Source: Company Press Releases and Refinitiv; Data as on September 30, 2023; Figures in USDbn

1) In terms of deal value

(2) Includes Japan

Despite uncertain global economic environment, many APAC markets look favorable in the short term

- *While global macroeconomic headwinds drive volatility in markets, India saw strong M&A activities in 2023. The Indian IPO market saw a flurry of activity with stock markets toting up the greatest number of new listings in 2023 globally. India stands out as a shining star in Asia in the midst of global macroeconomic challenges*

— Tyler Dickson, Citigroup (Co-Head of Banking, Capital Markets and Advisory)

- *Private sector expenditure and consumption, not only in India but in most of the world, are the biggest hurdles for the global growth engine to fire up. The main reasons for these two growth factors slacking are the global uncertainty levels and the interest rate, both of which are at multi-year highs. Most countries are focused on short-term policies, but short-termism has to give way to longer-term reforms which will give a boost to the economies of this region*

— Krishna Srinivasan, IMF (Director, Asia Pacific)

- *India will continue to be a bright spot in the global economic picture. The country has been favored by foreign investors in recent years, reflecting its promising long-term outlook helped by a youthful demographics and a fast-expanding middle class. We expect such a trend to continue. Consumer spending remains one of the biggest growth drivers in the world's most populous nation*

— Alicia Garcia-Herrero, Natixis (Chief Economist, Asia Pacific)

- *The Japanese stock market is performing quite well and this type of favorable environment encourages the founders, and those with concentrated ownership to consider selling; In the next 6-12 months, there are easily several billion dollars' worth of deal opportunities that are in our pipeline, including a couple of billion-dollar-plus take-private situations*

— David Gross-Loh, Bain Capital Asia (Managing Partner)

- *Tougher business environment with rising inflation and pressure on profit margins is also making companies more open to drastic action including mergers with rivals; faced with higher wages and rising materials and energy costs, companies are more serious about a restructuring of their lackluster domestic businesses, a step long overdue*

— Shinsuke Tsunoda, Nomura Securities (Senior Managing Director)

Source: Press search and IMF



Outlook for 2023

Global economic growth remains slow with widening divergences

Globally, economic growth continues to recover slowly from the blows of decades-high inflation, coupled with tight monetary policies and a restrictive credit environment. However, the recovery is more sluggish in advanced economies than in emerging and developing ones. The global economy is anticipated to grow by 3.0% in 2023 and 2.9% in 2024. Following a similar path, growth in emerging and developing economies is also expected to slow down and shore up by only 4.0% in both 2023 and 2024

Inflation continues to prove more persistent than projected

Headline inflation has continued to come down in many countries, driven by a decline in food and energy prices in the first nine months of 2023. However, core inflation – inflation excluding the most volatile components, energy and food – has not significantly slowed and remains well above various central banks' targets. Global headline inflation is expected to decrease gradually from 6.9% in 2023 to 5.8% in 2024, while core inflation is set to decline modestly to 6.3% in 2023 and 5.3% in 2024

China's recovery is losing steam

China's importance in the global economy has increased dramatically in recent decades, and it has been a particularly crucial driver of trade integration in Asia. Despite its well-below-target inflation, China's growth story has lost momentum due to weak domestic demand, unresolved real estate concerns, and elevated public debt limiting the scope for fiscal initiatives. According to the IMF, the Chinese economy is expected to expand by 5% in 2023 and by 4.2% in 2024, a downward revision of 0.2% and 0.3%, respectively from the previous projections

Banking sector remained resilient despite global turmoil

The Banking sector in Asia remained resilient to the uncertainties in the domestic financial market and turmoil in the global Banking sector in Q1 2023, underpinned by strong capital buffers and rising profitability. However, a slowdown in the growth of bank loans in advanced economies and a high inflationary regime will likely lead to a tighter monetary environment, resulting in a challenging environment for banking and non-banking entities

India's growth forecast elevated for 2023 despite global slowdown

The IMF has revised its growth projection for India to 6.3% for 2023, reflecting stronger-than-expected consumption during the April-June quarter. This 0.2% upward revision in its projection reflects the robust momentum of domestic investments in India. The country's contribution to global economic growth is expected to increase to 18% over the next five years. India and China are expected to jointly account for half of the world's growth in 2023 and 2024

Source: Press search and IMF

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