

EVALUERVE



M&A in APAC – 2023

Corporate and Investment Banking Practice

February 2024

APAC market exhibited resilience despite global economic headwinds

M&A activities in APAC declined, replicating the global M&A downtrend

- In 2023, the value of global M&A deals declined to US\$2.9tn, down by 17% Y-o-Y, making it the slowest deal-making year since 2013
 - During this period, ~55,200 deals were announced globally (down by 6% Y-o-Y), the lowest in the last three years
 - EMEA, Americas, and APAC accounted for 32%, 35%, and 31% of the total deals, respectively
- The total value of deals in APAC⁽¹⁾ stood at US\$707bn in 2023 (down by 21% Y-o-Y)
 - Deal values in India and Southeast Asia slipped by 51% Y-o-Y to ~US\$76bn and ~US\$79bn respectively, which considerably impacted the overall growth of M&A in APAC
 - The material and industrial sectors emerged as the top contributors to deals activity in APAC, accounting for ~37% of all deals
- Among major APAC geographies, Japan was the only region that witnessed growth in 2023 with a 33% Y-o-Y jump in deal value (aggregated US\$105bn)

Moderating inflation and strong domestic demand, paving way for soft landing

- In H2 2023, economic activity in APAC exhibited a notable uptick and contributed significantly to global growth in 2023, despite persistent underlying inflation, supply disruptions and prolonged tight monetary conditions
 - The upswing can be attributed to strong domestic demand, partially reflecting a draw-down in excess savings, along with China's stronger than expected growth in 2023
- China's recovery in 2023 and increased government spending on capacity building resulted in IMF revising its 2024 growth projection upward to 4.6% (from 4.2%)
- India continued to outperform developing economies, as the IMF recently revised its growth forecasts for 2024 and 2025 by 0.2% for both the years (to 6.5% respectively) from its previous projections, due to robust momentum from domestic investments

According to IMF's latest projections, APAC's GDP is expected to grow by 3.0% in 2024 and 2025, led by India with 6.5% growth in both the years

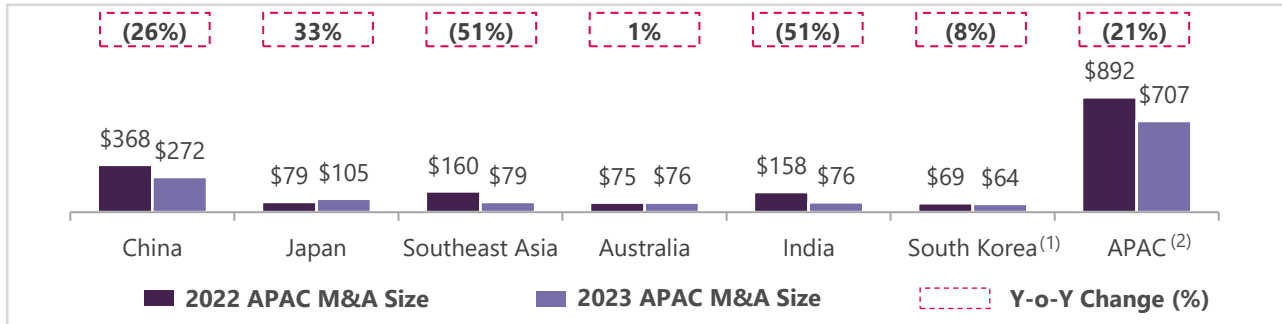
Source: Refinitiv; Data as on December 31, 2023; Figures in USDbn, IMF

(1) Includes Japan

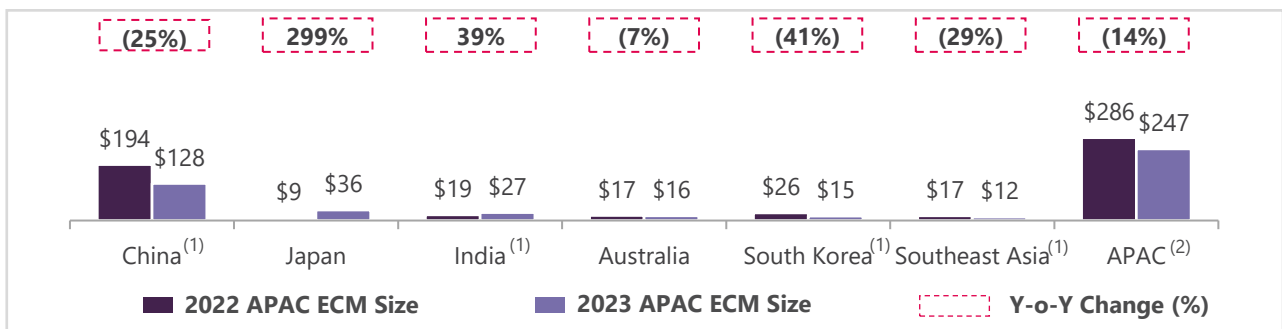


M&A activities weakened in APAC as global deal values plummeted to 10 years low

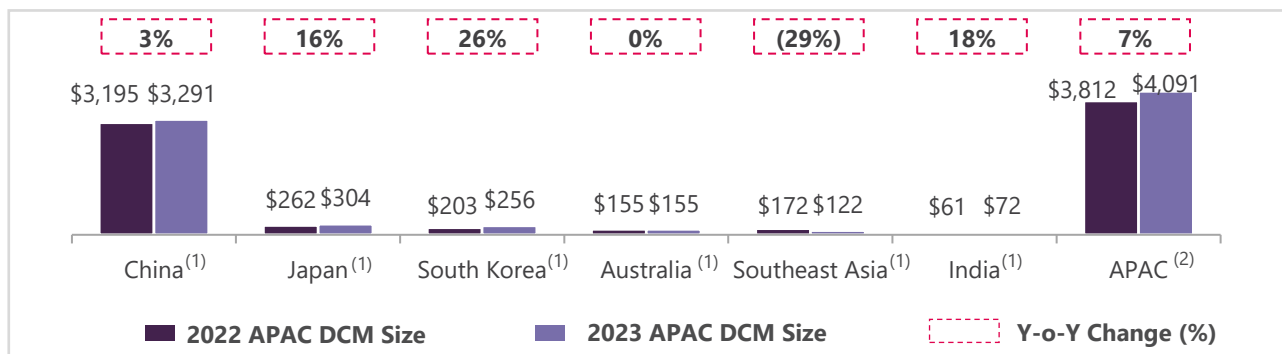
- In 2023, M&A activities remained subdued in APAC, with total deal value declining by 21% Y-o-Y
 - Japan emerged as the silver lining and grew by 33% during this period



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



- Deals value in the debt capital market (DCM) improved by 7% in APAC in 2023. Asian local currency bond offerings aggregated to US\$3.6tn (up by 7% Y-o-Y), the strongest annual period for DCM activity since 2021



Source: Refinitiv; Data as on December 31, 2023; Figures in USDbn

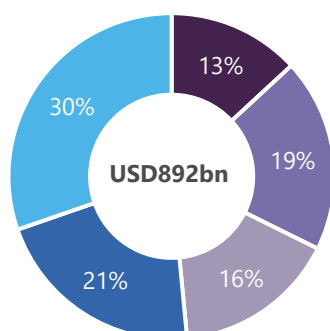
1) Extrapolated figures using data as on Dec 14, 2023

2) Includes Japan and Australia

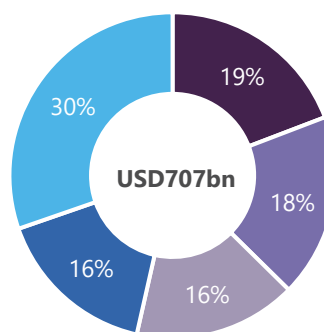
Materials sector experienced highest Y-o-Y growth in M&A market in 2023

- In 2023, the Materials sector was the top contributor to M&A deals in APAC, accounting for 19% of the total deals⁽¹⁾, followed closely by the Industrials sector, which accounted for an 18% share
 - The Financials sector saw the highest decline in deal value on a Y-o-Y basis during the same period
 - In line with M&A activities across the globe, deal volumes in APAC decreased in 2023 (down by 21% Y-o-Y)

2022 APAC⁽²⁾ M&A Size



2023 APAC⁽²⁾ M&A Size



- Materials
- Industrials
- High Technology
- Financials
- Others

Top Announced M&A (by Transaction Value): 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 Inst. 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	-
23-Mar-23	Toshiba Corp	Nomura / UBS	\$16.1	TBJH Inc	Crosspoint Advisors
18-Dec-23	United States Steel Corp	Barclays / Goldman Sachs / Evercore	\$14.0	Nippon Steel	Citigroup

Source: Company Press Releases and Refinitiv; Data as on December 31, 2023; Figures in USDbn

1) In terms of deal value

(2) Includes Japan

Despite deal-making downturn, near-term outlook is optimistic for many Asian markets

- *"The Asia-Pacific region is expected to be the fastest growing region of the world economy in 2024, underpinned by resilient domestic demand in East Asia and India. Some improvement in East Asian exports will also support economic expansion, helped by a recovery in electronics exports and continued strong growth in exports of new electric vehicles (EVs) from key Asian auto manufacturing hubs."*
 - Rajiv Biswas, S&P Global Markets (Executive Director and Asia Pacific Chief Economist)
- *"Robust regional economic growth particularly in Asia's large emerging markets - should offset headwinds from slowing growth in China, weak global demand and high interest rates, helping to support performance across sectors in APAC region in 2024."*
 - Duncan Innes-Ker, Fitch Ratings (Senior Director)
- *"Amid accelerating divergence, the resilience of the global economy will continue to be tested in the year ahead. Though global inflation is easing, growth is stalling, financial conditions remain tight, global tensions are deepening, and inequalities are rising, highlighting the urgent need for global cooperation to build momentum for sustainable, inclusive economic growth."*
 - Saadia Zahidi, World Economic Forum (Managing Director)
- *"Japan's economy is likely to remain on a moderate recovery path. Moderate recovery may continue until 2025, with risks of slower growth towards the second half of 2024. Inflation is also expected to decline toward 2024, driven mainly by food prices."*
 - Kyohei Morita, Nomura (Chief Japan Economist)
- *"Inflation is likely to moderate, although a well-distributed monsoon will be crucial for quelling food inflation. India's macros appear to be in a good place heading into 2024. The growth is expected at 6.5% in FY2024 and 6.2% in FY2025."*
 - Aditi Nayar, ICRA (Chief Economist)

Source: Press search and IMF

Outlook for 2024

Global economic growth remains modest

Economic growth is estimated to have been stronger than expected in H2 2023 in the US and several major emerging markets and developing economies. In several cases, government and private spending contribute to the increase, with real disposable income gains supporting the consumption amid still-tight but easing labor markets and households drawing down on their accumulated pandemic-era savings. Global growth, estimated at 3.1% in 2023, is projected to remain at 3.1% in 2024 before increasing to 3.2% in 2025. Nevertheless, projections for global growth in 2024 and 2025 are below the historical (2000–19) annual average of 3.8%, reflecting restrictive monetary policies, the withdrawal of fiscal support, and low underlying productivity growth

Inflation subsiding sooner than projected

Inflation has been falling faster than expected, with recent monthly readings nearing the pre-pandemic average for headline and underlying (core) inflation. Global headline inflation is expected to fall from an estimated 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025, with the 2025 forecast revised down. Advanced economies are expected to see faster disinflation, with inflation falling by 2.0% in 2024 to 2.6% than emerging markets and developing economies where inflation is projected to decline by just 0.3% to 8.1%

China's fragmented recovery hampered by deepening property crisis

The world's second-largest economy was expected to stage a strong post-COVID-19 bounce but quickly fizzled as the year progressed, with weak consumer and business confidence, mounting local government debts, and slowing global growth sharply weighing on jobs, activities, and investment. China's economy grew by 5.2% y-o-y in Q4 2023, bringing the full-year GDP growth to 5.2%, underscoring the feeble post-COVID-19 recovery. According to the IMF, the country is expected to expand by 4.6% in 2024 and 4.1% in 2025, an upward revision of 0.4% for 2024 from the previous projections, reflecting resilience in demand

Fiscal policy magnifying economic divergences

Governments in advanced economies eased fiscal policy in 2023. The US, where GDP had already exceeded its pre-pandemic path, eased policy more than the eurozone and other economies wherein the recovery was incomplete. In emerging markets and developing economies, wherein output fell on average even further below the pre-pandemic trend, the fiscal stance is estimated to have been neutral on average. In 2024, the fiscal policy stance is expected to tighten in several advanced and emerging market and developing economies to rebuild budgetary room for maneuver and curb the rising path of debt. This shift is expected to slow growth in the near term

India is poised to play significant role in APAC's economic growth in 2024

The IMF has revised its growth projection for India to 6.5% for 2024 and 2025, reflecting strong domestic demand. 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 was over 16% in 2023

Source: Press search and IMF



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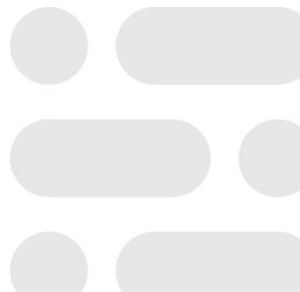
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