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# 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<sup>(1)</sup> 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

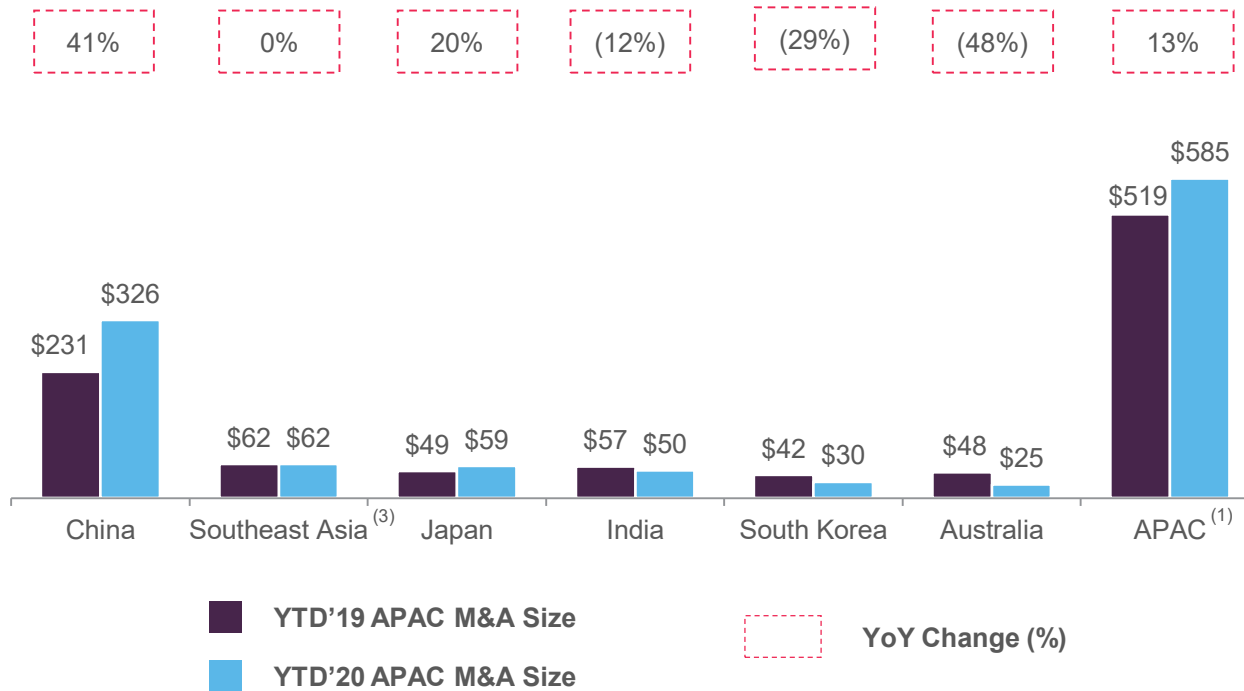
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(1) Includes Japan

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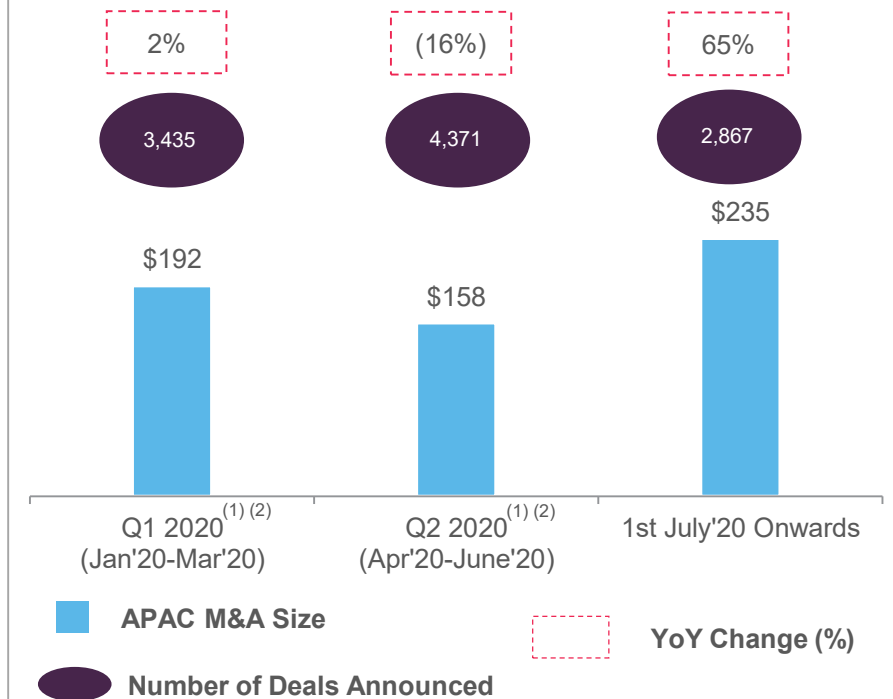
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# Deal Activity in APAC is Picking Up, Even Though Markets Remain Subdued Globally

- 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

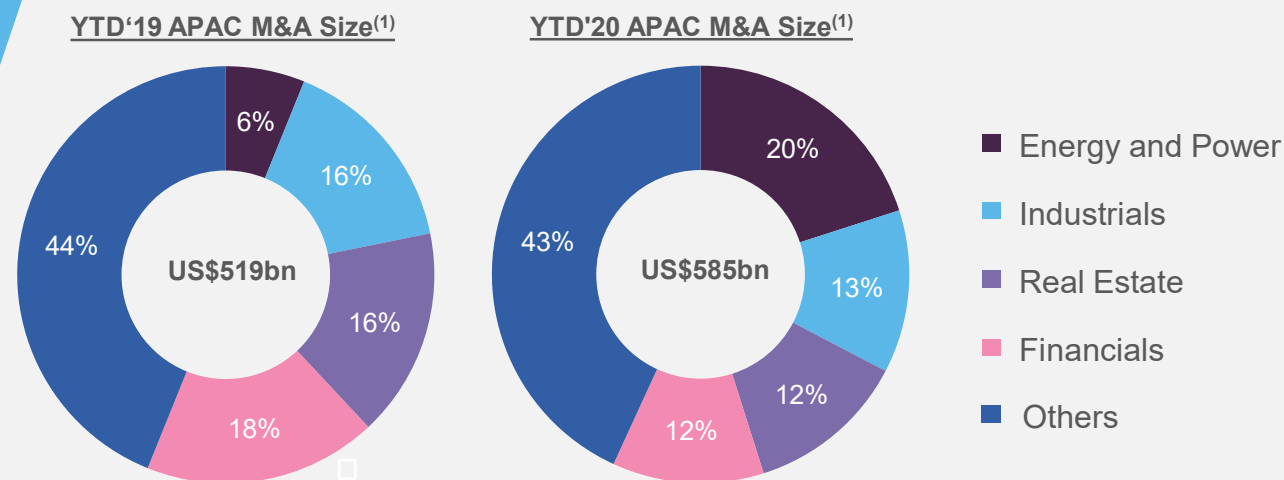
(1) Includes Japan

(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

# 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<sup>(2)</sup> 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 <sup>(3)</sup>	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 <sup>(2)</sup>
	2019 Full Year	YTD 2020 <sup>(1)</sup>	
China	\$389.9bn (down 12% y-o-y)	\$326.2bn (up 41% y-o-y)	<ul style="list-style-type: none"> <li>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)</li> <li>The Shanghai Composite Index is up 9.7% YTD, after declining by 10.9% between January and March 2020</li> <li>The government completed the auction of 1 trillion yuan (US\$141bn) of special treasury bonds; the proceeds will be used for economic stimulus</li> <li>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</li> <li>The resurgence of COVID-19 cases in Beijing and neighboring cities may limit recovery</li> </ul>
Japan	\$130.7bn (up 40% y-o-y)	\$58.6bn (up 20% y-o-y)	<ul style="list-style-type: none"> <li>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</li> <li>The Nikkei 225 Index was up by 1.1% YTD, after declining by 18.5% between January and March 2020</li> <li>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</li> <li>Japan slipped into a recession earlier this year and the recent increase in COVID-19 cases could further derail the overall recovery</li> </ul>

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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