

# EVALUERVE



---

## M&A in APAC – H1 2023

Corporate and Investment Banking Practice

---

August 2023

---

# Market strains and persistent inflation continue to defy the recent economic resilience

## M&A activities in APAC remained impaired despite subtle growth recovery in the global market

- H1 2023 marked the slowest deal-making period since 2020, as the value of global deal-making operations declined to US\$1,332bn (down by 37% Y-o-Y)
  - In H1 2023, about 27,300 deals were announced globally (down by 9% Y-o-Y), the lowest number in the last three years
  - EMEA and the Americas accounted for 35% and 36% of the total deals, respectively, while APAC accounted for 29%
- Total deal value in APAC<sup>(1)</sup> stood at US\$354bn in H1 2023 (down by 29% Y-o-Y), marking the lowest value in the first half of a decade
- In a gloomy market attitude, growth in deal values in Australia (up by 13% Y-o-Y) and Japan (up by 28% Y-o-Y) appeared as the silver linings
  - The material and industrial sectors, cumulatively accounted for around 41% of all deals in APAC and were the major contributors to deal activity
  - Deal values in India and South East Asia, each aggregated US\$29bn and were down by 76% Y-o-Y respectively, which had a substantial negative impact on the overall growth of the APAC M&A

## Plausible risks to global growth continue to be skewed to the downside despite the recent positive-growth surprises

- The IMF recently revised APAC's annual growth outlook and expects GDP growth to slow down in the region in 2023 regardless of receding stress on the global banking sector
  - Despite easing stubbornly high inflation, the global growth outlook remains negative due to weak demand and rising trade barriers
- China witnessed a fall in the growth momentum in Q2 2023 after its net exports contributed strongly to its growth in Q1 2023. Meanwhile, stress on the real estate sector and weak foreign demand are weighing on investments and manufacturing activities
- India is experiencing stronger-than-expected growth as the annual growth forecasts were revised upward by 0.2% for 2023, due to compelling domestic investment
- According to the latest IMF projection, APAC's GDP will likely increase by 2.9% in 2023, with India leading the way (6.1%). Further, APAC's growth is expected to increase to 3.0% in 2024

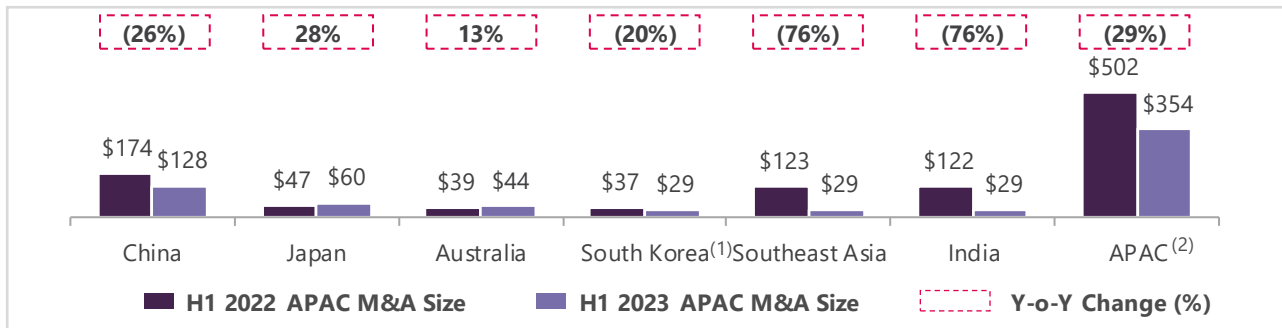
Source: Refinitiv; Data as on June 30, 2023; Figures in USDbn, IMF

(1) Includes Japan

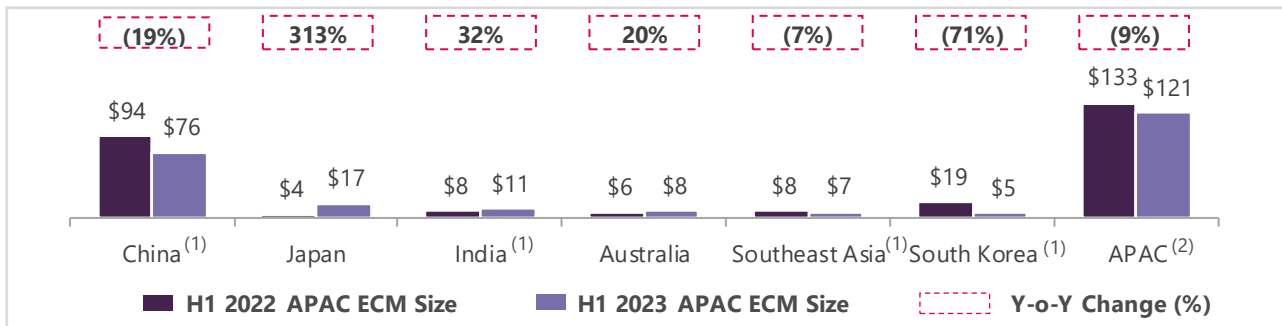


# APAC markets continued to slump, mirroring the trend in the global market

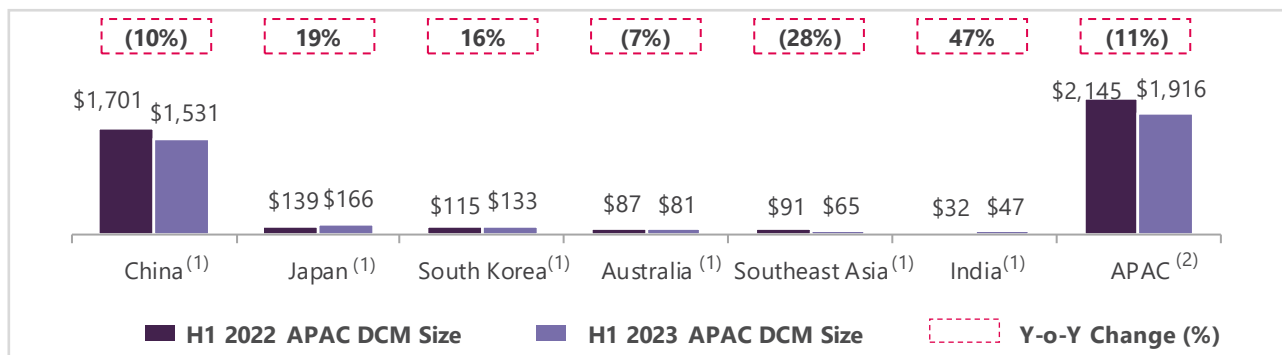
- In H1 2023, deal-making activities remained below par in the M&A market, as total deal value declined by 29% Y-o-Y
  - However, M&A deal value in Japan and Australia surged by 28% and 13%, respectively



- Deal value in equity capital markets (ECM) in APAC fell by 9% in H1 2023



- Deal value in the debt capital market (DCM) in APAC fell by 11% in H1 2023. Asian local currency bond offers stood at US\$1.7tn during the same period, down by 13% Y-o-Y



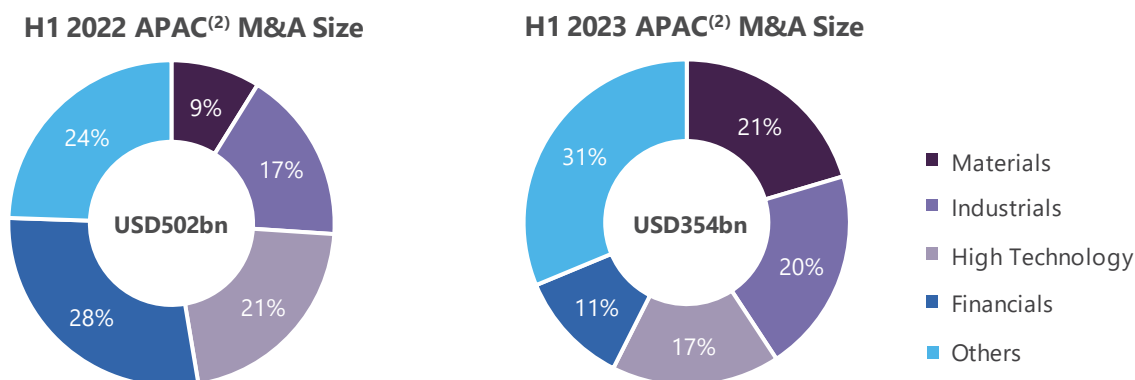
Source: Refinitiv; Data as on June 30, 2023; Figures in USDbn

1) Interpolated figures using data as on July 27, 2023

2) Includes Japan

# In H1 2023, the material sector experienced the highest Y-o-Y growth in the M&A market

- The material industry became the APAC markets' top contributor to M&A deal making in H1 2023, accounting for 21% of total deals<sup>(1)</sup>
  - With 20% of the total deals<sup>(1)</sup>, the industrial sector was the second-largest contributor
  - Following the worldwide markets, deal activities in the APAC M&A market decreased in H1 2023, recording the lowest first half since 2020



## Top Announced M&A (by Transaction Value): H1 2023

Date of Announcement	Target	Target's Advisor	Txn. 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
23-Mar-23	Toshiba	Nomura / UBS	\$16.1	Japan Industrial Partners	Crosspoint Advisors
12-Jan-23	Total Access Communication	Ernst & Young	\$5.6	True Corp	Citigroup / JPMorgan Chase
31-Jan-23	Lotus Tech	Deutsche Bank	\$5.4	L Catterton Asia Acquisition	-

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

1) In terms of deal value

2) Includes Japan

# Due to current headwinds, the outlook for global economic recovery and M&A activities remains subdued

- Southeast Asia activity is still being driven by domestic consolidation in sectors, such as financial institutions and TMT (technology, media, and telecoms). Multinationals reshaping their strategy, particularly in oil and gas, and deciding to consolidate or exit certain assets in favor of national champions could also drive deals in Southeast Asia

— Rohit Chatterji, JP Morgan (*Co-Head of M&A, Asia Pacific*)

- Geopolitical ructions had led to shifts in Chinese outbound investment away from Western Europe, Australia and North America toward Southeast Asia and other emerging markets, while hitting investments in China. It has directed some Western flows of FDI (foreign direct investment) into India and Southeast Asia, while increasing domestic reinvestment through re-shoring and near-shoring of production facilities

— Choe Tse Wei, DBS Group (*Managing Director, Singapore*)

- Asia and the Pacific continue to recover from the pandemic at a steady pace. Domestic demand and service activity are driving growth, while many economies are also benefiting from a strong recovery in tourism. However, industrial activity and exports remain weak, and the outlook for global growth and demand next year has worsened

— Albert Park, Asian Development Bank (*Chief Economist*)

- Shift to a more digitized economy is “real” and is motivating incumbent players to look more closely at M&A to make up for failing to invest in a digital strategy up until now. Those who have not spent enough time before this to get ready for the digital economy are now saying that they have to do so right away and there’s almost pent-up demand to make up for lost time

— Tek Yew Chia, Oliver Wyman (*Head of Insurance, Asia-Pacific*)

- In line with the global trend, several key markets in the APAC region witnessed subdued M&A activity owing to macroeconomic challenges and recession fears. These factors seem to have had a dent in deal-making sentiments for the region

— Aurojyoti Bose, Global Data (*Lead Analyst*)

Source: Press search and IMF



# Outlook for 2023

## Prospects for global economic growth in near-term

Global growth is projected to slow down as increasing interest rates, coupled with tight monetary policies and a restrictive credit environment, continue to weigh on economic growth. However, the possibility of additional monetary tightening could further weaken global growth, especially for emerging and developing markets. The global economy is anticipated to grow by 3.0% in 2023 and stay constant at 3.0% in 2024. Following a similar path, economic growth in the emerging market and developing economies is also expected to slow down and grow by just 4.0% in 2023 and then increase to 4.1% in 2024

## A long fight with persistent inflation

Positive global developments in H1 2023 indicate that the world economy could achieve a soft recovery with headline inflation easing rapidly along with a gradually declining core inflation. However, inflation is projected to remain persistent and could even increase further if fueled by unforeseen events. Global headline inflation is expected to decrease gradually from 6.8% in 2023 to 5.2% in 2024

## China's economic recovery losing momentum

Despite well-below-target inflation, China's recovery may witness a softening momentum in its growth journey, partially due to unresolved real estate concerns, weak foreign demand, and negative cross-border spillovers. Elevated youth unemployment (reported at 20.8% in May 2023) indicates a weak labor market coupled with weaker-than-expected consumption due to subsiding confidence. All this resulted in the underperformance of China's recovery plan

## Easing concerns of financial markets and banking sector

The resilience shown by major emerging markets to the uncertainties in the financial market and turmoil in the banking sector in Q1 2023 has eased their immediate concerns. However, growth in bank loans in advanced economies has been reduced, and that, coupled with a high inflationary regime, will likely lead to a tighter monetary environment, which continues to challenge banks and non-banking entities

## Indian market remains resilient despite global challenges

Given a drop projected by the IMF in India's growth rate estimates from 7.2% in 2022 to 6.1% in 2023, the Indian market will continue to be the fastest growing major economy in the world in 2023. The overall outlook for APAC remains positive as resilient growth in India, along with recovery in the Chinese market, will likely contribute to global growth in 2023

Source: Press search and IMF

## About the Author



### Rajat Nagpal

*Associate Director*

Corporate and Investment Banking LOB

- Rajat has over 13 years of experience in managing Investment Banking research teams

✉ [Rajat.Nagpal@evalueserve.com](mailto:Rajat.Nagpal@evalueserve.com)



### Surender Singh

*Senior Manager*

Corporate and Investment Banking LOB

- Surender has over 12 years of experience of executing and managing global client engagements related to Investment Banking

✉ [Surender.Singh@evalueserve.com](mailto:Surender.Singh@evalueserve.com)

### ABOUT EVALUESERVE

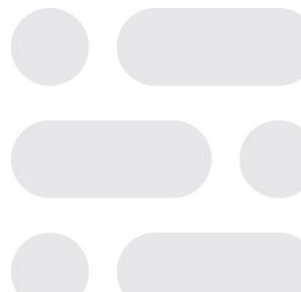
Evalueserve is a leading analytics partner to Fortune 500 companies. Powered by mind+machine™, the company combines insights drawn from data and research with the efficiency of digital tools and platforms to design impactful solutions. Its global team of 5,000+ experts collaborates with clients across 15+ industries.

### CONNECT WITH US

Connect with us on [in](#)

If you want to know how Evalueserve can help your organization prepare for tomorrow, contact us at [info@evalueserve.com](mailto:info@evalueserve.com) or visit [www.evalueserve.com](http://www.evalueserve.com).

© 2023 Copyright Evalueserve. All Rights Reserved



# Evalueserve Disclaimer

The information contained in this report has been obtained from reliable sources. The output is in accordance with the information available on such sources and has been carried out to the best of our knowledge with utmost care and precision. While Evalueserve has no reason to believe that there is any inaccuracy or defect in such information, Evalueserve disclaims all warranties, expressed or implied, including warranties of accuracy, completeness, correctness, adequacy, merchantability and / or fitness of the information.

