



Deal Advisory – Newsletter Vol. 2

Trends in ASEAN M&A

July 2019 to December 2019 edition



Introduction

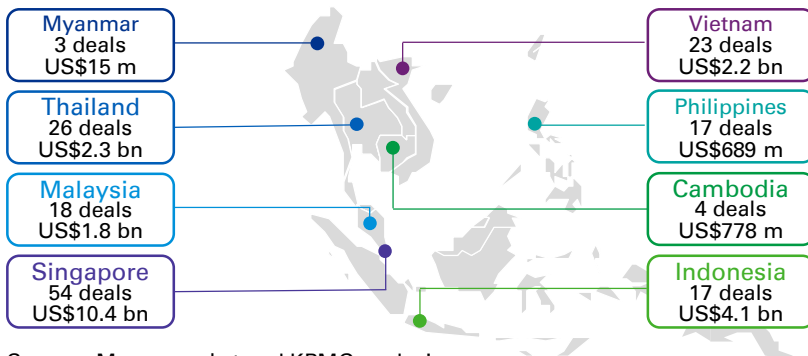
In the second half of 2019, economic activities and investment in the ASEAN region became active as evidenced by the announcement of new preferential treatment policies for foreign investment in member countries and capital alliances among conglomerate companies across countries. Economic integration within the region can be said to have alleviated the distortions associated with the global uncertainty over the future caused by the US-China trade friction. ASEAN countries are expected to come up with additional various policies in the future, and the role and importance of ASEAN in the world are expected to increase furthermore.

We hope our newsletters will provide you with information on current events in the ASEAN M&A market, trends in each industry, and information on major deals in each country.

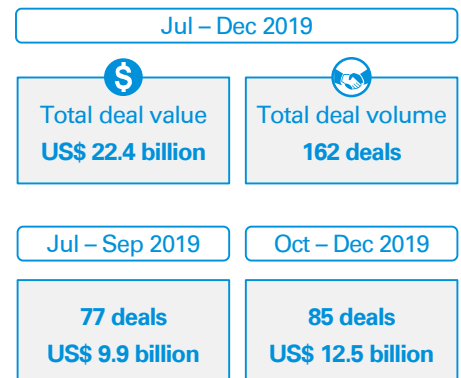
1. Overview of the ASEAN M&A market

During July to December 2019, 162 M&A deals were announced that amounted to approximately USD 22.4bn. On a quarterly basis, the number of deals in Q3 increased by around 19% from Q2 when the global economic uncertainty was evident. However, on a value basis it remained at approximately USD 9.9bn as the result of absence of large deals compared to 1H2019. From Q3 to Q4, both volume and value grew strongly with growth of 10% and 27% respectively, and total value in Q4 amounted to USD 12.5bn. The environment had changed from the wait-and-see attitude to more pro-active mindset in Q2, with events and activities such as the formation of new government leadership in certain countries, announcement of new preferential treatment policies for foreign investment, and the expected conclusion of the Regional Comprehensive Economic Partnership (RCEP) within 2019, which will likely help drive more M&As.

M&A deal activity in ASEAN countries for 1H2019



Source : Mergermarket and KPMG analysis



At country level, M&A activities in Singapore were active in many sectors, especially in the Real Estate/Infrastructure and TMT sector, and the number of deals from these sectors accounted for nearly 1/3 of the total for ASEAN. In the Philippines, where infrastructure development is in progress, the number of projects increased mainly in the Real Estate, Infra & Construction. In Cambodia, deals were generated primarily in micro-finance. By sector, M&A deals in the Real Estate, Infra & Construction industries increased, mainly in Singapore and the Philippines. The Industrials & Manufacturing sector was the second largest in terms of volume after Real Estate, Infra & Construction, and a large number of transactions were conducted in ASEAN countries including Singapore and Vietnam.

2H 2019 M&A Transaction Volume									
	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
Real Estate, Infra & Construction	18	6	3	6	3	7	1	1	45
Telco, Media & Technology	8	1	2	2	1	1	1	-	16
Energy & Natural Resources	5	6	4	1	3	3	-	1	23
Consumer Markets	2	7	1	2	3	1	-	-	16
Industrials & Manufacturing	8	4	4	5	6	1	-	-	28
Financial Services	2	1	3	-	4	2	1	2	15
Others	11	1	-	2	3	2	-	-	19
Total	54	26	17	18	23	17	3	4	162

On a value basis, Singapore accounted for approximately 46% of the total M&A transactions in 2H2019, followed by Indonesia at approximately 18%, and Thailand and Vietnam at approximately 10% respectively. As in 1H2019, the real estate and financial sectors continue to drive overall trends with relatively large per-transaction values. Transactions in the TMT sector decreased in the second half of the year, after the temporary increase in 1H2019 due to large-scale startup financing deals, while transactions in the consumer goods sector increased due to the restructuring of conglomerate companies.

2H 2019 M&A Transaction by Value (USD in million)									
	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
Real Estate, Infra & Construction	8,137	179	545	1,588	106	304	8	24	10,891
Telco, Media & Technology	314	6	74	75	45	30	-	-	544
Energy & Natural Resources	262	469	53	8	154	-	-	69	1,015
Consumer Markets	70	1,304	18	41	589	203	-	-	2,225
Industrials & Manufacturing	798	233	747	54	400	36	-	-	2,268
Financial Services	271	138	2,685	-	935	46	7	685	4,767
Others	548	-	-	44	-	70	-	-	662
Total	10,400	2,329	4,123	1,810	2,229	689	15	778	22,373

Source : Mergermarket and KPMG analysis

Major M&A deals in ASEAN

Although there were no large scale M&As as in the 1H2019, the second half of 2019 was characterized by in ASEAN region M&As made eight of the top 10 global deals. The following transactions appear to signify the trend of economic integration and business strengthening in the region in H2: 1) acquisition of Keppel, a Singaporean government-affiliated conglomerate company whose business performance has been stagnant, by Temasek, a Singaporean government-affiliated fund, in order to turn around its business; 2) integration of two REITs under the Thai conglomerate TTC group; and 3) the acquisition of Plumata Bank, medium-sized bank in Indonesia by Bangkok Bank, the largest bank in Thailand. Another characteristic is the active M&As by conglomerates and PEs, such as the acquisition of Robinson Public Company by Thailand's largest retailer Central Group; the acquisition of Columbia Asia by Hong Leong Group of Malaysia and TPG; and the acquisition of Indonesian paper manufacturer Fajar Surya Wisera by Siam Cement.

No	Announced Date	Target	Target Sector	Target Country	Acquirer	Acquirer Country	Deal Value (USD in million)
1	Oct-19	Keppel Corporation Limited	Real Estate	Singapore	Temasek Holdings Pte. Ltd.	Singapore	2,981
2	Dec-19	PT Bank Permata Tbk	Financial Services	Indonesia	Bangkok Bank Public Company Limited	Thailand	2,657
3	Dec-19	Frasers Commercial Trust (FCOT)	Real Estate	Singapore	Frasers Logistics and Industrial Trust	Singapore	1,250
4	Sep-19	Columbia Asia Sdn. Bhd	Medical	Malaysia	TPG Capital LP; Hong Leong Financial Group Berhad	Malaysia	1,200
5	Jul-19	Ophir-Rochor Commercial Pte Ltd	Real Estate	Singapore	Allianz Real Estate and Gaw Capital Partners	Singapore	1,150
6	Jul-19	Robinson Public Company Limited	Consumer/Retail	Thailand	Central Retail Corporation Limited	Thailand	1,101
7	Jul-19	Ascendas Hospitality Trust	Real Estate	Singapore	Ascott Residence Trust	Singapore	902
8	Jul-19	Joint Stock Commercial Bank for Investment and Development of Vietnam	Financial Services	Vietnam	Hana Bank	South Korea	876
9	Oct-19	United Engineers Ltd	Real Estate	Singapore	Yanlord Land Group Limited	China	814
10	Jul-19	Fajar Surya Wisera Tbk, PT (45% Stake)	Manufacturing (other)	Indonesia	The Siam Cement Public Company Limited	Thailand	682

Note: The merger of TMB Bank and Thanachart Bank, and the acquisition of the life insurance business of Siam Commercial Bank Group by FWD Group in Hong Kong (Thailand) were included in the deals occurring in H2 in the In the publicly available information. However, as they were already included in H1 figures in the previous newsletter, they were excluded from the H2 figures in the above table.

Source : Mergermarket and KPMG analysis

Insights from KPMG Deal Advisory leaders in ASEAN countries

Here are updates for firsthand insights on today's M&A markets in the major ASEAN countries from KPMG Deal Advisory leaders in those countries.

In contrast to the strong start in 1H2019, we noted a softer M&A market at the start of 2H2019 driven by a backdrop of increasing trade tensions as well as a worrying economic outlook. While deal volume gradually tapered through the year, a stark change in tone on the US-China trade war led to a rebound in deal value in Q4 2019, leading overall 2H2019 M&A deal value at USD 10.4bn. This was driven by several key deals such as the acquisition of 30.55% stake in Keppel Corporation Limited by Temasek Holdings Pte.Ltd (Deal Value : USD 3.0bn) and Yanlord Land Group Limited's acquisition of a 64.7% stake in United Engineers Ltd (Deal Value : USD 0.8bn). Other notable deals include Ascott Residence Trust's merger with Ascendas Hospitality Trust to form APAC's largest hospitality trust (Deal Value : USD 0.9bn). The real estate sector remains as one of the key sectors for M&A activities in Singapore. In addition, private equity appetite remains apparent with high profile deals such as EQT Partners' successful privatization of SGX-listed healthcare provider, Health Management International Ltd (Deal Value : USD 0.5bn). Based on publicly available information, we are expecting a few large PE exit activities in the consumer (F&B chain), education and logistics sectors to come in 1H2020.

Malaysia's M&A market remains relatively vibrant in the real estate, infrastructure & construction, and manufacturing sectors. As a result of the US-China trade war, and to attract foreign investors into Malaysia, the government has implemented initiatives to be more open and attractive to foreign investors, especially for the manufacturing industry. The largest deal during 2H2019 is the USD 1.2bn acquisition of Columbia Asia hospitals in Malaysia, Indonesia and Vietnam from International Columbia US, LLC and Mitsui & Co., Ltd., by TPG Capital LP and Hong Leong Financial Group Berhad. Another notable deal is Khazanah's acquisition of Prince Court hospital. The healthcare industry remains an interesting space in Malaysia and this is testament that Malaysia still has many opportunities, both large and small. Interest in the consumer retail space is also expected to continue to fuel activities in 2020.

M&A activity in Thailand remained strong in the second half of 2019. The financial services sector continued to remain at forefront, highlighted by the Bangkok Bank's acquisition of Indonesia's PT Bank Permata (USD 2.7 billion), along with smaller local deals across insurance and wealth management sectors. Another hot sector was Food & Beverages, with several transactions in the mid-value range of around USD 50 to 70 million (Bonchon, Santa Fe and Laemcharoen) and retail, with the acquisition of remaining shares of Robinson by Central Retail as part of a group restructuring and IPO process (USD 1.1 billion). We expect M&A activities in Thailand to continue strongly in 2020. We are keeping our eyes closely on the consumer sectors, particularly the potential sale of Tesco's business in Thailand. Moreover, investment pipelines continue to develop in the Eastern Economic Corridor (EEC) government project which attracts significant interest from both domestic and international investors.

It was a very active and exciting 2H2019 for the Philippine M&A market. In the Healthcare sector, the Metro Pacific Hospital Holdings, Inc. welcomed the 6.25% (USD 0.1bn) investment by US-based Private Equity firm, Kohlberg Kravis Roberts & Co. (KKR). The Philippine banking sector continues to see further entry of foreign capital and regional expertise with the 50% acquisition of Security Bank Corporation's consumer finance subsidiary, SB Finance, Inc. by Thailand's Bank of Ayudhya. In addition to increased M&As in the healthcare and banking sectors, we see similar activities in the consumer markets, real estate and energy sectors. Philippine corporations are continually aiming to both expand their geographic coverage and improve customer service by improving their product features. These objectives require the companies to look for new investments and partner with strategic investors.

Singapore

Andrew Thompson



Malaysia

Chan Siew Mei



Thailand

Ian Thornhill



the Philippines

Michael Arcatomy H. Guarin



Insights from KPMG Deal Advisory leaders in ASEAN countries

2H2019 saw a decrease in general Indonesian M&A activity compared to strong results in 1H2019. Notable deals in 2H2019 include Bangkok Bank's USD 2.7bn acquisition of PT Bank Permata Tbk. and Siam Cement's USD 0.7bn acquisition of paper manufacturer PT Fajar Surya Wisesa Tbk. The Indonesian economic growth story is softening and a primary factor is the investment landscape and urgent need to increase levels of Foreign Direct Investment, where there is risk of leakage to countries like Vietnam and Thailand. Regulatory risk and legal uncertainty, uncompetitive labor laws and a complex tax regime continues to deter some foreign investors from entering the market. To increase economic growth levels above 5% and for the country to escape the middle income trap, fresh foreign investment is needed. The government is drafting a new Omnibus Law with overarching regulations to amend 1,200 articles and more than 800 laws to relax foreign investment restrictions, revise the labor law, reduce corporate income tax levels and introduce reforms in many other areas.

South Korean investors continued to dominate M&A market in Vietnam in the 2H2019, represented by Hana Bank's purchase of a 15% stake in the Bank for Investment and Development of Vietnam (BIDV) worth USD 0.9bn in July; and the investment of Singaporean GIC led consortium worth USD 0.5bn in VCM, a subsidiary of Vingroup JSC that engages primarily in consumer retail in September. Overall in 2019, Vietnam witnessed high-value M&A transactions in key sectors such as manufacturing, real estate, banking, and retail. This strong momentum is expected to continue in 2020. We forecast the three key trends in 2020 being (1) Initiatives in regulations pave the way for Vietnam to be more open for business and attractive to foreign investors, (2) the government's determination in State Owned Entity divestment process providing investors with more choices and dynamic primary market, and (3) Vietnam with huge growth potentials to replace China to be the "New factory of the world", driving high M&A demand for logistic, retail and industrial sectors is expected in the upcoming years.

Indonesia

David East



Vietnam

Dinh The Anh



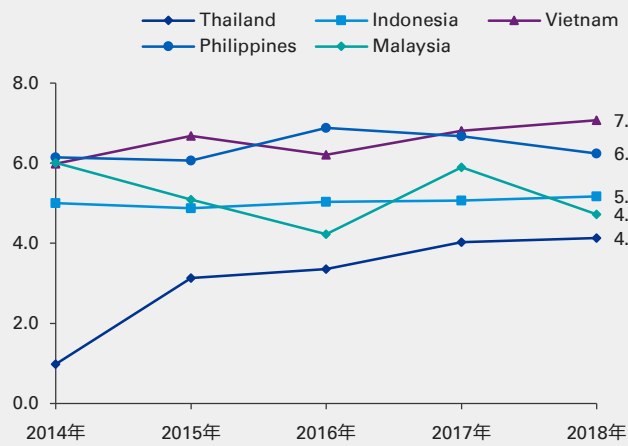
2. ASEAN Start Up and conglomerates

In the second cabinet formation of Indonesian President Jokowi (inaugurated in October 2019), Nadim Makarim, CEO of online two-wheel ride-dispatching service start up Gojek, was appointed as Minister of Education and Culture. Gojek is a leading online ride dispatch service alongside Malaysia's Grab. Gojek is an example of a Start Up successfully growing into a unicorn while providing a wide variety of services, such as delivery services from restaurants and ticket purchase services on top of dispatch of motorcycle/automobile rides. Leader of such Start Up company becoming a member of Cabinet appear to signify the future direction of Indonesia.

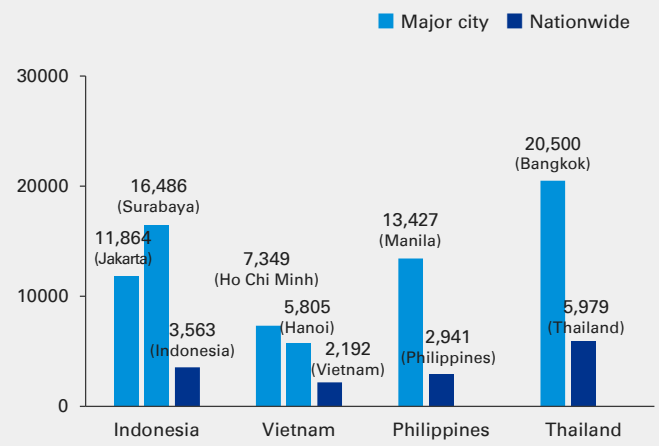
Background of the rise of Start Up companies in ASEAN

- Looking at the current economic environment in ASEAN, as shown in graphs (1) to (3), the level of GDP growth remains high, and as a result, the middle class is also growing. However, there are still many unsolved social issues such as the transportation infrastructure. Lack of a well-developed railway network, roads have resulted in constant congestion and serious social costs. Then, the online ride dispatch service by motorcycle emerged to fill the gap. Graph (4) shows the bank account holding ratio. In Indonesia, Vietnam and the Philippines, the ratio of bank account holders is still low. Without a bank account, it is not possible to possess a credit card or take out a loan. However, in the current ASEAN market, even such a person has a smartphone, and a service to provide small loans using smartphones has appeared. In this way in ASEAN, new services and Start Up companies ("Start Up") have been created one after another to meet the needs and demands of people who are becoming more affluent.

Graph 1 the real GDP growth rate (%)



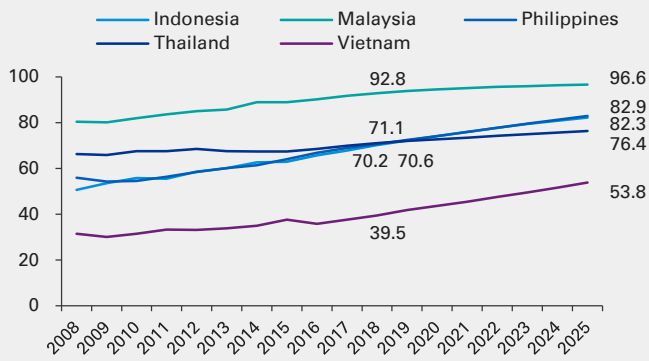
Graph 2 GDP per capita by city (USD, 2016)



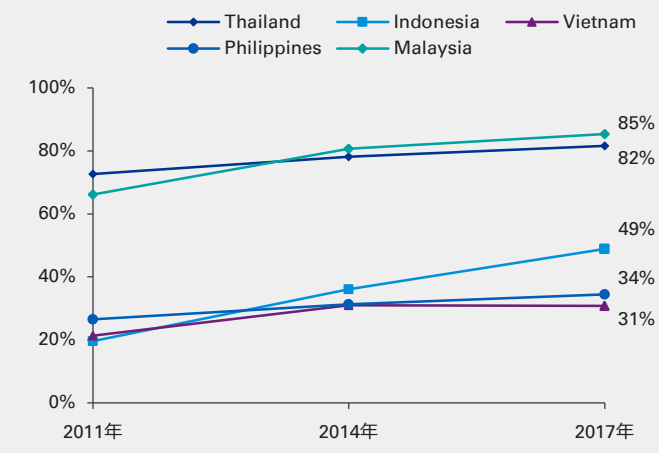
Source : Created by KPMG based on data from Euromonitor, JETRO, and the MLIT

Graph 3 Percentage of the middle class in each country (%)

Middle class is defined as households with an annual household income of more than \$5,000 but less than \$35,000



Graph 4 Bank account holding rate (%)



Source : Created by KPMG based on data from Euromonitor, JETRO, and the MLIT

Conglomerates as an investor supporting Start Up

- There is general tendency for Start Ups to face financing issues until the business takes off. If the scale becomes as large as Gojek/Grab, it can be funded by strategic investors, but at the early stage, support from venture capital (VC) is a must. Recently, VCs within conglomerates groups are making their presence prominent. Examples of VCs in Indonesia led by major conglomerates (SinarMas, Lippo and Jarum) are shown on the next page. Conglomerates have supported these unicorn companies since early stages of the company such as Lippo-owned Venturra Capital's investment in Grab and Hartono-owned gdp's investment in Gojeck. The risk is generally high, but investments in unicorn companies like Grab and Gojek will generate substantial returns if the IPO goes well. In addition to the return on investment, as the size of Start Up's business grows, synergies with its existing businesses can also be realized. It is a win-win relationship because from Start Up's point of view, it can utilize not only financial support but also the customer base and supply chain of the conglomerates.
- There are also cases where conglomerates themselves have started Start Up businesses. SinarMas has already entered the smartphone-based small loan business as stated previously. Dynamism of the ASEAN conglomerates - starting new businesses while also actively investing in Start Up, is dynamism not seen in current Japanese companies.

SinarMas Digital Ventures

■ Company overview

- Venture capital company of a subsidiary of SinarMas Group and invests exclusively in growth businesses.
- It has also launched an "EV Growth Fund" with YJ Capital, a subsidiary of Yahoo Japan, focusing on Southeast Asia, particularly Indonesia.
- Its investment portfolio includes 20 companies mainly in commerce and solutions businesses.

Overview of the SinarMas group

A large corporate group run by the Widjaya family.

The company operates a diverse range of businesses including Asia Pulp and Paper, one of the world's largest paper manufacturers, real estate, finance, agribusiness, mining development, and telecommunications.

■ Overview of portfolio (20 companies as of the end of July 2019)

Commerce		Solution				
<p>Softbank Ventures Asia, YJ Capital, and Rakuten Capital also investing</p>	<p>SHOPBACK Provide an EC platform that allows users to browse websites of businesses in various countries.</p>	<p>SORABEL Operates e-commerce for apparel.</p>	<p>YJ Capital also investing</p>	<p>KOIN WORKS A financing platform that provides loans related to business, education and health.</p>	<p>NTT Docomo Ventures, CyberAgent Capital and others are also investing</p>	<p>aCommerce Provide retailers with solutions for introducing EC.</p>
<p>YJ Capital also investing</p>	<p>Ruangguru.com Operates an online service that connects tutors and students.</p>	<p>Orami Operates e-commerce handling various household products in Thailand and Indonesia.</p>	<p>Nomura Holdings and SBI Investments also investing</p>	<p>OMISE With a few lines of code, the installment of card payment to the Web is ready [...], card payment system can be implemented into a website]. It is also available in Japan.</p>	<p>LINE Ventures and YJ Capital also investing</p>	<p>IDN MEDIA Creates online content and manages online advertising.</p>
<p>YJ Capital and iStyle also investing</p>	<p>sociolla Selling beauty products for women online.</p>	<p>FEMALE DAILY A platform where reviews of beauty products for women can be viewed.</p>	<p>Softbank Ventures Asia and YJ Capital also investing</p>	<p>MOKA Developing cloud-based POS apps and card readers.</p>	<p>ITOCHU also investing</p>	<p>eko An in-enterprise mobile platform that streamlines work.</p>

Venturra Capital

■ Company overview

- Venture capital invested by the Lippo Group as a limited partner.
- Make early-stage investments to internet companies that plan to expand their business globally in e-commerce, fin-tech, healthcare, education, and other fields. The company currently invests in 21 Start Ups.
- The ride dispatch app company "GrabTaxi", which has grown into a unicorn, is one of the investees.

Overview of the Lippo Group

Corporate group run by the Riady family, covering a wide range of businesses, including healthcare, real estate, retail, and finance.

In recent years, the company has aggressively expanded its healthcare business overseas and invested in new business areas such as E-Money and data centers.

■ Overview of portfolio (21 companies as of the end of July 2019)

Commerce			Solution		
YJ Capital also investing	Ruangguru.com Operates an online service that connects tutors and students.	SHOPBACK Provide an EC platform that allows users to browse websites of businesses in various countries.	LUNO	MEDIGO A healthcare platform that connects patients, doctors, insurance, etc. to hospitals.	Prenetics A DNA biotechnology company. Support with doctors to administer appropriate medication.
Softbank Ventures Asia and GMO Venture Partners also investing	CARRO Provides a platform for buying and selling cars in Singapore.	iprice Offers e-commerce price comparison and coupons across Southeast Asia.	Digital Garage, BEENOS, and Temasek also investing	ZILINGO Operate applications and websites for sellers and buyers of various products.	fave Provides fitness and beauty reservation services.
YJ Capital and iStyle also investing	sociolla Selling beauty products for women online.	Grab Ride dispatch app company. It has grown into a unicorn with an estimated value of more than \$10 billion.	Bizreach also investing	EKRUT Provides a headhunting platform for highly specialized jobs.	kaodim Provides search, comparison and employment applications for various services in Malaysia.

Global Digital Prima Ventures

Company overview

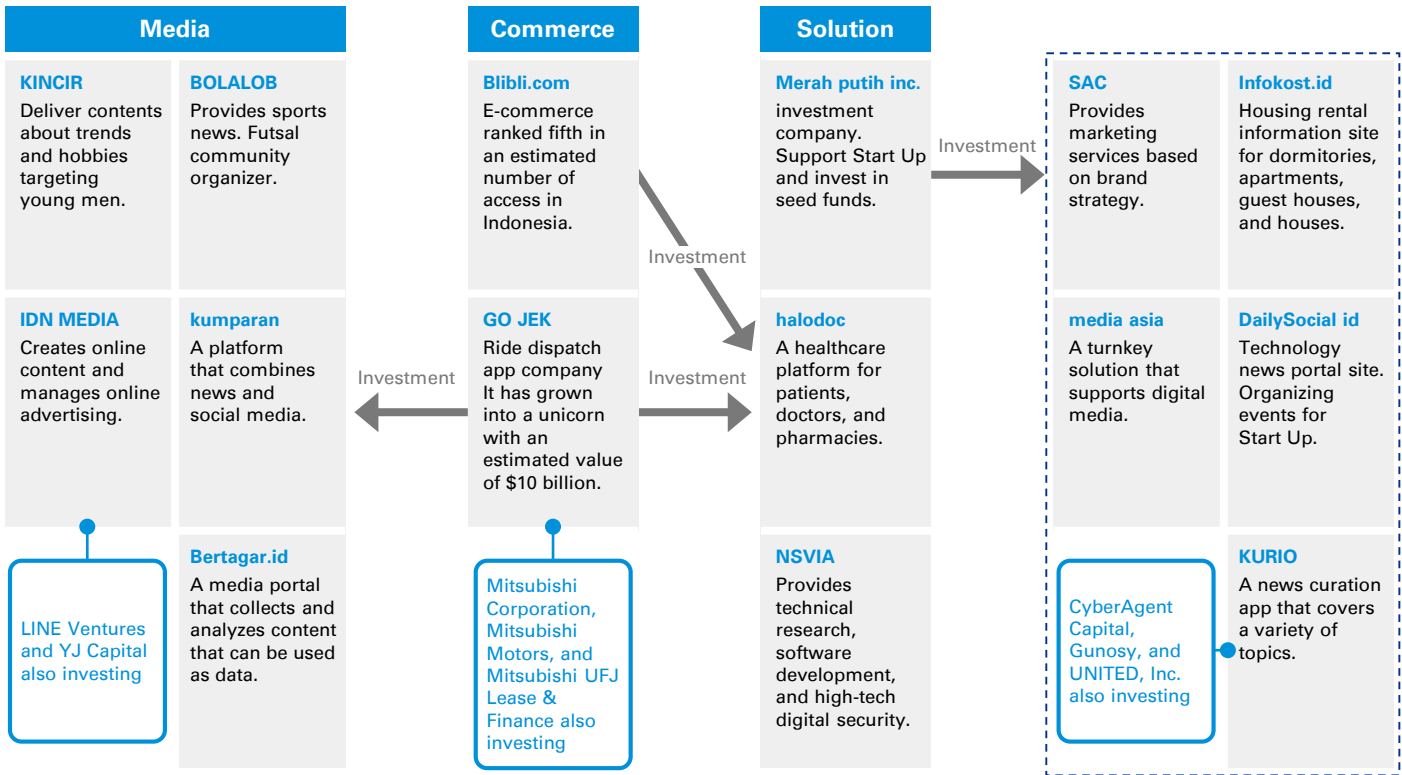
- A venture capital under the Hartono family that runs Jarum and BCA, etc.
- The company has made early-stage investments in the retail and technology fields and has a portfolio of 40 companies mainly in the fields of media, commerce, and solutions.
- The ride dispatch app company "Gojek", which has grown into a unicorn, is one of the investees. Already exited from online gaming company "Garena", which has also grown into a unicorn.

Overview of the Djarum Group

Corporate group holding Bank Central Asia and cigarette manufacturer. **Diversified business deployment including home appliances, real estate, communications infrastructure, plantation, chemicals and packaging materials.**

The family members, Robert and Michael Hartono brothers are ranked No.1 in Indonesian Forbes rankings in 2018 (Net assets of \$35 billion).

Overview of portfolio (40 companies as of the end of July 2019)



Exited deals

Garena
 A company that has grown into a unicorn. The company was renamed "Sea" and listed on the NYSE in October 2017. Develops online games, e-commerce, electronic wallet and payment.

Temasek and Mistletoe (Fund led by Taizo Son) also investing

Useful information

KMPMG FAS industry groups

<https://home.kpmg/jp/ja/home/about/fas/industry.html>

KPMG FAS News Letter “Driver”

<https://home.kpmg/jp/ja/home/insights/2019/06/fas-driver-04.html>

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