



Deal Advisory – Newsletter Vol. 5 Trends in ASEAN M&A

January 2021 to December 2021 edition

Introduction

ASEAN M&A market in 2021 showed significant recovery from the downturn experienced in 2020 during the COVID-19 pandemic, and exceeded the pre-COVID-19 level with announced deal value exceeding USD 130 billion. Increased acquisitions, divestitures, and use of SPACs by PE funds and corporates, backed by governments’ expansionary monetary and economic stimulus policies, and growing awareness of ESG and related businesses portfolio reorganizations can be said to be behind this trend. The startup market has also been active, with the announcement of new rules to enable SPAC listing on the Singapore Exchange (SGX), and increasing number of companies preparing for IPO in the surrounding countries. While there are concerns over the possibility of inflated stock prices with interest rate rises, technology sector M&A which showed increased activity will likely to remain in the spotlight.

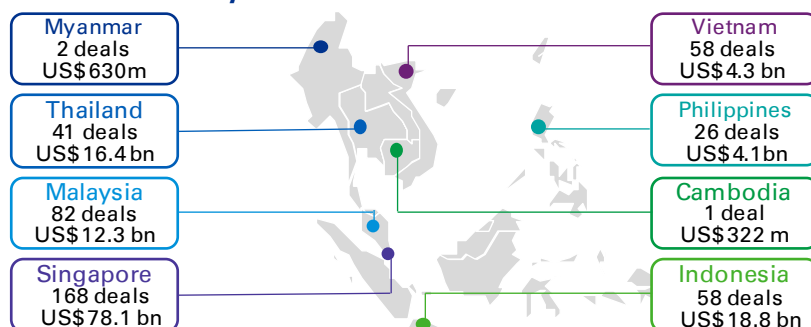
This time again, local members of KPMG Deal Advisory will provide you with updates on current events in the ASEAN M&A market, trends in each industry, and major deals in each country.

1. Overview of the ASEAN M&A market

The recovery trend in M&A deals which started in 2H2020 continued in 2021. Telecommunication, Media & Technology (TMT) sector in particular, whose importance was reaffirmed in the COVID-19 pandemic saw many mega deals. With a large sum of invested capital accumulated in the market backed by monetary easing and economic stimulus measures, the sector saw many large-scale fundraising successes, including those utilizing SPAC. Also prominent were large-scale business reorganizations by major conglomerates and PE firms with the aim of improving ESG performance and investment returns.

During 2021, 436 M&A deals with deal value of USD 135 billion (cir. JPY 15,353 billion) were announced in ASEAN, achieving nearly three-fold growth in value and 1.5x growth in volume from 2020. On a quarterly basis, 2Q and 3Q 2021 saw many mega deals and the deal values were USD 62.6 billion (125 deals) and USD 40.6 billion (148 deals), respectively, which decreased to USD 16.0 billion (60 deals) in 4Q. This may be attributed to concerns regarding tightening of monetary policy, economic uncertainty from resurgence of COVID-19 and SEC’s increased scrutiny of SPAC deals.

M&A deal activity in ASEAN countries for 2021



Source : Mergermarket and KPMG analysis

Looking by country, volume and value of M&A deals announced increased not only in Singapore and Thailand, which led the market in 2020, but also in Indonesia, Malaysia, and Vietnam. M&A deals in Singapore accounted for approx. 40% in volume and approx. 60% in value of ASEAN M&A deals, with announced deal value of USD 78.1 billion. This included a merger between Grab Holdings, a ride-hailing service provider, and Altimeter Growth (SPAC), and reorganization by conglomerates such as Keppel Corporation and CapitaLand, and M&As between real estate development businesses. TMT sector M&As were particularly active in Indonesia and Malaysia, both achieving almost five-fold growth from 2020 to USD 13.9 billion and USD 6.3 billion, respectively.

When looking by sector, TMT (114 deals, USD 65.5 billion) and Real Estate, Infrastructure & Construction (81 deals, USD 33.4 billion) together accounted for approx. 40% in volume and approx. 70% in value of ASEAN M&A deals. TMT sector M&A deal activity was active in Singapore, Indonesia, Thailand, and Malaysia, all exceeding USD 5.0 billion in value, mainly driven by large-scale integration projects aimed at acquiring markets within the ASEAN region or facilitating a smooth transition to 5G. Particularly noticeable amongst them were: an acquisition of Grab Holdings by an SPAC in preparation for listing on Nasdaq; a merger between Gojek and Tokopedia; a merger between True Corporation plc, a telecommunications service provider, and Total Access Communication, a mobile communications service provider in Thailand; and proposed merger of Celcom Axiata and Telenor's Digi.Com in Malaysia. In the Real Estate & Infrastructure sector, many large-scale portfolio business reorganization were seen particularly in Singapore and Thailand which appeared to be driven with investors' view point in mind such as strengthening the balance sheet and ESG considerations.

2021 M&A Transaction Volume

	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
Real Estate, Infra & Construction	31	7	8	18	14	3	-	-	81
Telco, Media & Technology	53	11	21	17	7	4	1	-	114
Energy & Natural Resources	5	4	6	5	6	10	-	-	36
Consumer Markets	13	7	7	5	12	3	-	-	47
Industrials & Manufacturing	25	9	4	17	7	2	1	-	65
Financial Services	14	2	8	6	6	2	-	1	39
Others	27	1	4	14	6	2	-	-	54
Total	168	41	58	82	58	26	2	1	436

Source : Mergermarket and KPMG analysis

2021 M&A Transaction by Value (USD in million)

	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
Real Estate, Infra & Construction	26,160	1,642	2,367	2,630	143	444	-	-	33,386
Telco, Media & Technology	39,221	5,007	13,905	6,321	392	45	600	-	65,491
Energy & Natural Resources	1,846	1,135	162	360	20	2,706	-	-	6,229
Consumer Markets	400	7,518	1,131	134	1,613	11	-	-	10,807
Industrials & Manufacturing	5,507	441	555	675	101	19	30	-	7,328
Financial Services	3,669	670	502	893	1,671	903	-	322	8,630
Others	1,336	35	197	1,281	315	0	-	-	3,164
Total	78,138	16,448	18,819	12,294	4,255	4,128	630	322	135,034

Note: Certain M&A transactions are only included in the M&A Transaction Volume table above, as values of these transactions were not made public. Also, M&A transaction in 2021 announced in Laos is not included as amount was small relative to other countries.

Source: Mergermarket and KPMG analysis

At the same time, ASEAN's central banks can be seen to be under pressure to make a difficult decision, with inflated M&A prices in the low interest rate environment under COVID-19 becoming under scrutiny as interest rates in the US increased in 2021 4Q, coupled with unpredictable impact of Omicron. ASEAN M&A market is likely to need to keep a close watch on interest rate movement in 2022.

Outbound M&A deals by ASEAN companies to outside ASEAN region

We would also like to provide an overview of ASEAN companies' investment to outside ASEAN which we are seeing as an increasing trend, particularly in Singapore and Thailand.

Looking at the trend over the last five years, ASEAN's announced outbound M&A to outside ASEAN increased in 2018 both in volume and value, driven by large M&A deals. After the US-China trade friction cast uncertainty in the market in 2019, and the COVID-19 outbreak in 2020 further dampened M&A from the region, M&A activity recovered in 2021 to 2018 level. Thai corporations' pursuit for growth of higher value-added industries and transformation from current industrial structure to transition from middle-income to a developed country, appears to be impacting not only domestic but overseas expansion. As the result, many of the deals exceeding USD 2 billion in value were by Thai corporations. Particularly representative of such a trend were: the proposed acquisition of Selfridges Group in the UK (USD 5.3 billion) by Thai retail giant Central Group, and European firm Signa Holding; the acquisition of Allnex, a specialty chemicals supplier by PPT Global Chemical Public Company group in Thailand (USD 4.7 billion); and the acquisition of Tingo Mobile, a Nigerian mobile phone company, by a Thai technology developer, iWeb (USD 3.7 billion).

COVID-19 outbreak brought about growing momentum for many countries and companies around the world to review their business portfolios, and as a result many are contemplating or carrying out business divestures. It appears that ASEAN countries are also working actively to enter new markets, diversify their portfolios, and participate in large-scale financing to keep up with this trend.

Bidder ASEAN country M&A Transaction Volume									
	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
2017	117	20	3	9	2	5	-	1	157
2018	127	18	3	16	3	9	-	1	177
2019	102	11	2	7	3	6	-	-	131
2020	93	8	2	7	0	3	-	-	113
2021	128	20	5	11	1	3	-	-	168
Total	567	77	15	50	9	26	-	2	746

Bidder ASEAN country M&A Transaction Value									
	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
2017	16,191	963	333	489	13	181	-	14	18,184
2018	37,002	4,991	2,421	4,578	50	701	-	35	49,778
2019	12,386	3,134	570	721	105	718	-	0	17,634
2020	17,906	1,199	2,931	360	0	881	-	0	23,277
2021	38,351	20,918	274	896	9	298	-	0	60,746
Total	121,836	31,205	6,529	7,044	177	2,779	-	49	169,619

Note: Certain M&A transactions are only included in the M&A Transaction Volume table above, as values of these transactions were not made public. It should also be noted that the M&A Transaction by Value includes values of the deals in which companies in ASEAN participated in financing or investment transactions

Source: Mergermarket and KPMG analysis

Major M&A deals in ASEAN (excludes investment by ASEAN countries to outside ASEAN)

In 2021, there were more than 20 proposed announced deals exceeding USD 1.0 billion in value, and TMT and Real Estate sectors (9 and 6 deals, respectively) accounted for almost half of those deals. Summary of the major M&A deals announced is as below.

- Mergers with SPACs for subsequent listing: A merger between Grab Holdings, a ride-hailing service provider, and Altimeter Growth (SPAC); a merger between SES Holdings and Ivanhoe Capital Acquisition (SPAC); a merger announced between FinAccel and VPC Impact Acquisition Holdings II (SPAC)
- Value chain strengthening by large conglomerates: Keppel REIT's acquisition of Singapore Press Holdings after a carve-out of its media business; and Gulf Energy's acquisition for Intouch and Advanced Info Service shares
- Intragroup business reorganization for market acquisition and synergy creation: CapitaLand Group reorganization involving separation of its investment property business and establishment of a new company (acquisition of stake in CapitaLand Limited by CLA Real Estate Holdings); Mapletree Commercial Trust Management (REIT)'s acquisition of Mapletree Greater China Commercial Trust in Singapore; Siam Makro's acquisition of stake in C.P. Retail Development Company to reorganize Pokphand Group's retail division
- Reinforcement of the business platform aimed at business expansion within ASEAN: A merger between Gojek, a ride-hailing service provider, and Tokopedia, an online marketplace provider; a merger between True Corporation plc and Total Access Communication, Top Tier players in the mobile phone market where heavy 5G investment is expected; merger of Celcom Axiata and Telenor's Digi.Com etc.

Noe	Announced Date	Target	Target Sector	Target Country	Acquirer	Acquirer Country	Deal Value (USD in million)
1	Apr-21	Grab Holdings Inc(100% Stake)	Internet / ecommerce	Singapore	Altimeter Growth Corporation	USA	34,460
2	Mar-21	CapitaLand Limited (48.24% Stake)	Real Estate	Singapore	CLA Real Estate Holdings Pte Ltd	Singapore	7,675
2	May-21	Tokopedia Pt (100% Stake)	Internet / ecommerce	Indonesia	PT Aplikasi Karya Anak Bangsa	Indonesia	7,560
3	Nov-20	C.P. Retail Development Company Limited (62.77% Stake)	Consumer: Retail	Thailand	Siam Makro Public Co. Ltd.	Thailand	6,538
4	Aug-21	ARA Asset Management Limited(100% Stake)	Real Estate	Singapore	ESR Cayman Limited	Hong Kong (China)	5,200
5	Jun-21	Celcom Axiata Bhd (100% Stake)	Telecommunications: Carriers	Malaysia	DiGi.Com Bhd	Malaysia	4,291
6	Nov-21	Total Access Communication Public Company Limited (100% Stake)	Telecommunications: Carriers	Thailand	True Corporation Public Company Limited	Thailand	3,137
7	Dec-21	楓樹大中華商業信託 (100% Stake)	Real Estate	Singapore	Mapletree Commercial Trust	Singapore	3,120
8	Jul-21	SES Holdings Pte. Ltd.	Industrial: Electronics	Singapore	Ivanhoe Capital Acquisition Corp.	Singapore	3,110
9	Aug-21/ Oct-21	Singapore Press Holdings Ltd. (100% Stake)	Real Estate	Singapore	Keppel REIT or Hotel Properties Limited; Mapletree Investments Pte Ltd; CLA Real Estate Holdings Pte Ltd	Singapore	2,813
10	Aug-21	FinAccel Pte Ltd.	Financial Services	Singapore	VPC Impact Acquisition Holdings II	USA	2,000

Note: Deal value is based on equity value. Offer for Singapore Press Holdings by Keppel REIT, Hotel Properties etc, is combined as one and shows Keppel REIT's offer.

Source : Mergermarket and KPMG analysis

2. Insights from KPMG Deal Advisory leaders in ASEAN countries

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

The supercharged deal market in 2021 was fueled by a buildup of global dry powder, continued low interest rates, a rebounding economic recovery from the first wave of the pandemic and a focus on emerging market returns especially driven by digital innovation and the evolution of fintech platforms.

Popular deal thematics:

Financial Services • TMT – significant investment flowing into fintech platforms with deals like Grab and other regional platforms. The Covid 19 pandemic has accelerated the growth in the use of these platforms to drive digital services, ecommerce, ride hailing, medical services, education, banking and insurance. Private Equity – Significant dry powder has meant that funds are looking for a broad range of investment opportunities following the long term macro trends expected in Healthcare, Real Estate, TMT, Education, ESG, Financial Services. ESG has increasingly come into investors and most funds have setup a specialized fund focused on ESG such as renewables. ESG activity appears to be increasing especially amongst Singapore Venture Capital & Private Equity Association (SVCA), and government owned funds such as Temasek and GIC. Real estate – despite many markets having restrictions around travel and work from home mandates, there has been continued M&A deals in real estate with commercial pricing still remaining strong.

Following a lacklustre performance in 2020 as investors took a wait-and-see approach, Malaysia's M&A activities made an exceptional recovery in 2021, with transaction volume rebounding to 82 deals, valued at over USD12.3 billion. The landmark deal was led by the merger of Digi and Celcom, to become the largest mobile operator in Malaysia. The consideration which is currently valued at over USD4.2 billion, is expected to close by mid-2022. The other deal that breached the billion-dollar mark was Malayan Cement Bhd's acquisition of cement and concrete business from YTL Cement Bhd, valued at over USD1.2 billion.

The M&A landscape is buoyant going into 2022, as global economy recovers from the aftermath of the COVID-19 pandemic, coupled with high vaccination rates in Malaysia. Activities are expected in the financial services, infrastructure and consumer business sectors. Within the investment space, ESG is seen as a rising theme which has huge potential to become an integral part of the M&A due diligence process.

Despite the resurgence of COVID-19, Thailand's M&A market outperformed the economy in 2021 which started to recover from the contraction in 2020. Deal activities were robust throughout the year despite some lockdowns and restrictions. With borders largely closed the majority of deals remained between local companies driven by diversification from traditional businesses, seeking collaboration with partners or fund raising. The largest deal in 2021 was in the telecommunications sector as Gulf Energy Development PCL, a large private power producer, acquired 42% interest in Intouch Holdings PCL, a telecommunications conglomerate at a consideration of USD 1.5 billion. Another remarkable deal saw BTS Group Holdings PCL, the largest private mass transportation operator announce its investment in Jay Mart PCL and Singer Thailand PCL in order to diversify its business.

We expect continued growth in deals in 2022 with an increase in cross-border transactions. Key sectors of focus include financial services, healthcare and telecommunications, and we are increasingly seeing ESG rise on the agenda of large Thai businesses, both for their existing operations and as a consideration for M&A projects.

Singapore

Stephen Bates



Malaysia

Elaine Cheah



Thailand

Ian Thornhill



Insights from KPMG Deal Advisory leaders in ASEAN countries

2021 was a robust year for M&A in the Philippines, with majority of the transactions in the Energy, Real estate, and Technology & e-commerce. The biggest deal was in the energy sector with the 27% investment by JERA into Aboitiz Power Corporation, one of the biggest power utility companies in the country (US\$1,580 million) where JERA is expected to provide its expertise to push for clean and renewable energy in the Philippines. There were also GIC Private Limited's acquisition of 17.5% stake in AC Energy, and AC Energy's acquisition of two wind farms to increase its renewable energy capacity. In the financial services sector, it was announced that Union Bank of the Philippines was the chosen bidder for the retail business of Citibank Philippines (US\$903 million). Also in 4Q 2021, Ayala Land, Inc. agreed to acquire stake in AREIT, Inc., the first REIT in the country.

We expect to see continued M&A in the Energy space brought about by the strong push for renewable energy and increased energy demand. The growth of the digital economy in the Philippines is just beginning and we expect both cross-border and domestic transactions in the coming year as companies find new ways to build up their capabilities.

Indonesia recorded a positive rebound in GDP in 2021 from previous negative growth in 2020, and the Indonesian M&A market achieved completed deal value of USD 18.8 billion from 58 deals. Notable deals in 2021 include the merger of Gojek and Tokopedia with a total transaction value of USD 7.6 billion; and Protelindo's USD 1.7 billion acquisition of STP Towers.

M&A activities are expected to be more robust in 2022 supported by ongoing recovery from COVID-19 and the country's general economic environment with GDP growth forecast to increase to 4.7–5.5%, supported by continuing government accommodative monetary and fiscal policies. At this stage KPMG has not seen any significant impact from ESG considerations on M&A deals in Indonesia. This may in part be due to typical emerging market country risk profile. This condition may be slowly changing.

Despite the resurgence of COVID-19, the M&A market in 2021 has outperformed the previous year. The encouraging performance is mainly due to the capital needs of local companies to strive through multiple waves of the outbreak and local corporates favoring expansion strategy through M&A to build up their ecosystem and capturing greater market share. ESG criteria which used to be unfamiliar to local companies have been an essential agenda for foreign investors in recent inbound M&As. Top sectors that witnessed large M&A deal flows in 2021 are consumer staples, financials, IT and real estate.

M&A transactions during the period include the acquisition of 49% stake in FE Credit, Vietnam's largest consumer lending company, by Sumitomo Mitsui Financial Group for USD1.37 billion; the closing of USD400 million investment in Masan Group, the largest consumer-integrated conglomerate, from Alibaba and Baring Private Equity Asia; and the USD 200 million Series E funding round in Momo, a leading e-wallet and payment platform, from multiple investors led by Mizuho Bank. Moving forward to 2022, the technology sector and the adoption of ESG practices is expected to increase over time as it opens the door to attract larger pool of foreign capital and secure sustainable growth.

Philippines

Michael Arcatomy H. Guarin



Indonesia

David East



Vietnam

Dinh The Anh



3. ESG trends in ASEAN

ESG is becoming a buzzword of today, and ESG initiatives are also being accelerated in ASEAN. Listed companies in particular, are taking various actions to attract global ESG investments in excess of USD 30 trillion p.a. into the ASEAN region through the capital market. In addition, the stock exchanges in major ASEAN countries such as Singapore Thailand, Malaysia, and Vietnam are requiring listed companies to publish ESG reports, encouraging this trend further

ASEAN's challenges from the US/European viewpoint

Let's try and consider how ASEAN corporations are seen from US/European countries' viewpoint. From the past, many ASEAN corporations developed as part of the product supplying hubs incorporated within US/Europe or East Asia's corporations' global supply chains. Such activities that supported high growth and were supported until recently, are now under pressure from governments, authorities, and investors around the world, particularly amongst US/European countries. Governments and corporations are increasingly required to take immediate actions to be more considerate of Environment ("E") and Society ("S"), especially in the ASEAN region. In line with this trend, initiatives intended for environmental protection, improvement of working conditions, etc. will likely be further accelerated in the dialogue between shareholders and investors, and in corporates' businesses in the ASEAN region. Furthermore, the US/European countries are also paying attention to Governance ("G") in ESG of companies in ASEAN. It is not uncommon that US/European investors have an image of complex group ownership structure resulting in minority shareholders exerting control over the board of directors in ASEAN companies. Governance considerations which did not get much attention during the period of rapid growth, may now become a matter of urgency of for the ASEAN countries to attract future ESG investments.

Overview of companies in ASEAN

While media coverage about significant ESG challenges faced by governments and companies in ASEAN is increasing recently, it can be said that these challenges have always been there, but increasing awareness of ESG at global level, is attracting more attention to these challenges. Within the ASEAN region, entrepreneurs are increasingly emerging to deal with such challenges especially amongst millennial generation that grew-up in such environment. As signified by growth into a unicorn company by Grab, it can be expected that emergence and growth of startups will be accelerated as it is passed on to Generation Z. Increasing number of startup companies originating in ASEAN are also getting listed outside the region through the use of US Nasdaq Stock Exchange's SPAC. In response to such a trend, Singapore Exchange (SGX) announced in September 2021, new rules to enable SPAC listing in the country ahead of other East Asian countries. This has attracted media attention in many countries across the world as a move to establish a system to accelerate the listing of startup companies in Singapore and surrounding ASEAN countries. In January 2022, Vertex Venture Holdings, a subsidiary of Temasek Holdings, the country's government-owned investment company, announced it would list its SPAC on the SGX, and we expect to see further acceleration of similar transactions in the future. Also, in the neighboring country of Indonesia, an increasing number of startup companies are preparing for listing. Looking forward, we expect the regional fundraising activities within ASEAN and ASEAN M&A market to pick up further, led by the TMT sector.

3. ESG trends in ASEAN

Impacts on the ASEAN M&A market

Trends in the global private equity market are also worth considering. In PE funds' many initiatives to prepare its investment for listing, ESG related initiatives have already started. Looking by country, while there are countries where investment recovery method is inclined to IPO, and/or the environment for startup companies to grow into a unicorn company is not established leading to many pre-mature listed companies, in country such as US where investment recovery through M&A is frequent, unicorn companies are emerging. As ESG awareness gains prevalence not only amongst investors but also amongst companies, we will likely see ESG considerations become a prerequisite in M&A deals and PMI in ASEAN.

In addition, recently there is a trend to sell-off businesses and assets regarded to carry high ESG risks and to leave the future into the hands of others. It may be considered that while this may allow the business or asset owner to resolve its problem, it would not resolve society-wide ESG issues. Some investment fund managers in the ASEAN region have started to consider that exploring opportunities and possibilities for the firm to becomes more sustainable and supporting initiatives for long-term improvement measures such as corporate decarbonization, is more important than selling-off the business.

Useful information

Sustainability Transformation (SX) support service

<https://home.kpmg/jp/ja/home/services/advisory/sustainability-transformation.html>

ESG considerations in M&A

<https://home.kpmg/jp/ja/home/services/advisory/sustainability-transformation/merger-acquisition.html>

ESG due diligence

<https://assets.kpmg/content/dam/kpmg/jp/pdf/2021/jp-esg-dd-2.pdf>

KPMG FAS industry group introduction

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

KPMG FAS Newsletter “Driver”

<https://home.kpmg/jp/ja/home/insights/2021/12/fas-driver-09.html>

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