

Deal Advisory – Newsletter Vol. 6

Trends in ASEAN M&A

January 2022 to June 2022 edition

Looking back, we see 1H2022 as a six-month period of unprecedentedly high geopolitical tensions and inflation at an alarming rate. Economies temporarily flourished in 2021 through the so-called COVID-19 boom, as remarkable recovery was made from the COVID-19 downturn with businesses turning around and their stock prices consequently going up. When production activities returned back to normal, labor markets rapidly tightened bringing up wages, most prominently in the West. What is more, a hike in natural resource prices triggered by the war in Ukraine and the clogging of supply chains primarily due to China's zero-COVID policy caused inflation, which then quickly spread globally. While the Central Banks have been aggressively tightening their monetary policies to combat the inflation, some argue that such a move will slow down economies, raising a concern that they will go into recession in 2H2022.

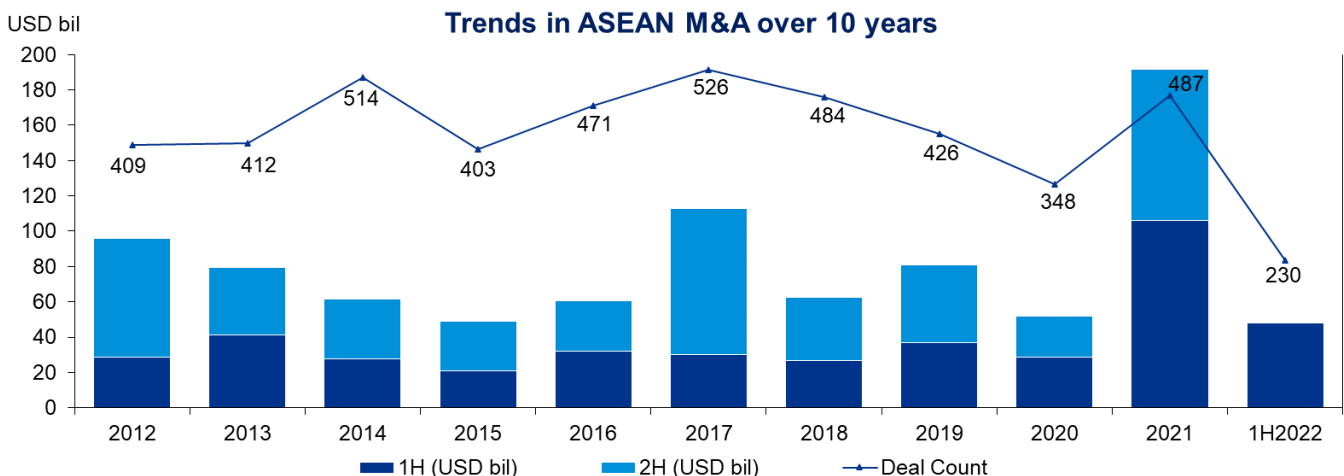
The question now is what kind of M&A are going on in ASEAN under these challenging situations? This time again, our local country leaders from KPMG Deal Advisory in ASEAN will provide you with updates on the latest M&A trends in the ASEAN market.

1. Overview of the ASEAN M&A Market

As mentioned at the beginning of this newsletter, economic uncertainty grew considerably in 1H2022. In addition, the rise in borrowing cost caused by tightened monetary policy by the Central Banks with the intention of controlling the inflation not only has deterred corporations from making aggressive investments resulting the slow-down of M&A activities. According to a report by Rofinitiv, a provider of financial markets data, global M&A in 1H2022 totaled USD 2,367 billion (approximately JPY 275 trillion at JPY 135/USD), 36% down from the same period last year.

Now looking at the ASEAN market, M&A in the region amounted to USD 48.0 billion in the same period, showing a significant decline of 63% from the same period last year. However, it should be noted that the prior year results included some “mega” transactions, and in fact, the number of M&A deals increased to 230, up by 2 from the previous year. Given that, the M&A appetite in the region is by no means low, and M&A in ASEAN have already recovered beyond the pre-COVID-19 level in 2018 both in volume and value.

In the following pages, we will more closely look at M&A trends in ASEAN, highlighting the



Source: Mergermarket and KPMG analysis

M&A Trends by Country and Sector in ASEAN

The M&A volume in each of the countries in 1H2022 suggests that Singapore is leading the ASEAN M&A market with 96 executed deals accounting for 42% of 230 deals in ASEAN. Indonesia came second with 41 deals (18%), overtaking Malaysia, which was in the second position in 2021. The two countries were even more overwhelming in value terms. USD 19.4 billion and USD 17.1 billion in Indonesia and Singapore, respectively, together account for 76% of USD 48.0 billion in ASEAN, giving an indication that both the countries had mega deals.

The M&A transaction volume by sector data shows 76 and 43 deals in the Technology, Media & Telecommunication (TMT) and Real Estate, Infrastructure, Logistics & Hospitality sectors, respectively, combined together accounted for half of the total deal volume. In value terms, USD 17.2 billion in the TMT sector accounts for 36% of the total value. TMT was the leading sector in both volume and value terms in 2021, too. Reorganization of the telecom industry and SPAC (Special Purpose Acquisition Company) listing of technology companies with subsequent rollup acquisitions, which drove the M&A market in both volume and value terms last year, remained active throughout 1H2022, continuing to support the M&A boom in the sector.

Looking by both country and sector, we see 18 M&A deals totaling USD 10.7 billion in Indonesia's TMT sector with indicated presence of mega deals. Singapore and the Philippines also had high-value M&A deals in TMT, each going beyond the USD 1.0 billion range. Real Estate, Infrastructure, Logistics & Hospitality sector and Industrials & Manufacturing sector also saw high values of M&A deals in excess of USD 1.0 billion.

Now, let's look at the details of these large deals and their drivers.

| 1H 2022 M&A Transaction Volume | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-------------|----------|----------|------------|
| | Singapore | Thailand | Indonesia | Malaysia | Vietnam | Philippines | Myanmar | Cambodia | Total |
| Real Estate, Infrastructure, Logistics & Hospitality | 16 | 5 | 3 | 7 | 10 | 2 | 0 | 0 | 43 |
| Technology, Media & Telecommunications | 38 | 6 | 18 | 3 | 3 | 7 | 1 | 0 | 76 |
| Energy & Natural Resources | 2 | 3 | 2 | 1 | 2 | 3 | 0 | 0 | 13 |
| Consumer Markets | 10 | 2 | 2 | 7 | 2 | 0 | 0 | 0 | 23 |
| Industrials & Manufacturing | 7 | 6 | 7 | 5 | 2 | 0 | 0 | 0 | 27 |
| Financial Services | 8 | 3 | 6 | 2 | 2 | 1 | 0 | 0 | 22 |
| Others | 15 | 1 | 3 | 6 | 1 | 0 | 0 | 0 | 26 |
| Total | 96 | 26 | 41 | 31 | 22 | 13 | 1 | 0 | 230 |

| 1H 2022 M&A Transaction by Value (USD mil) | | | | | | | | | |
|--|---------------|--------------|---------------|--------------|--------------|--------------|-----------|----------|---------------|
| | Singapore | Thailand | Indonesia | Malaysia | Vietnam | Philippines | Myanmar | Cambodia | Total |
| Real Estate, Infrastructure, Logistics & Hospitality | 2,434 | 463 | 450 | 2,963 | 1,094 | 373 | 0 | 0 | 7,777 |
| Technology, Media & Telecommunications | 3,427 | 373 | 10,686 | 300 | 140 | 2,192 | 53 | 0 | 17,171 |
| Energy & Natural Resources | 213 | 127 | 449 | 0 | 165 | 358 | 0 | 0 | 1,312 |
| Consumer Markets | 559 | 16 | 41 | 747 | 133 | 0 | 0 | 0 | 1,496 |
| Industrials & Manufacturing | 6,483 | 757 | 2,666 | 344 | 87 | 0 | 0 | 0 | 10,337 |
| Financial Services | 648 | 179 | 4,728 | 483 | 118 | 12 | 0 | 0 | 6,168 |
| Others | 3,288 | 0 | 375 | 28 | 26 | 0 | 0 | 0 | 3,717 |
| Total | 17,052 | 1,915 | 19,395 | 4,865 | 1,763 | 2,935 | 53 | 0 | 47,978 |

Source: Mergermarket and KPMG analysis

Major ASEAN M&A Deals (exclude ASEAN outbound M&A)

The largest of all the deals in 1H2022 was the business integration of mobile phone companies with the deal value of USD 6.6 billion. Ranked ninth was also an acquisition of a base transceiver station operator in Indonesia. These deals highlighted the scale of deals in the telecom industry. With a big industry dynamism of transition to 5G as a backdrop, there were large-scale mobile phone company integration deals in Malaysia and Thailand last year, and 1H2022 saw this trend extend to Indonesia.

Large deals also took place in various other sectors, such as Financial Services, Healthcare, Transportation, and Agriculture. Particularly notable was the strategic alliance between Olam International and Saudi Agriculture and Livestock Investment Company ("SALIC") ranked tenth, which was a quite large deal in Agriculture sector in ASEAN. We also note the strategic significance of this alliance, i.e., ASEAN's largest agri-trading company, Olam, and a Saudi royal family-backed company, SALIC, enabling to address the concern over food shortage in Middle East and Africa that stems from the war in Ukraine.

Paying attention to the acquirers of the deals, we can see Singaporean companies have strong presence as dealmakers in large M&A transactions. They are making large deals outside the country too demonstrating a strong appetite over the country risk outside Singapore. Let's look at this point in further detail in "ASEAN Outbound M&A" themed next page.

Other than Singapore, Malaysia had two deals ranked within the top ten. Particularly remarkable was the acquisition of Ramsay Sime Darby Healthcare by IHH Healthcare. With this deal, IHH, one of the Asian largest hospital operator, added an Indonesian operation, which has been their missing parts, to their business portfolio. In line with the enhancement of national insurance system in each ASEAN countries, overall healthcare needs is growing in the region. IHH is aggressively capturing this trend and accelerating horizontal expansion, and they are likely to remain in the spotlight for some while.

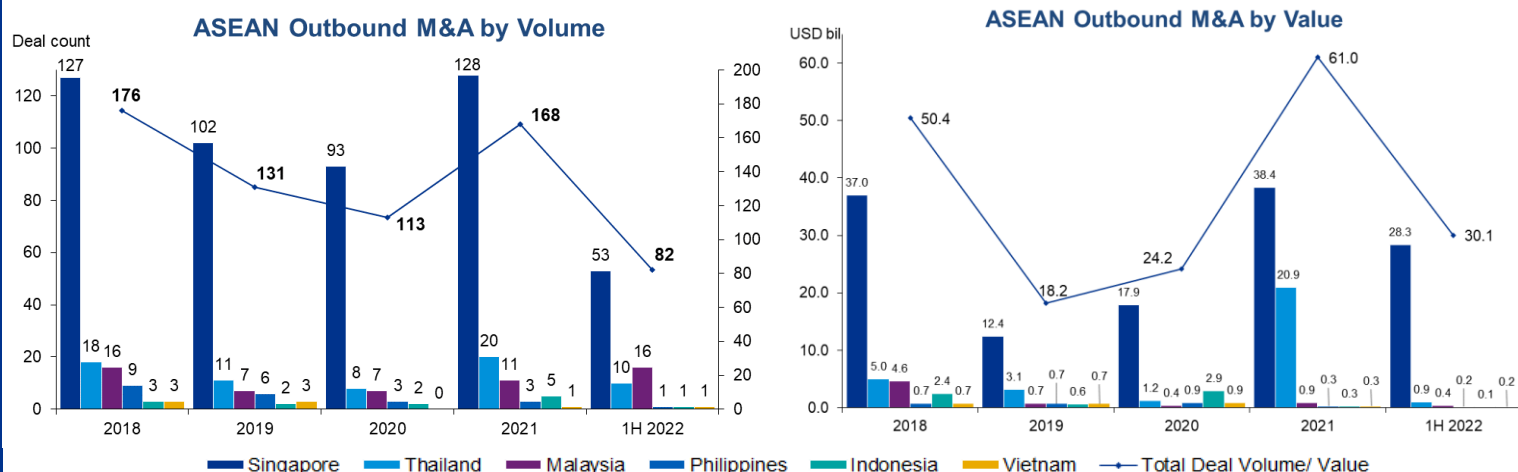
| No. | Announced Date | Target | Target Sector | Target Dominant Country | Acquirer | Acquirer Country | Deal Value (USD mil) |
|-----|----------------|---|----------------------------------|-------------------------|---|-------------------|----------------------|
| 1 | Dec-21 | Indosat Tbk, PT (100% Stake) | Telecommunications: Carriers | Indonesia | CK Hutchison Holdings Limited | Hong Kong (China) | 6,579 |
| 2 | Apr-22 | Keppel Offshore & Marine Limited | Industrial products and services | Singapore | SembCorp Marine Limited | Singapore | 3,806 |
| 3 | Jan-22 | Citi (Indonesia- Consumer Business) (100% Stake), Citi (Malaysia- Consumer Business) (100% Stake), Citi (Thailand- Consumer Business) (100% Stake), Citi (Vietnam- Consumer Business) (100% Stake) | Financial Services | Indonesia | United Overseas Bank Limited | Singapore | 3,652 |
| 4 | May-22 | Open-pit nickel mines in the North Konawe region of Sulawesi, Indonesia (75% Stake) | Mining | Indonesia | Seroja Investments Limited | Singapore | 1,979 |
| 5 | Jan-22 | Interplex Holdings Pte. Ltd. (100% Stake) | Services (other) | Singapore | Blackstone Group Inc | USA | 1,600 |
| 6 | Apr-22 | Sistem Penyuraian Trafik KL Barat Sdn Bhd (100% Stake), Lingkar Trans Kota Sdn Bhd (100% Stake), Kesas Sdn Bhd (100% Stake), Projek Smart Holdings Sdn Bhd (100% Stake) | Transportation | Malaysia | Amanat Lebuhraya Rakyat Berhad | Malaysia | 1,534 |
| 7 | Jan-22 | BINEX Singapore Pte. Ltd. (100% Stake) | Agriculture | Singapore | Sinja Land Limited | Singapore | 1,477 |
| 8 | Mar-22 | Ramsay Sime Darby Health Care Sdn Bhd (100% Stake) | Medical | Malaysia | IHH Healthcare Berhad | Malaysia | 1,343 |
| 9 | Apr-22 | Tower Bersama Infrastructure Tbk, PT (24.97% Stake) | Telecommunications: Carriers | Indonesia | PT Provident Capital Indonesia Tbk | Indonesia | 1,248 |
| 10 | Mar-22 | Olam Holdings Pte Ltd (35.4% Stake) | Agriculture | Singapore | Saudi Agricultural and Livestock Investment Company | Saudi Arabia | 1,240 |

Note: The deal ranked first (announced in Dec 2021) is included in the list because it was executed in January 2022.

Source: Mergermarket and KPMG analysis

ASEAN Outbound M&A

In terms of ASEAN outbound M&A, Singapore has been overwhelming in both volume and value terms.



Source : Mergermarket and KPMG analysis

As shown in the ranked list below "Top 8 ASEAN Outbound M&A Deals of 1H2022", there were eight big deals valued at over USD 1.0 billion, of which seven were acquisitions by Singapore-based investors including government-backed funds such as TEMASEK and GIC. The largest in value among them was TEMASEK Holdings' (Singapore) acquisition of Element Materials Technology Group (UK) at USD 7.0 billion, which was also the largest ASEAN outbound M&A deal during the period. The deal by another government-back fund, GIC, was also large in value at USD 4.5 billion. These two deals demonstrate strong outbound M&A appetite of the government-backed funds .

The deals ranked third and fourth were acquisitions of Citigroup's consumer banking business in Asia by Singaporean banks, DBS and UOB, executed as part of Citigroup's withdrawal from the Asian consumer banking market. The total acquisition value, or the sales value for Citigroup, was as large as USD 7.0 billion.

As evident from above, Singapore companies and government-backed funds have been actively engaging in outbound M&A with keep taking country risks, which does not only mean political risks and foreign exchange risks but also PMI challenges posed by differences in commercial practices, including local culture and religions. Singapore being a small country, outbound investment and M&A are indispensable to its sustainable growth. In pursuit of growth opportunities, we assume Singaporeans have been exposed to such risks, and therefore, they accumulated experience and know-how to manage such properly. Japan as a country in the similar position could have learned a lesson from Singapore. As such, we would like to explore this angle in the newsletter in other occasion.

The only deal by a non-Singaporean investor was the acquisition by a Malaysian company, Petronas Chemicals Group (PCG), of a leading specialty chemicals producer in Sweden, Perstorp. PCG stated in its press release issued after the acquisition, "This acquisition will also provide us critical talent, know-how, technological platforms to address the pressing needs of the market for more eco-friendly and sustainable solutions". This deal has been a focus of attention for its ESG orientation amid the ongoing ESG trends.

Source : Mergermarket and KPMG analysis

| Top 8 ASEAN Outbound M&A Deals of 1H2022 | | | | | | |
|--|---|----------------------------------|------------------|---|------------------|----------------------|
| No. | Target | | | Acquirer (ASEAN) | | Deal Value (USD mil) |
| | Company name | Dominant Sector | Dominant Country | Company name | Dominant Country | |
| 1 | Element Materials Technology Group Limited | Industrial products and services | United Kingdom | Temasek Holdings Pte. Ltd. | Singapore | 7,000 |
| 2 | Direct ChassisLink, Inc. (100% Stake) | Financial Services | USA | GIC Private Limited; OMERS Infrastructure Management Inc.; Wren House Infrastructure Management Limited | Singapore | 4,500 |
| 3 | Citi Consumer Business (Indonesia, Malaysia, Thailand and Vietnam - 100% Stake) | Financial Services | Indonesia | United Overseas Bank Limited | Singapore | 3,652 |
| 4 | Citigroup Inc. (Consumer banking business in Taiwan) (100% Stake) | Financial Services | Taiwan (China) | DBS Group Holdings Limited; DBS Bank (Taiwan) Ltd | Singapore | 3,363 |
| 5 | Perstorp Holding AB (100% Stake) | Chemicals and materials | Sweden | Petronas Chemicals Group Berhad | Malaysia | 2,415 |
| 6 | Open-pit nickel mines in the North Konawe region of Sulawesi, Indonesia (75% Stake) | Mining | Indonesia | Seroja Investments Limited | Singapore | 1,979 |
| 7 | Grindr Inc. (100% Stake) | Computer software | USA | Tiga Acquisition Corp. | Singapore | 1,829 |
| 8 | Hollysys Automation Technologies, Ltd. (100% Stake) | Industrial automation | China | Recco Control Technology Pte Ltd; Dazheng Group (Hong Kong) Investment Holdings Co Ltd | Singapore | 1,532 |

2. Insights from the Leaders of KPMG Deal Advisory in the ASEAN Countries

The TMT sector dominated the Singapore M&A market in 1H2022. This is underpinned by both significant inbound and outbound investment into IT companies as all aspects of business and everyday life become more digitalized as a result of the COVID-19 pandemic. In addition, the Singapore government-backed investment funds such as Temasek and GIC having strong investment interest and significant dry powder invested in domestic and outbound investments across a broad range of sectors such as Consumer and Real Estate markets, as well as TMT.

While the Singapore Exchange introduced new rules concerning SPACs in September 2021, the country continues to see SPAC listing and deployment of capital into attractive targets across domestic and overseas markets.

Below are the M&A deals that marked the Singaporean M&A market in 1H2022.

- Temasek Holding's acquisition of Element Materials Technology Group, a TIC (*) company in the UK (USD 7.0 billion, the largest of all the deals in ASEAN in 1H2022) *: Testing, Inspection, and Certification
- A Singapore based SPAC, Tiga Acquisition Corp's acquisition of Grindr Inc., a software company (USD 1.8 billion)
- Again a Singapore based SPAC, 8i Acquisition 2 Corp's acquisition of EUDA Health Ltd., a healthcare tech company (USD 0.6 billion)

In addition, newspapers have publicized GIC's USD 1.3 billion deal to acquire hotels and leisure facilities in Japan from Seibu Holdings, which is yet to be closed. Although GIC has been investing in Japan, the acquisition of properties of Prince Hotel & Resorts, a well-known hotel brand, should attract particular attention in Japan.

Looking ahead for the second half of 2022, we expect:

- Developed markets such as Singapore to remain volatile as businesses and investors navigate through elevated levels of inflation as well as higher interest rates;
- Continued strong inbound and outbound M&A activity in sectors such as TMT, Industrials and Financial Services; In addition to traditional corporate-based M&A, transactions involving inactive assets (so-called distressed assets); and
- PE funds' strong investment interest is expected to drive further deployment of dry powder into new styles of M&A utilizing SPACs.

In 1Q2022, Indonesia recorded 5.01% GDP growth compared to the same period last year. Indonesian M&A activities increased in 1H2022 in terms of deal volume and value compared to 2H2021 with USD 19.3 billion total deal value from 41 deals, in which the M&A landscape was dominated by the TMT sector with ~USD 10 billion total deal value from 18 deals. Below are the major M&A deals in 1H2022:

- Business integration of PT Indosat Tbk, PT Aplikasi Lintasarta and PT Starone Mitra Telekomunikasi (USD 6.6 billion)
- Bersama Digital Infrastructure Asia Pte. Ltd.'s acquisition of PT Tower Bersama Infrastructure Tbk (USD 3.0 billion)

These deals in the TMT sector reflect and leverage industry dynamics of transition to 5G and PE funds' investment interest in base transceiver stations.

Indonesia's economy is making ongoing recovery from COVID-19, and the World Bank forecasts GDP growth at 5.1% in 2022 and 5.3% in 2023 for the country's economy. M&A activities are expected to be more robust in 2022 supported by broad and accelerated relaxation of a series of restrictions, e.g. under the Omnibus Law on Job Creation, and sustained interest from foreign investors across a broad range of sectors.

Indonesia has over 200 million internet users and the digital economy is projected to grow as large as USD 146 billion in 2025 (source: World Economic Forum). Given such high potential of the digital economy, as well as the recovery from COVID-19 and relaxation of restrictions, we expect the strong deal momentum in the TMT and Financial Services industry sectors to continue in 2022.

Singapore

Stephan Bates



Indonesia

David East



Following upbeat M&A activities in 2021 with 82 deals (valued at USD 12.3 billion), M&A activities within Malaysia slowed to 29 deals valued at USD 4.6 billion in 1H2022.

There still were some remarkable M&A deals, among which was the acquisition of Ramsay Sime Darby Healthcare Sdn Bhd (“RSD”) by IHH Healthcare Bhd, Asia’s largest private healthcare group. It was reported that the acquisition of RSD with its business base in Indonesia could be a stepping stone into the Indonesian market for IHH’s ongoing pursuit of M&A-based overseas expansion. The acquisition price of USD 1.3 billion was the largest of all the deals in 1H2022.

Below are other major M&A deals during the period:

- Amanah Lebuhraya Rakyat Bhd’s acquisition of four highway concessionaires (KESAS, SPRINT, LITRAK and SMART) (USD 1.3 billion)
- A Singapore-based e-commerce company, Grab Holdings Ltd.’s acquisition of Jaya Grocer Sdn Bhd, a Malaysia-based supermarket chain operator (USD 450 million)

Petronas Chemical Group Bhd (“PSG”)’s acquisition of Perstorp Holding AB (“Perstorp”) (USD 2.4 billion), which can be seen as a landmark deal being a Malaysian company’s outbound deal outside the ASEAN region. Perstorp is a world leader in the specialty chemicals market, headquartered in Sweden. According to its press release after the deal execution, the acquisition is poised to strengthen Petronas’ decarbonization efforts towards its sustainability goals. The deal is also seen as a case study that demonstrates M&A’s contribution towards ESG goals.

From deal value perspective, the M&A landscape in Malaysia is bullish going into 2H2022, led by the Financial Services, Insurance and TMT sectors.

Following an incredibly robust year for M&A in 2021, Vietnam’s market continued to experience a strong momentum during 1H2022. The deal flow was driven by PE funds and multinationals, but the pace of domestic M&A activities by Vietnamese corporates is also increasing.

The Renewable Energy sector witnessed significant transactional activity reflecting stronger attention to ESG and the increasing prominence of the greening revolution.

Below are the major M&A deals in 1H2022:

- Warburg Pincus’s strategic investment in Novaland Investment Group Corp, a Vietnam’s leading real estate company (USD 250 million)
- AC Energy Corp’s (a Philippine player) acquisition of a 49% stake in Super Energy Corp (a solar power company with a capacity of 837MW) (USD 165 million)
- A buyout of Ngoc Nghia (a Vietnam’s leading manufacturer of PET packaging) between investment funds (Indorama Ventures as the buyer and VinaCapital VOF as the seller) (USD 117 million)

Looking ahead, although geopolitical tensions may result in global headwinds, which may threaten Vietnam’s external trade, we are bullish on Vietnam’s second-half economic performance as domestic demand is strongly bouncing back. We anticipate the following three key M&A trends in 2H2022:

- i. The Vietnamese government’s determination and efforts to shift the production activity into goods and services that generate higher value added may drive M&A deals into Vietnam.
- ii. The ever-increasing role of domestic conglomerates in the local M&A activity as they are making the strategic play through M&A.
- iii. The flourishing of start-ups, in which Vietnam is expected to produce more unicorns. Consumers’ purchasing behavior is diversifying through the use of offline to online markets, which is anticipated to drive entrepreneurship. M&A prospects involving start-ups are expected to be prominent in sectors, such as Technology, Retail, Real Estate, Education and Energy.

Malaysia

Elaine Cheah



Vietnam

Dinh The Anh



For the Philippines, there was a dip in the number of M&A transactions in 1H2022 with a total of 13 announced deals, relative to the level achieved during 2H2021.

In such a market environment, one of the two prominent deals was the divestiture of telecom towers by Smart Communications (“Smart”), a subsidiary of PLDT, a leading telecom company. The Edotco Group, a subsidiary of Malaysian telecom company Axiata, agreed to acquire 2,973 of Smart’s towers while EdgePoint acquired 2,934 towers. EdgePoint is owned by Digital Bridge, a private equity firm that invest mainly in infrastructure companies. Those towers were sold for USD 800 million and USD 670 million, respectively, and the proceeds are intended to be used for repayment of debts, further investment in areas of strategic importance, e.g. networks, and special dividends to its shareholders. According to PLDT Chairman, Mr. Manuel Pangilinan, the partnership with these experienced tower companies represents another milestone in PLDT’s strategic transformation.

Edotco and EdgePoint are aggressively acquiring telecom towers in the ASEAN region. Amid the increasing sophistication of telecom technologies, we expect to see these new risk capital providers make more and more investments in towers going against the technology trend.

Another major deal, in terms of deal value, was SM Investments Corporation’s acquisition of Allfirst Equity Holdings, Inc. (USD 300 million). Allfirst is the holding company for Philippine Geothermal Production Company, Inc. SM Group was conventionally a conglomerate undertaking retail, real estate, and financial services operations, but the deal allowed it to enter the Renewable Energy sector.

Philippine market participants expect additional M&A transactions to still transpire in the Financial Services sector. Some degree of scale is required to accurately capture and meet end consumers’ needs, as well as to comply with those regulatory requirements relevant to the digital banking era. This points to a need for medium-sized financial institutions to restructure their business.

Thailand’s economy this year is anticipated to recover from the previous year’s slowdown owing to increased activities in tourism and exports. Despite the recovery, M&A activities in Thailand saw a contraction in terms of deal value and volume, particularly in comparison to the previous year’s above average performance.

Below are the deals that marked the Thai M&A market in 1H2022.

- Nippon Steel Corporation’s acquisition of G J Steel PCL and G Steel PCL (USD 750 million)
 - This was the largest deal in 1H2022. Through this acquisition, Nippon Steel has become the only company to own a complete series of facilities from electric furnaces to hot rolling equipment in Thailand. The deal indicates Nippon Steel’s aim to capture demand for general-purpose hot rolling products expected to grow steadily in the future.
- STARK Corporation PCL’s acquisition of Business Group Automotive Cable Solutions (“BGAM”) (USD 600 million)
 - STARK Corporation is one of ASEAN’s leading wire and cable suppliers. BGAM’s parent is Leoni AG (a German company) currently undertaking financial restructuring. It was a deal outside the ASEAN region, where a Thai company acquired a German company.
- Allianz Ayudhya Capital’s acquisition of Aetna Health Insurance (Thailand) PCL (USD 100 million)
- Aydhaya’s buyout of a 99.1% stake in Capital Nomura Securities PCL (USD 160 million)
 - The acquirers of the above two deals are both companies of Bank of Ayudhya Group, which is part of MUFG Group. Allianz Ayudhya Capital’s deal allowed the German insurer to further expand its presence in the Thai insurance market, and the other deal came under the spotlight being a transaction in Thailand between two Japanese financial institutions.

Dealmakers both in the Thai M&A market will be keeping a cautious eye on geopolitical tensions and rising inflation. However, major M&A themes, such as seeking economies of scale and portfolio transformation, enhancement and calibration, will continue to dominate the M&A landscape in 2H2022 as investors look to strengthen their competitive positions and find new avenues of growth.

Philippines

Michael Guarin



Thailand

Ian Thornhill



3. Expectations for ASEAN Start-ups under Uncertainty

As mentioned at the beginning, the ASEAN M&A market today is under unprecedentedly high geopolitical tensions and economic uncertainty. Inconveniences and disruptions arising from increasing uncertainty will turn into social issues if not resolved under the existing systems and/or incumbent solution providers. However, there are and have always been entrepreneurs who confront such social issues. As we all experience inconveniences and disruptions in our daily life and business as a result of the COVID-19 pandemic, we are seeing a large number of start-ups emerge to provide new services leveraging IT right in front of our eyes. Inconveniences and disruptions are in fact the very sources of new innovations.

ASEAN is no exception to this and start-ups are quickly gaining momentum with various sectors, such as Financial Services, Healthcare, and Entertainment, seeing many new start-ups emerge. As evident from the table below, unicorns, i.e. those start-ups that are less than ten years of founding history and have grown to be valued at more than USD 1.0 billion, have been emerging at a speed much faster than in Japan.

(USD bil)

| Region | | Number of Unicorns | Total Market Capitalization of the Unicorns | Average Market Capitalization |
|--------|--------------|--------------------|---|-------------------------------|
| ASEAN | Singapore | 13 | 20.8 | 1.6 |
| | Indonesia | 6 | 28.0 | 4.7 |
| | Philippines | 2 | 3.0 | 1.5 |
| | Thailand | 2 | 2.5 | 1.3 |
| | Vietnam | 2 | 5.3 | 2.6 |
| | Malaysia | 1 | 1.7 | 1.7 |
| | Total | 26 | 61.2 | 2.4 |
| Japan | 5 | 7.8 | 1.6 | |

Such unicorns continue to pursue and seize further growth opportunities through an IPO or M&A. The top ten M&A deals of 2021 presented in the previous volume (Vol. 5) of this newsletter included the following three deals involving start-ups.

- Grab Holdings' SPAC listing on NASDAQ (USD 34.5 billion)
- Merger between Gojek and Tokopedia (USD 7.6 billion)
- FinAccel's SPAC listing on NASDAQ (USD 2.0 billion)

While GoTo, a company established through the merger of Gojek and Tokopedia, was officially listed on the Jakarta Stock Exchange in April 2022, FinAccel remained vigorous in 1H2022, e.g. acquiring an Indonesian bank for USD 130 million. As Stephan Bates from Singapore mentions on the page five, the trend of SPAC-based M&A and listing is likely to continue for some while. What is more noteworthy, however, is the innovations that start-ups, the "key contents" of SPAC deals, will come up with to resolve social issues.

The GAFAM (*) in the US are seen as start-up veterans. Products and services it provides are now essential part of our daily life and business operations being used virtually every day. The total market value of these five companies achieving global-scale growth is greater than the market value of all the listed companies in Japan combined. We do hope that ASEAN start-ups will take advantage of the region's 600-million population and turn into the ASEAN-originated GAFAM of the next generation.

We KPMG FAS are committed to playing a catalytic role through exploring opportunities for Japanese corporations to get involved in endeavor of active ASEAN start-ups and helping these parties build a win-win relationship.

*The first letters of Google (now Alphabet), Apple, Facebook (now Meta), Amazon, and Microsoft

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