

Deal Drivers: APAC Q1 2022

A spotlight on mergers and acquisitions trends in 2022

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Foreword: Deal activity reverts to the mean

M&A activity across the APAC region as a whole slipped in Q1, which was to be expected after a record-setting 2021. It's a trend that can be observed across geographic markets and is best understood as a reversion to the mean rather than a cause for concern at this stage.

Although value and volume dropped 21% and 9% respectively compared to the first quarter of 2021, total M&A in the first quarter of this year is in line with pre-pandemic levels of activity. Total M&A worth US\$160bn is in line with Q1 2019's US\$161.7bn, and on a volume basis, this year actually outperformed; Q1 2019 saw 993 deals compared to 1,122 deals in the first three months of 2022.

There are also forward-looking challenges to consider. In April, Shanghai imposed strict lockdowns following the worst breakout of COVID infections China has seen since the pandemic began. This has massively disrupted cargo shipping, causing a ripple effect and compounding existing supply chain logjams, further adding to existing inflation. The lockdowns in China's biggest city by population risk stalling the country's economy. Forecasts vary, with some expecting Chinese GDP to come in below 4% for 2022, which if realized would be the worst annual growth performance for more than 30 years. These headwinds will impact corporate performance and therefore appetite for M&A.

There are positive signals, too. For example, Australia has caught growth momentum as household savings accumulated during lockdowns in 2021 have spurred private consumption and GDP growth. The recent inflationary commodities boom has also played to the country's strengths and could provide a rich source of deal flow going forward. More than anything, this illustrates how diverse a region APAC is. Even with the headwinds that have begun to blow in 2022, precipitating a global slowdown, there will be ample opportunities to play for.



Outlook: APAC heat chart

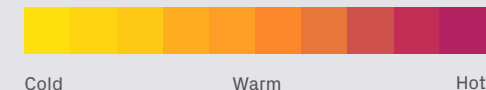
Dealmakers should expect to see the most activity in the industrials & chemicals (I&C) sector in the months ahead, according to our forward-looking heat chart, which illustrates the distribution of 'companies for sale' stories on the Mergermarket intelligence tool. This is unlike the Americas and EMEA, where TMT has the biggest anticipated deal pipeline. The tool registered 771 stories about I&C companies coming to market in APAC, or just over one-fifth of the 3,701 stories overall. Not far behind is TMT with 659 such stories.

Greater China far outweighs any other market. The country contributed 1,916 'for sale' stories to the regional total, or just over half. And nearly all sectors are showing that red hot activity can be expected, from I&C and TMT all the way through to consumer and financial services.

Outside of China, activity should be expected to come from TMT in Southeast Asia and India, and, to a lesser extent, Australia and New Zealand. However, Japan is relatively cool, as is South Korea. These two countries are expected to see the least volume of deals judging by the heat map, with only 13% of all 'for sale' reports between them.

Heat chart based on potential companies for sale

	Greater China	South Korea	Japan	India	Southeast Asia	Australia & New Zealand	TOTAL
Industrials & chemicals	523	50	42	62	54	40	771
TMT	263	69	60	92	96	79	659
Consumer	136	41	25	50	57	49	358
Financial services	166	11	11	55	65	39	347
Business services	164	13	29	44	47	34	331
Pharma, medical & biotech	168	27	9	50	21	44	319
Energy, mining & utilities	162	11	14	17	44	58	306
Real estate	116	2	5	5	34	7	169
Construction	91	12	7	9	22	11	152
Transportation	41	9	7	12	32	15	116
Leisure	51	13	6	8	15	18	111
Agriculture	33			1	12	10	56
Defense	2			1	2	1	6
TOTAL	1,916	258	215	406	501	405	3,701



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between October 01, 2021 and March 31, 2022. Opportunities are captured according to the dominant geography and sector of the potential target company.

Summary: APAC outperforms other regions

There were a total of 1,122 deals in the APAC region in the first quarter, worth an aggregate US\$160bn. This represented a 9% drop in volume and a 21% fall in value compared with the first quarter of 2021, but it is in line with pre-pandemic levels of activity.

Dealmaking in APAC also saw a less precipitous decline than M&A in the Americas and EMEA, although this was due to a relatively less robust Q1 in 2021 compared to those regions.

Private equity activity also fell year on year in the first three months of 2022, albeit less steeply than overall M&A—which speaks to the bigger risk appetite that financial sponsors have compared with their corporate counterparts. Unlike strategics, the primary mandate of funds is to find deals at all times and this sees them sustaining their activity when the broader M&A markets take a breather.

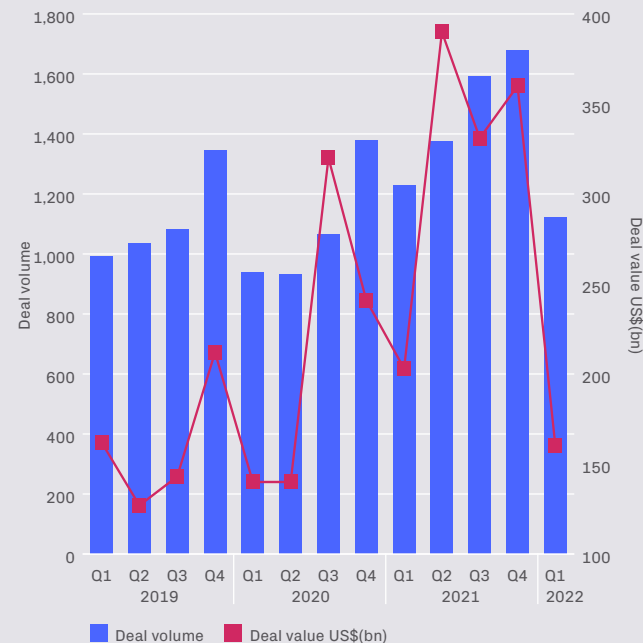
The number of buyouts fell 5% to 211 deals, while value decreased by 17% to US\$37.7bn. Exit volume dropped by 13% to 249 deals and value by 25% to US\$45bn.

TMT is unrelenting

TMT was the top sector by both volume and value as it shows no signs of slowing, even as tech valuations have fallen in recent months over inflation concerns and regulatory issues in China. The number of TMT transactions increased by 17% year-on-year to 300 in the first three months of 2022, while aggregate value saw a downtick of 9% to US\$41.9bn. Three of the top ten APAC deals were in the TMT sector, the largest being a US\$4.7bn investment round in Innotron Memory, a semiconductor company developing dynamic random-access memory (DRAM) technology. The round was led by Chinese tech giants Alibaba and Tencent and comes as global demand for computer chips far outstrips supply, with little end in sight to the bottleneck.

As a subset of TMT, telecoms continues to present opportunities. Australia's Uniti, a telco services, infrastructure, and communications platform-as-a-service provider, saw strong interest before accepting a winning bid of US\$2.7bn from Canadian infrastructure investor Brookfield and HRL Morrison.

APAC M&A activity, 2019-Q1 2022



Source: Mergermarket

Financial services sector banks high value

The financial services sector also saw significant deal activity, especially at the higher-cap end of the market. Total deal value came to US\$34.6bn, a 184% year-on-year rise, making it the second-biggest sector by value across APAC in Q1.

Four deals in the top ten of the year so far belong to the industry. The largest saw Sweden's EQT Partners take over Baring Private Equity Asia for US\$7.4bn, a deal that was not made by EQT's funds but the firm itself—as part of its strategic expansion in APAC, where it has noted global GDP growth will be concentrated.

The sector also saw substantial activity come from US investment bank Citibank's retreat from Asian consumer finance. Two of these deals made it to the top ten of Q1 in APAC: the sale of its Southeast Asian businesses (in Thailand, Vietnam, Indonesia and Malaysia) to Singapore-based United Overseas Bank for US\$3.7bn, and the exit of its Taiwanese business to Singapore-based DBS for US\$3.4bn. Moving in the opposite direction, HSBC has been pulling out of US retail to focus on Asia and has US\$6bn earmarked for investment, which could deliver M&A going forward.

APAC top sectors by value | Q1 2022

	US\$(m)
TMT	41,870
Financial services	34,576
Industrials & chemicals	23,823
Pharma, medical & biotech	13,169
Real estate	8,510

APAC top sectors by volume | Q1 2022

	Deal count
TMT	300
Industrials & chemicals	188
Business services	100
Pharma, medical & biotech	94
Consumer	89

APAC top bidders by value | Q1 2022

	US\$(m)
China	45,486
USA	27,967
Singapore	14,198
South Korea	13,112
India	12,602

APAC top bidders by volume | Q1 2022

	Deal count
China	356
Japan	160
South Korea	124
USA	108
India	103

The road ahead

Unlike TMT, financial services' volume dropped by 8% to 88 deals, making it only the sixth-biggest sector by volume. Forthcoming deals will be motivated by the ongoing disruption faced by traditional banks from fintechs and digital-only lenders. Notably, some of fastest-growing parts of APAC on a longer-term basis, such as Southeast Asia, also have underbanked populations, presenting plenty of upside to go.

It should also be expected that TMT will continue to deliver. There is no sign of demand waning for high-quality assets that feed into the theme of data, connectivity, and the cloud, and this is likely to remain the case for the foreseeable future. While it's true these sectors caught a tailwind from the pandemic, tech had been on the ascent long before the disruptions caused by the health crisis. Tech is a long-term bet and there is no shortage of top-grade technology businesses across APAC.

APAC top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	16-Mar-22	EQT AB	Baring Private Equity Asia (100% Stake)	Financial services		7,406
2	18-Feb-22	Alibaba Group Holding Co., Ltd.; Tencent Holdings Ltd.; Shenzhen Investment Holdings Co., Ltd.; Hexie Health Insurance Co., Ltd.; Xinjiang TCL Venture Capital; PICC Capital Investment Management Co., Ltd.; Qianhai Ark Assets Management Co., Ltd.; Shanghai Jianxin Equity Investment Management Co., Ltd.; Yunfeng Fund; Hefei Changxin IC Co., Ltd.	Innotron Memory Co., Ltd.	TMT		4,737
3	26-Jan-22	Zhongyuan Bank Co., Ltd.	Bank of Luoyang (100% Stake); Bank of Pingdingshan Co., Ltd. (100% Stake); Bank of Jiaozuo China Travel Services Co., Ltd. (100% Stake)	Financial services		4,501
4	13-Jan-22	United Overseas Bank Limited	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	Citigroup Inc.	3,652
5	28-Jan-22	DBS Group Holdings Limited; DBS Bank (Taiwan) Ltd.	Citigroup Inc. (consumer banking business in Taiwan) (100% Stake)	Financial services	Citigroup Inc.	3,363
6	24-Mar-22	Brookfield Asset Management Inc.; HRL Morrison & Co (Australia) Pty Ltd.; Brookfield Infrastructure Group (Australia) Pty Ltd.	Uniti Group Limited (100% Stake)	TMT		2,644
7	28-Jan-22	Mountain Crest Acquisition Corp. III	Chain Factory (Beijing) Technology Co., Ltd. (100% Stake)	TMT		2,500
8	27-Jan-22	Samsung Biologics Co., Ltd.	Samsung Bioepis Co., Ltd. (49.99% Stake)	Pharma, medical & biotech	Biogen Inc.	2,300
9	17-Mar-22	KKR & Co. Inc.; 76 Co Ltd.	Mitsubishi Corp. – UBS Realty Inc. (100% Stake)	Real estate	UBS AG; Mitsubishi Corporation	1,906
10	02-Mar-22	JD.com, Inc.	Deppon Logistics Co., Ltd. (66.5% Stake)	Transportation	Ningbo Meishan Bonded Area Deppon Investment Holding Co., Ltd.	1,852



Greater China

The beating heart of APAC slows

Greater China surprised with better-than-expected growth in Q1. The National Bureau of Statistics announced GDP expanded by 4.8% in the period, up from the 4.4% that had been forecast. But a confluence of issues are causing some concern.

The country's property market is showing signs of distress, and the Central Bank is intent on deleveraging indebted sectors of the economy. This combined with the strict lockdowns enforced in Shanghai have all presented headwinds to growth and are likely to dampen M&A appetite.

The Shanghai Composite Index was down 10.4% in the first quarter, mirroring similar declines in other parts of the world.

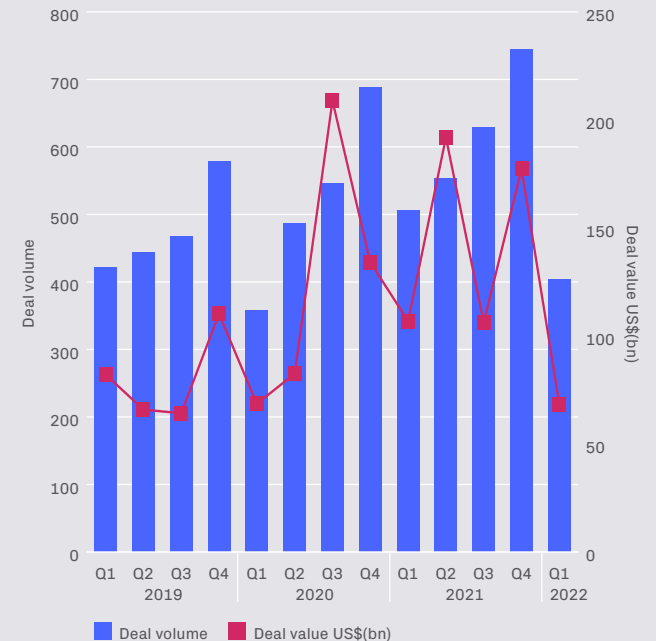
The country is also taking action to shore up its financial sector. In April, the People's Bank of China published a draft law that calls for the establishment of a financial stability fund which will enjoy liquidity support from the Central Bank to diffuse financial stability risks.

Steep slowdown

Much like markets on other continents, China saw its deal value drop in Q1. The 36% drop to US\$68.3bn, however, was the steepest fall of any of the sub-regions in APAC. The number of transactions also fell, by 20% to 404 deals. In spite of this pullback, there were some breakout sectors, the biggest year-on-year gains coming from financial services. Indeed, four of the top ten largest M&As in China during the period were financial sector plays, including the largest deal.

This was EQT Partners' acquisition of Baring Private Equity Asia for US\$7.4bn. The deal is no run of the mill PE buyout. EQT has not added Baring to any of its funds' portfolios, but has operationally integrated it as a strategic expansionist move, the target being rebranded BPEA EQT Asia. In announcing the deal, EQT noted that it is eager to have a stronger presence in Asia given that the region accounts for more than a third of global GDP today and is expected to contribute 40%-plus of global GDP growth by 2030.

Greater China M&A activity, 2019-Q1 2022



Source: Mergermarket



Regional banking consolidation

Another notable financial services deal—the second largest in the industry and third-largest transaction in Greater China in Q1—saw a four-way merger between regional banks based in the Henan province. Zhongyuan Bank took over Bank of Luoyang, Bank of Jiaozuo, and Bank of Pingdingshan for US\$4.5bn in a transaction that speaks to a wider trend that is underway. The central government is pushing through reform to rid what it calls ‘problem shareholders’ from banks, which refers to private interests that are able to take out loans on preferential terms, undermining risk management. This plan extends to pushing out any private interests with a 10% stake or more in a city or local bank, or even the largest equity stakeholder in a lender or insurance company with a position above 5%.

The scope of regulation suggests that it is likely to spur a high volume of smaller banking deals in future, though some may be larger in size if they involve multiple acquisitions such as the recent Zhongyuan Bank transaction. All told, there was a quadrupling of deal value in the financial services sector in Q1, to reach a massive US\$21.5bn, putting it head and shoulders above any other industry.

Greater China top sectors by value | Q1 2022

	US\$(m)
Financial services	21,505
TMT	16,016
Industrials & chemicals	12,191
Real estate	4,342
Transportation	3,356

Greater China top sectors by volume | Q1 2022

	Deal count
Industrials & chemicals	105
TMT	73
Energy, mining & utilities	36
Business services	32
Pharma, medical & biotech	32

Greater China top bidders by value | Q1 2022

	US\$(m)
China	45,034
Sweden	7,626
USA	4,965
Singapore	4,903
Hong Kong	2,597

Greater China top bidders by volume | Q1 2022

	Deal count
China	349
Hong Kong	17
USA	10
Taiwan	9
Japan	3
Singapore	3

The chips are down

TMT deals fell back considerably in the first three months of the year after a scorching performance in Q1 last year. The sector claimed US\$16bn worth of deals, down 38% year-on-year and putting it in second place behind financial services. It was also the second-busiest industry by volume with 73 deals, a more modest 19% annual fall.

The largest of these was a US\$4.7bn investment round in Innotron Memory, a semiconductor company developing DRAM technology. The investment round was led by Chinese technology firms Alibaba and Tencent. The investment comes amidst both a chip shortage and longer-term rising trade and security tensions with the US, which have increased worries about access to key high-tech supplies like semiconductors.

I&C was the top sector by volume, despite a 10% dip in deal count to 105 transactions. The largest of these had a decidedly ESG bent. Luxshare, a manufacturer of electronic connectors and cables, took stakes in three entities related to Chery Automobile, the Chinese carmaker, for a total value of US\$1.58bn. The deal is part of a partnership between Luxshare and Chery to develop electric vehicle (EV) technology.

Greater China top 10 announced deals, Q1 2022

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3	26-Jan-22	Zhongyuan Bank Co., Ltd.	Bank of Luoyang (100% Stake); Bank of Pingdingshan Co., Ltd. (100% Stake); Bank of Jiaozuo China Travel Services Co., Ltd. (100% Stake)	Financial services		4,501
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5	28-Jan-22	Mountain Crest Acquisition Corp. III	Chain Factory (Beijing) Technology Co., Ltd. (100% Stake)	TMT		2,500
6	02-Mar-22	JD.com, Inc.	Deppon Logistics Co., Ltd. (66.5% Stake)	Transportation	Ningbo Meishan Bonded Area Deppon Investment Holding Co., Ltd.	1,852
7	01-Mar-22	Hangzhou Urban Construction and Investment Group	Bank of Hangzhou Co., Ltd. (10% Stake)	Financial services	Commonwealth Bank of Australia	1,799
8	07-Jan-22	China Power Construction Group Co., Ltd.	PowerChina Real Estate Co., Ltd. (41.66% Stake); Beijing Feiyue Linkong Technology Industry Development Co., Ltd. (41.66% Stake); Tianjin Haifu Real Estate Development Co., Ltd. (41.66% Stake)	Real estate	Power Construction Corporation of China, Ltd.	1,614
9	12-Feb-22	Luxshare Limited	Chery Automobile Co., Ltd. (7.87% Stake); Chery Holding Group Co., Ltd. (19.88% Stake); Chery New Energy Automobile Technology Co., Ltd. (6.24% Stake)	Industrials & chemicals		1,580
10	24-Jan-22	Recco Control Technology Pte Ltd.; Dazheng Group (Hong Kong) Investment Holdings Co., Ltd.	Hollysys Automation Technologies, Ltd. (100% Stake)	Industrials & chemicals		1,532

An aerial photograph of Seoul, South Korea, at dusk. The Lotte World Tower stands prominently in the center-left, illuminated against the twilight sky. The city is densely packed with buildings, and a large river flows through the foreground. A yellow rectangular box is overlaid on the right side of the image, containing the text "South Korea".

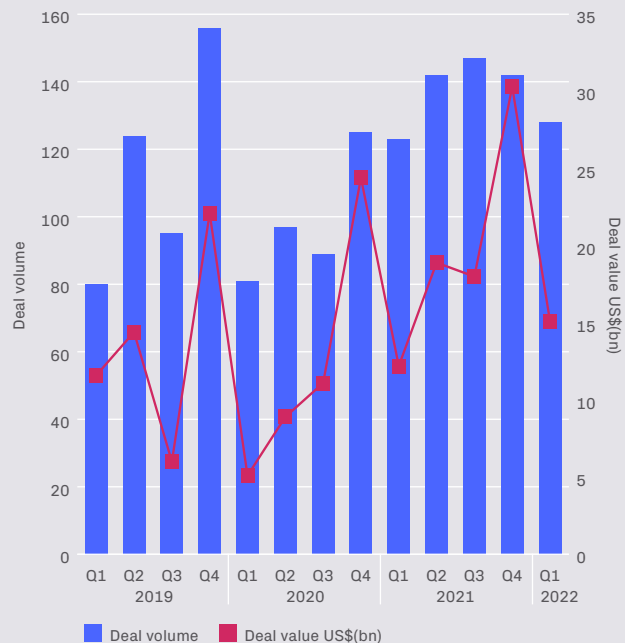
South Korea

Technical strengths spur M&A activity

South Korea is showing decent growth, with 2022 projected to see GDP rise by 3%. Notably, the country's economy was not nearly as badly affected by the pandemic as many others, so it hasn't experienced the same volatility. Strong exports have bolstered growth and the country made rapid progress with its COVID-19 vaccination program during the second half of 2021 and early 2022.

The country's M&A market has also had an impressive start to the year, with a substantial year-on-year rise of 23% measured by value to US\$15.1bn. This was the biggest value gain of any market in APAC in Q1. Volume meanwhile more or less matched the previous year, 128 deals representing a small 4% rise.

South Korea M&A activity, 2019-Q1 2022



Source: Mergermarket

Cloud control

TMT was the largest sector by volume, with the number of transactions rising 29% annually to 40 deals. Their aggregate value came to US\$3.1bn over the first quarter, a 20% drop on Q1 2021. The largest of these involved South Korea-based PE firm SkyLake Investment buying TmaxSoft, an enterprise software provider, for US\$669m. TmaxSoft offers so-called middleware products, which act as a translation layer or 'software glue' that lies between an operating system and the applications running on it.

Second to this in size was KT Corporation, MBK Partners and IMM Private Equity's joint minority investment into cloud services unicorn Megazone Cloud, paying US\$442m for a 26.5% stake. The deal is believed to be the biggest cloud services transaction in the country to date. Megazone Cloud counts more than 3,700 corporate customers and saw its turnover more than treble from 253bn won (around US\$200m) to 900bn won (more than US\$700m) in 2021. Its new PE backers may soon realize a return on their investment, with Megazone Cloud eyeing a potential IPO as soon as next year.

South Korea top sectors by value | Q1 2022

	US\$(m)
Pharma, medical & biotech	5,173
TMT	3,140
Financial services	1,629
Industrials & chemicals	1,522
Consumer	1,079

South Korea top sectors by volume | Q1 2022

	Deal count
TMT	40
Industrials & chemicals	25
Consumer	15
Pharma, medical & biotech	12
Business services	12

South Korea top bidders by value | Q1 2022

	US\$(m)
South Korea	11,305
USA	2,523
France	1,060
China	181
Japan	15

South Korea top bidders by volume | Q1 2022

	Deal count
South Korea	117
USA	6
China	2
Japan	2
France	1

Medicinal value

The pharma, medical & biotech (PMB) sector has put on a spectacular display. The US\$5.2bn of registered M&A value in the industry not only put it in the lead—this was a nearly 17-fold increase. A sizable slug of this came from Samsung Biologics' takeover of US-based partner Biogen's 49.99% stake in their biosimilars joint venture, Samsung Bioepis, for US\$2.3bn. Biosimilars are biologic medical products that are near identical replicas of products manufactured by different companies, which can be copied when the original product's patent expires. The takeover equips Samsung Biologics with biosimilar and new drug development expertise, Samsung Bioepis having already introduced five biosimilars to date.

Another significant PMB deal was Sanofi and Genzyme's US\$1.1bn acquisition of ABL Bio's rights to develop and commercialize the antibody ABL301, for Parkinson's disease treatment. The deal was structured such that ABL received an upfront payment of US\$75m, with Sanofi agreeing to making milestone payments of up to US\$985m on meeting specific development milestones.

The PMB industry has benefited from explicit support from the South Korean government, which has invested to improve companies' R&D capabilities having recognized the pharmaceutical industry as a future growth engine. Biosimilars have been one of the major beneficiaries of the recent growth.



South Korea top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	27-Jan-22	Samsung Biologics Co., Ltd.	Samsung Bioepis Co., Ltd. (49.99% Stake)	Pharma, medical & biotech	Biogen Inc	2,300
2	12-Jan-22	Dyal Capital Partners L.P.	MBK Partners Inc. (12.5% Stake)	Financial services		1,180
3	12-Jan-22	Genzyme Corporation; Sanofi S.A.	ABL Bio Inc. (rights to develop and commercialize ABL301) (100% Stake)	Pharma, medical & biotech	ABL Bio Inc.	1,060
4	04-Jan-22	SkyLake Investment Co.	TmaxSoft Co., Ltd. (60.7% Stake)	TMT		669
5	22-Mar-22	Hyundai Department Store Co., Ltd.	Zinus Co., Ltd. (27.97% Stake)	Industrials & chemicals		636
6	27-Jan-22	Bain Capital, L.P.	Classys Inc. (60.84% Stake)	Pharma, medical & biotech		557
7	05-Jan-22	The Carlyle Group	Hyundai Glovis Co., Ltd. (10% Stake)	Transportation		510
8	30-Mar-22	LX International Corporation	Hankuk Glass Industries Co., Ltd. (100% Stake)	Construction	Glenwood Private Equity	490
9	28-Mar-22	Hoban Construction Co., Ltd.	Hanjin KAL Corp (13.89% Stake)	Leisure	KCGI Co., Ltd.	460
10	13-Feb-22	KT Corporation; MBK Partners Inc.; IMM Private Equity, Inc.	Megazone Cloud Corporation (26.5% Stake)	TMT		442

Positive signs

South Korea's M&A market is expected to perform well over the rest of 2022. One of its strengths lies in the participation that PE is taking. For example, across the APAC region financial sponsors accounted for 28.1% of all deal activity in Q1 and this falls to 18.8% in Greater China. In South Korea, PE claimed close to half (47%) of all M&A value in this year's opening quarter. Similarly, half of the top ten largest M&A deals in the country were accounted for by sponsors—seven if you include exits in the mix.

The country is also a frontrunner in sectors where assets continue to be in feverish demand, namely pharma-related industries and technology, including software, with connectivity and cloud-based companies remaining hotspots for investors. South Korea's technical expertise in these areas combined with its solid growth prospects suggest that deal activity should continue to display resilience in spite of the greater sense of caution that marked the start of 2022.



Japan

A solid quarter from a country with challenges

After starting 2022 on a strong footing on the back of rising private consumption, growth in Japan stalled heavily for the remainder of the quarter due to a sharp surge in COVID infections—the highest yet—that peaked in early February.

Supply chain disruptions have also been hampering the economy, which grew by a meager 0.4% in Q1 on an annualized basis. Japan's Central Bank has also stepped up efforts to suppress long-term government borrowing costs with yield curve control measures. The knock-on effect of printing money to peg the yield is that the yen has weakened to a two-decade low, increasing import costs and inflation. However, that will also make Japanese companies relatively attractive to foreign buyers on a price basis.

In spite of its challenges, M&A in Japan held up well in Q1 2021. Deal value saw a 3% drop year-on-year to US\$16.3bn, while the number of deals rose slightly from 153 transactions to 157. It has also seen strong interest from inbound investors, the US alone mopping up over a third of Q1's total M&A value.

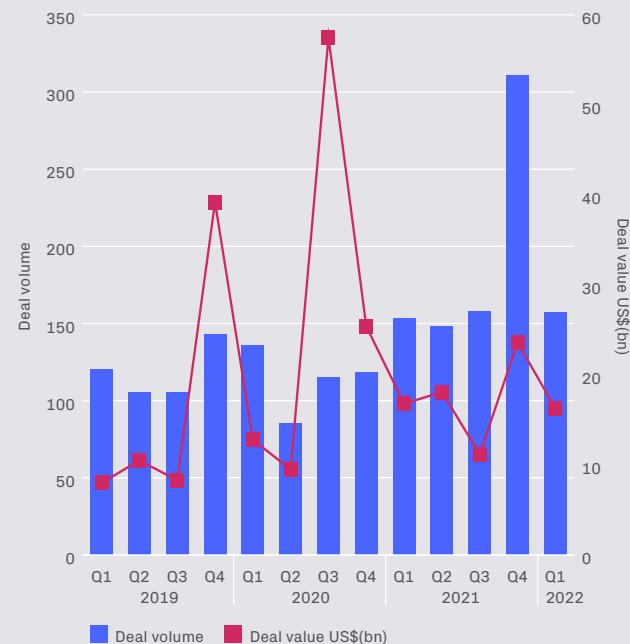
Digital assets

A US buyer, Thunder Bridge Capital Partners IV, was responsible for the largest deal in the TMT sector, which in turn was the top industry by volume and value, with US\$3.9bn in deal activity—a 17% annual rise. The number of deals rose by 35% to 35 deals.

Thunder Bridge IV, a special purpose acquisition company (SPAC), paid US\$1.75bn for Coincheck, a cryptocurrency exchange and wallet provider that post deal will trade on the Nasdaq. The company claims to have more crypto coins listed than any other exchange in Japan and counts 1.5 million verified customers.

The only other TMT deal to make it into Japan's top ten M&A transactions was OMRON Corporation's purchase of a 33% stake in JMDC, a medical big data company, from Noritsu Koki for US\$973m. Transaction details are limited but OMRON is an electronics business that is known for manufacturing automation components, equipment, and systems, but also has a subsidiary that makes medical equipment for therapy and health monitoring, its range of products including blood pressure monitors, temperature measurement devices, respiratory therapy devices, electronic fever thermometers, and body fat monitors.

Japan M&A activity, 2019-Q1 2022



Source: Mergermarket

Heavy goods

The I&C sector was the second largest by value after TMT with US\$3.1bn in aggregate value. The biggest deal was a proposed sale of a 26% stake in Hitachi's construction machinery business, one of the world's largest suppliers of large mining excavators and haul trucks, to trading company Itochu and PE firm Japan Industrial Partners for US\$1.6bn. The company's joint venture in the US with John Deere ended last year and it is undergoing a major reorganization. It is the seventh-largest construction machinery manufacturer in the world measured by revenue, but Hitachi was not prepared to see through the reorganization alone, hence the partial sale.

The next-largest I&C deal was around half the size at US\$870m. US-based Carrier Corporation acquired a 55% stake in its joint venture with Toshiba, Toshiba Carrier Corporation (TCC). TCC specializes in air conditioning and other industrial machinery manufacturing and the Japanese electronics giant will retain a 5% stake in the JV, with the rest of the equity owned by Carrier.

Japan top sectors by value | Q1 2022

	US\$(m)
TMT	3,907
Industrials & chemicals	3,142
Consumer	1,982
Real estate	1,906
Construction	1,717

Japan top sectors by volume | Q1 2022

	Deal count
TMT	35
Consumer	25
Industrials & chemicals	22
Business services	16
Pharma, medical & biotech	13

Japan top bidders by value | Q1 2022

	US\$(m)
Japan	9,013
USA	5,851
Singapore	1,290
Germany	107

Japan top bidders by volume | Q1 2022

	Deal count
Japan	135
USA	11
Germany	3
Hong Kong	2
United Kingdom	2

Corporate cash raising

With the exception of Coincheck, all of these deals involve large corporates selling partial stakes in subsidiaries. This was also true of the largest deal of the quarter across all sectors—KKR's US\$1.9bn acquisition of a 51% stake in Mitsubishi Corp-UBS Realty's real estate business, the only transaction during Q1 in the real estate sector.

Large and often world-renowned Japanese companies are under sustained pressure to raise cash in the face of the country's demographic challenges. The aging population is creating a drag on economic growth, prompting corporates to replenish their balance sheets with divestments and focus their attention on overseas deals to put their performance on a new path. This means that, even with the headwinds being felt in Japan, there is likely to be a robust supply of corporate assets coming to market as a means of funding these future foreign deals.

Japan top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	17-Mar-22	KKR & Co., Inc.; 76 Co., Ltd.	Mitsubishi Corp. – UBS Realty Inc. (100% Stake)	Real estate	UBS AG; Mitsubishi Corporation	1,906
2	22-Mar-22	Thunder Bridge Capital Partners IV Inc	Coincheck, Inc. (100% Stake)	TMT	Monex Group Inc	1,750
3	14-Jan-22	Itochu Corporation; Japan Industrial Partners, Inc.	Hitachi Construction Machinery Co., Ltd. (26% Stake)	Industrials & chemicals	Hitachi, Ltd.	1,606
4	10-Feb-22	GIC Private Limited	Seibu Holdings (31 hotels and leisure facilities)	Leisure	SEIBU HOLDINGS INC.	1,290
5	04-Feb-22	Hinode Co., Ltd. (Aichi)	AT-Group Co., Ltd. (88.11% Stake)	Consumer	Mitsubishi UFJ Financial Group, Inc.	1,197
6	17-Feb-22	Enfinity Global Inc	250 MW solar photovoltaic portfolio in Japan (100% Stake)	Energy, mining & utilities		1,000
7	22-Feb-22	OMRON Corporation	JMDC Inc. (33% Stake)	TMT	Noritsu Koki Co., Ltd.	973
8	07-Feb-22	Carrier Corporation; Carrier Global Corporation	Toshiba Carrier Corporation (55% Stake)	Industrials & chemicals	Toshiba Corporation	870
9	27-Jan-22	MIRAIT Holdings Corporation	Seibu Construction Co., Ltd. (95% Stake)	Construction	Seibu Railway Co., Ltd.	546
10	22-Mar-22	INFRONEER Holdings Inc.	Toyo Construction Co., Ltd. (79.81% Stake)	Construction		481



India

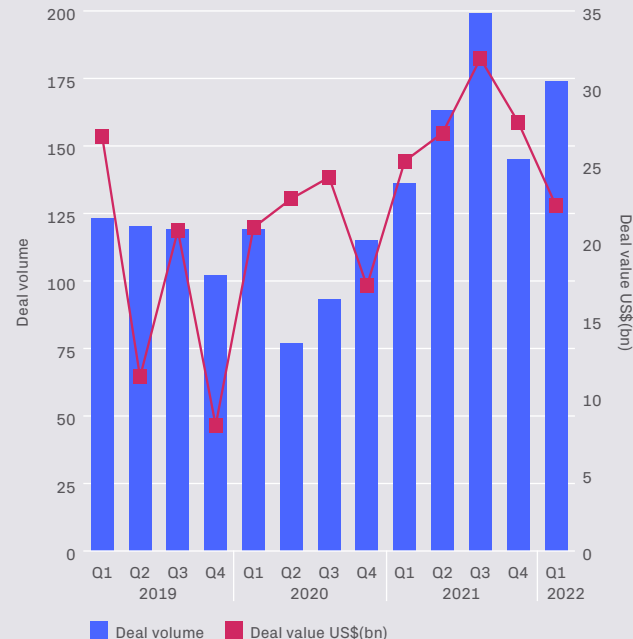
A solid performance from a market with strong foundations

India's economy is set for a period of robust growth in 2022—the IMF has projected that GDP will grow at 8.2% in 2022, making it the fastest-growing major economy and approximately doubling the expected pace of growth in China.

The country's M&A market has also been performing well, with strong interest from foreign buyers. The US alone accounted for 35% of invested dollars. All told, there were 174 deals in Q1 2022—a 28% rise year-on-year. Value dropped slightly, from US\$25.3bn to US\$22.4bn, over the same period.

As has been the case across much of the APAC region, the top sector by volume and value in India was TMT—the number of transactions in the sector more than doubling from 36 to 79 year-on-year, while value rose even more forcefully, by 139% to US\$11.5bn.

India M&A activity, 2019-Q1 2022



Source: Mergermarket

Screening deals

The TMT sector also claimed no fewer than six of the top ten largest deals in the country over the first three months of 2022. The largest of these saw cinema chain PVR propose a takeover of rival INOX for US\$1.6bn, creating the largest multiplex chain in the country. PVR operates 871 screens across 181 properties in 73 cities and these will be combined with INOX's portfolio of 675 screens across 160 properties in 72 cities, meaning that the enlarged company will have a presence in 109 cities. New cinemas opened after the merger will be branded as PVR INOX.

Second to this in the TMT space was a telecom play worth US\$1.5bn. UK mobile network operator Vodafone sold its 21% residual stake in Indus Tower, India's largest mobile tower installation company, to Crown Castle International Corporation, American Tower Corporation, and Canada's Brookfield Asset Management. Indus provides passive infrastructure services to telecom operators and broadband service providers, with three in every five calls made in India passing through one of the infrastructure company's sites.

India top sectors by value | Q1 2022

	US\$(m)
TMT	11,468
Financial services	4,134
Industrials & chemicals	3,211
Pharma, medical & biotech	984
Business services	857

India top sectors by volume | Q1 2022

	Deal count
TMT	79
Industrials & chemicals	19
Pharma, medical & biotech	17
Financial services	17
Consumer	13

India top bidders by value | Q1 2022

	US\$(m)
India	12,573
USA	7,801
Hong Kong	868
Singapore	305
Canada	295

India top bidders by volume | Q1 2022

	Deal count
India	101
USA	39
United Kingdom	7
Singapore	4
United Arab Emirates	3
Japan	3

As true as steel

I&C came in second place by volume and third by value. The number of deals ticked up to 19 from 15 in Q1 of the previous year. Value came to US\$3.2bn, a whopping 382% increase on the US\$667m generated in the corresponding quarter last year.

Half of this value came from a single deal, India's second-largest M&A transaction of the period, which involved one of the country's most-recognized conglomerates: Tata. Specifically, Tata Steel acquired for US\$1.6bn a majority stake in Neelachal Ispat Nigam, the country's largest exporter of salable pig iron. The transaction marked an exit for a consortium comprising state-owned mineral producer National Mineral Development Corporation and other government entities.

Although it is in a distant second place, India also has more I&C 'for sale' stories to its name than any other market after China. The country has 62 such stories reported in the sector according to Mergermarket's heat map.



India top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	30-Mar-22	Axis Bank Ltd.	Citi (Consumer Business of India) (100% Stake)	Financial services	Citi	1,627
2	31-Jan-22	Tata Steel Limited	Neelachal Ispat Nigam Ltd. (93.71% Stake)	Industrials & chemicals	MMTC Ltd.; Government of Odisha; National Mineral Development Corporation; Bharat Heavy Electricals Limited; Mecon Limited	1,621
3	27-Mar-22	PVR Limited	INOX Leisure Limited (100% Stake)	TMT		1,604
4	09-Mar-22	Crown Castle International Corporation; American Tower Corporation; Brookfield Asset Management Inc.	Indus Towers Ltd. (21% Stake)	TMT	Vodafone Group Plc	1,516
5	25-Jan-22	Unity Small Finance Bank Ltd. (USFB)	Punjab & Maharashtra Co-operative Bank Ltd. (100% Stake)	Financial services		965
6	11-Mar-22	BlackRock, Inc.; Vitruvian Partners LLP; Sumeru Ventures	Think and Learn Private Limited (3.63% Stake)	TMT		800
7	21-Feb-22	Baring Private Equity Asia	IGT Solutions Private Limited (100% Stake)	Business services	AION Capital Partners Limited	800
8	24-Jan-22	Baron Capital Group; Kotak Mahindra Bank Limited; Qatar Investment Authority; Invesco Ltd.; Axis Asset Management Company Limited; Alpha Wave Global; Segantii Capital Management Limited; Sumeru Equity Partners, L.P.; Prosus Ventures; IIFL Asset Management Limited; Smile Group; Ark Impact Asset Management, Inc.; Ghisallo Master Fund General Partner LP.; Lathe Investments Ltd.; Sixteenth Street Capital	Bundl Technologies Private Limited (6.54% Stake)	TMT		700
9	15-Mar-22	Zomato Limited	Grofers India Pvt. Ltd. (100% Stake)	TMT	Bennett Coleman & Company Limited; KTB Ventures, Inc.; Tiger Global Management, LLC; SoftBank Vision Fund L.P.; Abu Dhabi Capital Group LLC	700
10	10-Feb-22	Mohalla Tech Private Limited	MX TakaTak (100% Stake)	TMT	Bennett Coleman & Company Limited	700

Private interests

The Neelachal sale may be a portent of more to come. In last year's budget speech, finance minister Nirmala Sitharaman said there are four strategic areas where bare minimum central public sector enterprises, or CPSEs, will be maintained while the remainder of assets will be privatized. The government has a divestment target of Rs65,000 crore (approximately US\$16.25bn) in the financial year 2022-23.

This should provide a rich source of deal opportunities for Indian acquirers in the months ahead, contributing to an already healthy M&A market in India. With the most positive growth outlook of any major economy and with China presenting heightened geopolitical and macro risks, the country should see a steady flow of M&A for the rest of the year.



Southeast Asia

APAC's most diverse market **outperforms**

Southeast Asia has been a huge success story in recent years, but is not immune to the challenges affecting the world over. The spike in prices of commodities such as oil, nickel and wheat as a result of the Ukraine conflict is a concern, particularly for Thailand, Vietnam and Singapore, which are net importers.

The World Bank downgraded its GDP projections, with region-wide growth pegged at 5% in 2022, down from an earlier forecast of 5.4%. It has a base case of 4% depending on how circumstances play out.

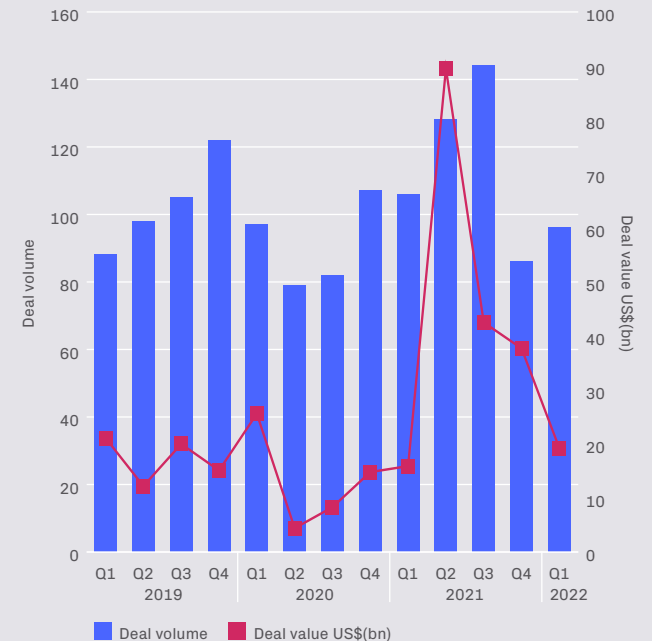
However, M&A is holding up well compared with other parts of the world, which have seen significant declines in Q1 2022. Deal value rose by 20% annually, to a total of US\$19.2bn, even as volume fell by 9% to 96 transactions.

Sponsors' circle

Global PE funds are likely to show continued interest in Southeast Asia as it ticks a number of boxes and presents a diverse mix of markets. Singapore and Malaysia have well established legal frameworks and practices, while Indonesia, Vietnam, Thailand, and the Philippines offer growth potential that is hard to find in other parts of the world. In recent times, production has shifted from China into Southeast Asian manufacturing markets as businesses seek to reduce their supply chain costs.

Private capital appears to be following this migration too. Notably, in Q1 there was a 49% increase in PE buyout value activity compared with broader M&A gaining by 20%. Although there are short- to medium-term headwinds amid slowing global growth and inflation, Southeast Asia is one of the highest-potential deal markets in APAC over the long term.

Southeast Asia M&A activity, 2019-Q1 2022



Source: Mergermarket



Banking on growth

Citigroup, which has been a prominent feature in APAC activity in recent months, was responsible for the biggest deal of the quarter. As part of a broader restructuring in the region, it offloaded its Southeast Asia consumer business to Singapore-based United Overseas Bank for US\$3.7bn. This deal, which was also the fourth-largest overall across APAC, included consumer banking franchises in Indonesia, Malaysia, Thailand, and Vietnam. The US bank has kept its operations in Hong Kong and Singapore, its largest consumer markets in APAC.

The deal helped push financial services above all other sectors measured by value, with US\$5.2bn registered in Q1. This was no less than a 563% gain on the same period last year. Also contributing significantly to this total was the US\$764m acquisition of a 57% stake in consumer credit company BFI Finance Indonesia by a PE consortium comprising TPG Capital LP, Trinugraha Capital, Northstar Pacific Capital, and Singapore's sovereign wealth fund, GIC.

Southeast Asia, as a whole, is on the cusp of a financial services revolution as fintechs look to take market share and capitalize on the vast pool of unbanked and underbanked people in the region. Indonesia is one of the most compelling markets given its large, young, and increasingly urban population.

SE Asia top sectors by value | Q1 2022

	US\$(m)
Financial services	5,234
Industrials & chemicals	3,757
TMT	3,431
Agriculture	2,717
Energy, mining & utilities	1,082

SE Asia top sectors by volume | Q1 2022

	Deal count
TMT	26
Financial services	13
Energy, mining & utilities	10
Industrials & chemicals	10
Business services	8

SE Asia top bidders by value | Q1 2022

	US\$(m)
Singapore	7,095
USA	2,835
Indonesia	2,506
Saudi Arabia	1,240
South Korea	1,217

SE Asia top bidders by volume | Q1 2022

	Deal count
Singapore	20
USA	11
Japan	11
Thailand	9
Indonesia	8

Industrials see booming M&A

After financial services was I&C, which clocked up US\$3.8bn worth of deals, just over six times last year's showing. This was boosted by the second-biggest deal of the year in Southeast Asia, the US\$1.6bn sale of Interplex, a Singaporean manufacturer of precision metal products, to US-based PE house Blackstone. The company has been under private equity ownership for years, having been sold by CVC Capital Partners and the private equity arm of Standard Chartered in 2015 to Baring Private Equity Asia, which has now sold on to Blackstone. Interplex benefits from selling into growth markets, such as signal connectors for EV manufacturers used in innovative powertrain developments, battery systems, and autonomous driving, among other applications.

The next largest I&C deals also featured financial sponsors, although exclusively as sellers. Navis Capital Partners exited Singaporean electronic waste firm TES for US\$1bn to SK Ecoplant, the construction unit of South Korean conglomerate SK Group, while Ares SSG Capital sold Thai steelmaker G J Steel Public to Japan's Nippon Steel Corporation.

Southeast Asia top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	13-Jan-22	United Overseas Bank Limited	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	Citigroup Inc.	3,652
2	19-Jan-22	Blackstone Group Inc	Interplex Holdings Pte. Ltd. (100% Stake)	Industrials & chemicals	Baring Private Equity Asia	1,600
3	31-Jan-22	HLN Technologies Limited	BINEX Singapore Pte. Ltd. (100% Stake)	Agriculture	BINEX, Inc	1,477
4	25-Mar-22	Saudi Agricultural and Livestock Investment Company	Olam Holdings Pte Ltd (35.4% Stake)	Agriculture	Olam International Limited	1,240
5	27-Jan-22	XL Axiata Tbk PT	Link Net Tbk, PT	TMT	CVC Capital Partners Limited; First Media Tbk PT	1,098
6	21-Feb-22	SK ecoplant Co., Ltd.; SK Holdings Co., Ltd.	TES (Singapore) Pte Ltd (100% Stake)	Industrials & chemicals	Navis Capital Partners Limited	1,042
7	20-Jan-22	TPG Capital LP; GIC Private Limited; Trinugraha Capital & Co SCA; PT Northstar Pacific Capital	BFI Finance Indonesia Tbk PT (57.19% Stake)	Financial services		764
8	22-Feb-22	Warburg Pincus LLC; Ontario Teachers' Pension Plan; Mubadala Investment Company PJSC	Princeton Digital Group	Business services		500
9	21-Jan-22	Nippon Steel Corporation	G J Steel Public Co., Ltd. (100% Stake)	Industrials & chemicals	Ares SSG Capital	456
10	17-Feb-22	Springhead Holdings Pte Ltd	Star Energy Group Holdings Pte. Ltd. (33.33% Stake)	Energy, mining & utilities	BCPG Public Company Limited	440

Australia & New Zealand



Pent-up demand and the commodities boom put territory on firm footing

Australia's economy has been growing at a decent clip recently. This has been the result of strict COVID lockdowns easing to unleash accumulated household savings, while the commodities boom caused by the invasion of Ukraine has been a major boost for the economy given its exports. The country is set to benefit through 2022 from this effect. Real GDP growth in Australia is projected to rise to 4.2% this year, according to the April edition of the IMF's World Economic Outlook, compared with a 4.1% forecast in the January edition.

But the specter of rising prices and uncertainty in much of the globe appears to have weighed on M&A activity. In Q1, Australia and New Zealand saw M&A volume drop by 22% year-on-year to a total of 151 deals. Value also fell by 30% to US\$18bn.

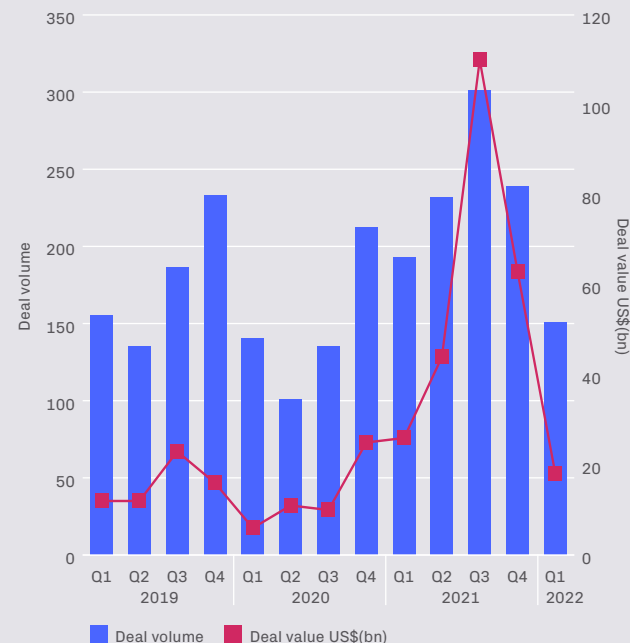
Maximizing bandwidth

Once again, it was the TMT sector that was out in front, leading by both value and volume. A total of 47 deals were announced in Q1, worth US\$3.9bn. Australian wireless broadband provider Uniti Group took the top spot, having received competing bids from Public Sector Pension Investment Board and Macquarie, against Brookfield and HRL Morrison.

Ultimately, Brookfield and HRL won with an offer of US\$2.7bn, which was accepted in April. Uniti owns fiber broadband builders OptiComm and LBNCo, as well as Telstra's former fiber-to-the-premises business Velocity, and specializes in wholesale telco services, infrastructure, communications platform-as-a-service, and consumer and business telco services. This was the only TMT deal to make it into Southeast Asia's top ten deals for the period.

The increase in demand for fiber due to remote and hybrid work could prove to be an enduring legacy of the COVID-19 pandemic—paving the way for more deals like the Uniti acquisition.

Australia & New Zealand M&A activity, 2019-Q1 2022



Source: Mergermarket



Buyers with a purpose

Special purpose acquisition companies (SPACs) have become a feature of Australia's M&A landscape for around a year now, following the country's first de-SPAC merger in May last year when Tritium, a maker of fast chargers for electric vehicles, reverse merged with a cash shell listed on the Nasdaq. While SPAC raisings in the US have cooled somewhat since the frenzy in the first quarter of 2021, vast sums of capital have been raised on the NYSE and Nasdaq and some of that is finding its home in both Australia and New Zealand.

In Q1, AMCI Acquisition Corp II proposed a US\$1.8bn merger with New Zealand-based Lanzatech NZ, which is developing technology to produce ethanol from waste gases produced by the steel industry.

Across the Tasman Sea, NYSE-listed SPAC Metals Acquisition Corp acquired CSA Mine, a copper mine in Australia, from Glencore for US\$1.1bn. The motivation for Glencore was to simplify its portfolio of more than 150 operating sites to focus on lower-cost, long-life assets. For its new owner, the mine should benefit from sustained demand for copper, which is the most widely used metal in energy generation, transmission infrastructure, and energy storage, and plays a key role in the ongoing energy transition toward renewables.

ANZ top sectors by value | Q1 2022

	US\$(m)
TMT	3,908
Pharma, medical & biotech	3,619
Energy, mining & utilities	2,501
Transportation	2,439
Financial services	1,854

ANZ top sectors by volume | Q1 2022

	Deal count
TMT	47
Business services	21
Energy, mining & utilities	16
Financial services	15
Pharma, medical & biotech	15

ANZ top bidders by value | Q1 2022

	US\$(m)
Australia	8,375
USA	3,992
Canada	1,144
Qatar	1,114
Germany	1,062

ANZ top bidders by volume | Q1 2022

	Deal count
Australia	78
USA	31
United Kingdom	11
Japan	5
New Zealand	5

A gold mine of deals

The Glencore sale was the only deal in the EMU sector to make it into the sub-region's top ten. However, Australia is a commodity-rich country that presents ample opportunities, and the deal is expected to renew investors' interest as other miners may look to rationalize their portfolios amid the ongoing commodities boom.

Other active mines nearby to the CSA site include Aurelia Metals' Peak gold and copper mine, Aeris Resources' Tritton operation, and Manuka Resources' Mt Boppy gold mine. Explorers Peel Mining and Helix Resources also have significant resources in the Cobar region, which is known for copper, lead, zinc, gold, and silver deposits.

The surge in metals prices is a major boon for Australia and is likely to further benefit from the current macro environment, as investors seek to park their cash into inflation hedges such as gold and other precious metals. This is expected to see the country outperform the global economy in the short term. Australia is a dominant global producer of mined commodities, with mining contributing around 10% of GDP between 2019 and 2020, the highest share of any sector.

Australia & New Zealand top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	24-Mar-22	Brookfield Asset Management Inc.; HRL Morrison & Co (Australia) Pty Ltd.; Brookfield Infrastructure Group (Australia) Pty Ltd.	Uniti Group Limited (100% Stake)	TMT		2,644
2	08-Mar-22	AMCI Acquisition Corp. II	Lanzatech NZ Ltd. (100% Stake)	Pharma, medical & biotech		1,817
3	31-Jan-22	PGGM N.V.; Charter Hall Limited	Irongate Funds Management Limited (100% Stake)	Real estate	Trafalgar Corporate Group Ltd.	1,193
4	22-Mar-22	GIC Private Limited; Qatar Investment Authority	Sydney Airport Holdings Limited (7.15% Stake)	Transportation	Global Infrastructure Partners, LLC	1,114
5	18-Mar-22	Brookfield Asset Management Inc.; Brookfield Business Partners L.P.	La Trobe Financial Services Pty Limited (100% Stake)	Financial services	Blackstone Group Inc	1,100
6	17-Mar-22	Metals Acquisition Corp	Glencore plc (CSA copper mine) (100% Stake)	Energy, mining & utilities	Glencore Plc	1,100
7	23-Feb-22	Hochtief AG; Hochtief Australia Holdings Limited	CIMIC Group Limited (21.42% Stake)	Construction		1,062
8	04-Jan-22	Palisade Investment Partners Limited; Motor Trades Association of Australia Superannuation Fund Pty Limited	GeelongPort Pty Limited (100% Stake)	Transportation	Brookfield Asset Management Inc.; SAS Trustee Corporation	866
9	08-Feb-22	Sunsuper Pty Ltd.; HRL Morrison & Co (Australia) Pty Ltd.; Australian Utilities Trust	ElectraNet Pty Ltd. (33.5% Stake)	Energy, mining & utilities	YTL Power International Berhad	731
10	22-Feb-22	EQT Partners AB; EQT Infrastructure Fund	Stockland Retirement Living (100% Stake)	Pharma, medical & biotech	Stockland Corporation Limited	712

About this report

Produced in partnership with Mergermarket, an Acuris company
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