

ASIA PACIFIC M&A REVIEW 2020

24 February 2020 | Asia Pacific
Guides – By **Tony Damian**

Welcome to the Herbert Smith Freehills Asia Pacific M&A Review for 2020.



In this edition, now in its 7th year, we review the trends and developments in M&A across a wide range of countries and territories in the Asia Pacific region throughout 2019, and discuss our thoughts on the anticipated market trends for 2020 and beyond.

ASIA PACIFIC M&A IN 2019

Key themes across the 2019 Asia Pacific market include:

1. **Resilience amidst tough global conditions:** Although M&A activity globally was softer in 2019 compared to prior years, we have continued to see resilience in a number of markets in the Asia Pacific region despite various challenges (including the impact of the US-China trade war). Deal momentum across the region picked up towards the end of 2019, with over 1000 deals totalling US\$165bn recorded for Q42019, the highest quarterly deal value and count in the year. Several jurisdictions, especially Singapore and Thailand, also flourished. In particular, Thailand deal value was US\$3bn higher than 2018 and M&A activity in Singapore increased 125.6% compared to 2018.
2. **Distressed M&A strengthens:** In line with the broader global economic environment, 2019 saw the rise of distressed M&A transactions. The year saw interest from a number of strategic buyers, in particular financial institutions and funds.
3. **Private Equity reigns supreme:** As with 2018, private equity and venture capital activity continued to build in 2019 throughout the region. Borrower friendly conditions generated greater opportunities and increased investment yields, attracting strong private equity activity across Australia, Indonesia, India, Singapore, South Korea and Vietnam. Larger funds and also newer funds (eg BGH) cemented their place in the market and showed themselves to be active players in the space. Technology remained the largest sector for private equity buyouts and exits, both in terms of deal value and deal count (US\$17.7bn across 133 deals and US\$8.1bn across 38 deals, respectively), consistent with the trends we observed for this sector in last year's edition.

ASIA PACIFIC M&A IN 2020: THE YEAR AHEAD

Predictions for the broader Asia Pacific M&A market for 2020 include:

- 1. High-performing markets and sectors continue to gain strength:** There are indicators to suggest that 2020 will be a good year for M&A in the Asia Pacific region, building on the upturn seen at the end of 2019. We expect a number of complex public M&A deals and private trade sale processes to occur, with jurisdictions like Singapore continuing to lead the surge in activity. We also expect 2020 to be a breakout year for Australian M&A. A key driver of this activity will be the diversity of sectors experiencing strong performance. Energy, Infrastructure and Technology will continue to attract interest while we expect Financial Services will remain a breakout sector.
- 2. Environmental, Social and Governance influences:** Environmental, Social and Governance (ESG) considerations have become a dominant theme in investment and portfolio decisions in the Asia Pacific area, and indeed globally. This has been particularly evident to date in the mining sector, particularly in thermal coal. There is increased pressure from activists, consumers and investors for companies to observe new ESG guidance and principles. Factors such as environmental policies, safety and innovation are likely to continue to feature prominently in due diligence and strategic planning for M&A transactions in 2020.
- 3. China - a key market:** Geopolitical tensions caused by the US-China trade war hampered China deal activity in 2019, and the onset of the novel coronavirus in early 2020 will bring a new set of challenges. However, we expect the Chinese M&A market to prevail later this year. China remained the largest recipient of foreign direct investment globally in 2019, and with China's new Foreign Investment Law having come into effect on 1 January 2020, we expect China will continue to attract strong foreign investment interest from the Asia Pacific region and beyond, once current challenges are navigated.

Should you have any questions in relation to M&A in Asia Pacific, [please contact one of our partners across our network](#).

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