

ASIA PACIFIC M&A SET TO SIZZLE IN 2016

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News - By **Simon Haddy**, **Rebecca Maslen Stannage** and **Austin Sweeney**

The outlook for M&A activity in Asia Pacific is red hot following a stellar 2015, in which the total value announced deals in the region topped US\$1 trillion for the first time. There was US\$1.165 trillion in deals announced during the 2015 calendar year, up 59% on 2014.

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Herbert Smith Freehills partner Rebecca Maslen-Stannage said: “2015 was a very interesting year for dealmakers. The extreme volatility experienced by China’s capital markets and a softening of several key economies could have created a skittish market for M&A. But instead, many companies saw opportunity, with changes in exchange rate relativities or share market falls making it a more affordable time to do strategic deals.

“So in M&A, a number of mega deals in the early months set the scene for what was a cracking year, and strategic deal activity has remained strong into 2015.

“The overall volume of deals was significantly up in 2015, consistent with increased confidence levels within boardrooms to make strategic moves, and the recognition that if they don’t act on their strategic M&A ambitions now, their competitors might.”

According to Thomson Reuters' latest M&A Legal Advisor League Tables for Asia Pacific, Industrials and High Technology were the most targeted sectors in the Asia Pacific region followed by Financials. Buy-side financial sponsor M&A activities reached US\$133.2 billion, a 76% increase over US\$75.6 billion last year.

“The strategic M&A activity witnessed across a range of sectors in 2015 and the increase in rival bids and competitive scenarios reflects the strength of the Asia Pacific market and suggests another strong year for M&A ahead,” said Ms Maslen-Stannage.

Regional breakdown:

Australia

Australia's M&A market enjoyed a healthy 2015 with announced deal activity reaching US\$144.2 billion, a 24.4% increase over the US\$115.9 billion of 2014.

There was strong interest from foreign buyers, with numerous bids including those for Toll, Veda and Swisse Wellness, driving inbound activity to US\$81.3 billion (up from US\$65.2 billion in 2014).

Outbound activity reached US\$24.7 billion, a small decline of around 8 per cent on the previous year as a result of the depreciating dollar.

Herbert Smith Freehills partner Simon Haddy explained that the outlook for Australian M&A remains bright.

"All of the conditions that gave rise to a boom in activity in 2015, such as high availability of debt and equity capital, are still in place. Inbound activity will remain healthy with the falling Australian dollar, lower commodity prices and several new free trade agreements building upon Australia's appeal as an investment destination.

"The Australian market has been pretty hot in the last 12 months and as predicted, we saw a significant number of mega deals inked, demonstrating that companies are prepared to pay significant premia for attractive Australian assets. Just as importantly, we also saw a jump in the number of smaller and mid-sized deals across a range of sectors.

Going forward, the logistics, food, healthcare and financials sectors will help to keep activity levels high. Infrastructure has been a strong sector for some time and that is set to continue well through 2016, with both a strong pipeline of privatisation projects and many other transactions anticipated in secondary markets."

Asia

Herbert Smith Freehills Asia Corporate Practice Head, Austin Sweeney, explained that the Asian markets had also performed very strongly during the year. He said: "Our Asia M&A practice is working on deals that exemplify the changes underway in our region."

"We're seeing more intra Asia deals, as the region's companies seek new markets as the first stage in realizing their global intentions."

"Only a few years back, resources deals dominated, but now the most noticeable growth is in technology, media, telecoms, retail, services and healthcare - responding to the increasing sophistication and disposable income of Asian consumers," said Austin Sweeney.

"Looking to 2016, we anticipate deal growth in Southeast and South Asia, from both local and global investors, while companies from the region's larger economies will continue to seek diversification and growth assets in a range of global markets."

According to Thomson Reuters, China cross-border activity accrued US\$161.9 billion in 2015, a 61% increase from the US\$100.8 billion accumulated last year. Outbound investment volume reached US\$112.7 billion, and the Financials sector was the most targeted.

Herbert Smith Freehills' performance in 2015

The firm performed very strongly in the Thomson Reuters M&A Legal Advisor League Tables for 2015. The firm was ranked:

- 1st in Australia / New Zealand by both value and deal count (announced deals)
- 1st in Australia / New Zealand by both value and deal count (completed deals)
- 3rd in Asia Pacific (ex-Japan) by value and deal count (announced deals)
- 3rd in Asia Pacific (ex-Japan) by deal count (completed deals)

Herbert Smith Freehills acted on some of Asia Pacific's most significant and complex M&A transactions in 2015 including advising:

- Toll Group on its A\$8 billion cross-border acquisition by Japan Post;
- Veda in relation to the A\$2.5 billion bid by Equifax;
- Australia's Swisse Wellness on the cross-border sale of an 83% interest in Swisse to Biostime International Holdings Ltd, valuing Swisse at A\$1.67 billion;
- NSW Electricity Networks consortium on its A\$10.258 billion acquisition of the TransGrid high voltage electricity transmission network from the New South Wales Government;
- Brookfield Infrastructure Partners on the proposed A\$8.9 billion cross-border acquisition of Asciano Limited by way of scheme of arrangement;
- Malaysia's edotco Group on the acquisition of a majority stake in Myanmar Tower Company (MTC), the largest ever cross-border M&A deal in Myanmar;
- CGN of China on its proposed US\$2.3 billion acquisition of the energy assets of Edra Global Energy Berhad;
- Australia's Barrick Gold Corporation on the sale of gold assets and interests to China's Zijin Mining Group Co., Ltd for approximately A\$1.2 billion;
- Japanese trading house Mitsui on its investment in international student recruitment and consulting company QS Quacquarelli Symonds Limited; and
- China's Jiangsu Changjiang Electronics Technology Co., Ltd. (JCET) on its S\$1 billion takeover offer of Singapore semiconductor company STATS ChipPAC Ltd, one of the largest M&A deals in Singapore last year.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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