

OUTLOOK FOR ASIA PACIFICS MA MARKETS REMAINS STRONG

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News - By **Andrew Pike** and **Austin Sweeney**

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The Review, which details the 2015 M&A performance of countries in the region and outlines predictions for the year ahead, paints a cautiously optimistic picture for dealmakers.

Andrew Pike, Head of Corporate (Australia) said: "Last year was big for Asia Pacific M&A, with sustained activity levels throughout the year - particularly in Australia, China, Hong Kong and South Korea - and a number of multi-billion mega deals helping to push the total value of announced deals to over US\$1 trillion."

Austin Sweeney, Head of Corporate (Asia) noted: "The year was not without its challenges, however, the slowdown experienced in some countries and the volatility in China's capital markets did not seem to curtail M&A activity levels. To the contrary, we saw a lot of companies taking advantage of opportunities to acquire assets for competitive prices.

"Despite continued challenges in 2016, such as uncertainty in the region's equity markets and low commodity prices, dealmakers have much to look forward to."

The Review anticipates that investors will be presented with numerous and varied opportunities across the Asia Pacific region in 2016, including in Australia as a result of the lower Australian dollar and state owned enterprise reform in China and South Korea.

In terms of sectors, the uptake in new technologies is expected to increase profitability for technology suppliers and lead to a new wave of IPOs and M&A activity in the technology, media and telco sector. The financial services, property and energy and resources sectors are also set to create significant deal flow across the region in 2016.

Key country findings

Australia

2015 was a strong year for M&A in Australia, with an increase of over 200% in the value of announced transactions compared to 2014.

Activity levels are expected to remain strong throughout 2016 as a result of the lower Australian dollar, a desire by foreign investors, including many in China, to invest in a relatively stable economy, and the country's various Free Trade Agreements and inclusion in the Trans-Pacific Partnership.

Other factors driving M&A activity in 2016 will be the significant pools of foreign capital now available to deploy and the increasing levels of confidence fostered by the success of various mega deals in 2015. The majority of activity is expected to come from the resources and financial services sectors.

China

Despite challenging market conditions, China M&A surged in 2015 with record activity and soaring deal values in the first half of 2015. Deal numbers dropped off in the second half of 2015, although the total value of deals continued to rise.

In 2016, state owned enterprise reform is expected to continue as China adjusts its economy for the "new normal" of lower GDP growth. As a result, many SOEs are expected to absorb private capital or privatise, which will create significant opportunities for investors.

Meanwhile, domestic companies are expected to consolidate, particularly in the technology and industrials sectors and the country is expected to continue pushing outbound investment which will drive cross-border M&A activity within the Asia Pacific region.

Hong Kong

M&A activity soared in 2015 with a continued increase in deal numbers and record breaking deal values in the first half of 2015. Despite market uncertainty and concerns over the revaluation of the yuan, there was also a strong upsurge in activity towards the end of the year.

The Review predicts an increase in secondary sales in 2016, driven by private equity firms and investors seeking to exit from investments as an alternative to pursuing a listing amid uncertain conditions.

More SOEs are expected to implement reform plans which will create opportunities for Hong Kong investors and there should be a continued increase in backdoor listings and reverse takeovers. The sectors to watch include clean energy, technology and healthcare.

Korea

2015 was a strong year for M&A in Korea with a 95% increase in the value of announced transactions compared to 2014. Many of these deals were large restructuring transactions and both domestic and international investment funds were active in various sectors.

The Review suggests that there will continue to be strong investment fund activity in 2016. From a sector perspective, the consumer and retail sector is expected to remain strong in 2016, with both strategic investors and private equity funds expected to be active in the sector. Financial services and technology sectors also look promising while additional activity will be generated as a result of the sale of distressed assets in the shipbuilding and construction industries.

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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