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## Adjusting to the downturn: Asian mid-market M&A spotlight



# Mid-market M&A review

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# Executive summary and methodology

## **Asian mid-market remained resilient in 2008 and looks set to bottom out in H1 2009**

Asian mid-market M&A activity fell modestly in 2008 compared to global mid-market deal trends. Regional mid-market M&A transactions totaled some 701 deals worth US\$111.1bn last year. Compared to 2007, these figures represent a 16% decline in volume and a 14% fall in valuations. In comparison, global mid-market activity fell by 25% last year in both deal volume and value terms. And while quarterly deal volumes fell consistently over the year, Asian mid-market M&A deal flows seemingly bottomed out over Q1 and Q2 2009, with quarterly deal volumes rising 15% over the period.

## **2008 deals were particularly focused on the Energy & Resources and Manufacturing sectors**

Mid-market transactions in the Energy & Resources and Manufacturing industries comprised over 36% of overall Asian mid-market deal volumes and values last year, primarily driven by Chinese demand for energy and mining assets.

## **Private equity activity showed modest decline over 2008 but drops steeply in H1 2009**

Asian private equity investments in the mid-market space last year saw deal volumes and valuations fall by 21% and 25% respectively - generally in line with global private equity trends for 2008. However, M&A activity in this particular asset class dropped rapidly in the first half of 2009, with just 16 transactions worth US\$2.2bn coming to market over the period - a 67% drop in terms of deal volumes and a 74% contraction in terms of values compared to H1 2008.

## **Outbound activity is increasingly a focus within the region**

Cross-border M&A originating from Asia became increasingly intra-regional in nature in 2008. Indeed, 118 such transactions were undertaken last year, worth a total of US\$19.5bn - accounting for 55% of all outbound deal volumes and 54% of valuations. Similar figures for the past five years show that less than half of foreign acquisitions undertaken by Asian bidders targeted businesses situated within the region.

## **More than half of inbound investment last year stemmed from North American and UK & Irish bidders**

A combined 59% of non-Asian inbound mid-market M&A in 2008 originated from North America and the UK &

Ireland. Such deals collectively totalled US\$14bn.

## **Sovereign wealth activity in Asia hit new levels in 2008**

Mid-market sovereign wealth fund activity in the region hit new heights last year, with six such deals announced worth US\$1.4bn. The largest transaction saw Khazanah Nasional, the Malaysia based fund, through its subsidiary Mount Kinabalu, acquire a 16.41% stake in Parkway Holdings, the listed Singapore based hospital management group, in a US\$390m deal.

## **2009 Asian mid-market deal flow is likely to be focused on the Manufacturing, TMT and Consumer Business sectors**

According to mergermarket's forward looking intelligence\*, the bulk of Asian mid-market deal flow in 2009 is likely to occur in the Manufacturing, TMT and Consumer Business sectors.

\*mergermarket's Heat Chart is based on its intelligence database of companies for sale in Asia.

## **Methodology**

### **For the purpose of this publication:**

- Asia is considered to include the following regions: Greater China (encompassing China, Taiwan and Hong Kong), Japan, South Korea, South East Asia (encompassing Singapore, the Philippines, Indonesia, Thailand, Malaysia and Vietnam), South Asia (India, Pakistan and Sri Lanka) and Australasia (Australia and New Zealand).
- All US\$ symbols refer to US Dollars unless otherwise stated.
- All data quoted is proprietary mergermarket data unless otherwise stated.
- Mid-market M&A transactions refer to any deals valued at between US\$50m and US\$500m, including minority stake acquisitions.
- The sector or geography of deals are identified according to the dominant sector or geography of the target company unless otherwise stated.
- mergermarket Heat Charts are based on proprietary intelligence and publicly available stories detailing companies for sale between 1/7/2008 and 2009 YTD.
- For the purposes of this report, the Benelux region comprises Belgium, the Netherlands and Luxembourg. The Germanic region comprises Germany, Austria and Switzerland.