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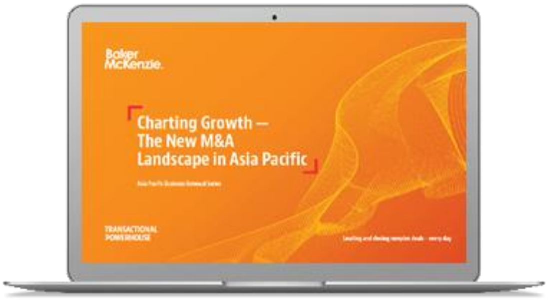
M&A Will Drive Recovery Across Asia Pacific, With Tech Acquisition Fueling Deals

- *Survey of 800 business leaders finds tech sector expecting the most M&A activity by far, while tech also driving M&A across all sectors*
- *Distressed investment opportunities also set to rise, driven by tech disruption and regulatory pressure*

Kuala Lumpur, 15 June 2021 - Strategic M&A activity will be a key driver of the post-pandemic recovery right across the Asia Pacific region, as companies more aggressively move to acquire technology and skills, while in some cases divesting to reduce their regulatory burdens.

That is according to a new report, Charting Growth - The New M&A Landscape in Asia Pacific, in which 800 senior executives* across the Asia Pacific region were surveyed on their company and sector transactional outlook.



Executives across Asia Pacific are sending a clear signal that deal making will be integral to their renewal and growth strategies over the course of this year and into 2022 - 77% of respondents expect M&A in their industry to increase in the year ahead, including 42% that say there will a major uptick in transactions. In terms of industries, the tech sector was far and away the most bullish, with more than three quarters (78%) predicting transactions would increase markedly over the next 12 months.

The Malaysian executives surveyed were broadly in line with their regional peers in their expectations for increased M&A activity. Out of the 50 respondents, 72% expect to see more activity with the majority of them (42%) expecting a significant increase in deal activities in the M&A space.

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When asked what the key drivers of their own deal activity would be, more than half of respondents (57%) cited acquiring new technology and associated expertise, which jumped to 74% of healthcare companies, 85% of financial institutions, and a full 92% of technology, media and telecoms companies. This signals major consolidation across the tech sector, as fast growth companies snap up rival firms and complementary platforms, and move into new markets.

Local respondents also highlighted the potential opportunities to access new technology and associated expertise as a core reason to seek our acquisition opportunities with 50% saying it would be their primary reason to do so. A significant number (44%) also said they would consider opportunities that would give them greater access to raw materials and natural resources.

About 44% of Malaysian executives surveyed also identified accessing new markets as a driver for them. Expanding footprints across regional and global borders seemed to be important to our respondents generally, with 40% of the entire group saying that the opportunity to move into new markets would be motivation for them to make acquisitions.

Andrew Martin, Managing Principal, Baker McKenzie Wong & Leow, Singapore, said that: “Differentiated economic recovery in the region is indicative of the varied challenges countries face in managing the pandemic. However, as a region, M&A is expected to remain robust, particularly in tech acquisitions and for financial institutions. While overall economic outlook does affect investor outlook, factors such as regulation and access to new markets (and therefore demand) will also shape the deal landscape. The power of financial investors, including private equity and venture capital, infra and credit funds, as well as family offices, will also inform the deal climate in the region."

There is also more distressed investment opportunities expected across the region, with 63% of consumer goods and retail companies citing obsolete sales and distribution models as the biggest driver of distress in that sector, for example.

Meanwhile, across every industry, regulatory enforcement is now expected to be one of the leading factors driving possible insolvencies. Interestingly, companies in Indonesia and Thailand are most worried about increased regulatory enforcement, while companies in India are most concerned about new regulations coming in.

Half of all Malaysian respondents meanwhile identified tech disruptions as the likeliest driver of insolvencies in their sector. A significant number of participants also pointed to greater regulatory enforcement (44%) and ongoing economic and pandemic uncertainty (44%) as potential causes for companies failing to stay afloat.

Kate Jefferson, Baker McKenzie International Asia Pacific M&A Steering Committee Member and Partner, based in Sydney, said: “The regulatory landscape has shifted considerably

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since Q2 2020. Many regulators now have an expanded set of "tools" at their disposal to hold companies accountable for non-compliance with increasingly onerous regulations, and the reach of the measures being implemented by regulators is unprecedented.

"Although often substantial, fines and penalties may be small in comparison to the actual cost for a business of a regulatory breach. More serious consequences of breach include significant reputational harm, asset divestment orders and class action proceedings, all of which can quickly lead to insolvency. Understanding the applicable regulatory environment and implementing a robust compliance program is key for a business in respect of unlocking value, minimizing the impact of tech disruption and capitalizing on opportunities."

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*The 800 respondents were surveyed in Q1 2021 across nine jurisdictions - Hong Kong, Mainland China, Malaysia, Singapore, Indonesia, Australia, India, Japan and Thailand - and six sectors - Technology Media and Telecoms (TMT) , Healthcare and Life Sciences (HLS), Consumer Goods and Retail (CGR), Industrial, Manufacturing and Transport (IMT), Financial Institutions (FI) and Energy, Mining and Infrastructure (EMI). This Asia Pacific business and legal issues research has been run every two years since 2016 by Baker McKenzie in Asia Pacific.

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