

For immediate release

19 January 2017

Malaysia's IPO and M&A Markets to Bounce Back in 2018; New Global Research

- **Domestics M&A set to grow again this year after a significant drop in 2016, and bounce back strongly in 2018**
- **IPO activity to return to 2014 levels this year, and grow substantially in 2018**
- **Still a cloud of uncertainty over investment environment globally**
- **However, uptick in transactions also predicted globally in 2018 as clarity returns**

Kuala Lumpur, 19 January 2017 - After a very challenging 2016, the outlook for Malaysian M&A and IPO transactions is predicted to pick up in 2017, and bounce back significantly in 2018, according to the second edition of the Global Transactions Forecast, issued by Wong & Partners, a member firm of Baker & McKenzie International.

The research, covering 37 of the world's largest economies and conducted in conjunction with Oxford Economics, predicts the value of IPO activity in Malaysia is to ultimately rise to US\$2.79 billion by 2019, easing thereafter. Domestic and inbound M&A activity are also forecast for upticks, supported by Malaysia's strong predicted GDP growth, reaching a value of US\$19.8 billion in 2019.

Malaysia - M&A and IPO transactions							
	2014	2015	2016	2017f	2018f	2019f	2020f
Total M&A transactions (US\$bn)	6.9	7.1	7.2	11.2	16.7	19.8	14.8
% of Global M&A transactions	0.3	0.2	0.3	0.4	0.6	0.7	0.6
Domestic (US\$bn)	3.9	4.4	2.5	6.6	11.4	14.4	11.1
Cross-border, inbound (US\$bn)	3.0	2.7	4.7	4.6	5.4	5.5	3.6
Total volume of M&A transactions (Number of deals)	321	331	254	413	516	599	454
Domestic (Number of deals)	230	259	183	333	421	502	390
Cross-border, inbound (Number of deals)	91	72	71	80	95	97	64
Total IPO transactions (US\$mn)	1,301.1	1,199.0	240.3	1,293.8	2,231.1	2,790.8	1,796.9
% Global IPO transactions	0.5	0.6	0.2	0.8	0.8	1.0	0.9
Domestic (US\$mn)	1,301.1	1,199.0	240.3	1,293.8	2,231.1	2,790.8	1,796.9
Cross-border (US\$mn)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Oxford Economics, Reuters

Malaysia - Forecast for the economy							
	2014	2015	2016f	2017f	2018f	2019f	2020f
<i>Macroeconomic drivers</i>							
Real GDP growth (% yoy)	6.0	5.0	4.1	4.2	4.3	4.0	3.9
CPI (% yoy)	3.1	2.1	2.1	2.7	2.7	2.5	2.5
Merchandise trade (% of GDP)	112	109	103	105	101	99	98
<i>Financial drivers</i>							
10-year government bond yield (%)	4.0	4.1	3.8	4.4	4.6	4.9	5.2
Equity prices (LCU, end of year % change)	-5.7	-3.9	-3.9	5.0	5.9	6.6	-15.4
Stock market capitalisation (US\$bn)	459	383	346	344	381	419	403

Source: Oxford Economics

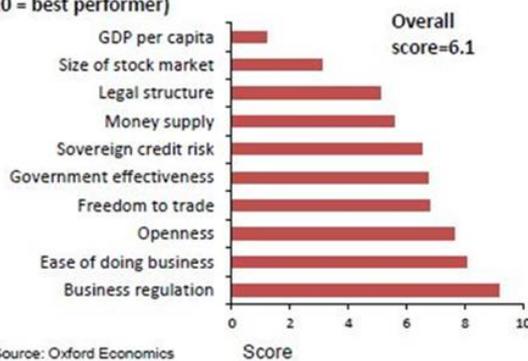
Commenting on the research, Brian Chia, Head of Corporate, Commercial and Securities, Wong & Partners, said:

"In the case of Malaysia, while the findings of this edition of the Global Transaction Forecast appear to quite optimistic, there are a few key factors that should provide comfort for those Malaysian corporates looking for better news after a difficult year. Economic growth is still forecast to average 4.2% between now and 2020, while the openness and ease of doing business of our economy will continue to help drive new opportunities for growth and deals."

Summary of key drivers (average 2016-2020)		
	Malaysia	Global
GDP growth (% annual)	4.2	2.6
Stock market capitalization (% of GDP)	115	98
Money supply (% of GDP)	129	124
Trade (% of GDP)	101	42
Ease of doing business (World Bank)	79	62
Legal structure (Fraser Institute)	6.9	6.4
Freedom to trade (Fraser Institute)	7.7	7.3

Source: Oxford Economics

Malaysia: Transaction Attractiveness Indicator
(10 = best performer)



The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transaction activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity, such as a country's sovereign credit risk, level of trade restrictions and ease of doing business rating by the World Bank. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.

Malaysia in part mirrors global trends. After a year of global political uncertainty, the research predicts an increase in global transactional activity over the next four years, based on a gradual pickup in global economic growth in the years ahead, with global GDP rising to 2.6% in 2017, and 2.8% in 2018.

As threats to the stability of the global economy ease, and dealmakers regain confidence in the market, their apprehension should turn into appetite.

As Paul Rawlinson, Baker McKenzie's Global Chair explains, "We are clearly still in volatile times but deal-making is there to be done. Strong corporate balance sheets, cheap finance and moderate growth across markets and key sectors all point to an improving M&A run-rate later in 2017, after a cautious first quarter, and a significant uptick in 2018. The caveat is we need a benign Trump on trade and a soft-ish Brexit. Will we get that? Let's see."

ENDS

Notes to editors

Global Transactions Forecast

Oxford Economics have used statistical techniques to estimate the historic relationship between M&A and IPO activity and key drivers, such as GDP growth, equity prices, trade flows, money supply, legal structure and property rights and freedom to trade.

Based on their forecasts for GDP growth along with anticipated changes to the other criteria in each of the 37 markets has allowed OE to project the future value of M&A and IPO transactions. These predictions have also benefitted from Baker & McKenzie partners around the world giving their views on the latest trends in their market and the likely evolution of transactions in their country.

In estimating global transactional activity, the forecast uses data on completed deals rather than announced deal values. From an analytical modelling perspective, it makes more sense to use completed deals for forecasting as it reflects actual outcomes. When calculating estimations, Oxford Economics grouped countries according to standard IMF classifications.

About Wong & Partners

Wong & Partners, a member firm of Baker & McKenzie International, is a Malaysian law firm dedicated to providing solution-oriented legal services to its clients. The Firm uniquely combines its rich local knowledge with broad global capabilities. Since its establishment in 1998, Wong & Partners has grown steadily and now consists of 17 partners and more than 50 associates. The Firm's lawyers are able to deliver comprehensive and integrated advice to clients, and are trusted by respected domestic and multinational corporations for their needs in Malaysia and throughout Asia. The Firm's lawyers are committed to helping clients apply industry-specific, innovative and practical solutions. (www.wongpartners.com)

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About Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC. We employ over 130 full-time people, including more than 120 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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