

## M&A OUTLOOK:

### CHINA BUY-SIDE / SPIN-OFF & OPPORTUNITIES IN S.E. ASIA







# 01

## About Us



# About Us

Established in 2015, ARC Group is a full-service financial institution deeply rooted in Asia with global reach. We are one of the global leaders in SPAC and IPO advisory.

We understand the importance of trust. We are a business that focuses on People. ARC Group is the home of its clients; we grow together and fight for the same goals. Your achievement is the reason of our existence, your growth is our passion.

We feel proud to share our passion with an extensive network of partners and associates. ARC Group is the exclusive member in China of M&A Worldwide, a global organization leader in M&A advisory services, established in 2004, that is currently comprised of 49 offices in 36 countries.



*Your Growth, Our Passion*

# Our Services



A China exclusive member of M&A worldwide.



With a west meets east approach, we service our clients providing a blend of process driven and trust-based methodology to all transactions.



ARC Group provides M&A expertise for mid-market clients proven skills and tracks records in both domestic and cross-border M&A transactions.



# Capital Raise and M&A: Exclusive Member of Leading Global M&A Network

## M&A Worldwide

[Homepage - M&A Worldwide](#)

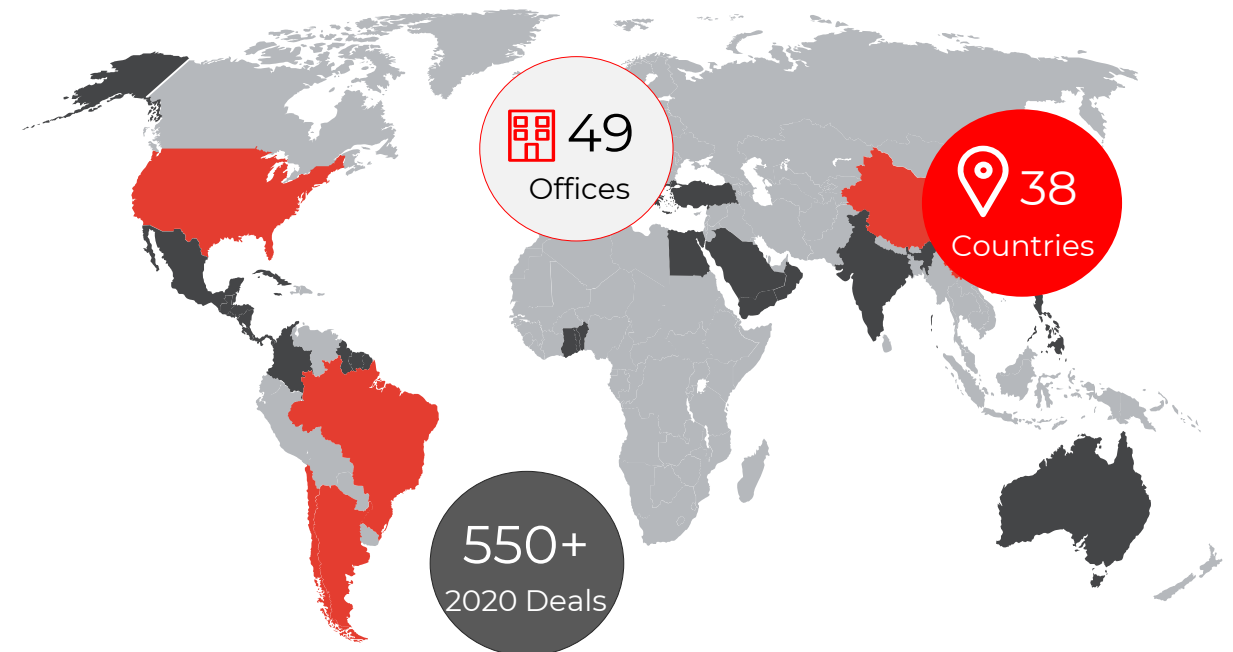


Established in 2004, M&A WORLDWIDE is a global corporate finance advisory organization specifically focused on cross-border advice to the mid-market (deal values of €5m - €200m).

We provide dedicated corporate financial advisory services (M&A advice) to mid-market clients looking for global transactions. In 2020, reporting offices of M&A WORLDWIDE completed 553 deals with a value of €3,29 Billion which places M&A WORLDWIDE in the top best-performing M&A advisors with regards to completed number of deals.

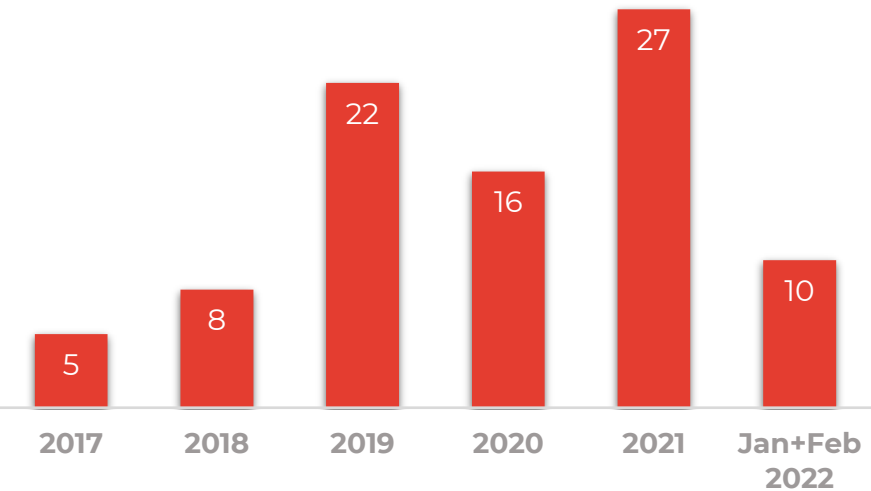
As a member of M&A Worldwide our global focus and local approach allows us to be ready for any challenge or opportunity generating over €20Bn+ in transactional value over the last 5 years.

ARC Group is a proud member of M&A Worldwide since 2019 and the *exclusive partner in China*.

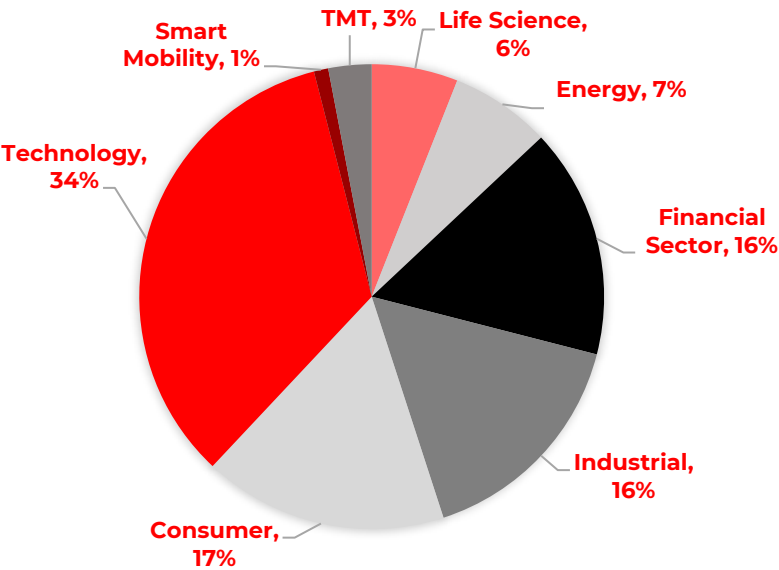


# Proven Track Record Within Different Deal Structures

ARC Successful engagements



Transactions advised by ARC Group covers most major industries



# Team Overview

ARC Group has a dedicated M&A team with significant background in cross-border transactions. Our team specializes in several industries.

## Dedicated M&A Team




—

Rohit Gupta

Vice President

—



—

Isabella Zuo

Senior Associate

—



—

Ulrik H. Karlsen

VP-M&A

—




—

Ken Lu

Associate

—



—

Dean Wang

Analyst

—

## Partners



—

Abraham Cinta

CEO

—



—

Sergio Camarero

Managing Partner

—



—

Crystal Zhang

Managing Partner

—



—

Jesús Hoyos

Managing Partner

—



—

Carlos López

Managing Partner

—

# Norwegian Business Association China



The Norwegian Business Association China is an active non-profit member-based association for Norwegian companies and business people in China.

The NBA China was established in 2015, as a result of a merger between NBA Beijing and NBA Shanghai the same year.

NBA China has a substantial membership base with over 80 corporate, individual, and student members.



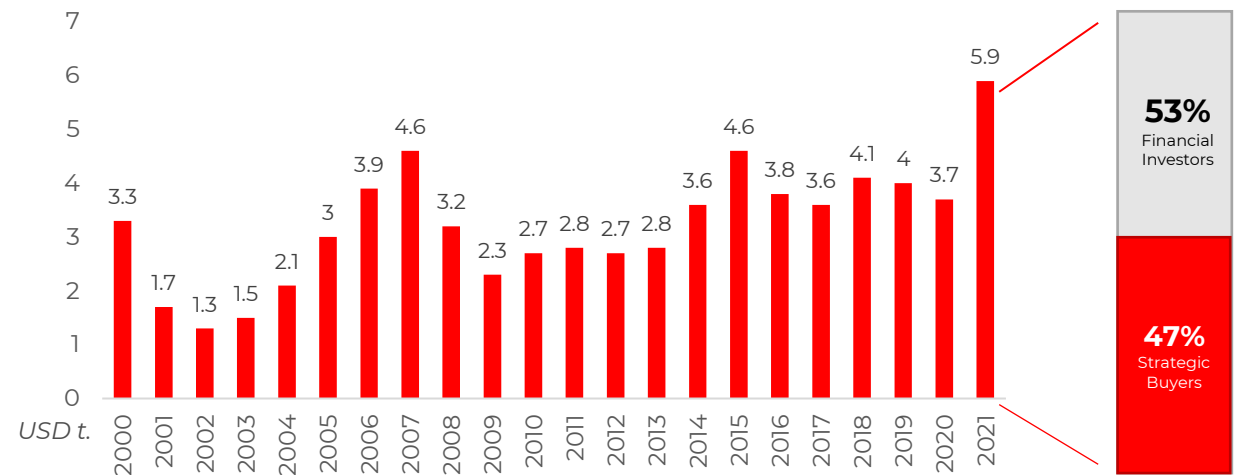




# M&A Market Information: Global

- 2021 was a record year for global M&A transactions and beat the previous record volumes of 2007.
- 2021 was also a good year for large transactions with 130 deals above USD 5 billion.
- In terms of technology transactions, 2021 experienced 260 announced technology transactions greater or equal to USD 1 billion in size.
- As the international business community is experiencing a larger degree of regulatory scrutiny combined with a rise in antitrust concerns and decoupling of markets, divestitures activities including spin-offs and split-offs have increased.
- To navigate the international M&A markets, a trusted advisor is necessary to ensure the best outcome of cross-border transactions.

## 2021: a record year for global M&A



A record 62,000 announced global M&A volume in 2021. 50% of \$ the value was driven by deals in the \$1-10 billion range. Never has financial investors constituted more than 50% of deal volumes. Strategic deal volumes have in fact gone down.



# 02.

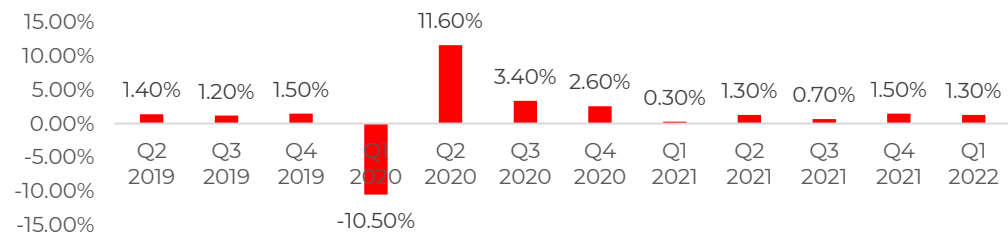
## China Market Overview



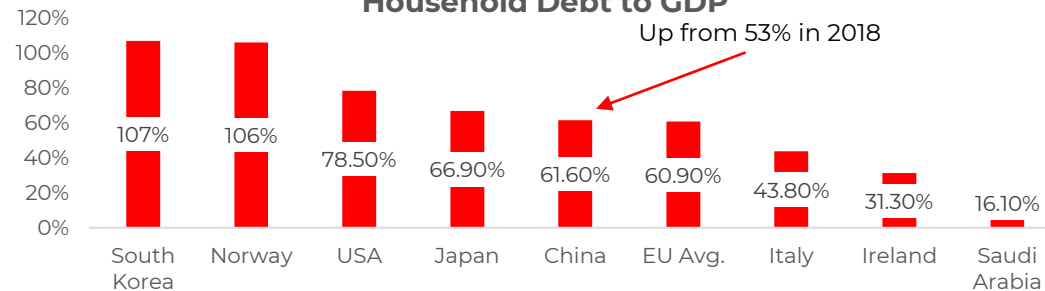
# China – Economic Snapshot

China is already the world's largest economy in terms of GDP adjusted for purchasing power parity (PPP). **In Q1 2022, China is adding around as much economic growth as the total GDP of the bottom 56 countries!**

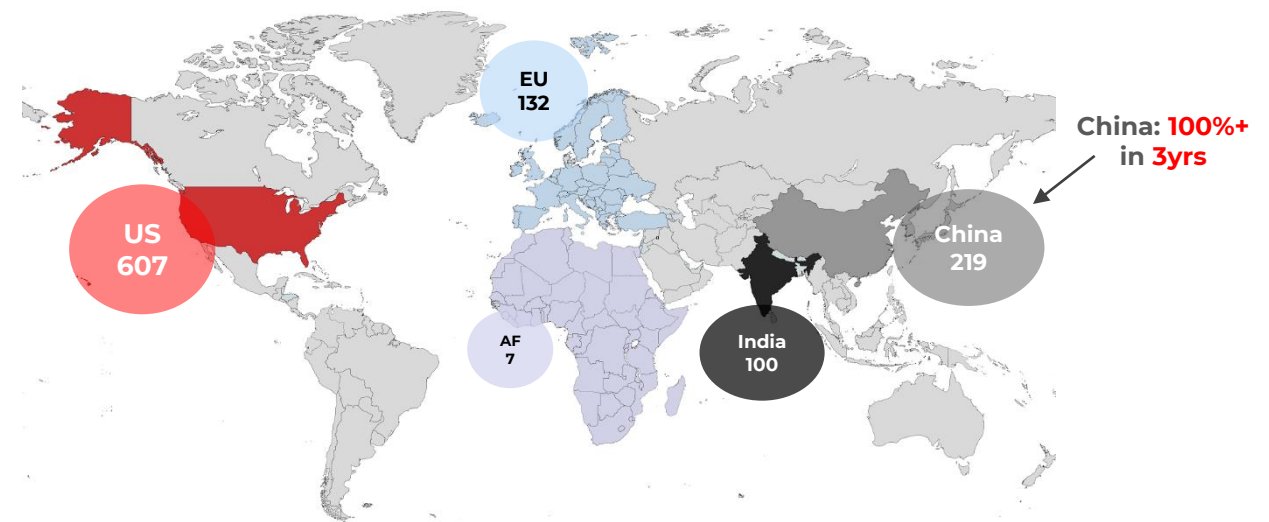
## GDP Growth Per Quarter



## Household Debt to GDP



## Unicorns per Region



Source:  
Household debt to GDP: TradingEconomics Sept.21  
GDP Growth per Quarter: TradingEconomics (seasonally adjusted)  
Unicorns by country: Traxn



# China – Changing Landscape

The Chinese economic landscape is constantly changing – but arguably not unpredictable. Most of the central government`s priorities are public and announced.

## Regulatory moves have created challenges for cross-border deals:

- New regulations for gaming industry.
- Banned for-profit K-12 tutoring.
- Discouragement of overseas IPOs of strategic assets:
  - Ant Financials.
- SEC critical to Chinese listcos
  - Added 80 Chinese listcos to face delisting as of audit requirements.
- Stricter data-security
  - Didi
- Certain industries are facing more openness from a regulatory point of view:
  - Financial services.



## Important topics for the coming years:

“Common Prosperity”

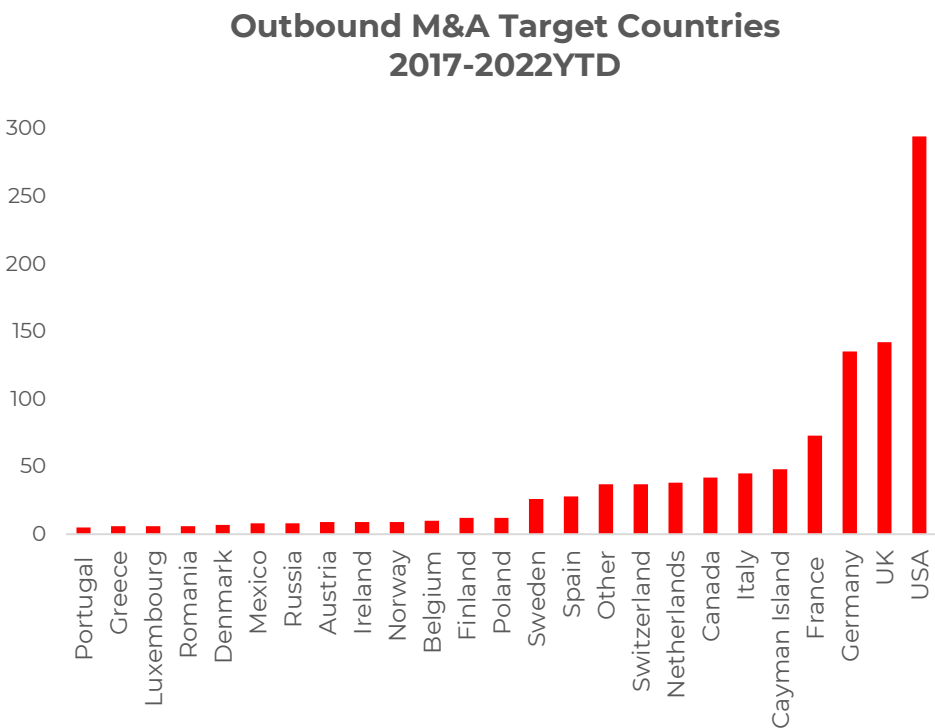
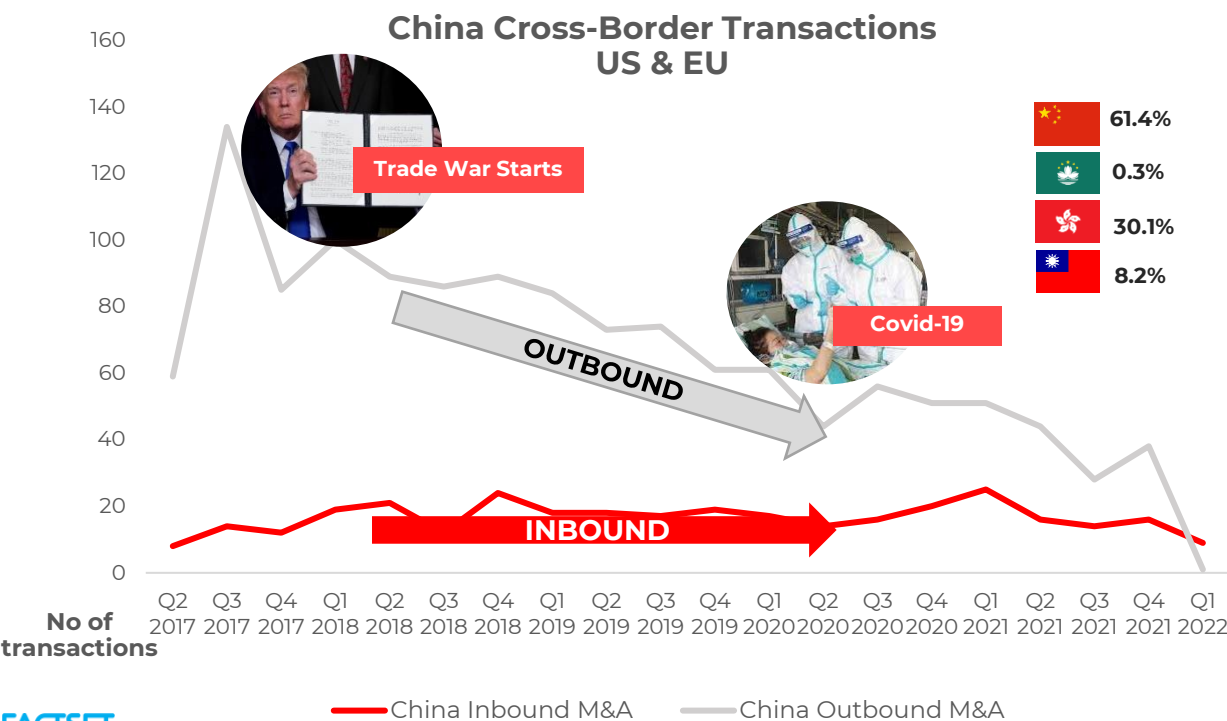
“Dual Circulations”

“Carbon Neutrality”



Source:  
Bain & Company: Global M&A Report 2020  
Graph: S&P U.S. Listed China 50

# M&A Overview: China & Europe+North America



FACTSET

Completed deals only  
North America + Europe  
Greater China (including Taiwan, Macau, HK)  
Outbound M&A by country: BVI excluded

# China M&A: volume surged to a record high

China M&A volume hit a record high while the deal value decreased in 2021: 12,790 deals and \$637 bn.

The lack of large government and SOE-backed deals contributed to the deal value decrease.

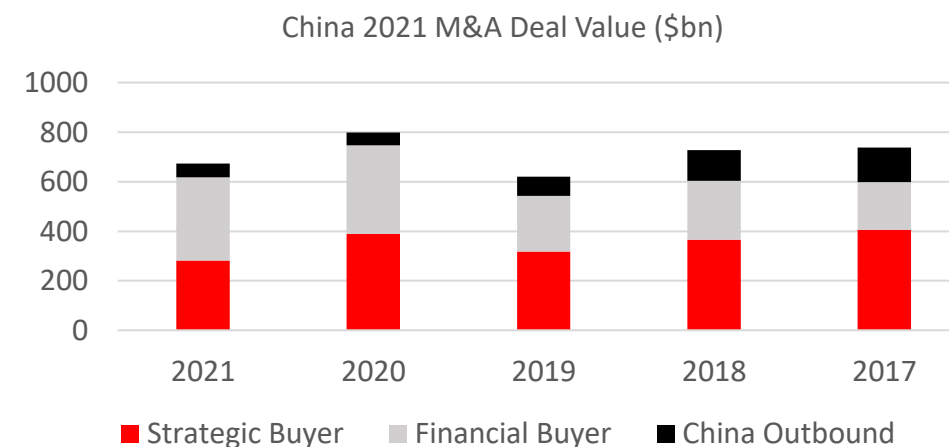
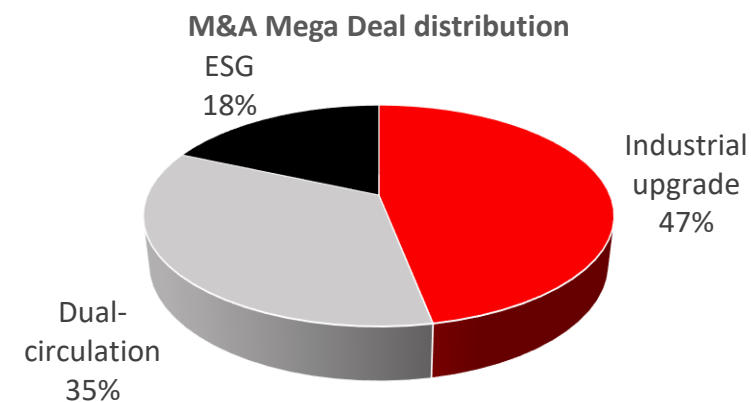
The M&A surge is motivated by the dual-circulation policy and industrial upgrade program.

Financial buyers i.e. private equity and venture capital contributed for the first time >50% of the M&A deal value.

Digitalization, zero-carbon, and domestic consumption will continue to drive M&A transactions in the future

M&A momentum will continue in 2022. Headwinds of internal political uncertainty and overseas regulatory constraints still impact the outlook.

Source: ThomsonReuters





# China Outbound M&A

China's outbound M&A globally showed a modest increase in 2021 compared with 2020: 502 (\$50bn) VS 403 announced deals (\$45bn).

Cautious optimism continues with a global backdrop of geopolitical tensions, inflation, disruptions of the supply chain, and stringent foreign direct investment.

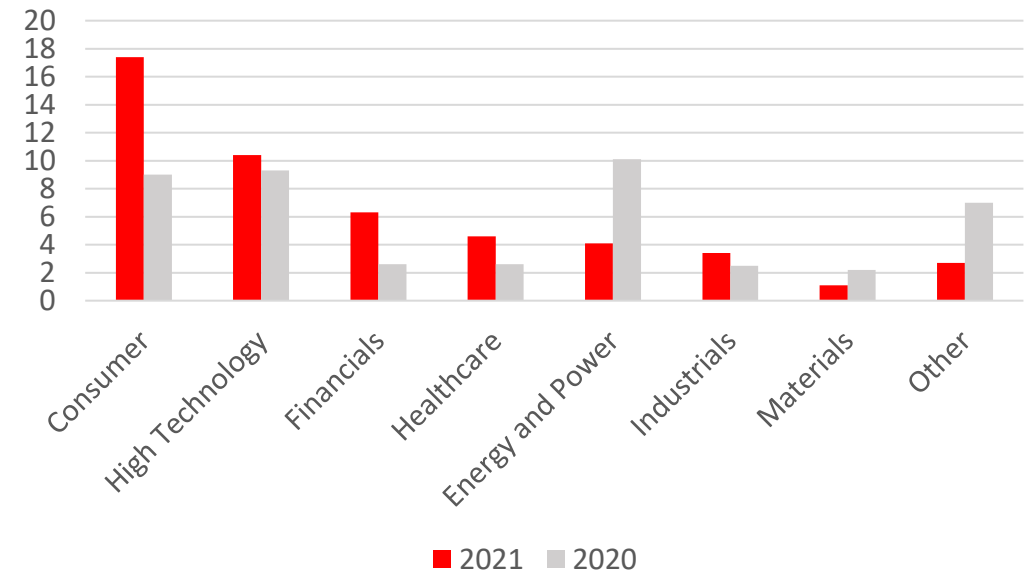
Healthcare and TMT will continue to be sectors that draw the most attention.

Alternatives, including minority interest Investment, participating as a general or limited partner of PE structures, and joint ventures are explored.

CR Capital Management jointly participated in the acquisition of Viridor with KKR; BASF formed the joint-venture with Hunan Shanshan Energy Technology.

Source: ThomsonReuters  
IFLR report

China Outbound M&A Deal Value (\$bn)



# Challenges & Opportunities: China related M&A

## Challenges



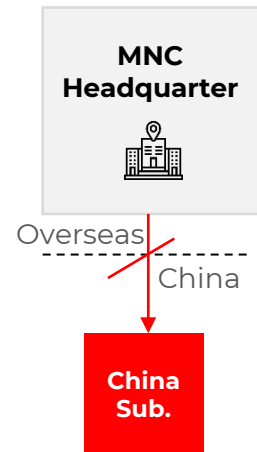
- **Zero-covid** poses a major issue for business in China.
- **Currency restrictions** remain a challenge.
- **Government approval** can cause delays.
- **The war** in Ukraine is causing increased supply chain disruptions.
- Housing bubble causing **concerns over economic stability**.
- Continuous **trade war** between the US. and China.

## Opportunities



- Despite challenges, **long-term growth expectations in China are still positive.**
- **5-years plans** reveal areas that will be supported by the government.
- **An opportunity for Europe?** In 2021, Chinese outbound M&A reached USD 23.7 billion compared to USD 29 billion in 2020. Political tensions between China and the US have caused a fall in FDI from 2020 numbers by 34% in North America, while in **Europe, Chinese FDI rose by 25% compared to 2020 numbers.**

# Spin-Off



- Due to geopolitical concerns and challenging business environments, some MNCs decide to exit the Chinese market and divest their local subsidiary.
- Sale of Chinese subsidiaries is a path suitable for MNCs with regulatory scrutiny or those who would like to focus on other markets.
- For complicated organizational structures in China, a full or partial spin-off of portfolio companies can help simplify management duties, reporting, and overview.

## Well-known China Spin-offs

2020 Renault sold its stake in the JV with Dongfang Motor Corp.



2016 Yum Brands completed the separation of its Chinese operations.

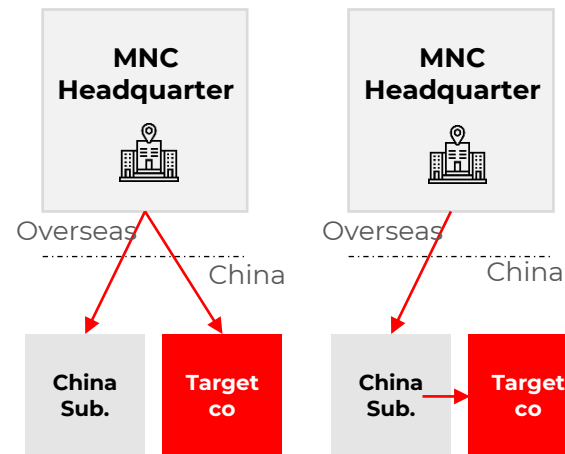


Autonomous truck company TuSimple is reportedly looking to spin off its China business.





# Long-China: growth through M&A



- China poses an unmatched scale combined with long-term growth as the country continues to show steady growth.

- **A Chinese buy-side process can strengthen the buyer's capability in terms of:**

- Local product offering
- Local supply chain
- Local production capabilities
- Local market access

**....and increasingly:**

- Know-how
- Cutting edge technology
- Business model innovations

## China buy-side transactions

*Nestle launched an incubator in China which has led to several investments*



*Elkem ASA acquired Polysil in 2020.*



*Kuehne+Nagel acquired Apex in 2021.*





# Challenges in Pursuing China-Related M&A

## Challenges

- **Zero-Covid** and travel restrictions: an unfortunate new normal.
- Cultural differences dealing with Chinese entrepreneurs.
- Cultural differences in terms of defining an agreement.
- The Chinese counterpart is often unwilling to add professional service providers.
- Attention to details.

## Solutions

- Be patient.
- Understand your counterpart.
- Have strong local representation.
- Ensure protection from a strong legal framework.



# 03.

## Southeast Asia Market Overview

# Southeast Asia – Economic Snapshot

*Southeast Asia is a region with large varieties in terms of standard of living, economic growth, and culture. Offering new growth opportunities for international investors, large M&A volumes are shifting from cross-border China/West to Southeast Asia.*



Country	Area (Sq. km.)	Population (2020)	Nominal GDP, USD (2020)	Per Capita GDP (PPP), USD (2020)
Brunei	5,765.	437,500.	12 billion	85k
Cambodia	181,035.	16,719,000.	25.2 billion	5k
East-Timor	14,874.	1,268,000.	1.8 billion	5.3k
Indonesia	1,904,569.	267,670,500.	1,060. billion	14.8k
Laos	236,800.	7,061,500	18.8 billion	8.7k
Malaysia	329,847.	31,528,000.	337 billion	34.6k
Myanmar	676,578.	53,708,300.	81.3 billion	7.2k
Philippines	300,000.	106,651,400.	361 billion	10.1k
Singapore	719.	5,757,500.	340 billion	105.7k
Thailand	513,120.	69,428,500.	502 billion	21.4k
Vietnam	331,210.	95,546,000.	343.1 billion	8.7k

## Top 10 destinations of China overseas M&A of 2021 (by deal value: US\$ billion)

	Destination	2021	2020	% YOY
1	Singapore	9.0	2.8	219%
2	US	7.7	13.0	-41%
3	South Korea	5.9	2.8	114%
4	Netherlands	5.8	1.0	460%
5	Indonesia	5.4	1.0	467%
6	UK	3.4	2.1	64%
7	India	1.9	1.8	6%
8	Japan	1.8	0.9	109%
9	Germany	1.3	6.0	-79%
10	Australia	1.1	1.9	-40%

Source: Wikipedia





# Southeast Asia: Opportunities

## Key Takeaways

- Despite growing numbers, Southeast Asian MNCs are less likely to pursue M&A than their European peers.
- Singapore is a leading hub for Southeast Asian Outbound M&A with 68% of the volumes in 2021.

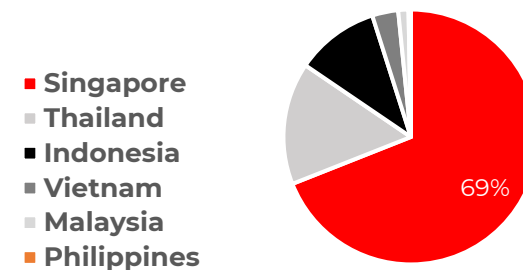
M&A activity rose sharply in 2021, both in Asia and around the world. The number of deals in Asia was more than 20% higher than it had been in 2020 – and not just because of a rebound from COVID-19: Asia deal volume for 2021 was 30% higher than it had been in the pre-pandemic period of 2019. Average deal size in Asia is also broadly on the rise; the value of such deals in 2021 was about 40 percent higher than 2019 levels.

While Asia, as measured by acquirer locations, contributed about 35 percent of global deal volume in 2021, it had the lowest average deal size: approximately \$288 million, compared with \$640 million in EMEA and \$710 million in the Americas.

## Average number of acquisitions of Global 2000 companies, 2009-2019 by region

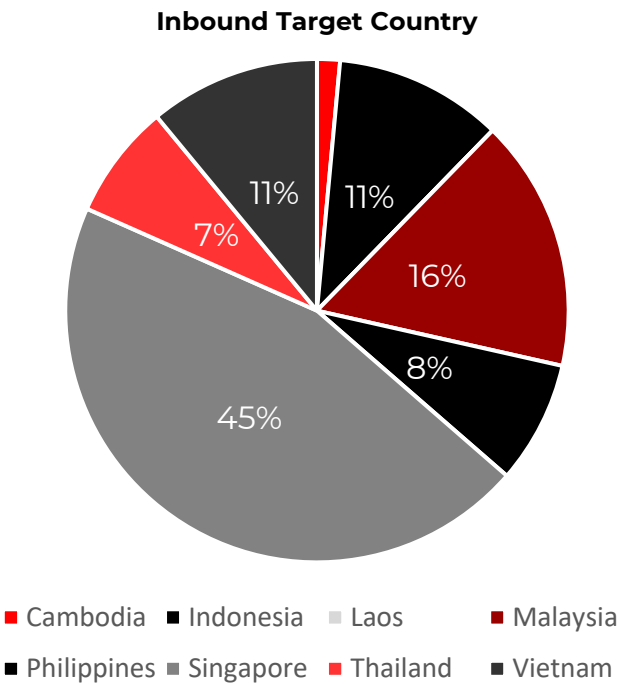
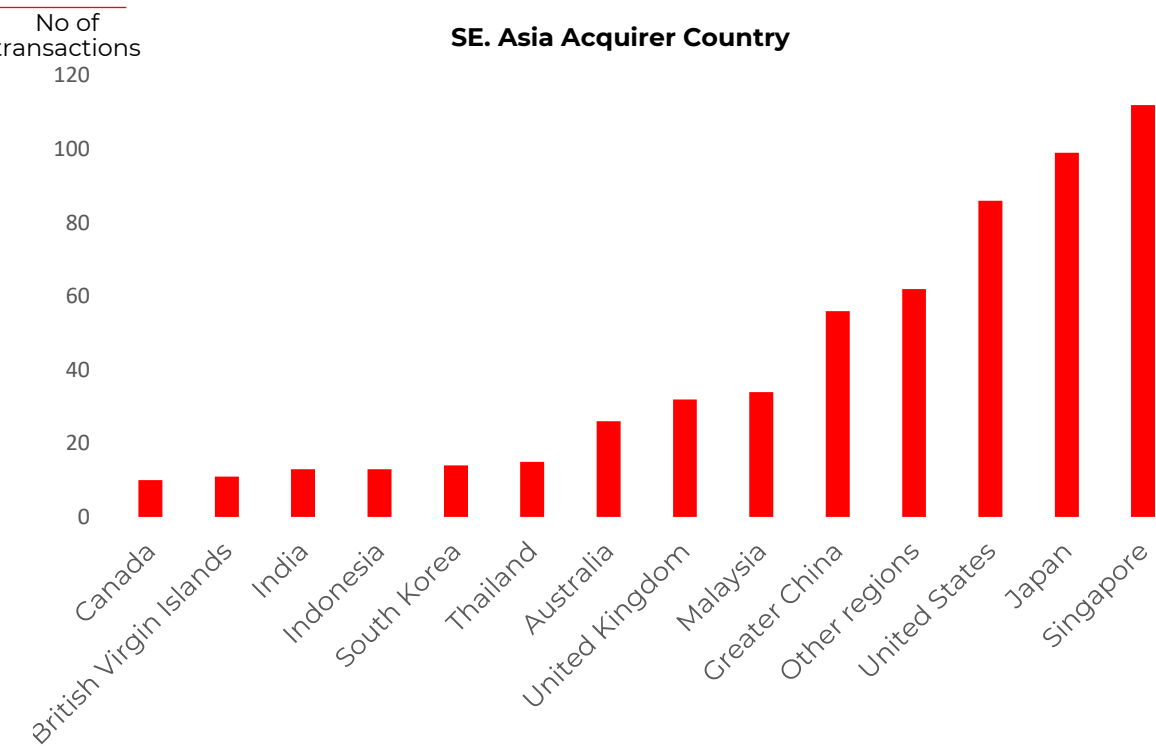


## Southeast Asian Outbound M&A by Region



Source:  
McKinsey Insight: Asia-Pacific: M&A and Asia: Learning from the best, Feb. 2022  
DC Advisory: Insight, Asia Access, Quarer21 Highlights and Outlook for H1 2022

# Southeast Asia: Singapore as a hub



Cross-border SE. Asia Cases

**Kimberly-Clark**



Kimberly-Clark acquired Indonesian Softex for 1.2bUSD in 2021





Tesco UK`s divesture of its Thailand operations for USD 10.2b to CP Group in 2020.

Data: Factset  
All completed transactions last 2 years.

# 04.

## Conclusion



# Capital Raise and M&A: Our Success Stories

## ThinkMarkets

Online brokerage ThinkMarkets secured USD 30 million from Mars Growth Capital.

ThinkMarkets is an online brokerage firm with headquarters in London and Melbourne. ARC Group acted as exclusive advisor to ThinkMarkets on its fundraisers to fuel the company's expansion plans. The deal cycle lasted only 46 days from start to closing.

### ThinkMarkets



**USD 30m**

**Debt financing  
February 2022**



## Quair

Onshore Wind farms of 1GW+ in Scotland

ARC Group jointly advised on the Scottish onshore wind farm joint venture between Qair, a French independent producer of exclusively renewable energy as sponsor and investor and Eco Project IOM, a Scottish wind power developer. The total capacity of the onshore wind project is 1GW+.

### QUAIR



**1GW+**

**JV-creation  
February 2022**





# Conclusion

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- Global M&A at an all-time high
- Continuous disruptions in supply chain and international travels due to Covid-19.
- Long term outlook of China is still positive and inbound M&A remains a trend.
- Sectors to look at: technology, the Chinese consumer, environmental vs. traditional industries.
- Southeast Asia might provide a new source for growth and an alternative path to China.





Q&A



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# Contact Us

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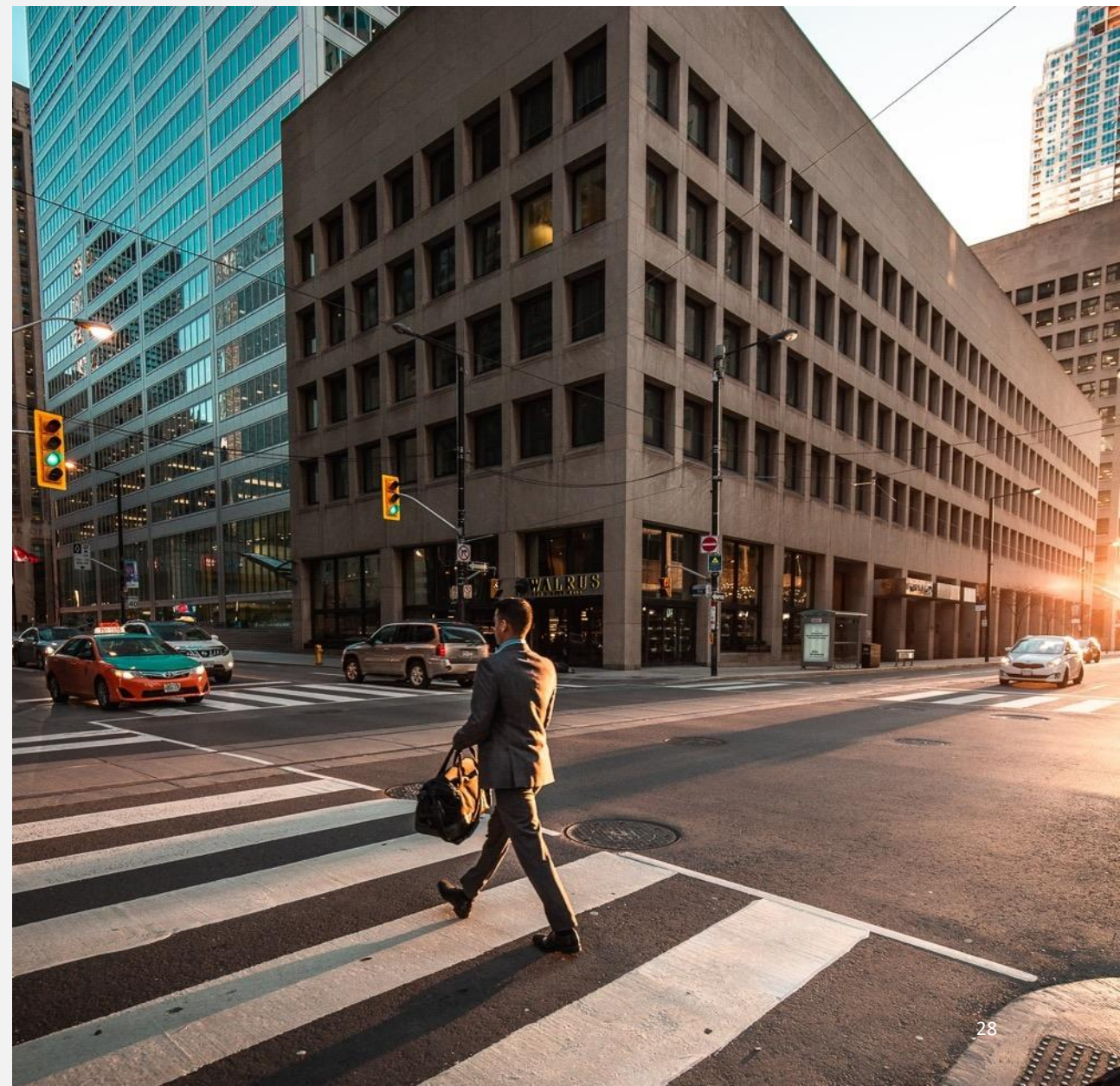


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