NAVIGATING MACRO HEADWINDS

BDO SINGAPORE M&A TREND REPORT 2022

MARCH 2023

SINGAPORE M&A SAILS THROUGH CHOPPY WATERS

WITH INSIGHTS FROM

ashurst
ADTlaw

CONTENTS

ABOUT BDO GLOBAL CORPORATE FINANCE

2,095 COMPLETED DEALS IN 2022 WITH A TOTAL DEAL VALUE OF **$114.6bn**

38% PRIVATE EQUITY DEAL INVOLVEMENT

26% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE PROFESSIONALS

120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*1st Financial Advisor Globally – Factset league tables 2022
1st most active Advisor & Accountant Globally 2022 – Pitchbook league tables 2022
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2022

WELCOME

WE ARE HONOURED TO SHARE THAT BDO HAS ACHIEVED TOP POSITION AS FINANCIAL ADVISOR GLOBALLY BY DEAL COUNT IN FACTSET LEAGUE TABLES 2022 AND IS ALSO THE MOST ACTIVE M&A ADVISOR GLOBALLY IN THE PITCHBOOK 2022 LEAGUE TABLES.

We are delighted to present the 2022 edition of our Singapore Mergers & Acquisitions ("M&A") Trend Report.

In this publication, we looked back at the 2022 Singapore M&A landscape based on information in relation to disclosed deal volume trends, deal value of announced deals, key drivers and industry movements, and emerging themes in dealmaking over the past 4 years.

2022 did not live up to the market expectations of 2021. It was a year of careful navigation for dealmakers in one of the most challenging environments since the 2008 global financial crisis. Geopolitical tensions, soaring inflation, rising interest rates and fears of recession have caused investors to reassess their deals, especially the large value ones. Globally and in Singapore, deal values were down by at least 30% although deal volume increased. Interestingly, Singapore mid-market M&A recorded growth both in deal value and volume in 2022.

As 2023 opened with further layoffs in the technology sector, we see economic and market signals pointing to another difficult year ahead. China's decision to end its Zero Covid-19 policy may provide some relief.

Several themes are interesting to watch out for this year. The Special Purpose Acquisition Company ("SPAC") vehicles that listed in Singapore last year will be approaching their de-SPAC deadlines. Singapore businesses continue to invest in energy transition initiatives in the midst of oil price volatilities and pressures from stakeholders to adopt Environmental, Social and Governance ("ESG") practices in a substantive manner. Technology adoption is still expected to lead M&A decisions.

We are also cognizant of the challenges that the banking sector faces, mainly attributed to the seemingly persistent interest rates hike. Fears stem from the collapse of start-up lender Silicon Valley Bank and crypto-focused Signature Bank, and the Credit Suisse debacle, even with the arranged takeover by UBS. While analysts maintain that these will unlikely cause a systemic shock, it is too early to gauge its full impact on the dealmaking of venture capitalists and private equity firms, and global business growth.

All these mean that valuations will come under more scrutiny. We also expect different behaviours from investors in the year ahead, and for insights, we are glad to have the views from Ashurst ADTLaw.

The headwinds notwithstanding, we believe that M&A will remain a key strategy for companies looking for a resilient business model that will thrive in the future.

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MACRO FORCES WEIGH ON M&A

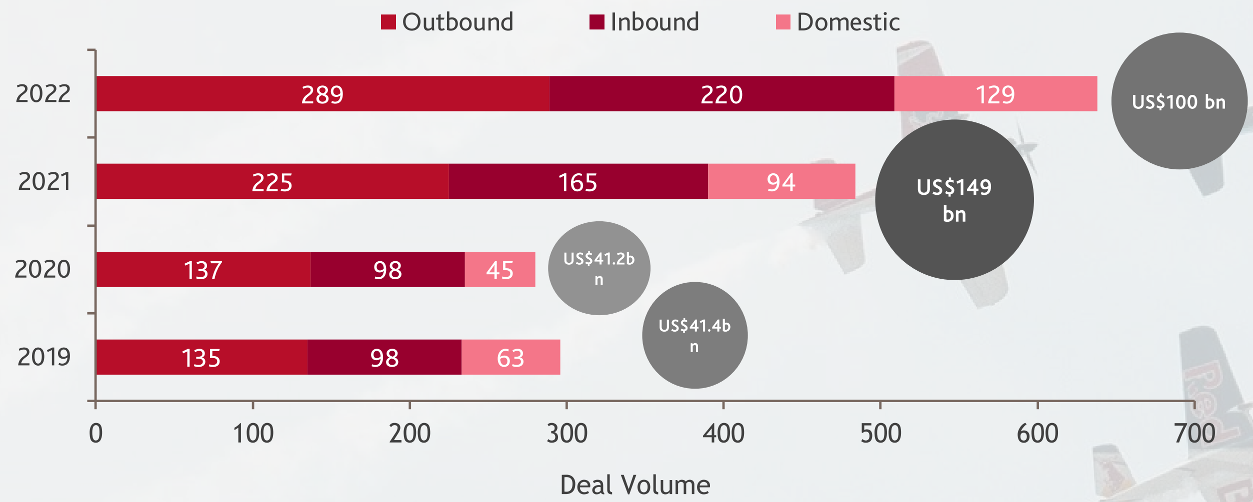
ARE HIGH-VALUE DEALS A THING OF THE PAST? DEAL VALUES ARE DOWN BUT DEALMAKING THRIVES

From a standout year of dealmaking in 2021 buoyed partly by a record number of megadeals, there was much anticipation that 2022 will continue in this trajectory. Fast forward to 24 February 2022; Russia invaded Ukraine.

The ensuing impact on global trade had exacerbated the already-fragile state of the global economy, which was yet to regain full strength from the ills of the Covid-19 pandemic. Dealmakers again found themselves navigating a sea of uncertainties – soaring inflation, tightened monetary policies, increasing cost of borrowing, and geopolitical tensions especially between the Unites States and China causing further market volatilities.

Singapore mirrored the global trend of M&A activities in 2022*. While the number of announced deals increased by 32% to 638 in 2022 from the previous year, announced deal values** recorded a 33% decline to US$100.0 billion from US$149.4 billion in 2021. Notwithstanding, 2022 has recorded a stellar performance when compared to the pre-pandemic era in both deal volume and deal value.

FIGURE 1: SINGAPORE M&A DEAL VALUE AND VOLUME



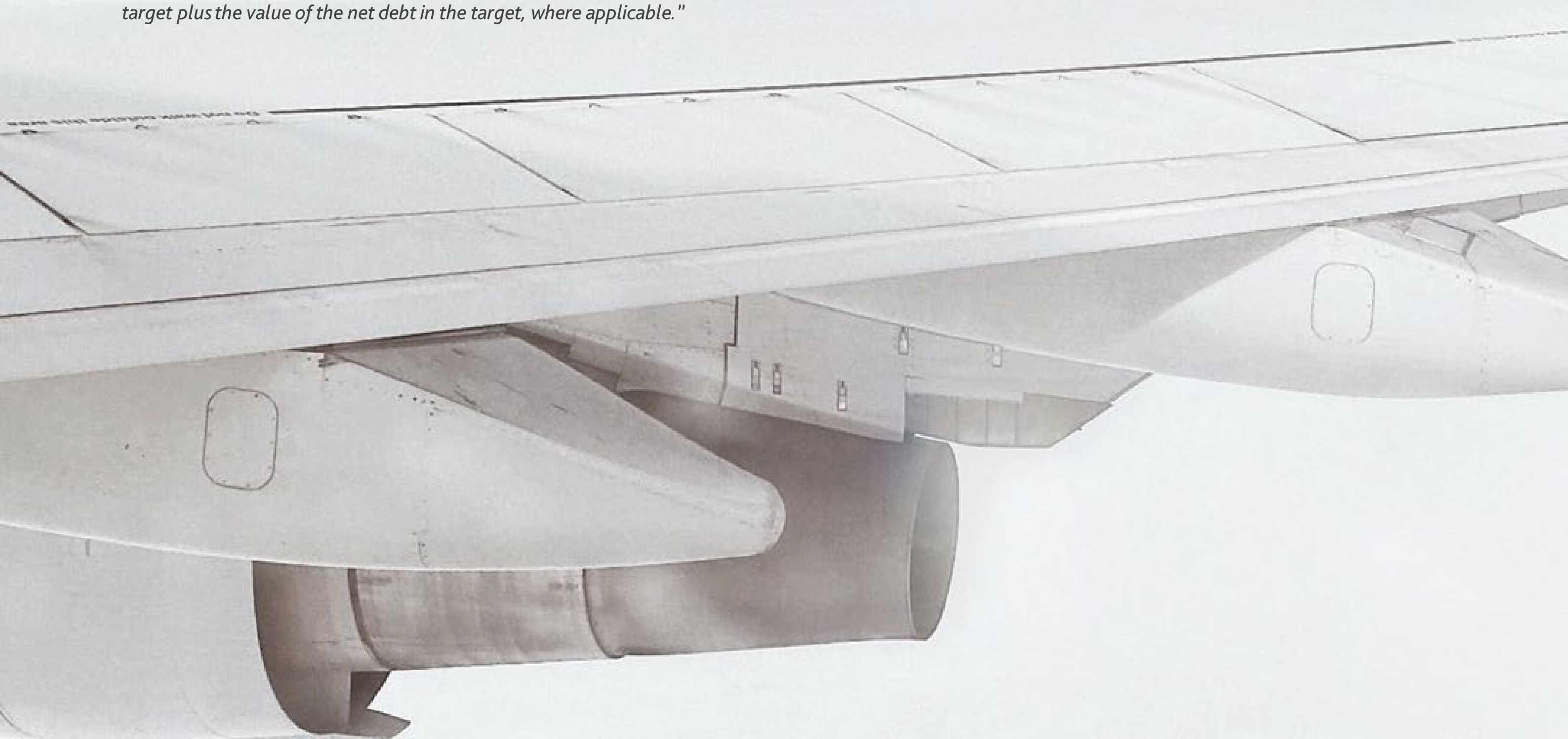
*Through our collaboration with BDO Australia, the deals data in the report were sourced from Mergermarket, unless otherwise stated, and included M&A deals within Mergermarket's inclusion criteria (i.e. transactions with a reported or estimated deal value of greater than or equal to US$5 million (or the target's turnover is greater than or equal to US$10 million where the deal value is undisclosed), except for some minority stake acquisitions). Inbound Deals were based on target dominant geography being Singapore. For Outbound Deals, data was based on bidder dominant geography being Singapore. The data excluded lapsed or withdrawn deals per Mergermarket's data. The deal value is based on the deals with disclosed deal values in Mergermarket. All deals data extracted on 15 March 2023.

**Based on disclosed deal values in Mergermarket where deal value is defined as "the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable."

There were 2 announced megadeals* in Singapore in 2022 with a combined deal value of US$20.8 billion as compared to 6 in 2021 (total of US$68.8 billion). These two refer to the acquisition of US-based real estate investment trust STORE Capital Corporation by GIC Private Limited, and Temasek Holdings Pte. Ltd.'s majority acquisition of Element Materials Technology Group Limited, a UK-based provider of materials testing, product testing, failure analysis and consultancy services.

Top Deals	1	2	3	4	5
Target	STORE Capital Corporation	Element Materials Technology Group Limited	Keppel Offshore & Marine Limited	Citi**	Direct ChassisLink, Inc
Bidder/ Bidder Group	GIC Private Limited; Oak Street Real Estate Capital	Temasek Holdings Pte. Ltd.	Sembcorp Marine Limited***	United Overseas Bank Limited	GIC Private Limited; OMERS Infrastructure Management Inc.; Wren House Infrastructure Management Limited
Type	Outbound	Outbound	Domestic	Outbound	Outbound
Target Industry	Financials (Real Estate)	Industrials	Industrials	Financials	Financials
Deal Value (US$ billion)****	13.8	7.0	4.7	3.7	3.6
Announcement Date	15 Sep 2022	25 Jan 2022	27 Apr 2022	13 Jan 2022	24 Jun 2022
Closing Date	3 Feb 2023	5 Jul 2022	28 Feb 2023	1 Nov 2022	15 Dec 2022

** Transactions with announced deal values of US$5 billion or more*
*** 100% stake of Citi's Consumer Business in Indonesia, Malaysia, Thailand and Vietnam.*
**** Sembcorp Marine Limited proposes change of name from "Sembcorp Marine Limited" to "Seatrium Limited" following completion of the combination of the businesses of Sembcorp Marine Limited and Keppel Offshore & Marine Ltd on 28 February 2023.*
***** Based on disclosed deal values in Mergermarket where deal value is defined as "the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable."*



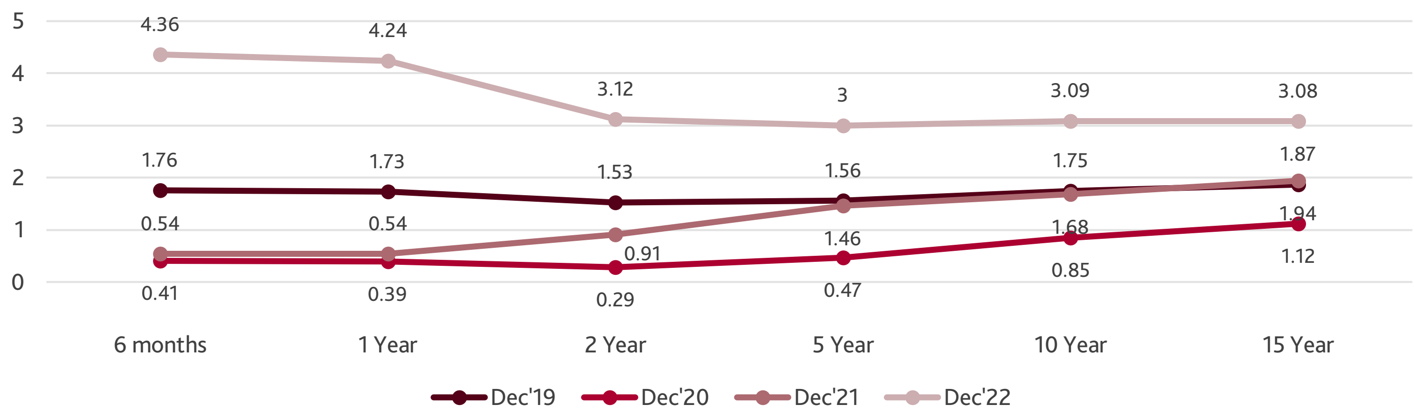
The dearth of megadeals was coupled with the decline in valuations, although many would argue that 2021 was a blip year for high valuations. Figure 2 shows the distribution of announced deal values. From US$56.2 million median deal value of announced deals in 2021, the median deal value in 2022 dropped by 31% to US$38.8 million, which is roughly similar to 2019 and 2020. As you move up the percentile ladder to the megadeals level, the disparity widens.

FIGURE 2: DEAL VALUE DISTRIBUTION (US$'MN)

Percentile (%)	2019	2020	2021	2022
10%	7	7	9	5
20%	11	10	15	10
30%	16	13	22	15
40%	24	18	34	25
50%	38	36	56	39
60%	61	59	100	61
70%	100	100	150	100
80%	211	205	236	163
90%	415	382	600	423
100%	8,064	8,007	37,720	13,802

We should remember, however, that the economic environment in 2021 was different. Interest rates and, hence, costs of borrowing, were at an all time low due partly to the expansionary policies by central banks globally to help economies recover from Covid-19-induced downturn, as presented on Figure 3. This was supported by the heightened fiscal policies or government spending to support businesses to stay afloat.

FIGURE 3: SINGAPORE YIELD CURVE (%)



Source: Monetary Authority of Singapore

Inbound deals recorded the steepest decline in deal value - a 65% drop from US$66.5 billion in 2021 to US$23.6 billion in 2022. This was mainly driven by the TMT* space where a financing squeeze saw smaller deals gaining higher share of the pie as foreign dealmakers shunned away from larger value deals[1]. Also, there was no inbound TMT megadeal in 2022 compared to the previous year when the de-SPAC transaction involving superapp giant Grab Holdings Inc., with a deal value of US$37.7 billion, happened.

Figure 4, which presents the median implied multiples of announced or completed deals in Singapore, supports the above. Foreign buyers acquired Singapore targets in 2022 at an implied EV/EBITDA of 7.2x, which is 33% lower than 10.7x the previous year. Same was the trend for outbound deals while, interestingly, domestic deals appear to have maintained high valuations.

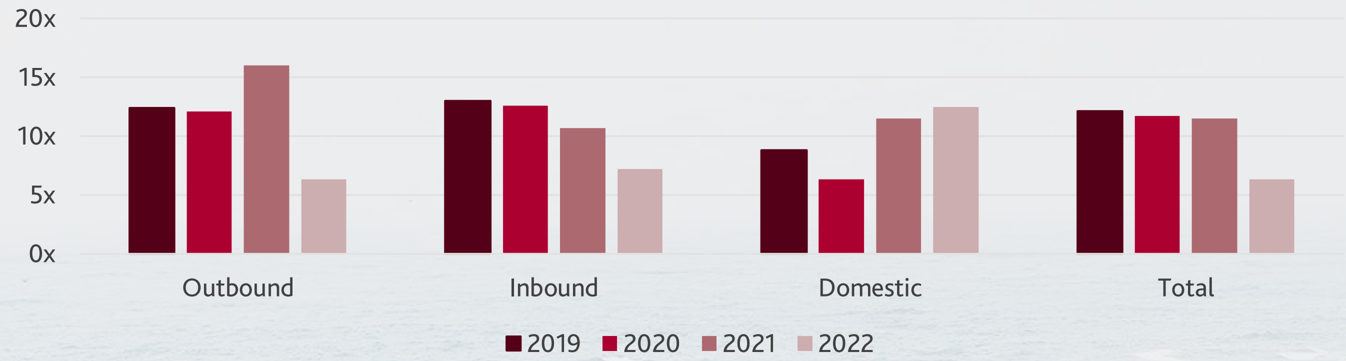
This is consistent with the observation on a global level[2], where EV/EBITDA declined from record high 15.4x in 2021 to 11.9x in 2022. The high-growth industries of technology, healthcare and life sciences recorded the most notable drop.

In terms of deal volume, however, TMT deals continued to dominate the M&A scene in the country. This echoed the sentiments of 2021 surveys[3] saying that digital transformation was expected to intensify in 2022, as it remains at the top of M&A agenda. We continue to witness the convergence of fintech and consumer sectors (e.g. digital payments and e-commerce), investments in healthcare-tech (e.g. digital health platforms), and the growth of deals involving cryptocurrency firms and exchange operators, blockchain platforms and artificial intelligence.

Technology remains a focal point in powering up the industries of the future as it has become imperative for businesses to address the changing needs of consumers and their stakeholders, and to innovate amid the surmounting challenges of resiliency in a quickly changing business environment.

The increased number of deals in 2022 shows there is no sign of dealmaking slowing down, even after the veil of a new set of uncertainties, post-Covid 19, is lifted.

FIGURE 4: MEDIAN IMPLIED EV/EBITDA OF SINGAPORE TRANSACTIONS



Source: Data extracted from S&P Capital IQ based on reported deals in the portal, excluding those with "cancelled" transaction status.

** For the purposes of this report, we have grouped the targets' sectors under the Global Classification Standard ("GICS"), then we further grouped the GICS sectors as follows: (1) Consumer to include Consumer Staples and Consumer Discretionary; (2) Financials = Financials and Real Estate; (3) Industrials = Materials and Industrial (including Services); (4) Technology, Median and Telecommunications ("TMT") = Information Technology and Communication Services; (5) Healthcare = Healthcare (including) Biotechnology, Medical and Pharmaceuticals); and (6) Energy = Energy.*

THEMES IN FOCUS

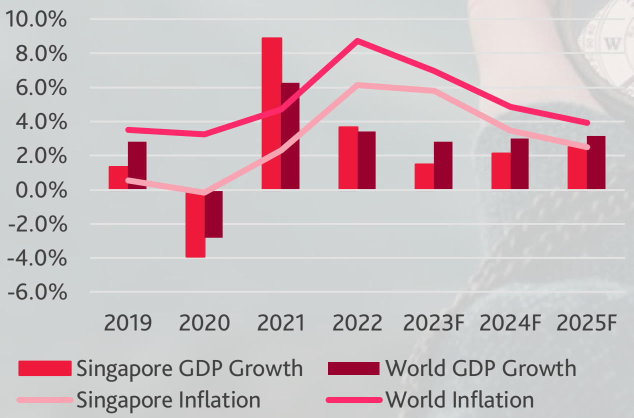
MACRO FACTORS TAKE THE SPOTLIGHT

GEOPOLITICAL TENSIONS AND MACROECONOMIC DISRUPTIONS

The conflict in Ukraine triggered a series of economic disruptions that have impacted the way dealmakers assess their activities. The strain in global trade had driven prices up, which in turn, caused central banks to react through a series of interest rate hikes. These events have sent markets taking frantic course while still navigating the recovery path from Covid-19 pandemic.

Singapore's inflation in 2022 averaged 6.1%, a stark distance even from the 5-year average inflation in a pre-Covid 19 era of 0.1% from 2015 to 2019, as shown in Figure 5. Global inflation was 8.7%, which was even higher than the 6.3% in 2008 at the height of the global financial crisis[4].

FIGURE 5: SINGAPORE AND GLOBAL REAL GDP GROWTH RATE AND INFLATION RATE



Source: International Monetary Fund, World Economic Outlook, April 2023

Corporate earnings and margins started to track downwards while capital expenditures would have to be reviewed. Dealmakers had to revisit their deal approach and pricing assumptions. The environment forced large companies across borders to rethink their pursuit of large strategic buyouts[5]. PE firms, despite holding a staggering level of dry powder (US$ 3.7 trillion ending 2022), had to adopt a wait-and-see stance especially on their large transactions as signals for the end of cheap debt financing were written all over the wall[1].

The reopening of borders have somehow softened the blow. In March 2022, the Singapore government launched Vaccinated Travel Framework that opened its borders to fully vaccinated travelers. This effectively paved the way to the transition to "living with Covid-19" situation. This has helped facilitate easier deal discussions and due diligence.

Based on the latest forecasts of the International Monetary Fund ("IMF") as at April 2023, inflation in 2023 will ease to 5.8% and 7.0% for Singapore and the world, respectively[6]. However, further slowdown in real GDP growth is expected this year. Globally, real output will grow at a slower pace of 2.8% in 2023 from 3.4% the previous year[7]. In Singapore, real GDP growth rate is expected to be 1.5% this year from 3.6% in 2022. On the bright side, experts are optimistic that 2023 will be bottoming out to give way for better number in 2024. The unexpected re-opening of China's economy towards the end of 2022, after ending Beijing's persistent zero-Covid 19 policy, is expected to spur growth and deliver more M&A activity[8].

CHINA DEVELOPMENTS

There has been a heightened tension between the United States and China even before the conflict in Ukraine escalated. Dealmakers have somehow tried to make adjustments in their strategies with all the uncertainties brought about by the tension.

Reports showed that Chinese buyers have pivoted their attention away from the West toward Asia and the Middle East, with Southeast Asia being a likely target[9]. There were 16 announced deals of China entities acquiring Singapore targets in 2022, which is a 23% increase from 2021. These acquisitions were mostly in the TMT space such as the US$210 million acquisition by Sequoia Capital-led investors of Envision Digital International Pte Ltd, a Singapore based software provider of artificial intelligence and internet of things solutions.

China's strong persistence with its zero-Covid 19 policy in 2022 also caused a great supply chain shift towards Southeast Asia. Companies tried to secure their supply chains by moving their manufacturing capacity to Southeast Asia, where governments have been attracting foreign firms with cheaper labour, tax breaks and improved logistics. Intel chips were off to Malaysia, Apple Airpods and Lego to Vietnam and Murata Capacitors to Thailand[10] .

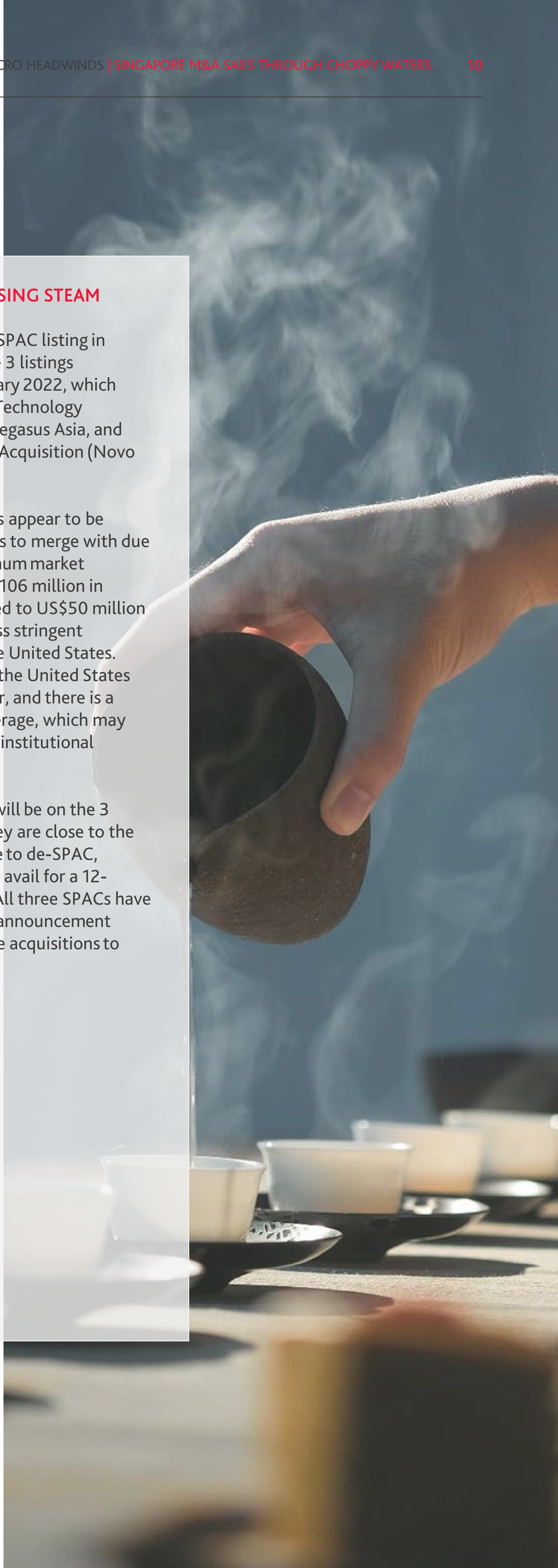
The reopening of China's economy, with the geopolitical tensions still lurking in the background, is an interesting development to watch out for.

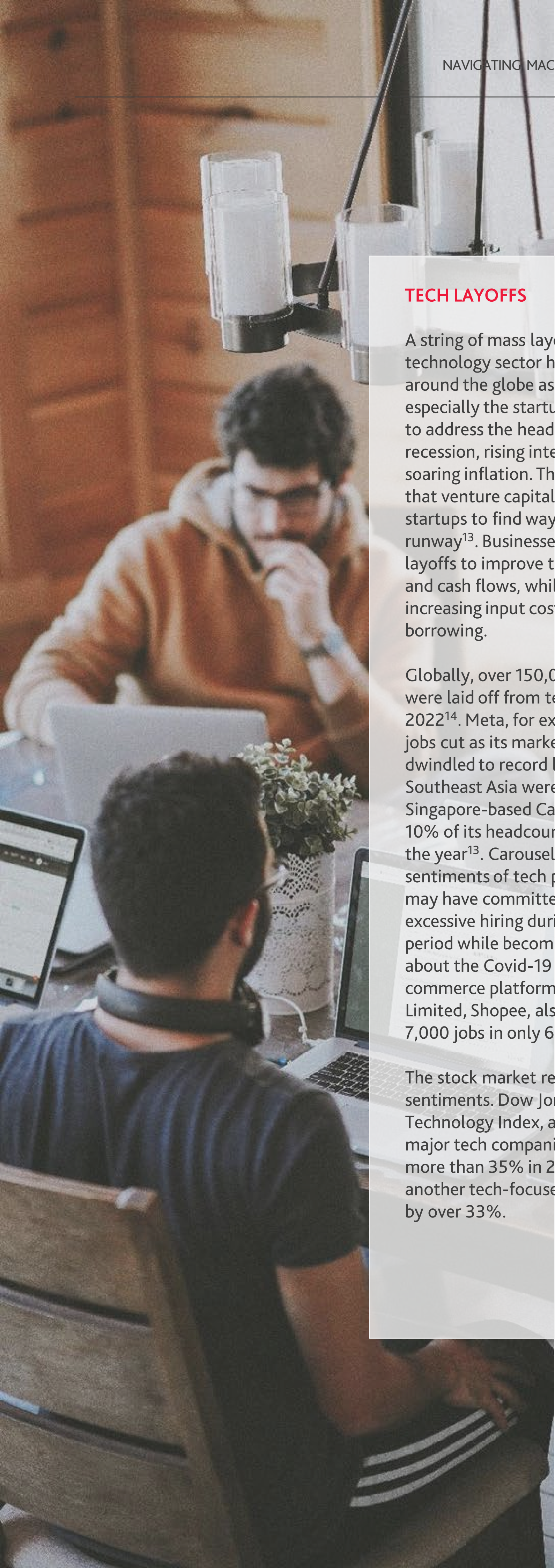
SPAC ENGINE LOSING STEAM

There was no new SPAC listing in Singapore after the 3 listings announced in January 2022, which comprised Vertex Technology Acquisition Corp, Pegasus Asia, and Novo Tellus Alpha Acquisition (Novo Tellus)[11].

Singapore start-ups appear to be favouring US SPACs to merge with due to the lower minimum market capitalisation (US$106 million in Singapore compared to US$50 million for Nasdaq) and less stringent requirements in the United States. Also, valuations in the United States are generally loftier, and there is a better analyst coverage, which may translate to higher institutional investor interest[12].

This year, all eyes will be on the 3 SPACs above as they are close to the 24-month deadline to de-SPAC, although they may avail for a 12-month extension. All three SPACs have not made a public announcement about their possible acquisitions to date.





TECH LAYOFFS

A string of mass layoffs in the technology sector has made headlines around the globe as tech companies, especially the startups, have struggled to address the headwinds of looming recession, rising interest rates and soaring inflation. There were reports that venture capitalists have pushed startups to find ways to extend their runway[13]. Businesses then turn to layoffs to improve their bottomline and cash flows, while addressing increasing input costs and cost of borrowing.

Globally, over 150,000 employees were laid off from tech companies in 2022[14]. Meta, for example, had 11,000 jobs cut as its market capitalisation dwindled to record lows. Companies in Southeast Asia were no different, with Singapore-based Carousell letting go 10% of its headcount near the end of the year[13]. Carousell's CEO echoed the sentiments of tech players that they may have committed a mistake of excessive hiring during the Covid-19 period while becoming too optimistic about the Covid-19 recovery. E-commerce platform owned by Sea Limited, Shopee, also slashed around 7,000 jobs in only 6 months[15].

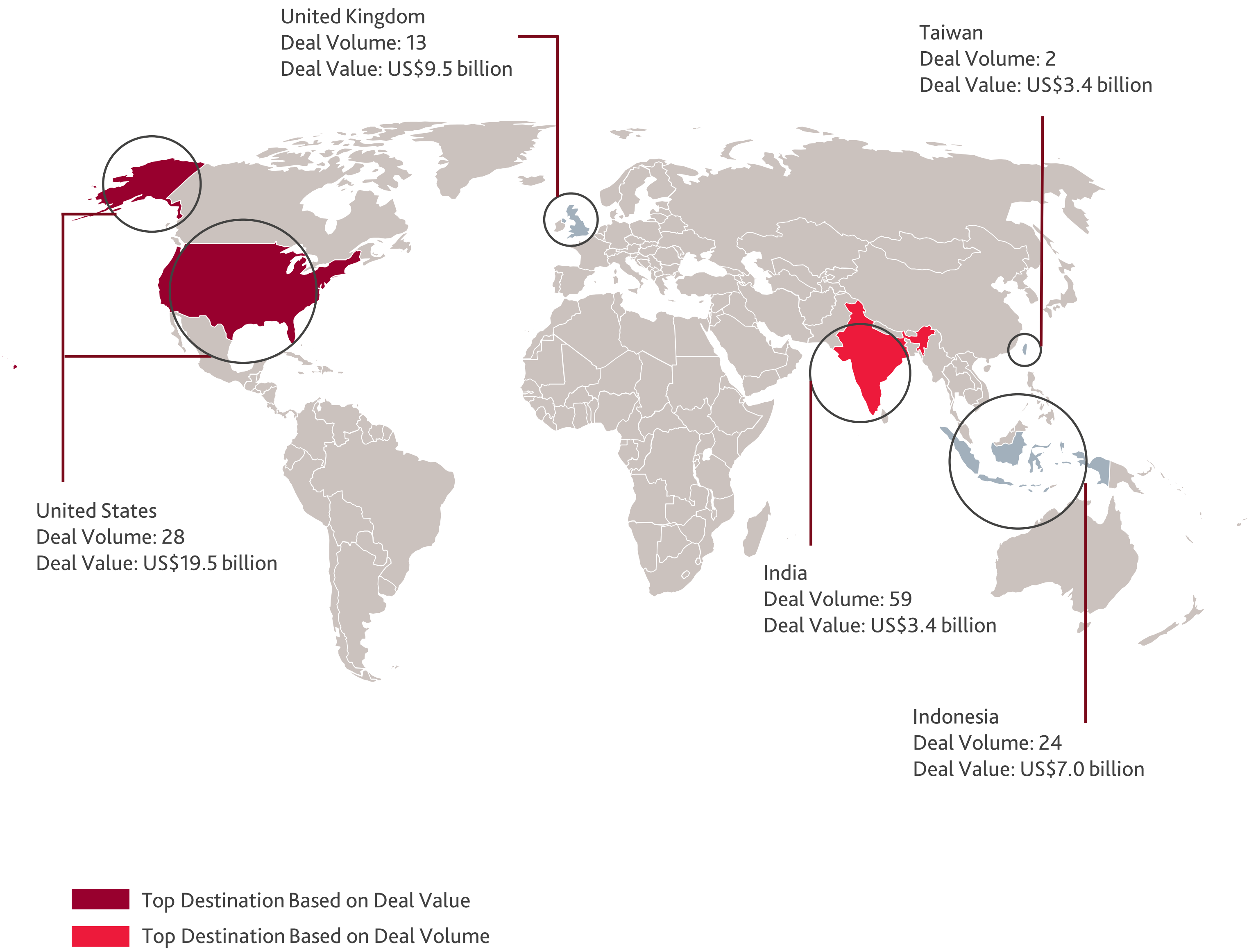
The stock market reflected investors' sentiments. Dow Jones U.S. Technology Index, an index tracking major tech companies, was down by more than 35% in 2022, while Nasdaq, another tech-focused index, was down by over 33%.

Signs point to similarly challenging year ahead. With inflation rates showing no signs of abating, along with the expectations of even higher interest rates and costs of borrowing, M&A in the tech sector may move in various directions. Some investors may choose to move to safer assets, while others may look for purchases at bargain prices[16].

OUTBOUND DEALS

TOP DESTINATIONS OF SINGAPORE M&A INVESTMENTS

Consistent with the previous years, outbound deals accounted for almost half of the total deal volume in 2022 (around 45%). Singapore's foreign acquisitions were concentrated in the TMT, Industrials and Financials industry groups.

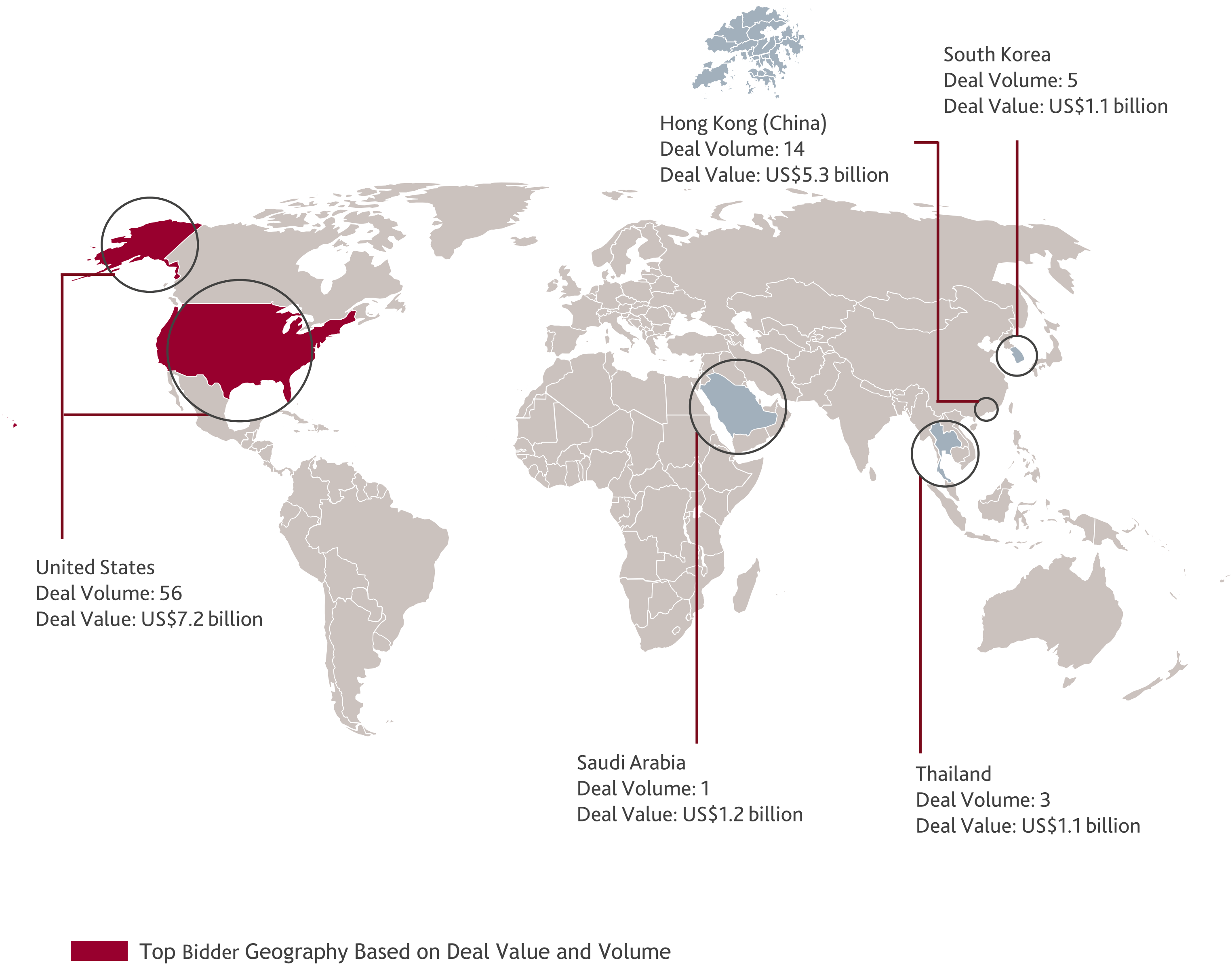


In terms of deal volume, China and Japan were also on top with 23 and 21 outbound deals, respectively, although their total deal values were smaller than the above geographies.

INBOUND DEALS

TOP BIDDER GEOGRAPHIES

Meanwhile, inbound deals accounted for 35% and 20%, respectively, of 2022's total number of deals.



In terms of deal volume, China and Japan were also on top with 16 and 29 inbound deals, respectively, although their total deal values were smaller than the above geographies.

A few of the top announced outbound deals included the following:

- GIC's acquisition of STORE Capital Corporation, and Temasek Holdings' acquisition of Element Materials Technology Group Limited, as discussed previously;
- United Overseas Bank Limited's full acquisition of Citi's consumer business in Malaysia, Thailand and Vietnam (US$3.7 billion) as well as DBS Group Holding's full acquisition of Citi's consumer business in Taiwan (US$3.4 billion);
- GIC's acquisition of Direct ChassisLink, a US-based chassis rental and service company (US$3.6 billion); and
- Singapore-based SATS Ltd's acquisition of 100% stake in France-based aircraft ground support company WFS Global Holding SAS (US$2.2 billion).

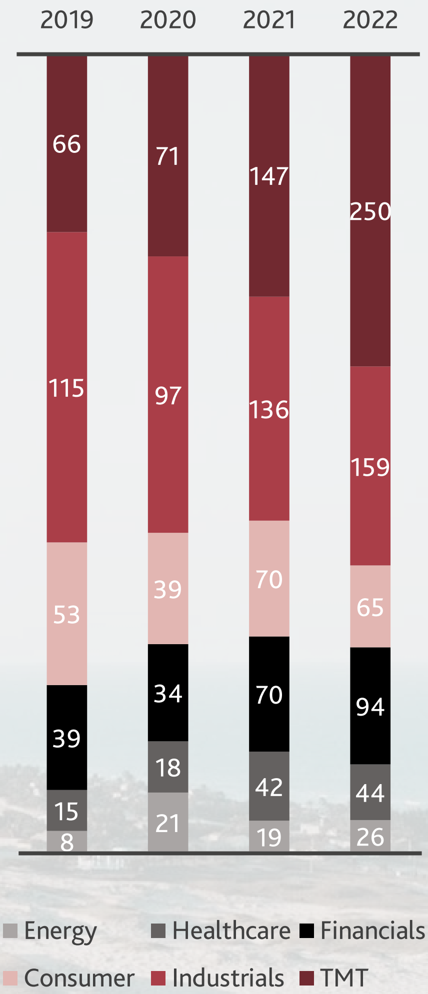
A few of the top announced inbound deals included the following:

- De-SPAC transaction between the US listed Magnus Opus Acquistion Limited and Asia Innovations Group Limited, a Singapore based social and e-commerce platform (US$2.3 billion);
- Hong Kong-based real estate trust Link REIT's acquisition of Singapore retail shopping spaces Jurong Point Realty and Swing By Thomson Plaza (US$1.6 billion); and
- Blackstone Group Inc's acquisition of Interplex Holdings Pte. Ltd., a Singapore based global leader in the manufacture of electro-mechanical solutions used in mobility, healthcare and IT services (US$1.6 billion).

INDUSTRY INSIGHTS

TMT LEADS DEAL VOLUME BUT AT LOWER VALUATIONS

FIGURE 6: SINGAPORE DEAL VOLUME BY SECTOR



Consistent with the previous years, TMT and Industrials saw the most number of deals in 2022 with 250 and 159 deals, respectively. As discussed, TMT continued to lead the growth of deal volume after increasing by 70% in 2022, albeit at much lower values. TMT's US$13.7 billion announced deal value in 2022 is dwarfed by the US$40.9 billion and US$31.2 billion record of Financials and Industrials, respectively.

FIGURE 7: SINGAPORE DEAL VALUE BY SECTOR (2022), US$ billion

Financials	41	41%
Industrials	31	31%
TMT	14	14%
Consumer	6	6%
Energy	4	4%
Healthcare	4	4%
TOTAL	100	100%

The Energy industry group also came out on top of the deal volume growth board with 37% in 2022, although its deal value declined by 26%.

ENERGY

The surge in Energy M&A in Singapore was driven by outbound deals, with most of the bidders being strategic investors led by Sembcorp Industries, Keppel and Sunseap Group. The top rationale is to increase their portfolio of renewable sources of energy*.

Singapore companies' race to acquire renewable assets had been driven by several factors including oil price volatilities triggered by macroeconomic and geopolitical headwinds, and increasing pressure from investors, regulators and standards-setting bodies to prioritise ESG integration into their business models and reporting frameworks.

The global transition has also been a driving force. The International Energy Agency predicts that the world's total renewable-based power capacity will account for over 90% of global electricity expansion over the next 5 years[17].

** Sembcorp Industries acquired at least 3 targets in 2022 for a total deal value of US$220 million. These targets were India-based Vector Green Energy Private Limited (wind and solar power), China-based BEI Energy Development (Beijing) Co. Ltd (solar) and Hunan Xinling New Energy Development Co., Ltd.*
Meanwhile, Keppel acquired Norway's Fred. Olsen Renewables (windfarms) and Germany's Borkum Riffgrund I and II (windfarm) for a total deal value of US$796 million. Sunseap Group has acquired Power Station for US$284 million.

FINANCIALS

The Financials industry held the top spot of deal values in 2022 ending at US$41 billion, a slight decrease from US$43.6 billion in 2021.

Deal volume was up by 34% driven primarily by the 71% increase in domestic deals. Leading the board was the majority acquisition of listed SPH REIT by Singapore-based consortium Cuscaden Peak Pte. Ltd's, with a deal value of US$2 billion.

We see the consolidation of real estate companies and Singapore Real Estate Investment trusts ("S-REITs") continuing its momentum*. This allows them to achieve greater scale to compete with global players, access to a wider pool of investors and better liquidity, and better diversification of exposure across markets and asset classes[18].

The disposal of Citigroup's consumer business divisions in Southeast Asia had also contributed to the sector's high deal value in 2022. Singapore's United Overseas Bank Ltd acquired the assets in Indonesia, Malaysia, Thailand and Vietnam for US$3.7 billion. DBS Group Holdings Limited, on the other hand, is to acquire Citibank Taiwan Ltd for an expected deal value of US$3.4 billion.

GIC and Capitaland also led Singapore companies in acquiring property assets abroad particularly in United Kingdom, the United States, Australia and Japan**.

** Lendlease Global Commercial REIT acquired 68% stake in JEM, which is focused on office and retail property, for US$1.5 billion. Tang Dynasty Treasure Pte Ltd acquired 63% of listed Chip Eng Seng Corporation Ltd., a Singapore-based construction and property company. Other deals include the acquisition of Cross Street Exchange by SCC Straits Pte Ltd, Southernwood Property Pte. Ltd. by CapitaLand and Cold storage logistics facility by Ascendas Real Estate Investment Trust.*
*** Targets included assets of STORE Capital Corporation, WR Berkley Corp, Paddington Central Assets, Wee Hur PBSA Master Trust, and Polaris Holdings Co Ltd.*

TMT

The Singapore TMT M&A landscape was also dominated by Singapore investors acquiring technology companies mostly in India, the United States, and Indonesia.

We noted increasing appetite towards companies that are involved in cryptocurrency and data analytics (e.g. investments of Temasek and GIC in FTX Trading Ltd, Raintank Inc., Amber Group, and Chainalysis, Inc.).

There were also huge investments in telecommunication companies in Southeast Asia such as the announced acquisitions of: (a) Globe Telecom's towers in the Philippines by Pinnacle Towers Pte Ltd, (b) Ooredoo Myanmar by Nine Communications Pte Ltd, (c) Listed Thailand-based Intouch Holdings Public Company Limited by Singapore Telecommunications Limited, and (d) Centratama Telekomunikasi Indonesia Tbk by EP ID Holdings Pte Ltd.

The decline in valuations in the TMT sector in 2022 may continue in 2023. The median TMT deal value in 2022 was US$27 million, down by 46% from US$50 million in 2021. This may also provide a temporary window of opportunities for strategic investors to acquire TMT companies while valuations are down and competition from PE investors has dropped[19].

HEALTHCARE

With the transition to "living with Covid-19" globally, supply chain challenges, and the rising interest rates and inflation, the performance of Healthcare M&A took a downturn from a record 2021. In Singapore, deal value was down by 27% in 2022 due to the reduction of outbound deals in the sector.

Domestic deals, on the other hand, persisted registering 83% growth in volume and 235% in deal value. This consolidation of Singapore healthcare players in 2022 is led by the acquisition of (a) Juniper Biologics by The Sylvan Group, (b) listed Singapore Medical Group Limited by TLW Success Pte Ltd., (c) listed Singapore O&G Ltd. by NewMedco Group Ltd and (d) listed Asian Healthcare Specialists Limited by Doctor Anywhere Pte Ltd.

INDUSTRIALS

The Industrials sector saw several high value deals in 2022 including the acquisition of Element Materials Technology Group Limited by Temasek (US$7 billion), as discussed previously, Keppel Offshore & Marine Limited by SembCorp Marine Limited (US$4.7 billion) and France-based WFS Global Holding SAS by SATS Ltd. (US$2.2 billion). The biggest growth in the sector, in terms of deal volume, came from the mining, construction and transportation industries. Agriculture, meanwhile, recorded the steepest increase in deal value with Singapore entities being the target such as BINEX Singapore Pte. Ltd, Olam Agri Holdings Pte Ltd, Oatside and Entobel.

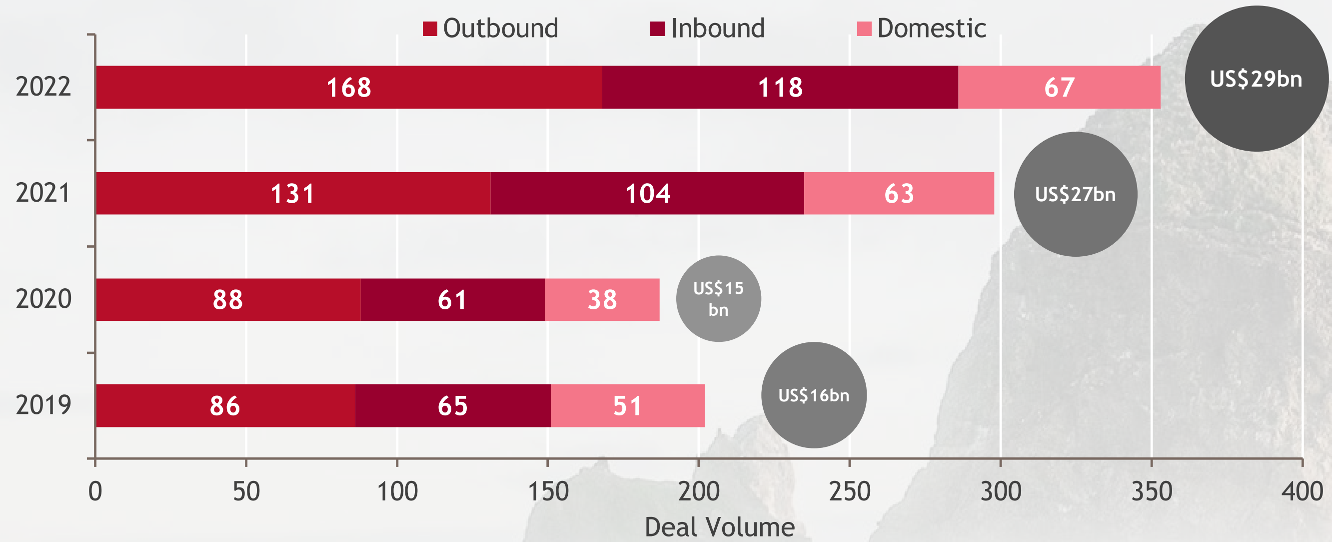
SINGAPORE MIDDLE MARKET M&A

BUCKING GENERAL M&A MARKET HEADWINDS

Swimming against the tide of general M&A, Singapore's mid-market* demonstrated resilience. Buyers' re-assessment of their planned large value transactions, the decline in megadeals, and the rationalisation of valuations on the back of unfavourable macroeconomic factors may mean more deals within the middle market band.

Total deal value of the mid-market increased to US$28.8 billion in 2022 from US$27.4 billion the previous year. The total number of mid-market deals increased by 19% in the same period to 353 deals, with the highest growth contributed by the Energy (58%) and TMT (78%) industry groups.

FIGURE 8: SINGAPORE MID-MARKET M&A DEAL VALUE AND VOLUME



Mid-market is defined as deals with a disclosed deal value from US$5 million to US$500 million.

FIGURE 9: SINGAPORE MID MARKET, DEAL VOLUME BY SECTOR

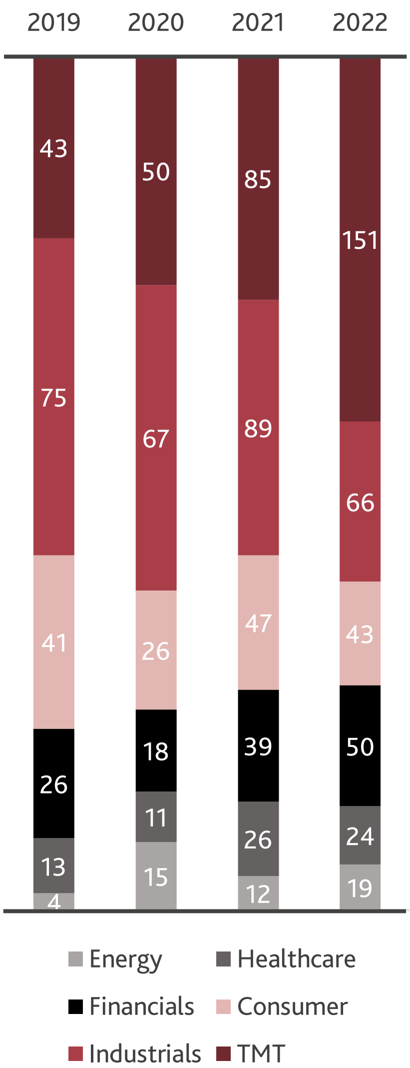


FIGURE 10: SINGAPORE MID MARKET DEAL VALUE BY SECTOR IN 2022, US$ billion

TMT	9.3	32%
Financials	5.7	20%
Industrials	5.3	18%
Consumer	3.7	13%
Energy	3.1	11%
Healthcare	1.7	6%
TOTAL	28.8	100%

The Energy industry group also led the growth in terms of deal value. It ended the year with US$3.1 billion (78% growth from 2021) in the midst of energy volatilities as companies rushed to diversify into alternative energy sources. As discussed on page 17, there was a huge growth of Singaporean companies acquiring foreign energy assets in 2022 – growing by 117% and 153% in terms of deal volume and deal value, respectively.

Contrary to the trend in the general TMT M&A, TMT deals in Singapore mid-market managed to grow by 15% in terms of deal value to US$9.3 billion from US$8.0 billion in 2021. This is primarily driven by domestic deals that increased fourfold to close 2022 at US$1.2 billion. These domestic deals were led by the US$200 million acquisition of Shopmatic Pte. Ltd, a Singapore-based e-commerce solutions provider, by MatchMove Global, and the US$180 million acquisition of EUDA Health Ltd, a software-medical technology company engaged in providing digital health platform, by Nasdaq-listed, Singapore-based blank check firm 8i Acquisition 2 Corp.

Healthcare, on the other hand, failed to maintain its growth momentum after dropping by 21% and 8% in deal value and deal volume, respectively. Industrials M&A follows the same storyline due to the drop in deals involving capital intensive manufacturing and construction sectors.

SINGAPORE STARTUPS

The Singapore government has paved the way for the spirited startup ecosystem in the past few years, providing strong financial support and fostering the growth of home-grown companies. In 2022, the city-state was ranked 7th across the world in the Global Innovation Index with notable achievement in government effectiveness, ICT access, venture capital investors and high-tech manufacturing.

The access of Singapore startups to venture capital funding has grown steadily, although there is a slight decline in 2022. Despite the generally cautious stance of investors, venture capital funding in Singapore amounted to US$11.0 billion from US$11.3 billion the previous year. Fintech startups take a lion share after raising US$3.5 billion in 2022[20].

Singapore startups accounted for 4 of the 9 unicorn startups in Southeast Asia. This is a drop from the record 11 in 2021 out of 24 in the region[20] but it is still a remarkable feat compared to the pre-Covid 19 era.

Government initiatives continue to power the buoyant outlook for startups in Singapore. Through Startup SG Equity, the government plans to co-invest with qualified third party investors into eligible startups (via SEEDS Capital or SGInnovate) or invest in selected venture capital firms that, in turn, invests in eligible startups (via EDBI)[21]. In the Budget 2023, enhanced tax incentives to encourage innovation and R&D were introduced via the Enterprise Innovation Scheme[22].

LOOKING AHEAD TO 2023

BRIGHT SPOTS AMIDST PERSISTENT CHALLENGES

In the following section, we present the views of Tao Koon Chiam, Head of M&A, Southeast Asia at Ashurst ADTLaw, on what to expect for the Singapore M&A scene in 2023. Ashurst ADTLaw is a Formal Law Alliance in Singapore between Ashurst LLP and ADTLaw LLC and provides the full breadth of Singapore and international law services.

We are still in the first few months of 2023 and amidst the bank collapses, the war in Ukraine, general weakening of the global economy and inflationary pressure, it looks like it is going to be a stormy year for M&A in Singapore but there may be some bright spots to look out for.

VENTURE CAPITAL

Deal volumes in the venture capital space dropped dramatically in 2022 and market participants were hopeful that 2023 was to be the year where there would be a nice recovery. We expect there to be some growth in venture capital deal-making from the lows in 2022 but startups will likely continue to find it hard to raise new capital. We expect that venture capital funds that invest in this climate will consider safer options such as convertible loans and/or venture debt instead of pure equity fundraisings.

However, it is not all doom and gloom. Early-stage startups with experienced entrepreneurs at the helm or those that have managed to (despite the global headwinds) exceed or at least meet targets set in their early business plans will still be able to raise and do well. Also, we think that targets of strong lead venture capital investors will continue to have gravitational pull with other venture capital investors despite the gloomy climate.

PRIVATE EQUITY/ STRATEGIC PLAY

We are cautiously optimistic that strategic investors will find this market downcycle a good time to go shopping for targets which may have transformational impact on their businesses in the coming years. However, with global macroeconomics looking weak for some time and general fear of a recession, it is possible that strategic investors will err on the side of hoarding cash. Similarly, large private equity transactions are likely to struggle to find buyer interest. We think that large private equity investors are likely to adopt a wait and see approach as well given that it is unlikely that we have seen the bottom of this recessionary + inflationary cycle.

That said, there are a few sectors that have the potential to buck the trend, healthcare and education. In particular, businesses in these sectors that have good market reach or have successfully adopted technology to improve their service potential will be appealing. That said, deals are likely to take longer to close as buyer sentiment may worsen in the coming months.

FAMILY OFFICES TO DEPLOY

The proliferation of family offices in Singapore with a record number of family offices being set up in the last five years will certainly have an impact. These family offices are expected to start acquiring assets in Singapore or in the region. We think that the likely focus of such family offices will be in safe investments such as real estate.

ROUNDING IT UP…

Given the weakness in economy, we expect to see more restructuring and insolvency type M&A in Singapore. Even in the venture capital space, there are bound to be good startups which have been caught out by this sudden change in investment environment which venture capital funds, private equity and strategic investors can take advantage of and if they do capitalise on such opportunities, they will be in good position coming out of 2023.

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