REACHING NEW HEIGHTS

BDO SINGAPORE M&A TREND REPORT 2021

MARCH 2022

SINGAPORE M&A RECOVERY PICKS UP STEAM

WITH INSIGHTS FROM

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Across Asia

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CONTENTS

BDO GLOBAL CORPORATE FINANCE

2,020 COMPLETED DEALS IN 2021

WITH A TOTAL DEAL VALUE OF **$128.6bn**

36% 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 most active M&A Advisor Globally – Pitchbook league tables 2021
1st most active Advisor & Accountant Globally 2021 – Pitchbook league tables 2021
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2021

WELCOME

AS WE CELEBRATE BDO SINGAPORE'S 50 YEARS OF EXCEPTIONAL SERVICE, WE ARE PROUD TO PRESENT OUR INAUGURAL SINGAPORE M&A TREND REPORT, WHERE WE SHOWCASE THE VISIBLY STRONG M&A RECOVERY IN SINGAPORE.

In this publication, we look back at the 2021 Singapore Mergers & Acquisitions ("M&A") landscape based on information of the past three years gleaned from disclosed deal volume trends, deal value of announced deals, key drivers and industry movements, emerging themes in dealmaking and information on regulatory developments.

2021 saw increased activity in the TMT, Healthcare and Financials industry groups with continued and accelerated investment in digital transformation, focus to drive stronger healthcare growth and consolidation of real estate players. It was a standout year for dealmaking, even for mid-market M&A, amidst growing optimism towards recovery and reduction in uncertainty which was, in turn, the main cause of the relatively subdued 2020 dealmaking scene.

We started 2022 with expectations of keeping up the growth momentum. Emerging themes include favourable development in the regional geopolitical arena, green and sustainability focus culminating in Environmental, Social and Governance's ("ESG") inclusion in key aspects of business development, and Special Purpose Acquisition Company ("SPAC") gaining traction as an alternative fund-raising option on the Singapore Exchange ("SGX"). We also took a glimpse at the regulatory developments for dealmakers' consideration in the coming years. In this peek into what 2022 may hold, we are grateful for the insights from CNPLaw LLP, one of the top full-service law firms in Singapore.

As we release this inaugural publication, we are cognizant of recent global events that could potentially impact the global and local M&A environment. First on the list is the potential fallout of the Russia–Ukraine war on global supply of commodities, trade, financial markets and economic growth outlook. Next is the so-called "tech wreck", as almost 43% of the tech-heavy Nasdaq Composite index's 3,000 members lost half of their value from their 52-week highs.[1] With the impending tightening of US monetary policy to dampen inflation, further losses are expected sending a cautionary note to tech companies which are unable to support their pitch decks with fundamentals.

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.

We at BDO Singapore Corporate Advisory take heart in BDO being named the #1 most active M&A Advisor globally according to The Pitchbook 2021 league tables. This gives us a strong platform as we look forward to a robust 2022 for M&A transactions in this region.

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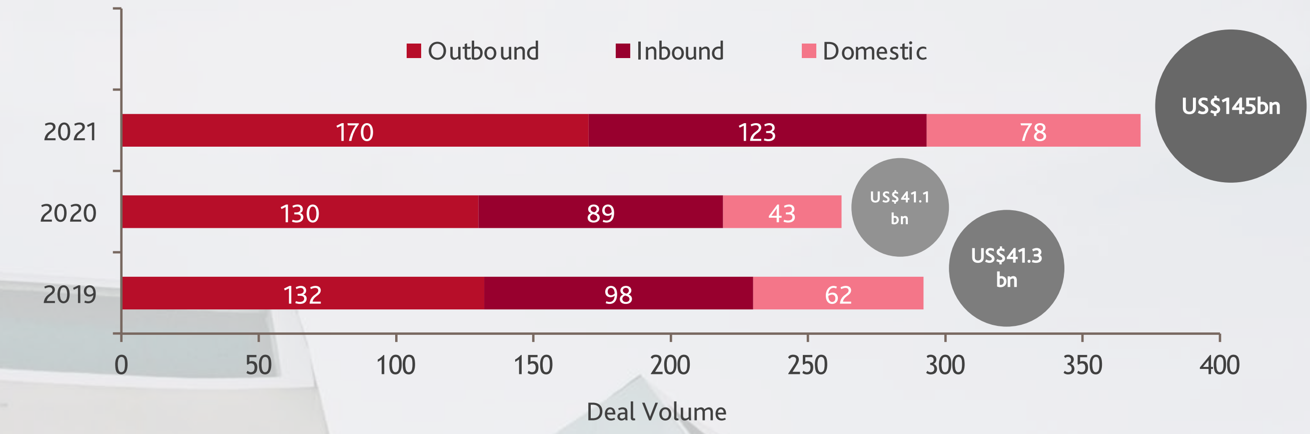
TURNING THE TIDE

SINGAPORE M&A BOUNCES BACK FROM THE RECORD LOW OF 2020

Singapore witnessed a spirited rebound in M&A activity in 2021* from the lull of pandemic-hit 2020, on the back of pent-up demand, staggering dry powder awaiting high value assets, accelerated digital transformation across industries and better prospects of recovery from the impact of the Covid-19 pandemic. Singapore's M&A landscape continued to be largely driven by cross-border deals.

M&A deals in 2021 recorded a total announced deal value** of US$145 billion. This was 252% higher than the US$41.1 billion record in 2020 and 3.5x larger than the pre-pandemic 2019. Deal volume tremendously increased by 42% to 371 announced transactions in 2021 from 262 in the previous year.

SINGAPORE M&A DEAL VALUE AND VOLUME



** Through our collaboration with BDO Australia, the deals data in the report were sourced from Mergermarket 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 in March 2022.*

*** 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 robust M&A environment was primarily driven by the delays caused by and the pent-up demand from 2020's dampened deal environment, which was, in turn, due to heightened uncertainties brought about by the Covid-19 pandemic, market volatilities, and government-imposed lockdowns and travel restrictions.

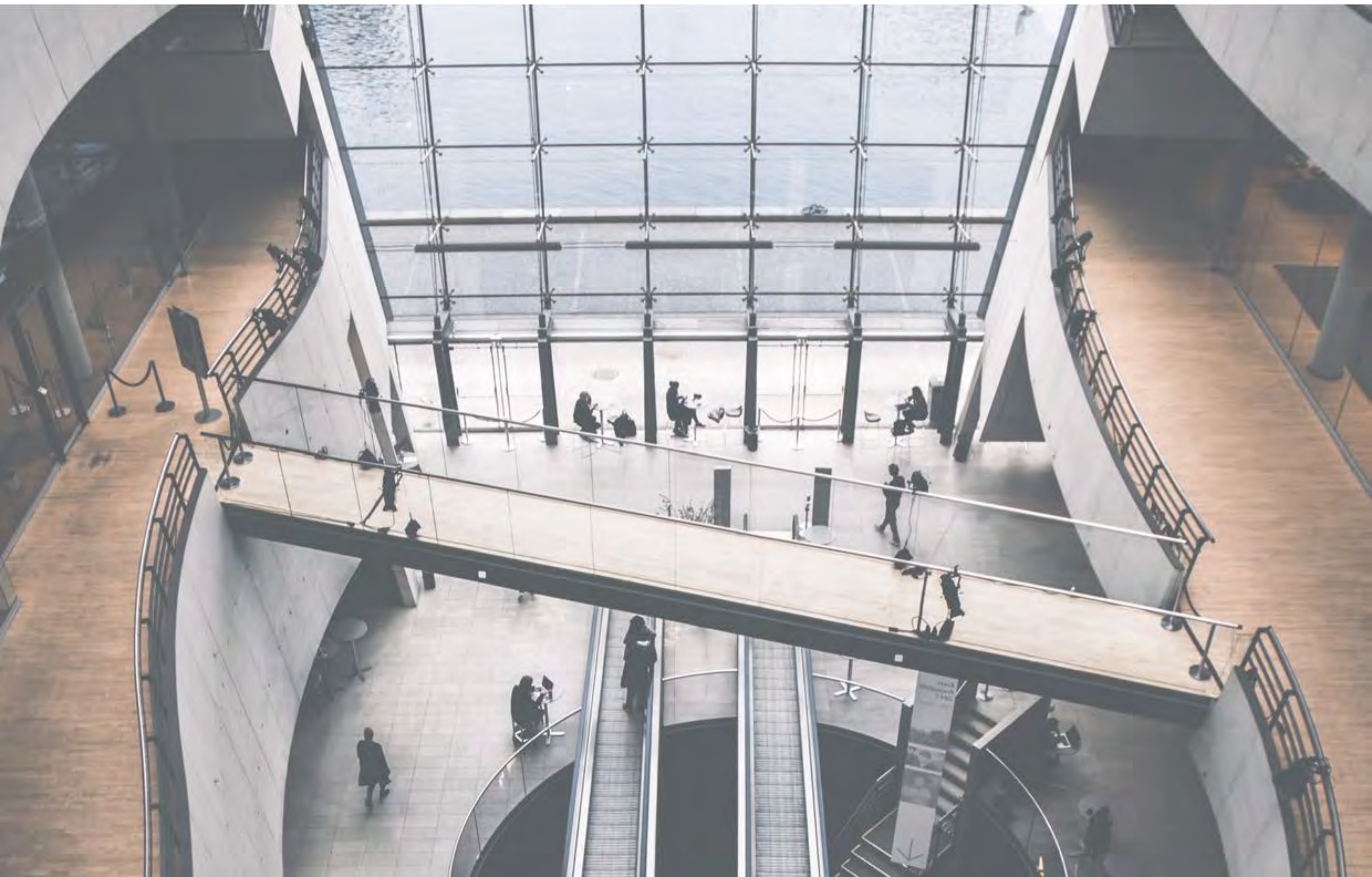
Singapore welcomed 2021 under a Phase 3 regime, which was characterised as the least stringent set of measures in the government's gradual approach in resuming economic activities. While the government reverted to Phase 2 in May 2021 following the rise in the number of cases due to the delta variant, the vaccination rate of Singapore then had already been one of the highest in the world. Singapore was among the first countries in Asia to start its vaccination rollout as early as December 2020.

And in June 2021, the Multi-ministerial Task Force Committee had alluded to a development of a roadmap in transitioning from pandemic to endemic Covid-19, after achieving certain vaccination milestones. These bolstered confidence towards the path to recovery.

Singapore's decisive management of the pandemic was reflected in the country's impressive year-on -year GDP growth of 7.6% in 2021, with the construction (20.1% growth), manufacturing (13.2%), and information & communication (12.2%) sectors recording the highest increases in output.[2]

Top Deals	1	2	3	4	5
Target	Grab Holdings	CapitaLand Limited	ARA Asset Management Limited	Mapletree North Asia Commercial Trust	Singapore Press Holdings Ltd.
Bidder/s	Altimeter Growth Corporation	CLA Real Estate Holdings Pte Ltd	ESR Cayman Limited	Mapletree Commercial Trust	Bidding war between Keppel* and Cuscaden Peak**
Type	Inbound	Domestic	Inbound	Domestic	Domestic
Deal Value (US$ billion)***	37.7	7.7	5.7	5.5	-
Announcement Date	13 Apr 2021	22 Mar 2021	4 Aug 2021	31 Dec 2021	Between Aug-Dec 2021
Closing Date	1/12/2021	15/9/2021	20/1/2022	N/A	N/A

** In February 2022, SPH decided to exercise its right to terminate Keppel's offer. Keppel filed an arbitration notice with the Singapore International Arbitration Centre.*
*** A consortium of Hotel Properties Limited, Mapletree Investments Pte Ltd, and CLA Real Estate Holdings Pte Ltd.*
**** 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."*



With so much dry powder sitting on the sidelines especially of PE investors, which was estimated to be US$2.3 trillion globally,[3] and lower borrowing costs available to investors, the global competition for high quality assets in 2021 had become stronger. Singapore sovereign wealth funds GIC and Temasek had, in fact, a busy year working out deals especially in the Healthcare and TMT industry groups*, with target companies such as Flipkart Internet Pvt Ltd., Biomat USA, Inc., Abogen Biosciences, Xingyin Information Technology (Shanghai) Co., Ltd., ANI Technologies Private Limited, Sorting Hat Technologies Private Limited, and Institutional Capital Network, Inc.

The Covid-19 situation has acted as a catalyst that pushed companies to accelerate their digital transformation roadmap. According to a 2021 survey,[4] digital transformation is on top of M&A agenda. We continue to witness digital revolution in the fintech and consumer sectors (e.g. payment platforms, e-commerce), healthcare (e.g. telemedicine, R&D), industrials (e.g. AI, data centres), and across different sectors. Technology is powering up the industries of the future as it has become imperative for businesses to address the changing needs of consumers and supply chain management, and the evolving future of work that includes remote arrangements.

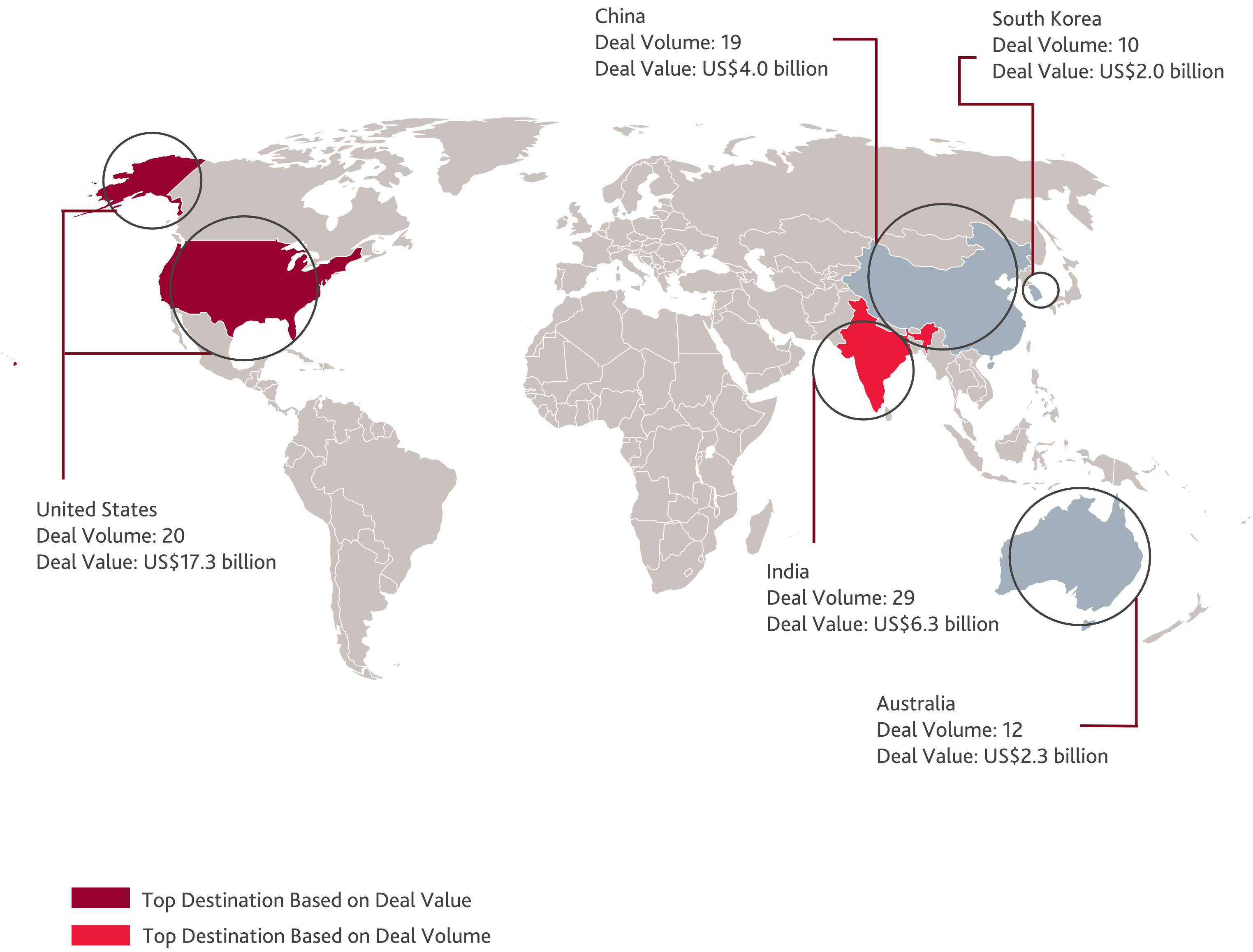
Dealmakers have also learnt to adapt and adjust their strategies, including matters relating to dealmaking logistics and processes. Virtual due diligence is no longer uncommon, and, in some cases, data analytics is employed to help speed up the process.

** For the purposes of this report, we have grouped the targets' sectors based on Global Industry 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.*

OUTBOUND DEALS

TOP DESTINATIONS OF SINGAPORE M&A INVESTMENTS

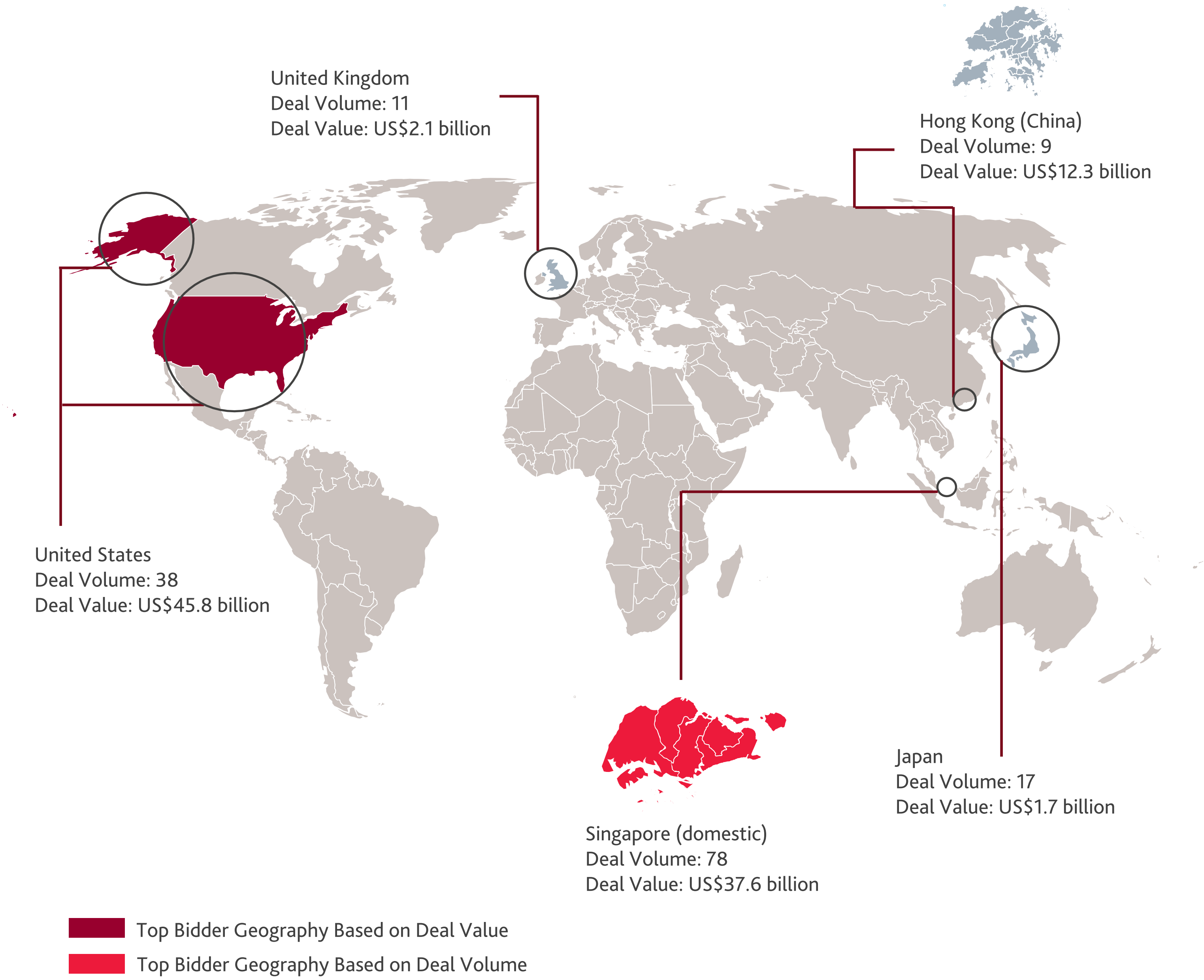
Consistent with the previous years, outbound deals accounted for almost half of the total deal volume in 2021 (around 46%). Singapore's foreign acquisitions were concentrated in the TMT and Industrials industry groups.



INBOUND AND DOMESTIC DEALS

TOP BIDDER GEOGRAPHIES

Meanwhile, inbound and domestic deals accounted for 33% and 21%, respectively, of 2021's total deals.



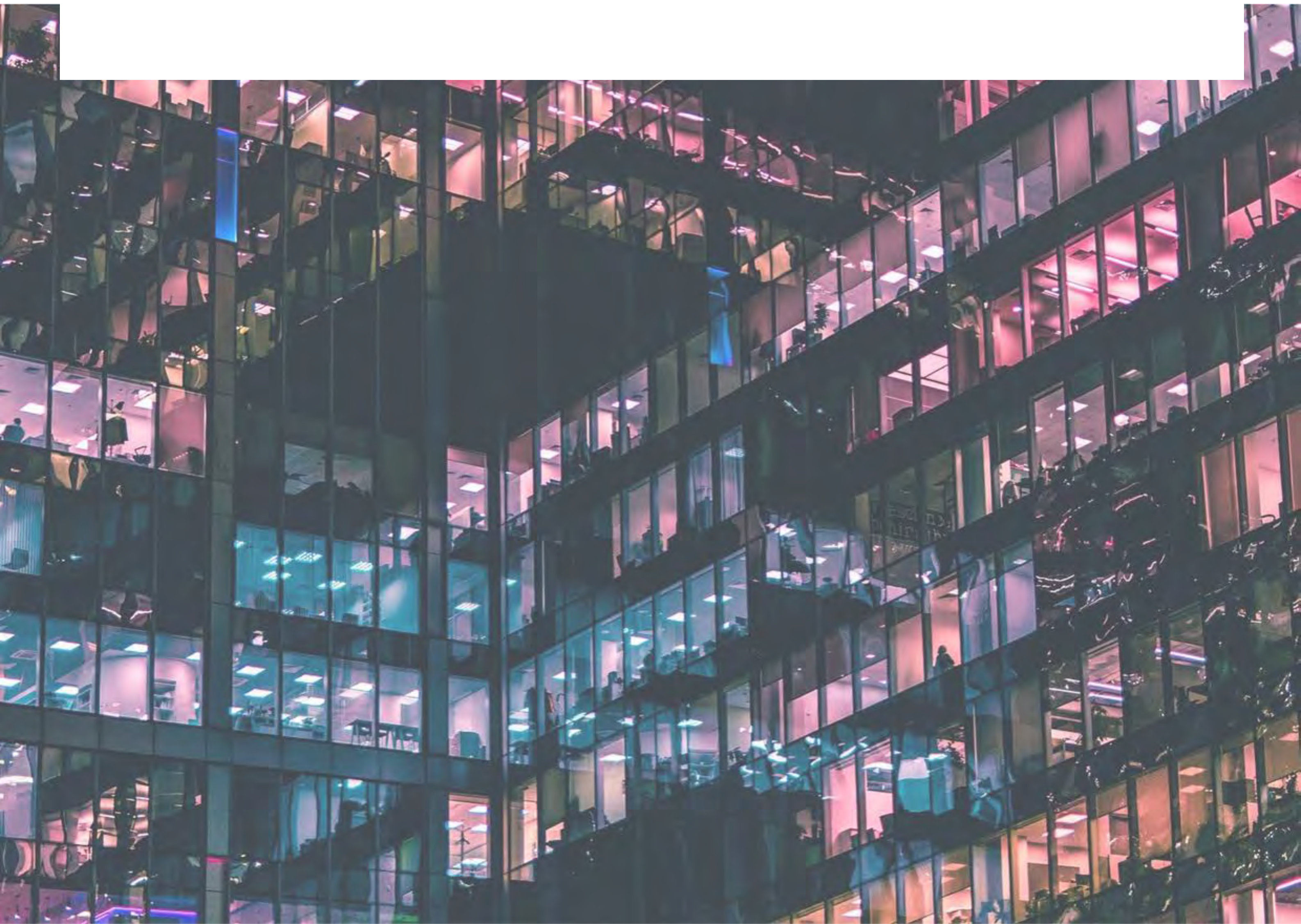
Most outbound deals sought targets in the TMT and Industrials space, while TMT and Financials bagged the highest inbound investments in terms of deal value

A few of the top announced outbound deals in 2021 included the following:

- GIC jointly-led acquisition of Flipkart Internet Pvt Ltd., an India-based company engaged in e-retailing of consumer products (around US$3.6 billion);
- Singapore Technologies Engineering Ltd's biggest-ever investment via its planned acquisition of Transcore Holdings, Inc., a US-based transportation technology company, to accelerate the former's Smart City growth and position its market leadership in Smart Mobility (US$2.7 billion); and
- GIC's minority stake acquisition of Duke Energy Indiana, LLC, a US-based company engaged in generation and transmission of electricity from coal, nuclear, natural gas, oil, and renewable resources (US$2.1 billion).

A few of the top announced inbound deals in 2021 included the following:

- De-SPAC transaction between superapp giant Grab Holdings Inc and US-based Altimeter Growth Corporation that valued Grab at US$40 billion. This transaction is hailed as the largest-ever US public market debut by a Southeast Asian company;
- Domestic acquisition of the remaining 48.2% stake in CapitaLand Limited, a Singapore-based and listed real estate group, by CLA Real Estate Holdings Pte Ltd (US$7.7 billion) via a scheme of arrangement; and
- The acquisition of ARA Asset Management Limited, a Singapore-based real estate fund management company by Hong Kong-based logistics real estate developer ESR Cayman Limited (US$5.7 billion).



ESG COMES OF AGE IN M&A

ESG considerations are becoming "table stakes" in M&A transactions. This is amidst the increasing scrutiny on companies' policies and practices around the issues of climate change and sustainability, modern slavery, employee health and wellbeing, and diversity and inclusion, among others, by consumers, regulators, shareholders, investors and the broader community.[5]

Many dealmakers have made ESG one of the main focal points in evaluating potential targets and these ESG factors have the potential to make or break a deal.[6] A 2021 survey among PE and asset management executives indicated that 93% of respondents actively incorporate ESG analysis into their due diligence process.[7] Furthermore, 68% of them stated that they have walked away from a deal because of ESG red flags.

As a result, sell-side parties are increasingly articulating a clear ESG story including a narrative of the company's ESG-inspired business blueprint. Disclosure of ESG credentials such as the status of a target's regulatory compliance or readiness to comply once the regulations are issued is becoming an important point of discussion.

For instance, Singapore Exchange Regulation ("SGX RegCo") has proposed in August 2021 that all listed companies be required to make mandatory climate related disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.[8]

The Monetary Authority of Singapore ("MAS") also expects all financial institutions to make climate-related disclosures from June 2022. Singapore has also implemented a carbon tax, the first carbon pricing scheme in Southeast Asia, in January 2019 that provides a broad-based price signal to encourage companies to reduce their emissions.

From the social aspect, companies in Singapore must adhere to the Tripartite on Fair Employment Practices to ensure fair and merit-based employment practices.[8] For corporate governance, Singapore has a well-established Code of Corporate Governance that provides for transparency, controls and oversight, and governs how businesses and their multiple stakeholder relationships should be managed.[8]

For buy-side, on the other hand, it is important to formulate a functional and credible framework on how ESG factors will be evaluated, with a clear understanding of the material ESG risks for a target. Assessment of a target's ESG performance against its disclosures and representations during the due diligence is a key.

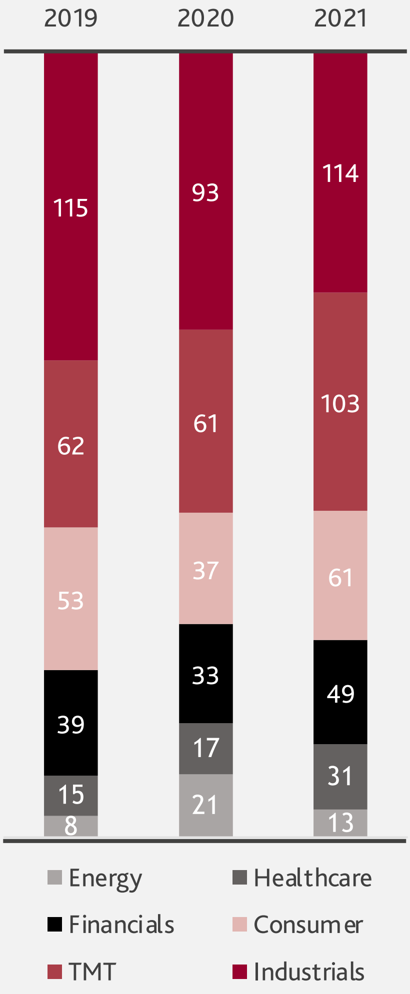
While reports have been alluding to higher valuations for companies with a sustainability angle, there is currently no established, widely-accepted standard on how ESG factors should be measured and incorporated in valuations. Nonetheless, assessment of ESG risks against the valuation of a target is among deals' key considerations. Of those respondents in the abovementioned survey who carry out ESG due diligence, more than half (57%) said their valuation of a target has been affected by what has been uncovered in the ESG due diligence phase.

The rising activism among consumers that is influencing consumer demand towards more sustainable products and businesses has shown no signs of stopping. Evidently, the cost of not taking ESG factors into account in business models and investment decisions has become even higher. Companies that develop, incorporate, and disclose ESG strategies early will position themselves as preferred suppliers, appealing investment/funding recipients, and more adaptable, higher value businesses.

INDUSTRY ANALYSIS

TMT AND HEALTHCARE ARE ON THE RISE AMIDST THE PANDEMIC DISRUPTIONS

SINGAPORE DEAL VOLUME BY SECTOR



SINGAPORE DEAL VALUE BY SECTOR (2021), US$ billion

TMT	71	49%
Financials	35	24%
Industrials	21	15%
Consumer	7	5%
Healthcare	5	3%
Energy	5	3%
TOTAL	145	100%

Industrials and TMT saw the most number of deals in 2021 with 114 and 103 deals, respectively. In terms of deal volume year-on-year growth, it was no surprise that Healthcare and TMT industry groups topped the list in 2021, 82% and 69% respectively, with the shadows of the pandemic still lurking in the background.

The surge in Healthcare M&A in Singapore was driven by outbound deals, with most of the bidders being financial investors such as sovereign wealth funds, venture capital and private equity firms.

Few of the announced Healthcare deals in 2021 included (a) GIC Private Limited's US$1 billion minority stake acquisition in Biomat USA, Inc., a US-based company providing therapeutic and diagnostic products; (b) potential merger between Singapore-based blank check company Vickers Vantage Corp. I and Scilex Holding Company, a US-based company engaged in the development and commercialisation of products for the treatment of pain; and (c) Temasek jointly-led acquisition of Abogen Biosciences, a China-based discovery-stage biotech company focused on nucleic acid-based therapeutics.

Meanwhile, TMT, which was also the top industry group in terms of deal value, has contributed US$71.3 billion in announced deals in 2021. This was mainly due to the de-SPAC transaction between Grab Holdings Inc and Altimeter Growth Corporation.

Other announced TMT deals in 2021 included (a) the planned merger of Hong Kong-based SPAC Blue Safari Group Acquisition Corp and Singapore-based bitcoin mining firm Bitdeer Technologies Holding Company that will value Bitdeer at US$4 billion, for a planned US listing; (b) GIC jointly-led acquisition of Flipkart Internet Pvt Ltd.; and (c) the planned acquisition of Singapore Press Holdings Ltd by several companies or groups.

The Financials industry group also stood out in terms of deal value partly due to the increasing M&A activity among real estate investment trusts ("REITs") and real estate fund management companies. There has been an expectation for REITs to further consolidate in order to achieve scale and give them greater gravity and visibility to attract more funds or inclusion in major indices.[9] The CapitaLand Limited and ARA Asset Management Limited acquisitions discussed previously topped the real estate deals in terms of disclosed deal value.

Other top Financials deals were: (a) a trust scheme of arrangement between Mapletree Commercial Trust Management Ltd and Mapletree North Asia Commercial Trust; (b) merger of FinAccel, the Singapore-based parent of Kredivo, and VPC Impact Acquisition Holdings II, a SPAC sponsored by Chicago-based Victory Park Capital; and (c) the proposed merger of 2 Singapore-listed industrial REITS ARA LOGOS Logistics Trust and ESR-REIT.

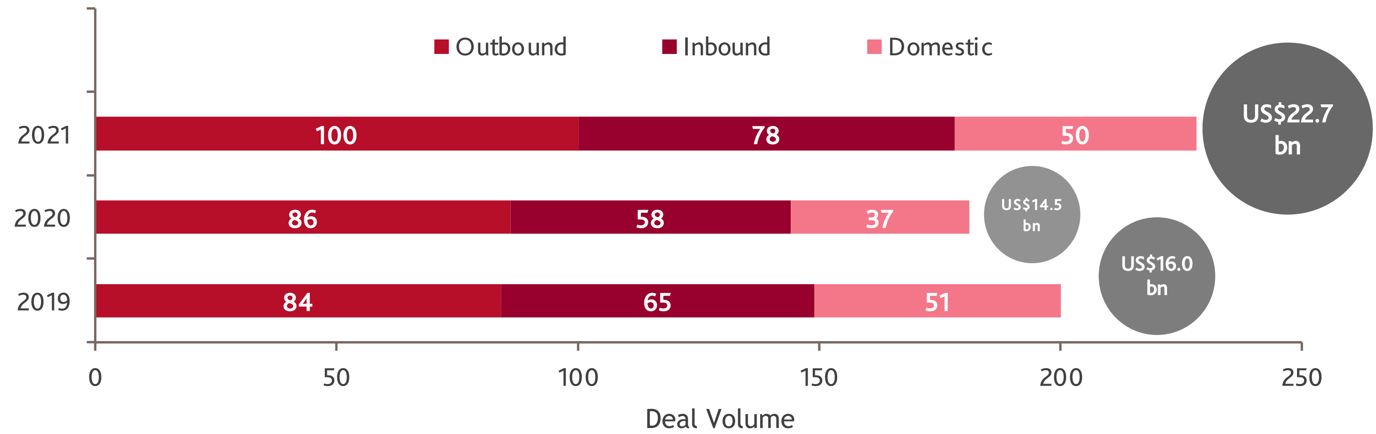
SINGAPORE MIDDLE MARKET M&A

DEAL VOLUME AND VALUE EXCEED PRE-PANDEMIC LEVELS

Singapore's mid-market deal* activity also mirrored the same recovery trend for the past three years, albeit at a less aggressive rate than the general M&A in Singapore. The 2021 deal volume and deal value had already exceeded the pre-pandemic levels in 2019.

Notwithstanding the slight decline in the last quarter of 2021 as a result of tightened restrictions (started in third quarter) to curb the spread of the highly transmissible Delta Covid-19 variant, the total number of Singapore mid-market deals in 2021 increased by 26%, with the highest growth recorded by the Healthcare (73%) and Consumer (54%) industry groups.

SINGAPORE MID-MARKET M&A DEAL VALUE AND VOLUME



DEAL VALUE

In terms of deal value, 2021 saw a 57% uptick to US$22.7 billion, with Industrials leading the industry groups. The US$7.2 billion announced Industrials deals in 2021 was accounted for primarily by electronics manufacturing, services and logistics/transportation targets.

The biggest growth in deal value, meanwhile, was recorded by Healthcare (141%) and TMT (87%). Healthcare targets included Singapore's medical and biotechnology companies such as International SOS Pte Ltd., Esco Lifesciences Group Ltd. and Hummingbird Bioscience Pte. Ltd.

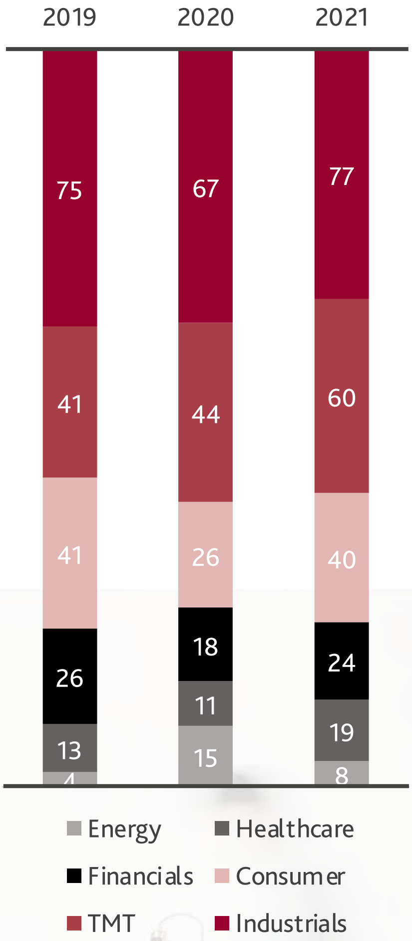
** Mid-market is defined as deals with a disclosed deal value from US$5 million to U$500 million.*

SINGAPORE MID MARKET DEAL VALUE BY SECTOR, US$ billion

SECTOR	2019		2020		2021	
Industrials	4.5	28%	5.7	39%	7.2	31%
TMT	4.0	25%	3.7	26%	6.8	30%
Consumer	4.4	28%	2.1	14%	2.9	13%
Financials	1.9	12%	1.6	11%	2.9	13%
Healthcare	0.9	6%	0.7	5%	1.8	8%
Energy	0.3	2%	0.7	5%	1.1	5%
TOTAL	16.0	100%	14.5	100%	22.7	100%

TMT transactions in 2021 included Singapore startups such as fintech companies APaylater Financials Pte Ltd and M-DAQ Pte Ltd, and NIUM Private Limited; and Trusty Cars Pte Ltd that operates the brand "Carro", an automotive marketplace.

SINGAPORE MID MARKET DEAL VOLUME BY SECTOR



The effective average deal value* of mid-market deals in 2021 had also reached US$100 million, from roughly US$80 million in both 2019 and 2020. Highest growth in average deal value is recorded by the Energy industry group (181% increase from US$48.8 million in 2020 to US$137.3 million in 2021), partly as a result of shifting focus towards clean energy.[10]

SINGAPORE STARTUPS

Singapore's startup environment continued to flourish. Enterprise Singapore announced that technology startups raised S$11.2 billion in the first nine months of 2021, which was more than twice the S$5.5 billion raised for the whole of 2020.

Singapore also achieved a remarkable feat as 10 of the 21 startups in the Association of Southeast Asian Nations ("ASEAN") region that attained the unicorn status in 2021 are based in Singapore.[11]

This vibrant startup ecosystem is partly a construct of government efforts such as the massive ramp up of support from Startup SG, an initiative of Enterprise Singapore. Startups in Singapore now have access to over 200 accelerators compared to 120 of such enablers in 2016.

** Total deal value for the year divided by total deal volume in the same year*

Similarly, the number of early stage venture capital ("VC") firms have also risen from an estimated 130 in 2016 to nearly 180 in 2021.[12]

Government initiatives continue to drive positive outlook for startups in Singapore. The Global Innovation Alliance ("GIA") acceleration programmes allow startups to gain access to a wider network through in market players in 16 cities across 11 countries, which is expected to expand to over 25 cities around the globe over the next five years.[13] 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 VCs that, in turn, invests in eligible startups (via EDBI).[14] It aims to attract approximately S$800 million in private sector investments for deep tech startups over the coming decade.[15]

Many technology startups will also benefit from the Research, Innovation and Enterprise ("RIE") 2025 Plan to build deep technology capabilities and access a skilled workforce and international networks of partners and markets.[16] RIE2025 Plan has committed S$25 billion for investment in R&D, with supporting the scaling of startups being one of its key objectives.[17]

LOOKING AHEAD TO 2022

OUTLOOK REMAINS STRONG AFTER A STANDOUT 2021

In 2022, we expect TMT to continue its momentum in leading the list of deals. According to a 2021 survey,[18] 57% of the Asia-Pacific respondents say that acquiring new technology to boost digital capabilities will drive M&A discussions in their boardrooms. Technology and software assets with proven resilience to the pandemic (e.g. important to remote work and business continuity) will be especially valuable.

This is also supported by the fact that almost every company across sectors is now trying to incorporate technology, in several forms and shapes, in its business model. Data and analytics, for example, is highly valued as companies are constantly striving to derive key insights to understand consumer behaviour and the daily operations of their own organisations. This, in turn, enables them to devise more strategic ways of working, pricing risks and predicting market trends.

In Singapore's Budget 2022, strengthening digital capabilities again took the spotlight as technology is seen as a means to gain a competitive edge towards a resilient future. The government will set aside about S$200 million over the next few years to enhance schemes that will build such capabilities among firms and workers.[19]

The Healthcare sector is also set to continue being a growth centre for dealmaking and an impetus for further technology investment. The increased focus on telemedicine and other forms of digitalising health services is expected to drive future growth.[6] According to a global survey, 17% of respondents believed that Pharmaceutical, Medical and Biotechnology will see the highest growth post-Covid-19.[4]

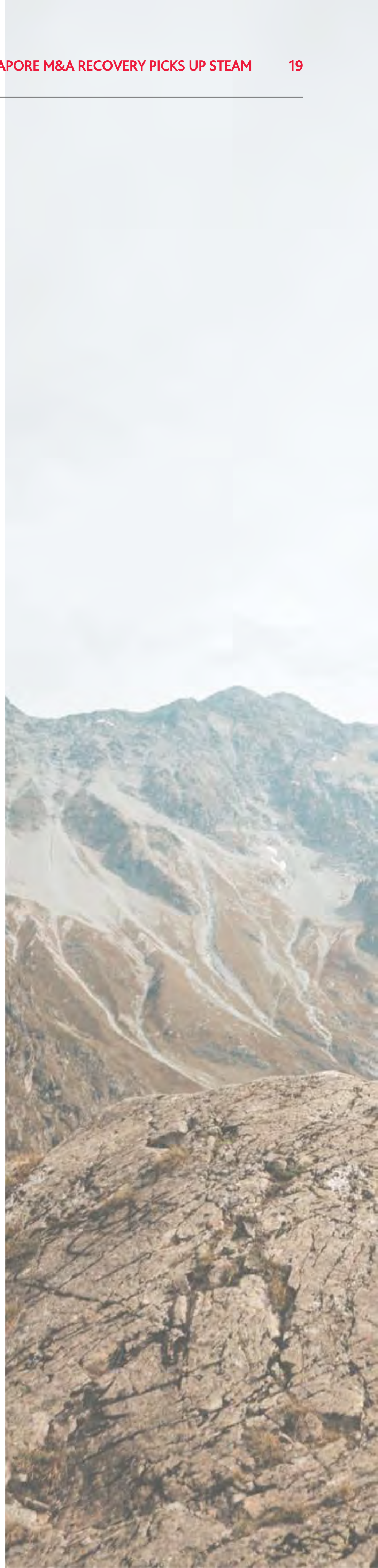
The Covid-19 pandemic and the nation's rapidly aging population pushes Singapore's demand for health technology and R&D in an aim to build a future-proof healthcare system.[20] Polyclinics are adopting new technologies such as virtual systems, electronic health records, and other more accessible and affordable healthcare delivery.

As regards the Real Estate and Construction sectors, outlook remains unclear even as governments gradually lift restrictions for much needed lifelines. The demand for commercial and office properties may still be dampened due to businesses opting to keep a flexible work policy or preferring shorter-term lease contracts.[4]

The Grab market debut has placed Singapore in the SPAC spotlight. In the local scene, SGX is positioning to be the regional hub for blank-cheque firms, recording three tech-focused SPAC listings in January 2022 (Vertex Technology Acquisition Corp, Pegasus Asia, and Novo Tellus Alpha Acquisition), which raised a total of around S$500 million.[21] The high subscription rates of these three IPOs signalled strong investor sentiment to bolster Singapore's emergence as the new hotspot for SPAC activities. We are hopeful of a growing pipeline for SPAC listings and de-SPAC transactions to further push Singapore's M&A activity.

Regional developments have also rendered Singapore a good alternative as an investment destination. There are reports of companies leaving Hong Kong due to their displeasure with the territory's draconian Covid-19 policies including its zero-Covid approach.[22] The increasing regulatory scrutiny of digital financial services in China and India may also cause investors to shift their plans to Southeast Asia.

Dealmakers also need to consider recent developments in Singapore's regulatory front. These include the 2-stage hike in goods and services tax from 7% to 9%, carbon tax increase with a view to reaching S$50 to S$80 per tonne by 2030,[23] upcoming mandatory wage increases for lower-wage workers and eligibilities for the Progressive Wage Credit Scheme.[24]



In the following section, we present the views of CNPLaw LLP, one of the top full-service law firms in Singapore that is annually endorsed and recommended by professional and commercial publications such as Asialaw Profiles, Chambers and Partners, IFLR1000 and the Legal 500 Asia Pacific, on what to expect for the Singapore M&A scene.

What are the emerging themes that you expect would help shape M&A in 2022 and beyond?

ESG CONSIDERATIONS

The onset of the Covid-19 pandemic acted as a catalyst in generating momentum for the sustainability agenda, bringing it to the attention of companies and investors alike.

The incorporation of ESG requirements into the M&A legal due diligence process allows investors to assess long term financial performance of a target company and devise appropriate mitigation measures to be implemented early on. The ESG assessment's ability to affect negotiation and consequential impact on pricing should not be overlooked by companies seeking to enhance or retain their competitive edge in the market.

Whilst ESG requirements may vary across companies in different industries, areas such as operations and supply chain management (including impact on emissions, energy efficiency and environmental policies), employment management (including health, safety, diversity, inclusion and equal pay), and corporate governance (including board remuneration, risk of corruption and anti-money laundering policies) would predominantly be applicable across the board.

In conjunction with Singapore's commitment to phase out the use of unabated coal in its electricity mix by 2050 as affirmed at COP26,[25] the country's acceleration towards a low-carbon future would inevitably put pressure on companies to re-evaluate the carbon-emission footprint in their supply chain. The MAS has also launched the Green and Sustainability-Linked Loan Grant Scheme,[26] which should support companies' transition to more sustainable practices. Besides enjoying improved cost-efficiency in its operations, companies capitalising on the increasingly available opportunities would prime themselves for M&A opportunities from investors who are aligned with ESG commitments.

ALTERNATIVE FUND-RAISING OPTION IN SPAC

To ride on the wave of SPAC, Singapore Exchange has with effect from 3 September 2021 launched its SPAC listing framework and allowed SPACs to list on its Mainboard, subject to such SPACs meeting certain eligibility criteria.[27] This new development provides companies with an alternative way to raise capital and may allow owners of private companies to sell a larger proportion of their shares in such companies. It is expected that the utilisations of SPAC as an exit strategy will continue to gain traction in Singapore.

What are some recent legislative developments that may impact M&A in the coming years?

AMENDMENTS TO LEGISLATION

In January 2022, the Corporate Registers (Miscellaneous Amendments) Bill has also been passed to require companies to maintain a register of nominee shareholders as well as to identify individuals with executive control where a company does not have any registrable controllers.[28] These amendments aim to enhance Singapore's regime on the transparency and beneficial ownership of companies, and to increase the standards for combating money laundering and terrorism financing.[29]

In time, this regulatory development could speed up the due diligence process and increase the confidence of interested acquirers who may be concerned with the legitimacy of a target company's corporate structure, thereby facilitating the M&A process. The Accounting and Corporate Regulatory Authority of Singapore continues to consider additional amendments to the legislation to further enhance corporate transparency[30] and to foster an attractive environment for an increased flow of M&A.

GOVERNMENT INCENTIVES

In Singapore's Budget 2022, it was announced that the Enterprise Financing Scheme – Merger & Acquisition Loan (EFS – M&A), which is a scheme to support eligible companies' expansion plans by increasing their ease of access to financing, will be enhanced from 1 April 2022 to 31 March 2026 to include domestic M&A activities. Under the EFS – M&A, the Singapore government will provide eligible companies with M&A loan of up to S$50 million.[31] The recent enhancement should spark interests in domestic M&A deals in the coming years.

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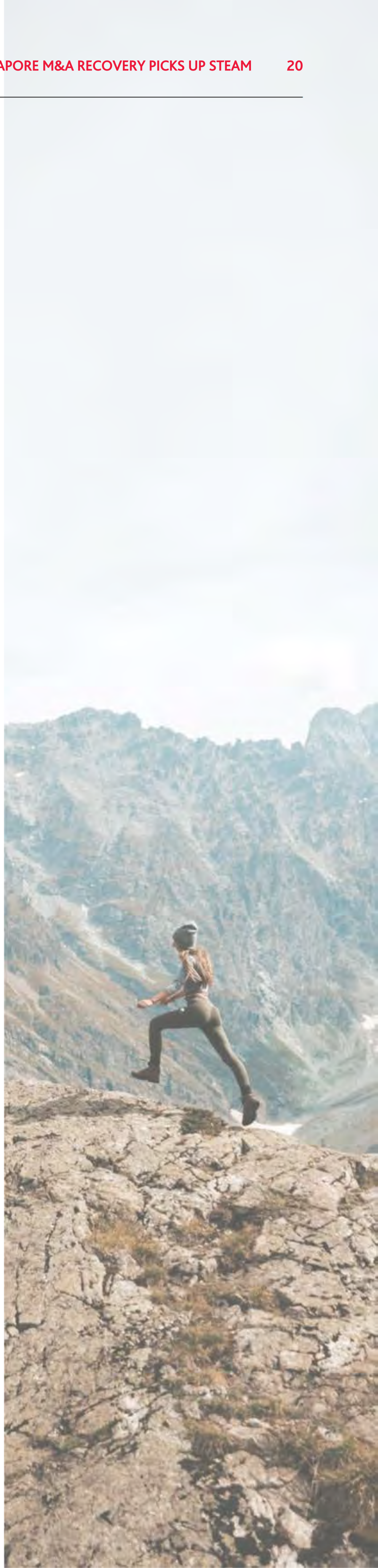

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