



# 2023 APAC M&A Dealmakers Sentiment Report

Produced in association with  
 Mergermarket

# Contents

- Key Findings.....2
- Background.....3
- Drivers and Challenges.....5
- Process in Focus.....8
- The Rise and Rise of ESG.....10
- Conclusion .....12



This Asia Pacific regional M&A report is part of the *2023 Global M&A Dealmakers Sentiment Report*.

To gain insight into the M&A market in the coming 12 months, we surveyed 300 M&A dealmakers globally to get a picture of their current sentiment, where they see the market heading and the challenges and opportunities they expect along the way.

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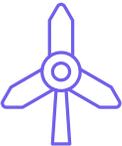
# Key Findings



**86%** of APAC dealmakers expect M&A activity to increase in the next 12 months



**52%** of APAC dealmakers see the need to increase market share as a likely driver of their M&A activity over the next 12 months



**76%** of APAC dealmakers expect to spend more time over the next three years scrutinizing ESG factors during due diligence

### About this research

In the second quarter of 2022, Mergermarket surveyed 300 mergers and acquisitions (M&A) dealmakers from 225 corporate and 75 private equity (PE) firms. These included 100 respondents headquartered in North America, 75 in Europe, the Middle East and Africa, 75 in Asia Pacific and 50 in Latin America. Overall, 21 percent of corporates describe their main sector of focus as Technology, Media and Telecom, with 18 percent in each of Industrials and

Chemicals, Energy, Mining and Chemicals, and Financial Services. Among these corporates, 46 percent have an annual turnover greater than USD three billion. Among PE respondents, 53 percent have assets under management of less than USD 10 billion.

All charts show overall figures, except when figures based on region or corporate/PE are statistically significant.

# Background

## M&A activity has remained robust in the region and dealmakers expect to continue pursuing transactions, despite growing headwinds

Dealmakers in the Asia Pacific (APAC) region are showing resilience. Mergers and acquisitions (M&A) activity in the region held up much more strongly during 2022 than in other parts of the world, leading APAC dealmakers to be more optimistic about what lies ahead for the M&A market in the next 12 months.

Given that 2021 was a record year for M&A activity in the APAC region – buoyed by a post-pandemic economic recovery and the need to complete deals postponed at the height of the crisis – the preliminary data for 2022 looks remarkably robust. Mergermarket figures show that the region saw 4,249 deals during the first three quarters of the year; these transactions were collectively valued at USD 811.7 billion.



Given that 2021 was a record year for M&A activity in the APAC region – buoyed by a post-pandemic economic recovery and the need to complete deals postponed at the height of the crisis – the preliminary data for 2022 looks remarkably robust.

Those figures reflect only a slight decline from the previous year. On deal volumes, the APAC market experienced a decline of just two percent compared to the same period in 2021. In terms of deal values, the decline was only three percent. Outside of 2021, only 2015 recorded higher M&A totals by value than 2022.

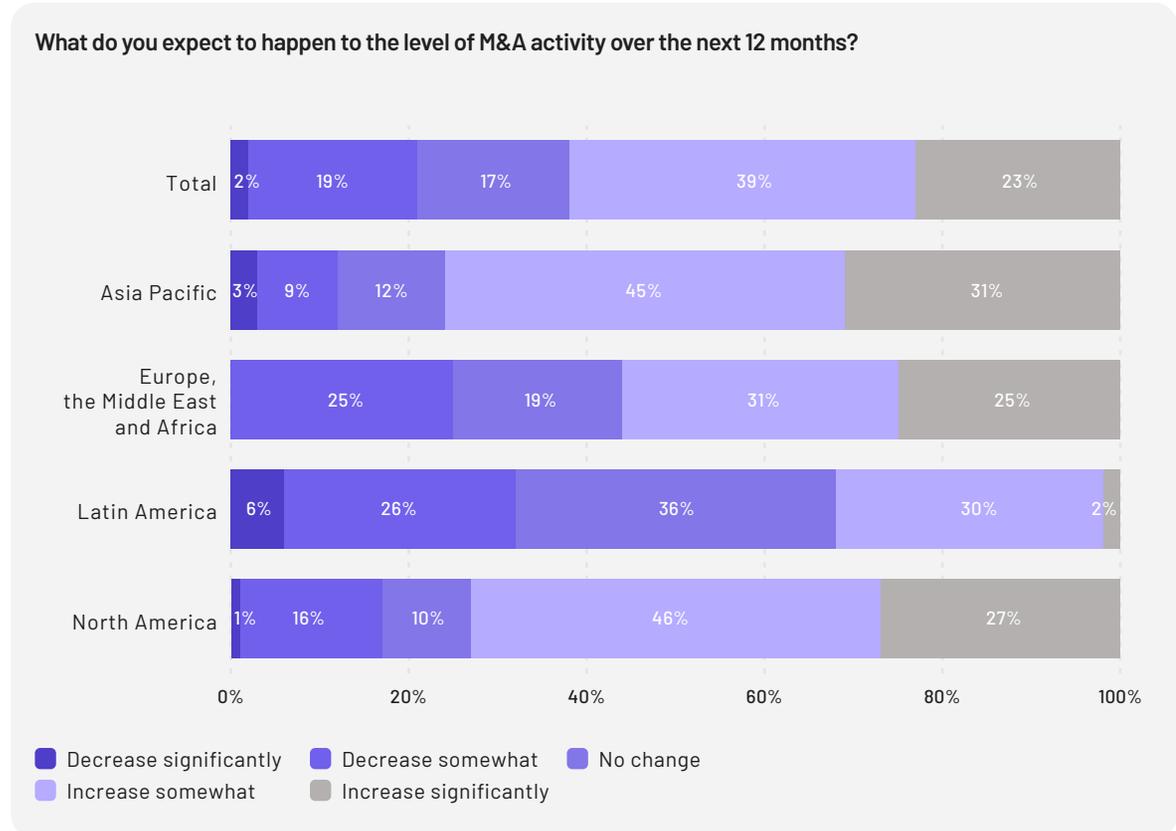
Major deals over the year included Housing Development Finance Corporation's USD 60.4 billion merger with HDFC Bank in India. In the private equity space, meanwhile, KKR paid USD 21.4 billion to acquire the Australian business Ramsay Health Care.

## BACKGROUND

APAC dealmakers' appetite for M&A appears to remain undiminished, and the expectation is of further M&A activity to come. Although the International Monetary Fund predicts lower growth during 2022 and only a modest bounce in 2023, this is still a better rate of expansion than many other regions which are expected to see slowing GDP growth next year – or even a contraction.

In our global survey of 300 M&A dealmakers, more than three-quarters (76 percent) of APAC respondents expect to see levels of M&A activity increase over the next 12 months, including 31 percent who expect to see a significant increase. These are higher figures than in any other region.

The majority of the 75 APAC dealmakers surveyed are planning to focus on more modest transactions. While 89 percent expect to do a mid-market deal valued at less than USD two billion over the next 12 months, 47 percent anticipate doing a larger transaction (worth USD two billion to USD 10 billion). That



said, one in five dealmakers (20 percent) anticipate announcing a megadeal worth more than USD 10 billion. And almost half (47 percent) think they will do at least four deals in the next year.

# Drivers and Challenges

## Digital transformation and market share are set to be key drivers of M&A in 2023

APAC dealmakers are pursuing M&A transactions with a variety of goals in mind. In some cases, deals are growth-oriented, aimed at positioning the business to take advantage of new opportunities. Other transactions might be characterized as more defensive, with a focus on hedging against a possible downturn in light of the more challenging economic backdrop in markets across the region.

In the first of these categories, 47 percent of APAC dealmakers cite the need to pursue digital transformation as a top-three driver of M&A activity over the next 12 months. The need to secure access to new technologies in areas such as cloud computing, data analytics, artificial intelligence and the Internet of Things has become a priority for many organizations.

Equally, more than half of dealmakers in this region (52 percent) cite increasing market share as a likely deal driver for the year ahead. In an environment where inflation is rising, securing pricing power is vital. Similarly, 41

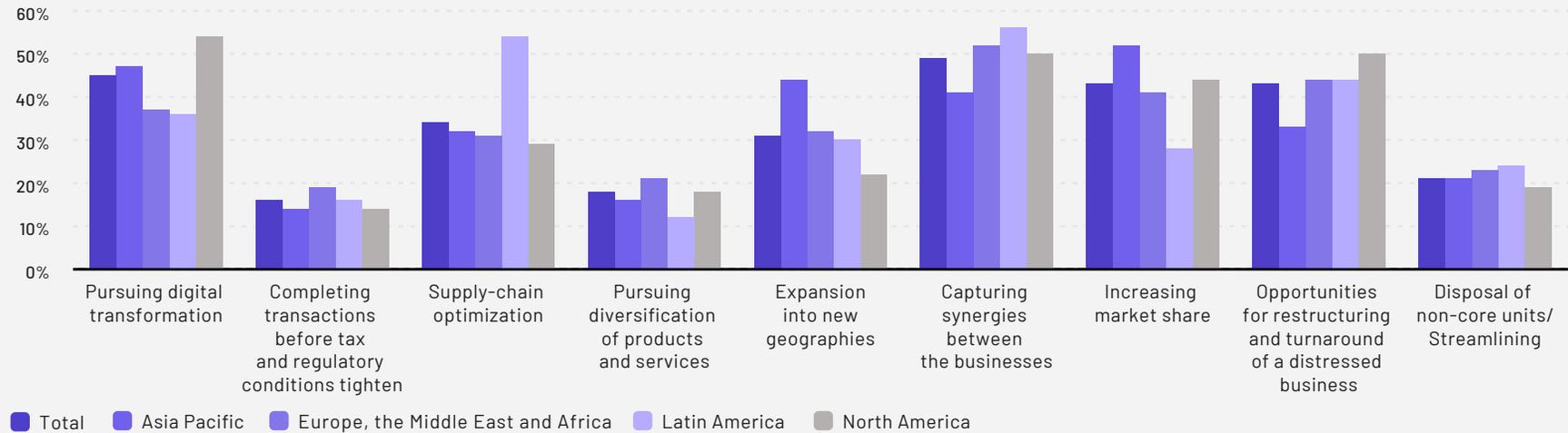
percent of dealmakers point to the need to capture synergies through M&A. Facing a difficult business environment, cost-conscious organizations are looking to secure efficiency savings.



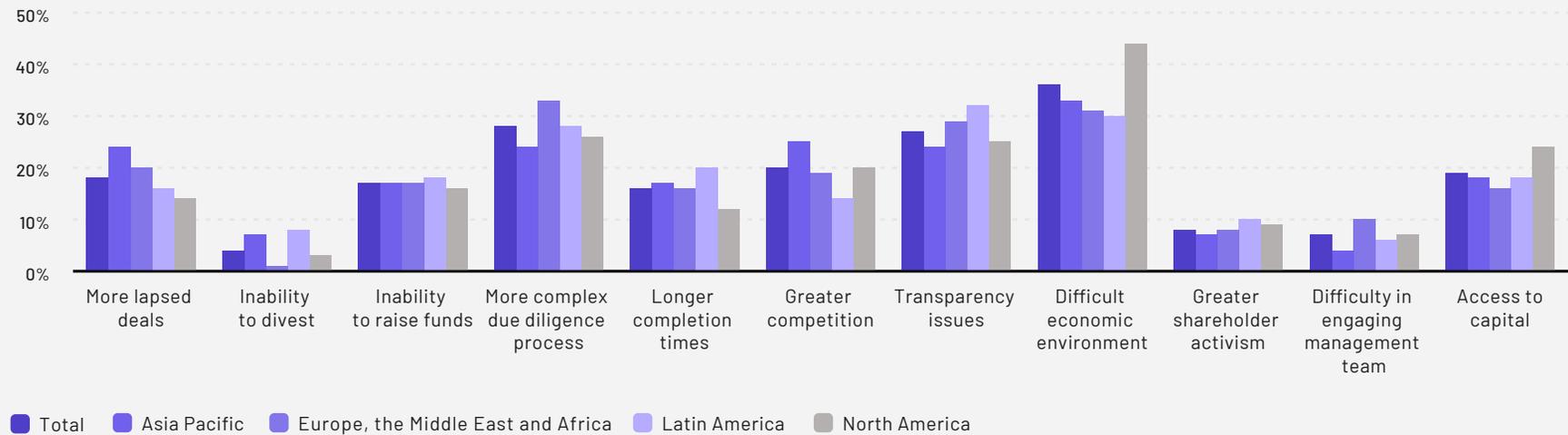
More than half of dealmakers in this region (52 percent) cite increasing market share as a likely deal driver for the year ahead.

## DRIVERS AND CHALLENGES

What will be the key drivers of your M&A activity over the next 12 months? (Select top three.)



What challenges do you expect to see in M&A in the coming 12 months? (Select top two.)



## DRIVERS AND CHALLENGES

The challenging economic environment will also throw up opportunities for stronger acquirers. A third of APAC dealmakers (33 percent) think one important driver for M&A over the next year will be the chance to restructure and turn around struggling businesses.

Not that dealmakers expect M&A to be smooth sailing over the year ahead – they point to a wide range of challenges they will need to confront.

The most pressing concern of all for APAC dealmakers is the difficult economic environment over the year ahead, cited by 33 percent – in line with the overall respondent group (36 percent). While M&A has continued strongly in the region over the past year, growth has been slowing and the pace of dealmaking may be difficult to sustain.

That said, APAC dealmakers are notably more worried than their counterparts in other regions about increasing competition for deals. A quarter (25 percent) see this as a likely challenge, well ahead of their peers worldwide.



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Still, against a tougher backdrop, there is widespread expectation that deals will take longer. Almost a quarter of APAC respondents (24 percent) expect to see due diligence processes become more complex – perhaps linked to the 24 percent who worry about transparency issues. And dealmakers in the region are the most concerned in the world about the possibility of transactions failing: 24 percent anticipate seeing a higher number of lapsed deals, compared to 18 percent of the overall respondent pool.

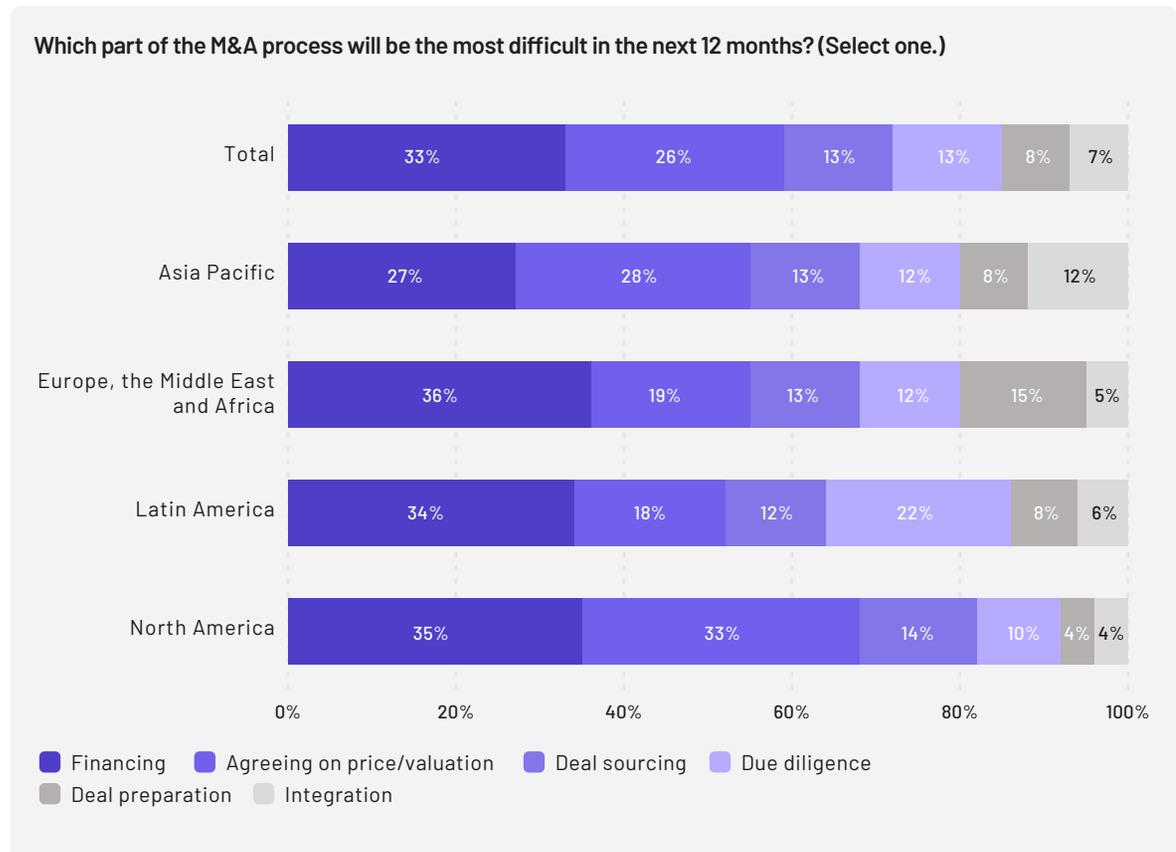
# Process in Focus

## Tighter financing conditions and valuation gaps are the main concerns for APAC dealmakers in the coming 12 months

While APAC dealmakers are optimistic about their ability to continue doing deals, they do acknowledge there may be problems ahead, particularly in the early stages of the M&A process.

Underscoring this view, 27 percent of dealmakers in the region think securing financing for transactions will be the most difficult element of M&A activity over the next 12 months. This is a lower figure than in other regions of the world – perhaps reflecting the fact that the move to tighter monetary policy in the APAC region is not so consistent or concerted as elsewhere – but still significant.

In addition, 28 percent of APAC dealmakers are concerned about the difficulty of reaching an



PROCESS IN FOCUS

agreement on price. It may be that they no longer believe the valuations seen at the height of the M&A boom are justifiable, particularly after a year of setbacks for global stock markets. Equally, they will be conscious of tough competition for deals – and aware that sellers will be reluctant to scale back their expectations.

One other challenge in the APAC region is worth noting: While the number of dealmakers that see post-deal integration as difficult is

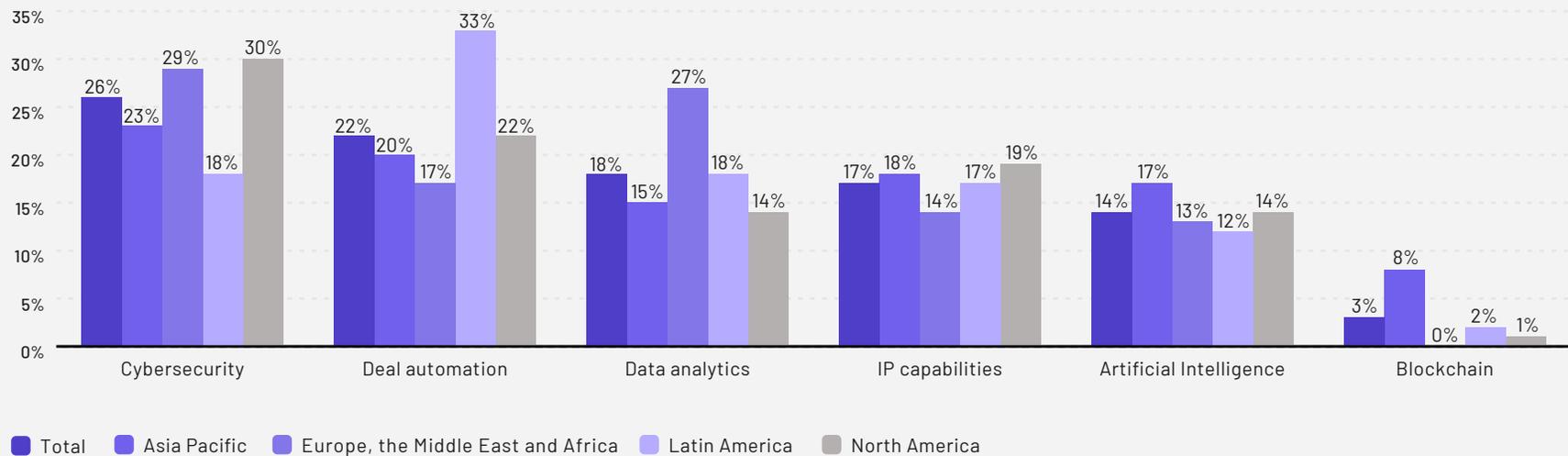
modest at 12 percent, this is at least twice as high as in any other region. As the challenges of M&A increase, dealmakers will need to make good use of every tool at their disposal to keep transactions on track. In this regard, new technologies may offer important benefits to those ready to take advantage.

In the APAC region, 20 percent of dealmakers believe deal automation technologies have the potential to be a disruptive trend in M&A over

the next 12 months. These tools could enable them to speed up dealmaking processes while accommodating for more complex due diligence requirements.

Equally, increasing numbers of M&A participants worldwide are growing more anxious about the cybersecurity threat. In this region, 23 percent of dealmakers think cybersecurity technologies will be a priority over the year ahead.

What disruptive trends will most affect M&A processes in the next 12 months? (Most important only.)



# The Rise and Rise of ESG

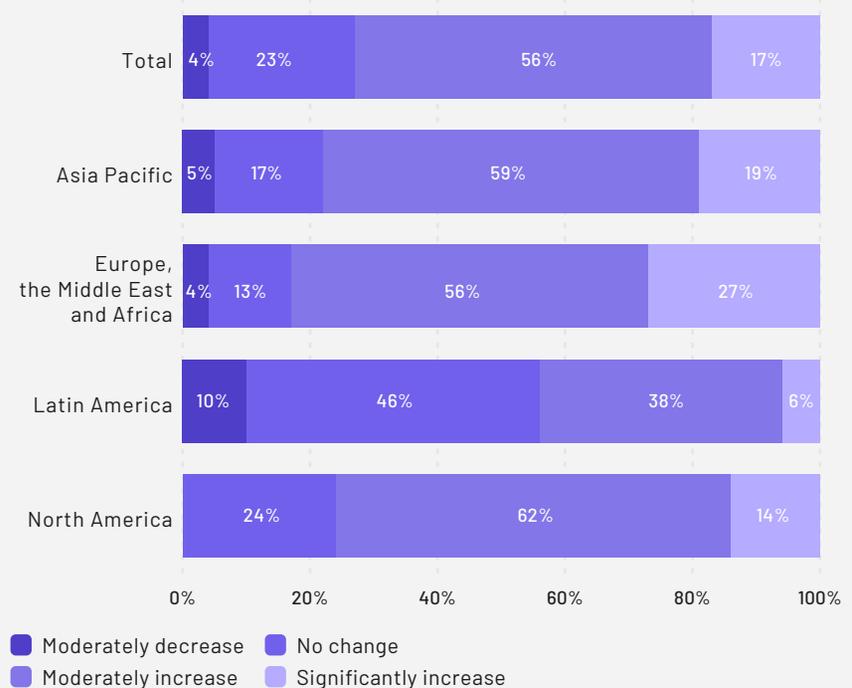
**Although APAC lags other jurisdictions on ESG, dealmakers in the region are aware of the issues – and expect regulations to increase**

While APAC is widely regarded as less mature in its approach to environmental, social and corporate governance (ESG) issues than, for example, areas such as EMEA, it is clear ESG is becoming an increasingly prominent consideration among M&A processes in the region.

One important driver for this is the increasing amount of ESG regulations in the region, particularly in the financial services sector, but also more broadly. Exchanges in Malaysia, Thailand and Vietnam have all recently added ESG reporting requirements to their listing rules, while the Association of Southeast Asian Nations (ASEAN) has launched the ASEAN Taxonomy of Sustainable Finance. 2022 also saw new ESG regulations introduced in Hong Kong and Singapore, following reforms in 2021 in Australia and New Zealand.

Dealmakers believe more such regulation is to come – and that this will inevitably have an impact on M&A processes. More

How do you expect the level of ESG regulation in M&A to change over the next three years?

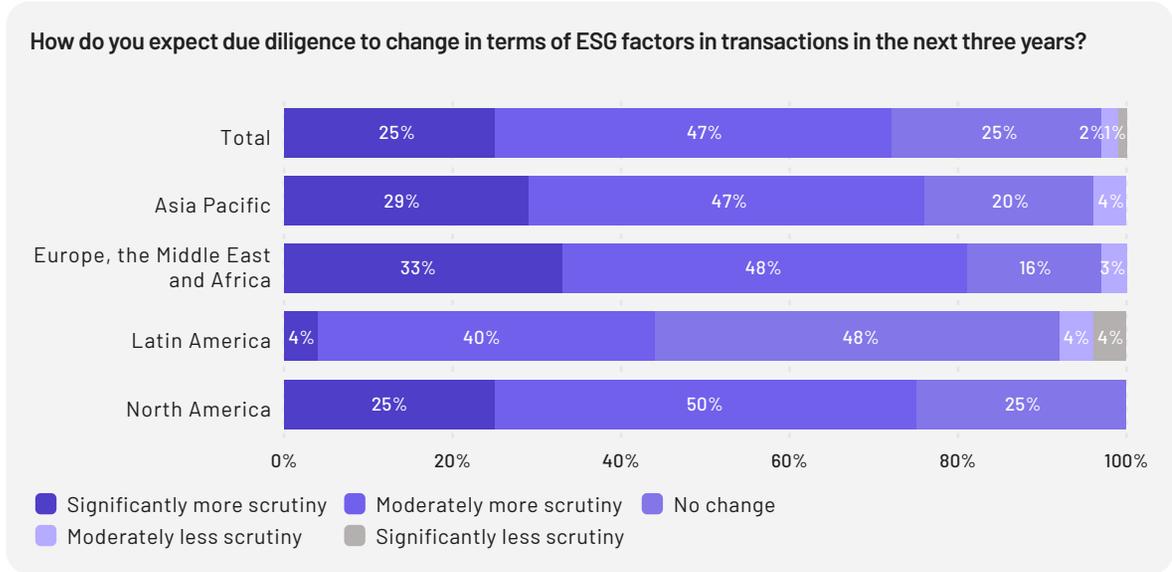


THE RISE AND RISE OF ESG

than three-quarters of APAC dealmakers (78 percent) expect ESG regulation related to M&A to increase over the next three years. This includes 19 percent who expect to see a significant increase.

Against this backdrop, dealmakers are naturally paying more attention to ESG issues within M&A processes, particularly when it comes to due diligence. They are anxious to avoid unwittingly exposing themselves to unexpected ESG risks in the future. In some cases, the desire to improve ESG performance may even be a deal driver.

This is why 76 percent of APAC dealmakers expect to spend more time over the next three years scrutinizing ESG factors during the due diligence phase of transactions; this includes 29 percent who expect to spend significantly more time on such work. Only in the EMEA region do greater numbers of dealmakers expect to devote additional time to ESG as part of the diligence process.



There is also growing awareness of ESG issues that go beyond environmental and sustainability concerns. For example, 43 percent of dealmakers in the APAC region say that diversity is now a moderately or very important consideration when they look at new M&A targets.

## CONCLUSION

# Conclusion

Unlike their counterparts in other regions of the world, dealmakers in the APAC region did not see a significant dip in M&A activity during 2022, even if transaction levels were a little lower. The extent to which this resilience can continue will depend on dealmakers' ability to withstand growing economic headwinds.

There are some signs of caution as almost a third (32 percent) identify macroeconomic and stock market uncertainty as likely to be the biggest challenges to M&A over the coming year.

Nevertheless, the mood remains upbeat. Some 31 percent of APAC respondents think the level of M&A activity will increase significantly in the next 12 months – significantly more than the overall respondent pool (23 percent). Based on this, it's clear that the M&A market in APAC remains very much open for business.

## About SS&C Intralinks

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