M&A TRENDS & Opportunities in ASEAN

July 2017
AEC+ Business Advisory
KASIKORNBANK

บริการทุกระดับประทับใจ
AGENDA

- M&A in ASEAN - Overview
- Opportunities in CLMVI
- Summary & Recommendation
AGENDA

M&A in ASEAN - Overview

Opportunities in CLMVI

Summary & Recommendation
Global M&A Activity

Global M&A activities have recently shown rapid growth, led by technology-seeking acquisitions. Not unexpectedly, North America witnessed the highest value of M&A. However, M&A activities in Asia Pacific have also surged considerably.

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 Value (USD bn)</th>
<th>2012 Value (USD bn)</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>5,106</td>
<td>2,416</td>
<td>20.6%</td>
</tr>
<tr>
<td>North America</td>
<td>2,619</td>
<td>1,195</td>
<td>21.7%</td>
</tr>
<tr>
<td>Europe</td>
<td>1,274</td>
<td>556</td>
<td>23.0%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,013</td>
<td>465</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

North America
The US has the highest value of M&A activities in North America. Most of the M&A deals are technology-related and driven by strategic acquisition of innovative assets.

Europe
Western Europe, home to a large number of companies that are rich in intellectual property and intangible assets, is the major location for M&A activities in Europe, led by the UK, Germany, the Netherlands, and Switzerland.

Asia Pacific
Asia is fast becoming an M&A powerhouse, thanks to its rapid economic development and attractive market size. China has stood out as a major target in recent years, while India has experienced a rising trend of M&A deals from the US, Japan, and China.

Data source: Bloomberg compiled by KResearch
Global M&A Activity

Innovation-related industries have been a rising star for global M&A activity during the past few years. Asia Pacific has also experienced a similar trend as activity in technology-related sector surged, with deals concentrated in more developed economies.

Global M&A Value by Sector 2012-2016

Technology acquisition has seen higher growth

- Acquisitions for the purpose of acquiring innovative assets has risen in importance among global M&A deals, with a growth rate of around 50% in the past year. This is in line with the overall trend of rapid technological advancement and industrial upgrading.
- In particular, deals in robotics, AI, cognitive technologies, digital and social media, big data, and fintech have become more prominent.

Asia Pacific M&A Value by Sector 2012-2016

Industrial sector led the growth of M&A in Asia Pacific

- Narrowing down on the Asia Pacific region, acquisitions of industrial businesses aimed at enhancing production supply chains remain a major M&A consideration.
- However, technology-related M&A’s in consumer and mobility industries are also rising in Asia. There is a sense that companies are trying to diversify or expand to deal with various disruptive changes in the world and the region.

Data source: Bloomberg compiled by KResearch
ASEAN M&A Activity

Specifically within ASEAN, activity is also picking up, though there remains a marked distinction between larger economies and frontier economies, with M&A accounting for a considerably larger portion of FDI in the former compared to the latter.

Proportion of Inbound M&A to FDI in Major ASEAN Countries

- Naturally, more developed economies would see a larger share of M&A investment, as these countries would have a greater number of acquisition targets.
- A lot of M&A’s are also in more advanced sectors, with particular recent focus on technology and more advanced production.

Nascent M&A potential in frontier markets
- Despite the smaller number of potential targets in frontier economies, M&A is one way to quickly gain foothold in such a new and rapidly growing market. Hence, we are seeing more deals in emerging markets as investors look for new growth opportunities, resources, or low-cost production.
- M&A’s in developing countries also tend to be more regulation driven as local governments try to consolidate saturated and inefficient industries.

Data source: Bloomberg and UNCTAD compiled by KResearch
In fact, M&A activities in ASEAN has gained momentum long before the AEC’s inception, as capable companies strategize to expand their regional presence. Now, with the inception of the AEC, intra-ASEAN M&A activities is expected to keep its momentum.

ASEAN receiving more and more attention as an M&A target
- Intra-ASEAN deals have been more in the region as larger ASEAN firms move to expand their regional presence. Activity is mostly concentrated between Singapore, Malaysia and Thailand.
- However, with increased ASEAN integration pooling the region’s high-growth economies into a regional spotlight with vast opportunities, resources and consumer markets, inbound deals from non-ASEAN countries have picked up significantly in the last few years.

Top Targets and Acquirers within ASEAN

<table>
<thead>
<tr>
<th>TOP M&amp;A TARGET COUNTRIES</th>
<th>Share of M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Singapore</td>
<td>43%</td>
</tr>
<tr>
<td>2 Malaysia</td>
<td>24%</td>
</tr>
<tr>
<td>3 Thailand</td>
<td>12%</td>
</tr>
<tr>
<td>4 Indonesia</td>
<td>9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOP M&amp;A ACQUIRER COUNTRIES</th>
<th>Share of M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Singapore</td>
<td>22%</td>
</tr>
<tr>
<td>2 Malaysia</td>
<td>19%</td>
</tr>
<tr>
<td>3 Thailand</td>
<td>12%</td>
</tr>
<tr>
<td>4 Philippines</td>
<td>7%</td>
</tr>
</tbody>
</table>

Top Non-ASEAN Acquirers

<table>
<thead>
<tr>
<th>TOP M&amp;A ACQUIRER COUNTRIES</th>
<th>Share of M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 China</td>
<td>7.8%</td>
</tr>
<tr>
<td>2 EU</td>
<td>7.7%</td>
</tr>
<tr>
<td>3 Japan</td>
<td>4.1%</td>
</tr>
<tr>
<td>4 USA</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Advanced economies leading the charge
- Singapore, Malaysia and Thailand are the most active, as they have more legal and market readiness for M&A’s.
- Meanwhile, China’s aggressive outbound M&A movement in ASEAN is reflective of its need to address its economic slowdown by moving to new growth markets.

Data source: Bloomberg compiled by KResearch

การศึกษาสถาบันการเงิน
ASEAN M&A Activity

Sector-wise deals in ASEAN are mostly in the services and consumption-related sectors, driven by growing sophistication in the service sector in more advanced economies and rapidly growing consuming middle class in emerging markets.

**Inbound M&A in ASEAN by Sector**

- **Singapore, Thailand, Malaysia, Philippines and Indonesia** was the destination for a large number of deals in the financial, technology and communication sectors due to competition-related factors and their relatively more developed infrastructure.
- The industrial sector, particularly in Thailand, also saw deals in E&E and transportation sectors, indicating the prospect of ASEAN to become a high value-chain production hub. Thailand is also viewed as a staging ground for entering emerging AEC countries.

**Inbound M&A in CLMV by Sector**

- Conversely, deals in CLMV were largely related to consumption:
  - These emerging economies are experiencing extremely rapid growth and increasing spending power. Therefore, they are attractive targets for new consumption markets.
  - Vietnam, Indonesia and Myanmar, in particular, are attracting a number of major deals in food and beverage, retail and hospitality due to their large market size.

Data source: Bloomberg compiled by KResearch
Thailand’s Outbound M&A

Apart from outbound deals to Europe or the US, where cash-rich Thai companies have used M&A to expand their presence, frontier economies have emerged recently as a M&A targets for Thai investors, particularly Vietnam.

Target of Thai Outbound M&A Deals

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>39.3</td>
<td>0.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>11.6</td>
<td>1.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>215.0</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Myanmar</td>
<td>-</td>
<td>0.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,942.8</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>353.7</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>-</td>
<td>0.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Vietnam has become the top M&A target for Thai M&A’s
- M&A activities in Vietnam have been the highest among ASEAN countries in the past 4 years, both in terms of value and volume, thanks to the surge in Vietnam’s economic activities and rising per capita income, as well as the government’s push to divest many of its SOEs.
- Its large population also makes it a potential market for consumer goods. Thai investors have recently been putting their investment in Vietnam’s wholesale and retail market by acquiring well-established companies.

Thai Outbound M&A Deals in ASEAN by Sector 2009-4M2017

- Acquire goodwill, leverage target supply chain
  Eg. ThaiBev acquired F&N, CP acquired swine producer

- Utilize comparative advantage, capture high-growth market
  Eg. SCG acquired packing firm, Central Group acquired Big C Vietnam

- Acquire commodity and natural resources
  Eg. Energy firms and oil and gas companies.

Data source: Bloomberg compiled by KResearch
Why ASEAN?

While some ASEAN countries already have a long history of M&A’s, a series of shifting global forces are putting ASEAN under an even brighter spotlight, and the region’s nascent potential have immense room for future growth.

### Push Factors

#### CHINA
- Slowdown in domestic market
- Overcapacity production
- Industrial upgrade

#### JAPAN
- Aging society
- Need for new growth drivers

#### EUROPE & US
- US: low borrowing cost, growing appetite for earnings growth
- EU: Eurozone, Brexit uncertainties

#### ADVANCED ASEAN
- Growth appetite from cash-rich companies
- Business diversification and supply chain enhancement

### Pull Factors

#### ADVANCED ASEAN
- Sophisticated market with lots of targets for business synergy
- Rise of startups and fintechs
- Improving technology suitable for advancing supply chain
- Mature market with strong competition

#### CLMVI
- Rich resources
- Regulatory restrictions
- High middle class growth
- Low factor of production cost
- Difficulty in capturing customer base through greenfield investment due to difference in behavior
AGENDA

- M&A in ASEAN - Overview
- Opportunities in CLMVI
- Summary & Recommendation
AGENDA

CAMBODIA
Cambodia – M&A Overview

The nascent Cambodian M&A market has seen an uptick in deals in recent years as the number of local target companies with potential begin to grow and the market becomes more attractive, with most deals coming from outside ASEAN.

**Number of Deals and Deal Value 2011-2016**

- Deal value has begun to rise significantly
  - Value of inbound M&A rose from roughly USD 66 mil during 2011-2014 to USD 320 mil during 2015-2016 with CAGR of 55%, though it should be noted that one major deal attributed to over 95% of M&A value in 2015.
  - Cambodia has had a period of sustained growth, which is expected to remain robust at around 7%. Continuous inflow of FDI is also leading rapid transformation of the country’s industry and consumer market, fostering the growth of many potential M&A targets.

**Top Acquiring Countries 2010-2016**

- Australia and China the two largest investors
  - The origin of top acquirers may depend on which type of sector benefits most from M&A’s. Since Cambodia is relatively open to foreign investment in manufacturing, neighboring ASEAN countries or Japan mostly enter through greenfield investment.
  - Conversely, many deals are coming from outside the region into sectors that may be less open to direct forms of investment, such as the services sector, which has seen rapid expansion in 2016, particularly the hospitality sector.

Data source: Bloomberg and UNCTAD compiled by KResearch
Cambodia – Key M&A Industries

Non-manufacturing sectors received the highest shares of inbound M&A, as foreign investors utilized this method to overcome the target industry’s barriers to entry.

**Proportion of Inbound M&A Deals by Sector 2011-2016**

- **Entertainment**: 36%
- **Financial**: 22%
- **Real Estate**: 10%
- **Communication**: 2%
- **Other**: 2%

_Total Value: USD 905 mil_

**Number of Deals in Top Sectors**

<table>
<thead>
<tr>
<th>ENTERTAINMENT</th>
<th>FINANCIAL</th>
<th>REAL ESTATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

**Entertainment Industry**
- Cambodia’s gambling and hotel industry has grown along with its well-known tourism sector and has become crowded. In this case, M&A may be preferable to greenfield investment; we see that the industry tops the chart in terms of value.
- Almost 60 casinos and resorts are located along the border with Thailand or Vietnam to serve the rising number of tourists, especially Vietnamese, Thai, Chinese, and Korean tourists.

**Finance Industry**
- Microfinance is another interesting M&A target in Cambodia as it is another extremely saturated sector, with a total value of USD 4 billion. Growth in consumer spending power is also pushing up demand for financial services, making the sector attractive for foreign investors with expertise in the field.
- It can be seen that, in terms of numbers, financial M&A deals make up nearly half of all deals in Cambodia between 2010 and 2016.

**Real Estate Industry**
- A flourishing manufacturing sector and growth of middle-income people also give rise to M&A’s in the real estate sector for developments of housing or SEZ’s.

Data source: Bloomberg compiled by KResearch
Cambodia – Top Deals

Top deals from the period 2007-Q1 2017 were mostly in the services sector, namely entertainment, real estate, finance and hospitality.

<table>
<thead>
<tr>
<th>DEAL VALUE (USD MIL)</th>
<th>ANNOUNCEMENT DATE</th>
<th>TARGET COMPANY</th>
<th>TARGET SECTOR</th>
<th>BIDDER COMPANY</th>
<th>BIDDER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>319.87</td>
<td>30 Jan 2015</td>
<td>Star Vegas Resort &amp; Club</td>
<td>Entertainment</td>
<td>Donaco International</td>
<td>Australia</td>
</tr>
<tr>
<td>201.77</td>
<td>4 Jul 2016</td>
<td>Zhong Jian Jin Bian Ji Te Qu</td>
<td>Real estate</td>
<td>Beijing Properties Holdings</td>
<td>China</td>
</tr>
<tr>
<td>186</td>
<td>21 Mar 2017</td>
<td>PRASAC Microfinance Institution</td>
<td>Finance</td>
<td>Lanka Orix Leasing</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>103</td>
<td>9 May 2016</td>
<td>Advanced Bank of Asia</td>
<td>Bank</td>
<td>National Bank of Canada</td>
<td>Canada</td>
</tr>
<tr>
<td>69.3</td>
<td>22 Mar 2013</td>
<td>Union Commercial Bank</td>
<td>Bank</td>
<td>E.Sun Financial Holding</td>
<td>Taiwan</td>
</tr>
<tr>
<td>65</td>
<td>11 Aug 2014</td>
<td>Chevron Overseas Petroleum Cambodia</td>
<td>Energy</td>
<td>KrisEnergy</td>
<td>Singapore</td>
</tr>
<tr>
<td>57.32</td>
<td>1 Aug 2007</td>
<td>(Cambodia) Tong Min Group Engineering</td>
<td>Agribusiness</td>
<td>IR Resources</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>40</td>
<td>8 Nov 2013</td>
<td>HwangDBS Commercial Bank</td>
<td>Bank</td>
<td>Phillip Securities</td>
<td>Singapore</td>
</tr>
<tr>
<td>35</td>
<td>16 Jul 2007</td>
<td>Raffles Grand Hotel d’Angkor and Raffles Hotel Le Royal</td>
<td>Hotels</td>
<td>Kingdom Holding</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>33.65</td>
<td>7 Apr 2011</td>
<td>Cambodian Assets</td>
<td>Finance</td>
<td>Hongkong Land Holdings</td>
<td>Hong Kong</td>
</tr>
</tbody>
</table>

Data source: Bloomberg compiled by KResearch
Cambodia – M&A Regulations

There is no specific regulatory framework for M&A in Cambodia. However, there are rules relevant to the takeover of certain types of entity

Law on Commercial Enterprises
- Merger must be approved by a special resolution of shareholders of acquired companies at proportion of 2/3 of each constituent company at the least.

Law on Investment
- Negative Investment Lists: Investment by foreign entities are still subject to restrictions on some sectors listed in Negative Investment Lists. Additionally, some industries (such as banking, insurance, mining and telecommunications) require specialized licenses, authorizations or approvals from relevant government institutions and agencies prior to acquisition.
- Takeovers of Qualified Investment Projects (QIPs): An application in writing of acquirers who would like to take over QIPs should be submitted to CDC within 10 business days of M&A for registration of an investor and transfer of QIPs license process. Taking over of QIPs could be defined as a proposed transfer of shares resulting in an acquirer holding in the aggregate at least 20% of registrable shares of the acquiree companies.

The Land Law (2001)
- Foreign investors must be aware of acquisition of a Cambodian entity which owns land in Cambodia: Sales of any land OWNED by target companies or the creation of a special purpose land-holding entity (of Cambodian nationality) to which ownership of the land be transferred must be performed prior to the takeovers.
- Foreign nationals are legally permitted to enter an agreement including leases, land concession, and mortgage.

Data source: IFLR1000 compiled by KResearch
Cambodia – M&A Opportunities & Future Outlook

Current M&A favorites will continue to be attractive, driven by growth in consumer demand for various services. Meanwhile, economic development could present opportunities in more industrial sectors.

**EXISTING**

- Low cost of labor and openness to foreign investment should continue to be a strong pull factor, as M&A structures are impacted by restrictions on foreign investment.
- The strong tourism sector would also continue to draw investors, particularly towards offering new services in different segments.
- A still saturated microfinance market should continue to offer opportunities for consolidation to better serve the growing demand for financial services

**FUTURE**

- Continued progress of economic growth would push infrastructure demand, pointing to opportunities in construction-related sectors.
- Continued advancement of industrial capability will lead to a larger number of targets in the industrial sector.
- The ongoing tax reform process is expected to improve the business environment and transparency of local targets.

**Key Drivers**

**Key Sectors**

- Entertainment
- Hospitality & Real Estate
- Financial
- Consumer Goods & Retail
- Light Industry
- Infrastructure & Construction
AGENDA

LAO PDR

บริการทุกระดับประเทศเวียดนาม
Laos – M&A Overview

As one of the smaller markets in the region, Laos is currently the most limited in terms of M&A opportunity, with a smaller number of precedent cases, though activity has begun to perk up.

**Number of Deals and Deal Value 2007-2016**

- **Only a few deals seen due to limited targets**
  - The value of inbound M&A reached almost USD 100 million in 2016, a notable increase compared to that of 2015, though the significant amount of activity in 2016 is almost entirely made up of one major telecommunications deal.
  - Given the small size of the country, the limitation of potential targets means most investment is typically greenfield. Hence, M&A still makes up a low percentage of FDI. Moreover, as with the telecoms case, sectors which are supported by the government have made up the majority of deals in Laos.

- **Non-ASEAN and Thailand are top acquirers**
  - Hong Kong’s telecoms deal and China’s mining deal alone made up nearly 95% of all deals seen in Laos since 2007. Both are typically businesses that require licensing.
  - Discounting these larger deals, all M&A acquirers were non-ASEAN countries, save for Thailand, for whom Laos is a relatively familiar market with regards to certain aspects of consumer behavior.

**Top Acquiring Countries 2007-2016**

- Hong Kong
- China
- Denmark
- Thailand
- Australia

Data source: Bloomberg and UNCTAD compiled by KResearch
Laos – Key M&A Industries

As Laos is extremely rich in natural resources, resource-seeking is one of the top priorities for foreign investors, who utilize M&A as a way to obtain concessions in order to leverage their expertise.

### Proportion of Inbound M&A Deals by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion</th>
<th>Total Value: USD 128 mil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication</td>
<td>33%</td>
<td>35%</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### Number of Deals in Top Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELECOM</td>
<td>1</td>
</tr>
<tr>
<td>BASIC MATERIALS</td>
<td>4</td>
</tr>
<tr>
<td>F&amp;B</td>
<td>2</td>
</tr>
</tbody>
</table>

### Telecommunications Industry

- The Lao government has been aiming to reform its SOE’s since the early 2000s due to their inefficiency. One of these is the telecommunication SOE.
- The government’s divestment efforts have thus resulted in the large M&A deal, through which the acquirer was able to obtain a full operating license.
- Though another telecommunications deal is unlikely in the near future, the precedence of this deal does clearly demonstrate the often regulation-driven nature of M&A’s in emerging markets such as Laos. It also points toward opportunities for foreign investors looking to enter into businesses that are barred by certain restrictions.

### Basic Materials Industry

- Local mining companies are one of the key targets for foreign buyers as they have already obtained mining licenses and have established access to mining areas licensed for mining operations.
- Commodities in Laos worth mentioning include Bauxite, Alumina, Copper, gold, silver, Nickel, and Zinc. These resources are fundamental raw materials for production higher up the value chain.

Data source: Bloomberg compiled by KResearch
Laos – Top Deals

Top deals from the period 2007-2016 were concentrated in resource-based sectors as M&A’s stand as the go-to strategy for obtaining operating rights in the frontier market.

<table>
<thead>
<tr>
<th>DEAL VALUE (USD MIL)</th>
<th>ANNOUNCEMENT DATE</th>
<th>TARGET COMPANY</th>
<th>TARGET SECTOR</th>
<th>BIDDER COMPANY</th>
<th>BIDDER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>91.8</td>
<td>1 Sep 2016</td>
<td>ETL Pcl</td>
<td>Telecommunication</td>
<td>Comba Telecom Systems Holdings and Li Rong International</td>
<td>Hong Kong and PRC</td>
</tr>
<tr>
<td>28.05</td>
<td>8 Jan 2015</td>
<td>Sino Lao Aluminum Corp</td>
<td>Mining</td>
<td>Yunnan Aluminium</td>
<td>China</td>
</tr>
<tr>
<td>3.63</td>
<td>14 Nov 2007</td>
<td>Lao Soft Drink</td>
<td>Beverage</td>
<td>Carlsberg A/S</td>
<td>Denmark</td>
</tr>
<tr>
<td>1.97</td>
<td>19 Oct 2015</td>
<td>Grand Steel Pipe Industry</td>
<td>Metal Fabrication/Hardware</td>
<td>2S Metal</td>
<td>Thailand</td>
</tr>
<tr>
<td>1.16</td>
<td>28 Jun 2007</td>
<td>Nam Thong Copper-Gold Project</td>
<td>Mining</td>
<td>Alloy Resources</td>
<td>Australia</td>
</tr>
<tr>
<td>0.69</td>
<td>30 Mar 2015</td>
<td>TV Direct Lao</td>
<td>Retail</td>
<td>Unnamed buyers</td>
<td>Taiwan</td>
</tr>
<tr>
<td>0.22</td>
<td>15 Feb 2007</td>
<td>Lak Sao Project</td>
<td>Mining</td>
<td>Hill End Gold</td>
<td>Australia</td>
</tr>
<tr>
<td>0.13</td>
<td>11 May 2016</td>
<td>AEK Sole Co Ltd</td>
<td>Technology</td>
<td>DNA 2002 PCL</td>
<td>Thailand</td>
</tr>
</tbody>
</table>
Laos – M&A Regulations

There are several key legislations regarding doing M&A’s in Laos, particularly the Law on Enterprises, which divides M&A’s into 4 scenarios.

**Law on Enterprises**

- **Merger of general partnership enterprises**: A creditor of target companies might object to such merger unless all outstanding debts have been settled.
- **Merger of limited companies**: Approval from existing shareholders through a special resolution is required.
- **Merger of public companies**: In case of opposing shareholders, acquirers shall purchase stocks held by such opposing shareholders at the market price or price assessed by independent appraisers. M&A should be done within 150 days from the date all the companies to be merged pass resolutions of the merger.
- **Merger of state-owned companies**: Merger of SOEs at central level should be approved by Government of Laos while mergers at provincial level should be approved by provincial governor.

**The Decree on Securities and Exchanges**

- Foreign investors are allowed to purchase shares of public companies within restriction that foreign individuals do not hold more than 10% of total shares of a single company and group of foreign investors do not hold more than 49%.

*Data source: AEC+ Business Advisory*
Laos – M&A Opportunities & Future Outlook

Despite being a small market, there are growing opportunities that are moving in line with the country’s growing development and growing sophistication in consumer demand.

**EXISTING**

- **Low labor cost and the abundance of natural resources with lots of untapped potential point towards ample room for more opportunities in the basic materials sector and labor-intensive industries. M&A’s is one popular way to gain access to its flourishing mining sector.**
- **Moreover, Laos’ rapidly growing tourism sector and rising income of the middle class indicates a positive outlook for consumer goods, where M&A’s can help serve to easily tap existing consumer bases.**

**FUTURE**

- **The government’s commitment to push Laos as the “Battery of Asia” will ensure plenty of future opportunities arise in the energy sector.**
- **Laos’ growing infrastructure and human resource readiness for more value-added production processes, coupled with its proximity to Thailand, also makes Lao producers attractive as targets for investors looking to enhance the regional supply chain through acquisitions.**
- **Steady growth in middle class will expand the consumer market.**

### Key Drivers

- Low labor cost and the abundance of natural resources with lots of untapped potential point towards ample room for more opportunities in the basic materials sector and labor-intensive industries. M&A’s is one popular way to gain access to its flourishing mining sector.
- Moreover, Laos’ rapidly growing tourism sector and rising income of the middle class indicates a positive outlook for consumer goods, where M&A’s can help serve to easily tap existing consumer bases.

### Key Sectors

- Basic Materials & Mining
- Consumer Goods
- Energy
- Light Industry
- Tourism

บริการทุกระดับประเทศไทย
AGENDA

MYANMAR

บริการทุกระดับประทับใจ
Myanmar – M&A Overview

Myanmar is another new market, with laws and regulations still outdated and under constant revision and improvement. Improving political stability has also helped to draw in some inbound M&A’s in Myanmar, though activity has only begun fairly recently.

Number of Deals and Deal Value 2009-2016

- **Political stability helps draw foreign investors**
  - The recent improvement in Myanmar’s political stability have somewhat strengthened investors’ confidence, as indicated by the jump in activity from 2014 onwards.
  - One of Myanmar's key attractiveness is its large consumer market, whose spending power is beginning to accelerate at a rapid pace. Many firms have also set eyes on entering Myanmar in order to take advantage of its relatively cheap labor and abundant oil reserves.

- **Clear divide between strategies of acquires**
  - With its large market size and location at the center of ASEAN, trends of major deals by Asian investors indicate greater interest in Myanmar’s growing consumer market and its potential as a production hub for labor-intensive production.
  - On the other hand, deals from the US or Australia, which are less logistically connected to Myanmar, are more concentrated in the resources sector.

**Top Acquiring Countries 2009-2016**

- USA
- Singapore
- Japan
- Thailand
- Australia

Data source: Bloomberg and UNCTAD compiled by KResearch
Myanmar – Key M&A Industries

Consumer goods and oil & gas lead the M&A trend in Myanmar, driven by the fledging economy’s growing middle class as well as its rich natural resources.

### Consumer Goods Industry
- Although, by nature, deal values in the oil and gas industry tend to be larger than those of the food and beverage sector, the number of deals in consumer goods have been growing due to a rise in domestic demand.
- Compared to the manufacturing sector, which mostly sees greenfield investment, the consumer market sector may also be better entered through M&A’s, since they allow foreign firms to acquire locals with established consumer base and extensive network.

### Oil & Gas Industry
- As domestic demand continues to expand and foreign investment continues to flow into the country, Myanmar’s government has put increasing emphasis on securing Myanmar’s energy source to serve the rise in demand. Oil and gas is also Myanmar’s major source of income.
- Therefore, Myanmar allows foreign investors to invest in or take over local entities in the oil and gas sector in order to assist the sector’s development in term of capital, technology, and knowledge transfer.

---

**Data source: Bloomberg compiled by KResearch**

---

**Proportion of Inbound M&A Deals by Sector 2009-2016**

- **Consumer**: 49%
- **Energy**: 48%
- **Utilities**: 2%
- **Other**: 2%

**Number of Deals in Top Sectors**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>5</td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
</tr>
<tr>
<td>Utilities</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Myanmar – Top Deals

Top deals from the period 2007-2016 were concentrated in resource-based sectors as M&A’s stand as the go-to strategy for obtaining operating rights in the frontier market.

<table>
<thead>
<tr>
<th>DEAL VALUE (USD MIL)</th>
<th>ANNOUNCEMENT DATE</th>
<th>TARGET COMPANY</th>
<th>TARGET SECTOR</th>
<th>BIDDER COMPANY</th>
<th>BIDDER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,300</td>
<td>18 Apr 2016</td>
<td>Myanmar Gas Block</td>
<td>Oil &amp; gas</td>
<td>Chevron Corp</td>
<td>U.S.</td>
</tr>
<tr>
<td>560</td>
<td>19 Aug 2015</td>
<td>Myanmar Brewery Ltd</td>
<td>Beverage</td>
<td>Kirin Holdings</td>
<td>Japan</td>
</tr>
<tr>
<td>77</td>
<td>24 Jun 2014</td>
<td>Pun Hlaing Golf Estate and business</td>
<td>Tourism</td>
<td>Yoma Strategic Holdings</td>
<td>Singapore</td>
</tr>
<tr>
<td>62</td>
<td>3 Oct 2014</td>
<td>Oral Care Business from Shwe Ayar Nadi</td>
<td>Cosmetics</td>
<td>Colgate-Palmolive</td>
<td>U.S.</td>
</tr>
</tbody>
</table>

Data source: Bloomberg compiled by KResearch
Myanmar – M&A Regulations

There is no specific regulatory framework for M&A in Myanmar. However, there are rules relevant to the takeover of certain types of entity.

**Myanmar Companies Act**

- Regulators of specific sectors impose different restrictions regarding foreign ownership. For example, The Central Bank of Myanmar does not allow any foreigners to invest in local banks or insurance companies.
- The existing law also states that any company with a foreign share of ownership, regardless of the amount, is considered a foreign company. This may impact businesses, as certain business activities are prohibited or limited for foreign companies.
- **NOTE:** The Myanmar government is considering to amend the companies act in order to allow foreign investors able to acquire stakes up to 35% in local banks.

**New Investment Law**

- For a Myanmar company already operating under the Investment Law, any transfer of shares in such a company will require a new approval of the Myanmar Investment Commission (MIC). If such an approval is granted, the approval paper and the application to register such a share transfer must be submitted to the Directorate of Investment and Company Administration (DICA) for further approval.

- As foreigners are not allowed to own any land in Myanmar, if a foreign investors acquires a Myanmar entity which owns land in Myanmar, the ownership of the land is converted into a long-term lease.

- The concept of a foreign holding company is not known in Myanmar. If a foreign holding company holds a local company, the company immediately becomes a foreign company and cannot own land.

**Contract Law**

- In place of a formal M&A law, foreign businesses entering into M&A arrangements with Myanmar companies use a combination of Investment Law and Contract Law.

*Data source: AEC+ Business Advisory*
Myanmar – M&A Opportunities & Future Outlook

Myanmar is one of the least developed but one of the fastest growing frontier economies in the region. While it is a nascent economy, its large population and strategic location makes it a future force to be reckoned with.

**EXISTING**

- Improved political stability and the lifting of sanctions from Myanmar has been a good starting point for the nation in attracting more investment, both greenfield and through M&A’s.
- Moreover, its large population and cheap labor provides a good foundation for future growth in the consumer goods market, where competition is slowly beginning to intensify. M&A’s would be a good way to acquire and consolidate distribution networks.

**FUTURE**

- The ongoing process to improve legal and physical infrastructure as well as to increase openness to foreign investment will help to develop its nascent industries, groom potential targets for M&A’s.
- Its large population will continue to grow into a significant consumer market in the future.
- Myanmar is also strategically located within ASEAN and is a key part of China’s One Belt One Road plan.

### Key Sectors

- Oil & Gas
- Consumer Goods
- Energy
- Retail
- Industry & Infrastructure
- Construction
AGENDA

VIETNAM
Vietnam – M&A Overview

Vietnam has been receiving a growing amount of inbound M&A deals since its WTO accession in 2007, with the consumer goods and energy sectors leading the trend.

### Number of Deals and Deal Value 2006-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Deal Number (Right)</th>
<th>Deal Value (Left)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'06</td>
<td>1,000</td>
<td>10</td>
</tr>
<tr>
<td>'07</td>
<td>1,200</td>
<td>10</td>
</tr>
<tr>
<td>'08</td>
<td>2,000</td>
<td>10</td>
</tr>
<tr>
<td>'09</td>
<td>2,400</td>
<td>10</td>
</tr>
<tr>
<td>'10</td>
<td>3,000</td>
<td>10</td>
</tr>
<tr>
<td>'11</td>
<td>4,000</td>
<td>30</td>
</tr>
<tr>
<td>'12</td>
<td>2,400</td>
<td>30</td>
</tr>
<tr>
<td>'13</td>
<td>1,200</td>
<td>30</td>
</tr>
<tr>
<td>'14</td>
<td>1,000</td>
<td>30</td>
</tr>
<tr>
<td>'15</td>
<td>2,000</td>
<td>30</td>
</tr>
<tr>
<td>'16</td>
<td>4,000</td>
<td>30</td>
</tr>
</tbody>
</table>

### KEY TRENDS

**Uptick due to growing market and divestment**
- Total inbound M&A value in Vietnam after WTO accession averaged USD 1,206 million p.a. between 2007-2016, much higher than pre WTO levels, which averaged USD 110 million. 2012 was a particularly big year, with two major deals in retail and energy.
- The number of deals has also tended upward over time, attracted by Vietnam’s burgeoning middle class, growing sophistication of its services and tourism sectors, as well as the government’s SOE divestment push.

**Acquirers targeting consumer-related sectors**
- Australia tops the list with a hotel acquisition, which ensured it obtained a casino-operation license, one of Australia’s major sectors.
- Meanwhile, most big players from the top acquiring countries have targeted the retail and financial services industry, drawn by the sizeable market, the fast growth of the ultra-rich and growing sophistication of consumer demand. This profile differs greatly from top FDI investors such as South Korea and Japan, who enter manufacturing industries through greenfield investment.

Data source: Bloomberg and UNCTAD compiled by KResearch
Vietnam – Key M&A Industries

A relatively more mature economy, coupled with its large population, makes Vietnam attractive as a target for acquisitions related to the consumption sector as well as related sectors such as finance and real estate.

Proportion of Inbound M&A Deals by Sector

2006-2016

- Consumer: 39%
- Energy: 15%
- Financial: 12%
- Industrial: 13%
- Other: 21%

Total Value: USD 9,168 mil

Consumer Goods Industry

- While the share of M&A activity in the consumer goods industry is similar to that of the energy sector, the former has received a much larger number of deals.
- Both domestic market growth and growth in the tourism sector, which has been attracted a growing number of foreign visitors each year, have helped to boost Vietnam’s retail sector. Entering through M&A’s is particularly advantageous in retail as it offers a quick way to gain geographical reach.

Energy Industry

- M&A's help investors to easily obtain oil exploration concessions in the country, hence the large number of deals in the energy sector, which includes one particularly large deal from France.

Financial Industry

- Vietnam’s more mature financial market and availability of real estate and financial assets compared to other emerging economies also makes it attractive as a target of alternative investments, as demonstrated by a financial security firm’s acquisition of Vietnam’s tallest skyscraper.

Number of Deals in Top Sectors

<table>
<thead>
<tr>
<th>CONSUMER</th>
<th>ENERGY</th>
<th>FINANCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>106</td>
<td>27</td>
<td>33</td>
</tr>
</tbody>
</table>

Data source: Bloomberg compiled by KResearch
Vietnam – Top Deals

Top deals from the period 2007-2016 were concentrated in resource-based sectors as M&A’s stand as the go-to strategy for obtaining operating rights in the frontier market.

<table>
<thead>
<tr>
<th>DEAL VALUE (USD MIL)</th>
<th>ANNOUNCEMENT DATE</th>
<th>TARGET COMPANY</th>
<th>TARGET SECTOR</th>
<th>BIDDER COMPANY</th>
<th>BIDDER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,406</td>
<td>24 Aug 2012</td>
<td>Lao Cai International Hotel JV Co</td>
<td>Retail</td>
<td>Donaco International</td>
<td>Australia</td>
</tr>
<tr>
<td>1,290</td>
<td>16 Feb 2012</td>
<td>Vietnam Business Unit</td>
<td>Energy</td>
<td>Perenco SA</td>
<td>France</td>
</tr>
<tr>
<td>1,134</td>
<td>29 Apr 2016</td>
<td>Big C Vietnam Supermarket Chain</td>
<td>Retail</td>
<td>Central Group</td>
<td>Thailand</td>
</tr>
<tr>
<td>716</td>
<td>6 Aug 2016</td>
<td>METRO Cash &amp; Carry Vietnam</td>
<td>Retail</td>
<td>TCC Corp</td>
<td>Thailand</td>
</tr>
<tr>
<td>396</td>
<td>29 Apr 2016</td>
<td>Landmark 72</td>
<td>Financial</td>
<td>AON BGN</td>
<td>South Korea</td>
</tr>
</tbody>
</table>

Data source: Bloomberg compiled by KResearch
Vietnam – M&A Regulations

There are several key legislations regarding doing M&A’s in Vietnam.

**Law on Investment**
- Under Art 26 of the LOI when a foreign investor or an foreign invested enterprise (FIE: enterprises with at least 51% foreign ownership) conducts an M&A transaction into conditional investment projects or, as a consequence, holds more than 51% equity of a target, then such M&A activity must be registered with the local department of planning and investment (DPI) where the target is located (the so-called Registration requirement) and apply for an Investment Certificate (IC).
- If these conditions are absent, the M&A activity may be conducted solely under the ordinary Law on Enterprises (LOE), thereby avoiding the requirement of obtaining an IC to close the M&A deal.

**Law on Securities**
- In acquiring a listed company, certain sectors are subject to specific regulations. Generally, the maximum shareholding percentage for a foreign investor is 49% of the charter capital.
- In certain sectors more stringent restrictions apply, eg. local commercial banks allow only 30% ownership.
- The concept of a foreign holding company does not exist formally in Vietnam.

**Competition Law**
- After M&A, if a merging companies hold 30%-50% of the market share, the transaction must be submitted for approval from the authorities at the Ministry of Industry and Trade.

Data source: AEC+ Business Advisory
Vietnam – M&A Opportunities & Future Outlook

Due to a combination of a large population, rich resources and significant inflows of FDI, Vietnam’s economy is poised to see accelerated development in the future. State divestments also offer specific opportunities for M&A’s.

**EXISTING**

- Vietnam’s large consumer market and growth in its rich consumers with rapidly shifting demands has been one key factor in drawing investors who hope to establish themselves in the consumer goods and services market early.
- Vietnam’s abundance of energy resources will also continue to attract those who wish to easily obtain operating rights in the country.
- Its larger and more developed market also offers more opportunities to diversify.

**FUTURE**

- One of the biggest drivers expected to impact Vietnam’s investment environment is the government’s focus on regulatory reform and push to divest of its existing SOE’s, providing ready targets for acquisition.
- Vietnam is also a key part in China’s One Belt One Road initiative.
- Real estate is another booming sector, with locals having more dispensable income and readiness to invest in property.

**Key Drivers**

- Vietnam’s large consumer market and growth in its rich consumers with rapidly shifting demands has been one key factor in drawing investors who hope to establish themselves in the consumer goods and services market early.
- Vietnam’s abundance of energy resources will also continue to attract those who wish to easily obtain operating rights in the country.
- Its larger and more developed market also offers more opportunities to diversify.

**Key Sectors**

- Energy
- Consumer Goods
- Financial
- Telecommunication
- Construction Material
- Real Estate
AGENDA

INDONESIA
Indonesia – M&A Overview

Among CLMVI, Indonesia’s M&A market is the most advanced, as indicated by the greater number of deals and deal value. However, as with M&A’s in the other frontier markets, deals in Indonesia are still fairly concentrated within a few sectors.

**Number of Deals and Deal Value 2005-2016**

![Diagram showing number of deals and deal value from 2005 to 2016.]  

**Top Acquiring Countries 2005-2016**

- USA
- Singapore
- UK
- Malaysia
- Saudi Arabia

**KEY TRENDS**

- **M&A value fluctuates with commodity price**
  - Since Indonesia is rich with natural resources and basic materials, the inbound value of M&A’s often coincide with major changes in global commodity prices. The significant jumps seen in the graph coincides with surges in oil prices. Since 2013, the slump in oil prices have also brought down M&A value.
  - As M&A deals are structured around restrictions on foreign investment, a lot of deals have also been impacted by changes in the Negative List, which has opened up more sectors for foreign investment such as e-commerce, healthcare, financial services or logistics.

- **Top acquirers targeting energy and infrastructure**
  - Although the biggest deal by the US is tobacco deal in 2005, top acquirers are mainly focused on entering the energy sector.
  - Basic materials was also popular with other investors. Singapore is a major investor in Indonesia overall, having made headway in the financial sector through M&A’s as well as the industrial and resources sector through greenfield investment.

Data source: Bloomberg and UNCTAD compiled by KResearch
Indonesia – Key M&A Industries

The energy and resources sector top deal value in Indonesia, while consumer-related sectors see the greatest number of deals due to Indonesia’s greater availability of potential targets.

Energy & Resources Industry
- Indonesia’s energy and resources sectors are driven by divestments and industry consolidation in order to improve the sectors’ efficiency, particularly in the oil and gas sector.
- As a result, the sector has seen a significantly rise in M&A value. Traditionally, Indonesia has also long been known to have especially difficult and complicated licensing processes, encouraging foreign investors hoping to capture opportunities in the country to seek out M&A’s as a market entry strategy.

Consumer Goods Industry
- Sectors that have expanded alongside the growing middle class have been another bright set of targets. Whilst a lot of greenfield investment have flowed into the country in the mid-market sectors, large global players have the resources to capture a wider market through M&A’s.
- The result is a growing competitiveness of the consumer market landscape.

Financial Industry
- The financial sector is another overly saturated sector that the government hopes to consolidate. M&A’s in this sector, especially recently, have thus been regulation-driven.

Data source: Bloomberg compiled by KResearch
Indonesia – Top Deals

Top deals from the period 2007-2016 were concentrated in resource-based sectors as M&A’s stand as the go-to strategy for obtaining operating rights in the frontier market.

<table>
<thead>
<tr>
<th>DEAL VALUE (USD MIL)</th>
<th>ANNOUNCEMENT DATE</th>
<th>TARGET COMPANY</th>
<th>TARGET SECTOR</th>
<th>BIDDER COMPANY</th>
<th>BIDDER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,121</td>
<td>13 Mar 2005</td>
<td>Hanjaya Mandala Sampoerna Tbk PT</td>
<td>Consumer (Tobacco)</td>
<td>Altria Group Inc</td>
<td>U.S.</td>
</tr>
<tr>
<td>3,050</td>
<td>26 Jun 2007</td>
<td>AXIS Telekom Indonesia PT,Binariang GSM Sdn Bhd</td>
<td>Communications</td>
<td>Saudi Telecom Co</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>2,000</td>
<td>25 Nov 2015</td>
<td>Newmont Nusa Tenggara PT</td>
<td>Gold Mining</td>
<td>Investor Group</td>
<td>n.a.</td>
</tr>
<tr>
<td>1,815</td>
<td>27 Jan 2012</td>
<td>Golden Energy Mines Tbk PT</td>
<td>Coal</td>
<td>Golden Energy &amp; Resources</td>
<td>Singapore</td>
</tr>
<tr>
<td>1,514</td>
<td>16 Nov 2010</td>
<td>Berau Coal Energy Tbk PT</td>
<td>Coal</td>
<td>Asia Resource Minerals</td>
<td>U.K.</td>
</tr>
</tbody>
</table>

Data source: Bloomberg compiled by KResearch
Indonesia – M&A Regulations

The following are several key legislations regarding doing M&A’s in Indonesia, among other laws.

**Company Law**
- Under Indonesian law, an enterprise is any amount of share held by a foreign entity is considered a foreign company (called PT PMA: a limited liability company with foreign direct investment)
- M&A deals must be approved by 75% of the shares at a general meeting of shareholders.
- M&A deals cannot be completed till any creditor objections are resolved. Creditors may object to the M&A deal within 14 days of being notified.

**Investment Law**
- Foreign investor requires to abide by related Investment Law and Negative Investment Lists, determining the permitted percentage of foreign shareholder in Indonesia. A new Negative Investment List was issued in 2016 (Notification 44/2016).
- The Notification stipulates business activities that are prohibited or allowed under certain conditions. Activities not listed under the Negative List are assumed open for 100% foreign investment.

**Competition Law**
- After M&A, if a merging companies hold 30%-50% of the market share, the transaction must be submitted for approval from the authorities at the Ministry of Industry and Trade.

**Other Regulations**
- Law No. 8 of 1995 regarding the Capital Markets, OJK Regulation No. IX.H.1 regarding Acquisitions of Public Companies, OJK Regulation No. IX.F.1 regarding Voluntary Tender Offers, Rules from the Indonesia Stock Exchange (IDX)

Data source: AEC+ Business Advisory
Indonesia – M&A Opportunities & Future Outlook

With the government’s new emphasis on opening up the economy and prioritizing new innovative investments, Indonesia will have more diversified targets for acquisitions in many high-potential sectors previously restricted to local players.

**EXISTING**

- Indonesia’s immense population dwarves those of other emerging countries, and is the key driver of investment in the consumer goods sector. It’s large fragmentary geography also makes M&A an interesting option to acquire market share.
- The state is also looking to consolidate many of its key sectors in the vast, resource-rich country, which has seen a great proliferation of businesses in the banking, oil and gas and mining sectors.

**FUTURE**

- As a relatively more advanced market, Indonesia has seen a rising trend in digital services including fintechs and e-commerce. The growing number of new innovative players with market share may provide foreign investors with potential targets.
- More importantly, the recent revision of its Negative Investment List will open up more sectors to foreign investment. Of particular interest is its easing of investment in consumer-related industries.

### Key Drivers

- Indonesia’s immense population dwarves those of other emerging countries, and is the key driver of investment in the consumer goods sector. It’s large fragmentary geography also makes M&A an interesting option to acquire market share.
- The state is also looking to consolidate many of its key sectors in the vast, resource-rich country, which has seen a great proliferation of businesses in the banking, oil and gas and mining sectors.

### Key Sectors

- Energy & Resources
- Consumer Goods
- Financial
- Tech-related Industries
- Consumer-related Industries
- Tourism & Creative Industries
## CLMVI – M&A Challenges

Emerging markets have certain common challenges for doing M&A’s, particularly when dealing with legal issues.

<table>
<thead>
<tr>
<th>Pre-Deal</th>
<th>Post-Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited Precedent</strong></td>
<td>In emerging economies, lack of precedent cases, particularly after new laws have been enacted, may cause some uncertainties in investors.</td>
</tr>
<tr>
<td><strong>Limited Information</strong></td>
<td>Compared to more developed economies with more sophisticated laws and regulations regarding information disclosure, complete and publicized information of companies in emerging economies can be difficult and not systematic. In some countries, permission must be obtained before searches can be done, and in some cases, digitalized information may not be available.</td>
</tr>
<tr>
<td><strong>Incomplete M&amp;A Law</strong></td>
<td>Some countries do not have formal M&amp;A laws and accounting standards may not be up to par with international standards. These limitations may cause delays and problems with due diligence. Indonesia, for instance, has set IFRS standards, but implementation can be inconsistent, while Vietnam has yet to adopt IFRS. At the same time, Myanmar has recently modeled accounting standards after the IFRS but as of now there has been no precedent.</td>
</tr>
<tr>
<td><strong>Nascent Legal System</strong></td>
<td>Regulations may change frequently, affecting the ability to make long-term investment decisions.</td>
</tr>
<tr>
<td><strong>Managing Human Resource</strong></td>
<td>The region is very culturally diverse. Business culture should be studied closely with the help of local experts in order to understand cultural nuances. Misunderstandings may affect the transition process.</td>
</tr>
<tr>
<td><strong>Managing Public Image</strong></td>
<td>Different markets may have different perceptions of foreign firms. News about M&amp;A released to the public may affect stakeholders’ perception of the company’s corporate images, especially customers.</td>
</tr>
</tbody>
</table>
M&A in CLMVI – Summary

M&A’s will go where there are customers, technology, or resources. This means that cross-border M&A, especially those focused on emerging markets, where consumers are gaining purchasing power and resources are abundant, will continue to grow.

**Market Share Acquisition**
Indonesia, Vietnam and Myanmar have the largest populations, presenting more long-term opportunity to capture significant consumer base.

**Cost Reduction**
New frontiers, Cambodia, Laos and Myanmar have lower labor costs, and are therefore relatively more ideal for acquisitions in the industrial sector.

**Resource Acquisition**
Indonesia, Vietnam, Myanmar and Laos have significant reserves of natural resources that are mostly still untapped.

**Business Diversification**
Indonesia and Vietnam are the more developed, with more potential M&A targets. Divestment and liberalization policies will also open up new opportunities.

Strategy Suitability Matrix

*Data source: AEC+ Business Advisory*
Doing business in emerging countries may be very different from doing business in more advanced economies, both in terms of market readiness and business culture. Investors must therefore plan sufficiently to avoid difficulties.

**STRATEGISING**

Strategy alignment and cohesion is key

- Ensure your strategy aligns with the company’s overall vision. Many investors make the mistake of viewing acquisitions as a standalone project.
- Really understand your target’s business model. How can you ensure the two models synergize and create efficiency?

**PREPARING**

Begin early and take time to build mutual trust

- Processes in emerging economies are often more time consuming due to complex bureaucracy.
- Businesses in emerging economies often depend on close relationships with key stakeholders or executives. Building such a relationship take time.

**TRANSITIONING**

Clear understanding of management teams is paramount

- Establish an internal change management team to facilitate the transition process specifically.
- A clear and aligned understanding from both sides is important, particularly from the target side.
- Be aware of varying business cultures when dealing with the new management team in order to avoid any conflicts of interest.
DOWNLOAD FROM OUR WEBSITE

Visit:
https://aecplusadvisory.askkbank.com/
Why Become a Member?

- Access to full reports of all our publications.
- Ability to subscribe to our regular newsletters.

Check out our website for:
- Country investment guides
- Economic updates
- Industry analyses
- News updates
- Other special reports

about Thailand, CLMVI and China, Japan and Korea.