



BDO Horizons

Issue 2 / 2023

BDO in Thailand



Global M&A scene

Mid-market M&A becomes indispensable in dealmaking; Q1 2023 muted by 2022 numbers but back above pre-COVID levels

The mid-market M&A scene recently gained prominence over megadeals, which reached their peak in 2021, as businesses utilize acquisitions and divestitures as a tool for strategic growth and transformation. Mid-market M&A deals fared at 2,565 transactions in the first quarter of 2023, diminishing from 2022 but remaining high against the larger historical picture. Despite the statistic being lower than any quarter recorded in the prior year, which displayed remarkable activity, historical seasonal trends which show deal activity usually increasing into the year and slowing disruptive macroeconomic conditions are reasons why an expectant view is being formed for 2023's outlook.

Regional trends

Leading into 2023, North America and Greater China took the lead in deal activity in the second half of 2022. The two regions were involved in the highest number of transaction across almost all lead M&A industries, accounting for 30% and 17% of deal volume in that period.

In Q1 2023, North America's deal activity declined by 10% while Greater China saw a larger dip at 36%. This trend is seen across the board in all regions of the world except Japan.

Technology, Media, and Telecom (TMT) is a common sector for investment across the globe, being most active in the Americas, Europe, UK / Ireland, and Greater China.

Sectorial trends Y-o-Y with pre-COVID statistics present a different view to trends Q-o-Q, highlighting the significance of M&A activity in 2022.

Whilst comparing Q1 2023 numbers to 2022 showed a decline in all sectors, the same analysis performed on Q1 of pre-COVID years display a more promising view of 2023 with higher activity in Energy, Mining & Utilities, Pharma Medical & Biotech, Real Estate, and TMT. Only Business Services and Consumer sectors performed lower than pre-COVID first quarters.

2,565
transactions

Prominent players in
Americas and China

Return of pre-
pandemic levels

Q3-Q4 2022 global mid-market M&A distribution

	TMT	Industrials & Chemicals	Business Services	Pharma, Medical & Biotech	Consumer	Financial Service	Energy, Mining & Utilities	Leisure	Real Estate	Total	%*
North America	968	247	332	491	271	195	87	54	14	2,659	30%
Greater China	202	480	212	118	115	120	136	40	100	1,523	17%
CEE	139	138	62	33	82	57	50	21	11	593	6%
Southern Europe	145	165	102	48	159	72	65	41	20	817	9%
India	49	46	45	31	53	37	18	2	3	284	3%
Latin America	172	19	67	12	60	34	56	14	11	445	5%
Nordic	52	55	33	51	20	13	19	6	3	252	2%
UK / Ireland	113	44	59	53	48	50	22	44	4	437	4%
Australasia	68	53	43	32	37	31	36	17	7	324	3%
DACH	101	87	33	51	44	10	9	8	3	346	3%
Other Asia	41	43	19	10	17	15	11	12	0	168	1%
South East Asia	75	54	41	47	40	63	50	20	18	408	4%
Japan	18	29	3	11	9	16	9	4	3	102	1%
Middle East	11	3	6	3	5	5	3	1	2	39	0%
Africa	27	27	33	11	16	8	28	1	4	155	2%
Benelux	26	35	32	22	17	13	5	5	0	155	2%
Israel	34	12	3	5	8	8	3	1	2	76	1%
TOTAL	2,241	1,537	1,125	1,029	1,001	747	607	291	205	8,783	

* percentage are rounded up to the nearest one.

Drivers in global deals

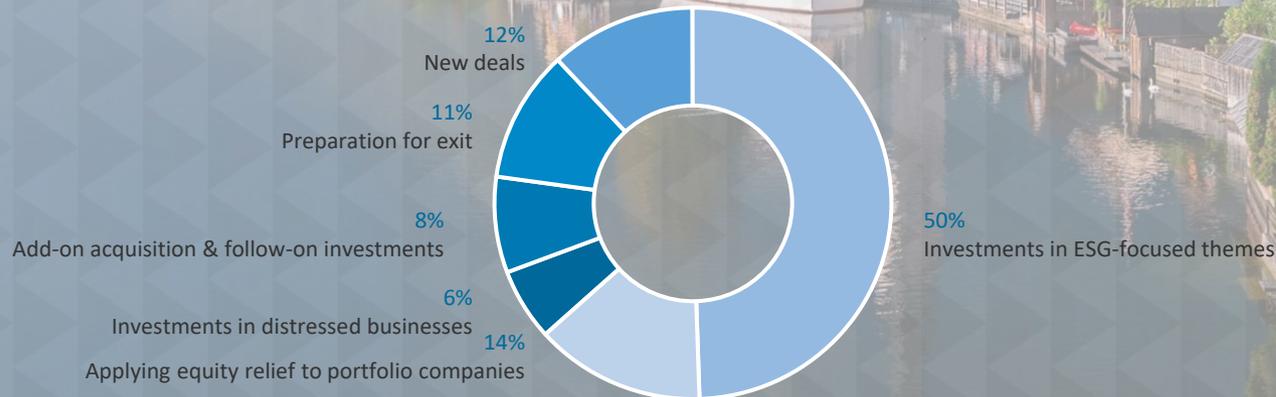
At 2,565 transactions globally in the first quarter of 2023, mid-market M&A activity slowed from 2022 but remains above historical levels. Pre-COVID M&A statistics identified the tendency of gradual rises of trade volume throughout each year, a pattern continuing into 2021. Should 2023 display similar characteristics, the year would be on par with 2021 and pre-COVID levels.

Spiraling inflation over recent years have made investment much more costly for buyers. The importance and edge to be gained from access to cash is more so highlighted as a key consideration in dealmaking. Multiples are expected to dwindle in the forecast for 2023.

Global mid-market M&A



PE firm investment outlook



Nevertheless, M&A today is considered to be a 'buyer's market' with the focus on value creation placing pressure on sellers to be well-prepared for detailed diligences. It is expected that private equity firms will be active in 2023, looking to expand capability and gain pricing benefits in the long-term. Strategic shifts in PE firms to focusing on the review and enhancement of portfolios through add-on acquisitions rather than executing bold deals requiring debt capital have been observed.

The perpetuating themes of AI & technology and ESG, seen across all developments across the globe, is also expected to take prominence in the deal market.

Regional trends: Southeast Asia

Significant momentum in Q1 led by intra-region deals in TMT, marine construction, and mining industries

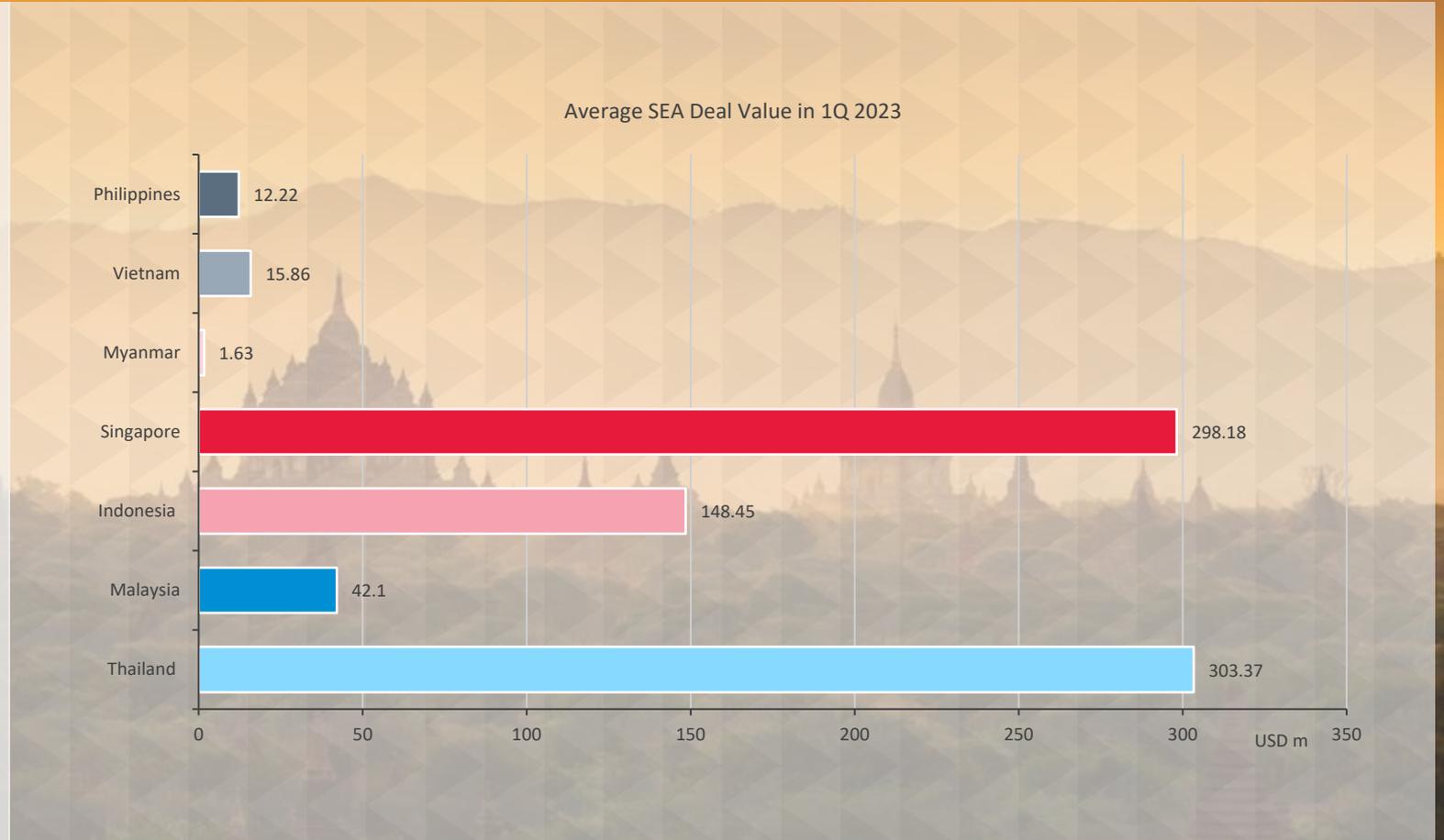
The Southeast Asian M&A market grew in Q1 2023 by 5.6% Y-o-Y.

Key players in the region were Singapore, Thailand and Indonesia, who were involved in 40%, 31% and 21% respectively of deal value this quarter and contributed the largest average deal values. Malaysia, a key player in 2022 and involved in 36% of Q4 2022 deal value, dwindled to only 7% in Q1 2023.

The global geopolitical environment proved to be a factor in dealmaking, with intra-regional deals gaining prevalence in this quarter, accumulating 80% of total deals. Investors are looking into regional opportunities in light of the challenging and volatile global political and macroeconomic horizon which make transactions harder to sell and/or close.

Property & constructions, consumer services, consumer products, and technology and mining sectors saw notable boosted activity in Q1 2023 deals.

The quarter's largest deals were seen in the telecommunications, marine construction and mining industries, with Thailand's mobile carrier True Corporation's acquisition of DTAC as well as Bangchak Corporation of Esso (Thailand) PCL, Singapore's Sembcorp marine acquisition of Keppel Offshore & Marine, and the Indonesian government's acquisition of Bukit Asam.



Transactions in Thailand

A regional pioneer of the M&A market

After a recession of domestic M&A activity in the latter half of 2022, Thailand's current year deals market has been on the rise. Particularly in comparison to the same quarter of the previous year, Q1 of 2023 almost quadrupled by value in deals with roughly USD 1,973 million in transaction value. The largest deal in this quarter by Bangchak Corporation PCL in its efforts to strategically align with energy affordability and sustainability in the long-term demonstrates applications of global ESG themes in Thailand. Following in second place was Flash Express' funding raising in a plan to expand of its overseas presence.

Accordingly, the energy & natural resources sector and transport & logistics sector led the M&A market in Thailand, accounting for up to 76% of transacted value. Other notable sectors include industrial manufacturing, real estate, TMT, healthcare & life sciences, and financial services.

Activity slowdown in the previous year had been rooted in economic conditions like inflation, soaring interest rates and other geopolitical risks which were also observed on the SEA (regional) level.

The Bank of Thailand forecasts a growth of 3.6% in GDP for 2023, with the country's staple tourism industry seeing a comeback from COVID-19 slumps coupled with government stimuli. As the economy stabilizes, we expect to see rebounded M&A activity as firms look for strategic expansion and portfolio optimization opportunities.

Against the global M&A backdrop, we see a general alignment of the Thai market in terms of numbers and prominent industries. TMT, which is the largest and most prominent globally, has also been active in Thailand with True Corporation PCL's acquisition of Dtac (Total Access Communication PCL) announced in 2021 and completed in March 2023.



Investment promotion yielding foreign and local application spikes

Thai economy driven towards E&E, food processing, chemicals, automotives, and EEC high-tech investments

At a combined THB 185.7 billion (USD 5.5 billion) worth of BOI applications, the first quarter of 2023 saw a 77% increase Y-o-Y.

The rise is driven by both foreign and local investment opportunities, with electrical appliances and electronics (E&E), sustainable industries, agriculture and food processing, petrochemicals and chemicals, and automotives as prominent destinations of investment in Q1 2023.

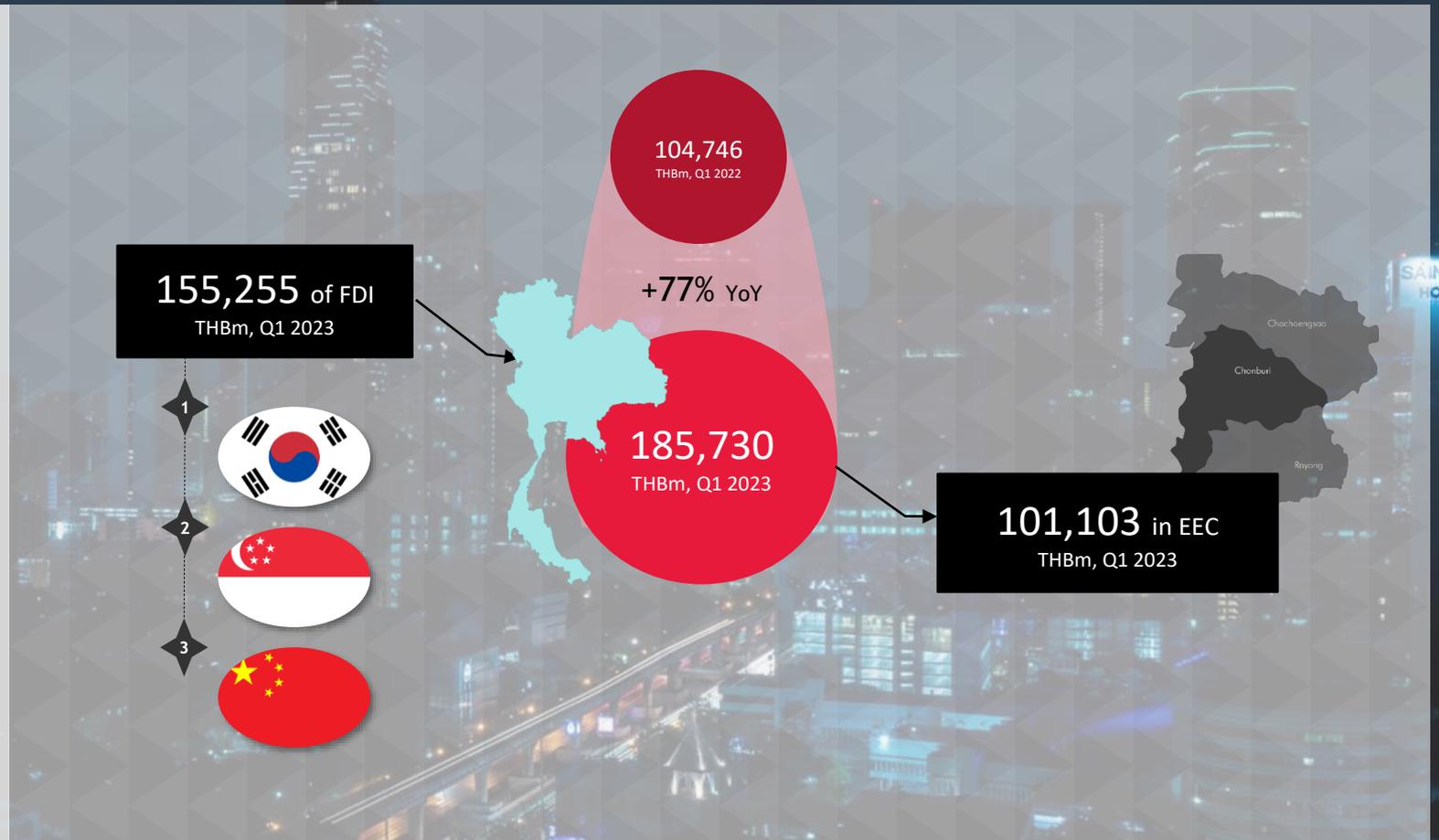
The Eastern Economic Corridor (EEC), Thailand's high-tech industrial zone, drew the most interest with THB 101.1 billion worth of applications.

Foreign direct investments in this quarter were propelled by South Korean businesses, leading the E&E sector, Singaporean investors with interest in a solar cell production business, and Chinese applications which spiked 87% in value from the previous year.

THB 56.6 billion (USD 1.64 billion) worth of projects approved the BOI as of March 2023 are set to gain from both tax and non-tax benefits.

The ventures of multinational companies into Thailand, including the establishment of regional headquarters and relocation of foreign individuals, will be supported by the 'HQ Biz Portal' and 10-Year Long-Term Resident Visa (LTR). The HQ Biz Portal is intended to be a collaborated service unit of the BOI and other Thai regulators to ease the setup of international business centers (IBC).

Source: Thailand Board of Investment



Incentives under the investment promotion act

Thai economy driven towards E&E, food processing, chemicals, automotives, and EEC high-tech investments

Tax incentives	Non-tax incentives
Exemption / reduction of import duties on machinery	Permit for foreign nationals to enter the Kingdom for the purpose of studying investment opportunities
Reduction of import duties for raw or essential materials	Permit to bring into the Kingdom skilled workers and experts to work in investment promoted activities
Exemption of import duties on materials imported for R&D purposes	Permit to own land
Exemption of corporate income tax on the net profit and dividends derived from the promoted activity	Permit to take out or remit money abroad in foreign currency
A 50 percent reduction of the corporate income tax	
Double deduction from the costs of transportation, electricity and water supply	
Additional 25 percent deduction of the cost of installation or construction of facilities	
Exemption of import duty on raw or essential materials imported for use in production for export	

Our corporate finance specialists



Matthew Cutt

Partner

M +66 (0) 6 6046 0260

W +66 (0) 2 636 0354

matthew.cutt@bdo.th



Frank Janik

Partner

M +66 (0) 8 1869 6522

W +66 (0) 2 636 0354

frank.janik@bdo.th



Tawinun Jivanon

Senior Manager

M +66 (0) 8 2005 7500

W +66 (0) 2 636 0354

tawinun.jivanon@bdo.th



Phatara Asavanamuang

Assistant Manager

M +66 (0) 84 123 8123

W +66 (0) 2 636 0354

phatara.asavanamuang@bdo.th

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