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INDONESIA'S PLANS FOR GREEN FINANCE
GUIDE TO CAYMAN ISLANDS

DEALMAKERS OF ASIA

With Asia having a strong year in M&A, transactional lawyers in the region are more in demand than ever.

BY ASIAN LEGAL BUSINESS

For the first three quarters of 2018, Asia struck a positive note in merger and acquisition (M&A) activity involving companies in the region. Japan saw the strongest level of activity since 1980, China's biggest deal for the period is ongoing and both India and Indonesia introduced supportive government policies that should help boost M&A activity.

Across Asia Pacific excluding Japan, some 9,571 announced deals added up to \$759.7 billion in value, up 8.5 percent from the same period in 2017, according to Thomson Reuters' Mergers & Acquisitions Review for the first nine months of 2018.

A driving force for M&A activity in the Asia market, the industrials sector represented 14 percent of total deal value followed by financials and real estate. China's state-owned power company China Three Gorges (Europe) launched a \$29.6 billion bid for a 76.6 percent stake in Portugal's biggest electricity operator EDP Energias de Portugal.

M&A deals targeting Chinese companies have also broken records in terms of value. These deals recorded the highest nine-month value since 2015 at \$41.61 billion, up 30.7 percent from the same period last year.

However, the rank value — which is calculated by subtracting the value of liabilities assumed ion transactions from the transaction value and adding the net debt of the target company — of the 4,187 deals announced during this period stood at \$351.9 billion, slightly down 1.3 percent from the same period last year.

In turn, Japan delivered the best performance in the region. The country saw the most robust M&A activity in any nine-month period in nearly four decades, with M&A deal value surging 140 percent to \$290.5 billion during the first three quarters this year. The number of announced deals also rose 10.6 percent to 2,951 from the same period last year.

A deal to note is Takeda Pharmaceutical's \$62 billion bid to take over Irish drugmaker Shire, which is the largest-ever overseas acquisition by a Japanese company.

Heading southeast, Singapore experienced a 56.3 percent drop in rank value of announced M&A deals while Thailand saw a 205.8 percent increase.

In 2019, Asia's M&A activity will continue to grow, noted law firm Baker McKenzie in its 2018 Global Transactions Forecast report. The law firm predicts that next year most of the APAC countries, namely China, Malaysia, Singapore, South Korea, Thailand, Vietnam, India, and Indonesia will see a rise in M&A deal value.

INCREDIBLE INDIA

A fast-growing market, India experienced a boom in M&A activity during the first three quarters of this year, data by Bloomberg suggests. Deal value involving Indian companies reached \$104.5 billion for the nine-month period, already beating the total for all of 2017.

"More than doubled" is how Manoj Kumar, managing partner of Hammurabi

& Solomon Partners, describes the value of M&A deals involving Indian companies during this period.

According to Kumar, domestic M&A activity has tripled its size in value since 2017. The law firm also noted that the first eight to nine months were fully occupied as compared to previous years.

Retail, financials, energy and power, and telecom were the sectors that saw major consolidation in 2018, Kumar notes.

The $16 billion acquisition of Indian e-commerce giant Flipkart by U.S. retail giant Walmart this year marked the biggest bid by a foreign buyer in the South Asian country. Foreign telecom forerunners such as Amazon, Alibaba and Tencent are also acquiring stakes in Indian companies to step up their presence in the country.

Kumar further suggests that an improved regulatory framework, boosted by the Insolvency and Bankruptcy Code (IBC) and goods and services tax (GST), will also make inbound M&A activity more attractive.

Finance experts in India say the new bankruptcy code has contributed to consolidation in industries. This is because the new code is bringing distressed assets up for sale at attractive valuations, especially in sectors such as energy and power.

Looking ahead, market watchers remain optimistic about India's M&A activity, citing an unprecedented opportunity for deal-making thanks to the new bankruptcy code. Deal value could break the $100 billion mark again in 2019.

"The amendments made to the insolvency and bankruptcy codes along with capital market and regulatory reforms recently passed by the Indian parliament have made the Indian market more attractive," Kumar says.

"We believe that the deal activity is likely to be boosted by India's 'Housing for All' scheme, which should have a multiplier effect across the value chain, as well as the growth in credit as a result of the recapitalisation of public sector undertaking banks, along with non-performing asset resolutions," he adds.

Kumar further suggests that the recent move by the Securities and Exchange Board of India will boost IPO activity. The Board decided to reduce the number of years of financial information needed to be provided from five to three.

However, the fall of the rupee to an all-time low could hamper business confidence. Foreign investors may wait for an even weaker rupee to place their bids.

INDONESIA STAYS ACTIVE

Home to more than 260 million people, Indonesia represents a potentially lucrative market for M&A.

About 40 deals worth $10 billion were recorded in the country during the first three quarters of 2018, compared to 54 deals amounting to $9.2 billion

for the same period last year, data from Mergermarket suggests.

"From general observation, considering the slowing down of the global market in 2018, surprisingly the M&A activity still seems really active in Indonesia, particularly in industrials and consumer goods and service," says Luky Walalangi, managing partner of Walalangi & Partners.

He attributes the robust activity to the sheer size of the population and the political stability of the country, among other factors.

One of the noteworthy deals involving Indonesian firms in 2018 was Temasek 's $1.1 billion divestment of its stake in Indonesian Bank Danamon to The Bank of Tokyo-Mitsubishi UFJ. The Japanese lender is on its way to complete what could be the biggest takeover of an Indonesian firm after the Southeast Asian country approved the plan in July.

Local firms are also waiting for their turn to strike deals. Indonesia's biggest cement maker, the state-owned Semen Indonesia, is raising $1.25 billion through a bridge loan for its bid attempt that targets the local business of Swiss company LafargeHolcim.

"Due to new introduction of several new fintech regulations, we have also seen quite an increase of acquisition transaction in fintech," Walalangi notes.

He said that regulatory reforms intended to encourage investment behaviour also helped.

As part of an economic stimulus package, the Indonesian government plans to revise the 2016 Negative Investment List. The move aims to open more sectors to foreign investors to attract foreign direct investment.

"The plan to liberalise the Negative Investment List will open more than 30 business previously restricted or limited to foreign to 100 percent foreign investment will certainly stir Indonesian M&A activity," says Walalangi.

He said sectors that could benefit from this include oil and gas offshore drilling, over-the-counter pharmaceuticals, tobacco, telecommunication network carriers (fixed and mobile), Internet access services, content service providers and rental of construction equipment.

Looking forward, Walalangi points to an election in April as a factor that may slow M&A activity in early 2019. However, if the current president can hold on to power next year, things will continue to look bright.

"For the first quarter, [M&A activity] may be slower compared to the same period of 2018 due to the election. Also, there are unlikely to be any significant changes until elections are over," he notes.

"If the incumbent remains in office, we expect the government will continue to prioritise infrastructure development and the energy sector and speed up the projects."

LUKY WALALANGI

FOUNDER AND MANAGING PARTNER

Luky Walalangi is an expert and a leading lawyer in M&A, Banking and Finance and Real Estate, with more than seventeen years of experience. Asialaw Profiles cites him as "one of the best corporate lawyers in Indonesia". He is well respected and highly regarded among leading M&A and finance practitioners, including by the top legal surveys, and continues to be recognized by international law journals such as IFLR 1000, Asia Pacific Legal 500, Asia Business Law Journal and Asialaw.

Luky has been assisting various foreign companies in their complex investments and acquisitions (including assets and portfolio loans acquisitions), real property projects and corporate restructurings in Indonesia. He has also represented leading global banking and financial groups on major finance transactions, bond issuance, sophisticated fund-raising projects as well as number of major electricity projects in Indonesia.

Luky advises on major strategic acquisitions in Indonesia in various sectors, from traditional company acquisitions to complex assets and portfolio loans acquisitions, including the following prestigious deals:

- Representing PT Bank Sahabat Sampoerna and Koperasi Sahabat Sampoerna in their proposed acquisition of aggregate IDR 7 trillion (USD 550 million) loan portfolios of approximately 80,000 small scale – medium scale loan accounts from another licensed Indonesian bank and assisting the clients in the sophisticated financing and fundraising structures.
- Representing Tokyo Tatemono Co Ltd & Tokyo Tatemono Asia Pte Ltd, one of the biggest Japanese real property companies, in their proposed of more than $ 300,000,000 urban development projects in Indonesia, specifically on the development of certain prominent office and residential towers in the most prestigious area in south Jakarta, in which he assists the Clients both from legal and commercial perspectives, particularly in relation to their sophisticated multi layers financing and funding structures and closely work together with them in their joint venture, land acquisition, construction and licensing matters.
- Representing Mitsui Co Ltd and Fujimori Kogyo in the ¥7 billion indirect acquisition of PT Champion Indonesia Tbk and its 3 operating manufacturing companies of packaging business, including in the subsequent Mandatory Tender Offer and merger notification to KPPU.
- Represent Hokkan Holdings Corporation, one of the largest Japanese bottling and packaging maker companies, in its 1,262 billion Indonesian Rupiah or approximately 9.5 billion yen acquisition of beverage package manufacturing business from 7 group companies of PT Deltapack Industri (DPI group), which includes transfer and assignment of substantial DPI group's moveable and immovable assets as well as business portfolios.

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