

World Knowledge Forum 2013

Asian M&A Trends & Outlook

Asian countries are still in their infancy in terms of mergers and acquisitions (M&A) experience, but there is a great deal of hope and optimism for future business deals in the area. At the 2013 World Knowledge Forum in Seoul, Peter Kuo, Lazard Beijing's Managing Director, Mayooran Elalingam, Deutsche Bank Group's Asia Head of Mergers & Acquisitions, Gregory M. Zeluck, Co-Head and Managing Director of Carlyle Asia Partners, and Kim Jong Han, Paul Hasting's Partner and Chair of the Seoul Office, discussed trends and strategies to expect for this upcoming fiscal year.

Throughout the session, China's seemingly limitless potential was highlighted. In a relatively short amount of time, China has grown into the world's second largest economy. A big reason for this is their willingness to invest. Despite already cementing their status as an economic power, Mr. Kuo stated that there is still room to grow.

"Chinese enterprises still have a fair amount of education and learning curve, as far as outbound M&A goes, so across these sectors: diligence and managing...businesses abroad, getting financing for deals...it is still a learning experience," said Mr. Kuo..

Although China's vast potential is well-known around the globe, Mr. Elalingam pointed out that China is not the only area of interest. He mentioned that Southeast Asian countries, due to their strong cultural emphasis on family, have a lot of wealthy families that are looking to diversify their portfolio to pass on to the next generation.

Dr. Baumann turned to thinking more broadly, saying definitively that we are not rational. We make simple mistakes in our thinking all the time. He listed examples backed up by experiments showing that mistakes like gambler's fallacy, misjudgments in probability, and social pressures blinding our judgment are common.

"Historically, family-led transactions have been limited to sovereign companies, but we are now seeing a broader base of buyers, so it is no longer just an inbound market," said Mr. Elalingam.

Unlike China and many of the emerging economies of Southeast Asia, Korea is involved in very little inbound deals. There is more of an emphasis on purchasing international brands, including an unsuccessful attempt to buy the Los Angeles Dodgers.

"They should have bought them, especially now that Ryu Hyun Jin is doing so well," joked Mr. Kim.

Japan's future, due to the implementation of new economic policies brought forth through "Abenomics," also appears bright, even though Mr. Elalingam expressed concern about the aging population. The reason for concern is that "the younger generation is more likely to take risks" thus making them more

able investors.

In terms of the private equity in the area, the Asian markets have come a long way despite lacking adequate M&A experience. For companies looking to do business in the area, Mr. Zeluck stressed, “The market is increasingly more sophisticated and every country is different, so different approaches are needed.”

All of the panelists agreed, due to the lack of experience in the M&A market, it is exceptionally important to continue making deals, evolve with the market, and retain top executives.