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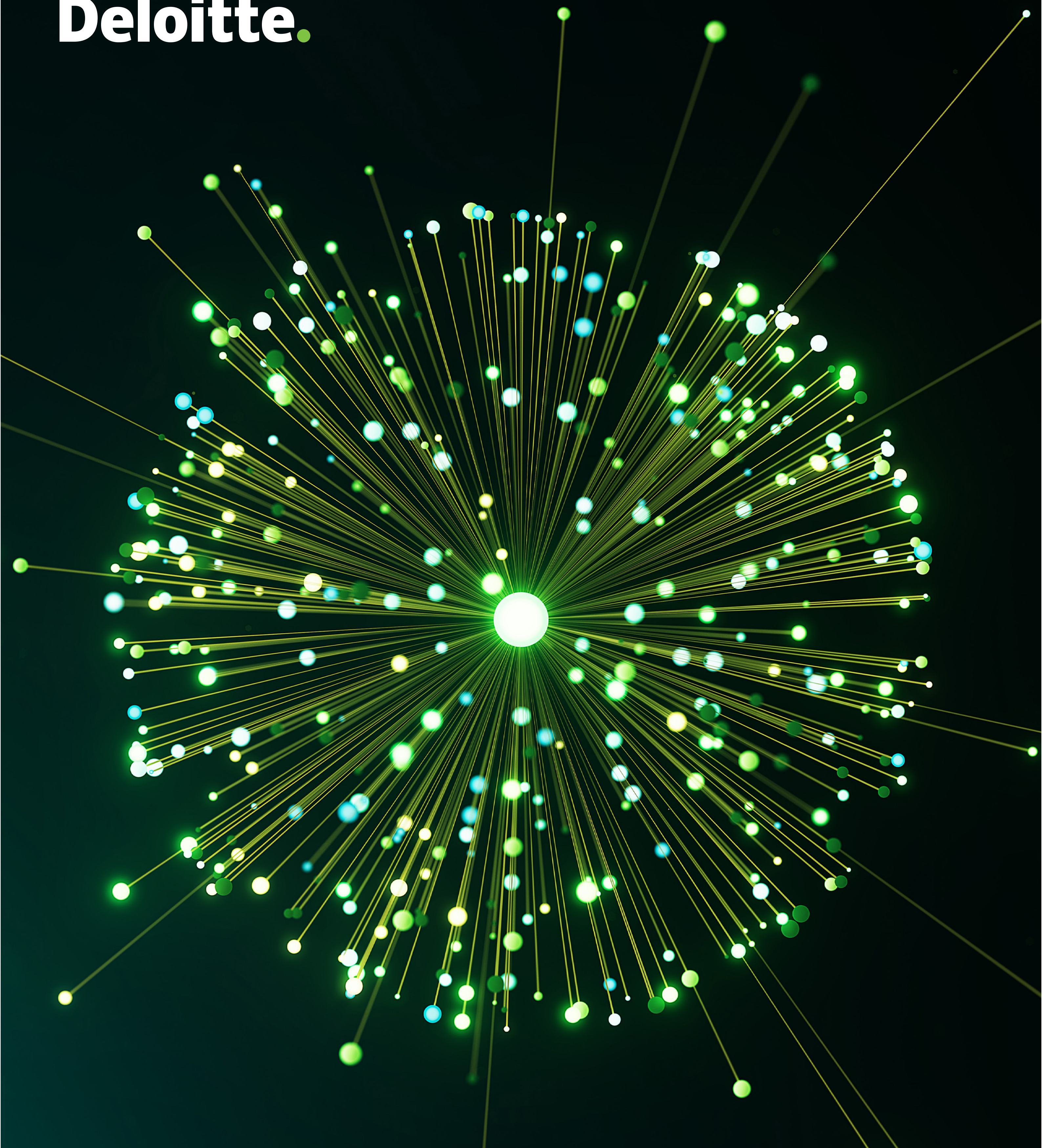

Asia Pacific Private Equity 2024 Almanac

Contents

Foreword

Welcome to the inaugural Deloitte Asia Pacific Private Equity Almanac. Private Equity (PE) plays a pivotal role in the health and growth of economies around the world, and nowhere more so than in Asia Pacific. The share of PE dry powder in Asia Pacific is disproportionately large relative to the region's PE volumes: Asia Pacific PE dry powder is 23.7% of the global total[1] whereas Asia Pacific PE deals only accounted for 15.2% of global PE deals in 2023[2] – a clear indication of the increasing momentum of PE capital deployment in the region. Deloitte is deeply committed to supporting the industry and enjoys a privileged position as a trusted value creation advisor across the end-to-end PE ownership cycle to many of the leading participants in the market – be it deal origination and due diligence or operational consulting through to fund valuations and audits. This exposure and our extensive experience across the sector put us in a strong position to develop unique insights and perspectives on the market and to provide analysis and commentary on market trends and trajectories.

Our aim in producing this Almanac is to provide both a detailed and comprehensive picture of PE activity across Asia Pacific in 2023, and an analysis of the overarching themes that emerged. We have striven to present those trends within the context of recent market history and have also cast our gaze into the future to explore some of the likely trends and influences that we believe will drive activity in the coming year.

We hope you find this both useful and thought-provoking and would welcome the opportunity to discuss our findings and perspectives in more detail.

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The Asia Pacific PE market is dynamic and growing. Deloitte's private equity teams throughout Asia Pacific are proud to play our part supporting clients across the end-to-end PE ownership cycle and living up to Deloitte's purpose: making an impact that matters.

1. Preqin
2. Mergermarket

Executive summary
The year Asia Pacific PE grew up

Investors may have hoped for 2023 to represent a long-awaited return to normal following years of COVID-19 disruptions; however, that failed to materialise. In fact, slowing growth, more costly debt, and fundraising difficulty have led many to label 2023 as the end of an era for PE in Asia Pacific. But in hindsight, we may look at 2023 as the year Asia Pacific PE grew up.

All but the most seasoned professionals may now be in unfamiliar territory, dealing with conditions they have not encountered before, but in many ways the Asia Pacific market is beginning to look more like its mature western counterparts. PE buyout transactions are becoming much more widely accepted in markets where previously they were not – Japan and India – while China's slower growth is driving a focus on target-screening criteria, strong business plans and operational improvements that are, ultimately, far more sustainable than top-line growth and speed to market.

Slowing growth, more costly debt, and fundraising difficulty have led many to label 2023 as the end of an era for PE in Asia Pacific. But in hindsight, we may look at 2023 as the year Asia Pacific PE grew up.

A year when flat was a win

2023 was a challenging year for PE: sentiment was low, with an unusually high number of failed deals and transaction volumes down (buyout investments dropped from 1,061 deals in 2022 to 947 in 2023); processes took longer and exits remained challenging (US$60B compared to US$63B in 2022).[3] But despite this, transaction value remained effectively flat (buyout investments of US$119B compared to US$109B in 2022) with a large proportion reflecting portfolio management.

A hurdle-rate handicap moderates valuations

While operational performance has returned, PE exit valuations have not. Higher interest rates and greater macro-environment uncertainty are eating into the potential returns for financial buyers, whose target hurdle rates have not changed. Inevitably, higher financing costs are driving buyers to lower their potential entry prices, effectively adding a hurdle-rate handicap to valuations.

The emergence of the non-process sales process

With many deal processes foundering on this handicap, PE funds are employing softer but slower approaches to asset sales – and different kinds of deals – to avoid the practical difficulties and negative perceptions that accompany a failed process. These dynamics may favour both strategic sellers, for whom price is not the only concern, and strategic buyers, who often require more time to complete a deal. Meanwhile, PE buyers, can make use of less stringent process timelines to explore creative structuring to help bridge the persistent bid-ask valuation gap with sellers, such as partial deals with earn-outs, synergies with existing portfolio, or hybrid debt/equity solutions.

3. Note: unless otherwise noted, statistics throughout the Almanac are based on Deloitte analysis of market data; additional details are provided in the 'Market statistics' section beginning on page 15

Fundraising stalemate today: investment opportunities tomorrow?

The fundraising 'stalemate' drastically reduced the number of funds closed (385) and dry powder raised (US$63.2B) for Asia Pacific PE funds across strategies (buyout, VC, secondaries, fund-of-funds, and special situations) – a ten-year-low. The longer this stalemate continues, the more vintages that will exist with a limited set of buyout funds. This will mean that as GPs move into exit mode for their older vintages in two, three or four years, there may be meaningfully fewer funds in investment mode competing for deals.

Diverging strategies, but China exposure key to a globally balanced portfolio

Interest in China is at a relatively low ebb, at least by recent standards, and PE investors' view on, and strategies for, China have become varied and divergent. Looking ahead, the same denominator effect that is currently keeping LP money away from PE funds to preserve asset-class diversity in portfolios may serve to push LPs back into China in order to preserve geographic portfolio diversity. In fact, many believe the market has already hit peak pessimism for China and, for those able to invest with conviction, this may be a good time to put money to work there. Either way, investors will not be able to ignore the world's second-largest economy in their global portfolios.

Operations in the driving seat and more-creative routes to LP liquidity

In the face of low transaction volumes and the challenge in achieving satisfactory exit valuations, PE funds are increasingly focusing on driving value through operational improvement and funding dividends via more ambiguous liquidity strategies including continuation funds, partial exits, and strip sales or portfolio sales to secondary funds or fund-of-funds.

The subdued transaction volume in the market cannot and will not persist forever, and green shoots are already showing. Interest rates may have peaked and, following more than a year of suppressed volumes, the accumulation of both dry powder and ageing assets is pressuring GPs to transact. New and current investors are unlikely to invest further funds while PE houses sit on such significant stores of dry powder and swelling portfolios of aging assets. There are deals to be done, dry powder to be spent, and value to be created – it will just take operational work, bilateral negotiations, and a bit of creativity.

Market insights
2023 – an inflection point

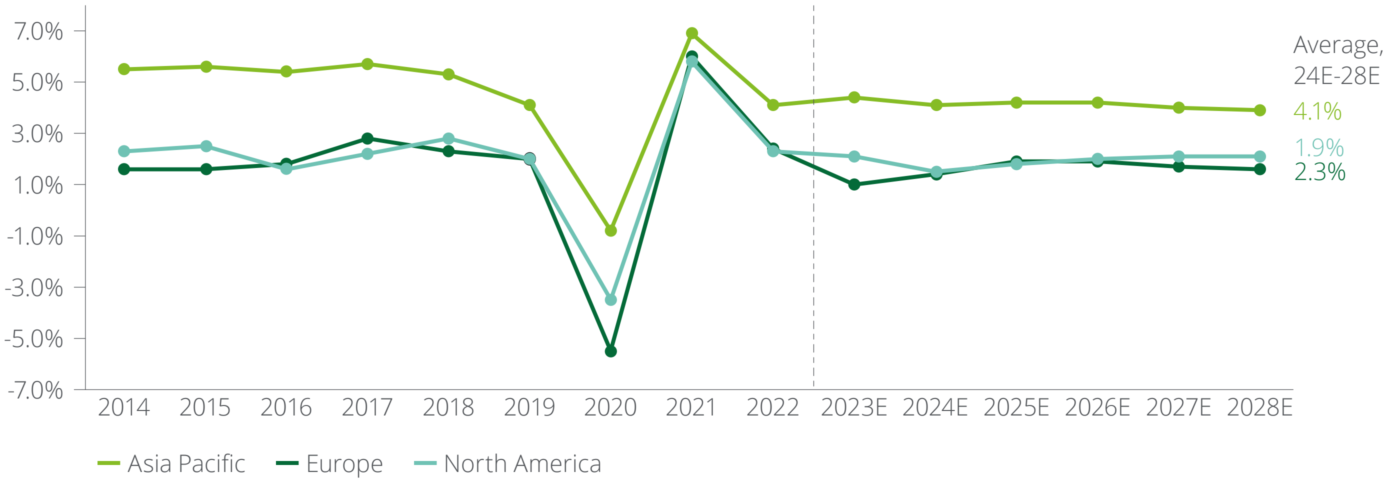
Transitioning to a more mature Asia Pacific PE market

Following years of low-cost debt, supportive public market exits, and seemingly ever-increasing valuations, the tide began to turn in late 2022 with a drop in M&A transaction volumes that continued throughout 2023. In much of the world, accommodative monetary policy and government subsidies that supported economic activity throughout COVID-19 led to strong economies with low unemployment, but also to rising inflation, which was exacerbated by supply chain disruptions and heightened geopolitical concerns. In response, central banks raised rates, resulting in more-costly deal financing for PE funds.

So, in the same way that the world economy struggled to adjust to the onset of a global pandemic, it has struggled to return to normalcy coming out of a pandemic. Growth rates have returned post COVID-19 but appear to have settled lower than they were pre-pandemic – particularly in Asia Pacific. Geopolitical events are disrupting markets and supply chains remain under pressure. While inflation has largely slowed, there is still no clear consensus on when or how quickly central banks will lower rates. Market uncertainty, high financing costs, and slower growth are all combining to make it a challenging environment for PE deal activity.

Market uncertainty, high financing costs, and slower growth are all combining to make it a challenging environment for PE deal activity.

GDP growth by region, 2014-2028E



Source: IMF

Considering this backdrop, many PE market participants and observers have argued that 2023 marked the end of an era for PE. Globally, a period of low-cost debt that began following the global financial crisis, has come to an end, with the return of high benchmark rates. In certain parts of Asia Pacific, this is compounded by slowing growth rates. China's GDP growth was estimated to be 5.2% in 2023; apart from COVID-19 years, which were exceptional, that is the lowest rate since 1990.[4]

This leaves the industry in an unusual position regarding talent and experience, with all but the most senior and experienced PE professionals having cut their teeth and built their careers in a cheap-debt, high-growth environment. These conditions have disappeared, and professionals are now facing a transition from growth-oriented deals backed by cheap debt to investments that focus on operations and that will deliver the cashflow needed to support costly debt payments.

However, on closer inspection, this does not look like the end of an era for Asia Pacific PE. In contrast to the western PE markets that rely heavily on leveraged finance to support deals (Term Loan B or high-yield bond financing), Asia Pacific PE funds often utilise local bank financing, which somewhat insulates them from the rise in rates seen globally.

- While difficult IPO markets (Asia Pacific IPO proceeds dropped 33% in 2023)[5] and macroeconomic uncertainty reduced transaction volumes overall in Asia Pacific (buyout investments dropped from 1,061 deals in 2022 to 947 deals in 2023), activity remained strong in some places, notably Japan (deal value in USD and JPY up year-on-year 48.5% and 68.5% respectively in 2023), where public-to-private, corporate carve-out and business succession transactions provided PE firms with ample investment opportunities. In fact, the growing acceptance of PE-ownership – demonstrated by these public company transactions – can be viewed as a sign of a maturing PE market. Similarly, India experienced a significant increase in buyout deal value (up 67.2% year-on-year in USD and 102.4% in INR), an expression of the growing acceptance of buyout transactions in a market that has historically skewed towards growth investments.
- Australia experienced a pivot away from sectors highly exposed to discretionary consumer expenditures with greater focus on resilient sectors such as healthcare and education, or those tied to new energy transition – though relatively few of these transactions closed over the course of the year.
- Meanwhile, slower growth in China has dampened some investors' appetite in the region. But this does not mean the end of inbound investment. Slowing growth is natural and expected of economies as they reach a certain scale; the US is the largest, most-developed PE market in the world, despite having lower growth and higher interest rates than many parts of Asia. A slower-growth environment simply requires more stringent target-screening criteria, developing strong business plans and focusing on operational improvements rather than a focus on top-line growth and speed to deploy capital, as is the focus in a high-growth market. This shift in growth profile can therefore be seen as a point of inflection for how PE funds invest, and another indication of the maturing Asia Pacific PE market.

So, perhaps what we are really seeing is not so much the end of an era for Asia Pacific PE markets, but the beginning of a more mature phase in which, in various ways, they are coming to more-closely resemble and behave like their western counterparts.

Activity remained strong in some places, notably Japan (deal value in USD and JPY up year-on-year 36.4% and 54.9% respectively in 2023), where public-to-private, corporate carve-out and business succession transactions provided PE firms with ample investment opportunities.

4. China's National Bureau of Statistics
5. Dealogic

A hurdle-rate handicap

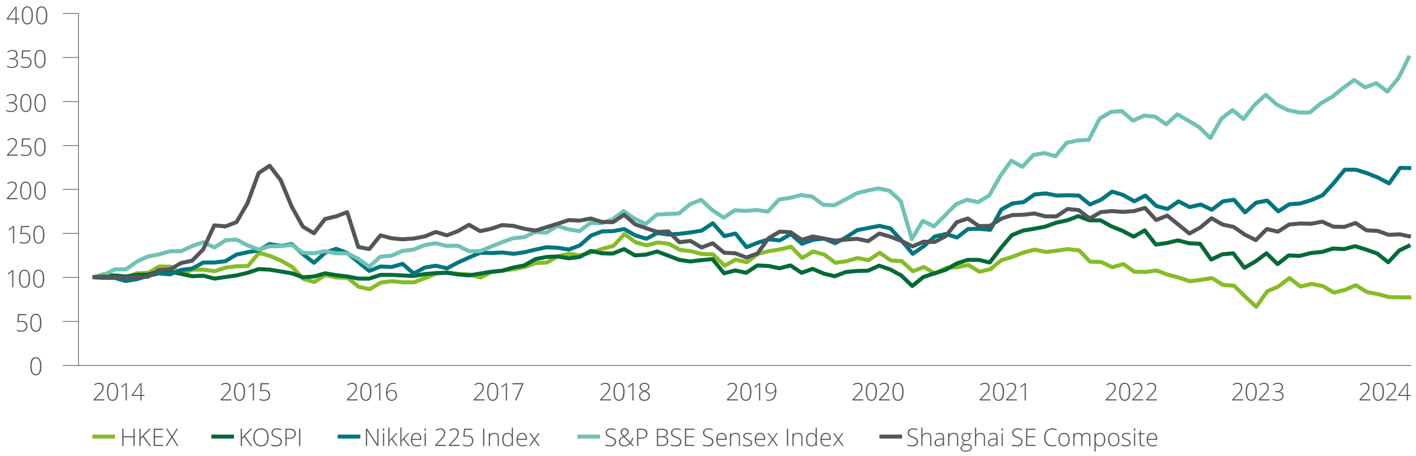
Same valuations, different problems

2023 was effectively the first year of post-COVID-19 economic activity in Asia Pacific. China ended its zero-COVID-19 policy in January; Japan lifted its travel restrictions in April; and Korea ended inbound quarantine requirements in June. For PE portfolio companies, this led to a rolling off of the pro forma adjustments used throughout COVID-19, as operational performance returned to pre-COVID-19 levels.

Over the preceding years, many GPs made the argument that their portfolio company valuations should remain steady despite receding comparable public-market valuations. This reflected the oft-espoused benefit of private holdings – less-volatile valuations with no need to constantly mark-to-market. It also represented a view that the impact of COVID-19 on portfolio company operations would be transient, with operations returning to pre-COVID-19 levels after the pandemic ended. The prevailing view was that portfolio company valuations would also return.

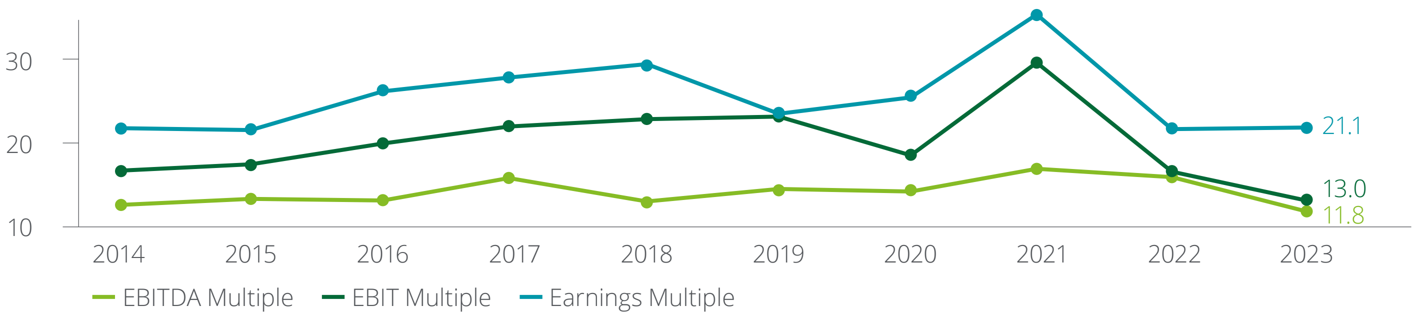
Unfortunately, that view was only partly correct: most companies' operational performance has returned to or near to pre-COVID-19 levels, but PE exit valuations have not. Instead, higher interest rates and greater macro-environment uncertainty are eating into the potential returns for financial buyers, whose target hurdle rates have not changed. With the possible exception of Japan, where financing is relatively inexpensive, hitting those hurdle rates is increasingly difficult at pre-COVID-19 valuations. Carrying higher financing costs and investing into a more conservative business case inevitably demands that buyers lower their entry price, effectively adding a hurdle-rate handicap to valuations.

Key Asian exchange indices, 2014-2023



Source: Refinitiv

Asia Pacific median sponsor/trade exits, 2014-2023



Source: Mergermarket

Amorphous sales processes

Hesitant to launch and longer to close

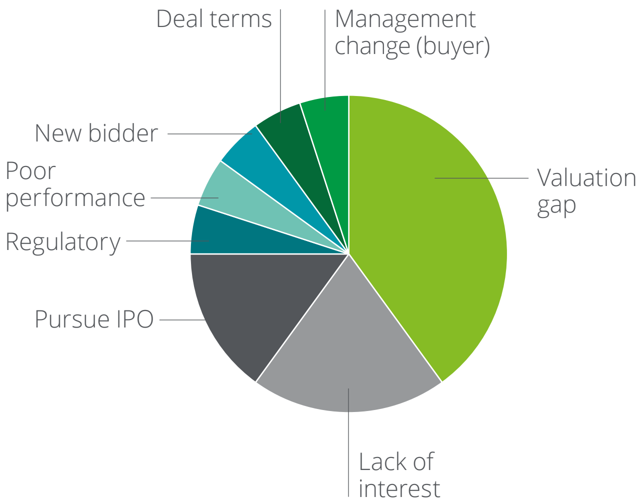
Over the past few years, PE asset sale processes have faced numerous headwinds: COVID-19, geopolitical shocks, supply chain disruptions, currency movements, increased interest rates, and bid-ask valuation gaps to name just a few. Deloitte's analysis of Asia Pacific PE deals in market suggests that at least 50 processes for PE assets were pulled or paused in 2023 as a result of these dynamics.

In the face of this uncertainty, many PE sellers were unconvinced that launching a formal sell-side process would result in a binding bid at a valuation that they could accept. As a result, PE sellers and their sell-side advisors shied away from traditional two-round processes and increasingly used a new tactic to avoid failed deals: not 'launching' a deal. Instead, throughout 2023 many deals started as investment banks and sellers 'soft sounding', 'testing waters' or conducting 'early discussions.' And when deals did start in earnest, there was often no set timeline or definitive process letter. In this way, processes in 2023 functioned more like bilateral – or more accurately multi-lateral – negotiations between seller and buyer(s). While PE sellers still had lofty valuation expectations, they valued discretion from potential buyers to prevent their assets being tainted by a 'failed process'. The result was many pro-long processes, with some dragging on for six, nine, or even 12 months without resolution.

However, for strategic sellers, particularly founders or corporates selling an asset due to management-succession issues, it was a different story and price was not the only concern. This category of seller wants to understand how PE funds can improve and grow the business, to provide comfort to employees and other stakeholders, such as suppliers, customers and the wider community. Unencumbered by a strong valuation expectation, the risk of a failed process is lower for these sellers. As a result, Japan, where it is estimated that as much as 60% of PE deals are driven by succession issues, continued to see a strong pipeline of traditional processes in 2023.

The slower-paced deal environment for portfolio company sales is likely to continue in 2024 and may favour strategic buyers, who often require more time to complete a deal. Meanwhile, PE buyers, can make use of less stringent process timelines to explore creative structuring to help bridge the persistent bid-ask valuation gap with sellers, such as partial deals with earn-outs, synergies with existing portfolio companies, or hybrid debt/equity solutions.

Reported/rumored reasons for failed processes,2023



Source: Deloitte Asia Pacific PE Opportunity Pipeline

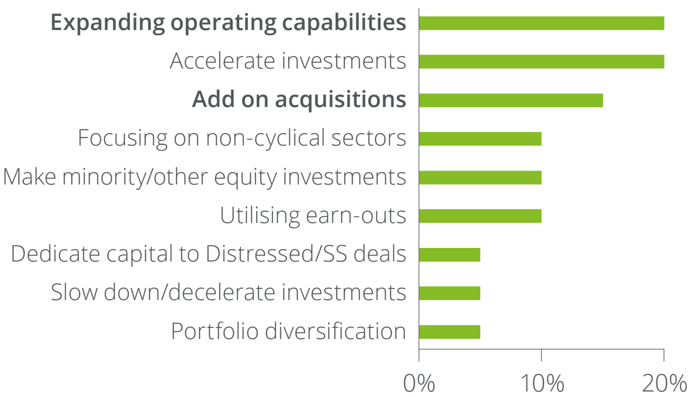
Portfolio management and flexible 'exits'

Operations and liquidity are the new investments and exits

In the face of fewer transactions and a perhaps understandable unwillingness to exit at market valuations, PE funds turned their attention to operations throughout the year. This shift in focus was reflected by an increase in bolt on activity, changes to portfolio company talent, and a greater proportion of deal-team time being spent on portfolios rather than new deals.

In fact, while the Asia Pacific market for buyout investments appeared to remain flat in 2023 at US$116B (vs. US$109B in 2022), a large portion of activity was portfolio related. Five of the ten largest Asia Pacific buyout investments in 2023 featured some element of portfolio management – bolt ons, selling between a GP's own funds, and/or partial sales.

Asia Pacific PE strategies to 'navigate the downturn'

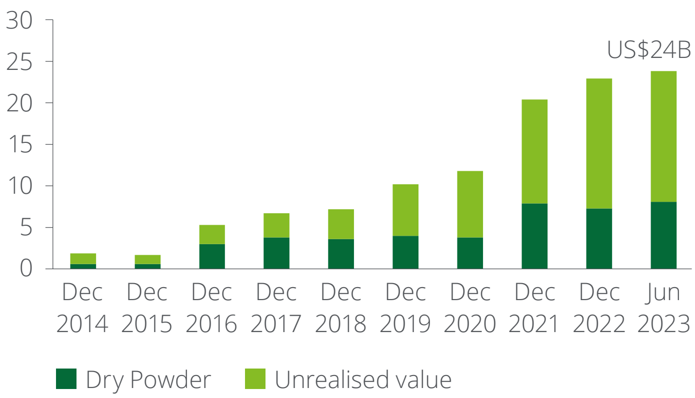


Source: Dechert – 2024 Global Private Equity Outlook

The tough IPO market and valuation mismatches have driven a change in GP mindsets about exits as well. LPs contribute capital when the GP acquires a company and issues a capital call. They get their investment back through distributions to paid-in capital (DPI), typically as dividend payments and proceeds from the company's sale. With rising interest rates, dividend recapitalisations are difficult and costly, leaving portfolio company sales as the primary way to return capital to LPs. However, in a challenging exit market, the once-straightforward idea of selling assets to return cash to LPs has morphed into a larger, more ambiguous set of 'liquidity strategies.' In an effort to return capital to LPs, PE funds have employed a range of creative means to generate liquidity outside of the traditional sale of IPO, such as:

- **Continuation funds** to extend the ownership period of individual assets, for example PEP's single-asset continuation fund for Up Education, an asset held since 2015, or EQT's transfer of Vistra into its latest fund via merger with Tricor.
- **Partial exits**, which retain valuation upside while partially monetising for LPs, for example Affirma Capital's partial stake sale in TBO Tek to General Atlantic, or Bain's partial sale of Works Human Intelligence in Japan – which also transferred Bain's holding into its latest fund.
- **Strip sales or portfolio sales** to secondary funds/funds-of-funds to balance liquidity needs while capturing further upside in the assets owned, for example Coller Capital's investment in Legend Capital's healthcare assets; as more GPs explore this option, we are seeing continued growth in the emerging Asia Pacific secondaries fund market.

Asia Pacific secondaries asset under management (US$B), 2014-Jun 2023



Source: Preqin

Fundraising frustrations

A GP-LP stalemate, with potential repercussions

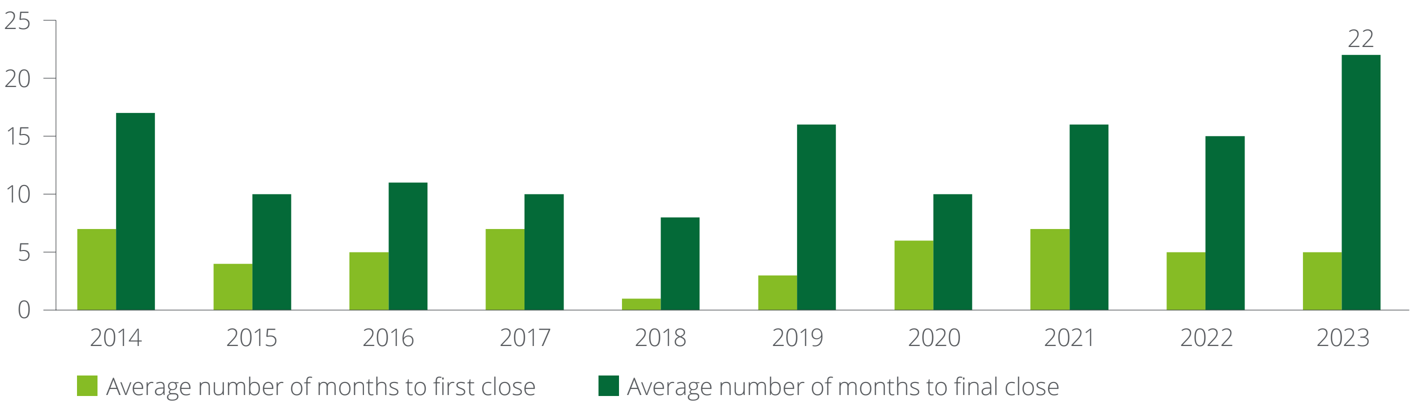
If you were looking for a catchphrase to epitomise 2023 PE fundraising, it might have been 'recycled capital' or 'DPI' or maybe 'denominator effect'. But in reality, it was 'stalemate'.

Reduced public market valuations resulted in LP over-exposure to PE – the denominator effect. And, rather than rebalance, many LPs opted to maintain their current portfolio exposure to the PE asset class, not putting new money in until the money they already had invested in PE funds was returned – recycling capital. But, in order to put existing investment money back to work, LPs need to get distributions from their current fund investments – DPI. The result was a stalemate in fundraising, with LPs waiting for distributions to reinvest and GPs waiting for exit conditions in the IPO and M&A markets to improve before they sold assets and gave LPs those eagerly anticipated distributions.

As has been widely reported, growth and VC funds were the hardest hit, down ~78% in capital raised from three years ago. But buyout funds also felt the squeeze, with many funds reducing their target size and LPs concentrating their limited investments into well-known, established funds. Buyout funds raised just US$20.6B in 2023, the lowest since 2018, and down 48% year-on-year. In fact, the two largest funds that closed in 2023 (Bain Capital Asia V at US$7.1B and Primavera Capital Fund IV at US$4.1B) represented 54% of the total buyout funds raised in Asia Pacific in 2023. The difficulty in fundraising can also be seen in the average time funds are in market, which is at a ten-year high of 20+ months from launch until final close.

The two largest funds that closed in 2023 (Bain Capital Asia V at US$7.1B and Primavera Capital Fund IV at US$4.1B) represented 54% of the total buyout funds raised in Asia Pacific in 2023.

Asia Pacific PE buyout fundraising time spend (number of months)

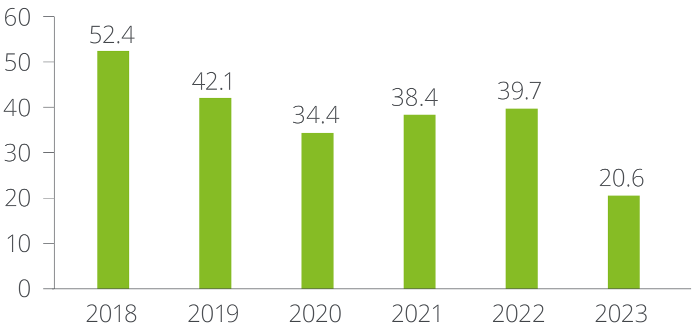


Source: Preqin

One of the brightest spots in 2023 was local currency funds – particularly fundraising for RMB vehicles, with more GPs raising RMB funds for global investments. However, this may represent shifting sentiment in geopolitics rather than a lasting change in fundraising dynamics, because GPs targeting 'China-for-China' investments are creating dedicated local RMB funds to complement, rather than replace, their main USD funds.

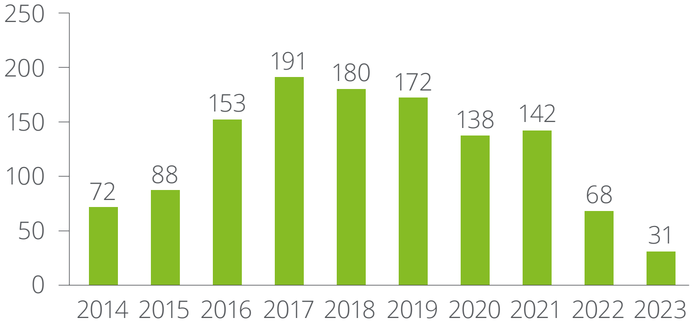
While the difficult 2023 fundraising market has been widely reported on and observed, there may be longer-term repercussions that have attracted less attention. The typical PE fund may have a ~7-10-year life, but the investment period can be much more limited since GPs tend to deploy capital early in the fund's life. In fact, as funds reach then end of their life, they no longer invest in new deals and focus solely on managing exits. The fundraising 'stalemate' drastically reduced the number of funds closed and dry powder raised in the 2023 to 385 funds and US$63.2B respectively, a ten-year-low. The longer this stalemate continues, the more vintages that will exist with a limited set of buyout funds. As GPs move into exit mode for their older vintages, the market in two, three or four years may have meaningfully fewer funds competing for investments.

Asia Pacific buyout funds raised (US$B), 2014-2023



Source: Preqin, Deloitte analysis

Asia Pacific growth and venture capital funds raised (US$B), 2014-2023



Source: AVCJ

As GPs move into exit mode for their older vintages, the market in two, three or four years may have meaningfully fewer funds competing for investments.

China considerations

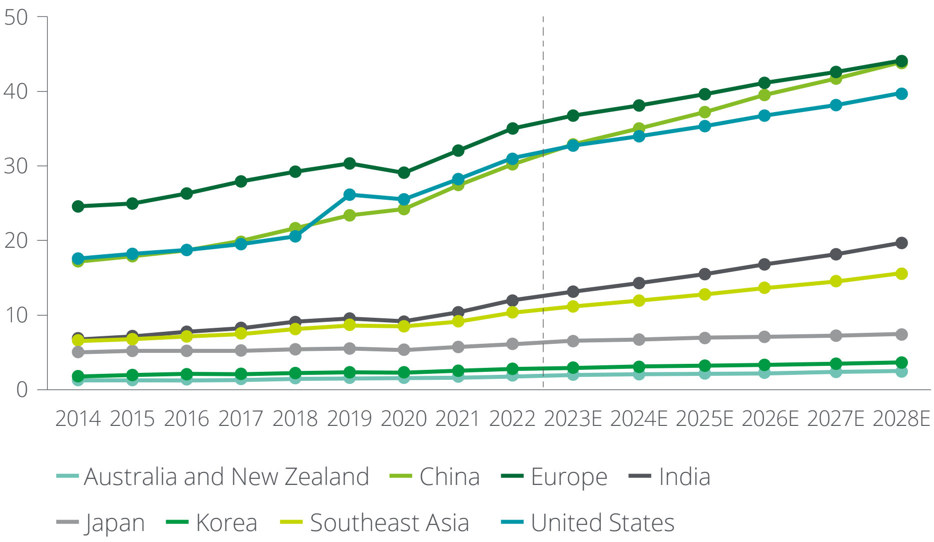
Diverging views on China investment

Historically, private investment into China was relatively straightforward – it was large, growing, a factory to the world, and a tech innovator; you just invested and watched it grow. But for the first time in over a decade, PE funds' view on, and strategies for, China have become incredibly varied and divergent. In 2023, GP's China investment strategies covered the entire spectrum: no China investments; only China-for-China without global connections; only China with cross-border value-add; or doubling down on growing China while competition pulls away.

Geopolitics and slowing growth rates may have concerned some GPs – or their global investment committees – but LP demands drove much of this change, pushing Chinese funds to expand their focus to include more Pan-Asian and global opportunities. This in turn impacted other markets in Asia Pacific, as GPs shifted their attention to Southeast Asia, Japan, or India, and repositioned their deal teams accordingly. In fact, 2023 saw PE professionals moving in all directions. New fund offices opened in Singapore, India, and Japan. Some funds repositioned teams into mainland China, while others moved their China teams out. Both regional and global funds competed for talent in Japan to capture a share of the growing market, and regional Asian funds continued building teams on the ground in the US and Europe. Many of these movements had already started before sentiment on China began to change but investor views on China undoubtedly accelerated these strategies.

Looking into the future, global investors targeting a well-diversified portfolio will need to consider the fact that China is now the second-largest economy in the world, or the largest when adjusted for purchasing power parity. Although their interest may be currently low by recent standards, they cannot simply ignore this significant factor. Forgoing investments into China would be comparable to forgoing investment in the US or Europe – unfathomable for any fund claiming to be a global investor. For this reason, at some point in the future, global investment in China will return. And, ironically, the same denominator effect that is currently keeping LP money away from PE to preserve asset-class diversity in portfolios could serve to push LPs back into China in order to preserve geographic portfolio diversity. In fact, if, as many believe, the market has already hit peak pessimism for China, there may be no better time than now for those that can invest with conviction to put money to work there. Perhaps the clearest indication of having passed this peak, and a vote of confidence going forward, was McDonald's buying back Carlyle's stake in McDonald's China in November 2023.

GDP (PPP) by country/region, 2014-2028E (US$T)



Source: IMF

McDonald's to Acquire Carlyle's Stake in McDonald's China

*"...**China is now our second largest market**; we've doubled our restaurants to more than 5,500 since 2017," said Chris Kempczinski, McDonald's President and Chief Executive Officer. "We believe there is **no better time** to simplify our structure, given the **tremendous opportunity to capture increased demand and further benefit from our fastest growing market's long-term potential.**"*

– McDonald's Press Release, 20 Nov 2023

Looking to the future
What 2024 might hold

It is a truism to say that the markets never stand still, so while the turning of the year provides a useful milestone to reflect on where we have arrived and how got here, it is also just the next day in the constantly evolving world of PE. Much of what we have seen over the last 12 months will continue into the next. The forces and tides that we identified in our market insights will, for the most part, keep going. And while PE funds have an advantage over the quarterly report-driven public markets of being able take a longer-term view, they also have to respond to the pressures of their fund lifecycles, continuously finding ways to deploy capital and deliver returns.

Having taken a detailed look back over the past year, the start of a new year provides an opportunity to broaden our focus and explore the themes that are likely to emerge or build, and which will drive PE activity over the coming year.

Deal momentum: Transaction pace will slowly increase, with momentum building towards year end

In the absence of any apparent near-term catalysts to change market momentum, early 2024 market activity looks set to be a continuation of the past year.

Robust markets, such as India and Japan, will continue at pace, driven by strong demand and support for deals, for example, Tokyo Stock Exchange's request for companies with low price-to-book ratios to improve valuations. Meanwhile, slower markets, such as China and Australia, may remain less active.

Globally, GPs are becoming accustomed to the 'new normal' of a high-interest-rate environment. However, with consensus around a US 'soft landing', there is new hope for rate cuts in the near future. This may have a delaying effect on deal making as participants seek to mitigate the hurdle-rate handicap by holding out for lower rates.

Moreover, with multiple conflicts, threats to shipping lanes, and many important elections – both in the region and globally – there is little prospect of the geopolitical backdrop improving significantly.

Without any major catalysts, GPs are likely to maintain a 'wait-and-see' approach to launching exits and an equally cautious approach to new investments.

However, by the second half of 2024, greater visibility on financing and geopolitics, and a confluence of external pressures – refinancing, LP demand for DPI, and ageing investments – should begin to drive greater M&A volumes.

Bespoke deals: The emphasis on bespoke transactions and unique deal structures will intensify

Secondary deals will continue to be bespoke, as GPs are hesitant to launch formal processes and still reluctant to reduce valuation expectations. However, with an increased focus on liquidity options – as opposed to outright sales – there will be more scope for creative structuring with processes running off schedule, requiring more diligence, and negotiating more points. Savvy buyers will leverage the current market environment to unlock unique situations outside of normal processes, for example through novel structures, reapproaching failed processes or approaching MNCs for corporate carve-outs.

GPs will use more minority purchases, convertibles or structured investments, and even portfolio business combinations between two or more funds.

Outside of portfolio assets, funds will likely look to business succession and founder retirements as a source of deals.

PE funds will continue to see deal opportunities arising out of a range of developments, including corporate governance reforms, business portfolio rationalisation, the pressure for capital efficiency, shareholder activist campaigns, shifting supply chain trends, and changing MNC strategies on global presence.

- In Deloitte's 2024 Global Corporate Divestiture Survey, 73% of respondent indicated they are likely to consider at least three divestitures in the next 12-18 months.[6]
- In China, ageing founders without heirs will continue to utilise PE exits for family businesses, particularly in the currently muted IPO markets.
- In Japan, increasing acceptance of PE buyouts and their value-add through operational improvements will drive more succession deals, public-to-privates, and corporate carve-outs.

6. Deloitte 2024 Global Corporate Divestiture Survey

Operational focus: PE funds will continue to seek to drive value through operational improvements, particularly cash management and bolt on investments

PE funds will grow larger operations teams and increase focus on operational improvement – not just in portfolio companies but as a greater part of investment cases moving forward.

As a result, sellers may spend more time outlining operational changes that a buyer could underwrite to help bridge the valuation gap and buyers may require more diligence to verify operational plans, which will play a greater role in their investment decision-making. Both of these effects will extend the timelines for transactions.

There may also be a convergence with the broader GenAI trend as some GPs seek to leverage AI to drive efficiencies at portfolio companies. For example, they may use AI to create 'conversational commerce' through the use of chatbots, messaging apps or voice assistants; analyse the effectiveness of sales reps' calls; or summarise customer feedback more quickly.

Increased regulation: the rules are changing

While not necessarily a near-term concern, there are growing regulatory headwinds that could have an impact on PE in the medium to long term.

The lack of disclosure requirements for fundraising, fees, and expenses – such as side-letters, co-invest agreements, and billing of deal expenses – are coming under scrutiny from the US regulator. After levying substantial fines on banks for a lack of communication records retention with respect to WhatsApp, the SEC has turned its attention to asset managers, and it is unlikely to say: 'Carry on as you are; everything here is fine.'

The upcoming rollout of Pillar 2 Global minimum taxation could also have a significant impact on large-cap buyouts, potentially affecting company valuations at time of exit and dampening returns as a result.

None of these developments are imminent, but all could have a major impact. In the meantime, the launch of individual investor funds such as Blackstone and EQT will only draw more attention onto PE funds and how they operate. Change is coming.

ESG: less talk, more action

The buzz around ESG will begin to quieten, but not because ESG concern has gone away. In fact, to the contrary, a Deloitte survey of 100 fund managers in March and April of 2023 found that 87% of LP investors have a sustainable investing/ESG policy in place.[7] Instead, the buzz will die down because ESG will become a normal business-as-usual component of every deal. Firms will not trumpet their ESG credentials as much as before, but ESG will still be present as a necessary part of deal-making. The main change will be a shift in emphasis, from promoting ESG angles or 'stories' (sell-side window-dressing) to greater focus on actual ESG diligence and plans. Of course, in the same way that a 'nice-to-have' will become normal and expected, businesses with a poor or no real ESG story will stand out more, but in all the wrong ways. In this developing narrative, it is worth remembering that LPs will set the tone. In current conditions, they have the negotiating power and their ESG priorities will to a large extent influence what GPs do.

In addition to the focus on strengthening ESG performance from an operational perspective, PE are increasingly thinking about ESG tailwinds from a strategic standpoint and how trends, such as the energy transition, are giving rise to new businesses and sectors. As such, we are seeing traditional buyout and infrastructure funds acquiring businesses whose primary strategic focus is on providing products and services that will enable the transition (e.g. climate technology, energy software and hardware and sustainable packaging) and deliver superior commercial returns.

'Recession vintage' opportunity: a chance to win in the long game

Elevated uncertainty, more costly financing, and greater investment scrutiny are combining to decrease overall competition for deals in most markets. While not technically a global recession, global sentiment is relatively low, as evidenced by Deloitte's Asia Pacific CFO Survey for 2023, in which 57% of Asia Pacific CFOs[8] named 'global economic slowdown' or 'recession' among the top three external risks facing their businesses, the other, unsurprisingly, being geopolitical issues.

However, some buyers will regard this quasi-recessionary environment as an opportunity to construct 'recession vintage' portfolios. Such portfolios, built during difficult times, have historically overperformed when more positive conditions return. Buyers who conduct diligence, get conviction, and bridge valuation gaps – and that is no small challenge – may be able to actively leverage the current flat conditions in pursuit of long-term gains.

7. Deloitte – Adapting ESG in private equity markets for clarity and value
8. Deloitte – Asia Pacific CFO Survey 2023

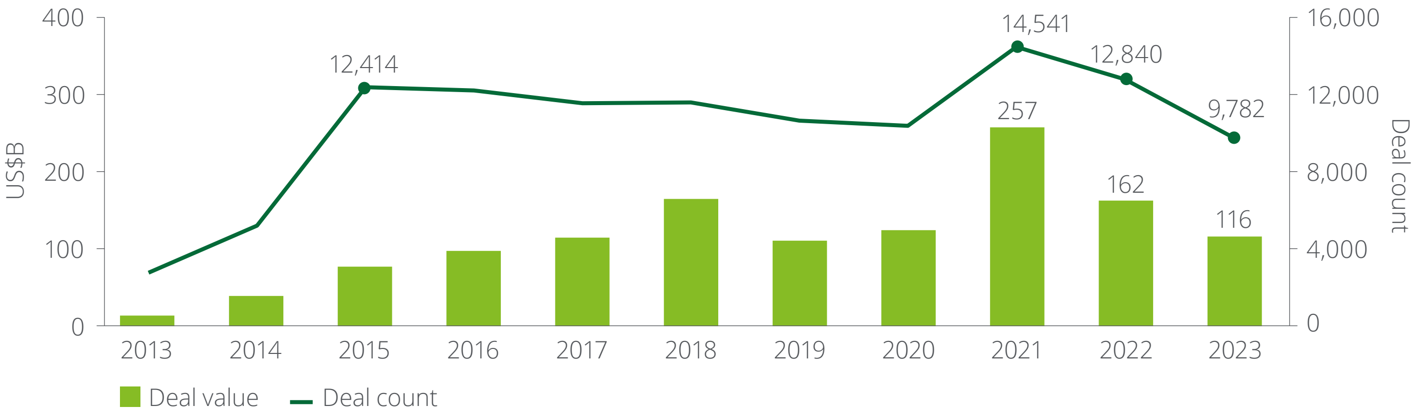
Market statistics
Buyout investments

PE investments – overall trends

Portfolio management transactions supported a relatively flat market outcome

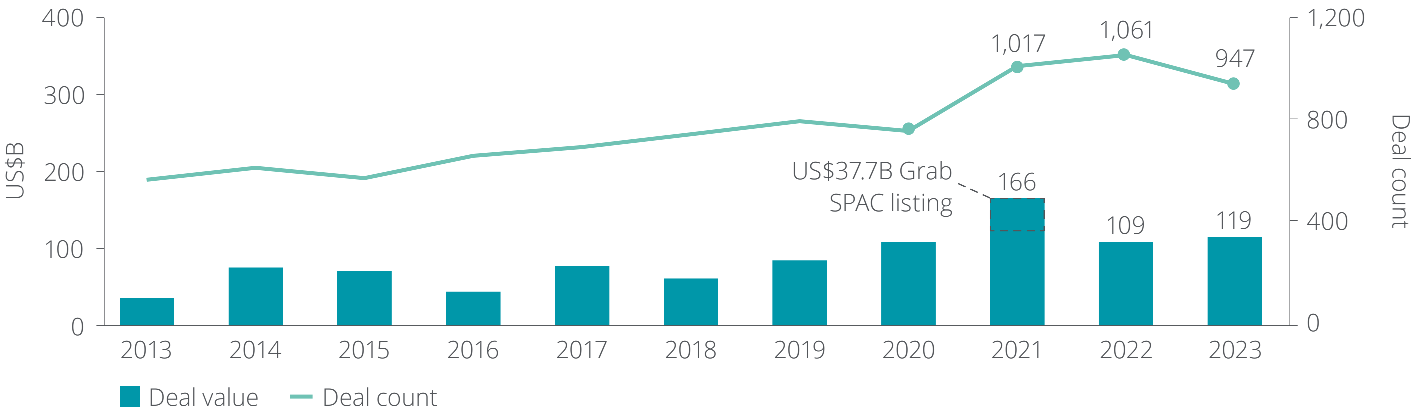
- Asia Pacific PE fund investments remained muted in 2023. Depending on the geography, a combination of issues is continuing to dampen transactions volumes: geopolitical tensions, supply chain disruption, declining consumer confidence, high inflation, and higher costs of capital – to name a few:
  - Venture capital investment was down 23.8% and 28.6% in deal count and deal value year-on-year respectively, a continued decline since a historical high in 2021.
  - Buyouts, however, appear resilient with both deal count and value close to the levels in 2021 (excluding the 37.7 billion Grab SPAC listing) and 2022.
- However, overall sentiment suggested a decrease in buyout investment volume for most markets; delving into the numbers supports this position; of the top ten PE buyout investments in 2023, five are related to investments in current portfolio companies, for instance:
  - Zhuhai Wanda Commercial Property Management, a US$9B deal for PAG and a broader consortium, was the restructuring of a prior transaction with pre-IPO investors after the company failed to IPO by the end of 2023.
  - The merger of Tricor and Vistra allowed EQT to realise a Fund V investment via an investment from Fund VIII.
  - GIC's investment in Works Human Intelligence allowed Bain to transform its controlling stake to a co-control joint ownership arrangement, partially exiting its position, and moving the remainder into Bain's latest fund.

Venture investments (2013-2023)



Source: Deloitte analysis

Buyout investments (2013-2023)



Source: Deloitte analysis

PE investments – geography trends

China lost its top spot for buyout deal value

- The impact of macro-related headwinds varied across individual markets in the region:
  - While other markets saw decreased activity, Japan – the most active PE investment market by count and value – saw deal count and deal value grow year-on-year by 4.6% to 252 deals and 48.5% to US$38.8B respectively.
  - Similarly, South Asia (predominately India) experienced growth in 2023 – deal volume and value grew 15.4% to 180 deals and 66.1% to US$18.5B respectively.
  - Australia and New Zealand experienced a significant drop in deal value to about half of that seen in 2022; this is partly explained by a sizeable transaction in 2022.
    - In Australia, the largest transaction in 2022 was Blackstone's US$6.6B (AU$8.9B) acquisition of Crown Resorts; in comparison, the largest transaction in 2023 was Blackstone's US$1.1B (AU$1.6B) acquisition of Energy Exempla.
  - Meanwhile China, historically the largest buyout market in Asia Pacific by deal value, fell into second place despite the inclusion of multiple large portfolio management transactions (Wanda, Chindata, Vistra).
    - Excluding just these three deals (US$14.9B of value), Chinese deal value would be less than that of India, and quite close to #4 Korea.

Top geography in terms of buyout investments

By deal volume

	2023 (rank)	2022 (rank)
Japan	252 (#1)	241 (#2)
South Asia	180 (#2)	156 (#4)
China	156 (#3)	271 (#1)
Australia and New Zealand	149 (#4)	205 (#3)
Korea	119 (#5)	95 (#5)
Southeast Asia	88 (#6)	92 (#6)

By deal value (US$B)

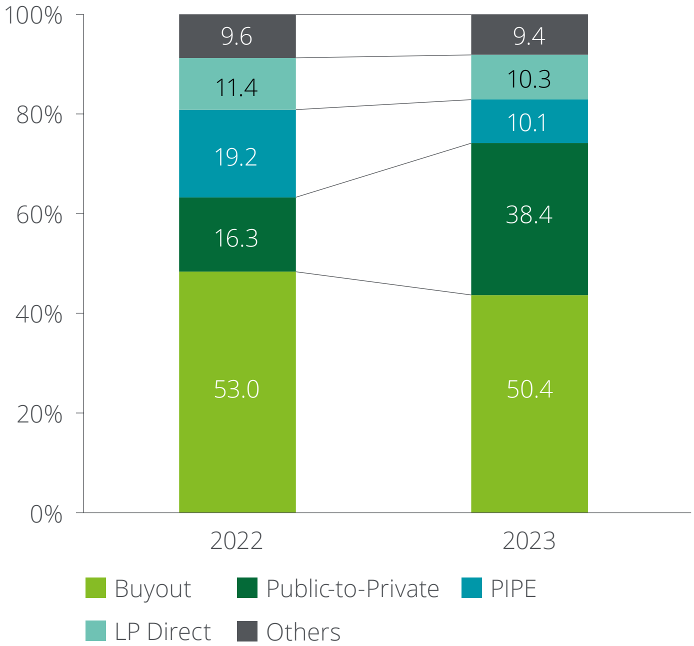
	2023 (rank)	2022 (rank)
Japan	38.8 (#1)	26.1 (#2)
China	32.4 (#2)	28.9 (#1)
South Asia	18.5 (#3)	11.1 (#5)
Korea	14.6 (#4)	17.8 (#4)
Australia and New Zealand	9.4 (#5)	18.5 (#3)
Southeast Asia	5.0 (#6)	7.0 (#6)

Source: Deloitte analysis

Public-to-private growth with Japan leading the way

- Public-to-private investments increased in 2023, in terms of both deal count and value, as other categories held largely constant. There were 25 take-private deals with a total value of US$38.4B in 2023, up from 17 deals valued at US$16.3B in 2022.
- In Japan, updates to corporate governance code and takeover guidelines, increased investor activism, Tokyo Stock Exchange's scrutiny of low price-to-book companies, and abundance of low-cost financing contributed to buyout opportunities for PE funds to de-list Japan-listed companies.
  - Japan recorded US$30.3B public-to-private transactions in 2023, accounting for 79% of total public-to-private deals in Asia Pacific.
  - Japan public-to-private transactions also accounted for three of the top ten PE investments in 2023.

Buyout deal types in terms of deal value (US$B)



Source: Deloitte analysis

PE investments – sector trends

TMT and consumer continue to be the sector of choice

- TMT led sector activity with 252 PE buyout deals worth a total of US$19.2B; and two of the ten largest deals in the region in 2023 were TMT deals.
  - Competition in the chip industry is expected to intensify, as the growing needs for chip development and manufacturing have created strong demand; JIC's acquisition of Shinko Electric Industries is an example.
  - Software/SaaS is the top sub-sector with 116 deals worth a total of US$8.7B in 2023, with strong interest across regions e.g. Works Human Intelligence (GIC, Bain) and Pushpay (BGH, Sixth Street). However, TMT activity dropped in China with recorded 36 deals worth US$4.7B in 2023, down from 57 deals worth US$5.1B in 2022.
- Consumer remained the second-most-active sector in 2023, however its deal activities dropped from 246 deals worth US$29.5B in 2022 to 202 deals worth US$26.5B in 2023.
  - China, Australia and New Zealand saw the biggest dip in consumer deals – though Australia's deal value was skewed in 2022 by Crown Resorts (Blackstone, US$6.6B).
- Business services was another bright spot in 2023, with 99 deals worth a total of US$14.2B in 2023, up from 77 deals worth US$3B in 2022.
- Industrials recorded decreased deal activities from 104 deals in 2022 to 72 deals in 2023, worth US$12.8B if we exclude JIP's US$14.8B take private of Toshiba, the largest PE investments in Asia Pacific in 2023.
  - In particular, data centres, corporate services, and security were subsectors of interest, each one featuring in the top-ten investments this year:
    - o Bain's acquisition of Chindata Group
    - o EQT Private Capital Asia's merger of Vistra and Tricor
    - o EQT Value-Added Infrastructure's acquisition of SK Shieldus.

Sector heatmap by number of buyout investments (2023)

	Japan	South Asia	China	Australia and New Zealand	Korea	Southeast Asia	Middle Asia	**Total deal count**	**Total deal value (US$B)**
TMT	78	38	36	56	23	19	2	**252**	**19.2**
Consumer	67	34	29	31	21	19	-	**201**	**14.9**
Healthcare	18	39	18	11	18	17	-	**121**	**16.1**
Business Services	28	14	15	21	13	8	-	**99**	**14.2**
Energy, Utilities, Infra. & Real Estate	21	11	27	7	18	3	-	**87**	**18.5**
Financial Services	11	26	6	15	7	14	1	**80**	**6.2**
Industrials	20	16	22	5	7	2	-	**72**	**27.6**
Transport & Logistics	9	2	3	-	12	6	-	**32**	**2.0**
Metals & Mining	-	-	-	3	-	-	-	**3**	**0.2**
Total deal count	**252**	**180**	**156**	**149**	**119**	**88**	**3**	**947**	**-**
Total deal value (US$B)	**38.8**	**18.5**	**32.4**	**9.4**	**14.6**	**5.0**	**-**	**-**	**118.7**

Cold — Hot

Source: Deloitte analysis

Top 10 buyout investments in 2023

#	Target company	Geography	Deal date	Deal type	Investors	Sellers	Industry	Deal size (US$)
1	Toshiba Corporation	Japan	Sep 2023	P2P	Japan Industrial Partners		Industrial Products	$14.8B
2	Zhuhai Wanda Commercial Management	China	Dec 2023	Buyout	PAG, Trustar, Tencent Inv., Ant Group, Shenzhen Country Garden Venture Capital	Dalian Wanda Commercial Management Group	Infrastructure & Real Estate	$9.3B
3	JSR Corporation	Japan	Jun 2023	P2P	JIC Capital		Chemicals, Plastics & Rubber	$6.6B
4	Shinko Electric Industries	Japan	Dec 2023	P2P	Consortium led by Dai Nippon Printing, Mitsui Chemicals, JIC Capital	Fujitsu	Hardware	$4.9B
5	Chindata Group	China	Aug 2023	P2P	Bain		Business Services	$3.2B
6	COFCO Fulinmen	China	Feb 2023	Growth	CCT Fund Mgmt., CIC, Affirma, National Social Security Fund China, China Life Asset Management, China Investment Corp., Temasek, Cosco Shipping, Hopu		F&B	$3.1B
7	Works Human Intelligence (WHI)	Japan	Mar 2023	Buyout	GIC	Bain Capital	Software	$2.6B
8	Vistra Group	Hong Kong SAR	Jan 2023	Add on, Merger	Tricor Services (portfolio company of EQT), EQT, PSP Investments	EQT	Business Services	$2.4B
9	SK Shieldus Co., Ltd.	Korea	Mar 2023	Buyout	EQT	SK Square, Keistone Partners, Macquarie PE Korea, Daishin PE	Business Services	$2.4B
10	Manipal Health Enterprises	India	Apr 2023	Buyout	TPG, Temasek Holdings	TPG, National Investment and Infrastructure Fund	Healthcare Providers	$2.0B

Source: Deloitte analysis

Transaction related to investments and/or partial exit of existing investment portfolio

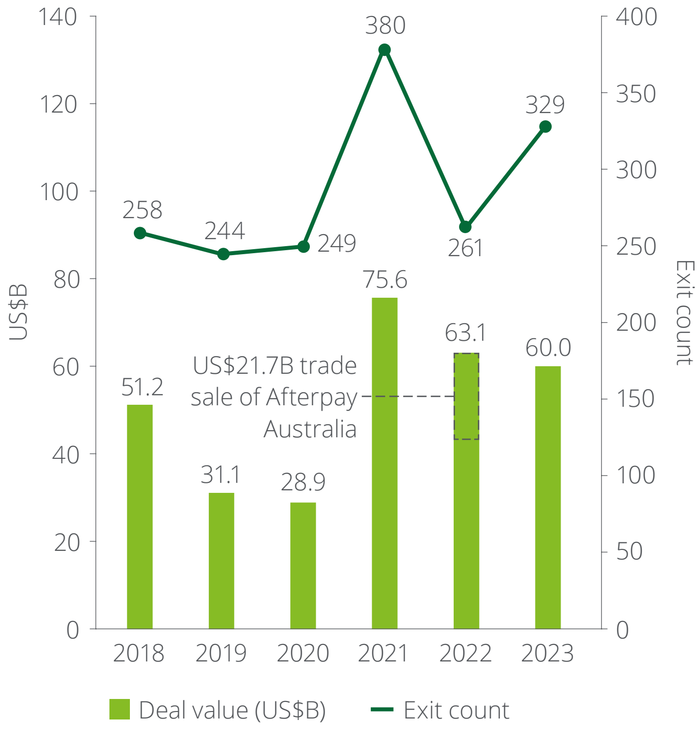
Market statistics
Buyout exits

PE exits

Exits remained challenging with fewer IPOs

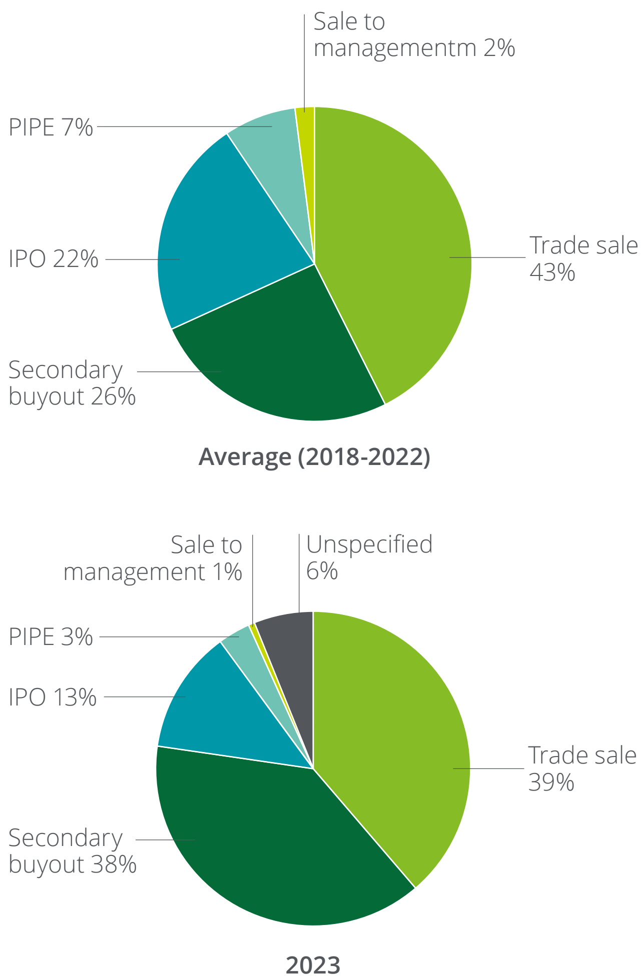
- Exits remained low in 2023, with 329 exits worth a total of US$60B, with the average exit value declining 25% to US$182.4M.
  - Total exit deal value was flat to 2022 (US$63.1B), though it represents a substantial improvement over 2022 value if excluding the US$21.7B Afterpay deal in Australia.
  - Similar to investments, the exit transactions include a number of portfolio management-related deals, including the four of the top ten exits in 2023 (Yingde Gases, Works Human Intelligence, Vistra and Manipal Health), representing a combined US$14.2B in value.
- The most common exit paths in 2023 were sales to strategic buyers (trade sale) and sales to other funds (secondary buyout), accounting for 39% and 38% of total deal value in 2023 respectively.
- Asia Pacific IPO proceeds dropped 33% in 2023[9], such that PE exits through IPOs represented just 13% of total PE exits vs. a ~22% over the past five years.
  - Notably, none of the top ten PE exits in Asia Pacific in 2023 were IPOs.

Asia Pacific Private Equity exits*, 2018-2023



Source: Deloitte analysis

Asia Pacific Private Equity exits* by category, 2023 vs. 5-year average, in terms of deal value



*Note: excludes private debt, real estate and infrastructure deals

9. Dealogic

Source: Deloitte analysis

Top 10 exits in 2023

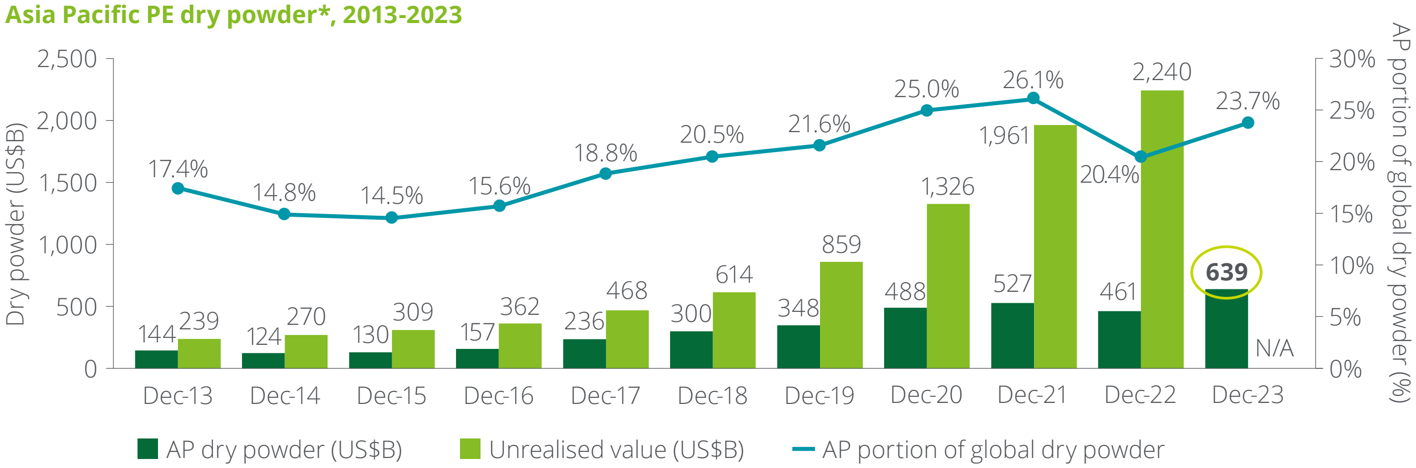
#	Target company	Geography	Deal date	Sellers	Investors	Exit type	Industry	Deal size (US$)
1	Zhejiang Yingde Holding Group	China	May 2023	AirPower Technologies (portfolio company of PAG)	Hangzhou State owned Capital Investment Management Co. Ltd.	Sale to strategic	Chemicals, Plastics & Rubber	$7.2B
2	Works Human Intelligence (WHI)	Japan	Mar 2023	Bain	GIC	Sale to fund	Software	$2.6B
3	Vistra Group	Hong Kong SAR	Jan 2023	EQT	Tricor Services (portfolio company of EQT), EQT, PSP Investments	Sale to fund	Business Services	$2.4B
4	SK Shieldus Co., Ltd.	Korea	Mar 2023	SK Square, Keistone Partners, Macquarie PE Korea, Daishin PE	EQT	Sale to fund	Business Services	$2.4B
5	NICHII (aka NICHIIGAKKAN)	Japan	Nov 2023	Bain	Nippon Life Insurance Co.	Sale to strategic	Healthcare Providers	$2.1B
6	Manipal Health Enterprises	India	Apr 2023	TPG, National Investment and Infrastructure Fund	TPG, Temasek Holdings	Sale to fund	Healthcare Providers	$2.0B
7	McDonald's Outlets in China and Hong Kong SAR	China	Nov 2023	Carlyle Group	McDonald's Corporation	Sale to strategic	Hospitality & Leisure	$1.8B
8	Japan Wind Development	Japan	Dec 2023	Bain	INFRONEER Holdings Inc.	Sale to strategic	Energy & Utilities	$1.5B
9	CMS Info Systems	India	Aug 2023	EQT	PSP Investments, Aditya Birla Sun Life Mutual Fund, Goldman Sachs, Massachusetts Institute of Technology, ADIA, ICICI Prudential AM	Sale to strategic	Financial Services	$1.3B
10	SOGO MEDICAL GROUP	Japan	Dec 2023	CVC	Polaris Capital	Sale to fund	Healthcare Providers	$1.2B

Source: Deloitte analysis

Transaction related to investments and/or partial exit of existing investment portfolio

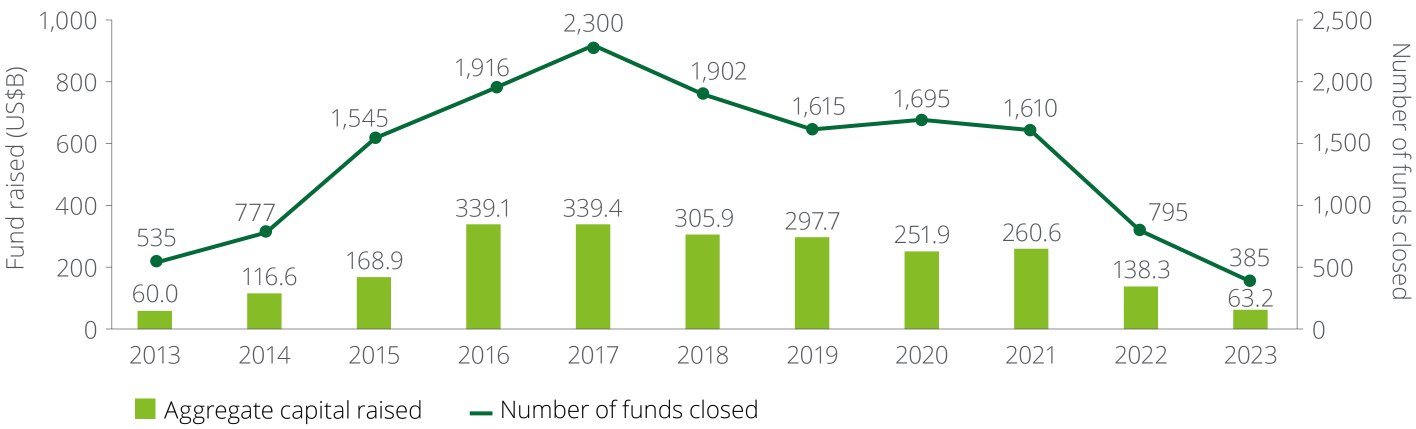
Dry powder and fundraising
Record levels despite fundraising stalemate

Asia Pacific PE dry powder*, 2013-2023



Source: Preqin, Deloitte analysis

Asia Pacific PE fund raised*, 2013-2023

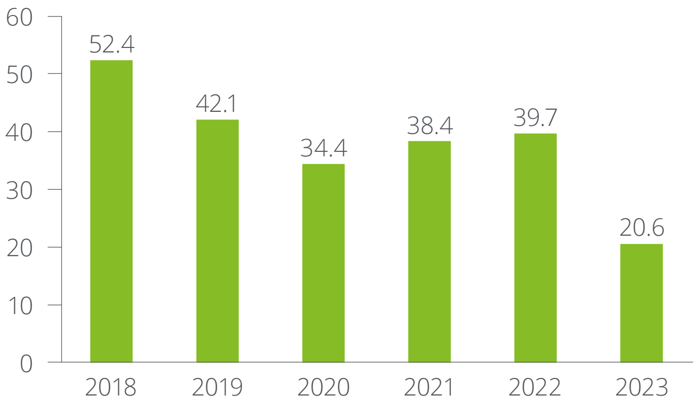


Source: Preqin, Deloitte analysis

- Over the past decade, Asia Pacific-focused PE dry powder and assets under management across all asset classes have increased by 344% and 385% respectively, reaching a 2023 record high of US$639B.
  - This accounts for 23.7% of global PE dry powder.
- However, the growth in dry powder is not simply a result of fundraising; in fact, PE fundraising across asset classes in Asia Pacific has experience significant decreases in the past two years, both in terms of number of funds closed and aggregate capital raised.
  - The number of funds closed in 2023 is the lowest since 2013, and the amount of fund raised is at a ten-year low.

*Note: includes venture capital, buyout, secondaries, fund-of-funds and special situations; excludes private debt, real estate and infrastructure

Buyout PE funds closed with geographic focus in Asia Pacific (US$B), 2018-2023



Source: Preqin, Deloitte analysis

- A similar trend is seen for buyout PE funds, with just US$20.6B raised in 2023 – nearly half of the ~US$40B raised in each of the past four years.
- Despite the low fundraising, large funds are closing, which means there increasing concentration in the market as LPs consolidate their money in fewer buyout funds.

Top 10 Asia Pacific Buyout fund closed in 2023

#	Fund	Fund launch date	Fund close date	Primary geography focus	Deal size (US$)
1	Bain Capital Asia V	N/A	May 2023	Asia	$7.1B
2	Primavera Capital Fund IV	Jan 2021	Feb 2023	China	$4.1B
3	Advantage Partners Fund VII	N/A	Apr 2023	Japan	$956M
4	Unison Capital Partners Korea Fund III	N/A	Jul 2023	Korea	$769M
5	Capital Square Partners Fund II	N/A	Jan 2023	Southeast Asia & India	$700M
6	Crescent Capital Partners VII	Feb 2022	Mar 2023	Australia & New Zealand	$670M
7	NSSK III	May 2021	Oct 2023	Japan	$667M
8	Nexus Point Partners II	N/A	Jul 2023	China	$600M
9	Novo Tellus PE Fund 3	N/A	Dec 2023	Southeast Asia	$510M
10	Pemba Capital Partners Fund III	N/A	Oct 2023	Australia & New Zealand	$407M

Source: Preqin, Deloitte analysis

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Appendix
Top deals by geography

Australia and New Zealand top 10 PE investments and exits in 2023

#	Target company	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	Energy Exemplar Proprietary	Buyout	+ –	Oct 2023	Vista Equity Partners, Blackstone	The Riverside Company	Software	AU$1.6B
2	Zimmermann Wear	Buyout	+ –	Aug 2023	Advent International	Style Capital	Retail (Durable + Non-Durable) /Wholesale	AU$1.44B
3	Australian Venue	Buyout	+ –	Aug 2023	PAG	KKR	Hospitality & Leisure	AU$1.4B
4	VetPartners	Buyout	+	Oct 2023	EQT	National Veterinary Associates	Business Services	AU$1.4B
5	Pushpay	P2P	+ –	May 2023	BGH Capital, Sixth Street Growth	TA Associates, Nikko Asset Mgmt., Accident Compensation, ANZ	Software	NZ$1.37B (AU$1.28B)
6	Ausenco	Buyout	+ –	Sep 2023	Brightstar Capital Partners, Eldridge Industries, Claure Group	Resource Capital Funds	Business Services	AU$900M
7	Estia Health	P2P	+	Aug 2023	Bain		Healthcare Providers	AU$838M
8	JELD-WEN Australia	Buyout	+	Apr 2023	Platinum Equity	JELD-WEN Inc.	Consumer Products	AU$688M
9	Honan Insurance	Sale to strategic buyer	–	Aug 2023	Marsh & McLennan Companies	TA Associates	Financial Services	AU$658M
10	Nitro Software	P2P	+	Apr 2023	Consortium led by Potentia, including L Capital and HarbourVest		Software	AU$550M

Source: Deloitte analysis

\+ Investment – Exit

China top 10 PE investments and exits in 2023

#	Target company	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	Zhuhai Wanda Commercial Management	Buyout, re-investment	+	Dec 2023	PAG, Trustar, Tencent Inv., Ant Group, Shenzhen Country Garden Venture Capital	Dalian Wanda Commercial Management Group	Infrastructure & Real Estate	CNY65B
2	Zhejiang Yingde Holding Group	Sale to strategic buyer	−	Mar 2023	Hangzhou State-owned Capital Investment Management	AirPower Technologies (portfolio company of PAG)	Chemicals, Plastics & Rubber	CNY51B
3	Chindata Group	P2P	+ −	Aug 2023	Bain		Business Services	CNY22.1B
4	COFCO Fulinmen	Growth	+	Feb 2023	CCT Fund Mgmt., CICC, Affirma Capital, National Social Security Fund, China Life Asset Mgmt., CIC, Temasek, Cosco Shipping, Hopu		F&B	CNY21B
5	Vistra Group	Merger, Add-on	+ −	Jan 2023	Tricor Services (portfolio company of EQT), EQT, PSP Investments		Financial Services	CNY16.8B
6	McDonald's Outlets in China and Hong Kong SAR	Sale to strategic buyer	−	Nov 2023	McDonald's Corporation	Carlyle	Hospitality & Leisure	CNY12.6B
7	HollySys Automation Technologies	P2P	+	Dec 2023	Ascendent Capital Partners		Software	CNY11.6B
8	Gracell Biotechnology Ltd.	Sale to strategic buyer	−	Dec 2023	AstraZeneca	6 Dimensions Capital, Suzhou Minying Capital, Janus Henderson, OrbiMed Advisors, Temasek, Wellington Mgmt., others	Biotech	CNY7B
9	Hangzhou Silan Microelectronics Co.,Ltd.	PIIPE	+	Nov 2023	Guotai Junan, Shougang Fund, SINO-IC Capital, MSPE, China Life Asset Mgmt, UBS, others		Hardware	CNY5B
10	ZJLD	IPO	−	Apr 2023	KKR		Consumer Products	HK$5.3B (CNY4.8B)

Source: Deloitte analysis

+ Investment − Exit

Japan top 10 PE investments and exits in 2023

#	Target company	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	Toshiba Corporation	P2P	+	Sep 2023	Japan Industrial Partners		Industrial Products	JPY2,000B
2	JSR Corporation	P2P	+	Jun 2023	JIC Capital		Chemicals, Plastics & Rubber	JPY904B
3	Shinko Electric Industries	P2P	+	Dec 2023	Consortium led by JIC Capital, Dai Nippon Printing, Mitsui Chemicals	Fujitsu	Hardware	JPY685B
4	Works Human Intelligence (WHI)	Buyout, sale to fund	+ −	Mar 2023	Bain, GIC	Bain	Software	JPY350B
5	NICHII (aka NICHIIGAKKAN)	Sale to strategic buyer	−	Nov 2023	Nippon Life Insurance Co.	Bain	Healthcare Providers	JPY310B
6	OUTSOURCING	P2P	+	Dec 2023	Bain		Healthcare Providers	JPY221B
7	Benesse Holdings	P2P	+	Nov 2023	EQT		Education	JPY208B
8	Japan Wind Development	Sale to strategic buyer	−	Dec 2023	INFRONEER Holdings	Bain	Energy & Utilities	JPY203B
9	SOGO Medical Group	Buyout, sale to fund	+ −	Dec 2023	CVC	Polaris Capital Group	Healthcare Providers	JPY170B
10	Hitachi Astemo	Growth	+	Oct 2023	JIC Capital		Automotives	JPY140B

Source: Deloitte analysis

+ Investment − Exit

Korea top 10 PE investments and exits in 2023

#	Target company	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	SK Shieldus Co., Ltd.	Buyout	+ −	Mar 2023	EQT	SK Square, Keistone Partners, Macquarie PE Korea, Daishin PE	Business Services	KRW3,000B
2	Osstem Implant	Buyout	+	Feb 2023	MBK Partners, UCK Partners Korea		Medical Devices	KRW1,800B
3	SK on Co. Ltd.	Pre-IPO	+	Jun 2023	BlackRock Inc; MBK Partners Inc.; Qatar Investment Authority; Hillhouse; SNB Capital		Energy & Utilities	KRW1,718B
4	AirFirst Co., Ltd.	Buyout	+ −	Aug 2023	BlackRock	IMM Private Equity	Energy & Utilities	KRW1,050B
5	Genuone Sciences Inc.	Unspecified exit	−	Jul 2023	Unspecified buyer	IMM Private Equity	Pharma	KRW1,002B
6	PI Advanced Materials Co., Ltd.	Sale to strategic buyer	−	Jun 2023	Arkema	Glenwood Private Equity	Chemicals, Plastics & Rubber	KRW1,000B
7	Lutronic Corporation	P2P	+	Jul 2023	Hahn & Company		Medical Devices	KRW964.6B
8	Hankuk Glass Industries, Inc.	Sale to strategic buyer	−	Jan 2023	LX International Corp.	Glenwood Private Equity	Chemicals, Plastics & Rubber	KRW590.4B
9	NexFlex Co.,Ltd.	Buyout	+ −	Aug 2023	MBK Partners	SkyLake Investment	Hardware	KRW530B
10	ISC Co., Ltd.	Sale to strategic buyer	−	Jul 2023	SKC	Helios Private Equity	Hardware	KRW522.5B

Source: Deloitte analysis

+ Investment − Exit

South Asia top 10 PE investments and exits in 2023

#	Target company	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	Sharekhan	LP Direct	+	Dec 2023	Mirae Asset Securities	BNP Paribas, Human Value Developers Private	Financial Services	INR229B
2	Manipal Health Enterprises	Buyout	+ –	Apr 2023	TPG, Temasek	TPG, National Investment and Infrastructure Fund	Healthcare	INR163.8B
3	AM Green Ammonia	LP Direct	+	Oct 2023	Petronas Ventures, GIC		Energy Storage & Batteries	INR145.2B (US$1.75B)
4	CMS Info Systems	LP Direct	+ –	Aug 2023	PSP Investments, Aditya Birla Sun Life, Goldman Sachs, Massachusetts Institute of Tech., ADIA, ICICI Prudential Asset Mgmt.	EQT	Financial Services	INR107.2B
5	HDFC Credila	Buyout	+	Jun 2023	Consortium led by EQT	Housing Development Finance Corporation	Financial Services	INR90.6B
6	Reliance Retail	LP Direct	+	Aug 2023	Qatar Investment Authority	Reliance Industries	Retail	INR82.8B
7	Coforge	Block Trade	–	Aug 2023		EQT	Outsourcing	INR80.4B
8	Kerala Institute of Medical Sciences	Trade Sale	–	Oct 2023	Quality CARE India (portfolio company of Blackstone)	True North	Healthcare	INR66.4B (US$800M)
9	Quality CARE India	Buyout	+ –	May 2023	Blackstone	Evercare Health Fund (managed by TPG)	Healthcare	INR58.1B (US$700M)
10	Mankind Pharma	Block Trade	–	Dec 2023		Capital Group, ChrysCapital	Pharmaceuticals	INR55.9B

Source: Deloitte analysis

+ Investment – Exit

Southeast Asia top 10 PE investments and exits in 2023

#	Target company	Geography	Deal type		Deal date	Investors	Sellers	Primary industry	Deal size
1	Ramsay Sime Darby Health Care	Malaysia	Add-on	+	Nov 2023	Columbia Asia Hospitals (portfolio company of Temasek and TPG)		Healthcare Providers	US$1,524M (MYR6.9B)
2	SingTel. (Regional data centre business) (20% stake)	Singapore	Growth	+	Dec 2023	KKR	Singapore Tele-communications	Infrastructure & Real Estate	US$807M (SG$1.1B)
3	QuEST Global Services	Singapore	Buyout	+ –	Aug 2023	Carlyle	Bain, Advent International	Software	US$600M
4	MFS Technology Singapore	Singapore	Sale to strategic buyer	–	Jul 2023	Victory Giant Technology	DCP Capital	Hardware	US$441M (SG$600M)
5	FV Hospital	Vietnam	Sale to strategic buyer	–	Jul 2023	Thomson Medical Group	Quadria Capital, Neuberger Berman, DEG	Healthcare Providers	US$328.5M
6	Masan Group	Vietnam	Growth	+	Dec 2023	Bain		Transport & Logistics	US$250M
7	The Medical City	Philippines	Buyout	+ –	Oct 2023	CVC	Lombard	Healthcare Providers	US$228M (PHP12.7B)
8	Primaya Hospital	Indonesia	LP Direct	+	Mar 2023	GIC	PT Sehat Abadi Cemerlang, PT Awal Bros Citra Batam	Healthcare Providers	US$197M (IDR2.95T)
9	Challenger Technologies	Singapore	P2P	+	May 2023	Dymon Asia		Hardware	US$176M (SG$240M)
10	PT Samator Indo Gas	Indonesia	PIPE	+	Mar 2023	CVC		Energy & Utilities	US$155M

Source: Deloitte analysis

+ Investment – Exit

Our approach

Private Equity, by its very nature, can be an opaque arena, certainly when compared to other spheres of investment, and establishing a single, verifiable source of truth poses real challenges: different players provide information – when they provide it at all – in different formats and using different metrics.

The Deloitte Asia Pacific Private Equity Almanac attempts to overcome many of the shortcomings of this incomplete data to provide the most insightful view possible of the buyout market. It reflects commentary and market insights based on our close coverage of the market throughout the year. Trends and statistics are checked against and supported by Deloitte's proprietary database of portfolio holdings for PE funds in Asia.

The scope of the Almanac is limited to buyout PE funds and their transactions (i.e. traditional buyout funds, focused on control deals), and as such, transactions deemed to be made by venture, growth, infrastructure, or real estate funds have not been included. Its geographic coverage spans PE activity across the entire Asia Pacific region: China, Japan, Korea, Australia and New Zealand, South Asia and Southeast Asia.

Our aim has been to provide what we believe is as rigorous and complete a view as is possible on the Asia Pacific buyout market – a market that is notoriously difficult to track in a holistic and accurate manner. With the Deloitte Asia Pacific Private Equity Almanac, we are providing a new and valuable tool for industry participants to better understand the market as a whole – qualitatively and quantitatively – and as such, make better informed decisions.

Glossary

Add on/Bolt on	An acquisition performed by a PE-owned portfolio company
Bankruptcy/ write off	An exit in which the portfolio company discontinues operations/goes into liquidation/filed for insolvency, resulting in the PE firm's stake being written off
Block trade	A transaction in a public security that is privately negotiated and executed outside of the open market
Buyout	Investment in a majority or significant minority of a company, often with the intention of gaining a controlling interest, with the goal of creating value by improving the operations of the company
China-for-China	A localisation strategy which involves producing goods in China and selling them domestically to meet local demands
Denominator effect	When the value of one part of portfolio decreases drastically and pulls down the overall value of the portfolio, inflating the relative proportion represented by other parts of the portfolio
Dividend recapitalisation	A way for companies to raise money by issuing debt and use the cash to pay shareholders a special dividend
DPI	Distributed to paid-in capital measures the total capital that a PE fund has returned to its investors, calculated as the cumulative value of all investor distributions as a multiple of all the capital paid into the fund up to that time
Dry powder	The amount of capital that has been committed to a private capital fund that has yet been allocated by the GP for investment
Fund-of-fund	A fund that invests its capital into other funds rather than into companies
General partner (GP)	Responsible for management decisions of the partnership, with respect to the ventures that are required to be invested
Hurdle rate	The minimum return that the fund must achieve for investors before the general partner or manager can share in the profits; sometimes used to express target return rates as the 'hurdle' return needed in modelled projections for a GP to make an investment
IPO	Initial public offering is the listing of private company shares on a stock exchange to be made available to the public
Lapsed/withdrawn	A deal that was agreed and announced, but subsequently did not complete; or a sale process that was stopped
Limited partner (LP)	An investor, typically institutions, high-net-worth individuals and sophisticated investors that invest capital to a fund to be managed by a general partner (GP)
Listed investment	Instrument that is publicly traded on a stock exchange
LP direct	An investment or acquisition made into a single, specific asset by a limited partner (typically an institutional investor)
Merger	Combination of two PE portfolio companies into one
PIPE	Private investment in public equity is an investment made in a public company directly from the public company, via a private placement
Pro forma adjustment	Adjustment to financials made to display what the impact of changes on financials on a hypothetical basis i.e. 'what if'
Public-to-private	A listed company is acquired by a private equity firm and is de-listed from the stock exchange
Recycled capital	LP investors using capital returned from PE investments to commit to new PE funds, as opposed to making capital commitments with 'new' money from their balance sheet or money pulled out of other asset classes
Secondary buyout	A PE-backed company is sold to another PE fund
Secondary fund	A private capital fund that purchases existing interests or assets from primary PE fund investors
SPAC	A special purpose acquisition company is a publicly traded blank check company created with the purpose of acquiring or merging with an existing private company, thus making it public
Strip sale	The partial sale of a fund's investments (strip) in all/some portion of underlying assets to provide LPs with liquidity
TLB/Term Loan B	A tranche of senior secured credit facilities made available to a borrower that is designed to be syndicated in the institutional loan market
TMT	Technology, Media and Telecommunications

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