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Singapore secures three of top five South-east Asia deals despite Covid-19 slowdown

Singapore's skyline on June 6, 2020. PHOTO: ST FILE

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SINGAPORE - Singapore clinched three of the top five private equity and venture capital deals struck in the region in the first quarter amid markedly slower economic activity across South-east Asia due to the pandemic.

There were 141 such deals worth US$1.4 billion (S$1.95 billion) in the region in the three months to March 31, Ernst & Young noted on Wednesday (July 8).

This was 9 per cent down in terms of deal numbers and 65 per cent lower in value compared with the same period last year.

Exit activity - the resale of acquired assets - remained largely muted.

The report also found that the cash in hand for potential buyouts had reached record levels of US$439 billion by mid-May.

The biggest first-quarter deal in the region was the US$706 million investment by Krungsri Finnovate and MUFG Innovation Partners in the Singapore-based ride-hailing software company Grab Holdings.

The other two Singapore deals that made the top five were the US$75 million investment in eCommerce company ShopBack and the US$37 million in solar energy firm Sunseap Group by separate consortiums, both including Temasek Holdings.

Mr Luke Pais, EY's M&A and private equity leader for Asean region, said there is a lot of uncertainty in the market, but investment activity is likely to pick up pace by the last quarter of this year.

"While the full-blown impact of the Covid-19 pandemic is yet to be seen with disruption continuing to unfold, we strongly believe that the industry is well-positioned to adapt and respond," he added.

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The second quarter is expected to be a slow period as well, the report noted.

Private equity funds in recent months have focused on dealing with issues such as liquidity, protecting their staff, accessing incentives and ensuring that short-term adjustments are made to ensure the business has adequate resources and support to weather the crisis caused by the pandemic.

Now they are increasingly pivoting to deal with issues such as resumption of trading and making operating adjustments to the business, with a focus on what lies beyond.

"Private equity funds are now actively assessing new opportunities. There is a high level of liquidity with the funds and as economies emerge from lockdown, corporates and entrepreneurs will need capital solutions," said Mr Pais.

EY expects activity in the areas of structured finance, public to private, capital recycling, non-core divestments, and sector and segment consolidation.

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The report said that investors are quite bullish about the opportunities in the region - evident from the fact that 121 funds are aiming to raise US$38.2 billion in capital markets.

Funds focusing on venture capital account for more than half of the total funds in the market, in terms of volume. This is followed by growth and buyout funds representing 19 per cent and 12 per cent of the total.