

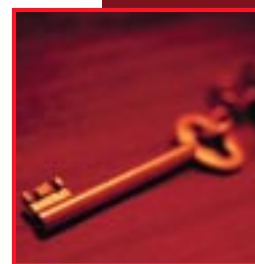
# Corporate Finance Reports

## The Singapore Mergers & Acquisitions Bulletin

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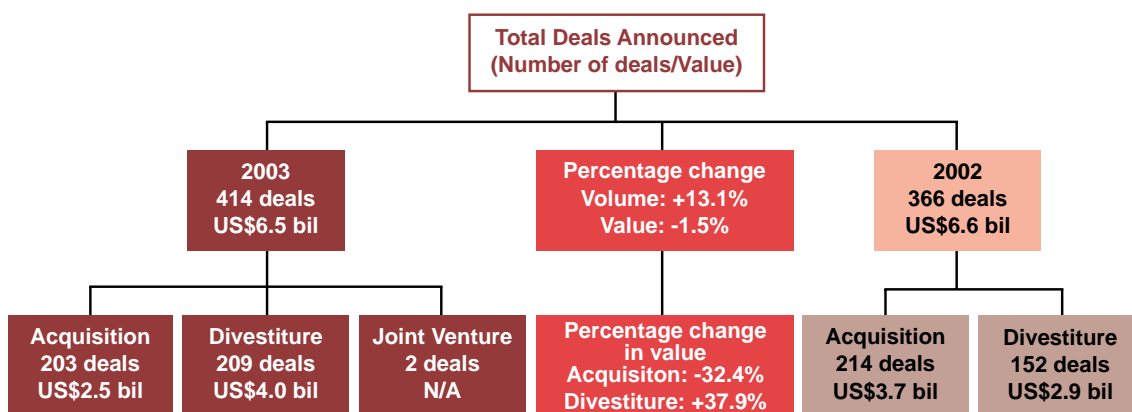
This bulletin aims to provide an overview of the M&A activity levels in Singapore in 2003. The findings show that in 2003 the number of deals increased, while the value of deals remained more or less the same as compared to 2002, possibly implying that the M&A market may have reached its bottom and is set to rebound in 2004.



What a year 2003 turned out to be! After the Singapore stock market's performance in 2002, few dared to make predictions for 2003. In fact, the first half of 2003 saw Singapore and many other economies in Asia and the world shaken by the Severe Acute Respiratory Syndrome (SARS), which only added to the uncertainties created by the effects of terrorism and wars in Iraq and Afghanistan.

Despite the gloomy start, the Straits Times Index representing the Singapore market closed 2003 with a 32% gain. While the Singapore M&A market did not perform that well, it managed to maintain its level in terms of the value of deals in 2003 as compared to 2002. In fact, with the number of deals in 2003 being higher by 13%, it looks like the M&A market may have bottomed out in 2003 and could rebound upwards in 2004.

**Figure 1: Summary of 2003 & 2002 M&A deals**



N/A: Not Available

An interesting point to note in Figure 1 is the increase in both the number and value of divestiture deals in 2003 over 2002.

## 2003 Highlights

As can be seen from Figure 2, cross-border deals made up 52% of the number of M&A deals and accounted for 51% of deal value in 2003. (The comparative number of deals and deal value for 2002 were 57% and 64% respectively).

**Figure 2: Breakdown of cross-border and local deals**

Deal Breakdown	2003				2002			
	Inbound Acquisitions	Outbound Acquisitions	Total Cross-Border	Pure Domestic Deals	Inbound Acquisitions	Outbound Acquisitions	Total Cross-Border	Pure Domestic Deals
Number of Deals	55	159	214	200	85	124	209	157
Value (US\$ billion)	0.4	2.9	3.3	3.2	1.0	3.2	4.2	2.4

**Inbound Acquisition:** Where a foreign company acquires a domestic company  
**Outbound Acquisition:** Where a domestic company acquires a foreign company

In our previous bulletin, we mentioned that domestic companies were increasingly paying attention to regionalisation in order to overcome Singapore's limited market size and relatively high manufacturing cost base. This trend is also evident in 2003 with the increase in the number of outbound acquisitions as compared to a drop in inbound acquisitions.

While the overall value may look similar to the previous year, this masks the significant spurt in deal value in the second half of 2003, which accounted for 76% of the value of outbound acquisitions in the whole of 2003 as 96 outbound deals had a cumulative value of US\$2.2 billion as compared to the value of US\$2.9 billion of outbound deals for the whole of 2003. This interesting trend may have been due to the negative sentiments in the first half of 2003 being, fortunately, short-lived for this category. In fact, seven of the top ten deals of the year are outbound acquisitions.

## Top Deals

Figures 3 and 4 below respectively highlight the top five cross-border and pure domestic deals for 2003.

In the case of domestic deals, the targets seem to be mainly real estate related while in the case of cross border deals (all of which incidentally are outbound acquisitions) the targets were spread across different sectors such as paper, telecommunications, finance and real estate.

It seems that all acquisitions, save for the acquisition of Ngee Ann City and Globe Telecom Inc, were made with the intention to gain control of the target.

**Figure 3: Top five cross-border deals**

Target	Acquirer	Percentage Targeted (#)	Announced/ Completed Value (US\$ mil)
Thistle Hotels Ltd	BIL International Ltd	54	369.1
Gajah Tunggal Tbk PT	Garibaldi Venture Fund Ltd	78	213.3
Asia Pulp & Paper debt	Orleans Offshore Investment	100	212.9
Microcell Oy	Flextronics International Ltd	100	199.5
Globe Telecom Inc	Singapore Telecommunications Ltd	14	194.9

Source : Bloomberg  
 (#) : In addition to percentage held before the transaction (if any)

**Figure 4: Top five pure domestic deals**

Target	Acquirer	Percentage Targeted (#)	Announced/ Completed Value (US\$ mil)
Clover Properties Pte Ltd	CapitaLand Ltd	100	495.6
Ngee Ann City	ERGO Tru Asia Pte Ltd	27	306.9
IMM Building	CapitaMall Trust	100	152.5
Land & Sea View Hotel	Marco Polo Developments Ltd	100	145.3
Lot 1 Shoppers' Mall	CapitaMall Trust	100	138.8

Source : Bloomberg  
 (#) : In addition to percentage held before the transaction (if any)

