The Nation

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Merger-and-acquisition activity in the Asia-Pacific region's power and utilities sector is expected to increase in 2013, according to a report by PricewaterhouseCoopers.

Energy, mining and utilities will be among the most active deal sectors in the coming year, as already seen in 2012. In Thailand, for instance, state-owned PTT Exploration and Production made waves last year when it beat out Royal Dutch Shell to acquire London-listed, Mozambique-focused natural-gas explorer Cove Energy for US$1.9 billion (Bt57 billion).

"Companies in Southeast Asia, including Thailand, are speeding up their global ambitions buoyed by strong growth and robust balance sheets. We expect the trend to persist as more and more companies in this region [Asean] will continue to compete for assets against multinationals or one another," said Somchai Jinnovart, energy, utilities and mining leader and assurance partner at PwC Thailand, citing the report.

The European debt crisis has made many assets cheaper, prompting a change from the conventional strategy of expanding by grabbing more market share at home. As the region's economies mature, some industry-leading companies are running out of growth prospects both in their home countries and in the region, and some need to go farther afield, Somchai explained.

According to the report, although corporate buyer activity is likely to remain subdued in such markets as Japan and Australia, deals in the entire Asia-Pacific region will still be driven by a number of factors. They include an expected revival of an initial public offering by Energy Australia, a wholly owned subsidiary of Hong Kong's China Light and Power (CLP), and the planned privatisation of New South Wales generation assets. Meanwhile Chinese state-owned power companies and Japanese trading houses alike maintain strong mandates for their "go-abroad" strategies, among others.

Somchai said Southeast Asian companies, to a certain extent, also are playing catch-up on acquisitions after years of watching more active nations, including China, Japan and India, go abroad.

"We are entering a different M&A world that is less US- or Euro-centric. Increasingly, Asia-Pacific companies are going abroad to other growth markets or at one another. Some have reached a level of maturity where they're ready to export their capabilities and see this as the time to consolidate their position in other markets," he said.

"While we expect Chinese and Japanese buyers to continue making acquisitions outside the Asia-Pacific region, we see signs that power companies from South Korea, Malaysia and Thailand are also boosting their own 'go abroad' ambitions. This shift to look overseas is driven in part by the forthcoming launch of the Asean Economic Community."

Throughout Asia and the Pacific, transactions totalling $17 billion were announced for power and renewables targets in the last six months of 2012, up 45 per cent from $11.7 billion in the comparable period a year earlier. In contrast, power and utilities M&A activity in the rest of the world saw a sharp decline after staging a recovery in 2010 and 2011 from its post-credit-crunch low in 2009.

"The flow of power and utilities deals in the Asia-Pacific region is bucking the global trend, with their numbers and values in the past six months continuing to rise from their 2011 lows," Somchai said.

"While in the second half of 2012 the value of deal-making for Asia-Pacific targets was up by almost half, deal value in the rest of the globe was actually down 42 per cent year on year over the same period. In fact, the global decline would have been even more significant if it weren't for Asia-Pacific buyers active in other parts of the world."

CROSS-BORDER DEALS

According to PwC's "Asia Pacific Power & Renewables Deals 2013: M&A Outlook and 2012 Review", buyers from the Asia-Pacific region were behind 37 per cent or $8.8 billion worth of the total $23.8 billion of cross-border deals announced globally.

For full-year 2012, Asia-Pacific deals continued to make gains with a total target value of $41.7 billion, a 117-per-cent increase from $19.2 billion in 2011.

The increase of $15.6 billion came from the nationalisation of Japan's Tokyo Electric Power Co and its divestment of its stake in Loy Yang A Power Station in Australia. Both deals were a direct response to the impact of the Fukushima earthquake, the report says.

On a global scale, last year's total deal value in the sector dropped 27 per cent to $154.1 billion compared with 2011 while the number of deals contracted by 15 per cent to 1,014.

"As we enter 2013, the amount of power and renewable target and bidder value coming from the Asia-Pacific region has trebled as a share of annual global sector M&A compared with the same period a year ago. So, as you can see, the region truly is standing out as an M&A powerhouse in an otherwise subdued global market," Somchai said.

According to the report, Australia, Europe and South America were the most attractive targets for global power companies seeking growth.