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ASIA BUSINESS Updated August 13, 2012, 9:36 a.m. ET

Southeast Asia Looks Abroad

Region's Companies, Running Out of Room to Expand at Home, Deploy Their Cash in Overseas Deals

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By SHIBANI MAHTANI and KATHY CHU



Deborah Kan
WSJ Digital Network

Southeast Asian companies are looking to expand overseas, highlighting the latest shift in Asia's power balance. The WSJ's Deborah Kan speaks to reporter Kathy Chu.

SINGAPORE—The multibillion-dollar tussle between [Heineken](#) NV and Thai investors for control of one of Southeast Asia's biggest beer empires is showcasing the latest shift in Asia's balance of power, as Southeast Asian companies emerge as larger players on the international stage.

Southeast Asian companies traditionally were considered the junior varsity players of Asia, while other Asian countries spawned household names such as [Samsung](#) [005930.SE +1.51%] and [Toyota](#) [7203.TO +0.32%]. Aside from a few titans like Malaysia's [AirAsia](#) Bhd. [MY -3.94%] and Thailand's lesser-known Charoen Pokphand PCL, a food conglomerate, Southeast Asia's big companies largely focused on their home markets, where they often enjoyed minimal competition.

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Southeast Asia Takes On the World

Read about Southeast Asian companies, some of which are already household names in Asia, that experts say have a shot at becoming bigger players on the global stage.



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The 10 Cross-Border M&A Acquisitions by Southeast Asian Companies, 2011 and 2012

Year	Company	Target	Value (\$ Billion)
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9
Jan. 2012	PTT Exploration & Production PCL	PTT Exploration	1.9

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- Thailand's PTT: Big Ambitions and Big Hurdles

IHS Global Insight, an economic analysis firm.

In the latest brew battle, Thai Beverage and Kindest Place, companies linked to billionaire Charoen Sirivadhanabhakdi, recently upended Heineken's long-standing position in the region with moves to acquire an 8.6% stake in one of Asia's fastest-growing beer companies, [Asia Pacific Breweries](#), and a 26.2% stake in [Fraser & Neave](#), [F99.SG -0.58%](#) a Singapore-listed conglomerate that has a joint venture with Heineken in APB. Heineken responded with a defensive \$4.1 billion offer to buy out F&N's stake in APB, which would allow it to maintain control.

Earlier this month, F&N accepted Heineken's bid. But then Kindest Place, controlled by Mr. Charoen's son-in-law, made a US\$831 million offer to buy part of F&N's stake at a higher valuation, potentially setting up a new battle for control.

Southeast Asian companies are making waves on farther shores, too. In July, for instance, [Royal Dutch Shell](#) [RDSB.LN +0.28%](#) PLC dropped out of the competition for U.K.-listed [Cove Energy](#) PLC, a Mozambique-focused oil and gas explorer, after its bid was trumped by Thailand's [PTT Exploration & Production PCL](#) [PTTEP.TH -0.32%](#). Few analysts expected a company of Shell's size to lose out to a relative minnow like PTT Exploration, a part of Thai state-owned conglomerate [PTT](#) [PTT.TH -0.29%](#) PCL. PTT Exploration is now on track to complete the \$1.9 billion deal after also snagging a 40% stake in a [Statoil](#) [STO +0.36%](#) ASA oil-sands project in Canada in 2010 for \$2.3 billion.

But after years of fat profits and rapid growth, many are now running out of room to expand at home, forcing them to look elsewhere to deploy their formidable cash piles, much as Chinese, Indian and other Asian companies did before them. That is creating significant new competition for Western firms, while adding yet another source of upward pressure on asset prices in industries as diverse as beer, energy and real estate.

Cross-border acquisitions announced by companies in the Southeast Asian region reached a record \$29.9 billion in the year to date, excluding purchases by the region's sovereign-wealth funds. That is approaching triple the \$11 billion this time last year, and compares with \$23.2 billion in all of 2011, according to data provider Dealogic.

"There's a lot of economic power sitting in Southeast Asia, and this is being reflected in the companies," said Rajiv Biswas, Singapore-based chief Asia economist for

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Reuters

Southeast Asian firms are fat with profits. Malaysian buyers bought London's Battersea Power Station.

Another Southeast Asian energy firm, Malaysia's state-owned Petrolim Nasional Bhd., or Petronas, is in the process of a roughly \$5.8 billion acquisition of Canada's [Progress Energy Resources Corp.](#)

[PRQ.T -0.54%](#) Malaysia's [Genting Bhd.](#), [3182.KU +0.22%](#) meanwhile, has turned heads in the U.S. by trying to launch a \$4 billion casino resort at the Aqueduct Racetrack in New York and another big project in Miami, though both have hit hurdles. Malaysia already had the world's

second- and third-biggest initial public offerings this year, and one of them, palm-oil company [Feida Global Ventures Holdings Bhd.](#) [5222.KU -0.59%](#) is expected to use some of the \$3.3 billion it raised to buy agricultural assets world-wide.

Smaller deals have also gotten attention. Last year, Thailand's Central Retail Corp. snapped up Italian luxury department store La Rinascente for €260 million, or US\$320 million at current exchange rates, with plans to potentially expand it into areas such as the Middle East and South America. Malaysia's [Sime Darby Bhd.](#), [4197.KU 0.00%](#) the world's largest listed palm-oil producer by acreage, and Malaysian property developer [SP Setia Bhd.](#) [8664.KU +0.86%](#) teamed up in June to acquire Battersea Power Station, one of London's most iconic landmarks that is featured on Pink Floyd album covers, for \$620 million for a real-estate project.

Many Southeast Asian firms now "aspire to be like Samsung," said Vorapong Sutanont, a partner at PricewaterhouseCoopers in Bangkok. "They want to capture the region first, but their five-year plan is to be a global player."

The push follows a larger outward movement in recent years by companies in places like China and India, including Tata Group, [Lenovo Group Ltd.](#) [0992.HK +1.47%](#) and [Cnood Ltd.](#), [CEO -1.38%](#) which recently said it would buy Canadian oil producer [Nexen Inc.](#) [NXY +0.23%](#) for \$15.1 billion. Some of those deals stirred concerns that Asian companies—some of which are state-backed—are gobbling up resources and pushing asset values above levels Western companies can afford, though some economists say the deals provide capital for industries that sometimes need more cash.

It isn't clear if Southeast Asian companies have the mojo to match up with bigger international players. Some have already stumbled, including Thailand's PTT Exploration, which ran into trouble in 2009 when an offshore well it picked up in an acquisition of an Australian energy company sprung a leak, resulting in the worst oil spill in Australian history. The company said it has learned from its past experiences.

"Southeast Asian firms can do some good deals [and] there is nothing wrong with the entrepreneurs who run them," said Joe Studwell, an economic researcher and author of a book critical of the region's tycoons. But compared to powerhouses like Toyota or Samsung, "they have no technological capacity," he said.

The companies are also often less-experienced in global competition, relying on local business relationships to dominate their home markets and fat wallets to drive deals.

There is little doubt the Southeast Asia companies are raising eyebrows, though.

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Singapore's [DBS Group Holdings Ltd.](#), [D05.SG -2.40%](#) Southeast Asia's largest bank by assets, is bidding \$7.3 billion to acquire Indonesia's PT Bank Danamon at a time when many Western investors have struggled to get a toehold in the country. Malaysia's [CIMB Group Holdings Bhd.](#) [1023.KU -0.50%](#) this year purchased the Asian equities franchise of Royal Bank of Scotland Group PLC for \$142 million after closing several other deals as it tries to become Asia's newest financial powerhouse.

Aside from having tons of cash to play with, the Southeast Asian firms see other advantages to scale up internationally. Some, like CIMB, are positioning themselves for the creation of a Southeast Asian regional economic community of roughly 600 million people across 10 countries in 2015. The community is expected to include lower trade barriers, freer flows of labor, closer financial-market integration—and much more competition for Southeast Asian firms that don't shore up their businesses.

The European debt crisis, meanwhile, has made some assets cheaper for Southeast Asian firms. Other companies are grappling with generational changes in their leadership as tycoons from a previous era hand over control to offspring with more experience in global markets.

—Patrick Barta and P.R. Venkat contributed to this article.

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