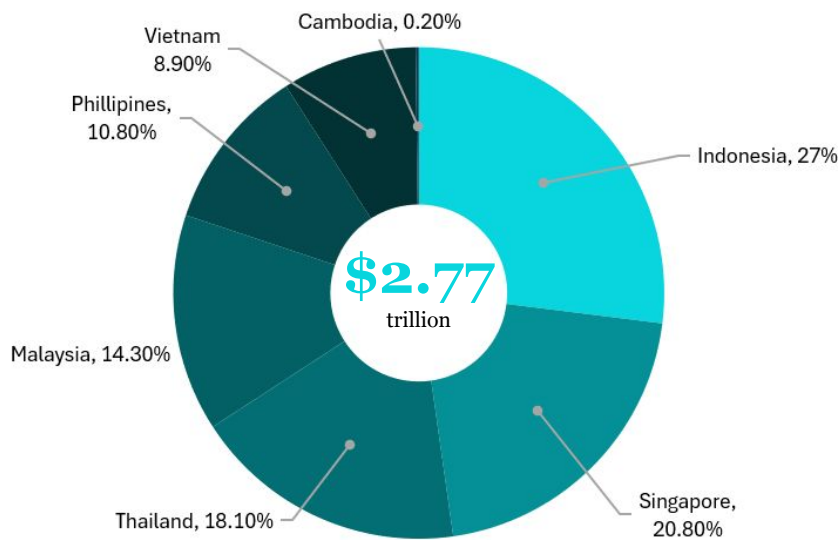


# Private Equity in Southeast Asia





# Southeast Asia Market Snapshot



**Total Market Capitalization across Southeast Asia** amounts to \$2.77 trillion, as of the latest update in January 2024. Indonesia leads with the largest market cap, comprising 27% of the total at \$749 billion, followed by Singapore and Thailand in the second and third positions with market caps of \$575.5 billion and \$500.6 billion, respectively. Cambodia holds the smallest share at 0.2%.

The Market Capitalization of Southeast Asia is one-fifth that of China and half that of Japan.

**9.3%**  
CAGR

The private equity market size in Southeast Asia is projected to exhibit a growth rate (CAGR) of 9.3% during 2024-2032 (imarcgroup).

## The top PE Investment in Southeast Asia in 2023 includes:

Top PE investments in 2023 (US\$m)

Target (HQ)	Sector	Investor	Deal value
Ramsay Sime Darby Health Care	Health care	TPG-backed Columbia Asia	1,220.0
SingTel regional data centre business (Singapore)	Telecom	KKR	807.0
QuEST Global Services (Singapore)	Business services	Carlyle	600.0

Columbia Asia, backed by TPG, is poised to acquire Malaysia's Ramsay Sime Darby Health Care for approximately \$1.5 billion, making it the largest healthcare acquisition in Southeast Asia since 2019.

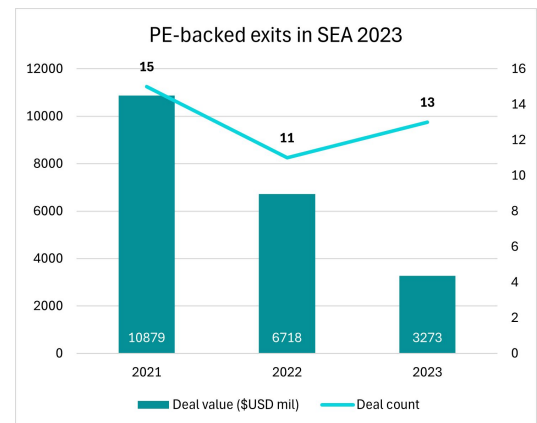
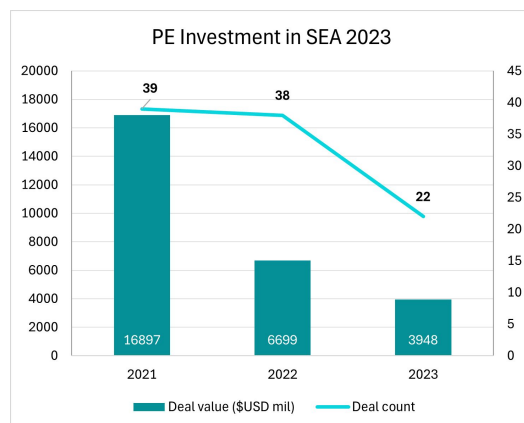


# Believing in **the potential** of Southeast Asia

## SEA's Private Equity market is navigating through headwinds.

For the second consecutive year, the Southeast Asia private equity (PE) landscape grappled with uncertainty. While 2023 began with a subdued outset, the region witnessed a resurgence in activity during the more robust fourth quarter, reaching a finale of 22 deals amounting to US\$3.9 billion by year-end. This marked a decline from the 38 deals worth US\$6.7 billion recorded in 2022.

Concurrently, exit value in Southeast Asia in 2023 plummeted by 46% year-on-year to US\$3.3 billion, with 13 PE-backed exits. This downturn is attributed to challenges posed by the re-evaluation of public market valuations, diminishing portfolio performance, and reduced exit opportunities due to the decline in IPOs.

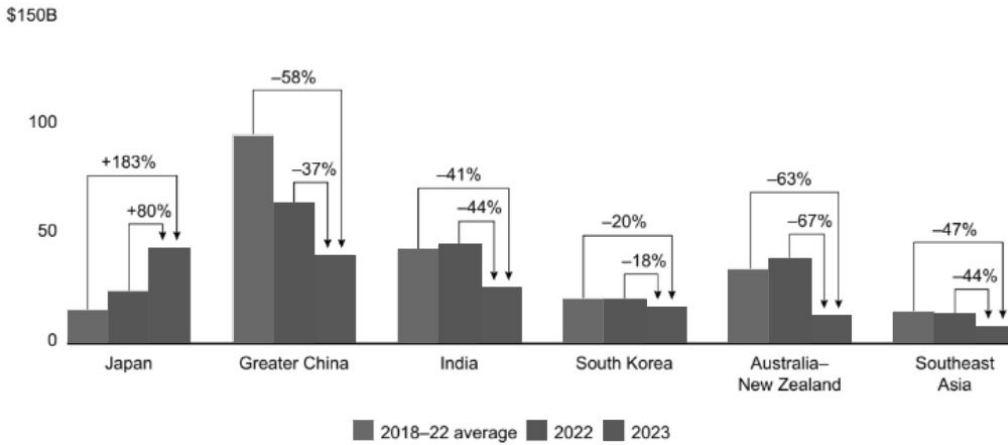


This deceleration in PE momentum mirrors a broader trend observed across the Asia-Pacific region, where the number of funds closed in 2023 (totaling 71 funds raising US\$35 billion in capital) reached its lowest level since 2018.

Overall, Asia-Pacific saw 99 PE investments deploying US\$79.3 billion in 2023. Notably, Japan emerged as a beacon of optimism within the Asia-Pacific PE arena, experiencing a 183% surge in deal value compared to the preceding five-year average.

Exhibit x:

Asia-Pacific private equity investment value, by market (\$B)



## Nevertheless, Southeast Asia harbors substantial potential worthy of belief.

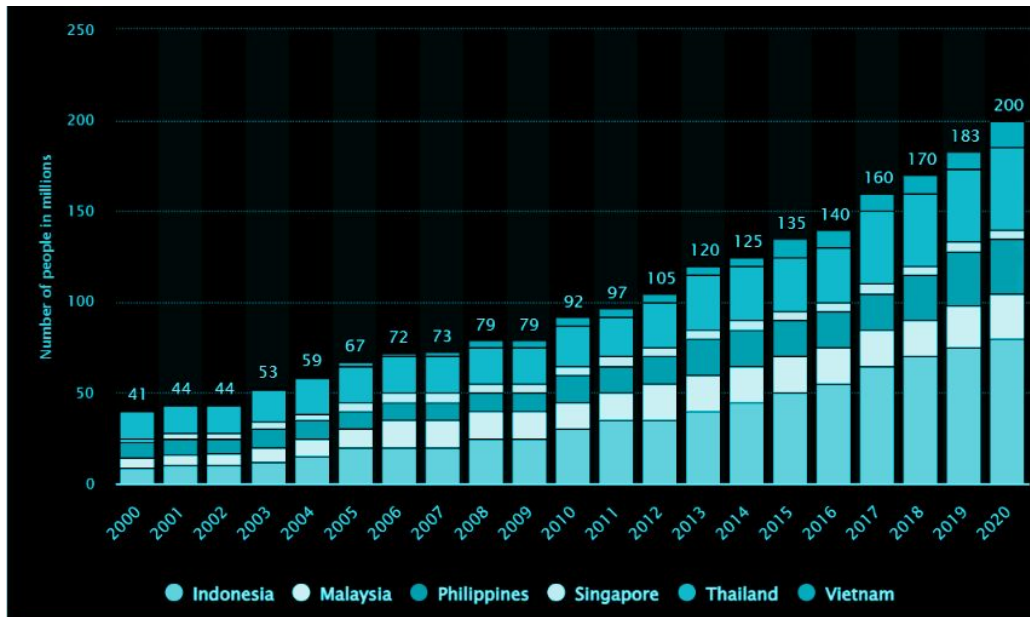
### Economic growth

In the final quarter of 2023, the economies of Southeast Asia demonstrated resilient growth, with GDP expanding across all nations. This growth was fueled by robust domestic demand, buoyed by stable employment conditions and moderated prices, alongside a gradual recovery of the services sector, notably in tourism, and initial indications of

strengthened export demand.

### Middle class

In 2020, about 200 million people made up the middle-class population in ASEAN. The middle-income and affluent households in Southeast Asia are projected to grow by around 5%. For many startups in Southeast Asia, the region's growing middle class represents a bright future, according to Yiping Goh, partner at McKinsey & Company.



In 2020, about 200 million people made up the middle-class population in ASEAN, roughly a 9% jump from the previous year. This signaled a huge increase in potential consumers and opportunities to improve products for firms around the region. For both small and large firms, this represents a huge addressable market and a significant opportunity – a bigger consumer base is always a good thing, not to mention having more chances to test and develop their products even further. This rise in the middle class is fueling economic growth and consumption patterns in Southeast Asia. As the middle class expands, it leads to increased demand for goods and services, drives innovation, and contributes to overall economic development in the region. The middle class in Southeast Asia is becoming a key driver of economic progress and prosperity.

### **Trade advantages**

Following the US-China trade tensions, global supply chains have undergone restructuring, with many businesses adopting strategies to diversify risks. Southeast Asia, especially Vietnam, has emerged as a favored destination, often referred to as a "China plus one" option, thanks to its lower labor costs, especially in electronics and supply chain sectors.

Trade performance varied across economies. Indonesia, Thailand, and Vietnam saw robust export growth, driven by continued expansion in service exports, particularly from the tourism sector. However, Malaysia, the Philippines, and Singapore experienced declines in exports due to lower demand for commodities and a slowdown in manufacturing-led exports.

### **Singapore - The emerging economic hub**

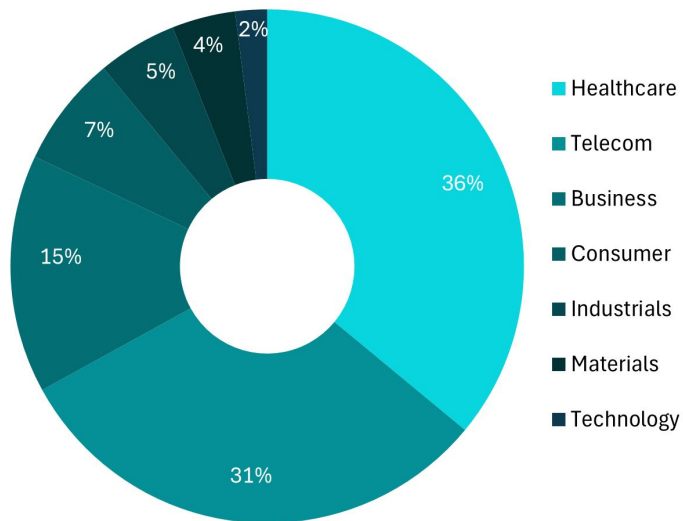
Singapore has been increasingly attracting financial firms, with some moving from Hong Kong to Singapore. As of 2020, Singapore is home to 25% of family offices in Asia, compared to 20% in Hong Kong. Additionally, Singapore has become the top

financial center in the Asia Pacific region, overtaking Hong Kong by one point. This shift is indicative of Singapore's growing prominence as a financial hub in the region. Furthermore, private equity (PE) representatives are also increasingly based in Singapore, reflecting the city-state's appeal as a strategic location for financial activities and investments.



# Prospective Sources of Growth

## Trendy Sectors



Heading into 2024, the primary areas of interest in Southeast Asia revolve around sectors influenced by the expanding middle class and global trends. Healthcare transactions represented over a third (36%) of PE investments in SEA, followed closely by telecommunications and digital infrastructure (31%), along with business services (15%). Other notable sectors include Consumer, Industrials, Materials,

and Technology, accounting for 7%, 5%, 4%, and 2% respectively. The healthcare industry is gaining momentum in the area, fueled by the region's swift population growth, increasing demand for long-term care services and heightened awareness post-pandemic. Roughly 35% of financial sponsor investments in the past two years have targeted HealthTech and Healthcare IT. Telemedicine plays a significant role in

this trend. Investment strategies are shifting away from generic models towards those tailored for specific needs and facilitating seamless coordination between online and offline care. (Source: Roland Berger, 2023)

## Spotlight Markets

In 2023, some of the top countries in Southeast Asia that received significant Foreign Direct Investment (FDI) inflows were Indonesia, Singapore, and Vietnam. This surge in FDI, indicative of robust investor confidence, has been a boon for the private equity market, providing a fertile ground for investment opportunities and bolstering economic growth across the countries.

### Indonesia

In 2023, Indonesia attracted a total of \$47 billion in foreign direct investment (FDI), representing a 13.7% increase compared to the previous year. The biggest FDI recipients were the basic metal and electronics industries, which received \$3.1 billion, followed by transport, storage, communication, and mining. China, Malaysia, and Singapore were Indonesia's biggest sources of FDI in this Quarter.

### Vietnam

As of December 2023, Vietnam had attracted \$36.6 billion of FDI in the whole of the year, a rise of 32.1 percent y-o-y. Of the total FDI, 64.2 percent went to process manufacturing, with real estate (12.8 percent), power generation and distribution (6.5 percent), and banking (4.3 percent) rounding off the top FDI sector beneficiaries. Hong Kong, Japan, and Singapore represent Vietnam's top-three FDI contributors.

### Singapore

FDI inflows are estimated to increase to US \$34 billion in the fourth quarter 2023 from US \$22.7 billion in the third quarter, while foreign exchange (forex) reserves increased by US \$19 billion, reaching US \$342 billion in the fourth quarter from US \$323 billion in the third quarter.

## Promising future themes

In 2024, the PE landscape in Southeast Asia is poised for growth, with key themes driving activity, as outlined by EY:

- Technology and artificial intelligence: This sector is reshaping industries across Southeast Asia and driving demand for digital infrastructure.
- Transition to a low-carbon economy: Investment opportunities are emerging in energy and related sectors as the region moves towards a more sustainable future.
- Aspirational consumer: Rising aspirations are driving demand for consumer products, improved healthcare, accessible financial services, and high-quality education.
- Fragmented business services landscape: Expect continued consolidation across different verticals in the business services sector.
- Reshaping of the global manufacturing landscape: Companies are prioritizing supply chain resilience, leading to a search for alternative supply chains and expanding supplier networks. Southeast Asia is increasingly viewed as a viable alternative supply base.

# End note

In summary, despite the global downturn, Southeast Asia offers numerous opportunities for Private Equity investments. These opportunities stem from the region's economic growth trajectory, increasing middle-class population with higher spending capacity, strategic trade advantages, and the ascendance of Singapore as a pivotal financial hub.

While opportunities abound, challenges persist on the horizon. The economies of Southeast Asia, comprising burgeoning nations such as Vietnam, Indonesia, and the Philippines, are undeniably brimming with potential, yet they grapple with the complexities inherent in emerging markets. On the other hand, its rich tapestry of cultural diversity, especially a staggering array of dialects in 11 countries, the ASEAN nations present a unique challenge for investors seeking to navigate this multifaceted terrain.

As such, success in Southeast Asia hinges upon the unique characteristics that define each country. Through strategic investments, adaptability and cultural sensitivity, investors can navigate the complexities of the market and unlock the boundless potential that lies within. CCX Partners offers world-class services tailored to support family offices, devise market entry strategies, conduct feasibility studies, and more. Our commitment is to empower our clients and partners to navigate the often complex investment terrain in Southeast Asia with confidence and success.

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