

ASEAN

Credibility at *Risk*

*Southeast Asia's future politico-economic roadmap in abeyance
following the Myanmar coup in February*

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Key Points

- The **sudden change of the political regime in Myanmar** on 1st Feb is **reshaping the politico-economic** landscape of **SE Asia**. The implication is so vast and grim that –
 - Singapore’s foreign minister commented that “**ASEAN’s credibility is at risk**”
 - a spokesman from the United Nations warned that SE Asia’s “**stability hangs on Myanmar**”
 - Myanmar’s military coup came when the SE Asia **private equity/venture capital ecosystem** has just reached a **level of maturity** –
 - **funds**: since beginning of the year, 4 funds, each with notable sizes have achieved either first or final closings that represent **US\$1.1 bn** in aggregate fresh capital
 - **investments**: the pandemic has not curbed investors’ interest in SE Asia –
 - 2020: the **US\$10.7 bn** in transaction total is a **42.1% increase** from the US\$7.5 bn in 2019
 - 2021: from Jan to 5th Mar, SE Asia has already recorded **3 sizeable deals** with total value adding up to **US\$645 m**, a development that portrays investors’ **keen interest in pursuit of assets** in this economic bloc
 - **robust public market**: investors are displaying appetite for listed assets backed by private equity investors –
 - in Oct 2020, 3 private equity-backed companies were listed –
 - » Nanofilm, backed by Heliconia, UOB Ventures and EDBI, was listed on the Singapore Exchange Ltd
 - » MR D.I.Y., backed by Creador, listed on Bursa Malaysia KLCI
 - » Converge Information and Communications Technology, backed by Warburg Pincus, listed on the Philippines Stock Exchange
- At the close of 5th Mar, both Nanofilm and MR D.I.Y. have **outperformed** their respective benchmark indices
- **new economy ecosystem** in the making: the **impending merger between Gojek and PT Tokopedia**, when materialises, shall create a **US\$18 bn digital operation** and a centrepiece in Indonesia’s digital economy
- The lingering question is whether Myanmar’s military coup will erode SE Asia’s “credibility” and disrupt this economic bloc’s “stability”

Until the military coup in Myanmar on 1st February, Southeast Asia was enjoying robust economic activities. The trade war between China and the US, coupled with the disruption caused by the pandemic, helped define this market as another supply chain hub. But the **sudden change of the political regime in Myanmar** at dawn-break on the first day of February is **reshaping the politico-economic landscape of Southeast Asia**.

In the first informal meeting between foreign ministers of ASEAN, Singapore’s foreign minister

declared that the deposing of Ms Aung San Suu Kyi, the leader of the National Democracy party that won the November 2020 election, and the **forces** used by the incumbent government **to quell civilian unrest had “put ASEAN’s credibility at risk”**.

Indeed, the **“non-interference” principle** that has been the bedrock of economic harmony among the Southeast Asia nations is now **being tested**. In particular, Singapore is the largest foreign investor, having invested an aggregate US\$11.1 billion in direct investment in Myanmar in the four years and nine months from April

2016 to December 2020.

While the world’s superpowers search for the best political tools to rein in the impact of the coup, the finance sector is taking the lead to put pressure on those that are in the position to voice their dissent to the junta. On 3rd March, the world’s biggest sovereign wealth fund, the US\$1.3 trillion **Norwegian Government Pension Fund** (‘Fund’) managed by Norges Bank Investment Management, announced that it has **“placed Kirin Holdings Co Ltd (‘Kirin’) under observation** due to unacceptable risk that the company

contributes to serious violations of individuals’ rights in situations of war or conflict”. Kirin is one of Japan’s largest brewers. The Fund pointed to “Kirin’s business cooperation with an organisation with ties to the military in Myanmar” as the premise for its decision. In Myanmar, Kirin partners with Myanmar Economic Holdings Ltd which is controlled by the country’s military. Currently, the Norwegian sovereign wealth fund is one of Kirin’s shareholders. The value of its holding in the beer maker is

around US\$277.1 million.

A spokesman from the United Nations recently warned that Southeast Asia’s “stability hangs on Myanmar”, a statement that highlights the central position of Myanmar in the sub-region’s politico-economic equation.

For private equity investors the disruption caused by the military in Myanmar came at a tenuous time when the private equity ecosystem in Southeast Asia had just reached a level of maturity: independent fund management firms have been able to

raise notable funds, deal flow has been consistent, and it has a vibrant public market that provides a robust exit route for assets. The biting question is whether the military coup in the economically threadbare Myanmar will snowball into a major disruptor that sets back private equity investment activities by years. The answer and the ability to address this situation that could erode investors’ confidence in the ASEAN rest not with private equity investors but with concerted efforts by global political leaders. ■

SE Asia: Maturing Private Equity/Venture Capital Ecosystem (2019 – 5th Mar 2021)

SE Asia-Focused Funds – Selective (Jan – 5th Mar 2021)

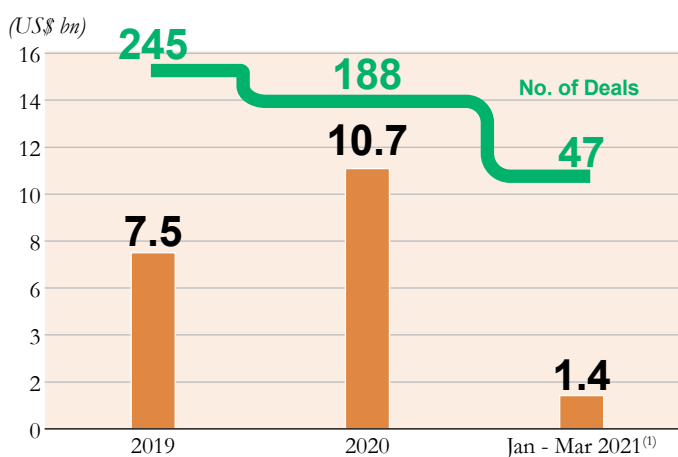
Fund Management Firm	Fund Name	Geographical Focus	Fund Category	Closing Date	Closing Size
Asia Partners	Asia Partners I LP	SE Asia	Growth/Expansion	Mar 2021	384
Novo Tellus Capital Partners	Novo Tellus PE Fund 2 LP	SE Asia	Growth/Expansion	Jan 2021	250
Tower Capital Asia	Tower Capital PE Fund I LP	SE Asia	Generalist/All Stages	Jan 2021 ⁽¹⁾	250 ⁽¹⁾
Mekong Capital Ltd	Mekong Enterprise Fund IV LP	Vietnam	Generalist/All Stages	Jan 2021	246

From Jan to 5th Mar, SE Asia records the closings of 4 funds, all managed by independent fund management firms. The uninterrupted record of fund closings in this sub-region is an expression of investors’ absolute confidence and the coming of age of private equity in SE Asia.

All amounts in US\$ m
⁽¹⁾ 1st closing date and size

Source: ASIA PRIVATE EQUITY REVIEW

Accelerating Investment Pace (2019 – 5th Mar 2021)



⁽¹⁾ as of 5th Mar 2021

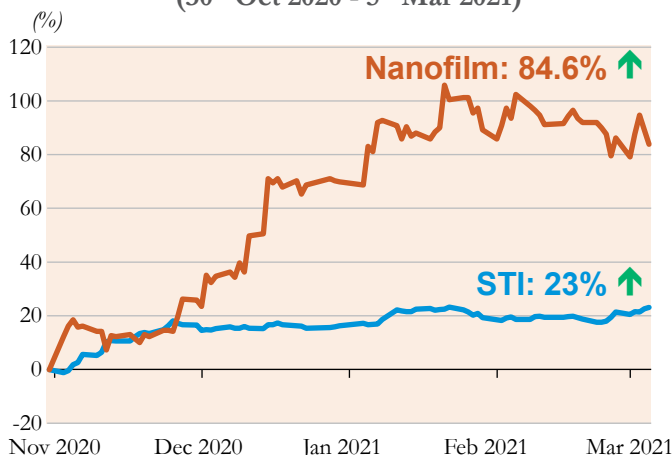
- In 2020, despite being ravaged by the pandemic, transaction sum in SE Asia soars to US\$10.7 bn, up 42.1% from that for 2019
- Just before the end of 2020, Myanmar captured the spotlight when CVC Capital Partners agreed to an estimated US\$700 m buyout of Irrawaddy Green Towers Ltd. If consummated, it would be among the largest deals in this economic bloc. The deal is unlikely to proceed due to uncertainty in the country after the military coup
- So far into the year, private equity investment activities in SE Asia have been vibrant with investors having participated in US\$1.4 bn in deal value. Of the 47 deals, 3 sizeable commitments have been recorded –
 - US\$300 m in Grab Financial Group
 - US\$175 m in Globe Fintech Innovations Inc
 - US\$170 m in PT SiCepat Ekspres Indonesia

Source: ASIA PRIVATE EQUITY REVIEW

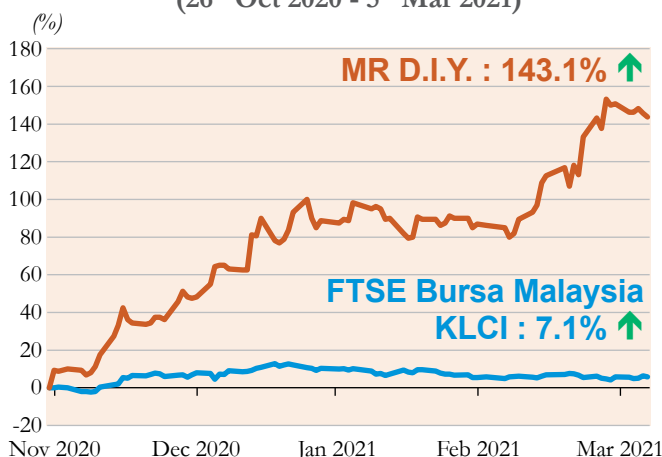
SE Asia: Maturing Private Equity/Venture Capital Ecosystem (2019 – 5th Mar 2021) (cont'd)

Robust Public Market – a Main Conduit to Liquidity

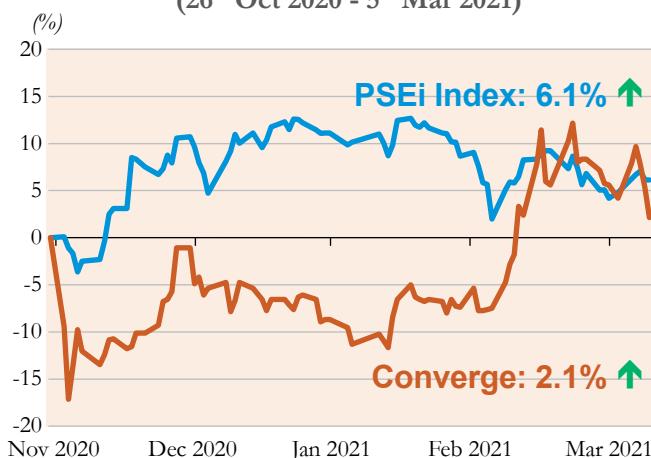
Performance of Nanofilm & Straits Times Index (30th Oct 2020 - 5th Mar 2021)



Performance of MR D.I.Y. & FTSE Bursa Malaysia KLCI (26th Oct 2020 - 5th Mar 2021)



Performance of Converge & PSEi Index (26th Oct 2020 - 5th Mar 2021)



In Oct 2020, SE Asia hosted the IPOs of 3 private equity-backed companies. It is the first time that this market hosted the listings of a string of such assets, suggesting the public market has the appetite for such sizeable IPOs –

- Singapore: Nanofilm Technologies International Ltd, backed by Temasek’s Heliconia Capital Management, UOB Venture Management and EDBI. It was the first IPO on the Singapore Exchange’s mainboard since Mar of the same year
- Malaysia: MR D.I.Y. Group (M) Bhd that counts Creador as its investor. At the home improvement retailer’s IPO, Creador sold part of its interest and clocked 217.6 m ringgit (US\$52.4 m) in distribution
- Philippines: Converge Information and Communications Technology Solutions Inc that counts Warburg Pincus as its investor. At the fixed broadband internet services provider’s IPO, Warburg Pincus sold a portion of its shares and recorded 17 bn Philippine pesos (US\$350.3 m) in distribution

As of 5th Mar, both Nanofilm and MR D.I.Y. have outperformed their respective domestic indices by over 60%; while Converge is closing its gap with the PSEi Index.

NB:

- dates for each of the companies are from their respective debut dates to 5th Mar
- IPO prices of each of the companies are base prices used to measure the share price performances

Converge = Converge Information and Communications Technology Solutions Inc
 MR D.I.Y. = MR D.I.Y. Group (M) Bhd
 Nanofilm = Nanofilm Technologies International Ltd
 STI = Straits Times Index

Source: Investing.com

SE Asia: Maturing Private Equity/Venture Capital Ecosystem (2019 – 5th Mar 2021) (cont'd)

New Economy Ecosystem in the Making

In Indonesia, an impending merger will change the terrain of SE Asia's new economy landscape. PT Aplikasi Karya Anak Bangsa, commonly known as Gojek, the country's sharing economy platform, is in talks to merge with PT Tokopedia ('Tokopedia'), one of the largest e-commerce platforms in the country. The merger will be a formidable alliance and will be a centrepiece of Southeast Asia's digital economy ecosystem.

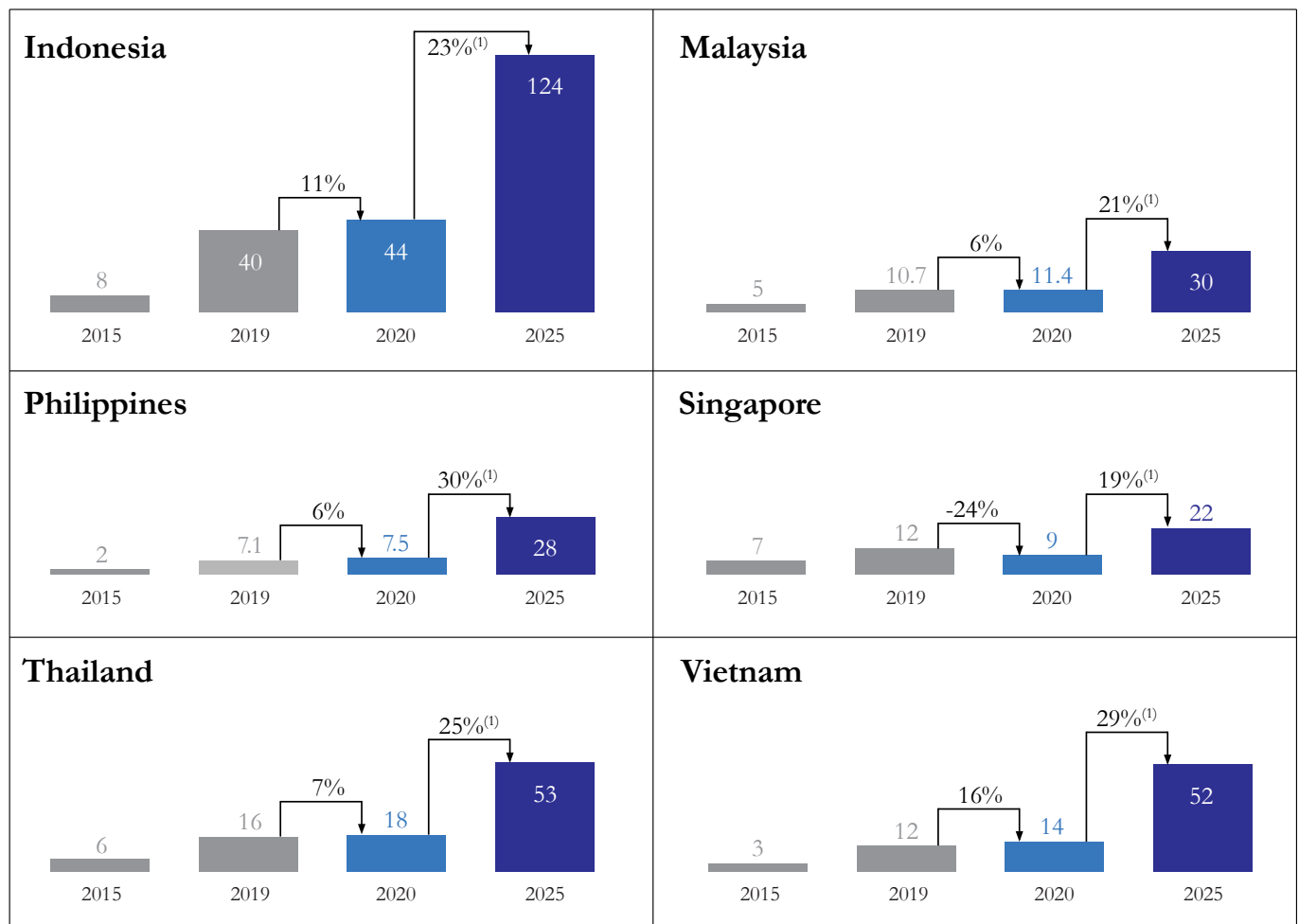
According to market reports, tech giants including the US's Google, Facebook, Microsoft and Paypal, and China's Alibaba Group Holding Ltd, Tencent Holdings Ltd and Meituan Dianping, have all expressed interest in participating in this landmark alliance of two leading digital platforms in Indonesia.

A Gojek-Tokopedia alliance will also bring together two

parties of private equity/venture capital investors. Gojek counts Sequoia Capital India and Warburg Pincus, Rakuten Ventures and Samsung Venture Investment Corp as its investors, while Tokopedia had enlisted Mr Masayoshi Son, founder of SoftBank Group Corp, along with its venture arm, Softbank Ventures Asia, as its investors.

The merger will create a US\$18 billion digital operation that, when it reaches an IPO, its valuation could skyrocket to US\$180 billion, according to market estimates. Based on the *e-Economy SEA 2020 report* by Google, Temasek Holdings (Pte) Ltd, and Bain & Company, Indonesia's digital economy is projected to command the highest growth in the years leading up to 2025, among the SE Asian nations.

SE Asian Internet Economy Gross Merchandise Value

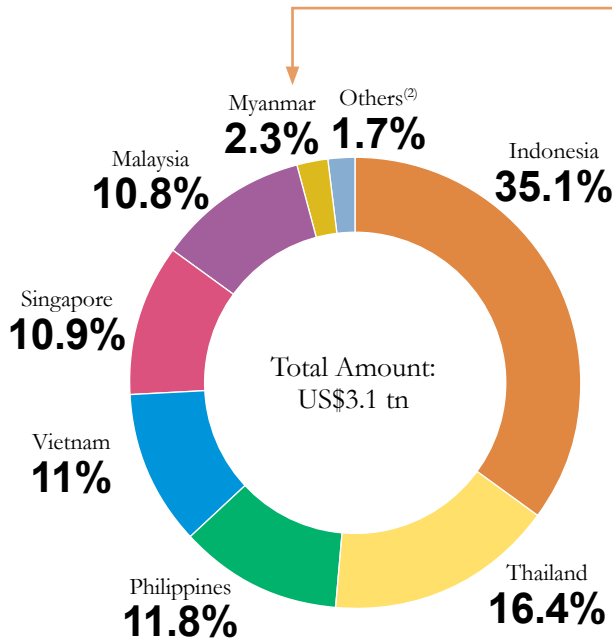


All amounts in US\$ bn
⁽¹⁾ compound annual growth rate

Sources : e-Economy SEA 2020 report by Google, Temasek, and Bain & Company

Addendum

GDP Estimates of SE Asian Countries in 2020⁽¹⁾



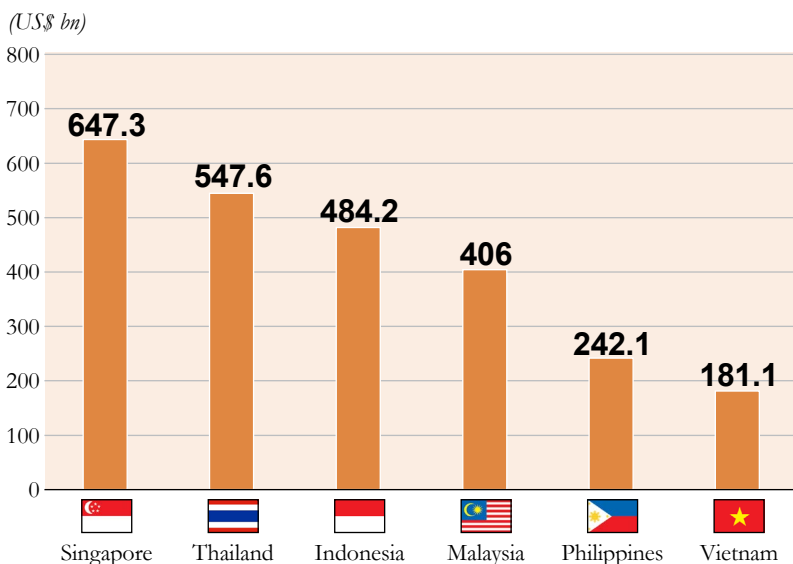
As at Oct 2020, SE Asia is estimated to be a US\$3.1 tn economic bloc. Myanmar, with an estimated US\$70.9 bn in gross domestic product, accounts for 2.3%. Yet its strategic geographic position, sharing its borders with two of Asia’s largest economies, China and India, in addition to Laos and Thailand, has placed its politico-economic balance as the linchpin to this region’s stability.

⁽¹⁾ as of October 2020

⁽²⁾ others include Brunei, Cambodia and Laos

Source: International Monetary Fund

Domestic Market Capitalisations of SE Asian Countries⁽¹⁾



The SE Asia stock market is not only vibrant but is showing signs that investors have the appetite for multi-billion dollar IPOs, a development that speaks volumes to this region’s deepening capital market –

- In 2020, SE Asia records exhilarating public market movements –
 - Thailand: 2 billion-dollar IPOs
 - US\$2.5 bn raised by Central Retail Corp PCL, Thailand’s largest retailer. The IPO is also the largest for the country
 - US\$1.3 bn raised by SCG Packaging PCL, a packaging solutions provider, and a subsidiary of Siam Cement Group
- In 2021, Singapore is expected to host its largest IPO when BeerCo Ltd, the regional beer business of Thai Beverage PCL, is expected to raise US\$2 bn on the Lion City’s bourse

⁽¹⁾ market capitalisations are as of January 2021

Source: World Federation of Exchanges