



# BDO Horizons – Thailand edition

Issue 3 / 2023

BDO in Thailand



# Global M&A scene

## Mid-market M&A becomes resilience in H1 2023 Amidst Economic Challenges but remains strong by historical levels

The mid-market M&A scene recently gained prominence over megadeals, which reached their peak in 2021, as businesses utilize acquisitions and divestitures as a tool for strategic growth and transformation. Mid-market M&A deals fared at 5,250 transactions in the first half of 2023, diminishing from 2022 but remaining high against the larger historical picture. Despite the statistic being lower than any quarter recorded in the prior year, which displayed remarkable activity, historical seasonal trends which show deal activity usually increasing into the year and slowing disruptive macroeconomic conditions are reasons why an expectant view is being formed for 2023's outlook.

### Regional trends

Leading into 2023, North America and Greater China took the lead in deal activity in the second half of 2022. The two regions were involved in the highest number of transactions across almost all lead M&A industries, accounting for 32% and 16% of deal volume in that period.

In H1 2023, North America's deal activity declined by 15% while Greater China went down by 23%.

Technology, Media, and Telecom (TMT) is a common sector for investment across the globe, being most active in the Americas, and Greater China.

*Sectorial trends Y-o-Y with pre-COVID statistics present a different view to trends Q-o-Q, highlighting the significance of M&A activity in 2022.*

In the first half of 2023, there was a noticeable decline across all sectors when compared to the figures from 2022. The most significant drops were in the Consumer, Financial Services, and Real Estate sectors, while the Pharma Medical & Biotech sector experienced a slight decline.

5,250  
transactions

Prominent players in  
Americas and China

Return of pre-  
pandemic levels

H1 2023 global mid-market M&A distribution

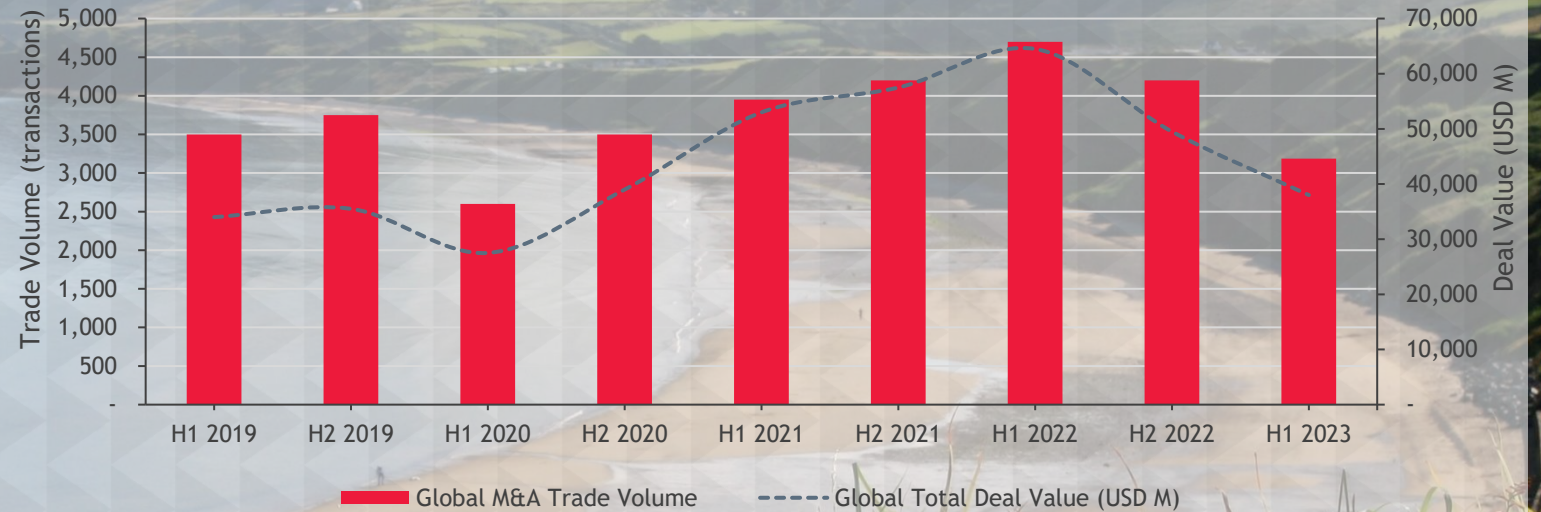
	TMT	Industrials & Chemicals	Consumer	Business Services	Pharma, Medical & Biotech	Financial Service	Energy, Mining & Utilities	Leisure	Real Estate	Total	%*
North America	948	301	355	351	442	225	109	45	28	2,804	32%
Greater China	192	446	106	169	134	107	117	34	88	1,393	16%
CEE	132	124	83	60	40	58	41	20	11	569	6%
Southern Europe	136	165	142	100	47	75	54	31	12	762	9%
India	57	52	39	34	40	48	18	6	4	298	3%
Latin America	173	21	57	56	21	55	59	11	9	462	5%
Nordic	50	57	15	28	41	13	17	7	4	232	3%
UK / Ireland	88	43	53	61	38	52	22	38	4	399	5%
Australasia	52	47	49	51	27	35	60	24	8	353	4%
DACH	85	109	59	31	56	14	11	7	1	373	4%
Other Asia	47	54	29	21	8	10	11	11	1	192	2%
Southeast Asia	69	61	35	45	41	55	50	24	13	393	4%
Japan	23	31	7	10	12	27	7	2	1	120	1%
Middle East	12	4	8	9	2	7	5	4		51	1%
Africa	26	27	13	24	8	14	36	1	4	153	2%
Benelux	18	31	20	26	36	22	10	10	2	175	2%
Israel	3	8	11	4	7	4	2	2		41	0%
<b>TOTAL</b>	<b>2,111</b>	<b>1,581</b>	<b>1,081</b>	<b>1,080</b>	<b>1,000</b>	<b>821</b>	<b>629</b>	<b>277</b>	<b>190</b>	<b>8,770</b>	

## Drivers in global deals

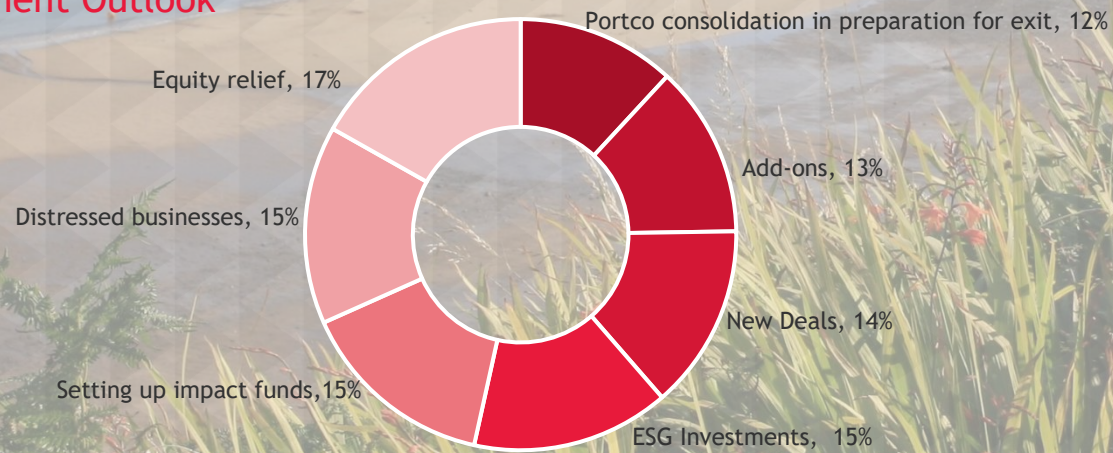
At 5,250 transactions globally in the first half of 2023, mid-market M&A activity slowed from 2022 but remains above historical levels. Pre-COVID M&A statistics identified the tendency of gradual rises of trade volume throughout each year, a pattern continuing into 2021. Should 2023 display similar characteristics, the year would be on par with 2021 and pre-COVID levels.

Spiraling inflation over recent years have made investment much more costly for buyers. The importance and edge to be gained from access to cash is more so highlighted as a key consideration in dealmaking. Multiples are expected to dwindle in the forecast for 2023.

## Global mid-market M&A



## PE Capital Deployment Outlook



Nevertheless, M&A today is considered to be a 'buyer's market' with the focus on value creation placing pressure on sellers to be well-prepared for detailed diligences. It is expected that private equity firms will be active in 2023, looking to expand capability and gain pricing benefits in the long-term. Strategic shifts in PE firms to focusing on the review and enhancement of portfolios through add-on acquisitions rather than executing bold deals requiring debt capital have been observed.

The perpetuating themes of AI technology and ESG, seen across all developments across the globe, is also expected to take prominence in the deal market. More than 80% of fund managers and operating partners report that they have turned down an investment opportunity because of ESG concerns.

# Southeast Asia's Deal Making Resilience

H1 2023: TMT emerges as a leading sector, followed by Industrials & Chemicals and Business Services

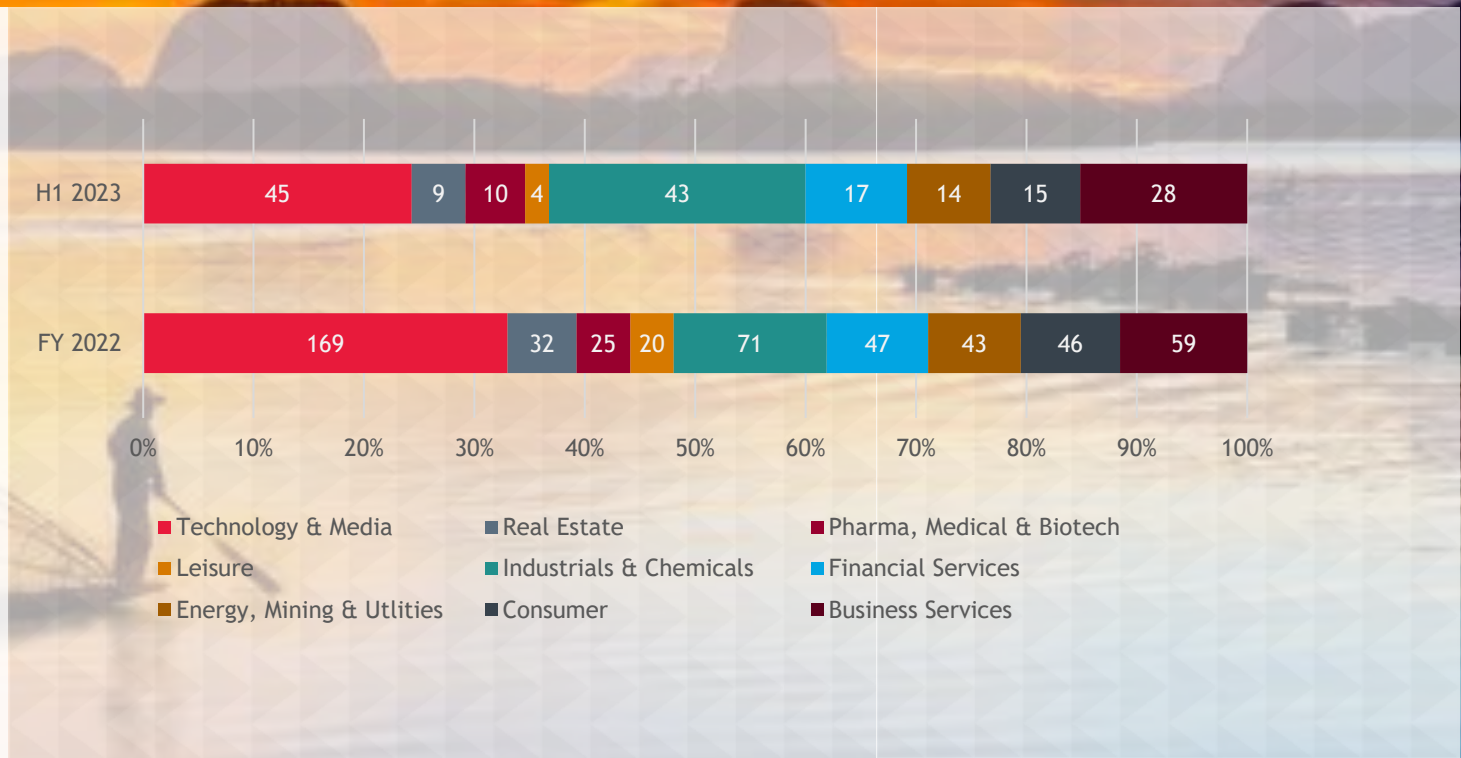
Southeast Asia's M&A market in H1 2023 has dropped by 44%.

Since 2022, the risen interest rate by worldwide banks has adversely impacted M&A activities around the globe and in Southeast Asia.

TMT continues to hold the most dynamically engaged sector in the region at 24%. Following closely are Industrials & Chemicals at 23%, along with Business Services at 15%.

The regional top three M&A deals were the TMT sector in Indonesia, the real estate sector in Singapore and the consumer sector in the Philippines.

The total value of the top 20 deals in Southeast Asia in the period was USD 6.26bn (H2 2022: USD 8.29bn), which equated to 49% of the region's total deal value.



# Transactions in Thailand

A regional pioneer of the M&A market

The year 2023 has been marked by a dynamic and resilient M&A landscape in Thailand. Cross-border collaborations are unlocking, while the renewable energy sector are presenting for sustainable investment. Despite global challenges, Thailand's businesses have shown remarkable adaptability, and innovative deal structures have paved the path for growth. The M&A market led the notable sectors in energy & natural resources, TMT, financial services, and hospitality sectors.

The Bank of Thailand forecasts a growth of 3.6% in GDP for 2023, with the country's staple tourism industry seeing a comeback from COVID-19 slumps coupled with government stimuli. As the economy stabilizes, we expect to see rebounded M&A activity as firms look for strategic expansion and portfolio optimization opportunities.

Thailand's M&A scene holds the promise of further excitement and opportunities for strategic partnerships, reflecting the commitment to innovation and expansion. Stay tuned for more updates as we continue to follow the exciting journey of mergers and acquisitions in Thailand.



# Foreign and Local Applications Driven by Investment Promotion

## Thailand Investment Applications Rise in Jan-June on Rising FDI in Electronics, Food Processing, EV

In the first half of 2023, there was a substantial 70% rise compared to the previous 2022, with a total of 364 billion baht (US\$ 10.3 billion), worth of BOI applications.

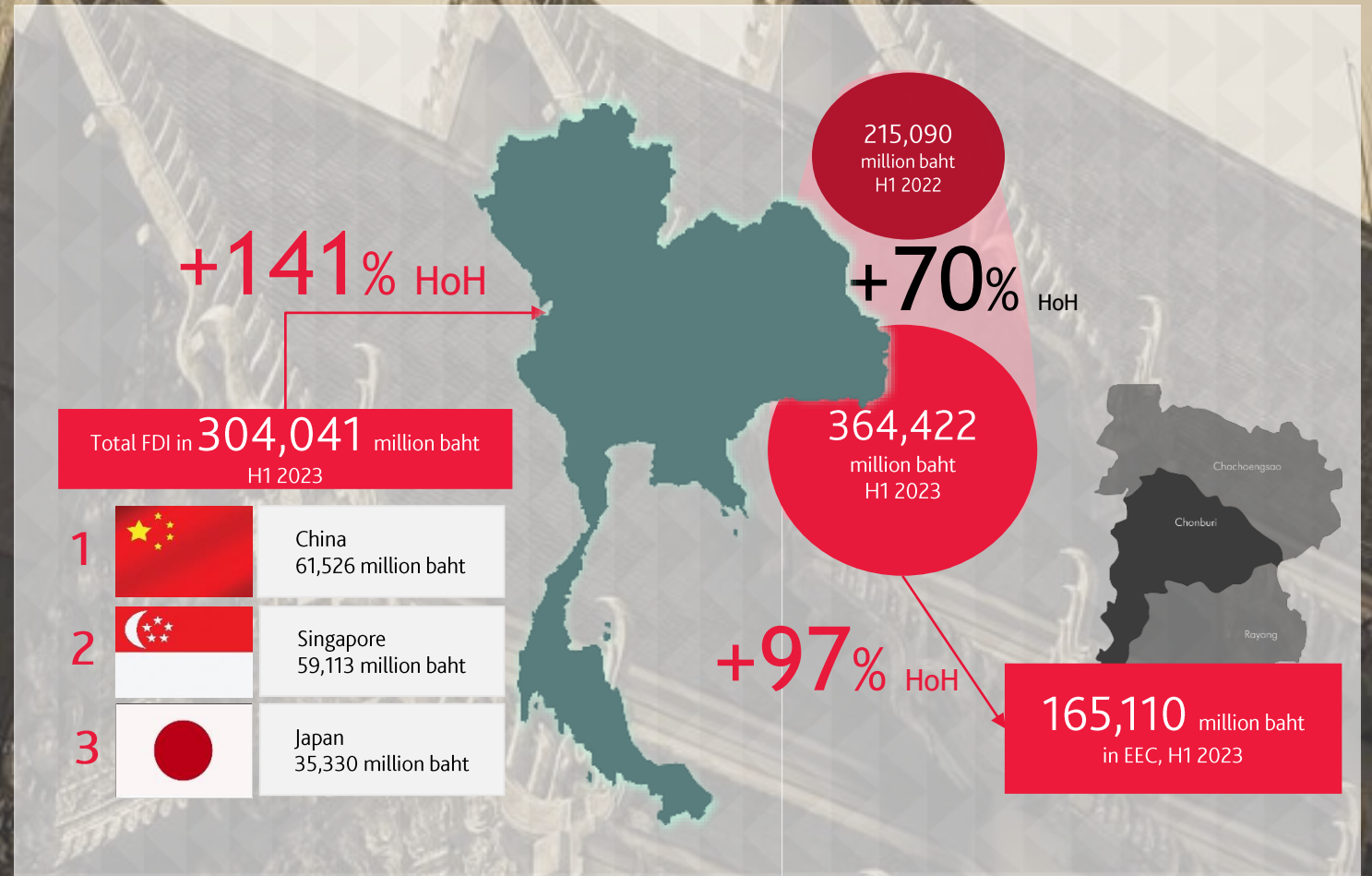
The H1 2023 foreign direct investments gaining momentum, is primarily driven by investors from China, leading in the E&E sector. Following closely behind are investments from Singapore and Japan. Concurrently, Japan has shown remarkable growth in its investment applications, more than doubling in the first half of 2022 which is 16.79 billion baht, substantially in electronic components and automotive parts.

The rise is driven by foreign and domestic investments in H1 2023, in terms of critical sectors in electrical appliances and electronics (E&E), agriculture and food processing, food, the automotive and parts sectors, and power generation sector.

Applications for promotions within the EEC zone reached a total value of 165,110 million baht, 87% of which are approved in H1 2023, mostly in E&E, petrochemicals and automotive sectors.

Long-Term Resident Visa (LTR Visa) program, one of the additional services provided by the BOI to stimulate investment. As of H1 2023, 4,200 LTR Visa Applications has filed, mostly by citizens of Europe, the United States and China. Recently, the program's scope has been updated to accommodate professionals and experts in technology and business fields.

Source: Thailand Board of Investment



# Incentives under the investment promotion act

## Investment promotion incentives

### Tax incentives

Exemption / reduction of import duties on machinery

Reduction of import duties for raw or essential materials

Exemption of import duties on materials imported for R&D purposes

Exemption of corporate income tax on the net profit and dividends derived from the promoted activity

A 50 percent reduction of the corporate income tax

Double deduction from the costs of transportation, electricity and water supply

Additional 25 percent deduction of the cost of installation or construction of facilities

Exemption of import duty on raw or essential materials imported for use in production for export

### Non-tax incentives

Permit for foreign nationals to enter the Kingdom for the purpose of studying investment opportunities

Permit to bring into the Kingdom skilled workers and experts to work in investment promoted activities

Permit to own land

Permit to take out or remit money abroad in foreign currency

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