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M&A IN THE CURRENT MACROECONOMIC ENVIRONMENT

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INTRODUCTION

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WHAT IS M&A?

Mergers and acquisitions (M&A) are how companies grow by combining with, or buying, other businesses. In a **merger**, two firms join to form one new entity. In an **acquisition**, a buyer takes control of a target by purchasing its shares or assets.

M&A is often the fastest route to:

- **Market expansion:** entering new countries or customer segments quickly
- **Economies of scale:** spreading fixed costs over a bigger base
- **Synergies:** a combined firm worth more than the two apart
- **Diversification:** relying less on one product or market
- **Competitive advantage:** buying technology, talent or IP

How are deals paid for?

Cash: fast and certain, but drains reserves

Debt: loans or bonds; keeps ownership, but must be repaid with interest

Equity: new shares to the seller; no cash out, but dilutes owners

Combination: a mix, typical of the largest deals

Why this matters

Debt is priced off benchmark government bond yields. When yields rise, borrowing to buy gets more expensive.

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MACROECONOMIC ENVIRONMENT

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GLOBAL M&A TRENDS IN 2026

By value, 2026 is one of the biggest years for dealmaking on record. LSEG data shows global M&A reached **US$3.9tn** in the first nine months, up 28% year on year and the highest for the period since 2001.

Beneath the headline, the picture is narrower. The **number of deals fell 8%**, to levels last seen in 2020. Companies are making fewer but much bigger bets: BCG counts **37 megadeals** of US$10bn+ from January to August, above the 2021 record of 32.

Technology led the way, with Mergermarket counting US$1.1tn of tech deals (+36%) as capital moved beyond software into AI and robotics.

+28%
Deal value

−8%
No. of deals

Trends and patterns:

Market	Value	Deals
Global	+28%	−8%
United States	+25%	−26%
United Kingdom	+98%	−22%
Southeast Asia	+44%	−11%

(Boston Consulting Group, 2026)

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FINANCING LANDSCAPE

Global M&A fell to **US$993bn in Q3 2026**, down 41% from Q2 and the first quarter below US$1tn since Q2 2025.

The reason behind this could be the cost of money. Surging energy costs fed inflation and pushed up rate expectations, sending the **10-year US Treasury yield to 5.34%**, its highest since 2002. Because acquisition debt is priced off benchmark yields like this, higher yields raise borrowing costs and lower what buyers can afford to pay.

Financing has become much more **selective**. BCG notes buyers with resilient cash flows still borrow readily, while more leveraged ones must bring more equity.

−41%
Q3 vs Q2 value

5.34%
10Y UST yield

How yields squeeze deals

Higher energy costs
⬇
Inflation and rate expectations rise
⬇
Benchmark bond yields climb
⬇
Costlier debt, lower valuations

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TRENDS IN APAC

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APAC M&A

Asia-Pacific has largely missed out on the global dealmaking boom. According to BCG, APAC deal value fell 14% and deal volume 9% in the first seven months of 2026. Look closer, though, and each market is telling its own story:

- **Japan:** governance reform keeps deals flowing; bids for listed firms and take-privates are now routine, and activist campaigns hit a record 52 in H1 2026
- **Southeast Asia:** value up 44% after three lean years, led by tech, financials and materials
- **India:** about 20% fewer deals, yet value almost flat as capital went into larger transactions
- **Greater China and Korea:** both down, with Chinese buyers reallocating to AI hardware, IP and overseas platforms

Overall: APAC deal value climbed to US$242bn in Q3 (+36% YoY), even as global M&A slowed sharply. This partly reflects a rebound from a weak 2025 and a few large deals.

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IMPACT ON M&A

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MACROECONOMIC PRESSURES ARE CHANGING BASED ON THREE FACTORS



HIGHER FINANCING COST



ECONOMIC UNCERTAINTY



UNEVEN REGIONAL CONDITIONS

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HIGHER FINANCING COSTS

Higher debt-service costs reduce equity returns and constrain the price a leveraged buyer can pay.

COST OF DEBT AND BID CAPACITY

Higher benchmark yields increase debt-servicing costs, reducing equity returns and limiting the price buyers can justify paying.

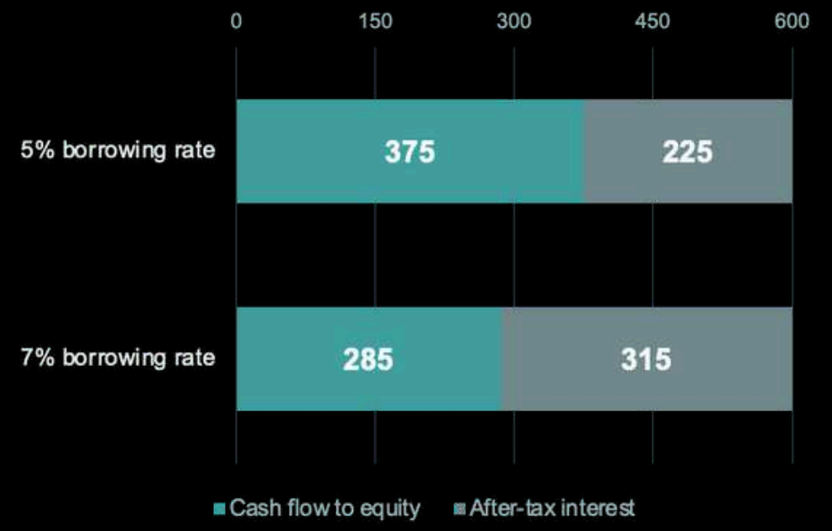
US$10BN LEVERAGED ACQUISITION

For a US$10bn acquisition financed with 60% debt, a rise in borrowing costs from 5% to 7% reduces annual cash flow to equity by 24%, with equity cash yield falling from 9.4% to 7.1%.

IMPLICATION FOR DEAL STRUCTURE

At a fixed US$300m annual interest cap, debt capacity falls to US$4.3bn, requiring US$1.7bn in additional equity or a lower bid. Cash-rich buyers with stronger balance sheets retain greater acquisition flexibility.

CASHFLOW AVALIABLE TO EQUITY



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ECONOMIC UNCERTAINTY

Geopolitical tensions and economic pressures are reshaping dealmaking across APAC.



- **Energy disruption**: The Iran conflict and Strait of Hormuz disruption have increased economic pressure on energy-dependent Asian economies.
- **Slower growth**: Regional GDP growth is projected to moderate from 5.0% in 2025 to 4.4% in 2026.
- **Declining deal activity**: APAC M&A value fell from approximately US$183bn in Q1 to US$164bn in Q2 2026.
- **Heightened uncertainty**: Valuation gaps, financing constraints and geopolitical risks are delaying transactions.

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MARKET ACTIVITY

H1 2026 deal value	PE buyout value	Deal kickoffs
US$490bn	**US$119.7bn**	**+4%**
Down 23.9% YoY	*Up 78.2% YoY*	*APAC growth*

- Overall M&A activity declined, with 5,171 deals recorded in H1 2026, down 11% year on year.
- Private equity buyouts strengthened despite the broader market slowdown.
- Rising deal kickoffs suggest continued interest in future transactions.

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WHO IS ACQUIRING?

Private Equity



Sponsors with existing dry powder remain active despite weak fundraising.

Large Corporates



Strong balance sheets support megadeals while mid-market buyers face financing constraints.

Middle Eastern Sovereign Funds



Long-term investment mandates sustain cross-border interest.

Indian Corporates



Outbound transactions accounted for 84% of India's Q2 M&A value.

Japan Corporates



Outbound deal volume increased 27.5% to 309 transactions in H1 2026.

Chinese Domestic



Local investors are acquiring assets divested by international capital.

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WHAT ASSETS ARE ATTRACTING BUYERS



Industry consolidation

Companies are acquiring competitors to strengthen market positions, achieve scale and improve operational efficiency

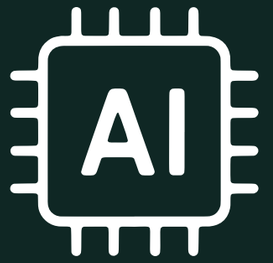
Key markets: Japan, China, Southeast Asia and India



Supply-chain resilience

Buyers are diversifying production networks and securing critical resources to reduce geopolitical exposure.

Key opportunities: Manufacturing facilities and Australian critical minerals



Technology

AI, semiconductors and data centres continue attracting investment driven by structural demand.

High technology target value: approximately US$169bn, up 47%

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HOW ARE TRANSACTIONS BEING STRUCTURED?

Transaction structure	Strategic rationale
Earn-outs	Bridge valuation gaps by linking payments to future performance.
Warranty & Indemnity insurance	Transfer transaction risks and provide greater deal certainty.
Cash and stock consideration	Reduce immediate cash requirements and share valuation risk
Hybrid financing	Combine equity, debt and private credit to optimise financing costs.
Carve-outs and demergers	Unlock value through divestment of non-core businesses.
Majority acquisitions and JVs	Secure operational control or access local capabilities.

60%

of surveyed APAC GPs favour earn-outs.

58%

of surveyed respondents expect increased W&I insurance usage.

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REGIONAL M&A PERFORMANCE DIVERGES

Market	H1 2026 performance	Main Driver
Japan	US$84bn+, up 25% vs H2 2025	Weak yen, governance reforms
China / HK	US$133bn, down ~40%	Domestic consolidation
India	Q2 value at four-year quarterly high	Outbound megadeals
Southeast Asia	Strongest H1 since 2022	Consolidation, data centres
Australia	US$48.2bn, volume down 35% vs H2 2025	Critical minerals, infrastructure
South Korea	Volume down 27% in Jan–Apr	Electronics, semiconductors

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KEY TAKEAWAYS

APAC M&A is transitioning toward a more selective and strategically driven market.

- Capital strength determines acquisition capacity
  → Private equity sponsors with dry powder and large corporates remain better positioned to pursue transactions.

- Strategic resilience drives asset selection
  → Consolidation, supply-chain diversification and technology infrastructure are major investment themes.

- Flexible dealmaking supports execution
  → Earn-outs, hybrid financing and risk-transfer mechanisms help transactions proceed despite uncertainty.

- Regional opportunities remain uneven
  → Japan, India and Southeast Asia demonstrate different sources of resilience, while China faces a more challenging environment.

Macroeconomic uncertainty is not eliminating APAC M&A opportunities. It is reshaping who acquires, which assets attract capital and how transactions are executed.

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CASE STUDIES

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HOW RATES SHAPED THE TOYOTA INDUSTRIES DEAL

Context

Toyota Group took **Toyota Industries private** in a **US~$40bn** buyout.

- Funded **mainly by loans** from **Japan's three megabanks**: MUFG, SMBC, Mizuho
- Tender offer completed in March 2026 with 63.6% of voting rights secured, above the 42.01% minimum
- Delisted from the TSE and NSE in June 2026



Why did Toyota rely on bank financing?

- **Financing options**: Acquisitions can be funded through cash, debt (bank loans/bonds), or equity. Toyota Group used a combination of bank loans and equity contributions to finance the buyout.
- **Chose bank loans:** Japan's relatively low interest-rate environment made yen-denominated borrowing potentially attractive. Financing through its three megabanks also provided access to substantial funding without relying entirely on equity.
- **Impact on deal pricing**: The availability of additional bank financing helped Toyota increase its acquisition offer, demonstrating how access to credit directly influences how much an acquirer can afford to pay

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GRAB'S TAIWAN ENTRY IS A NATIONAL-SECURITY ISSUE

Context

- **Grab** agreed to buy **Delivery Hero's foodpanda Taiwan** for US$600m in cash on a cash-free and debt-free basis
- Grab's **first market outside** of **Southeast Asia**

Hurdle 1: Competition

- Uber, owner of rival Uber Eats, holds ~13% of Grab
- Regulators were worried the two "rivals" may not truly compete
- The Federal Trade Commission **blocked** Uber's **direct bid** for **Foodpanda** in 2024

Hurdle 2: National Security

- Unions alege Grab's links to Chinese firms (Huawei's Petal Maps, Alibaba Cloud) put **Taiwanese users' data** at **risk**
- National Securrity Bureau is involved in the review

Hence, this resulted in delays of 60 working days to extend the review to analyse whether this deal may be a security threat

For cross-border deals, investors face longer reviews or even a blocked deal when they buyer's ties touch sensitive data or rival firms

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CONCLUSION

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CONCLUSION

FROM THE INTRODUCTION SECTION, WE LEARNT THAT:

- M&A allows companies to grow, consolidate or enter new markets by combining with or acquiring other businesses.
- APAC deal activity slowed in 2026, with deal value down 14% and volume down 9%, yet mega-deals continued.

FROM THE MACROECONOMIC ENVIRONMENT SECTION, WE LEARNT THAT:

- Interest rates, inflation, uncertainty and regulation all affect the cost and feasibility of deals.
- Conditions differ across APAC: Japan's rates remain far below US levels, and growth is uneven across ASEAN

FROM THE IMPACT ON M&A SECTION, WE LEARNT THAT:

- Macro pressures such as interest rates, economomic uncertainty are not stopping M&A
- Changes which companies are acquired, which assets are attractive and how deals are structured.
- Higher financing costs make buyers more selective, while uncertainty pushes companies toward strategic deals focused on consolidation, synergies and resilience

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