

Asian Investment Monitor October 2017

Overview

China

The National Congress takes place every five years and is an opportunity for China's leadership to showcase upcoming government priorities alongside reshuffling the country's powerful Politburo Standing Committee. Following the 19th National Congress of the Communist Party of China, there was an expectation that President Xi Jinping would relax capital controls given his ambition to further China's global stature. However, whilst proposing to streamline the approval process for off shore deals to reduce execution risk, the National Development and Reform Commission's draft guidelines propose an expansion of its oversight to include transactions structured through offshore entities of Chinese companies. If adopted, the new rules would require Chinese companies to declare acquisitions which exceed USD300.0MM in value, whether or not they are in a "sensitive" project.

Japan

Shinzo Abe's landslide election victory returned him to the Kantei with a strong mandate to undertake constitutional and economic reform. Abe may press ahead with fiscal spending and a much needed investment in education and child care which will be funded through raising consumption tax from 8% to 10% in October 2019.

Deal Activity

During this month there were 742 M&A/PE (Bloomberg) transactions completed with a deal value of USD55.8 Billion originating from the region which was lower than September 2017's metrics with 804 transactions with a value of USD56.6 Billion closed. Selected key transactions during October include:

- China Zhongwan Holdings Ltd acquired Australian yacht builder Aleris Corp for USD2.3 Billion.
- Mitsubishi Tanabe Pharma Corp acquired US listed Neuroderm Ltd for USD875.0MM.
- China Eastern Airlines acquired a 10% stake in Air France-KLM for USD350.0MM.

Focus Industry: Healthcare

The Healthcare Industry in the region saw an increasing movement towards companies moving 'digital' through using advanced technologies including Internet of Things (IoT) and data analytics to transform outdated business practices. Research carried out by Microsoft claimed that 77% of healthcare leaders firmly believe they need to shift to digital to succeed.

Tencent led a USD15.0MM investment in California headquartered VoxelCloud's Series A+ fund raise. Through the use of artificial intelligence and cloud-computing, VoxelCloud supports medical professionals in decision making with company operations in China.

Chinese private equity firm Orchid Asia is in the process of closing its USD900.0MM fund which will be targeting investments in five key sectors driven by consumption, one of which is Healthcare.

During October, 58 transactions in this industry were completed with a deal value of USD5.8 Billion. A significant portion of these deals were of cross-border nature and carried out by strategic buyers with an average announced deal premium of 22.8%. Although in September 2017, 48 transactions were closed with a total value of USD2.7 Billion.

Completion Date	Target	Target Country	Acquirer	Acquirer Country	Transaction Value (USD MM)	Transaction Value to EBITDA	Transaction Value to Revenue
3 rd October	Gland Phamra Ltd	India	Fosun International	China	1,005	-	-
11 th October	Ciming Health Checkup Manager	China	Meinian Onehealth Healthcare	China	412	-	-
13 th October	Tsumura & Co	Japan	Ping An Insurance Co	China	273	12.6x	2.4x
17 th October	R-Pharm ZAO	Russia	Mitsui & Co Ltd	Japan	200	-	-

Investment Manager Commentary

- It will be interesting to see what effects the new proposed oversight of offshore entities will have on outbound China M&A activity given the considerable amount is still being spent by Chinese companies as seen by the number of transactions. We expect that outbound China M&A will be much more targeted in industries which are favoured by the government.
- Startups in the Healthcare industry which are disrupting traditional industry methods are drawing further attention from investment firms with no slowdown in the amount of capital allocated to such companies. Investments are also being driven by corporates aimed at acquiring proprietary healthcare technology ahead of competitors which we believe will lead to a more competitive investing landscape in the Healthcare industry.

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