

**S&P Global**

Market Intelligence

# EMEA Private Equity Market Snapshot

**Essential tools for strategic decisions**

February 2021 | Issue 28

- EMEA Deal-Making Muted in Q4 2020, With No Mega Deals in Sight
- 2021 Global Private Equity Outlook
- Vibrant Tech Hub in Southeast Asia seen as Hot SPAC Hunting Ground in 2021



## Editor's Note

Welcome to the 28<sup>th</sup> issue of **the EMEA Private Equity Market Snapshot** (PEMS), a quarterly publication focusing on the Private Equity (PE) market in Europe, the Middle East and Africa (EMEA) from S&P Global Market Intelligence.

Deal-making in Q4 2020 slowed, with General Partners' (GPs') investments in EMEA seeing a significant drop as a result of a lack of large deals and the Nordics alone experiencing growth in deal value. That said, Asia came out strong, winning all high-value investments of EMEA-based GPs during the fourth quarter.

Within the Venture Capital (VC) segment, however, the overall downward trend was reversed, with VCs seeing a significant increase in capital deployed in the EMEA region, despite a lower deal count. We explore some of the factors affecting VC deal-making in detail in our report on our fourth annual survey gauging industry sentiment among PE and VC professionals globally. For a year that has presented unprecedented market challenges, the optimism leading into 2021 among PE/VC investors is striking. While we see fewer exits on the horizon, deal-making activity looks strong.

We close with a feature article on the rise of special purpose acquisition companies (SPACs) in Southeast Asia, which are increasingly being viewed as a more favorable alternative to the more traditional initial public offering (IPO) route to take companies public, particularly among tech-focused startups and unicorns, who are attracted by the flexibility and cost-efficiency of SPACs.

We look forward to receiving feedback and suggestions on regions or sectors of interest for future analysis. To subscribe or comment on the complimentary EMEA PEMS, please email [market.intelligence@spglobal.com](mailto:market.intelligence@spglobal.com).

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### EMEA Deal-Making Muted in Q4 2020, With No Mega Deals in Sight

Relative to the previous quarter, where mega deals aided the growth in aggregate deal value, as reported in PEMS Issue 27, deal-making in the fourth quarter of 2020 was slow. Large deals were completed months earlier than usual, compared with 2019, where there was a robust pipeline of deals right up to the end of the year, as reported in PEMS Issue 24.



**1,336**  
total entry deals  
in EMEA

▲ ▼ 10%

year, from 1,486 in Q4 2019 to 1,336 in Q4 2020. The lack of large-entry deals (those valued at €1.0bn or more) in the fourth quarter of 2020 significantly affected aggregate deal value. In 2019, there were eight large deals completed, with an aggregate value of €36.0bn.



**€17.7bn**  
PE/VC capital  
deployed in EMEA

▲ ▼ 67%

Europe (RoE), and Germany. Aggregate deal value in the UK plummeted 77%, to only €4.7bn across 331 completed deals in Q4 2020, compared with €20.8bn across 301 completed deals in Q4 2019. Similarly, RoE targets only received €2.2bn of capital across 152 completed deals in Q4 2020, 78% lower than Q4 2019, which saw €9.9bn in capital received across 190 completed deals. Capital deployed in Germany also nosedived to an aggregate of €2.4bn across 167 deals in Q4 2020, compared with €7.7bn across 201 deals in Q4 2019. The most heavily impacted sector was Communication Services, where aggregate deal value was reduced by 89% to a total of €2.1bn across 135 deals, compared with €19.6bn across 153 deals in the comparable quarter of the previous year.

Global General Partners' (GPs') investments in Europe, the Middle East and Africa (EMEA) dropped 67% year-over-year, from €53.6bn in Q4 2019 to €17.7bn in Q4 2020. However, the number of completed deals declined only 10% year-over-

The Nordics were the only region in EMEA that reported a growth in deal value, receiving €2.6bn across 132 completed deals in Q4 2020, compared with €1.3bn across 123 completed deals in Q4 2019. The softness in deal-making during the fourth quarter, however, was most pronounced in the UK, Rest of

Divestment activity in EMEA was stronger than expected during the fourth quarter of 2020. Aggregate capital realized increased by 5% year-over-year to €25.2bn in Q4 2020, compared with €24.0bn in Q4 2019. The number of completed exits deals also dropped 34% year-over-year, from 317 in Q4 2019 to 236 in Q4 2020. Two exit deals involving French targets notched a €1.0bn+ valuation during the quarter.

**Table 1: Completed exit deals in EMEA valued at €1.0bn or more in Q4 2020.**

Target Name	Target Region	Primary Industry	Buyer	Seller	Deal Value (€bn)
Ingenico Group GCS	France	Trading Companies and Distributors	Worldline S.A.	Bpifrance Investissement SAS	€11.0
CPA Global Group Holdings Limited	United Kingdom	Research and Consulting Services	Clarivate Plc	Leonard Green & Partners, L.P.; Castik Capital Partners GmbH; Partners Group AG	€6.0
Covage Networks SAS	France	Alternative Carriers	SFR FTTH	Partners Group Holding AG; Cube Infrastructure Fund; Cube Communications Infrastructure S.C.A.	€1.0

Source: S&P Global Market Intelligence. For illustrative purposes only.

### Asia Captured EMEA GP's Attention

EMEA-based GPs' aggregate capital deployed globally dropped 46% to total €36.7bn in the quarter, compared with €67.4bn in Q4 2019. However, the number of completed entry deals only declined 4% year-over-year, from 1,703 to 1,635. Only three large deals with an aggregate value of €4.4bn, all of which involved Asian targets, were entered by EMEA-based GPs during the fourth quarter, compared with 12 large deals with an aggregate value of €40.9bn in Q4 2019.

**Table 2: EMEA-based GPs' completed entry deals valued at €1.0bn or more in Q4 2020**

Target Name	Target Region	Primary Industry	Buyer	Deal Value (€bn)
Aviva Ltd.	Asia	Multi-line Insurance	TPG Capital, L.P.; Aberdeen Asset Management Company Limited; Singapore Life Pte. Ltd.; Ipgl (Holdings) Limited;	€1.7
Guiyang Huochebang Technology Co Ltd	Asia	Application Software	Permira Advisers Ltd.; GGV Capital; Baillie Gifford & Co.; Fidelity Management & Research Company LLC; Hillhouse Capital Management, Ltd.; Sequoia Capital China; Yunfeng Capital;	€1.4
Xiaochuan Chuhai Education Technology (Beijing) Co., Ltd.	Asia	Interactive Home Entertainment	Tiger Global Management LLC; Sequoia Capital China; FountainVest Partners; Alibaba Group Holding Limited; SoftBank Vision Fund L.P.; SoftBank	€1.3

Source: S&P Global Market Intelligence. For illustrative purposes only.

Asia won all high-value investments of EMEA-based GPs during the fourth quarter. As a result, aggregate capital deployed to cross-border targets only declined by 21% year-over-year, from €26.5bn in Q4 2019 to €20.9bn in Q4 2020, with the number of completed deals rising 13% year-over-year, from 368 in Q4 2019 to 414 in Q4 2020. On the other hand, investments in EMEA-based targets were significantly reduced to only €15.4bn in the quarter, compared with €40.8bn in Q4 2019.



▲ ▼ 21%

**€20.9bn**

PE/VC capital deployed in cross-border targets

The number of completed deals, however, only declined by 9%, from 1,335 in Q4 2019 to 1,211 in Q4 2020.

EMEA-based GPs' aggregate capital realized from divestments more than doubled year-over-year to total €51.8, compared with €18.0bn in Q4 2019, despite the number of completed exit deals decreasing 18% year-over-year, from 321 in Q4 2019 to 262 in Q4 2020. Eight large exits deals valued at €41.6 were completed by EMEA-based GPs during the fourth quarter.



▲ ▼ 188%

**€51.8bn**

EMEA-based GPs' capital realized from divestments

Deal-making within the venture capital (VC) segment was evidently more fruitful. Global VCs deployed €5.6bn of capital in the EMEA region across 784 deals in Q4 2020 – a 44% increase over the €3.9bn in capital deployed across 888 deals in Q4 2019. Financials and Healthcare sectors were the focus of investments among VC firms. EMEA-based VCs also increased capital deployment globally to €9.6bn across 967 deals during the quarter, compared with €6.7bn across 1,022 deals in Q4 2019.

**Table 3: EMEA-based GPs' completed exits deals involving cross-border targets valued at €1.0bn or more in Q4 2020**

Target Name	Target Region	Primary Industry	Buyer	Seller	Deal Value (€bn)
Livongo Health, Inc.	North America	Health Care Technology	Teladoc Health, Inc	Threshold Ventures; Humana Venture Capital	€16.0
Postmates Inc.	North America	Application Software	Uber Technologies, Inc.	Glynn Capital Management; Matrix Partners; CrossLink Capital, Inc.	€2.3
VelosBio, Inc.	North America	Biotechnology	Merck & Co., Inc.	Pappas Capital, LLC; Venrock	€2.3
Central European Media Enterprises Ltd.	Latin America	Broadcasting	TV Bermuda Ltd.	Apax Partners LLP; Warner Media, LLC	€1.9
PT.Softex Indonesia	Asia	Personal Products	Kimberly-Clark Corporation	CVC Capital Partners Asia Pacific IV, L.P.	€1.0

Source: S&P Global Market Intelligence. For illustrative purposes only.

<sup>1</sup>The survey was conducted over the period of 12 weeks between October 26, 2020 and January 15, 2021. In total we received 477 responses from PE and VC investors globally. 46% of respondents were senior level professionals. Geographically, 35% of respondents were from

## 2021 Global Private Equity Outlook

### GPs share their perspectives for 2021

For the fourth consecutive year, S&P Global Market Intelligence conducted an annual survey among PE and VC professionals globally to gauge industry sentiment for the upcoming month. <sup>1</sup> The study covered GPs' expectations around deal-making, fundraising and exit activity, investment preferences, threats to growth, and approaches to Environmental, Social and Governance (ESG) factors.

### Bullish PE investors set to focus on new opportunities

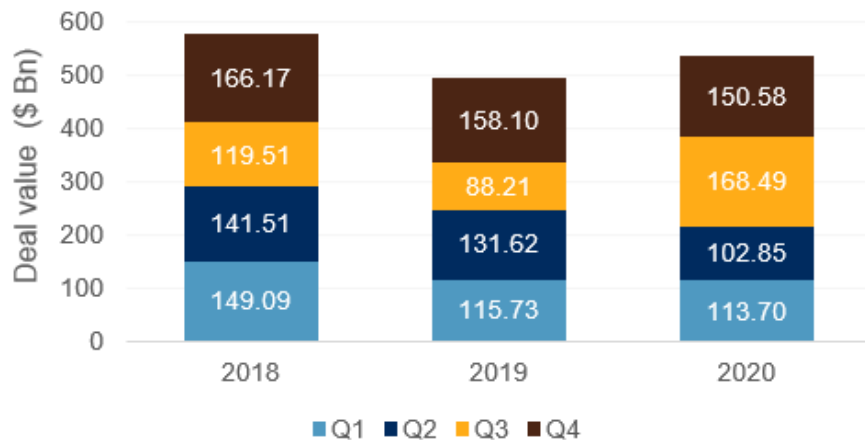
2020 has been a year like no other and the PE industry has felt the impact. But despite its challenges, the industry has proven resilient and adaptable to the new working environment.

As the pandemic hit the market at the end of Q1 and going into Q2, the PE market saw an abrupt and strong decline in deal-making. Transactions were put on hold while GPs shifted their focus toward stabilizing existing portfolio companies and providing operational support. As the COVID-19 situation normalized over the summer, PE investors turned their attention back to executing deals, leading the industry into a strong rebound in the second half of the year. In fact, Q3 hit a three-year high with total transaction volume reaching \$168bn, a 90% increase over the same period the year before (Fig. 1). Although deal count fell slightly in Q4 year-over-year, capital deployed was almost on par over the same period in 2019, bringing the total amount invested in H2 to \$320bn. The top performer, Asia-Pacific (APAC), almost doubled the money invested in H2 over the same period in 2019, while North America registered a 30% increase in deal value in the second half year-over-year.<sup>2</sup>

Europe, 24% were from North America, 18% were from APAC, 13% were from the Middle East & Africa and 11% were from Latin America.

<sup>2</sup> S&P Capital IQ Platform (As of 29/01/2021)

**Fig 1: Value of PE/VC Deals Globally, 2018-2020**

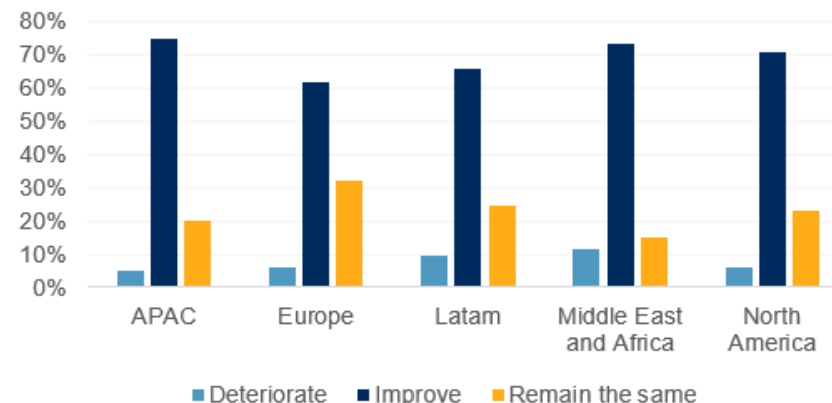


Source: S&P Global Market Intelligence. For illustrative purposes only.

Against the backdrop of the worldwide rollout of vaccination programmes, the new US presidency, and Brexit finally coming to a close, PE investors are demonstrating an overwhelmingly bullish outlook for the industry. Likely, this relatively optimistic dynamic will continue over the next 12 months. Despite ongoing economic uncertainty, on average, 68% of survey respondents believe investment activity will improve (Fig. 2). APAC investors are the most buoyant among all respondents; three quarters of PE professionals from the region anticipate the upward trend of transaction volumes to continue. On aggregate, only 7% of those surveyed believe the investment landscape will deteriorate in the coming months. This is in stark contrast to last year’s survey, where almost 20% of respondents anticipated a worsening investment outlook. While European PE players do see investment opportunities arising in the market, with 62% expecting deal-making conditions to improve, they also form the largest group (32%) that believe that investment activity will remain the same. This is a view, however, that is shared by fewer than a quarter of investors from other regions, underlining the overall sentiment that 2021 will be a year of robust deal-making.

<sup>3</sup> Preqin (As of 5/2/2021). Retrieved from <https://pro.preqin.com/>

**Fig 2: In 2021, I expect that PE/VC deal activity, in my location will:**



Source: S&P Global Market Intelligence. For illustrative purposes only.

In light of this upbeat market expectation, it is not surprising that 56% of survey respondents (up from 52% in 2020) intend to target new investment opportunities, while 20% plan to focus on managing existing investments as core investment activities. Realization slumped further from investors’ minds, compared to last year, with PE firms largely postponing divestment plans. On aggregate, only 6% of respondents anticipate selling part of their holdings in the coming months.

With an estimated \$1.9tn<sup>3</sup> in dry powder globally, a low interest rate environment, and promising new opportunities arising in the market, it is likely that the hunt for good assets will continue to be very competitive. To better adapt to a prevailing market environment, PE players are increasingly seeking platform acquisition strategies, both to add value to their existing portfolio companies and to deploy capital more efficiently. More than 40% of PE firms surveyed expect to make both buy & built and add-on investments their core investment strategies, with North American and European investors leading the way. In addition, minority investments in established businesses have gained in popularity among PE investors. The number of respondents expecting to implement a growth capital strategy grew from 36% in 2020 to 52% in 2021, as the

pandemic exposed a great deal of trapped liquidity, as well as a number of underperforming private businesses seeking capital injections.

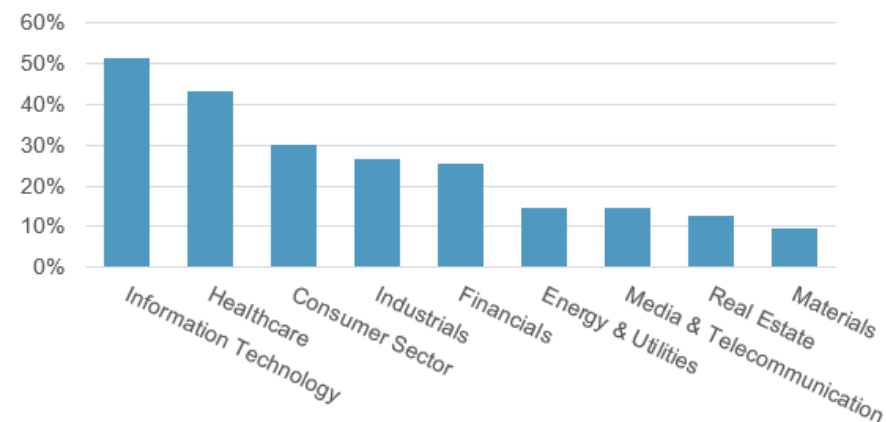
In terms of industry focus, unsurprisingly, the two most attractive sectors are Information Technology (51%) and Healthcare (43%) – two sectors positively impacted by the pandemic (Fig. 3). According to S&P Global Market Intelligence data, PE investment in both industries grew by 18% and 23%, respectively, year-over-year.

The Consumer sector rounds up the top three most favoured industries of interest.<sup>4</sup> However, only 30% of respondents expect to invest in the sector, a drop from the 40% recorded last year – a shift observed across all regions. APAC players appear most attracted to the sector, with nearly half of respondents planning to invest in 2021. In 2020, the total transaction value in the Consumer Discretionary sector, a sub-segment of the broader consumer sector, stood at \$55bn, a decline of 23% compared with 2019. Aware of drastic changes in consumer behaviours, some of which are expected to stay, overall, PE/VC firms appear cautious about investing in certain consumer sectors.

Another notable decline in attractiveness was registered by the Industrials sector, with nearly a quarter of respondents planning to invest in the sector in the coming months; however, this is very far from the 41% declaring to do so in the 2020 outlook.

When it comes to geographical focus, the vast majority of PE/VC firms (62%) surveyed are planning to concentrate their investments locally, which is a significant increase from last year’s outlook (51%). In APAC alone, 75% of capital invested by domestic PE/VC firms was deployed locally. Investing locally has always been the preferred and logical approach for investors, but COVID-19 has imposed limitations on face-to-face business interactions at all stages of investments, particularly due to travelling restrictions, that has made it all the more attractive. PE/VC firms investing locally now have a competitive advantage over foreign investors, as they can turn to a more established regional network for deal origination, negotiating and the management of current portfolio companies.

**Fig 3: In the next 12 months, I expect my firm to primarily focus on opportunities in:**



Source: S&P Global Market Intelligence. For illustrative purposes only.

### Fundraising suffers drop but remains resilient in the wake of the pandemic while exits stall

Despite pandemic-induced challenges, such as travel restrictions, lockdowns and widespread economic disruption, fundraising activity has remained relatively resilient. In total, 1,502 PE funds held a final close in 2020. Although this number has dropped for a third consecutive year, on aggregate, \$628.26bn was raised, which is just a 13% drop from 2019 (Fig.4).<sup>5</sup> Established firms were able to raise most of the capital, which is perhaps unsurprising given that Limited Partners (LPs) prefer to turn to managers they have built relationships with and to firms they are most familiar with.<sup>6</sup>

Going into 2021, around half of the respondents (53%) expect fundraising conditions to improve, 32% believe it will remain the same, and 15% anticipate fundraising condition

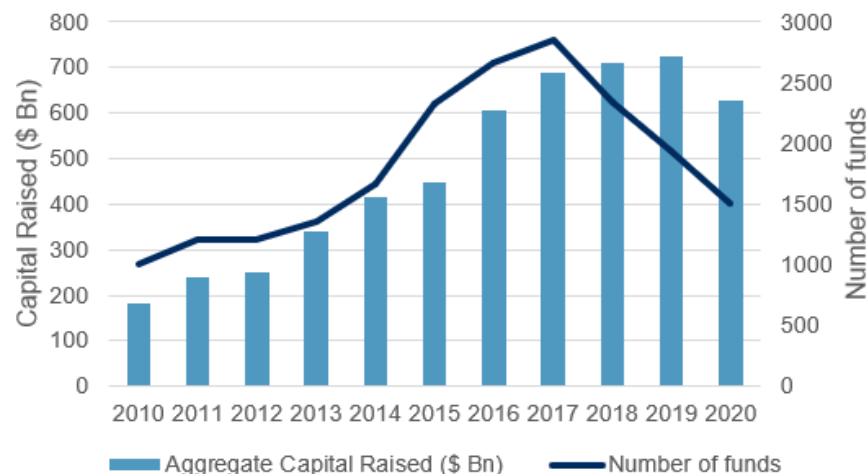
<sup>4</sup> The Consumer sector comprises Consumer Retail and Consumer Producers segments as per the S&P Global Market Intelligence platform’s industry tree.

<sup>5</sup> Preqin (As of 27/1/2021). Retrieved from <https://pro.preqin.com/>

<sup>6</sup> US PE deal making dips to 5-year low in 2020 amid COVID-19 pandemic. (As of 4/2/2021). S&P Global Market Intelligence. Retrieved from <https://platform.marketintelligence.spglobal.com/web/client?auth=inherit&ignoreIDMContext=1#news/article?id=62144282&KeyProductLinkType=23>

to decline, with European and North American investors taking the most cautious view among those who responded.

**Fig 4: Fundraising activity, 2010-2020**



Source: Preqin. For illustrative purposes only.

Divestment activity has been particularly impacted by the pandemic, dropping by 16% from the previous year to just 2,185 exit transactions, due to pricing uncertainty and market volatility in Q2/Q3. On aggregate, almost one third of survey respondents (32%) are not planning exits in the coming year, the highest tally since we launched the annual survey four years ago. As investors grapple to understand the full impact of COVID-19 on certain sectors, postponing divestments will allow them to take advantage of the expected growth among the most impacted businesses and to carefully assess market conditions for a planned exit process. For investors that do consider exiting investments in the coming year, there is an apparent regional divergence in terms of preferred exit routes. APAC players, particularly Chinese PE firms, expect IPOs to be the main exit

strategy (38%), with a likely shift toward domestic stock exchanges – primarily due to rising liquidity and valuation, but also on account of growing regulatory uncertainty abroad.<sup>7</sup> While European investors are most likely to exit via trade sale (33%), their North American peers are opting for secondary sale as the top exit strategy, a trend representing shifting industry dynamics.

### Knock-on effects of pandemic top risk concern

As anticipated, a clear majority of PE/VC firms (61%) identified the “knock-on effects of COVID” as the greatest risk factor to the growth of their portfolio, although APAC investors are marginally less concerned by the effect of COVID-19 compared with their peers from other regions (Fig. 5). Changes to the economic environment were ranked as the second biggest risk factor (49%). The third-highest threat varies regionally and is tied to localized issues; political upheaval is a major concern in Latin America (42%) and Middle East & Africa (28%), while the high speed of technological change is a concern for a third of APAC and North American respondents (27%). For 26% of respondents, shifting consumer preferences are one of the top risks to the stability of portfolio companies, up from the 20% of respondents who marked this as a top risk in 2020.

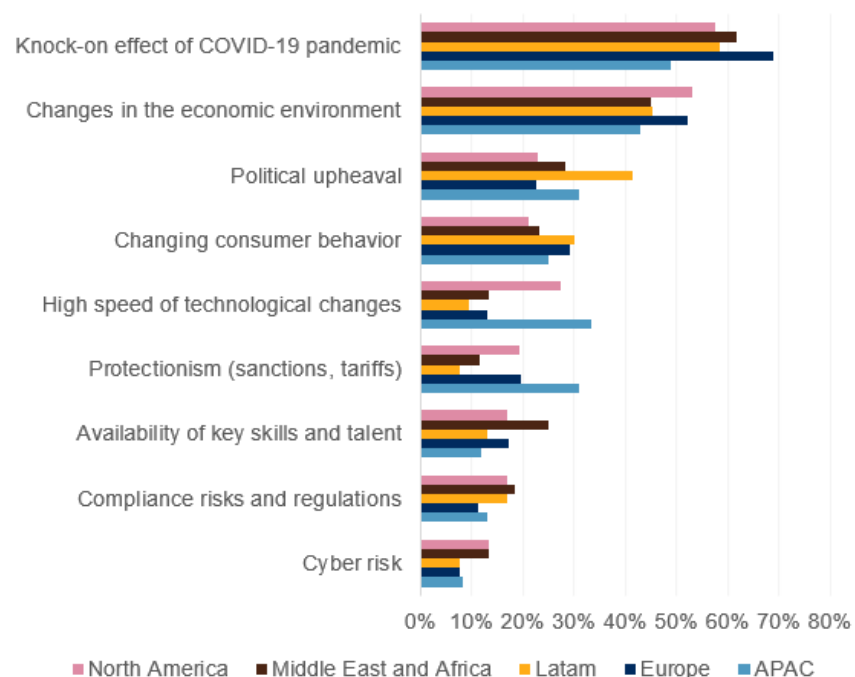
Going into 2021, North American and Latin American respondents appear to be less concerned about protectionism, with results steeply decreasing from 32% and 33%, respectively, to 19% and 8% over the last year. This could be the result of the revised North American agreement last summer, as well as the new US presidency, both of which are opening up the country again to global organizations. On the contrary, for APAC investors, protectionism still remains one of the top risks to their assets. Concern over cyber risk has increased this year to 10%, from just 7% the year prior, as more and more industries are going digital, and workplaces, virtual.

<sup>7</sup>Hong Kong TMT IPOs end 2020 with a whimper as regulation bites. (As of 4/2/2021). S&P Global Market Intelligence. Retrieved from:

<https://platform.marketintelligence.spglobal.com/web/client?auth=inherit&ignoreDMContext=1#news/article?id=62186813&KeyProductLinkType=24>



**Fig 5: What factor(s) do you believe will pose the greatest risk to your firm's portfolio over the next 12 months?**



Source: S&P Global Market Intelligence. For illustrative purposes only.

### Staying for good

ESG factors continue to grab PE/VC firms’ attention, with 40% of firms reporting that they are planning to work on improving ESG standards within their current portfolio companies. The number of firms not considering ESG in the decision-making and post-investment process decreased from 25% last year to 19% this year, whereas the number of firms just starting to introduce ESG in their strategy increased from 18% to 24%. This trend is particularly evident in North America, which has lagged behind on the ESG front but appears to have caught up. The results show a clear shift indicating that many firms that had not tackled ESG last year will be working on it this year. ESG was already gaining in momentum but the pandemic amplified and accelerated the need for improved social welfare and governance.<sup>8</sup> Added to this, regulations are steadily increasing pressure for firms to get on board. As of March 2021, when the Sustainable Finance Disclosure Regulation comes into effect in Europe, PE/VC firms will be required to report on their sustainability strategy. Other respondents will either be prioritizing investments with good ESG track records (29%) or re-evaluating existing ESG diligence (24%). It is clear that increasing pressure from investors on reporting and action is pushing PE/VC firms to adapt their ESG strategy,<sup>9</sup> even if there is still much to be done on this front.<sup>10</sup>

### Conclusion

As the survey results show, PE/VC investors are optimistic about deal activity and are gearing up to deploy a vast amount of capital that could not be put to work last year. The pandemic has opened an array of opportunities in sectors that have been positively impacted by COVID-19, such as Healthcare Technology, Life Sciences, and Information Technology. On top of inorganic growth strategies to enhance the value of their existing portfolio, PE players are increasingly turning their attention to minority investments in response to rising numbers of cash-strapped companies in need of liquidity injections. Exits, on the other hand, will be temporarily put on hold, as deal makers try to assess the long-term impact of COVID-19 on certain industries and set affected businesses on a recovery path. While in the last 12 months ESG has slightly shifted focus from environment to social and governance factors, PE/VC firms have on the whole

<sup>8</sup>The ESG Lens on COVID-19, Part 1. (As of 4/2/2021). S&P Global Ratings. Retrieved from <https://www.spglobal.com/ratings/en/research/articles/200420-the-esg-lens-on-covid-19-part-1-11444298>

<sup>9</sup>Private Equity Trend Report 2020. (As of 4/2/2021). PwC. Retrieved from <https://www.pwc.de/de/kapitalmarktorientierte-unternehmen/private-equity-trend-report-2020.pdf>

<sup>10</sup>Private Equity makes ESG Promises. But their Impact is often Superficial. (As of 4/2/2021). Institutional Investor. Retrieved from <https://www.institutionalinvestor.com/article/b1m8spzx5bp6g7/Private-Equity-Makes-ESG-Promises-But-Their-Impact-Is-Often-Superficial>

accelerated the adoption of ESG methodology into their investment workstreams, no longer seeing it as a trend, but as an enduring reality.

Although this welcomed positive outlook on the industry mainly reflects the vaccine-fuelled economic recovery expected in 2021, it also shows how confident PE/VC investors have become in navigating the unprecedented challenges of the previous year and adapting to “the new normal,” boding well for any future storms which may arise.

### **Vibrant Tech Hub in Southeast Asia seen as Hot SPAC Hunting Ground in 2021.**

Southeast Asia, where the technology startup scene thrives on economic growth and a chronic need to boost financial inclusion, is fertile ground for acquisitions for listed blank-check companies in 2021, analysts say.

Special purpose acquisition companies (SPACs), which are skeleton organizations that launch with the intention of buying and reverse merging with a private company, have become popular alternatives to traditional initial public offerings (IPOs) to take companies public. SPACs from around the world are mostly listed in stock exchanges in the U.S., where the listing rules require them to acquire private assets from any country within two years after debut. A surge of newly listed SPACs in 2020 suggests that more companies are on the hunt for deals before their two-year deadline is up.

"Recently there has been momentum and appetite building in APAC, particularly in Southeast Asia, where tech-focused startups and unicorns — and their investors — view SPACs as a more efficient monetization or 'exit' option when compared to conventional IPOs," said Mark Uhryuk, corporate and securities partner at Mayer Brown.

"While the capital markets in China offer fundraising options to domestic startups there, companies from Southeast Asia, generally speaking, have fewer options. Accordingly, they may be more open to the SPAC alternative for fundraising," he said.

With quite a few Southeast Asian unicorns — many of which are technology companies looking to go public — SPAC sponsors have had plenty of target options, experts said.

PT. Tokopedia, an e-commerce giant in Indonesia, told S&P Global Market Intelligence that it is accelerating its listing plans since the pandemic has catalyzed its business growth. It is considering SPAC as "a potential option," having appointed Morgan Stanley and Citi as advisers. The firm's spokesperson did not provide further details.

Indonesia-based tech company Traveloka is also considering a SPAC as possible stock-market listing option, according to a December 2020 Reuters report.<sup>11</sup> President of the online travel app, Henry Hendrawan, said the company had been "approached by a few" SPACs.

### **Captured SPAC vs. IPO**

The SPAC route is appealing to companies looking for a faster exit and less pre-IPO scrutiny, said Bruce Pang, head of macro and strategy at China Renaissance Securities (Hong Kong).

"SPAC might be one of the popular listing options for startups and IPO-ready unicorns in high-growth sectors such as tech, healthcare and fintech, giving a faster, more flexible and lower-cost way to raise funds with shorter listing timelines than a traditional IPO," Pang said.

Valuation is another factor when a firm decides if SPAC is the way to go forward.

"In sectors where there are not too many comparable firms or where there's a lot of uncertainty about valuations, about how big the markets are ... those sectors would benefit a lot through listing via SPAC compared with an IPO," said Vidhan Goyal, chair professor of finance at the Hong Kong University of Science and Technology.

Experts added that start-ups find it easier to be valued through a SPAC listing versus a traditional IPO because the valuation is determined by private negotiations between the sponsor and the target.

### **Asia is the next hotspot**

Asia is looking to see more SPAC activity, both from Asia-headquartered SPACs listing in U.S. or Asian exchanges as well as SPACs acquiring target firms in Asia, or so-called de-SPAC-ing, according to Marcia Ellis, global chair of the private equity (PE) group at Morrison & Foerster.

"The 220 SPACs listed last year [in the U.S.] are looking around for targets. This year is definitely the year in which those de-SPAC-ing transactions have to happen. But we are

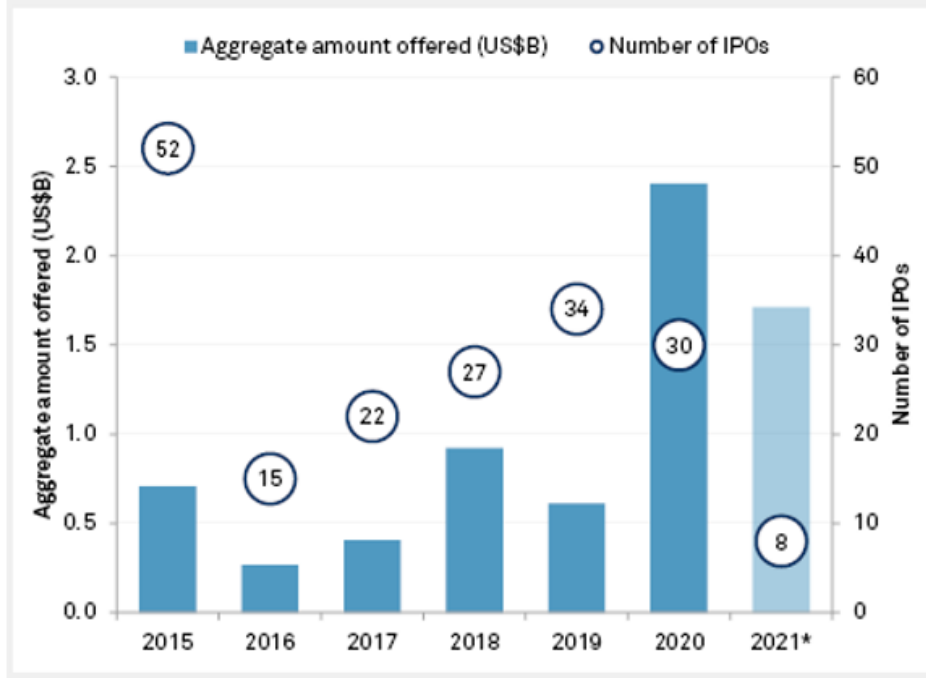
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<sup>11</sup> "Southeast Asia travel app Traveloka weighs public listing options". Reuters (as of 21/12/2020). Retrieved from <https://www.reuters.com/article/traveloka-ipo-idINKBN28V1AB>

also seeing more and more SPACs listed with at least 80 SPACs listed in just in January," she said.

According to S&P Global Market Intelligence data, Asia-Pacific-headquartered SPACs raised \$2.4bn in 2020, a significant increase from 2019's \$613mm. That number is on an upward trend in 2021. As of Jan. 31, eight SPACs have already raised \$1.71bn.

### Blank-check IPO volume in Asia-Pacific



Data as of 02/01/2021. Source: S&P Global Market Intelligence. For illustrative purposes only.

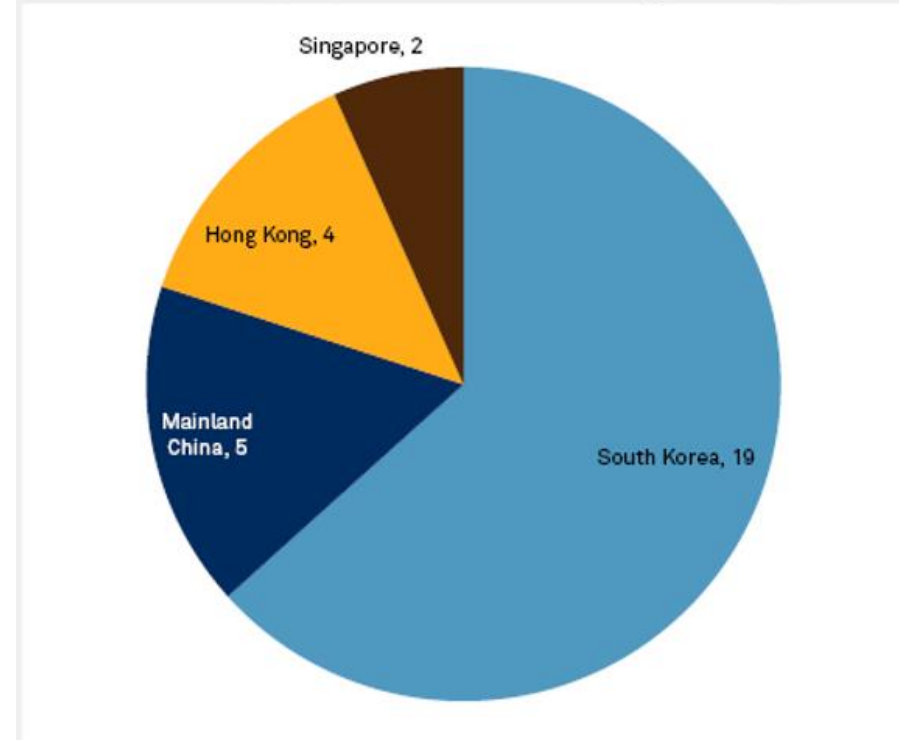
Although most SPACs are listed in the U.S., many funds that listed those firms are from Asia and of considerable size.

Last year, CITIC Group Corp.'s CITIC Capital Acquisition Corp. floated a US\$276mm SPAC on the New York Stock Exchange seeking companies in the energy efficiency, clean technology and sustainability sectors. Richard Li, son of Hong Kong tycoon Li Ka-shing, has also partnered with billionaire Peter Thiel to establish a US\$595mm SPAC in

December and another US\$299mm on Jan. 28. A SoftBank Group Corp.-backed SPAC also closed its IPO on Jan. 13, raising US\$603.8mm in proceeds.

According to S&P Global Market Intelligence data, 19 South Korean SPACs were listed in 2020, compared with five from China, four in Hong Kong and two in Singapore.

### Blank-check company IPOs in 2020 according to headquarters



Data as of 02/01/2021. Source: S&P Global Market Intelligence. For illustrative purposes only.

"South Korea is one of the few Asian countries with a framework and regulations around SPAC listing and, in fact, the first SPAC IPO in South Korea happened way back in 2010," said Anish Ailawadi, senior director of investment banking at Acuity Knowledge Partners.

"So, while Asia is seeing a lot of interest around SPACs, it's a home run for U.S. exchanges given lack of established SPAC rules on Asian stock exchanges barring South Korea and Malaysia."

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