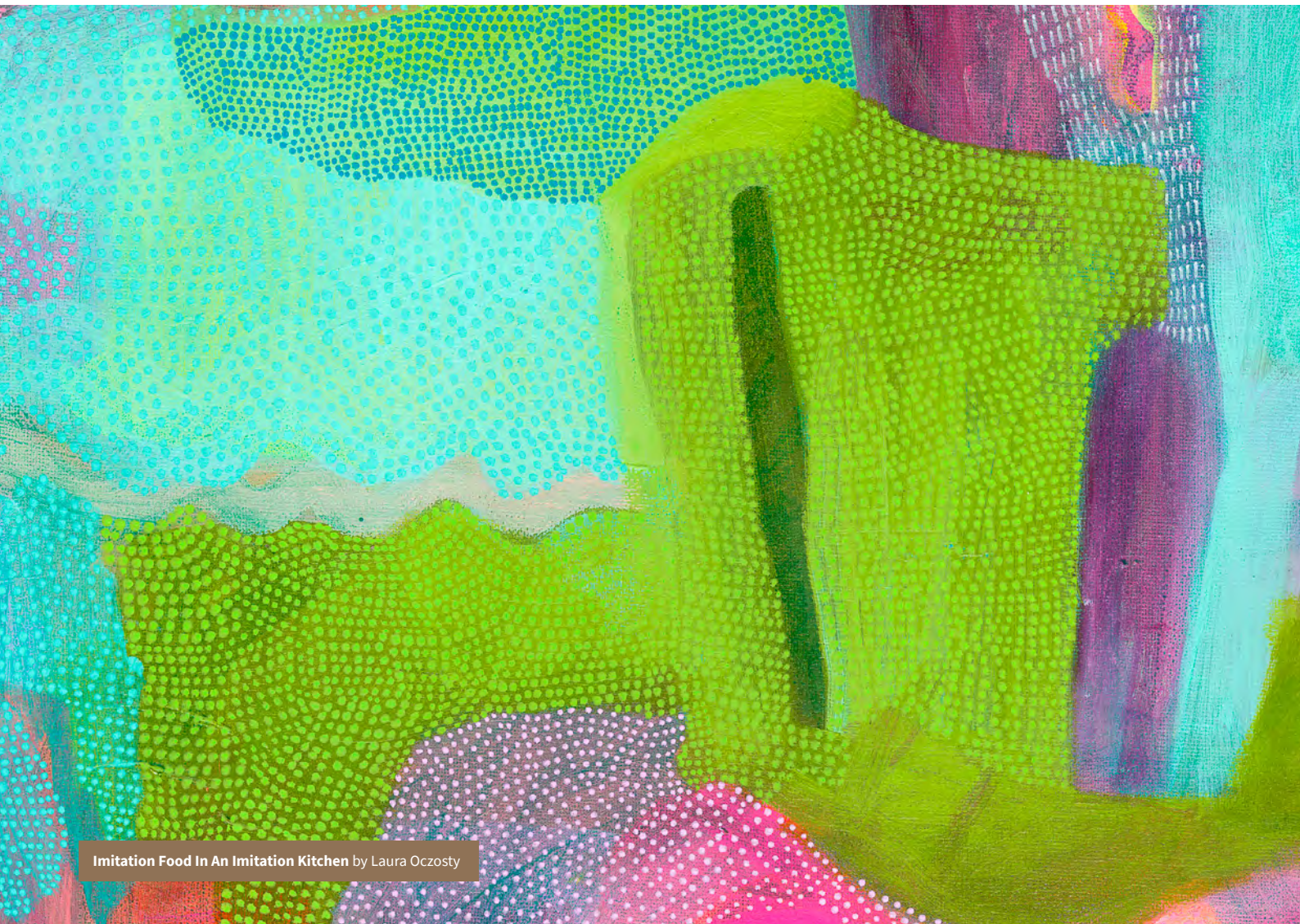


IN PRIVATE

KWM M&A INSIGHTS | 2025



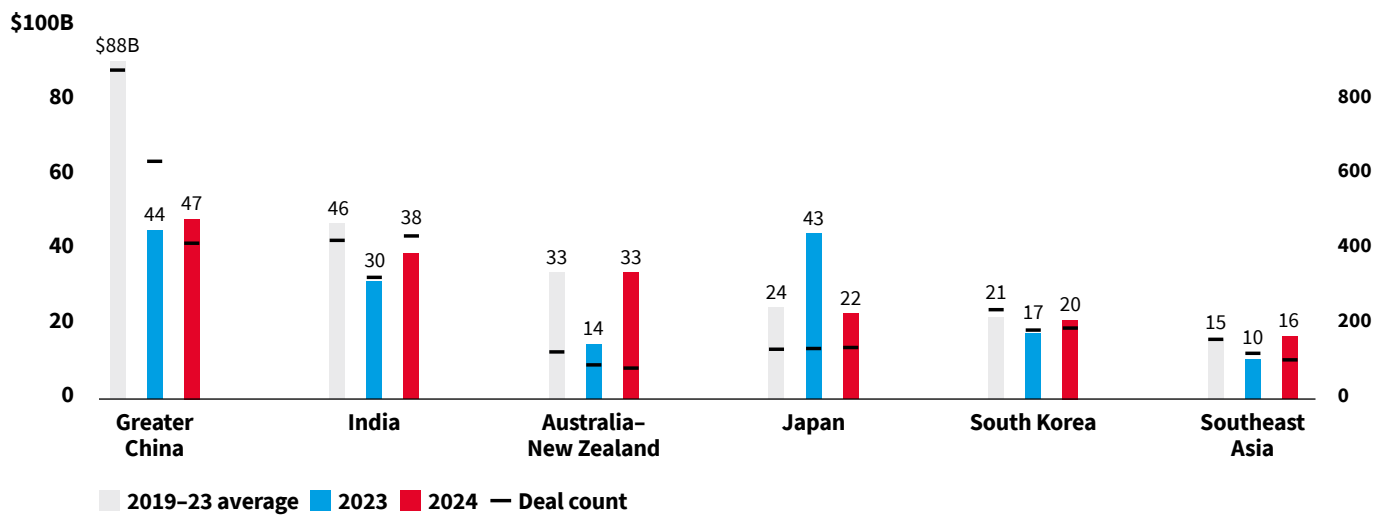
TOP 10 TRENDS FOR PRIVATE CAPITAL IN AN UNCERTAIN WORLD

With sophisticated investors quickly seeking diversification in response to geopolitical risk, Asia Pacific markets are well-positioned to become an attractive hedge. We are seeing a strong desire to reposition private capital into Asia Pacific as the region continues to reduce its correlation to the US. Market shocks are not masking the underlying fundamentals in the region.

Private capital investment across APAC was already starting to recover from prior year declines.

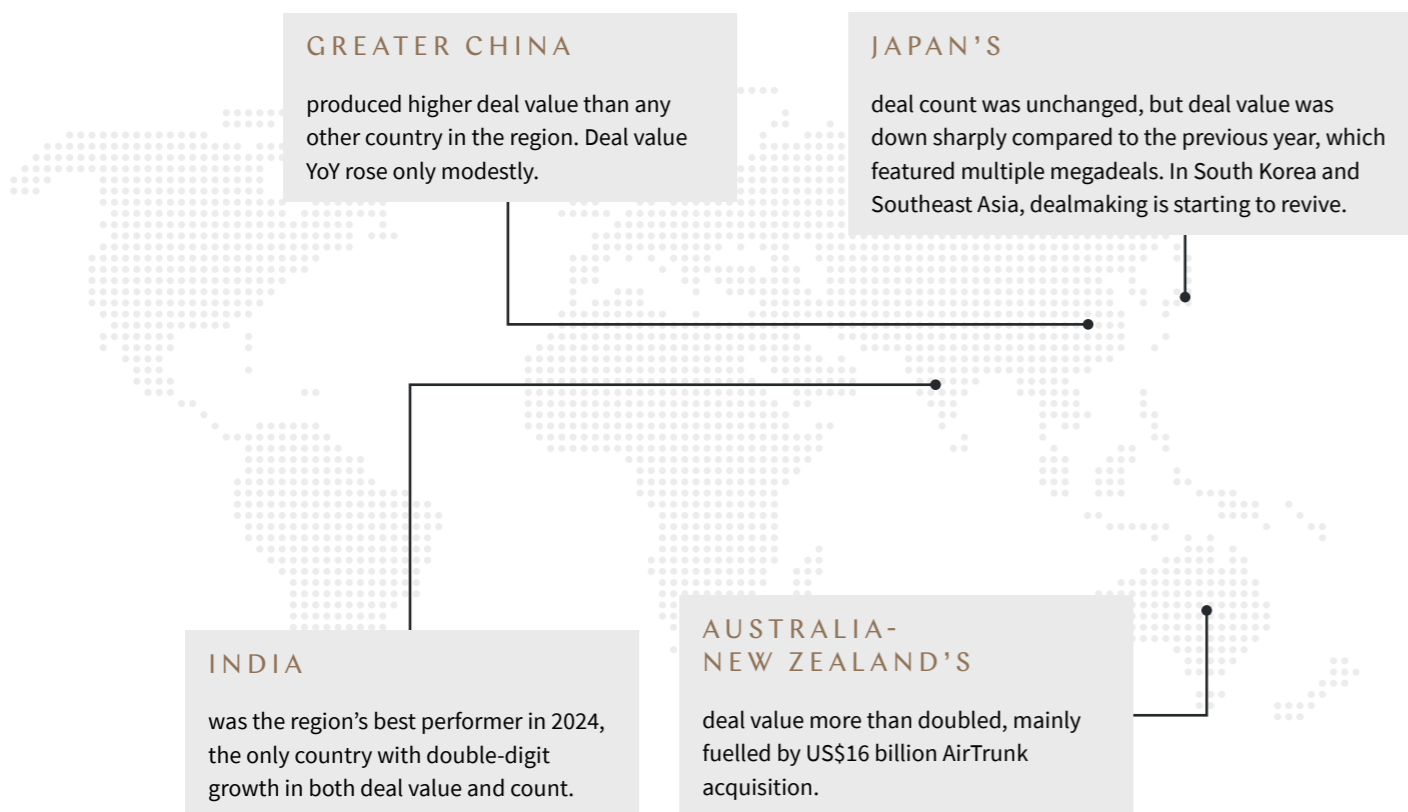
In 2024, year-on-year dealmaking varied widely across sub-regions.

Asia-Pacific private equity deal value, by market (\$B)



Note: Excludes real estate and deals with a value under \$10 million
Sources: AVCJ; Bain analysis

The volume of dealmaking and market dynamics continue to be unique to each country.



We expect these trends to continue in 2025 with investors' appetite for deals in the region growing. This article explores the key trends reshaping private equity in the region and what makes the Asia Pacific increasingly attractive for global investors.

1. CO-INVESTMENTS WILL CONTINUE TO SURGE

GPs are increasingly offering LPs direct capacity in deals. A StepStone survey covering 145 GPs and 420 funds showed that coinvestment volume has risen approximately 30% since before the pandemic. LPs are enthusiastic to get a piece of the action with targeted exposure, potential for superior returns and, in many cases, more control.

In the large-cap segment, there has been a significant increase in demand for direct deal exposure, driven in part by the desire to mitigate fees. We are seeing investment ratios of 1:1 between GPs and LPs becoming common, reflecting a mature and collaborative investment environment.¹

This trend reflects a broader evolution towards more sophisticated and flexible investment structures in the region. Co-investment allows collaboration on underwriting, capital deployment flexibly and the option to align investments with specific strategic objectives. We are also seeing complex return waterfalls being structured to allow for progressive investment into a single asset opportunity.

1. Co-investment: How Asian GPs are responding to rising demand for direct exposure - ION Analytics



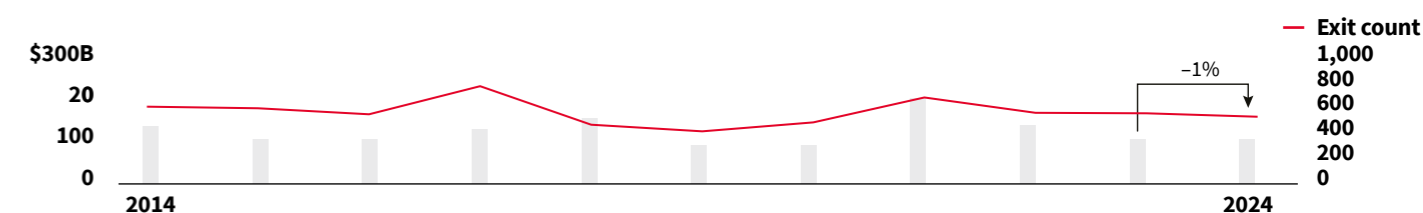
2. SECONDARIES AND PARTIAL EXITS RULING THE ROSTER

Overall, Asia Pacific exit value dipped 1% compared with the prior year but manager sentiment on exits improved in 2024. The number and value of exits were roughly flat but a sharp drop in Greater China's exit value masked gains in other countries. Both LPs and GPs see the exit environment as the biggest impediment to strong returns.²

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Asia-Pacific

Buyout-backed and growth exit value



Notes: Includes IPO data; IPO value represents offer amount and not market value of company; North America and Europe—includes partial and full exits; excludes special-purpose acquisition companies and bankruptcies; Asia-Pacific—includes buyout, growth, and venture exits; excludes real estate and deals with announced value less than \$10 million; includes investments that have closed and those at agreement-in-principle or definitive agreement stage
Sources: Dealogic; AVCJ; Bain analysis

Given the sluggish outlook for IPO exits, the region's secondary market is likely to become even more active as GPs look for ways to accelerate distributions and LPs insist on liquidity.

In 2024, secondary exits accounted for 27% of total exit value, up 10% compared to the previous five-year average with deal values totalling \$181 billion and accounting for 6 of the 10 largest exits globally, including KWM client Blackstone's US\$16 billion acquisition of AirTrunk. South Korea's surge was propelled by two secondary megaexits (exits with a value of \$1 billion or more) with Ecorbit (\$2 billion) and Geo-Young (\$1.4 billion). Southeast Asia's exit value was boosted by the PropertyGuru exit, which was secondary as well.

Another alternative gaining traction is minority stake sales - deals to monetize a slice of a portfolio company either to fund growth or give investors a payout. The minority stake sales value stood at \$71 billion in 2024, or 15% of the exit total. While not a replacement for exits, minority stake sales allow GPs to generate cash and retain exposure to still-ripening assets. With much of the value concentrated into a handful of mega-deals, securing partial exits from a broader portfolio is becoming even more important.

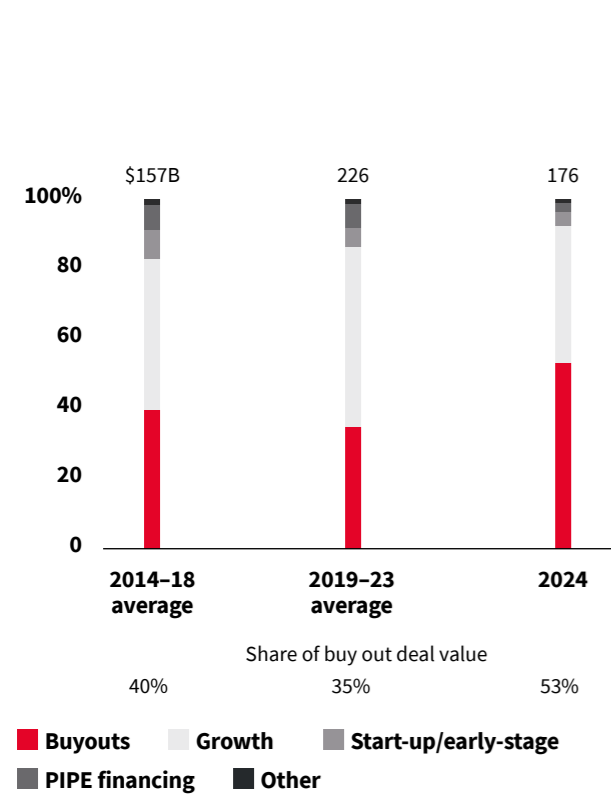
Structuring secondaries and partial exits from a single portfolio company calls for agile strategies to manage different return profiles and complex fund waterfalls. Excitingly, we are seeing this create space for novel structures and increased appetite for innovation in dealmaking. We expect to see GPs become more creative with exit strategies.

2. Asia-Pacific Private Equity Report 2025 | Bain & Company



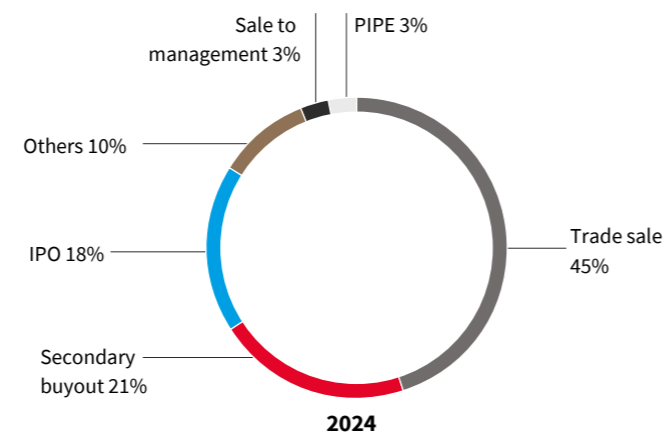
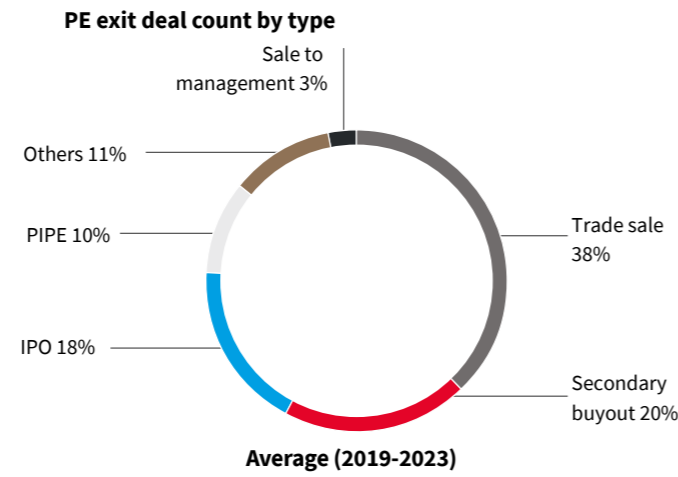
3. DON'T DISCOUNT THE BUY-OUT

The share of buyout deals grew to more than 50%, while the percentage of growth deals shrank. In 2024, Asia Pacific buyout investment finished 2024 with \$138 billion of total deal value, up 8.1% from \$127 billion in 2023. This made 2024 the second-best year for buyout dealmaking over the past decade, not accounting for the 2021 peak.



Notes: Excludes real estate and deals with a value under \$10 million; PIPE financing is private investment in public equity; start-up/early-stage investments use financing for product development and initial marketing; the company may be in the process of being organized or may have been in business for a short time, but hasn't sold its product commercially; growth includes expansion, growth, mezzanine, and pre-IPO capital deals
Sources: AVCJ; Bain analysis

Lower interest rates across most of the region seem to have fuelled more buyouts. Data shows by end of 2024, the 2011-2019 vintage group included more than 200 portfolio companies held for more than four years, thereby, indicating a powerful signal that GPs should be seeking an exit in 2025.



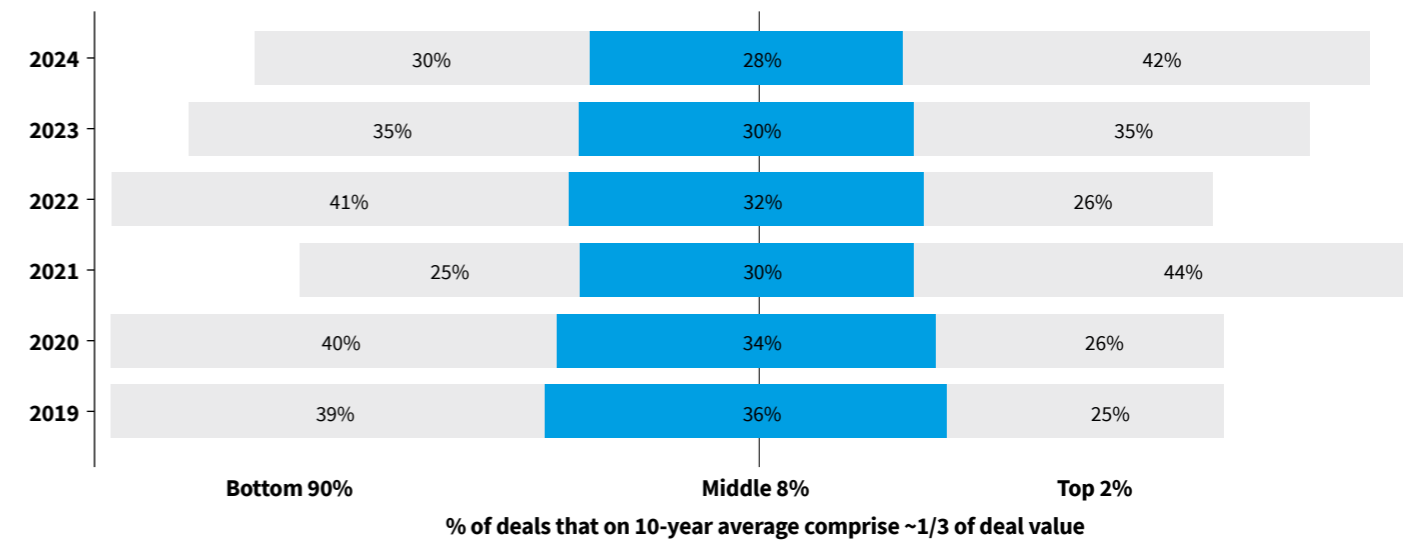
4. MIDDLE MISSING: MEGADEALS AND SMALL CAP

Mid-size deals are scarcer, with deal value increasingly coming from the markets' top and bottom. In 2024, the top cohort (top ~2% of deals) accounted for 42% of total deal value, and the bottom cohort (smallest 90% of deals) accounted for 30% of total deal value. This left just 28% of overall deal value coming from the middle segment.

Overall, Asia Pacific deals were larger. Average deal size in the region rose to \$133 million in 2024, up 22% over 2023 and 12% higher than the previous five-year average. The number of megadeals, or deals valued at \$1 billion or more, increased by 50% in 2024 compared to 2023.

We expect this trend will continue into 2025 and beyond making mid-cap deals much harder to exit.

Distribution of PE buyout investments by size cohorts



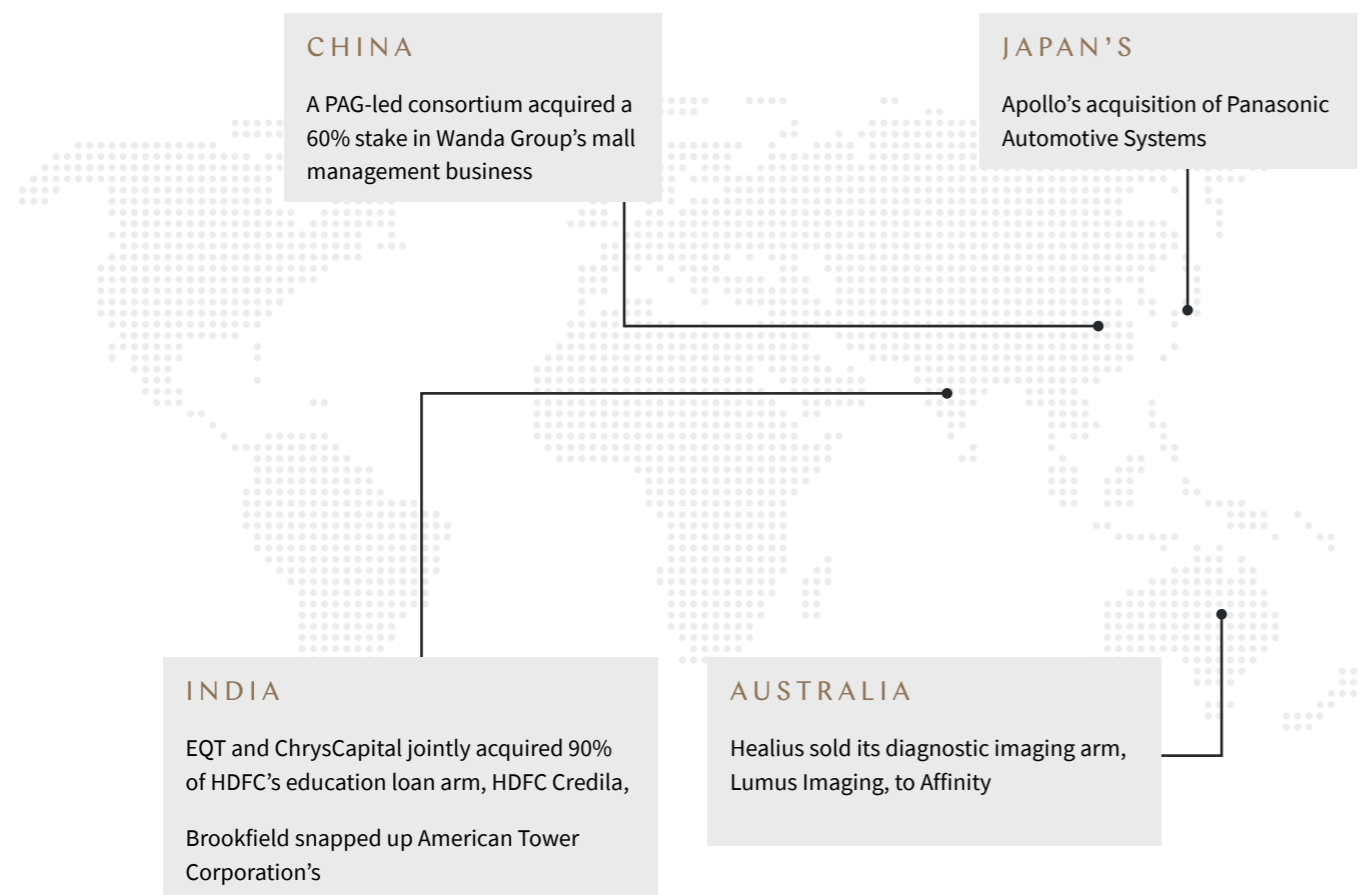
Source: Deloitte analysis, Preqin, Pitchbook, Mergermarket



5. THE DEALMAKING WORKSHOP: CARVE-OUTS AND BOLT-ONS FOR THE WIN

In 2024, carve-out deals totalled 20% of all buyouts over \$100 million, up from 11% in 2023. Despite lower average returns, Bain's survey indicates that 44% of Asia-Pacific GPs surveyed consider carve-outs a top investment opportunity, possibly due to immense opportunities in Japan and Korea when conglomerates rationalize operations and divest non-core business units.

In 2024, large carve-outs included:



We expect carve outs' potential for value creation and the upside from carve-out discount will see their popularity continue to grow because of their.

Platform investing, where PE creates a large portfolio company through many, relatively low cost bolt-ons, is being embraced by a wider number of GPs as they pivot from growth-oriented investments to value. The bolt-on strategy is attractive because they can help increase value of portfolio companies by building scale at comparatively attractive valuations. At the same time, these are seen as safer plays - bolt-on investments require smaller cheques and do not introduce new risks to the portfolio.

6. SECTORS IN THE LIMELIGHT

The technology sector retains highest share of private equity deal value and count across the region. However, GPs seem to be seeking to diversify their exposure in an uncertain environment. At the same time, investment in non-technology-related industries, such as digital infrastructure/ communications, consumer, industrial services and financial services are anticipated to show the highest growth.

	Japan	Australia and New Zealand	China	India	Korea	Southeast Asia	Others (Central Asia, ROW*)	Total deal count	Total deal value (US\$B)
Consumer	82	33	25	23	23	21	16	223	27.9
TMT	52	56	33	18	26	12	23	220	40.6
Industrials	49	10	44	20	18	7	7	155	10.4
Healthcare	20	11	16	27	13	8	13	108	16.3
Business Services	43	25	8	8	10	6	8	108	8.9
Energy, Utilities, Infra. & Real Estate	34	7	21	6	5	1	8	82	14.0
Financial Services	4	18	10	29	5	9	8	83	16.1
Transport & Logistics	9	8	2	1	3	5	2	30	3.6
Total deal count	293	168	159	132	103	69	85	1,009	-
Total deal value (US\$B)	15.9	30.2	28.4	12.8	18.6	9.4	22.5	-	137.8

Cold Hot

Source: Deloitte analysis

*Note: ROW represents non-Asia Pacific investments made by Asia Pacific PE funds

In 2024, Japan, Australia and New Zealand accounted for almost 50% of deals in digital infrastructure/ communications, perhaps reflecting a preference for mature, stable economies for this sector. The digital infrastructure/ communications sector made up a large portion of big deals - in 2024, out of the 30 deals with \$1 billion deal value, nine of them were digital infrastructure/ communications.

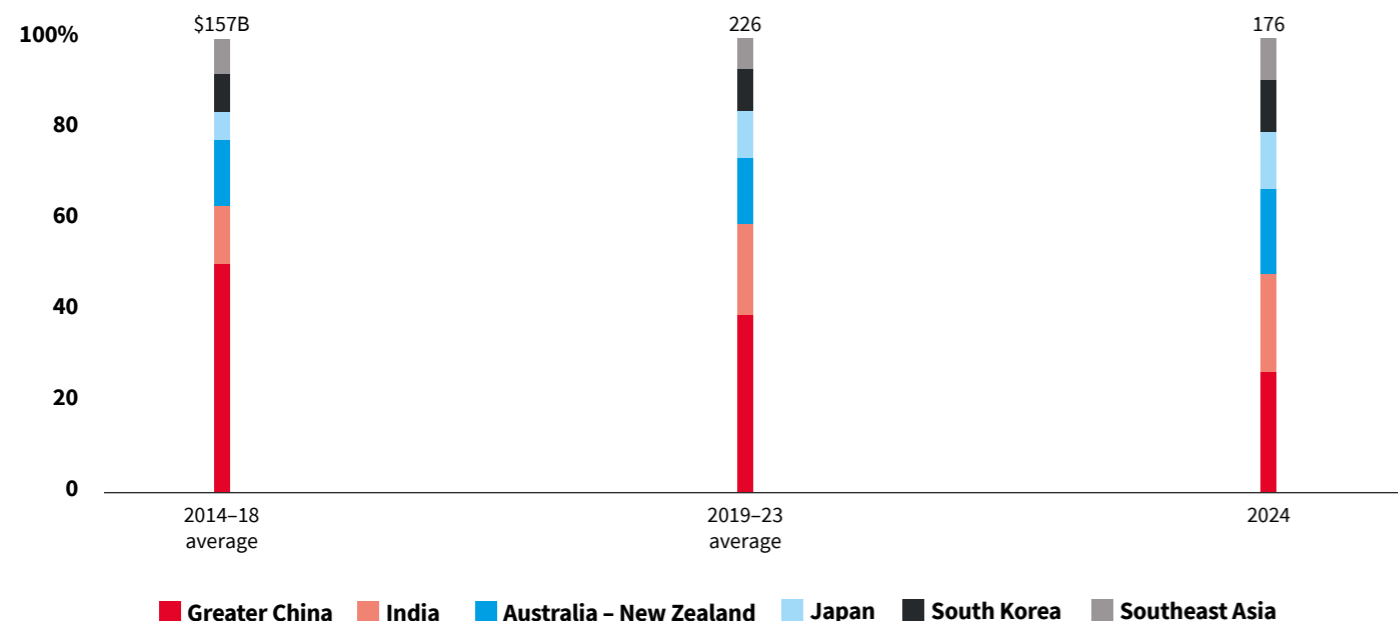
Within this sector, investors particularly favoured investment into the data centre space. We've mentioned Blackstone's \$16 billion acquisition of AirTrunk. Other significant data centre deals included HMC Capital's buyout of Global Switch Australia Data Centres and KKR and SingTel's investment into ST Telemedia Global Data Centres. Fuelled by the demand for robust digital connectivity and advances in AI, the deal frenzy in data centre space will continue.

Consumer sector activity also rebounded strongly in 2024, with deal value increasing 41% YoY to \$27.9B and deal count rising by 12% YoY to 223 deals. Japan led the board with 82 deals in the consumer sector, accounting for 37% of Asia Pacific total and a record high of the past decade. The financial services sector was kept buoyant by the India market, including several sizable deals in property loan and personal loan businesses and this trend is likely to continue in 2025 given the strong demographics and rising middle-class.

7. COUNTRY BIAS: INDIA FOR GROWTH AND JAPAN FOR STABILITY

Only India and Japan maintained a deal count in 2024 similar to the previous five-year average.

Share of Asia-Pacific private equity deal value, by region



Notes: Greater China includes China, Hong Kong, and Taiwan; excludes real estate and deals with a value under \$10 million
Sources: AVCJ; Bain analysis

Major global private equity funds are increasingly regarding India and Japan as key players in Asia Pacific's M&A landscape and plan to deploy more capital in these countries³.

Even as India faces macroeconomic challenges including inflation and consumption slowdown, it remains one of the fastest-growing countries in the region based on GDP and investors are drawn to its strong growth fundamentals.

In Japan, the growth story is about stability⁴, and the sense that Japan is far more receptive to global players, expanding deal opportunities. These conditions are supported by a weaker Yen, recent reforms in corporate governance and a backlog of opportunities ripe for private ownership and management, which includes small and medium enterprises offering opportunities for business succession as well as large corporates offering opportunities to restructure and better manage businesses of significant scale.

THIS IS SHOWING UP IN THREE WAYS:

- 1 More public-to-private (P2P) transactions, spurred by market reforms and increasing pressure on listed companies to improve capital efficiency
- 2 A surge in succession-driven PE investments into small and mid-sized companies, particularly in regional Japan;
- 3 The increasing scale and sophistication of domestic PE funds, often collaborating with global investors on cross-border transactions.

3. Carlyle, for instance, aims to allocate about 30% to 35% of its new pan-Asia fund to India, making it the firm's largest market in Asia. Bain Capital plans to invest 20% of its Asia fund in India and is on track to invest up to \$10 billion in India over the next three to five years.

4. During the pandemic, Japan had relatively lower economic volatility compared to other Asia Pacific markets with a 4.2% GDP decline in 2020 followed by 2.7% growth in 2021 – an overall swing of c.7%, which is one of the lowest compared to other economies in the Asia Pacific region.



8. THE ROLLER-COASTER OF HONG KONG PUBLIC MARKETS

Hong Kong's IPO market experienced a remarkable resurgence in early 2025, signalling renewed investor confidence and robust market dynamics. In Q1 2025, the market raised around HK\$18 billion across 15 IPOs, a 25% increase over Q1 2024 with nearly triple the funds raised during the same period in 2024 and marking the highest first-quarter total since 2021. Six of the 15 IPOs raised over HK\$1 billion each, a significant increase compared to just one such deal in the previous year's first quarter.

This strong performance built on the influx of large IPOs completed in the late 2024 and has been further bolstered by the global investors' interest in Chinese Mainland tech and AI companies. This is prompting more early-stage Chinese companies to consider listing in Hong Kong.

The growing momentum is further reflected in the IPO pipeline, which now includes 120 applicants, up from 86 as at 31 December 2024. The uptick can be attributed to 51 companies submitting their first application during Q1, up from 24 in the previous quarter. Notably, some larger A-share listed companies recently submitted applications for listing in Hong Kong to the lucrative "A+H" companies route.

Confidence is certainly affected by recent Hang Seng volatility, but we expect HK markets to support the pipeline throughout 2025.

9. GREATER CHINA STAGING A COMEBACK?

As recently as 2020, China represented more than half of all Asia-Pacific deal value but that share declined to 27% in 2024. In recent years, GPs and LPs have channelled a greater share of investment dollars to India and Japan. That trend continued through 2024 with investors already pricing in the impact of expected US policy.

China may well react to Trump's latest tariffs by focussing on a number of measures including fast stimulus, re-oriented trade relationships and a perception of political order. We have already seen an interest from private capital in understanding how China can act as a hedge to the US, with the two economies likely to become further de-coupled. We expect this will have a broader impact on the region with China and Indo Pacific being considered as important for portfolio diversification. Before the tariffs were announced there were strong signs that economic headwinds in China were easing in innovation-based sectors and some investors are anticipating the "China discount" to disappear entirely in these sectors.

China's innovation in technology, healthcare and green energy means Chinese companies are increasingly competing for the moats around which many investment theses depend. In 2025, China launched the world's first sixth-generation fighter jet and the low-cost artificial intelligence system "DeepSeek" within a week. Companies such as Moonshot AI and Zhipu AI have attracted major investments underscoring China's potential in cutting-edge technologies and life sciences, including AI-generated healthcare businesses.

Attractive valuations of Chinese companies will provide opportunities for long-term investors to secure high quality assets at a discount, creating the potential to generate outsized returns. We expect an uptick in investment in Chinese innovation-based investment from non-US investors as private capital looks to hedge its exposure to other volatile markets.

10. AUSTRALIA PIVOTING FOCUS TO SOUTHEAST ASIA

Australia's commitment to establish a \$1.3 billion fund to catalyse Australian private sector investment in Southeast Asia indicates a new era of Australian engagement with the region. Prime Minister Anthony Albanese's announcement of c.\$42 million over four years to set up "investment deal teams" based in Singapore, Jakarta, and Ho Chi Minh City, with additional representatives across the ASEAN region is a strong signal in the right direction. The region stands to offer opportunities for Australian businesses in a variety of sectors including energy transition, infrastructure and healthcare.

In particular, the infrastructure sector is expected to receive a significant push with Australia's economic strategy setting aside \$93.3 million for the "Partnership for Infrastructure Program" over the next four years. Southeast Asia has an infrastructure gap of around \$3 trillion. With Australian private sector's expertise in engineering, construction and ICT, there is significant upside for Australian companies to generate high-quality returns in the region's infrastructure sector.





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