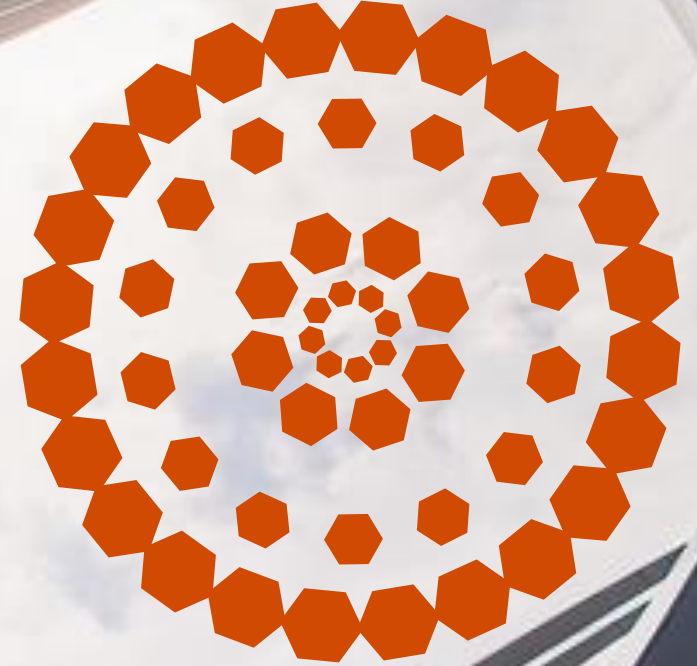
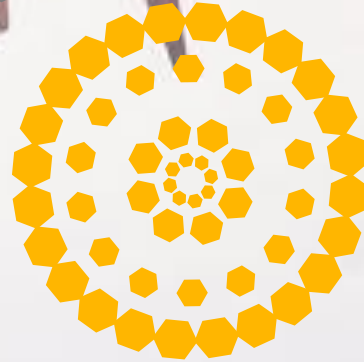
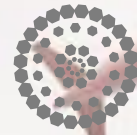




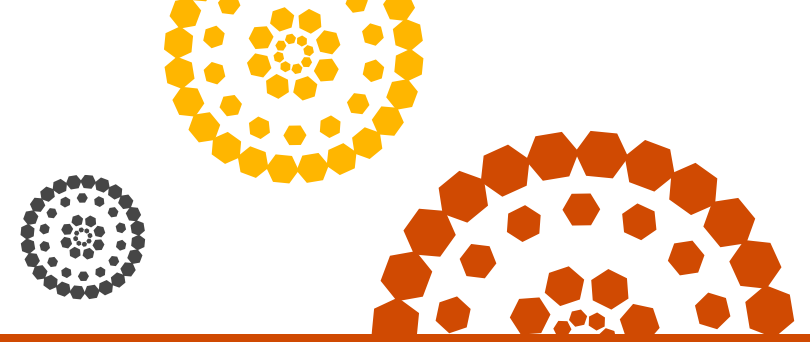
PwC M&A 2022 Mid-Year Review and Outlook

August 2022



Foreword

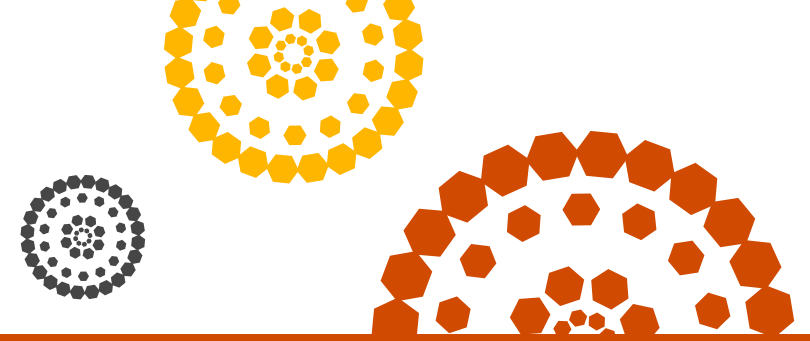
Explanation of data shown in this presentation (1)



- The data presented is based on information compiled by ThomsonReuters, CV Source, AVCJ, public news and PwC analysis unless stated otherwise
- Thomson Reuters and CV Source record announced deals. Some announced deals will not go on to complete
- The deal volume figures presented in this report refer to the number of deals announced, whether or not a value is disclosed for the deal
- The deal value figures presented in this report refer only to those deals where a value has been disclosed (referred to in this presentation as “disclosed value”)
- “Domestic” means China including Hong Kong, Macau and Taiwan
- “Outbound” relates to mainland China company acquisitions abroad
- “Inbound” relates to overseas company acquisitions of domestic companies
- “Private Equity deals” or “PE deals” refer to financial buyer deals with deal value over US\$10mn and invested mainly by private equity GPs but also including direct investments by financial institutions and conglomerates which are of the nature of private equity type investment

Foreword

Explanation of data shown in this presentation (2)



- “VC deals” refer to financial buyer deals with deal value of less than US\$10mn and/or with undisclosed deal value, but invested by financial buyers
- “Strategic buyer” refers to corporate buyers (as opposed to financial buyers) that acquire companies with the objective of integrating the acquisition in their existing business
- “Financial buyer” refers to investors that acquire companies with the objective of realising a return on their investment by selling the business at a profit at a future date and mainly, but not entirely, comprises PE and VC funds
- In order to exclude foreign exchange impact, deal values from 2019 to 2021 were adjusted based on monthly average Rmb/US\$ exchange rate in the first half of 2022



1

China M&A

Overview



Despite significant headwinds, China M&A volumes held at historically high levels in the first six months of 2022 but the value of M&A fell sharply to half year lows last seen in 2014, with much fewer large sized “mega-deals” in the period

Total deal volume and value, from 1H19 to 1H22

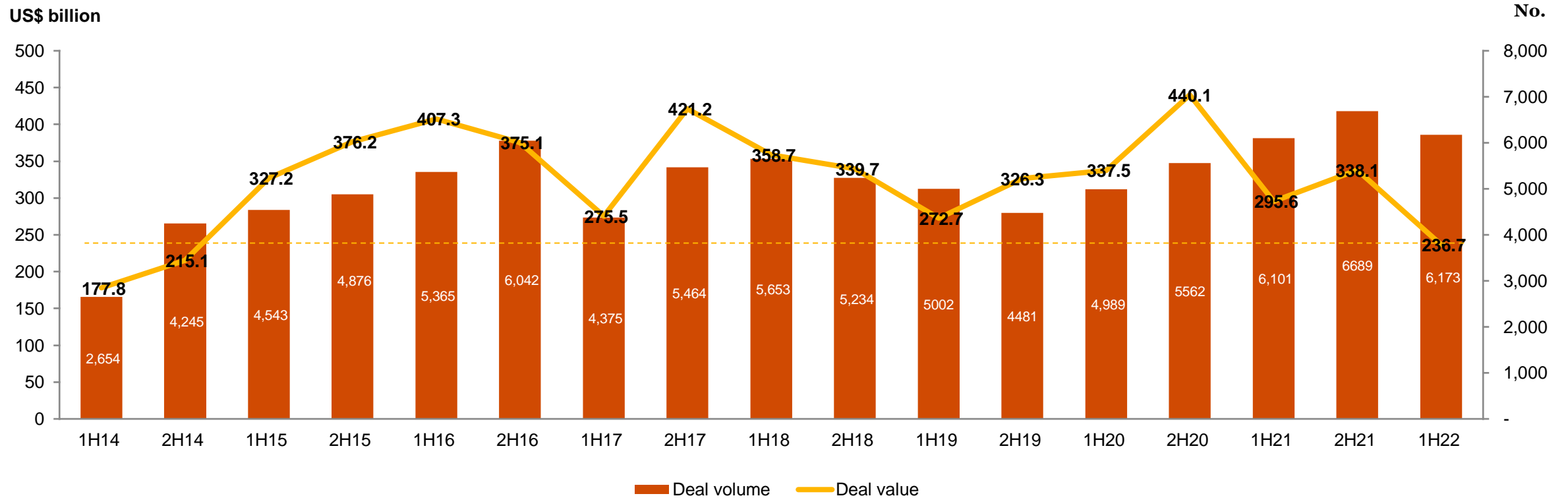
	1H19		2H19		1H20		2H20		1H21		2H21		1H22		% Diff vol. 1H2022 vs. 2H2021	% Diff val. 1H2022 vs. 2H2021
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Strategic buyers	(US\$bn)															
Domestic	2,235	146.5	2,263	145.7	2,573	166.9	1,957	203.4	2,696	126.1	2,447	134.1	2,409	99.5	-2%	-26%
Foreign	95	8.9	153	13.6	110	5.9	71	9.5	64	6.4	78	13.4	55	6.6	-29%	-51%
Total Strategic buyers	2,330	155.4	2,416	159.3	2,683	172.8	2,028	212.9	2,760	132.4	2,525	147.5	2,464	106.1	-2%	-28%
Financial buyers	(US\$bn)															
Private Equity	579	88.3	1,006	132.8	896	149.4	1,181	202.7	1,024	152.3	1,245	178.3	950	118.5	-24%	-34%
VC	1,738	1.3	811	1.5	1,204	0.9	2,157	2.1	2,192	1.6	2,728	2.0	2,585	2.0	-5%	1%
* Total Financial buyers	2,317	89.6	1,817	134.3	2,100	150.3	3,338	204.8	3,216	153.9	3,973	180.3	3,535	120.5	-11%	-33%
Mainland China Outbound	(US\$bn)															
SOE	32	2.5	28	14.8	13	0.3	14	6.5	10	1.8	9	3.1	16	4.3	78%	40%
POE	260	16.0	124	12.1	125	9.5	128	13.7	98	5.2	113	4.2	97	3.4	-14%	-19%
* Financial buyers	134	10.2	89	5.8	70	6.6	53	8.2	112	17.4	160	18.8	178	26.2	11%	39%
Total Mainland China Outbound	426	28.7	241	32.7	208	16.4	195	28.4	220	24.4	282	26.0	291	33.9	3%	30%
HK Outbound	63	9.2	96	5.8	68	4.6	54	2.2	17	2.3	69	3.1	61	2.4	-12%	25%
Total	5,002	272.7	4,481	326.3	4,989	337.5	5,562	440.1	6,101	295.6	6,689	338.1	6,173	236.7	-8%	-30%

• Financial buyer-backed mainland China outbound deals are also included in financial buyer deals, but they are not double counted in the total deal volume and deal value in the table above.

Source: ThomsonReuters, CV Source and PwC analysis

Total deal value in the first six months of 2022 fell sharply to half year lows last seen in 2014

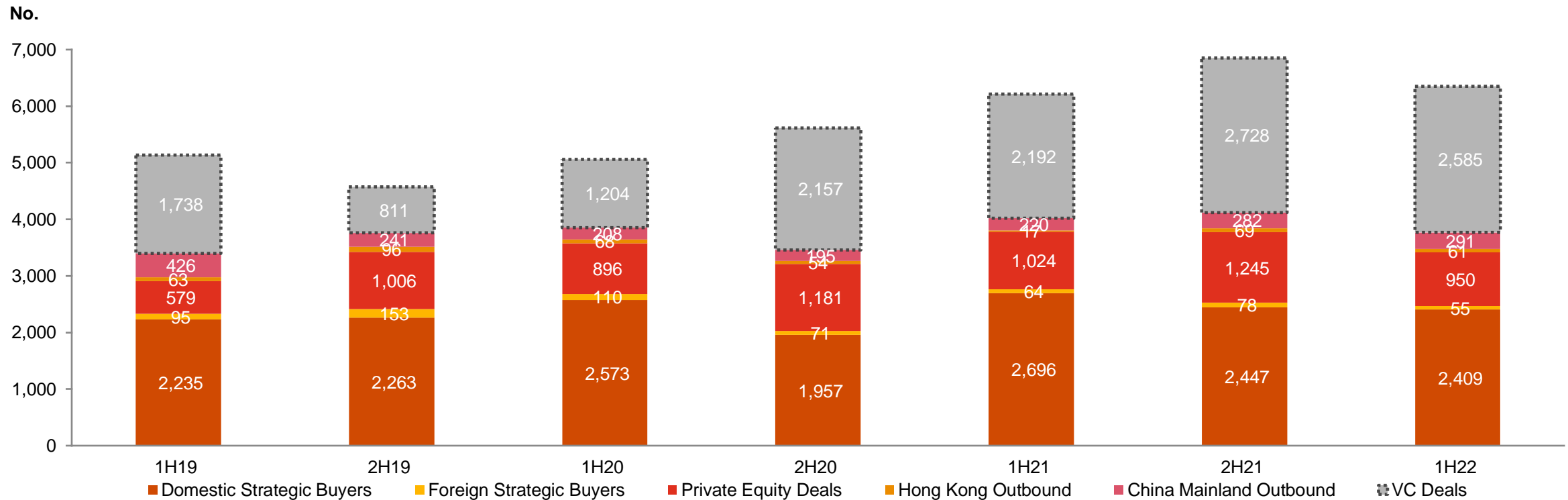
Total deal volume and value, from 1H14 to 1H22



Source: ThomsonReuters, CV Source and PwC analysis

Deal volumes held up well although there was a sharp decline in the number of PE deals by almost a quarter, albeit from record levels seen in the second half of 2021...

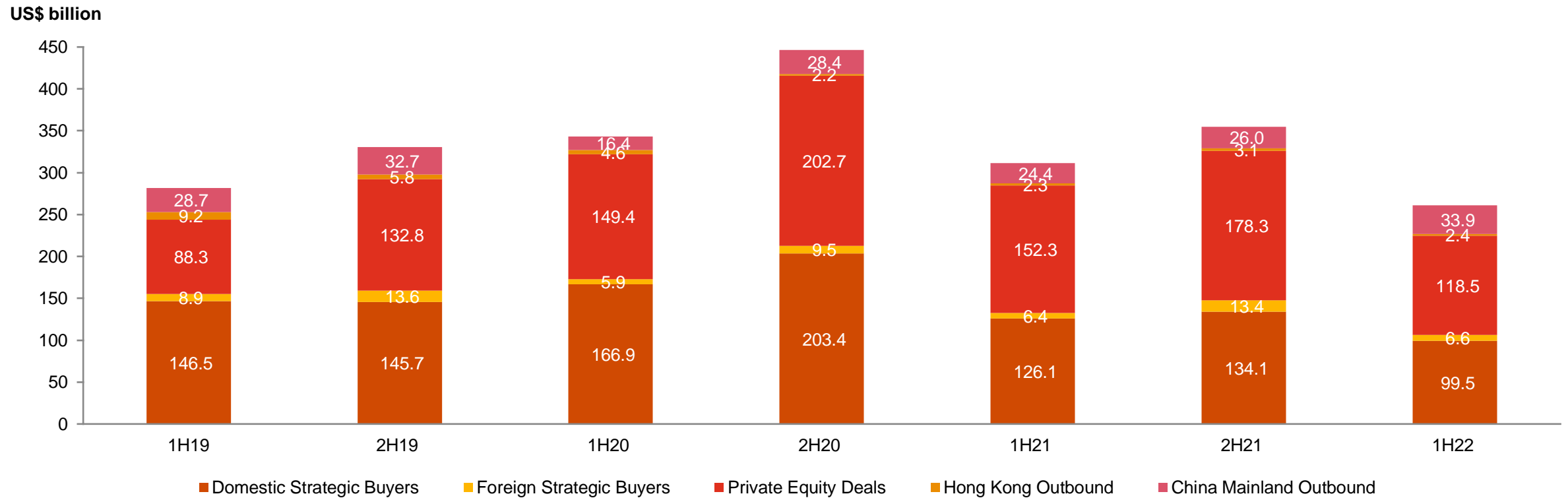
Deal volume by main category



• 116 financial buyer-led mainland China outbound deals are also recorded in private equity deals, 62 are included in VC deals
 Source: ThomsonReuters, CV Source and PwC analysis

...But deal values fell sharply to 7-year lows due to a notable reduction in so-called mega deals (greater than \$1 billion); PE deals were more than half of the total by value for the 3rd consecutive half year

Deal value by main category (excludes VC)

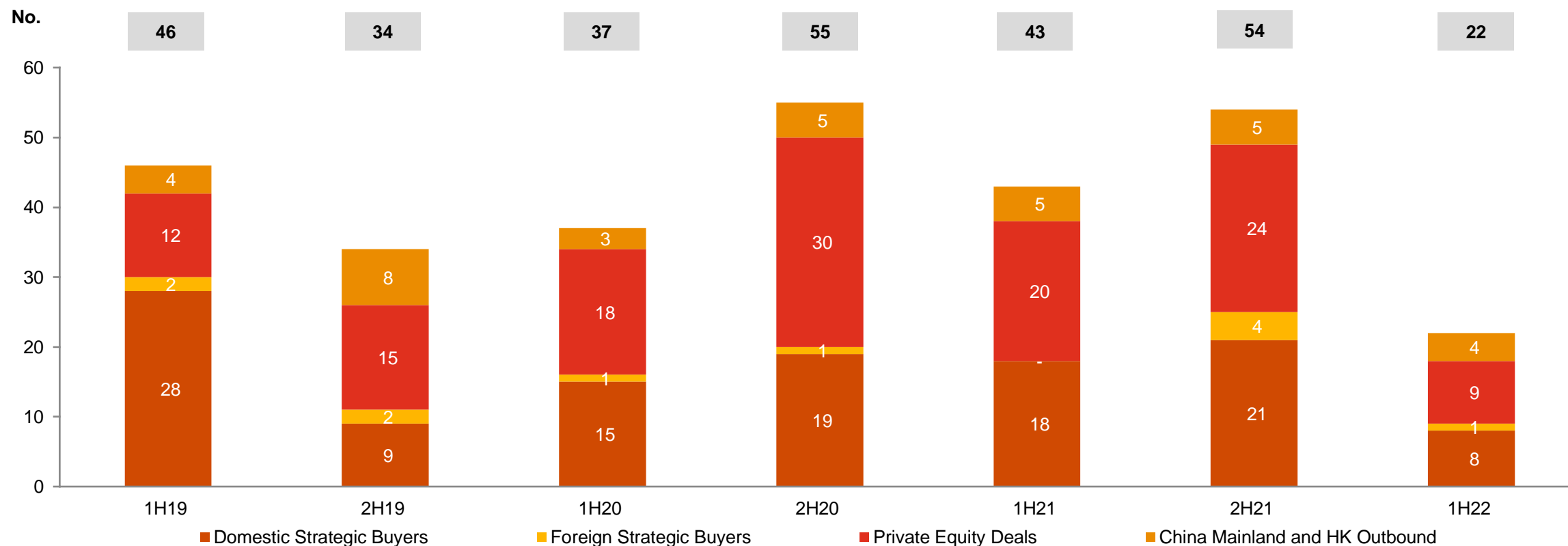


* US\$26.1bn of financial buyer-backed mainland China outbound deals are also recorded in private equity deals, US\$0.1bn are recorded in VC deals(excluded from this chart)
 Source: ThomsonReuters, CV Source and PwC analysis

The total number of mega-deals (> US\$1bn) was significantly fewer than the past, with only 22 deals in the period, less than half of that in the second half of 2021*

*Under the main theme of China's domestic focus and SOE reform, among the 8 domestic strategic mega deals, 7 were driven by SOEs; in the PE category, 4 of the 9 involved US listed SPACs

Number of deals with value > US\$ 1 billion



* Defined as > US\$1bn

Source: ThomsonReuters, CV Source and PwC analysis

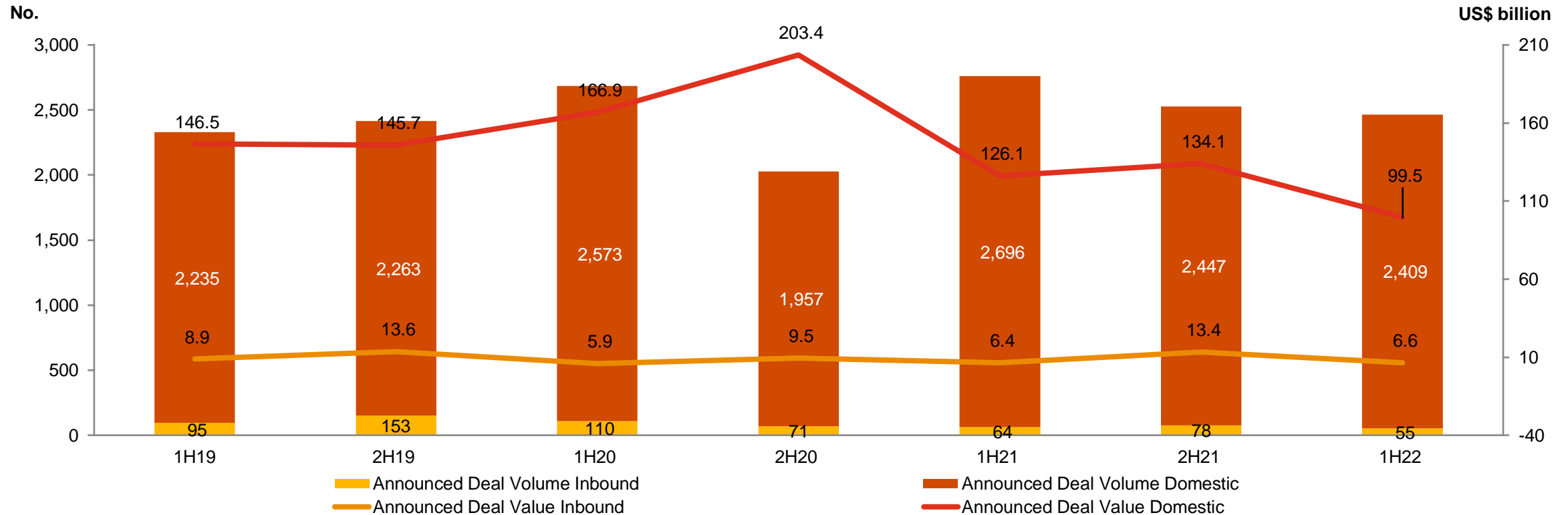
2

Strategic
buyers



Domestic strategic M&A remained active in the first half of 2022 with more than 2,400 deals, yet in value terms fell to less than US\$ 100bn, a level last seen in 2014; larger deals were relatively more affected by covid-lockdowns, restrictions on the tech/internet/gaming-sectors, and other uncertainties which resulted in weak public equity markets

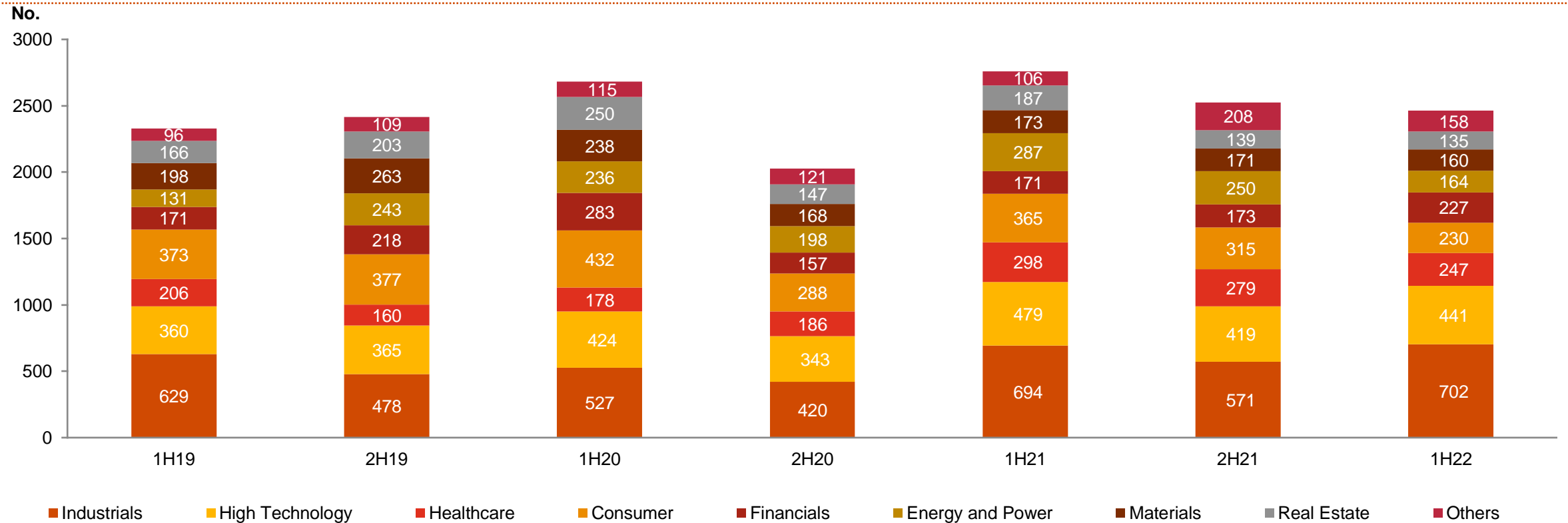
Strategic buyer deals – Domestic & Foreign



Source: ThomsonReuters, CV Source and PwC analysis

In volume terms, although down by 2%, smaller deals were still actively fueled by key domestic themes such as industrial upgrade and high technology sectors and appeared to have been less affected by the various uncertainties in play...

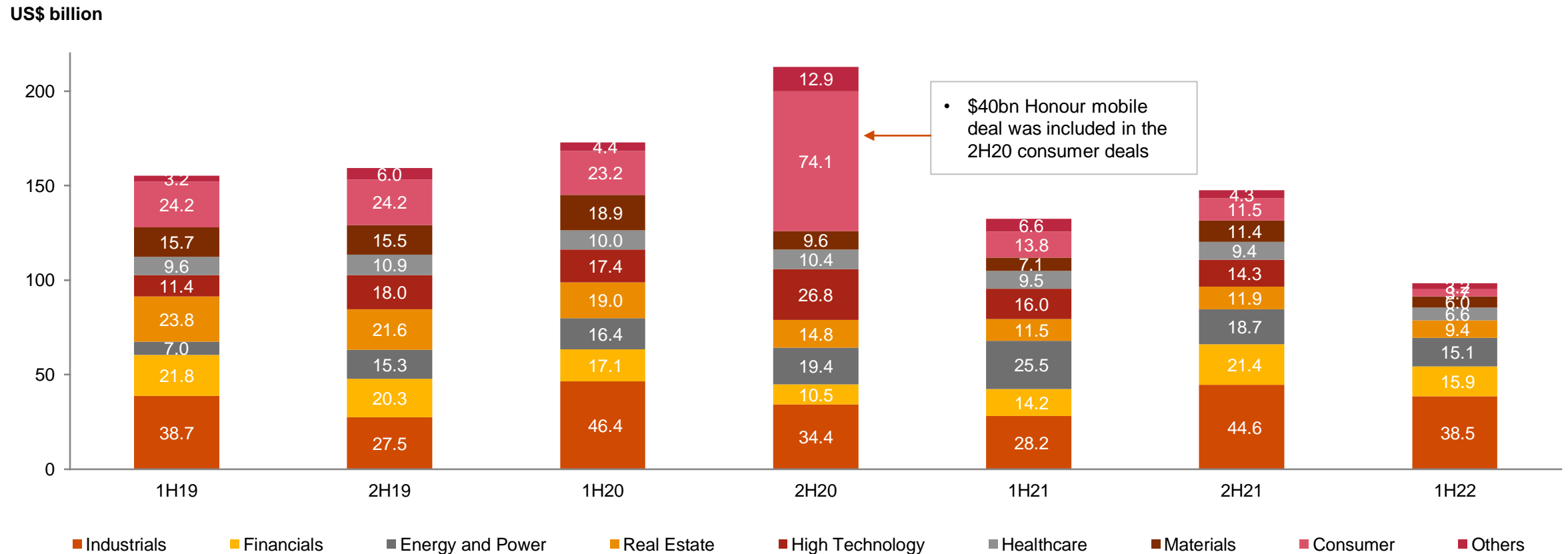
Strategic buyer deal volume by industry sector



Source: ThomsonReuters, CV Source and PwC analysis

... But deal values from all the sectors fell due to the absence of as many mega deals as had been seen in previous years, with those remaining focused on SOE reforms, SOE-driven industrial upgrades, re-capitalisations and integrations between large SOE groups

Strategic buyer deal value by industry sector

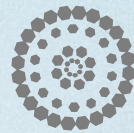


Source: ThomsonReuters, CV Source and PwC analysis

3

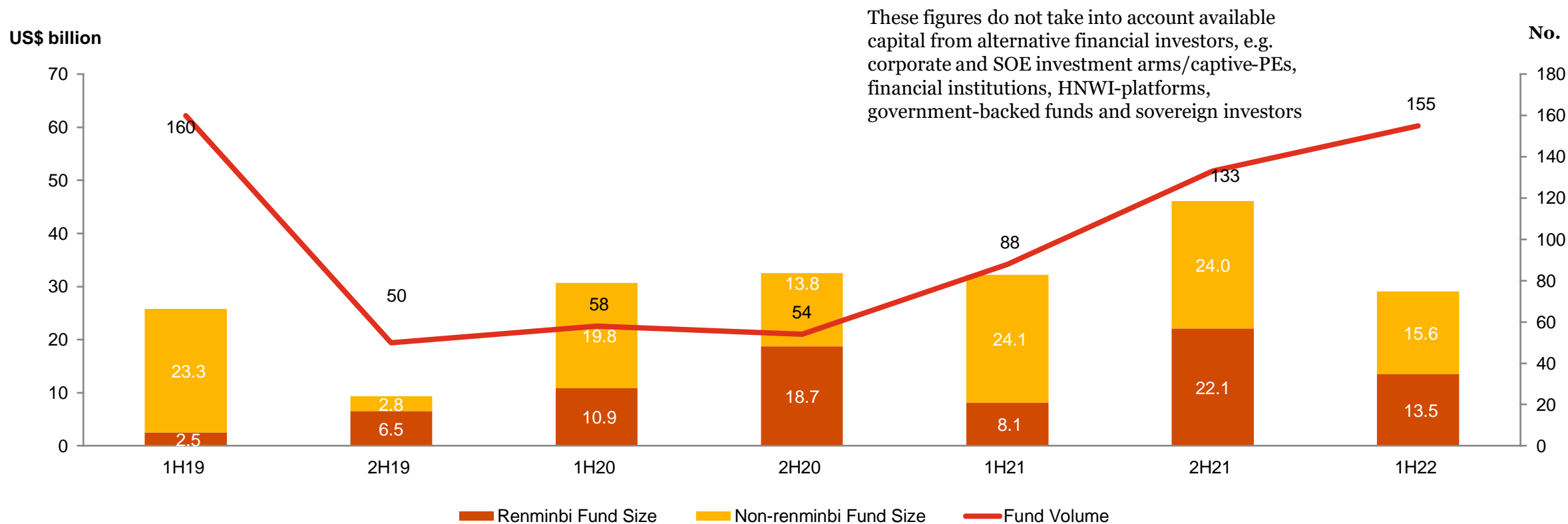
PE/VC and

financial buyer deals



Fund-raising size was lower in the first half of 2022 when compared to a very strong peak in the previous period; the number of new funds kept an increasing trend reaching 155 funds, although probably both metrics could be lagging indicators reflecting the strong PE environment in the second half of 2021

PE/VC fund raising for China investment

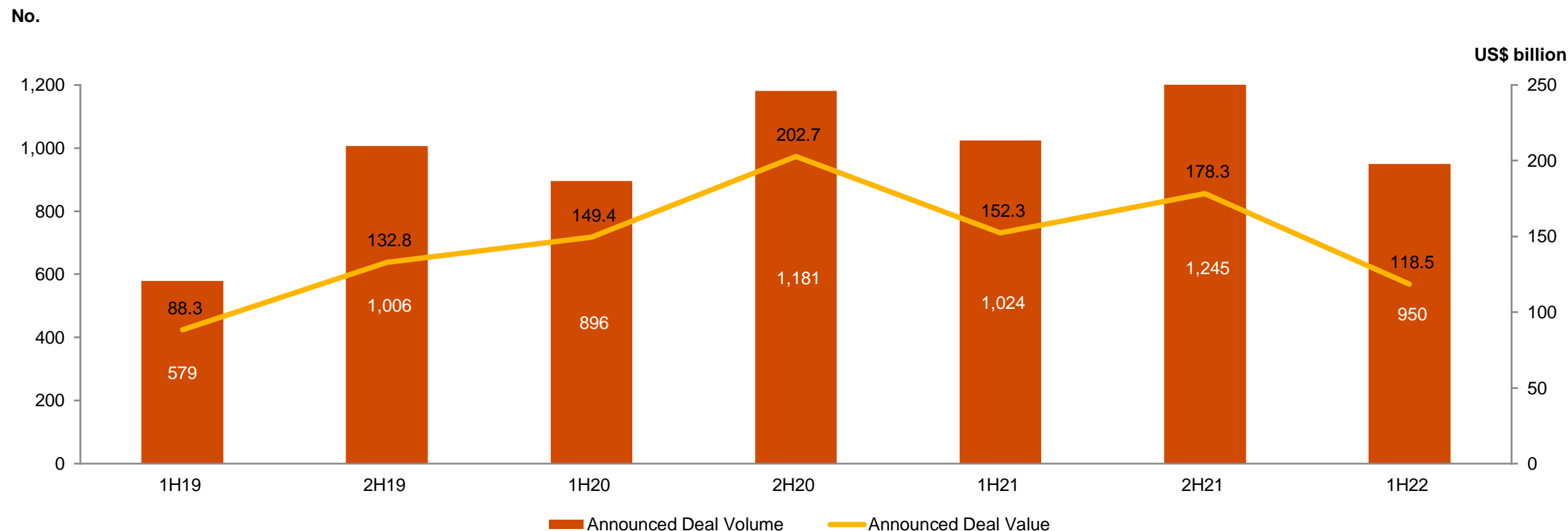


Source: AVCJ and PwC analysis

PE investment activities and value fell significantly by 24% and 34% compared to the 2nd half of 2021 although both were coming off high comparatives; many PEs professed to be waiting on the sidelines citing lockdowns, other uncertainties and weak IPO markets yet this belied a nevertheless reasonably high level of activity – although again with fewer mega deals (only 9* versus 24 in the prior period)

* among the 9 mega-deals with a total deal value of US\$20 bn, there were 4 deals (US\$9bn) related to US listed SPACs in high-tech, NEV, and digital healthcare sectors and 4 deals (US\$11 bn) driven by SOE reform

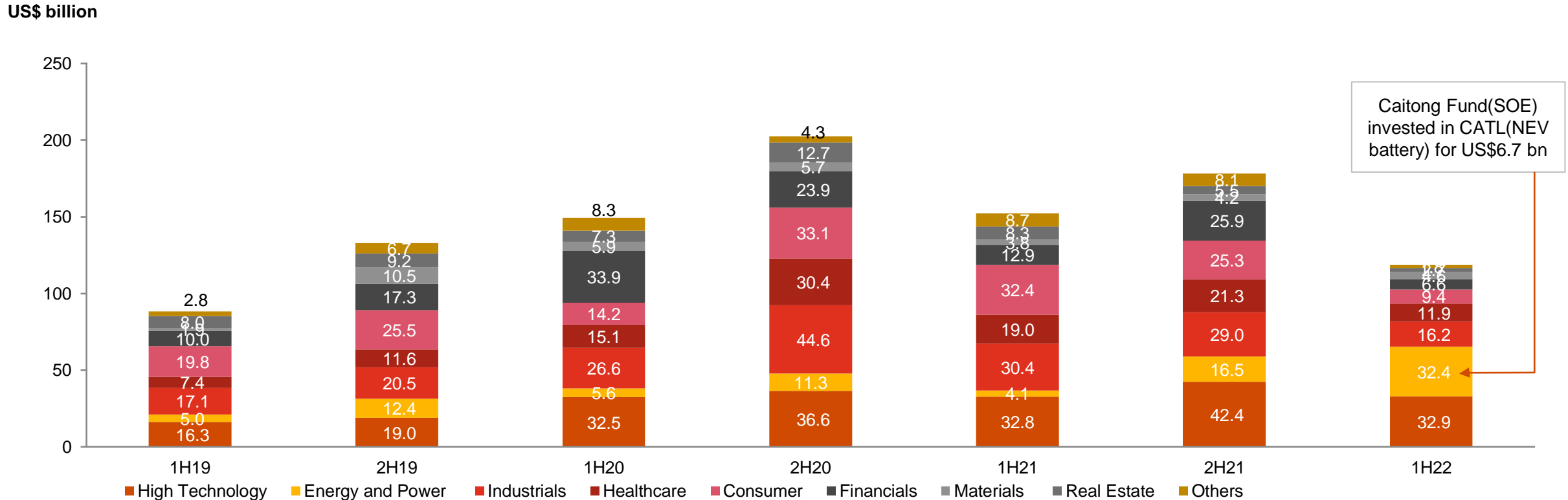
PE deals overview



Source: ThomsonReuters, CV Source and PwC analysis

There was a significant decline in dollar terms in almost all sectors except for energy and power

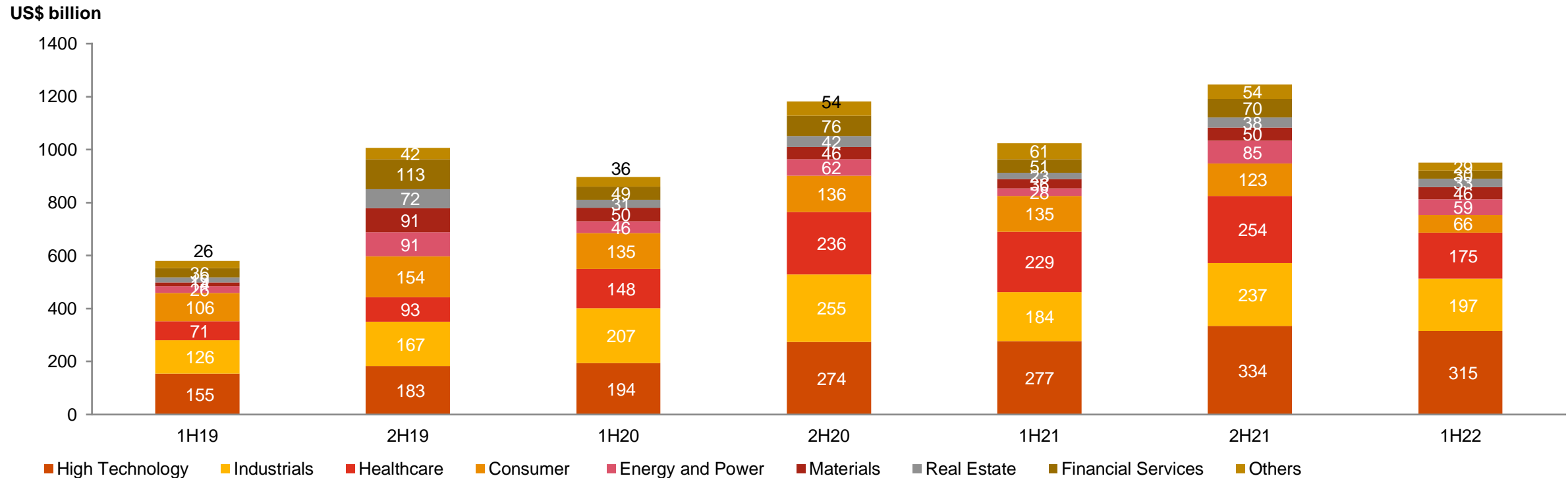
PE deal value by industry sector



Source: ThomsonReuters, CV Source and PwC analysis

...And PE deal volumes also decreased in every sector although there was still good activity in high tech, industrials and healthcare in line with various government initiatives in those sectors such as Industrial 4.0

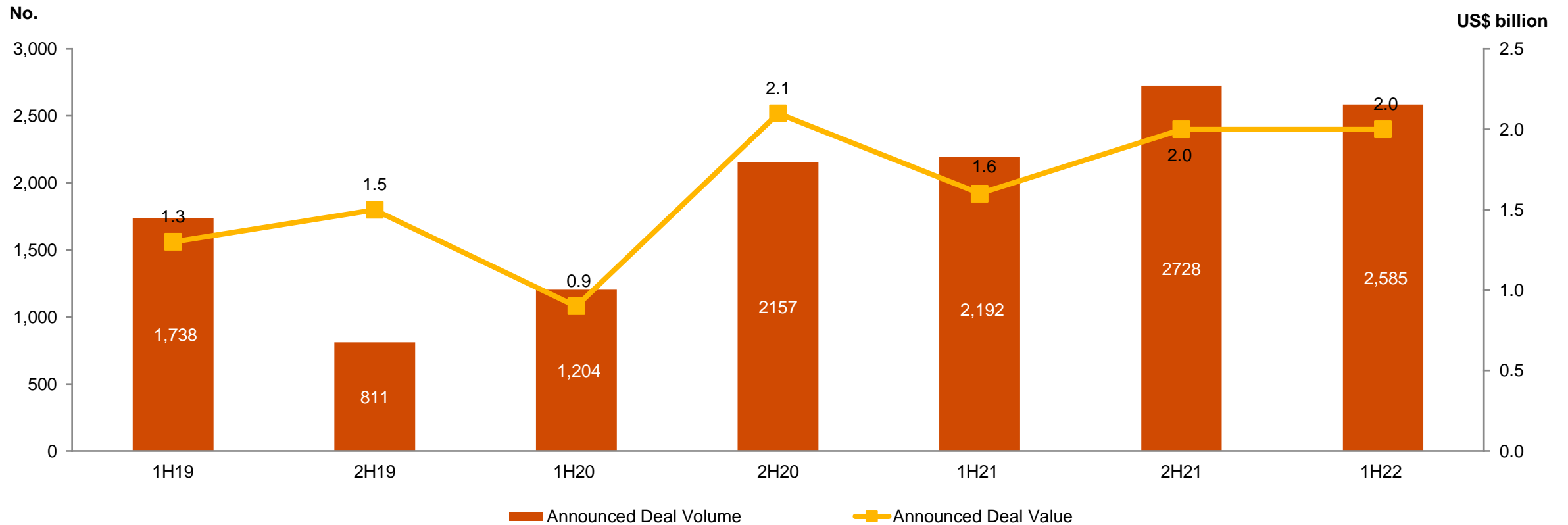
PE deal volume by industry sector



Source: ThomsonReuters, CV Source and PwC analysis

The volume of venture capital investments decreased by 5% but still remained at high levels despite many uncertainties facing some sub-sectors of the tech and start-up world

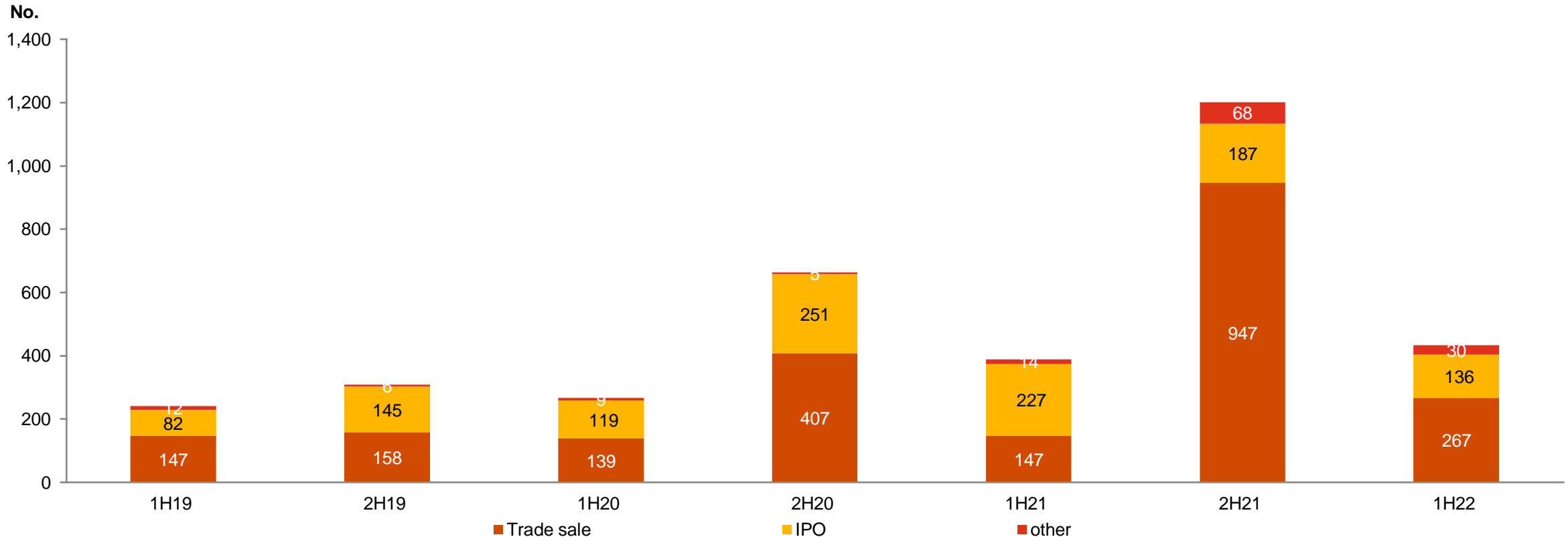
Venture Capital Deals



Source: ThomsonReuters, CV Source and PwC analysis

As valuations trended lower and public equity markets stalled, PE exits fell sharply from the record highs seen in the second half of 2021; the numerous uncertainties in the market presented a generally challenging environment for asset sales

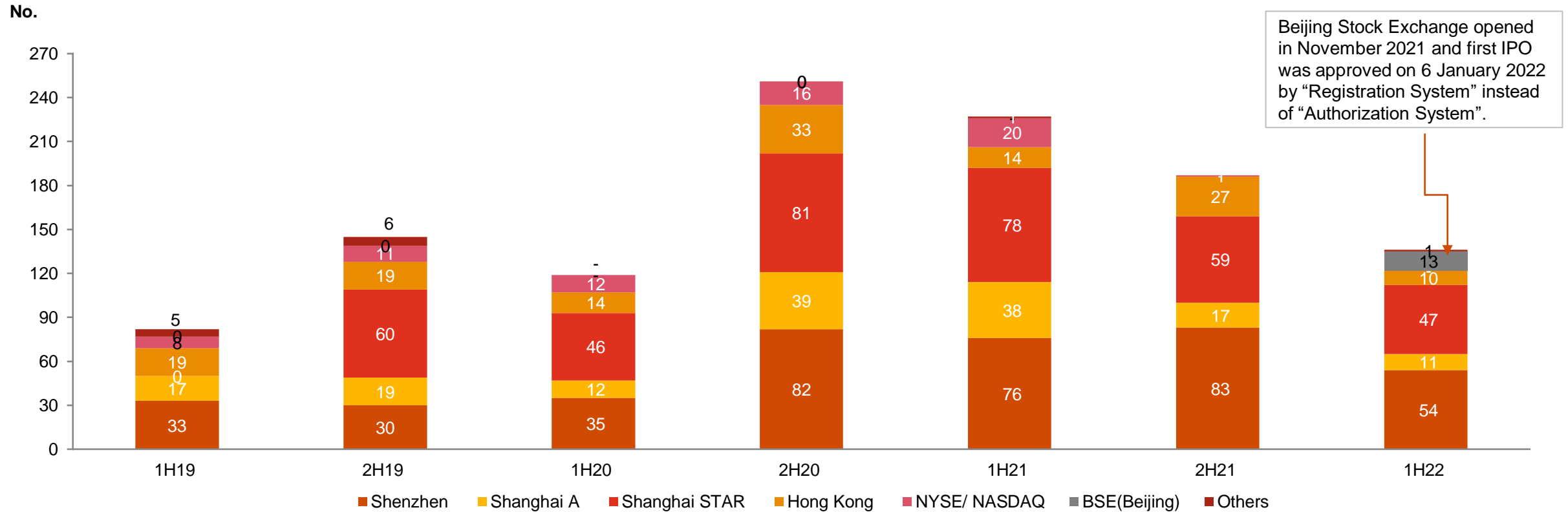
PE/VC-backed deal exit volume by type



Source: CV Source and PwC analysis

Regulatory issues affecting Chinese issuers continued to take US equity markets largely out of play and Hong Kong was also soft so the Shenzhen and Shanghai STAR markets retained their dominant positions as IPO exit venues for PEs; the new Beijing Stock Exchange also came online in 2022

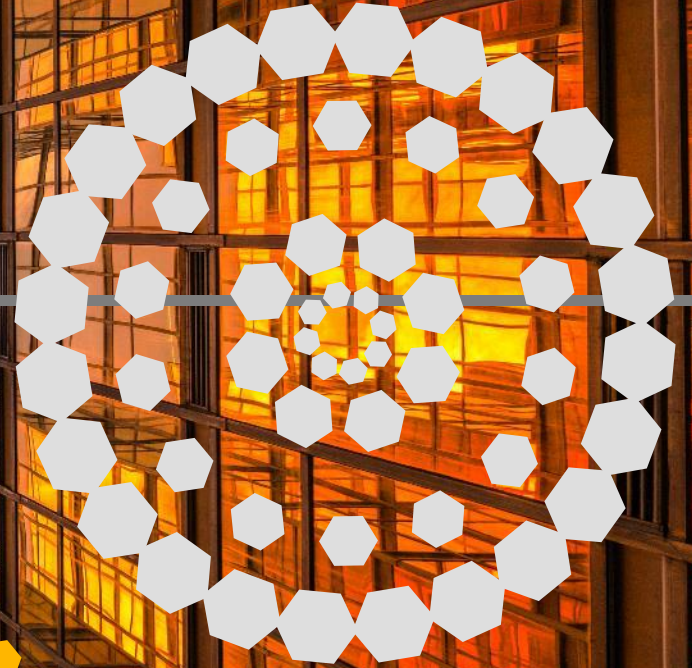
PE/VC-backed IPO exit volume by bourse



Source: CV Source and PwC analysis

4

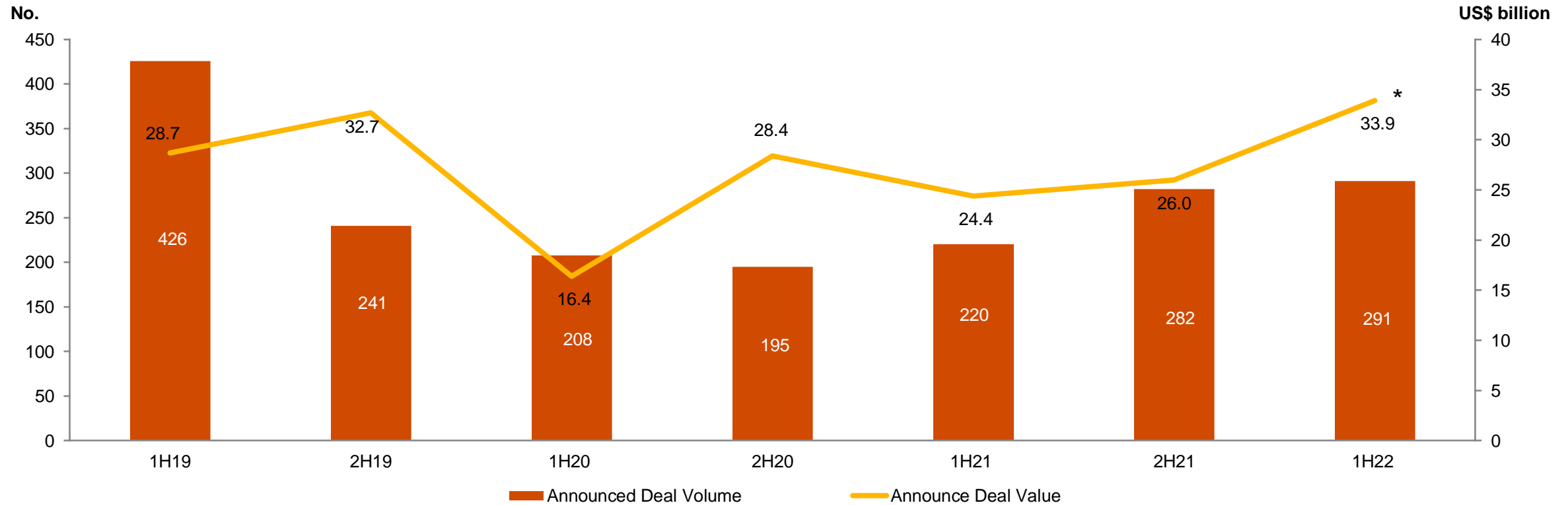
Mainland China
outbound M&A



Outbound M&A increased significantly by 30% mainly due to 3 mega deals funded by SOE and SOE related investment funds, although these numbers are coming off historical lows and are much lower than overall peaks which were 4 times as big in the record year of first half of 2016

* among the 4 mega-deals with a total deal value of US\$20 bn, there were 3 deals (US\$19bn) driven by SOEs

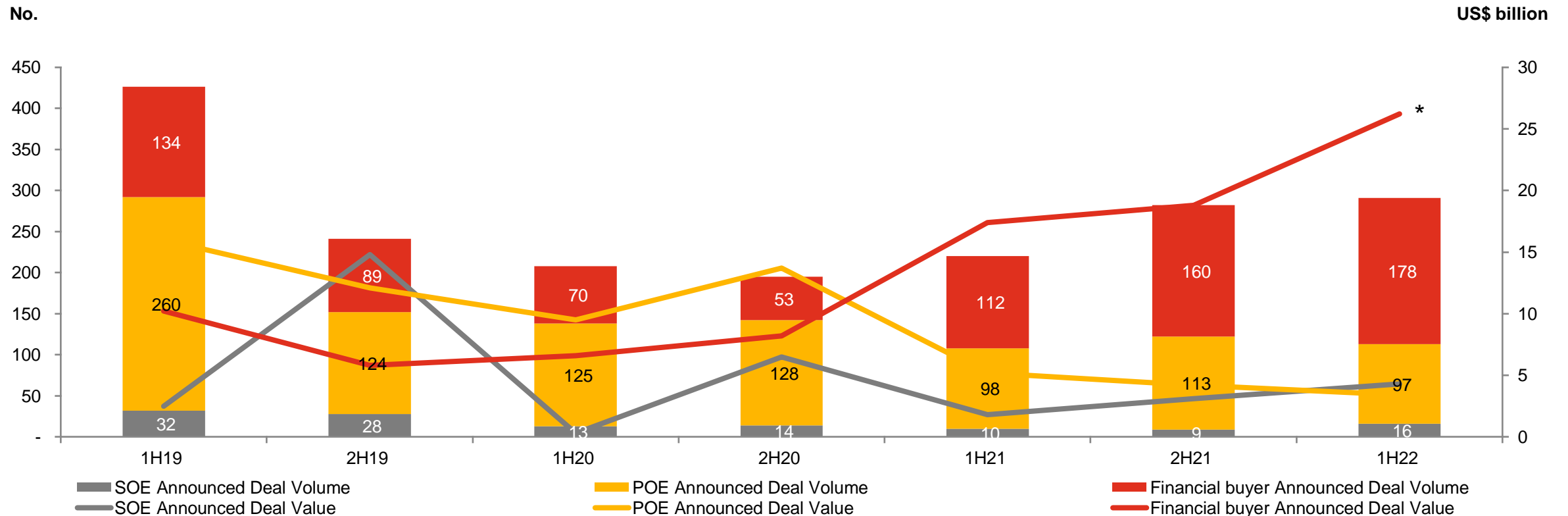
Mainland China outbound deals



Source: ThomsonReuters, CV Source and PwC analysis

Financial buyers' outbound deal value increased significantly mainly due to the US\$15.5bn announced acquisition of the overseas gas storage company Aramco Gas Pipelines Company in Saudi Arabia by an SOE-backed financial buyer consortium...

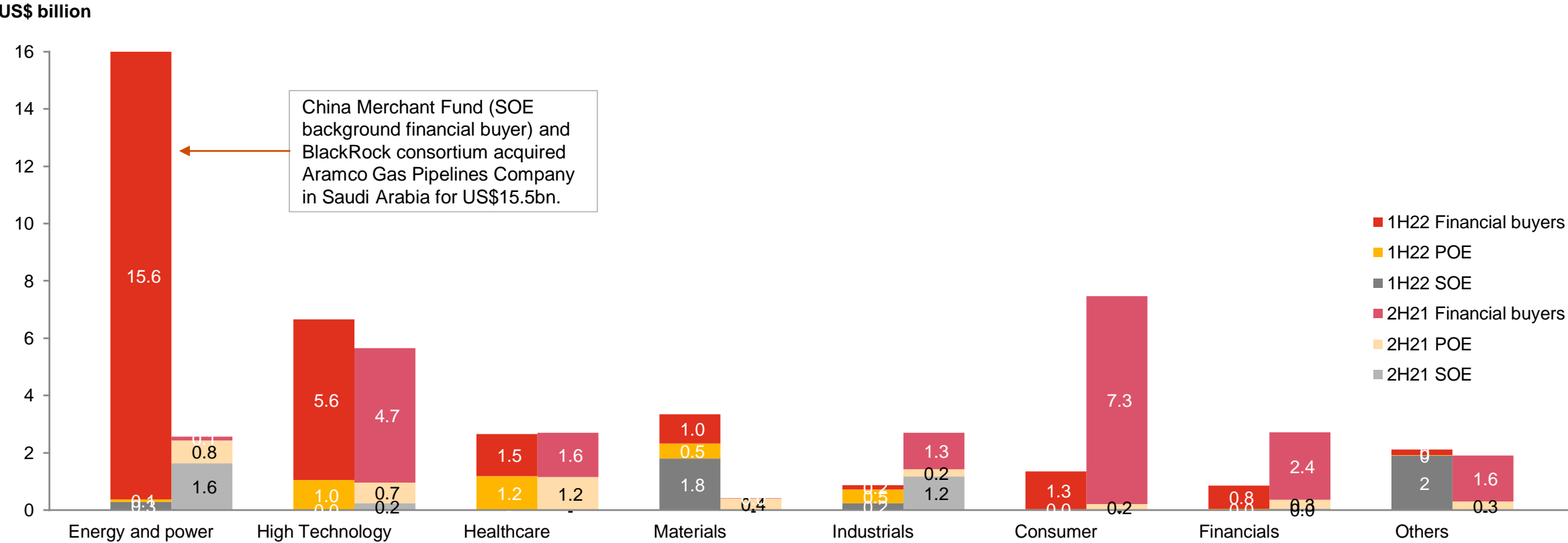
Mainland China outbound deals by investor type



Source: ThomsonReuters, CV Source and PwC analysis

...And apart from this single very large deal, high tech and healthcare were the most significant outbound sectors by value

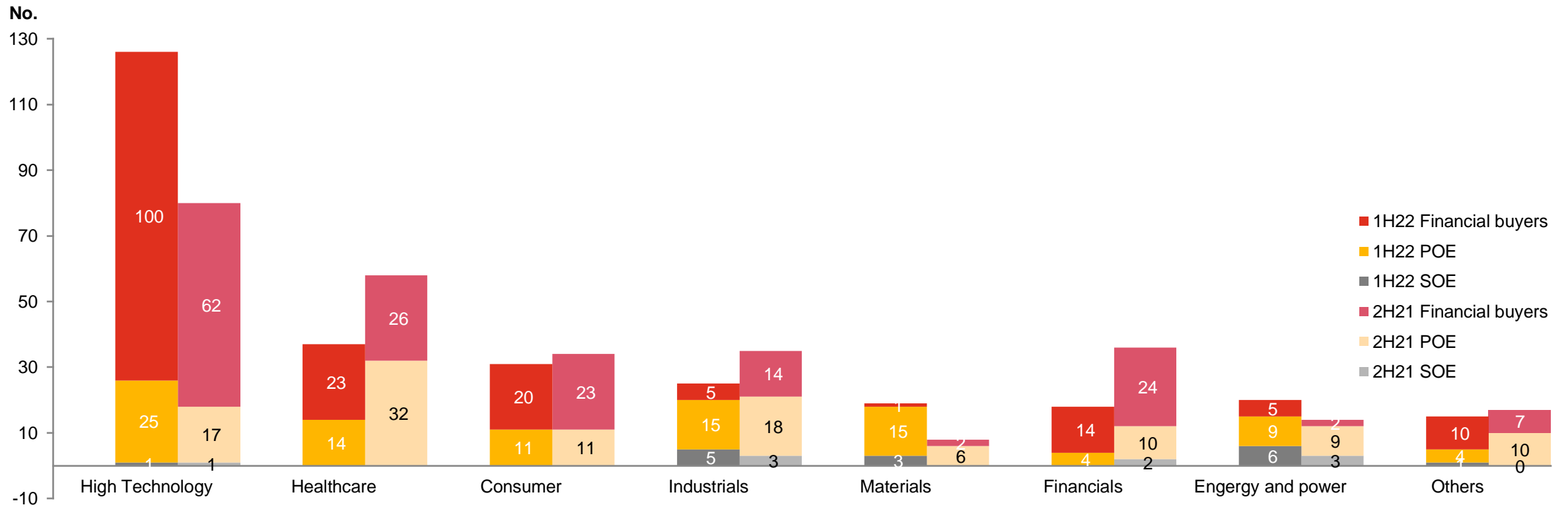
Mainland China outbound deals by industry sector – value



Source: ThomsonReuters, CV Source and PwC analysis

In terms of deal volumes, technology, healthcare and consumer were the top 3 most popular sectors in the first six months of 2022

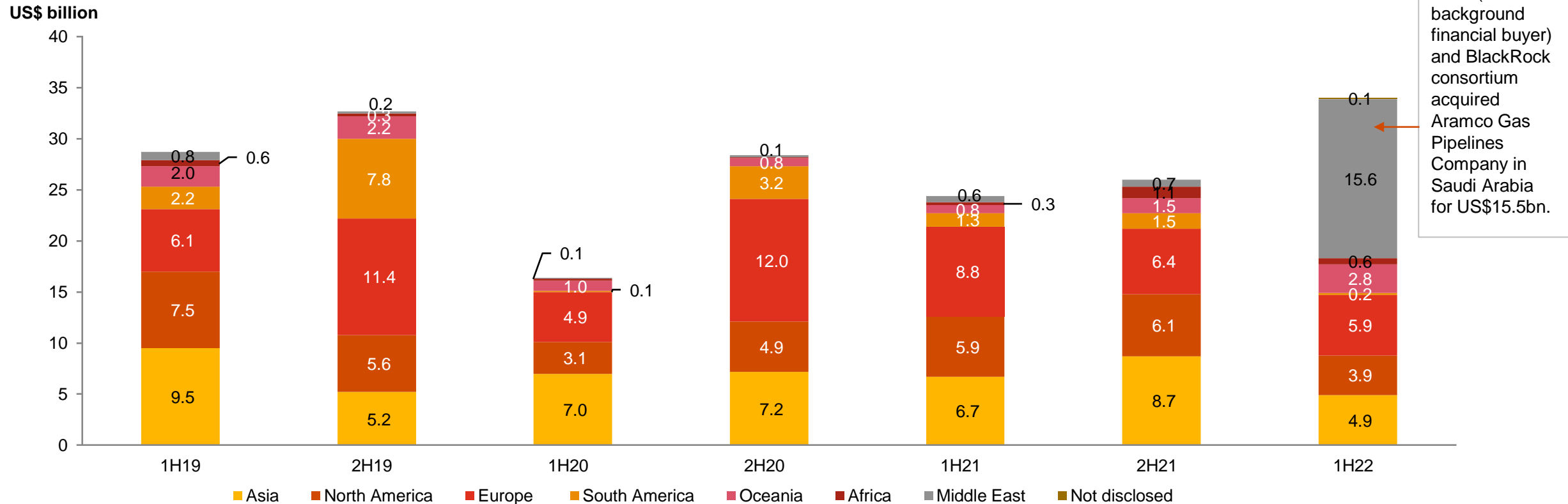
Mainland China outbound deals by industry sector – volume



Source: ThomsonReuters, CV Source and PwC analysis

Deal values into the Middle East increased significantly due to the mega deal to Saudi Arabia

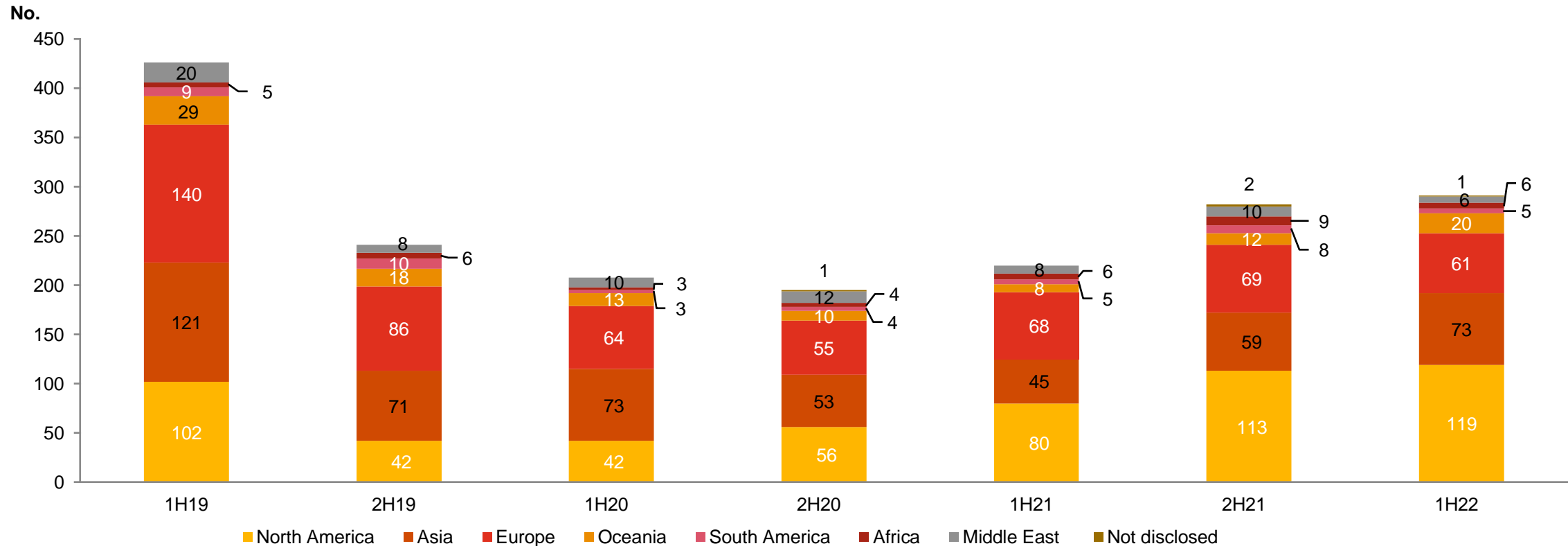
Mainland China outbound deals by region – value



Source: ThomsonReuters, CV Source and PwC analysis

In volume terms, deals are still happening in the US although they tend to be much smaller in dollar terms and therefore less likely to receive political or regulatory attention; Asia was still a popular destination for outbound investments

Mainland China outbound deals by region – volume



Source: ThomsonReuters, CV Source and PwC analysis

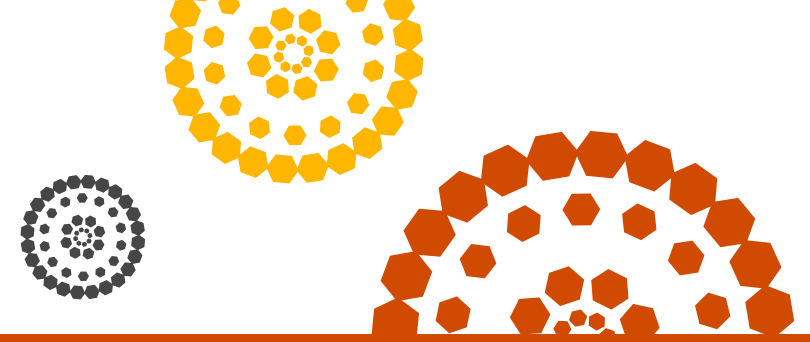
5

Key
messages



Key messages

China M&A in the first half of 2022 (1)



Overall

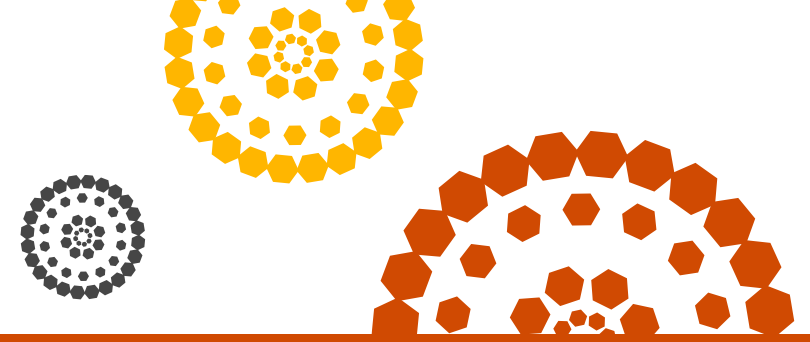
- Despite significant headwinds, China M&A volumes held at historically high levels in the first six months of 2022 but the value of M&A fell sharply to half year lows last seen in 2014, with much fewer large sized “mega-deals” in the period
- Deal volumes held up well although there was a sharp decline in the number of PE deals by almost a quarter, albeit from record levels seen in the second half of 2021...
- ...But deal values fell sharply to 7-year lows due to a notable reduction in so-called mega deals (greater than \$1 billion); PE deals were more than half of the total by value for the 3rd consecutive half year
- The total number of mega-deals (> US\$1bn) was significantly fewer than the past, with only 22 deals in the period, less than half of that in the second half of 2021

Domestic and Foreign-Inbound Strategic

- Domestic strategic M&A remained active in the first half of 2022 with more than 2,400 deals, yet in value terms fell to less than US\$ 100bn, a level last seen in 2014; larger deals were relatively more affected by covid-lockdowns, restrictions on the tech/internet/gaming-sectors, and other uncertainties which resulted in weak public equity markets
- In volume terms, although down by 2%, smaller deals were still actively fueled by key domestic themes such as industrial upgrade and high technology sectors and appeared to have been less affected by the various uncertainties in play...
- ... But deal values from all the sectors fell due to the absence of as many mega deals as had been seen in previous years, with those remaining focused on SOE reforms, SOE-driven industrial upgrades, re-capitalisations and integrations between large SOE groups

Key messages

China M&A in the first half of 2022 (2)

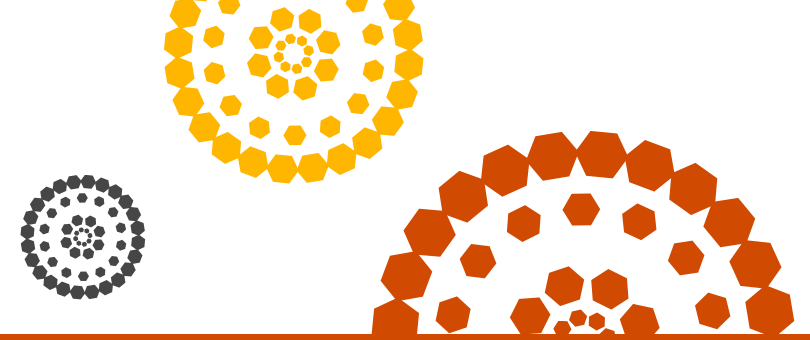


PE/VC and financial buyer deals

- Fund-raising size was lower in the first half of 2022 when compared to a very strong peak in the previous period; the number of new funds kept an increasing trend reaching 155 funds, although probably both metrics could be lagging indicators reflecting the strong PE environment in the second half of 2021
- PE investment activities and value fell significantly by 24% and 34% compared to the 2nd half of 2021 although both were coming off high comparatives; many PEs professed to be waiting on the sidelines citing lockdowns, other uncertainties and weak IPO markets yet this belied a nevertheless reasonably high level of activity – although again with fewer mega deals (only 9 versus 24 in the prior period)
- There was a significant decline in dollar terms in almost all sectors except for energy and power
- ...and PE deal volumes also decreased in every sector although there was still good activity in high tech, industrials and healthcare in line with various government initiatives in those sectors such as Industrial 4.0
- The volume of venture capital investments decreased by 5% but still remained at high levels despite many uncertainties facing some sub-sectors of the tech and start-up world
- As valuations trended lower and public equity markets stalled, PE exits fell sharply from the record highs seen in the second half of 2021; the numerous uncertainties in the market presented a generally challenging environment for asset sales
- Regulatory issues affecting Chinese issuers continued to take US equity markets largely out of play and Hong Kong was also soft so the Shenzhen and Shanghai STAR markets retained their dominant positions as IPO exit venues for PEs; the new Beijing Stock Exchange also came online in 2022

Key messages

China M&A in the first half of 2022 (3)



Mainland China Outbound

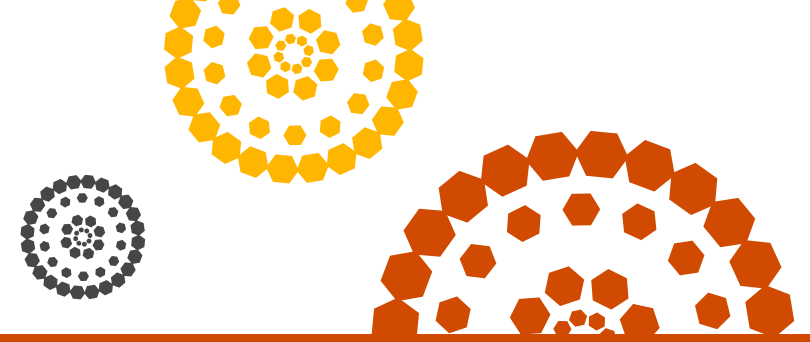
- Outbound M&A increased significantly by 30% mainly due to 3 mega deals funded by SOE and SOE related investment funds, although these numbers are coming off historical lows and are much lower than overall peaks which were 4 times as big in the record year of first half of 2016
- Financial buyers' outbound deal value increased significantly mainly due to the US\$15.5bn announced acquisition of the overseas gas storage company Aramco Gas Pipelines Company in Saudi Arabia by an SOE-backed financial buyer consortium...
- ...and apart from this single very large deal, high tech and healthcare were the most significant outbound sectors by value
- In terms of deal volumes, technology, healthcare and consumer were the top 3 most popular sectors in the first six months of 2022
- Deal values into Asia increased significantly due to a mega deal to Saudi Arabia
- In volume terms, deals are still happening in the US although they tend to be much smaller in dollar terms and therefore less likely to receive political or regulatory attention; Asia was still a popular destination for outbound investments

6

Outlook



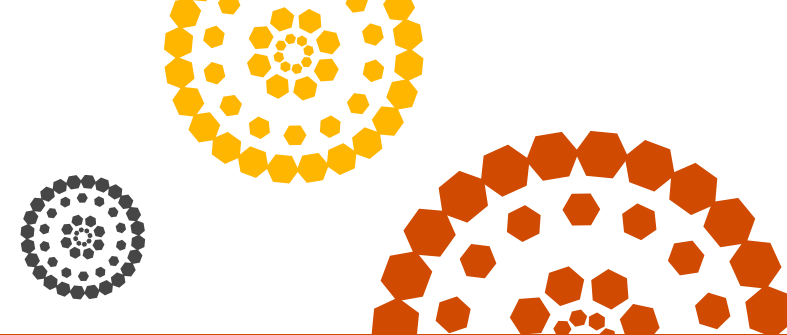
Outlook for the second half 2022 (1)



Overall

- Headwinds that we flagged in our last half year review are likely to further slow China M&A in the second half of 2022, with some lag effect in play from the first half
- These factors include:
 - Regulatory uncertainties across several sectors, most noticeably in the internet-tech space, which are creating valuation gaps between sellers and buyers
 - Various anti-monopoly measures which will dampen strategic M&A (again, particularly in tech) although it may also create more opportunities for PE
 - The economic impact of the Covid-19 pandemic and associated lockdowns and travel restrictions in China
 - Geopolitical tensions, including the war in Ukraine and access to US equity markets for Chinese issuers
- There are also, however, some more positive influences for M&A including:
 - Record levels of dry-powder for financial sponsors, and pressure to deploy this capital
 - Buying opportunities as valuations soften but don't crash
 - The ongoing domestic transformation of the Chinese economy, including:
 - The industrial upgrade programs
 - Development of second tier cities and special regional clusters
 - SOE reform and restructuring
 - The various economic dislocations associated with Covid-19 and geopolitical trends will also give rise to transactional activity
 - Cross border M&A, in both directions, will remain close to current subdued levels unless there is an unexpected opening of travel restrictions in which case we may see some pent up demand coming through
 - Overall, we expect to see a further decline in China M&A in the second half because of the impact of the various headwinds

Outlook for the second half 2022 (2)



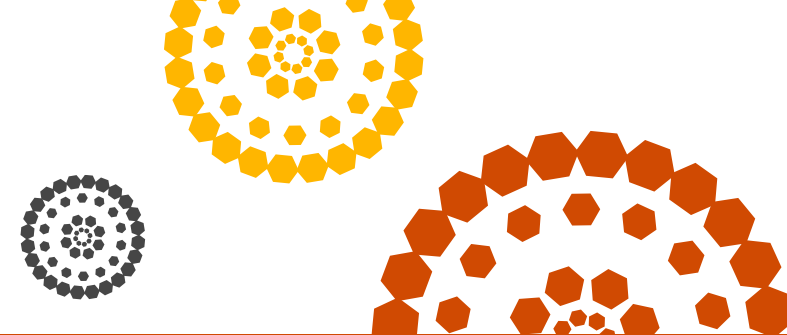
Domestic Strategic

- The “Dual Circulation” and “Industrial Upgrade” programs, and general domestic focus in the economy, in particular, the “consumption themes” in the hot cities such as Chengdu, Changsha, and Chongqing, etc., will continue to support domestic M&A activity
- Ongoing investment in regional clusters such as Yangtze EZ, GBA, Jing Jing Ji, Chuan-Yu and Western Land Sea Corridor will also have a positive impact
- We expect SOE reform to continue at pace
- But various economic dislocations associated with Covid-19 in particular and also geo-political trends will likely have a net negative effect domestically
- And regulation and anti-monopoly action will also slow strategic M&A in certain sectors
- On balance, we expect domestic M&A in the second half of 2022 to show some decline compared to the first half

Foreign Strategic

- With ongoing travel restrictions into China likely to continue for the foreseeable future and various geo-political tensions being worked through, we do not anticipate any meaningful rebound in foreign inbound M&A
- With the increasing number of “free-trade-zones” being established in China, we expect more FDI into China as an alternative way instead of going through M&A.

Outlook for the second half 2022 (3)

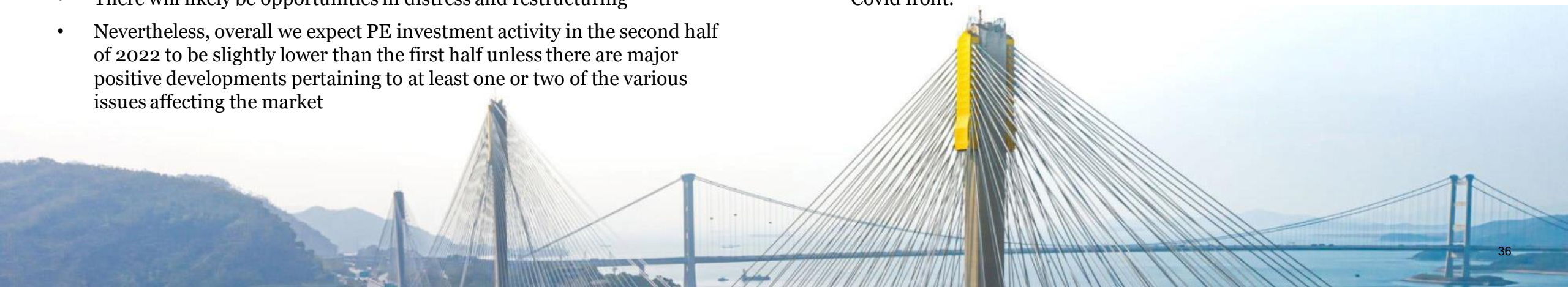


PE/VC and financial buyer deals

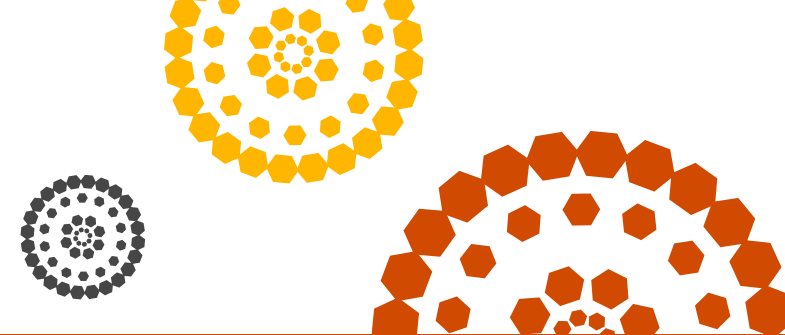
- There will continue to be considerable demand for equity capital, and the PE industry has plenty of dry powder
- Valuations and asset prices have come under pressure due to the various uncertainties affecting the market
- This softening of valuations could keep exit activity lower and, if it accelerates, could slow buy-side as well
- But at current levels, somewhat lower prices could present a buying opportunity
- And anti-monopoly measures impacting strategic M&A may throw up opportunities for PE
- There will likely be opportunities in distress and restructuring
- Nevertheless, overall we expect PE investment activity in the second half of 2022 to be slightly lower than the first half unless there are major positive developments pertaining to at least one or two of the various issues affecting the market

Mainland China Outbound

- Chinese enterprises still have appetite for overseas deals
- But the Covid-19 situation is restricting travel
- And the political situation is making it very difficult to do large sized transactions in major developed markets like the US and Europe
- Likely, deals into Asia will continue to be prioritized, although travel restrictions will remain as significant drag
- B&R activities will increase, especially Asia-Pacific deal activities under the context of RCEP
- The second half of 2022 will continue to be tepid and we do not see the increase as large unless there is an unexpected breakthrough on the Covid front.



Data compilation methodology and disclaimer



Statistics contained in this presentation and the press release may vary from those contained in previous press releases. There are three reasons for this: ThomsonReuters and CV Source historical data is constantly updated as deals are confirmed or disclosed; PricewaterhouseCoopers has excluded certain transactions which are more in the nature of internal re-organisations than transfers of control; and exchange rate data has been adjusted.

Included Deals

- Acquisitions of private/public companies resulting in change of control
- Investments in private/public companies (involving at least 5% ownership)
- Mergers
- Buyouts/buy-ins (LBOs, MBOs, MBIs)
- Privatizations
- Tender offers
- Spinoffs
- Split-off of a wholly-owned subsidiary when 100% sold via IPO
- Divestment of company, division or trading assets resulting in change of control at parent level
- Reverse takeovers
- Re-capitalisation
- Joint Venture buyouts
- Joint Ventures
- Receivership or bankruptcy sales/auctions
- Tracking stock

Excluded Deals

- Property/real estate for individual properties
- Rumored transactions
- Options granted to acquire an additional stake when not 100% of the shares has been acquired
- Any purchase of brand rights
- Land acquisitions
- Equity placements in funds
- Stake purchases by mutual funds
- Open market share buyback/retirement of stock unless part of a privatization
- Balance sheet restructuring or internal restructuring
- Investments in greenfield operations
- Going private transactions(with no new investors)

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