

J&A Capital Markets Report

Semiconductor Transactions by ASEAN-Based Investors

November 2023

Investors based in ASEAN—Association of Southeast Asian Nations, an economic union of 10 nations in Southeast Asia—have invested \$18.3 billion in the semiconductor industry between 2020 and Q2 2023. This report provides a comprehensive analysis of the investment activity trend, which decreased between 2020 and 2021, then increased in 2022.

The data set analyzed focuses on capital deployment, transaction types, and geographical distribution. By analyzing the data and trends from 2020 to Q2 2023, this report reviews the dynamic landscape of the sector.

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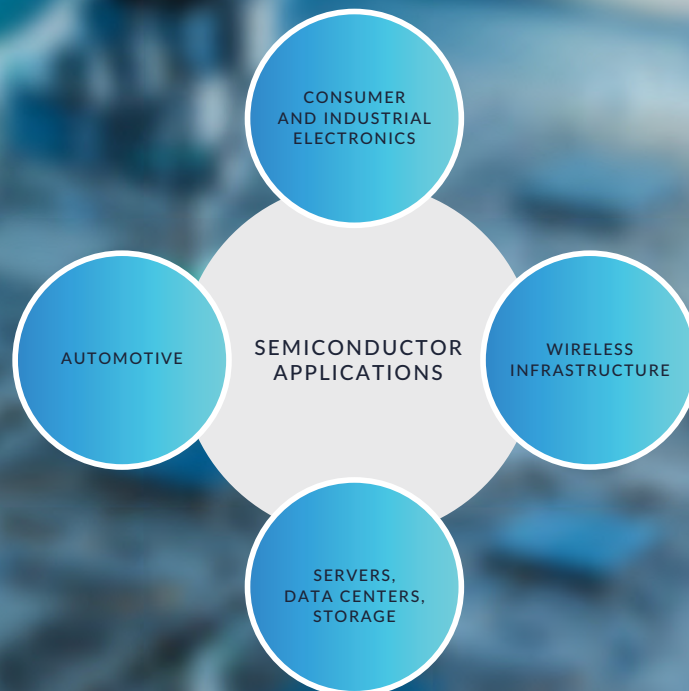


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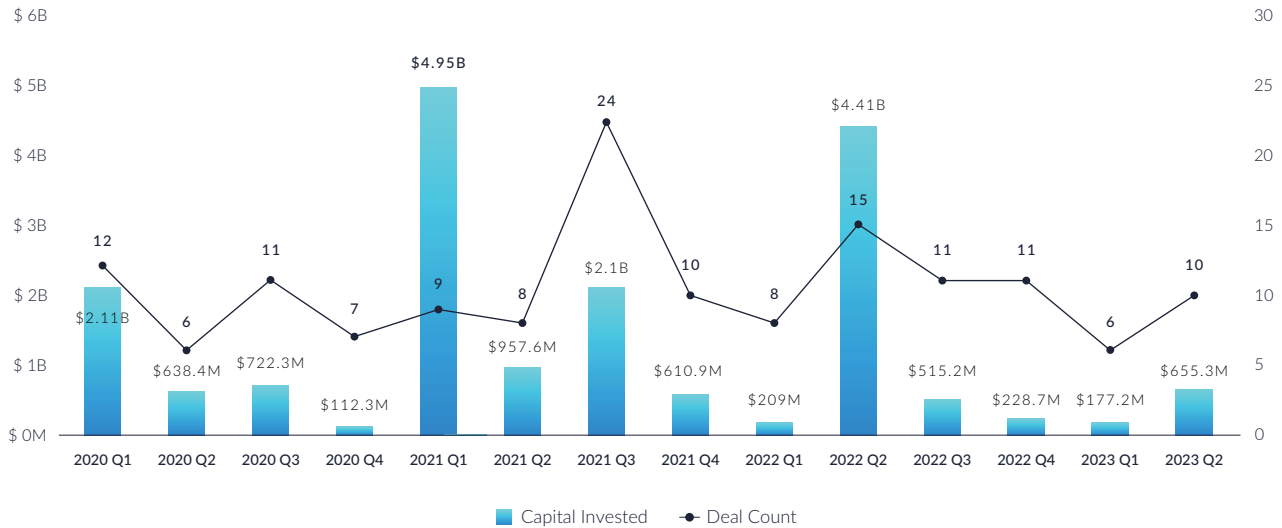
Semiconductor Transactions by ASEAN-Based Investors

Semiconductors are specialized devices that provide the main architecture for electronic products. Some of the most important semiconductor applications include:



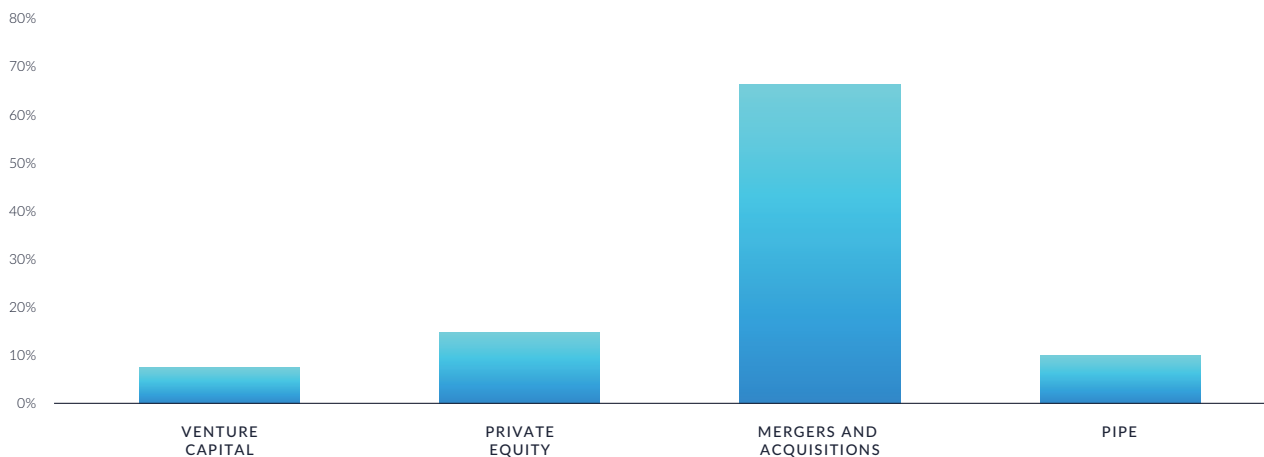
- Consumer and industrial electronics: consumer electronics include televisions and mobile phones, whereas industrial devices span the length of manufacturing plants.
- Servers, data centers, and storage: integrated systems that provide resources, data services, and telecommunication and storage systems.
- Automotive: includes industries associated with the production, wholesaling, retailing, and maintenance of motor vehicles.
- Wireless infrastructure: a collection of various communication devices, connectivity standards, and connectivity solutions that work together to provide wireless networks to users.

Announced Semiconductor Investments by ASEAN-Based Investors (2020 to Q2 2023)



- ASEAN-based investors invested \$18.3 billion over 148 deals, with an average deal size of \$124 million.
- Capital deployment peaked in Q1 2021, with the highest average deal size of \$550 million.
- The most active year for deal flow was 2021, with approximately 51 deals with \$8.61 billion accounting for the highest investments made, 24 of which were in Q3. This accounts for 35% of the deals between Q1 2020 and Q2 2023.

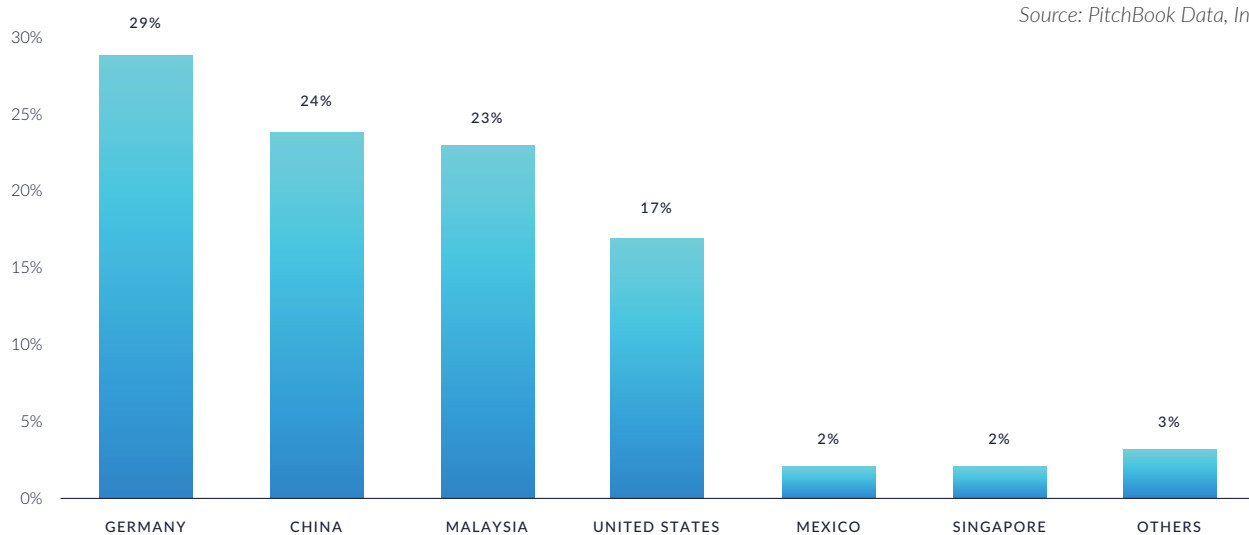
Breakdown of Announced Semiconductor Capital Invested by ASEAN-Based Investors by Deal Type (2020 to Q2 2023)



Source: PitchBook Data, Inc.

- Mergers and acquisitions were the driver of the deal count, attributing 67% of the transactions recorded amounting to \$12.2 billion of the total deal value. This may indicate that the highly competitive landscape is driving the large semiconductor players to enhance their capabilities, grow market share, and gain access to new technologies. It could also be a direct result of the decrease in technology stock valuations leading to a search for value through acquisition.
- Approximately 15% of the transactions conducted were by private equity firms with \$2.7 billion deployed.
- A significant amount of capital, \$1.5 billion, was deployed into venture capital investment by Southeast Asian investors. Despite the smaller ticket sizes, these transactions contributed to 8% of the capital deployed in the sector.

Breakdown of Announced Semiconductor Capital Invested by ASEAN-Based Investors by Recipient Country (2020 – Q2 2023)



- ASEAN-based investors made 76% of the investments in foreign companies such as Germany (\$5.3 billion), China (\$4.4 billion), and Malaysia (\$4.2 billion).
- Investments in the USA (\$3.1 billion) represent 17% of total investments.
- The remaining 7% were into Mexico, Singapore, and others.

In conclusion, M&A consolidation and appetite for foreign investments by ASEAN-based investors in the semiconductor industry is evident.

Although there has been a decrease in investments in the first half of 2023, as confidence in the market grows, scale and consolidation are essential for companies to compete effectively. The industry, market growth, and high returns will attract more investments in the space.