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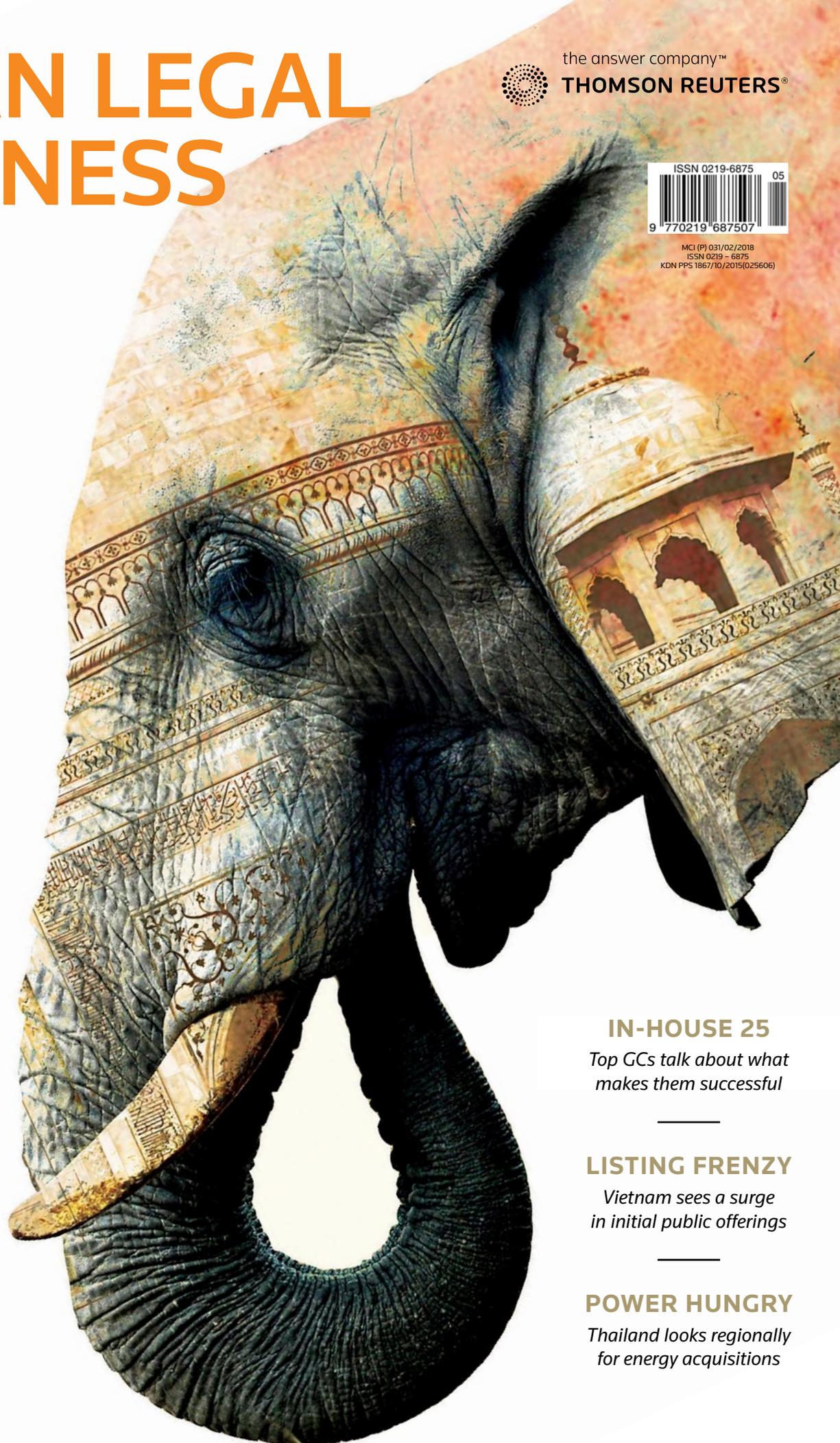
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A SLEEPING
GIANT
AWAKENS
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IN-HOUSE 25

Top GCs talk about what makes them successful

LISTING FRENZY

Vietnam sees a surge in initial public offerings

POWER HUNGRY

Thailand looks regionally for energy acquisitions

HUNGRY FOR POWER

Thai energy companies are rolling out expansions across Southeast Asia

BY CHAYUT SETBOONSARNG AND HENNING GLOYSTEIN OF REUTERS

■ Thai energy companies are on a roll. The national oil and gas champion, a coal miner and power utility, upstart solar and wind companies, virtually all are expanding across Southeast Asia, applying practices and technology developed at home.

Thailand is reaping the benefits of two decades of government energy policies that have supported the sector. Companies are also profiting from oil and gas prices that are recovering from a three-year slump, increasing electricity demand due to economic growth, and renewable technologies that have become competitive against fossil fuels.

Also, while the military junta that has ruled Thailand since mid-2014 has put no stamp of its own on the energy sector, it has targeted infrastructure spending to boost the economy and prioritised investment in hi-tech industries.

Long-standing reform policies have turned Thailand's state energy company PTT into a successful international oil and gas producer, encouraged the development of power producers such as Electricity Generating, and fostered the emergence of renewable start-ups like Energy Absolute.

"The power businesses in Thailand have developed expertise in this sector,

and are now well placed to support energy development across the region," says Robert Grant, Asia Pacific head at Canadian-listed SNC-Lavalin, an engineering and construction firm focused on energy, infrastructure and mining. "You do not want to give Jeff Bezos a seven-year head start."

The 10 members of the ASEAN together have a population of more than 600 million people, with a collective gross domestic product (GDP) of nearly \$3 trillion, according to research company Statista.

ASEAN's energy use rose by 60 percent in the last 15 years, according to the International Energy Agency (IEA), which also says the region's demand could grow another two-thirds by 2040.

Companies aiming to take part in the growth in ASEAN and beyond include B.Grimm Power, a Thai power developer that already has assets in Vietnam and Laos, and Banpu Power, which is building a coal-fired plant in China. "You can already see increased activity by Thai investors in the ASEAN region," Grant says.

The expansion has been reflected

Thailand's steady increase in overseas investments is reflected in growth in legal work

BY RANAJIT DAM

While Thailand has historically been a magnet for foreign investments from overseas, the country also sees a significant amount of overseas investment. This is a phenomenon that has picked up steam in the past few years. It was in 2011 that overseas investments by Thai corporates overtook inward foreign direct investment for the first time. Since then, encouraged by the government, cash-rich Thai firms have been expanding both regionally and further afield in developed markets, through both cross-border mergers and acquisitions (M&As) and greenfield investments.

Thai groups were involved in foreign M&A worth \$5.6 billion in 2016, with that number topping \$7.6 billion last year, according to Dealogic. While there are some headline-grabbing deals – ThaiBev's \$4.8 billion bid last year for 53 percent of Sabeco, Vietnam's dominant beer producer, being one of them – most of the dealmaking is coming

via low-profile foreign investments from lesser-known Thai companies.

"Significant liquidity, along with sophisticated acquirers into key markets in Asia and Europe are some of the recent trends catalysing Thai outbound investment," says Joseph Tisuthiwongse, partner at the Bangkok-based Chandler MHM. "We have advised Thai corporates and banks on acquisitions and financings in the UK, the Philippines, Vietnam, Lao PDR and Indonesia."

The sectors targeted by acquirers run the gamut from energy, textiles and cement to food and banking. Thai companies today are looking to not just become more competitive, but also diversify their investments, and counter sluggish growth at home. "Driving the companies are familiarity with overseas markets and opportunities, GDP growth in Southeast Asia generally and a general plateau for Thai growth," Tisuthiwongse notes.

Unsurprisingly, forays into new markets come fraught with risk, particularly in the lesser-developed economies of Southeast Asia. "Some of the critical challenges facing Thai companies regarding outbound investments include: understanding local market trends, practices, and evolving legal legislation," says Tisuthiwongse.

"Our broad cross-border experience, deep commercial understanding of the local elements in each transaction, along with long-standing relationships with the best local counsel support our ability to successfully navigate local markets and deliver solutions that achieve our clients' business objectives," he adds. "Good examples include cross-border projects by B.Grimm, a recent energy investment in Indonesia by BCPG, and a major financing by Thai banks in the Nam Theun I hydropower project in Lao PDR. Our advice includes M&A, regulatory, banking and finance." 



A general view shows the Bangchak oil refinery in Bangkok, Thailand, October 3, 2017. REUTERS/Athit Perawongmetha

in the local stock exchange, with shares of energy companies growing nearly 75 percent since the start of 2016, against a broader market gain of less than half that. It's also sparked a rash of listings, with Thai power companies having raised more than \$2 billion from initial public offerings (IPOs) in 2016 and 2017.

Thailand's third-biggest generator, Gulf Energy, in December held the biggest listing the country has seen in a decade, at more than \$700 million. Government policy "created an ecosystem for growth for Thai energy companies," says Maria Lapiz, head of institutional research at Maybank Kim

Eng Securities, with the first reforms coming in the 1990s.

That's when the government began allowing small power generators (1-90 megawatts) to sell to the national grid. Thailand was also an earlier adopter of natural gas, which now generates about 60 percent of its electricity. ¹¹⁹

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