APAC companies are actively targeting European companies as takeover targets, says Ernst & Young

Europe's financial and economic situation is providing companies from the Asia-Pacific region with the opportunity to make strategic purchases at attractive prices

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The start of 2012 has seen an increase in the number of Asia-Pacific companies looking to expand their European presence through targeted acquisitions in Europe says Ernst & Young. Deals have been completed across a broad range of sectors with the majority coming from the industrial products, computer services and software, financial services and chemicals sectors.

In the first two months of 2012, we have seen around 50 inbound European deals completed to a tune of approximately $13bn. Japan and China are leading the pack with completed deals worth nearly $11bn, followed by South Korea, India and Australia.

There is a growing trend in the number of deals completed from 2010 to 2011 for all these countries mentioned. Notably, the value of Japanese investments in Europe has risen by 600% between 2010 and 2011, from $3bn to more than $21bn, Chinese investments climbed from $1bn to $17bn, and India doubled its level of European investment from $1bn to $2bn.

Michel Driessen, Partner at Ernst & Young says: "Deal flow and interest from Asia in investing in Europe has been increasing since 2010 and is set to grow substantially in 2012. It is clear that Asian investors understand the financial backdrop in Europe at present and are keen to take advantage of this situation. Pricing, exchange rates and deal dynamics are all working to the benefit of Asian investors at present. It is the right time to acquire for growth in Europe."

According to Ernst & Young, there are a number of reasons why companies in the Asia-Pacific region would choose to expand their footprint in Europe. Buying European assets allows companies from the Asia-Pacific region to acquire an existing global customer base and grow their market share very quickly. Europe also provides them with a solid platform for further expansion into other international markets.

At the same time, companies look to enter markets like Germany and the UK specifically to build their R&D and innovation capabilities thereby strengthening their product pipeline and driving up the level of R&D capability in Asia-Pacific. The combination of all these factors means that Asia-Pacific companies are increasingly turning to Europe for their acquisition targets.

During the past five years, Australia was the lead buyer in this area, with 22% (293) of the M&A deals coming into Europe, followed by India (19%) China (18%) & Japan (18%). In deal value terms, Japan contributed the maximum to M&A activity coming from the Asia-Pacific region, with investments valued at $79b since 2007.

Michel Driessen adds: "The ongoing financial and economic situation in Europe is providing Asia-Pacific companies with the opportunity to make some very interesting purchases at attractive prices. According to these figures, it seems that many companies from this region are now ready, willing and able to take advantage of their relative strength by pursuing acquisition and other growth opportunities in Europe."

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Notes to Editors

Note number of deals and deal values are based on publicly available data

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