

Beyond Transactions:

Reflecting on 10 Years of M&A in
Bangladesh and What Lies Ahead

Editorial Message



The year 2023 has been a transformative period for Bangladesh, as the nation navigated through macroeconomic challenges and embraced opportunities that stem from its long-term strong fundamentals. With a total GDP of **USD 460 Bn** and a remarkable **GDP growth rate of 7%**, Bangladesh continues to outpace the South Asian average, establishing itself as a resilient force in the global economic landscape. Notably, the GDP per capita has surged to **USD 2,734**, showcasing the remarkable progress and potential that defines the Bangladesh economy. Projections indicate that by 2030, Bangladesh is poised to become the **9th largest** consumer market, underlining the vast opportunities for growth and investment.

However, amidst this economic prosperity, there are structural challenges that demand attention. The financial sector grapples with high non-performing loans, posing a significant hurdle to sustained growth. Export concentration, particularly in the RMG sector, contributes to **81%** of total exports, emphasizing the need for diversification. Additionally, the depletion of forex reserves from **USD 44.95 Bn** in January 2022 to **USD 27.13 Bn** in December 2023 raises concerns about economic stability in the face of global uncertainties.

Nevertheless, within these challenges, Bangladesh continues to emerge as a land of long-term positive growth, fostering increased Foreign Direct Investment and Merger and Acquisition opportunities.

Three things that we can anticipate:

- ▶ **Middle-Income Economy Surge:** Anticipation of a surge in global investments as Bangladesh progresses to a middle-income economy. Ushering in a new era of economic expansion.
- ▶ **Consolidation in Key Sectors:** Call for consolidation in sectors like RMG, Financial Services, and FMCG. Economies of scale can be achieved through strategic mergers.
- ▶ **Diversification into Emerging Sectors:** The M&A landscape extends into emerging sectors like Healthcare and Education. Promising avenues for deals, including those involving startups in nascent stages.

In this report, Edge and LightCastle have drawn upon over a decade of M&A experience in Bangladesh, providing insights that will help shape the trajectory of the nation's economic landscape for the next ten years. We stand at the threshold of immense possibilities, and this report serves as a compass for navigating the complexities and seizing the opportunities that lie ahead.



Bijon Islam

Chief Executive Officer
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Acronyms

BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
Bn	Billion

CAGR	Compound Annual Growth Rate
Cr	Crore

DFS	Digital Financial Services
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FY	Financial Year
FMCG	Fast-Moving Consumer Goods

GDP	Gross Domestic Value
GoB	Government of Bangladesh

IFC	International Finance Corporation
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JT	Japan Tobacco
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K	Thousand
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MFS	Mobile Financial Services
M-o-M	Month-on-Month
Mn	Million
M&A	Mergers & Acquisition

Tn	Trillion
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USD	United States Dollar
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VC	Venture Capital
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Y-o-Y	Year-on-Year
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Executive Summary

► Bangladesh's Economic Resilience and Potential for M&A Investments

Bangladesh has carved a distinctive niche in the global economic arena, boasting a half a trillion dollar economy that mirrors its resilience and growth trajectory. The country has demonstrated economic resilience throughout the COVID-19 pandemic and global unrest. Its total GDP of **USD 460 Bn** is the second-highest in South Asia, and it boasts a GDP growth rate of **7.1%**, averaging over **5.8%** through the COVID-19 pandemic. Additionally, Bangladesh's GDP per capita of **USD 2,688** exceeds the average in South Asia, highlighting its economic potential. The current economic resurgence offers a compelling environment for new investments, particularly through M&A investments.

► Industry Dynamics and Driving Forces

The economic ascent of Bangladesh is intimately tied to the vibrancy of its industries. Textiles and readymade garments, pharmaceuticals, agriculture, leather, and information and communication technology have not only thrived domestically but have also played pivotal roles in elevating Bangladesh's global economic standing. These industries exhibit a potent blend of innovation and adaptability, contributing significantly to the nation's economic landscape. The synergy among these sectors positions Bangladesh as an attractive destination for investors seeking dynamic opportunities through M&A activities.

► Bangladesh M&A Landscape

In the current investment landscape, the FMCG sector leads with a substantial **USD 1.5 Bn** across three deals, underscoring strong investor confidence. Telecom and Financial Services sectors demonstrate diversification, securing **USD 312.75Mn** and **USD 55 Mn**, respectively. The pharmaceutical sector follows closely, attracting approximately **USD 36.89 Mn** across four deals, indicating a strategic focus on healthcare. Notably, Shikho's acquisition of Mainly Coding and Bohubrihi in the EdTech sector solidifies its leadership with undisclosed amount deals. This snapshot highlights a dynamic market with a dominant FMCG presence, strategic healthcare investments, and diversification in telecom and finance, all contributing to the evolving investment landscape.



► Challenges in the M&A Landscape

Despite its economic prowess, Bangladesh's M&A landscape is not devoid of its challenges. Investors engaging in mergers and acquisitions grapple with regulatory intricacies, logistical constraints, and the imperative need for strategic alignment. Political and economic stability, coupled with potential legal disputes, pose additional hurdles. Navigating these complexities demands a nuanced approach and robust risk management strategies to ensure the success of transactions.

► Opportunities Amidst Complexity

Within the challenges lie ample opportunities for investors willing to navigate the intricacies of the Bangladeshi market. Proactive measures, including a keen focus on regulatory compliance, infrastructure development, and an astute understanding of political and economic dynamics, position investors for success. The evolving M&A landscape in Bangladesh calls for adaptive strategies that align with the nation's growth trajectory, offering a platform for meaningful contributions to its ongoing economic transformation.



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Bangladesh:

The Best Kept Secret in Asia

- ✦ The World Is Talking About Bangladesh As An Emerging Force In The Global Economy
- ✦ Today Bangladesh Is Seen As A Powerhouse Demonstrating Strong Macroeconomic Vitals Amidst Global Uncertainties
- ✦ Consistent Economic Growth Drivers Over The Past Decade Have Paved The Way For A Surge In Middle-income Population
- ✦ Rising Inflation, Supply Chain Disruptions, And Ongoing Energy Crisis Have Led To Worldwide And Local Economic Slowdown
- ✦ Bangladesh's FDI Growth Through Increasing Reinvested Earnings Brings Substantial Potential for Global Investors to Explore M&A Investments

Bangladesh: Macroeconomic Overview

A Trillion Dollar Economy in the Making

The
Economist

“A model of frugal social development and South Asia’s standout economic performer.”

2023

McKinsey
& Company

“Even with the setbacks of the COVID-19 pandemic, [Bangladesh] is on track to become a middle-income country.”

2021

BCG

“Set to emerge as a trillion-dollar economy powered by an ambitious business community.”

2022



Bangladesh: Macroeconomic Overview

Bangladesh: Macroeconomic Overview

Strong vitals throughout the COVID-19 pandemic and global unrest show economic resilience

Total GDP

USD **460** Bn

Second highest in South Asia

World Bank | 2022

Size of Economy

35th Largest

2022

GDP Growth Rate

7.1%

Averaging over 5.8% throughout the COVID-19 pandemic

World Bank | 2022

A growing MAC population and a young, tech-savvy demography drives consumption

Population

171 Mn

8th largest in the world

World Bank | 2022

Median Age

28 Years

With 62% under the age of 35

UNESCAP | 2022

Projected Consumer Market

9th

Largest by 2030

HSBC | 2022

FDI growth through increasing industrialization in Export Processing Zones

Net FDI Inflow

3.19 Bn

Bangladesh Bank | 2023

FDI Growth Rate

9.4%

Bangladesh Bank | 2013-2023

Net FDI Inflow in Export Processing Zones

USD **439** Mn

Largest by 2030

HSBC | 2022

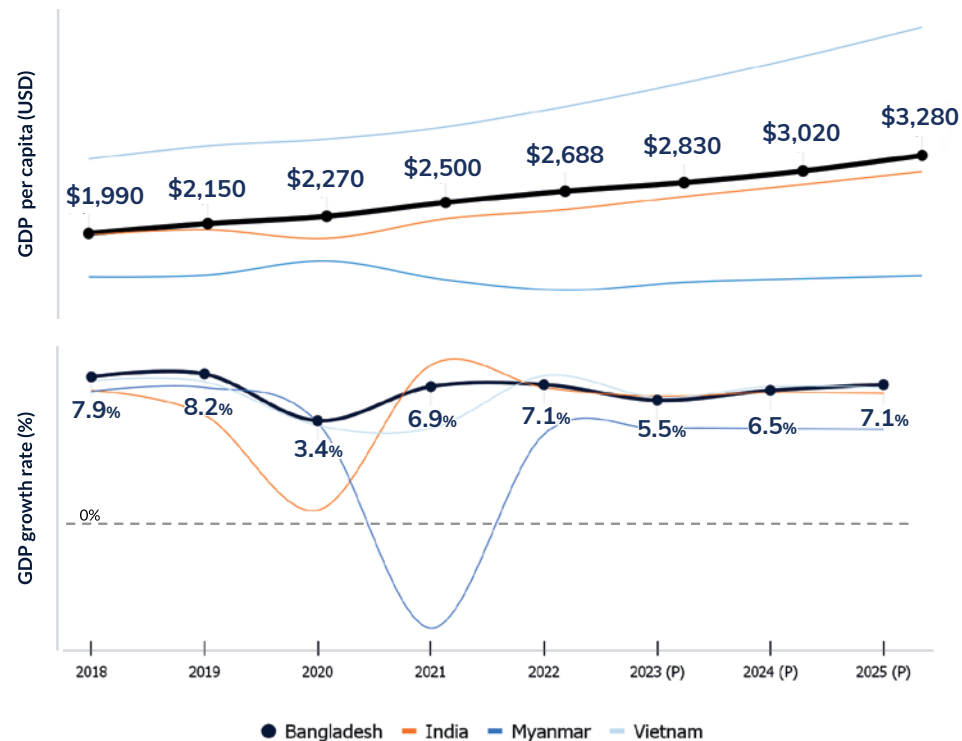
Bangladesh: Macroeconomic Overview

A Tale of Unique Demographic Opportunities and Economic Resilience

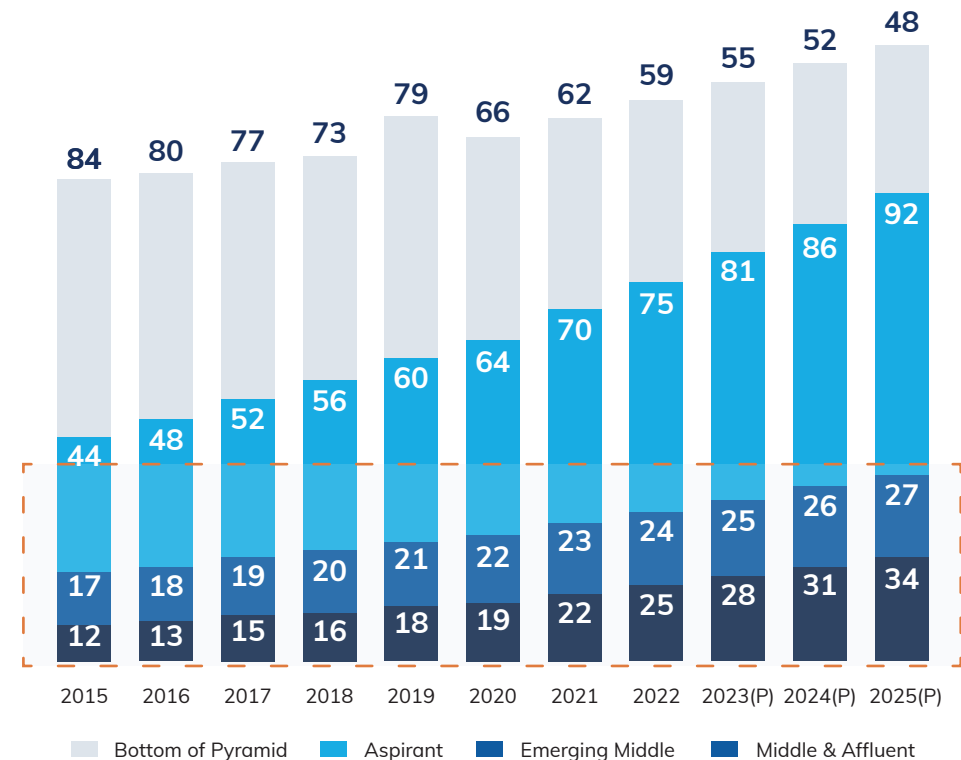
Despite recent global economic challenges such as the COVID-19 pandemic, the Russia-Ukraine war, and the dollar crisis, Bangladesh has maintained a strong and steady growth rate, outperforming peers in Asia including India, Myanmar, and Vietnam.

With a high population, **Bangladesh is expected to be a market of 34 Mn middle and affluent class by 2025** - surpassing the total population of Malaysia. This presents a unique opportunity for the country to foster further economic growth.

GDP per capita and GDP growth rate comparison with Asian peers



Population breakdown by income group (Million)



Rising Inflation, Supply Chain Disruptions, And Ongoing Energy Crisis

Leading to Worldwide and Local Economic Slowdown

Global macroeconomic shocks tightening financial conditions worldwide



- ▶ Unforeseen shocks such as Covid-19 and the Russia-Ukraine war disrupted supply chains globally.
- ▶ Hike in interest rates by Federal Reserve witnessed the collapse of three banks in H1 2023.
- ▶ Ongoing energy crisis stoking inflationary pressures and geopolitical tensions.

Inflationary pressures reaching a 10-year high in Bangladesh, standing at 9.94%



- ▶ Appreciation of US dollar translated to higher import payments and subsequently, higher local prices.
- ▶ Over-reliance on fuel imports and a shrink in current account balances have led to rapid depletion of forex reserves.
- ▶ World Bank estimates a decline in GDP growth to 5.2% against the current macroeconomic backdrop.

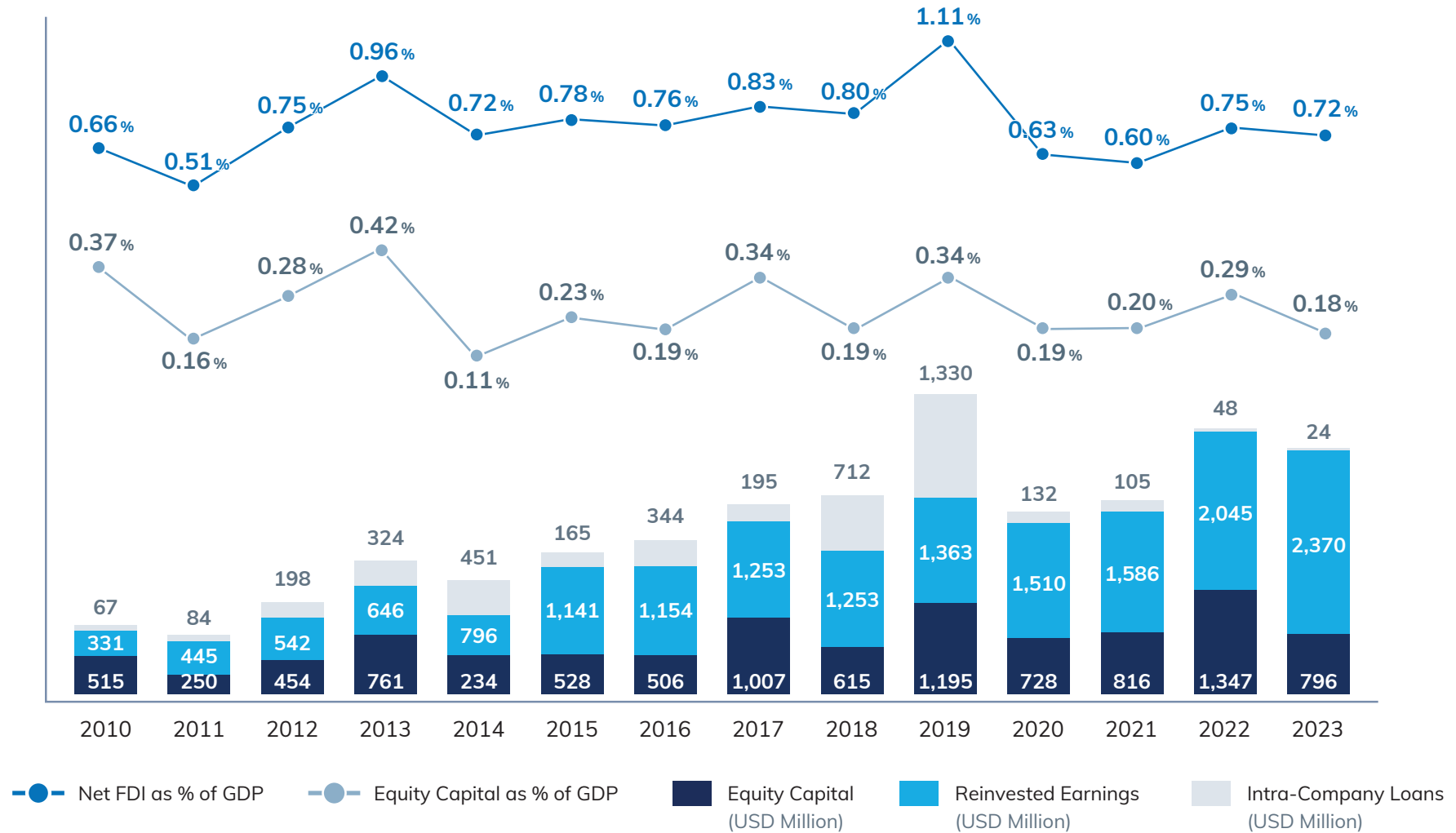
Impacting consumption, investments, and cost of doing business



- ▶ Fall in private consumption leading to lower demand for non-essential goods and services.
- ▶ Electricity shortage and decreased industrial production leading to difficulties in doing business.
- ▶ Risk-averse FDI capital leading to a fall in M&A investments worldwide.

Bangladesh's FDI Growth and Increasing Reinvested Earnings

Substantial Potential for Global Investors to Explore M&A Investments



Source: Bangladesh Bank, UNCTAD, Edge and LightCastle Analytics

► **Upward FDI Inflow Trends:**

Over the past decade, Bangladesh has witnessed a consistent upward trajectory in net FDI inflow, showcasing sustained growth. From **USD 913 Mn** in 2010, the net FDI figures have steadily increased, reaching **USD 3.19 Bn** in 2023.

► **Increasing Reinvested Earnings:**

In 2023, Bangladesh witnessed a **16%** increase in reinvested earnings by foreign companies, totaling **USD 2.37 Bn**. This rise was driven by difficulties in repatriating profits due to an ongoing dollar crisis. Conversely, new investments, reflected in equity capital, saw a significant decline to below **USD 796 Mn** from **USD 1.35 Bn** the previous year. Consequently, overall net FDI in Bangladesh decreased by **7%** to **USD 3.19 Bn** in 2023 compared to the previous fiscal year.

► **Mergers and Acquisitions Potential:**

The current economic resurgence offers a compelling environment for new investments, particularly through M&A investments. As the economy rebounds to pre-pandemic levels, businesses are keenly exploring the potential of strategic collaborations, acquisitions, and partnerships to capitalize on emerging market dynamics.

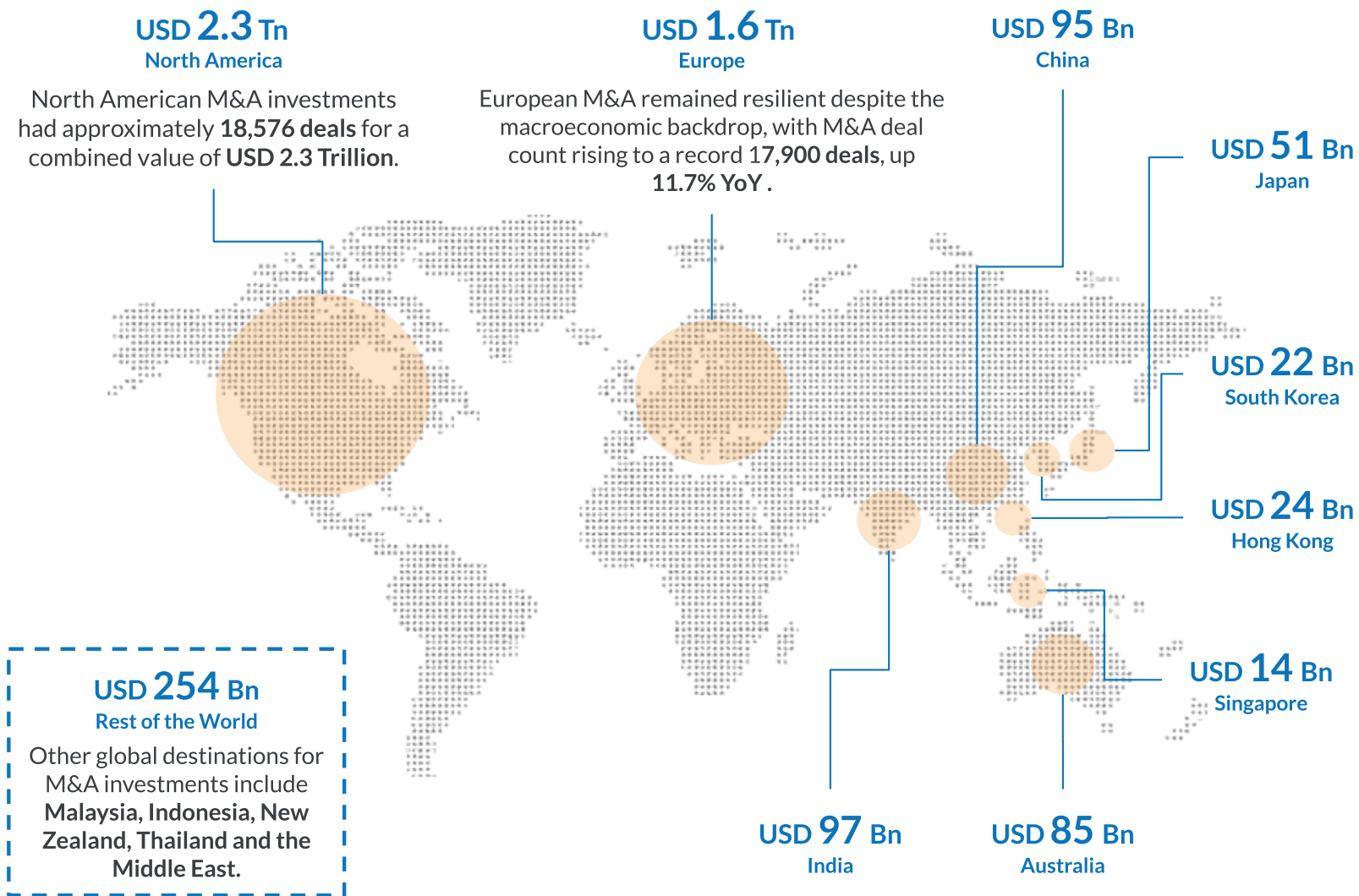
Global M&A Trends:

Positioning Bangladesh in the Asian Landscape

- ✦ Mapping M&A Activities Around the Globe in 2022
- ✦ Global Events in The Past Year Have Led To M&A Funding Slowdown
- ✦ Bangladesh Has Significant Potential For M&A Growth
- ✦ Bangladesh Is Uniquely Positioned For M&A Investment Opportunities
- ✦ Initiatives in Connectivity, Power, and Urban Infrastructure

Mapping M&A Activities Around the Globe in 2022

North America and Europe Take the Lead, while APAC Emerges Strong



Source: Pitchbook, S&P Global

▶ **North America Leads Global M&A with USD 2.3 Tn in 2022:**

In 2022, North America dominated the global M&A scene, boasting a staggering transaction value of **USD 2,314 Bn**. With approximately **18,576 deals**, the region showcased its economic prowess, affirming its pivotal role in shaping the international business landscape.

▶ **European M&A Resilience: Record 17,900 Deals, USD 1.59 Tn in 2022:**

European M&A defied macroeconomic challenges in 2022, registering a resilient transaction value of **USD 1,590 Bn**.

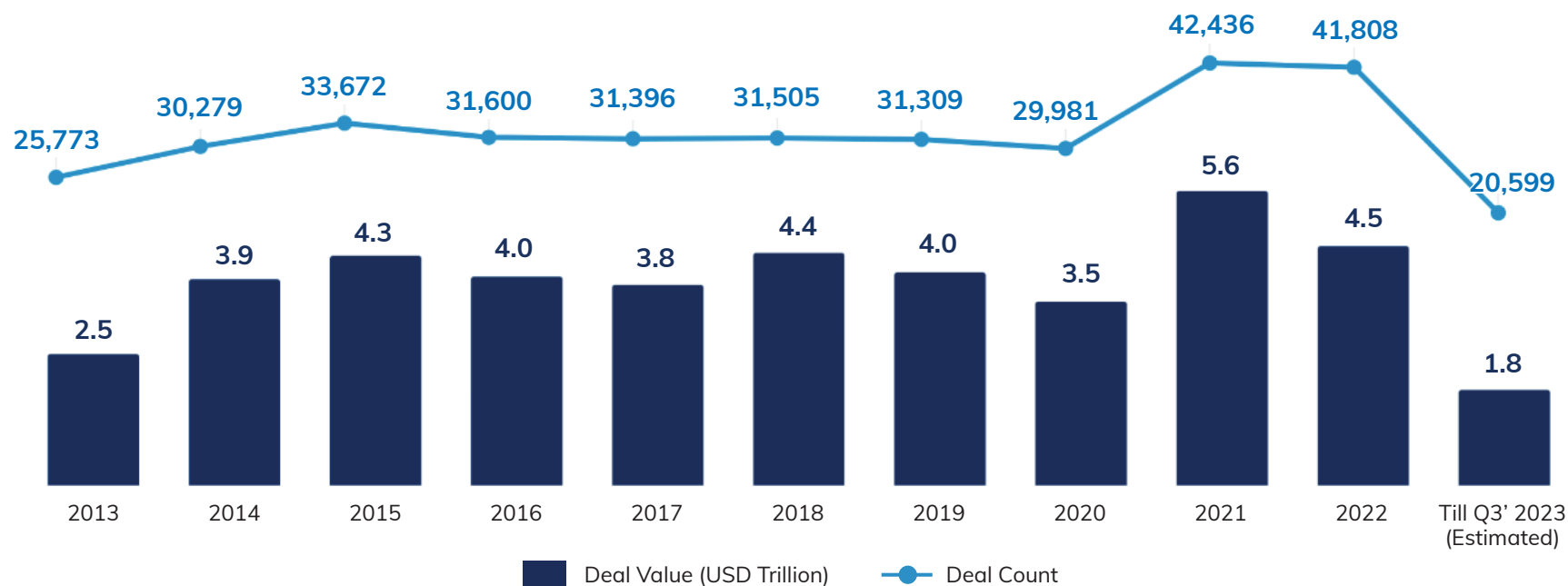
▶ **Asia-Pacific Drives Global M&A Diversity:**

The Asia-Pacific region played a diverse and influential role in the global M&A landscape in 2022. The regional diversity highlights the dynamic nature of M&A activities, emphasizing the Asia-Pacific's pivotal position in shaping the global economic landscape in the coming decade.

Global Events In The Past Year Have Led To M&A Funding Slowdown

Resulting in a 24% Drop in Investments in M&A Investments Around the World

- In 2022, global M&A activity remained resilient despite harsh macroeconomic headwinds that persisted throughout the year. Compared with 2021, M&A value declined **13.7%** to **USD 4.7 Tn** but was strong relative to historic levels and marked its second-best year.
- Global M&A broke a new record in 2021 as deal activity rebounded from the COVID-19-induced slowdown and thrived in an environment of more bullish confidence levels, surging fundamentals, and high multiples.
- While M&A activity appeared poised to continue its frenzy, several macroeconomic developments at the onset of 2022 threw markets off course.



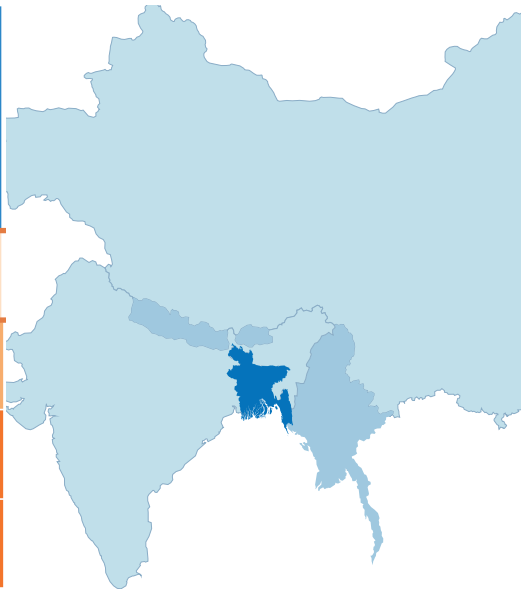
Source: Pitchbook, S&P Global

Bangladesh Has Significant Potential For M&A Growth

To Leapfrog to One of the Top M&A Destinations in Asia

M&A investments in Bangladesh constituted **0.02%** of its GDP in 2022, reflecting a developing market with room for growth in mergers and acquisitions. Bangladesh demonstrated a notable economic landscape, with a GDP of **USD 487 Bn** in 2023, up from **USD 460 Bn** in 2022. In comparison to regional counterparts, such as China, India, Thailand, and Singapore, Bangladesh's M&A activities were relatively modest, underscoring both the country's potential for expansion and the need for increased strategic investments to align with its economic development goals.

	GDP (USD Bn)		GDP per Capita (USD) 2023	FDI (USD Bn) 2022	M&A Investments (Deal Volume - USD Bn) 2022	M&A Investments* (% of GDP) 2022
	2023	2022				
Bangladesh	487	460	2,829	3.4	0.1	0.02%
China	19,232	17,963	13,590	189.1	94.8	0.49%
India	3,452	3,390	2,418	22.8	95.1	2.81%
Singapore	449	467	84,014	195.1	14.3	3.06%
Thailand	512	495	6,909	10.2	7.1	1.43%



*Figure calculated based on disclosed deal amounts only

Source: World Bank, OECD, Bangladesh Bank, Edge LightCastle Analytics

Bangladesh is Uniquely Positioned for M&A Investment Opportunities

As the Global Investment Focus Shifts Towards Asia

Emergence of South Asia as a global investment hotspot

- ▶ As of 2023, South Asia boasts a total GDP of USD 4.3 Tn, making up nearly 4.5% of the world's total.
- ▶ Recent unstable financial markets in the west can provide South Asian companies with the opportunity to stand out as investors look towards diversifying their portfolios.
- ▶ The fastest-growing consumer markets in the world by growth of the consumer class by 2030 consists of three of the most-populous countries in South Asia, providing companies with ample opportunities for scale and growth.

Connectivity and urban infrastructure developments have spurred inclusive growth

- ▶ Bangladesh's strategic investments in connectivity, power, and urban infrastructure have propelled inclusive economic growth.
- ▶ Enhanced transportation and communication networks, coupled with a reliable power supply, have fueled the expansion of industries such as Textiles, Pharmaceuticals, Agriculture, and Leather.
- ▶ Concurrently, urban infrastructure development has encouraged economic diversification, positioning the country as an emerging hub for technological innovation and global competitiveness.

Government of Bangladesh focusing on ease of doing business and attracting FDI

- ▶ GoB imposing new policies and pushing special economic zones in accordance to Bangladesh's formal graduation to middle income status in 2026.
- ▶ Multiple incentives for foreign investments:
 - Tax exemption for up to 15 years for foreign investors
 - No import duties for export oriented sectors
 - Foreign ownership companies can also secure working capital/long term financing from local financial institutions



Strategic location at the heart of South Asia and the Crux of 'Chindia'

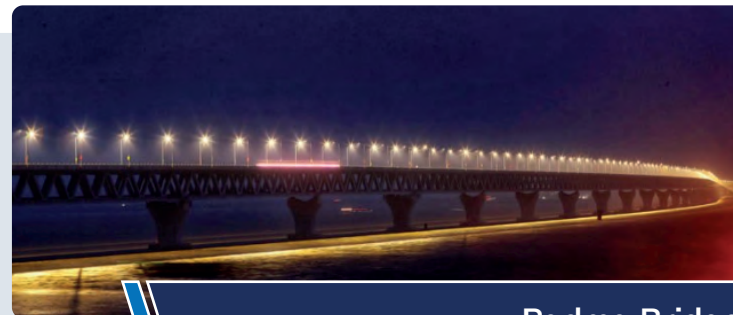
Initiatives in Connectivity, Power, and Urban Infrastructure

Have Led to Inclusive Economic Growth and Prosperity



Rooppur Nuclear Power Plant

The Rooppur Nuclear Power Plant is expected to be completed in 2024 and will significantly impact Bangladesh's energy sector. It will contribute to the country's energy security, reduce dependency on fossil fuels, and attract investment in the power generation industry.



Padma Bridge

The Padma Bridge, completed in 2022, is a crucial infrastructure project that connects the southwest region of Bangladesh with the capital city, Dhaka. It has enhanced transportation and trade links and created better investment opportunities in the regions it connects.



Dhaka Mass Rapid Transit (MRT)

The Dhaka Mass Rapid Transit (MRT) system was inaugurated in 2022, providing a modern and efficient transportation system in Dhaka. The improved connectivity and convenience offered by the metro rail will attract investment and encourage startups to flourish.



International Airports

Bangladesh has been upgrading and expanding its airports, including Hazrat Shahjalal International Airport in Dhaka and Shah Amanat International Airport in Chittagong. These improvements will accommodate growing air traffic and foster international connectivity.

Bangladesh's Opportunities

In the M&A Landscape

- ✦ Navigating M&A Dynamics in Bangladesh: Exploring Emerging Potential in a Nascent Landscape
- ✦ The Resilient M&A Ecosystem through Fluctuations
- ✦ Overview of Sectoral Investments
- ✦ Deal Types: Understanding Strategic Global Investment Dominance
- ✦ Exploring the Dynamics of Local Investments and Acquisition Strategies

Navigating M&A Dynamics in Bangladesh

Emerging Potential in a Nascent Landscape

USD **2.3** Bn

M&A Investment from Global Sources, 2005-2023



◆ Comprising of 8 deals

USD **2.4** Bn

Strategic Deals, 2005-2023



◆ Across 20 deals, making up 91% of total M&A investment volume

USD **2.5** Bn

M&A Deal Volume,
2005 - 2023

◆ Reaching a peak of USD 1.4 Bn in 2018

22

M&A Deal Count,
2005 - 2023

◆ Reaching a peak of 6 deals in 2021

USD **105** Mn

M&A Deal Volume,
2022

◆ Constituting only 0.02% of the GDP

2

M&A Deal Count,
2022

◆ In Edtech and Power sectors

USD **217** Mn

M&A Investment from Local Sources, 2005 - 2023

◆ Comprising of 14 deals

11

Unique Sectors,
2005 - 2023

◆ Receiving M&A Investments

USD **125** Mn

Financial Deals,
2005 - 2023

◆ Across 2 deals

13

Whole Acquisitions,
2005 - 2023

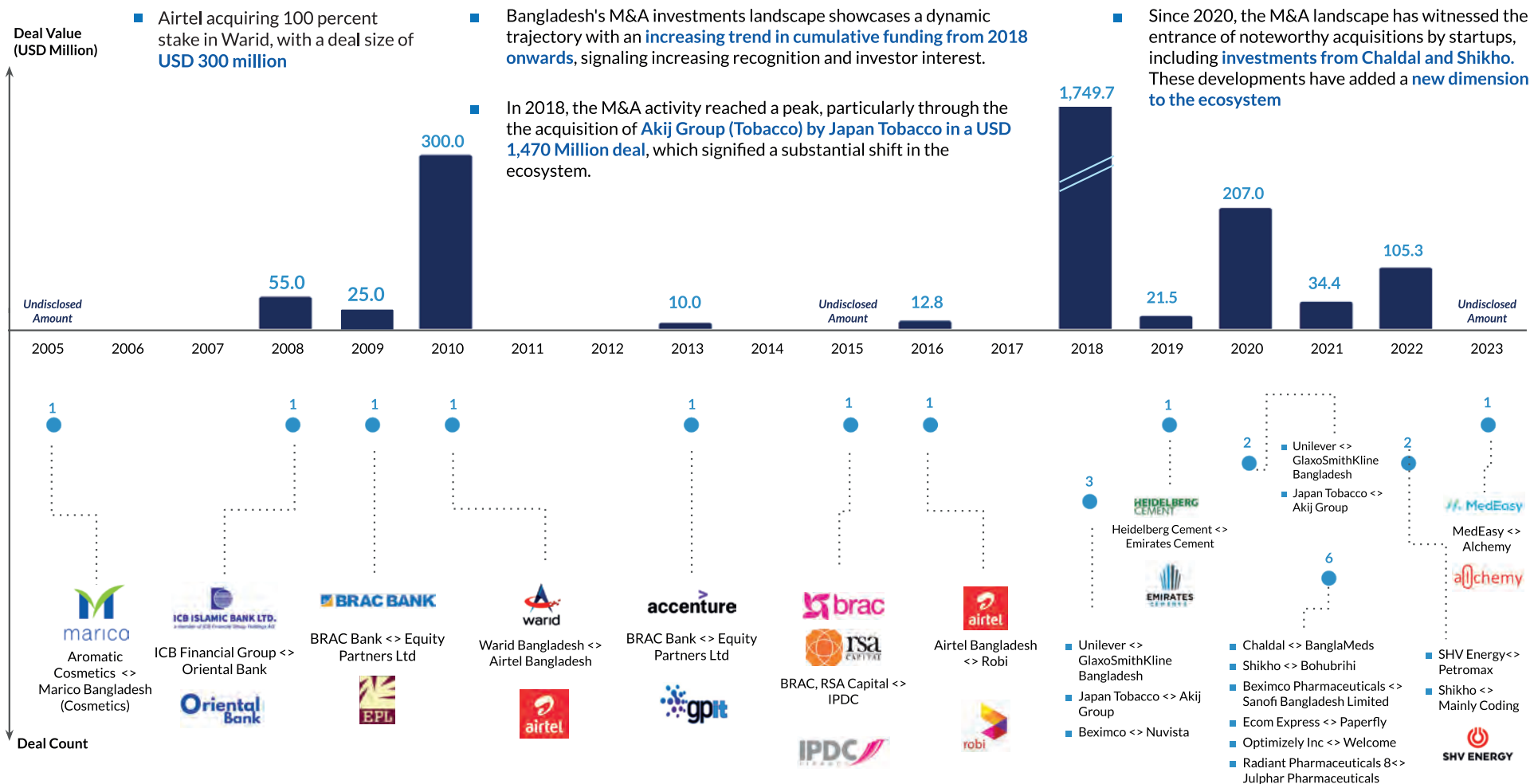
◆ Amounting to USD 2.1 Bn of total M&A investment volume

Note: The analysis in this report includes disclosed deals only and deals with undisclosed amounts.

Source: Anchorless Bangladesh, LightCastle Analytics, CBInsights, Global Entrepreneurship Network, Crunchbase, National Venture Capital Association, CNBC

The M&A Ecosystem has Shown Resilience through Fluctuations

Underlining the Importance of Adaptability in Navigating Uncertainties



Source: LightCastle Analytics, Future Startup, The Daily Star, The Business Standard, RSA Capital, Economic Times

Insider Insights



Having advised international strategic and institutional investors on almost all the large M&A deals in Bangladesh in the recent times, such as Japan Tobacco, Softbank, KKR and SHV Energy, DFDL Bangladesh keenly observes the dynamic M&A landscape in Bangladesh. The country, with its vibrant and diverse economy, is emerging as an attractive destination for investors seeking growth and diversification. However, the successful execution of mergers and acquisitions in Bangladesh demands a thorough attention and comprehension of the local regulatory and legal intricacies. Navigating through these complexities is a crucial aspect of achieving sustainable and compliant business integration.

DFDL Bangladesh, with its wealth of experience and expertise along with its large team of professionals on the ground in Dhaka, stands as a strategic partner for businesses venturing into the Bangladeshi M&A landscape. Our commitment goes beyond providing legal counsel; we offer tailored solutions that align with the unique challenges and opportunities presented by the market. We guide our clients through the challenges of due diligence, regulatory compliance and negotiation strategies, ensuring that their M&A endeavors are not only legally sound but also strategically positioned for success.

In an ever-evolving market like Bangladesh, staying ahead requires a dynamic approach. DFDL Bangladesh leverages its deep understanding of local nuances, combined with international best practices, to assist clients in making informed decisions and enabling them to seize business opportunities. Through our unwavering commitment to excellence, we remain dedicated to facilitating seamless and successful M&A transactions in Bangladesh and beyond.



Shahwar Nizam

Partner & Managing Director
DFDL Bangladesh

Sectoral Investment Overview

M&A Activity in Bangladesh has Covered Diverse Industries

► FMCG Dominates Investment Landscape:

The Fast-Moving Consumer Goods (FMCG) sector emerges as the frontrunner, securing a substantial investment of **USD 1.5 Bn** spread across three notable deals.

► Pharmaceuticals Garner Substantial Interest:

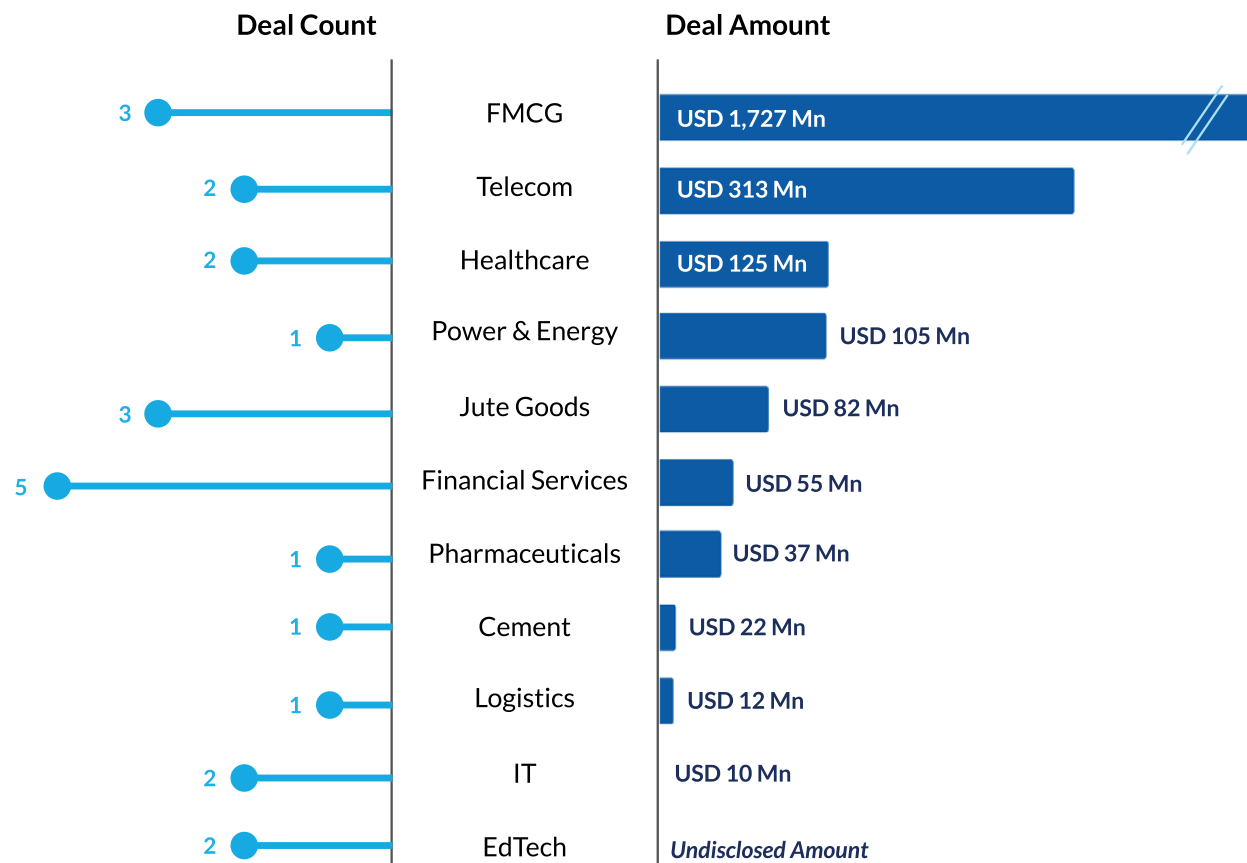
The pharmaceutical sector, with an investment of approximately **USD 36.89 Mn** spread across four deals, underscores a strategic focus on healthcare-related industries.

► Telecom and Financial Services Secure Diverse Investments:

Telecom and Financial Services sectors, securing investments of **USD 312.75 Mn** and **USD 55 Mn**, respectively, demonstrate a diverse portfolio within the investment landscape.

► Shikho Leading EdTech M&A:

The two undisclosed amount deals in EdTech are by Shikho's acquisition of Mainly Coding and Bohubrihi.



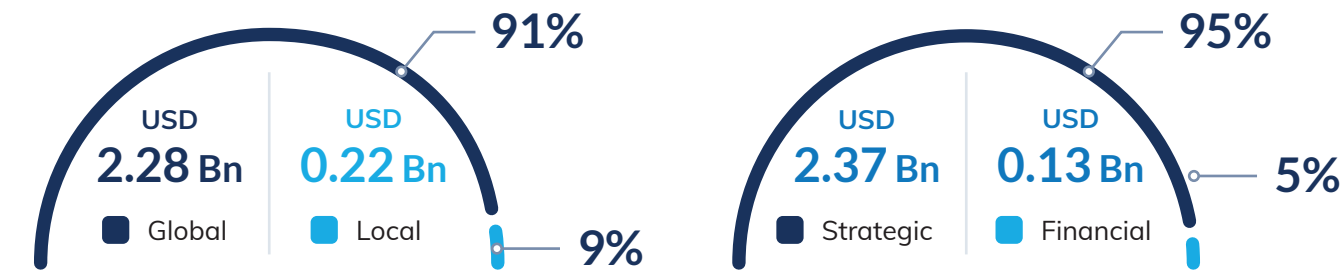
Source: LightCastle Analytics

Deal Types: Strategic Global Investment Dominance

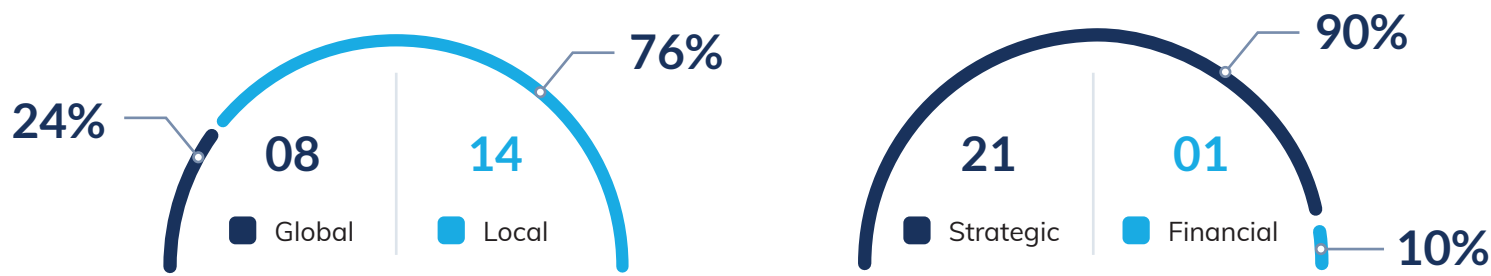
Unveiling Long-Term Planning in Bangladesh's M&A Scene

- Global Investment Influx Through M&A:** Deals by global investors commanded the landscape with **USD 2.28 Bn**, constituting a substantial **91%** of the total investment amount, despite accounting for only **24%** of the total deals.
- Strategic Overwhelm:** A significant majority of both deal amounts and deal counts were strategic, surpassing the **90%** mark. Financial investors such as Private Equity firms are yet to make significant acquisitions in Bangladesh. The most notable financial acquisition was that of Apollo Hospitals by Evercare and CDC Group for **USD 125 Mn** (equivalent to **BDT 1,000 crore**) in 2020.
- Strategic Global Presence:** Within the global investment deals, **60%** of deals were strategic, showcasing a strategic orientation in the majority of global investors entering Bangladesh through M&A.

Deal Amount:



Deal Count:



Source: LightCastle Analytics

Dynamics of Local Investments and Acquisition Strategies

Private and Public Entities' Roles in Bangladesh's M&A Landscape

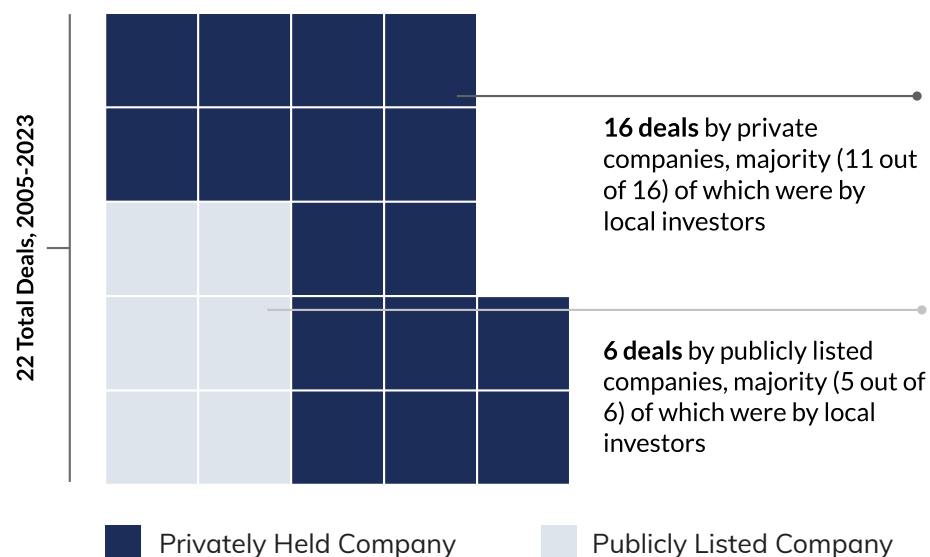
Privately Held Companies Driving Local Investments: Private enterprises were involved in **16 deals**, with the majority (11 out of 16) spearheaded by local investors, underlining the active participation of domestic entities in these transactions.

Publicly Listed Companies Embracing Local Investment Trends: Six deals were conducted by publicly listed companies, and the majority (5 out of 6) of these transactions were orchestrated by local investors, indicating a prevalent trend of local investment in publicly traded firms.

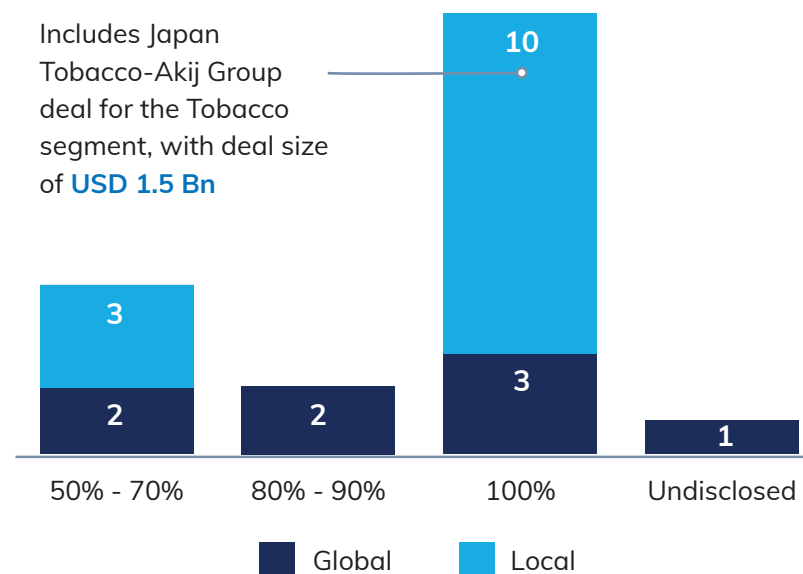
Prevalence of Complete Acquisitions: **60%** of the deals involved complete acquisition of the target company. A substantial portion of these transactions saw investors acquiring **50-70%** ownership in the target company.

Selective Segment Acquisitions: Only **3** deals deviated from complete acquisitions, involving investors acquiring specific segments of the business.

More than 70% of M&A deals were executed by private enterprises



Breakdown of investors' ownership stake percentage in the target company or its subsidiary through the M&A deals



Insider Insights



In the dynamic landscape of M&A in Bangladesh, where changing regulatory frameworks, diverse sectors, and evolving economic dynamics create challenges, The Legal Circle envisions a future of resilience, strategic growth and collaboration. Just as changing cost structures and global uncertainties challenge every company, navigating the intricacies of mergers and acquisitions demands a disciplined approach. Bangladesh, historically striving to attract foreign capital, faces additional hurdles during global economic downturns. However, in this survival-focused environment, there lies an opportunity for strategic partnerships and transformative transactions. The resilience embedded in our business models becomes the cornerstone for lasting success.

Much like startups focusing on sustainability and resilience, we emphasize the critical importance of these principles in M&A strategies coupled with meticulous attention to detail, risk identification pre-transaction, compliance, and good corporate governance in the post-transaction phase. Our commitment to excellence, client-focused, and solutions-oriented legal services position us as catalyst for success in this evolving landscape. As Bangladesh works towards attracting more FDI; regulatory reforms, ease of doing business and reporting are the calls of the day. Clients will need advisors who have the pulse of the market and are able to advice on the various current regulatory challenges and upcoming reforms with a solutions-oriented approach. Together with our clients, we stand ready to not just survive but thrive in this challenging yet promising terrain.



Anita Ghazi Rahman

Founder & Managing Partner

The Legal Circle

Deals Highlight

- ✦ Radiant Pharmaceuticals <> Julphar Bangladesh
- ✦ Accenture <> GPIT Limited
- ✦ Japan Tobacco International <> Akij Group (Tobacco)
- ✦ BEXIMCO <> Nuvista Pharma
- ✦ Unilever <> GlaxoSmithKline
- ✦ Shikho <> Bohubrihi

Deal Highlights

Japan Tobacco International <> Akij Group (Tobacco)



Investment Details

Year	% of Ownership	Company Type
2018	100%	Private



Amount (Estimated)

USD 1.48 Bn

◆ Sector	FMCG
◆ Subsidiary	Tobacco Segment
◆ Investor Region	Global
◆ Transaction Type	Strategic

- ▶ Japan Tobacco International (JTI) signed an agreement with Bangladesh's Akij Group to acquire its Tobacco business for **USD 1.476 Bn**, making it one of the largest cross-border M&A transactions involving a Bangladeshi company.
- ▶ The transaction, signed at Akij House in Dhaka, involved **USD 1.09 Bn** for outstanding shares and **USD 386 Mn** for trademarks and design rights.
- ▶ JTI, a leading international tobacco company, entered the Bangladesh market in 2015 with the Winston cigarette brand. JTI sees Bangladesh as a key market for expansion, citing the country's pro-business mindset and Akij's substantial market share, positioning JTI as the second-largest player in Bangladesh.

Deal Highlights

Radiant Pharmaceuticals <> Julphar Bangladesh



Investment Details

Year	% of Ownership	Company Type
2021	100%	Private



Amount (Estimated)

USD 17 Mn

- ◆ Sector **Pharmaceutical**
- ◆ Subsidiary **Whole**
- ◆ Investor Region **Local**
- ◆ Transaction Type **Strategic**

- ▶ Radiant Pharmaceuticals acquired Julphar Bangladesh in 2021 for **BDT 140 Crore** or **USD 17 Mn**, with **70%** finance provided by Mutual Trust Bank.
- ▶ Radiant Pharmaceuticals is strategically leveraging the acquisition for business expansion, aiming to capitalize on Julphar's state-of-the-art facilities, including an advanced oncology unit.
- ▶ Radiant Pharmaceuticals aims to capitalize on the synergy between the two companies, enhancing its strategic position and technical capabilities.
- ▶ The acquisition aligns with Radiant's vision for continued growth and market leadership, with a focus on meeting the evolving demands of the pharmaceutical industry.

Insider Insights



Bangladesh is one of the fastest growing economies in the world with a pro-business mindset, which is why we are keen to expand our presence in the country. The tobacco business of Akij is profitable, has state-of-the-art manufacturing facilities and a strong distribution network and workforce. - Eddy Pirard



Eddy Pirard

President & CEO

Japan Tobacco International

With this investment (in Akij by JT), we continue to accelerate our expansion in emerging markets that matter, a key component of the JT Group's growth strategy. - Mutsuo Iwai



Mutsuo Iwai

Group Executive Vice President and President of Tobacco Business

Japan Tobacco International

Official statements obtained from New Age, published on 6 August 2018

(It is) our business expansion plan. The acquisition (of Julphar by Radiant) not only complements our technical facilities but also strengthens our strategic position with their field forces in the market. If we had gone for setting up such a facility, it would have taken at least three years to go into production as Julphar also has an oncology facility. - Md. Nasser Shahrear Zahedee



Md. Nasser Shahrear Zahedee

Chairman

Radiant Pharmaceuticals

Official statement obtained from The Daily Star, published on 21 January 2021

Deal Highlights

Accenture <> GPIT Limited



Investment Details

Year	% of Ownership	Company Type
2013	51%	Private

Amount (Estimated) **USD 10 Mn**

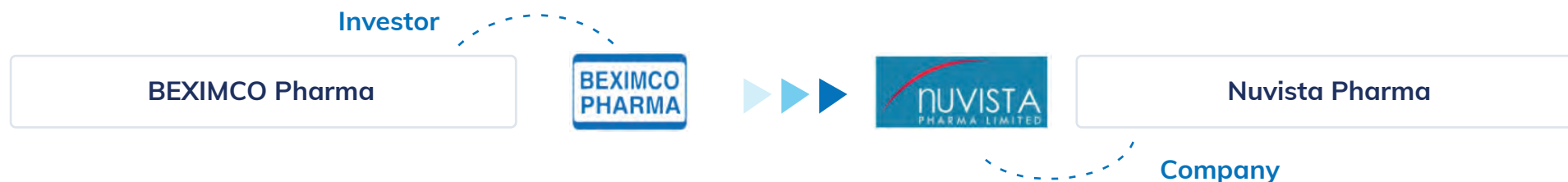
- ◆ Sector **IT**
- ◆ Subsidiary **Whole**
- ◆ Investor Region **Global**
- ◆ Transaction Type **Strategic**

- ▶ Established in 2011, GPIT provides end-to-end solutions to various industries. Accenture, the American technology services firm, acquired a **51%** stake in GPIT in 2013, Grameenphone's IT subsidiary, for **USD 10 Mn**.
- ▶ Accenture's investment was a strategic move, allowing the company to access the diverse skills and capabilities present in Bangladesh's largest IT services company.
- ▶ Under the deal, each of GPIT's **750,000 shares** is priced at **\$26.63**, and Accenture will purchase **382,000 shares**, securing a **51%** stake in the IT subsidiary.
- ▶ Grameenphone and Telenor express a commitment to bolstering the IT sector in Bangladesh, viewing Accenture as an ideal partner to enhance GPIT's capabilities.

*Accenture has shut down its operation in Bangladesh

Deal Highlights

BEXIMCO Pharma <> Nuvista Pharma



Investment Details

Year	% of Ownership	Company Type
2018	85%	Private



Amount (Estimated)

USD 23.2 Mn

◆ Sector	Pharmaceuticals
◆ Subsidiary	Whole
◆ Investor Region	Local
◆ Transaction Type	Strategic

- ▶ Beximco Pharmaceuticals acquired a majority stake of **85.2%** in Bangladesh-based Nuvista Pharma, specializing in hormones and steroid drugs, for up to **£18.2 Mn** or **USD 23.2 Mn**.
- ▶ Beximco entered into share purchase agreements with six shareholders holding a combined **85.2%** stake in Nuvista. The final consideration was to be paid in cash upon completion.
- ▶ Nuvista Pharma, previously a subsidiary of Organon International, was acquired by Bangladeshi management in 2006. Operating in Bangladesh since 1964, it has a local manufacturing facility in Dhaka with a long-term collaboration with Merck Sharp & Dohme.
- ▶ In The fiscal year ending 30 June 2017, Nuvista generated revenue of **BDT 1.71 Bn**, pre-tax profit of **BDT 118 Mn**, and had net assets of **BDT 0.548 Bn**.

Insider Insights



We strongly believe Nuvista's sound operational experience and unique portfolio have the potential to greatly accelerate our growth so that we can grow even faster. Nuvista's strong footing in hormones and steroids makes for a good strategic fit with Beximco. This will largely complement our existing portfolio and help us meaningfully address the unmet medical needs. - Nazmul Hassan MP



Nazmul Hassan MP

Partner & Managing Director
BEXIMCO Pharma

The objective (of the Accenture <> GPIT Limited M&A deal) was to set up a world class BPO delivery center in Bangladesh to serve telecom and other global clients in Asia and Europe. - Raihan Shamsi



Raihan Shamsi

Former Managing Director - Communication , Media & Technology, ASEAN Region
Accenture

As we enter the next decade, the landscape of mergers and acquisitions in Bangladesh is poised for significant growth. The startup ecosystem will play a pivotal role in shaping this transformation, and its strategic involvement will be the catalyst for efficiency across companies. - Waseem Alim



Waseem Alim

CEO
Chaldal

Deal Highlights

Unilever <> GlaxoSmithKline



Investment Details

Year	% of Ownership	Company Type
2018	82%	Public



Amount (Estimated)

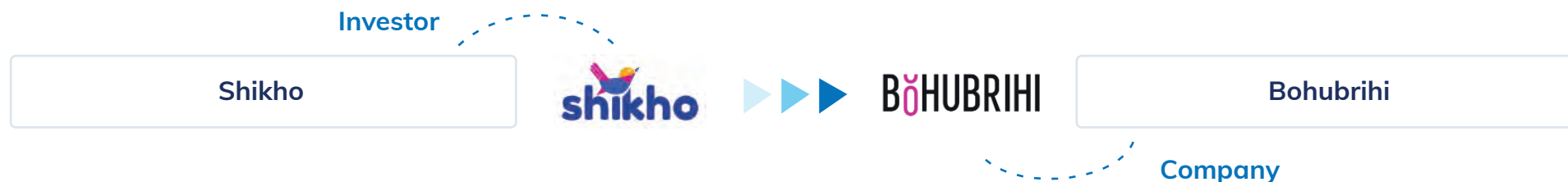
USD 246 Mn

◆ Sector	FMCG
◆ Subsidiary	Food Segment
◆ Investor Region	Global
◆ Transaction Type	Strategic

- ▶ Unilever Overseas Holdings BV completed the acquisition of **82% shares** in GlaxoSmithKline (GSK) Bangladesh Ltd.
- ▶ Unilever purchases **98.75 Lakh** shares from Setfirst Ltd, a GSK sister concern, at **BDT 2,046.3** per share, totaling **BDT 2,020.75 Crore (USD 246 Mn)** —the highest individual company trade value in the history of Dhaka Stock Exchange (DSE).
- ▶ The block transaction resulted in a daily turnover of **BDT 2,543.25 crore** at DSE, the highest in the last nine years.
- ▶ GSK Bangladesh, listed on DSE since 1976, experienced a **3.11%** surge in share price to **BDT 2,110** per share following the acquisition.

Deal Highlights

Shikho < > Bohubrihi



Investment Details

Year	% of Ownership	Company Type
2021	100%	Private



Amount (Estimated)

Undisclosed

◆ Sector	EdTech
◆ Subsidiary	Whole
◆ Investor Region	Local
◆ Transaction Type	Strategic

- ▶ Shikho, a Bangladeshi education technology startup, acquired Bohubrihi, the leading online professional course platform. Shikho, having raised **USD 6.5 Mn** in investment from global venture capital firms, demonstrates a proactive approach to expansion through acquisitions, signaling an acceleration of Shikho's broader vision to provide quality education and instruction for learners of all ages in Bangladesh. The deal involved both cash and stock.
- ▶ Bohubrihi, at the time of acquisition had over **100,000** registered learners, **63** professional and skills-based courses with over **4,500** video lessons. Learners can enroll in a variety of online courses that drive tangible career-focused learning outcomes. Some of the most popular courses on the platform include web and app development, data science techniques, and digital marketing methods, amongst many others.

Insider Insights



The GSK Unilever deal epitomizes the symphony of synergy, where the union of healthcare expertise and consumer goods mastery nurture of innovation, elevating the collective impact on global well-being and everyday lives. - Masud Khan



Masud Khan

Chairman
Unilever Consumer Care

As we navigate our strategic course to elevate and enrich the digital learning ecosystem in Bangladesh, the acquisition of Bohubrihi stands as a pivotal move aligning seamlessly with Shikho's overarching vision. This strategic collaboration is poised not only to bolster our commitment but also to bring enhanced value to our diverse community of learners. With Shikho's rapid scaling, this acquisition marks a significant step towards providing an even more comprehensive and tailored educational experience.

We are steadfast in our dedication to delivering professional and skills-focused learning outcomes, and the synergies with Bohubrihi underscore our relentless pursuit of excellence in the Ed-tech landscape. - Shahir Chowdhury



Shahir Chowdhury

Founder & CEO
Shikho

We have strategically employed M&A as a catalyst for our growth journey. This acquisition has helped us expand our customer base to strategically important locations. With the tightening of funding for both growth and early-stage startups, we will look for more of these opportunities where M&A makes sense for us. - Arefin Zaman



Arefin Zaman

Co-Founder & CEO
MedEasy

Industry Sentiments & Future Outlook

- ✦ Complexities Faced by Investors in Bangladesh M&A Deals
- ✦ Challenges Faced by Companies in Attracting M&A Investments
- ✦ Major M&A Themes for Bangladesh in the Next Decade

Complexities Faced by Investors in Bangladesh M&A Deals

Unraveling the Complex Threads of Financial Regulations & Legal Dynamics



Responses on challenges faced by investors for M&A investments in Bangladesh. Source: Primary interviews, n = 12



88%

Currency Exchange Risks

Global investors engaging in M&A activities in Bangladesh face currency exchange risks



75%

Cross-Border Due Diligence Challenges

Difficulties in obtaining comprehensive and accurate information about the target company



75%

Regulatory Complexity

The regulatory environment in Bangladesh can be complex, especially for foreign investors

Global investors challenges for M&A investments in Bangladesh. Source: Primary interviews, n = 6

- ▶ **Navigating Complex Financial Regulations:** Investors have grappled with the intricacies of financial regulations and reporting standards, often requiring meticulous navigation to ensure compliance and transparency.
- ▶ **Overcoming Infrastructure and Logistic Hurdles:** Past investors faced challenges in dealing with limitations in infrastructure and logistics, impacting the efficiency of due diligence processes and overall deal execution.
- ▶ **Struggling with Strategic Alignment:** Achieving strategic alignment in past M&A activities posed challenges for investors, requiring careful identification of companies that seamlessly fit into their strategic objectives.
- ▶ **Mitigating Political and Economic Risks:** Investors in Bangladesh have encountered challenges related to the unpredictable nature of political and economic stability, necessitating proactive risk mitigation strategies.
- ▶ **Addressing Legal Disputes:** Past investors have experienced complexities in contract enforcement and dispute resolution within the existing legal framework, underscoring the need for effective legal risk management in M&A transactions.

Challenges Faced by Companies in Attracting M&A Investments

Bridging Valuation Gaps and Navigating Regulatory Challenges

► Repatriation Complexities

Foreign companies navigating M&A deals in Bangladesh encounter challenges in repatriating funds due to stringent government restrictions, adding intricacies to the exit process. The complexities are heightened by the unpredictable nature of arbitrary pricing decisions made by Bangladesh Bank, introducing uncertainties and delays for entities seeking to move significant sums of foreign currency out of the country.

► Valuation Disparities

A fundamental lack of shared understanding regarding valuation concepts contributes to substantial disparities between sellers' high valuation expectations and acquirers' insistence on lower figures. This divergence in expectations creates intricate negotiation dynamics, often leading to prolonged and challenging deal-making processes as both parties strive to bridge the valuation gap.

► Cultural Challenges

Local-to-local transactions introduce cultural challenges, particularly concerning emotional considerations and differing pricing expectations. Navigating these cultural nuances becomes imperative, influencing the negotiation dynamics and shaping the overall attractiveness of the deal. Understanding and aligning with local business culture are pivotal for successful M&A transactions.

► Government Control on Currency Flow

Companies face hurdles in repatriating funds due to government regulations designed to control the flow of large sums of foreign currency out of Bangladesh. This regulatory environment adds complexities to the process, requiring companies to navigate through stringent guidelines and potentially impacting the expeditious repatriation of funds.

► Conditions Imposed by Major Local Companies

Major local companies exert considerable influence by imposing stringent conditions on foreign entities seeking to exit. This leverage creates obstacles, compelling compliance with additional demands and impacting the overall ease of securing necessary permissions for the exit process. The negotiating power of major local companies plays a pivotal role in shaping the terms and conditions of M&A transactions, influencing the exit strategies of foreign entities.

Major M&A Themes for Bangladesh in the Next Decade

Incentives for Buyers & Sellers



Factors Incentivizing More Buyers into Bangladesh

Strategy Of Diversifying Away From China

In recent years, global businesses have been consciously trying to diversify away from China to reduce their reliance on the country. While the biggest beneficiary of this policy may be countries like Vietnam, Bangladesh will also see its own share of interested parties in the next decade due to availability of working age population.

Growth Of Financial Investors Looking at Bangladesh

Until now, most of the M&A deals in Bangladesh were strategic in nature. However, we are beginning to see a slight change in the deal patterns. Portfolio companies of private equity funds are beginning to do roll-up transactions and for them smaller ticket sized deals make sense. We are seeing increased interest in the service sector. We should expect to see increased activity of private equity backed companies or private equity funds themselves in Bangladesh.

Growth Of the Economy Bringing In New Acquirers

As Bangladesh economy grows in size and per capita income grows, a new breed of foreign businesses will find it attractive to make a physical presence in the country. The common trend we have seen is starting with a distribution partnership first and then once sales reach a certain threshold a physical setup is created. In this second phase, acquiring an existing setup could accelerate the process significantly and we have already seen it a few times.



Factors Incentivizing More Companies to Sell

Tighter Monetary Policy Can Accelerate Divestitures

After more than a decade, Bangladesh is seeing visibly tighter monetary policy. These periods are accompanied by rising interest costs, which can prompt some leveraged companies to sell their businesses. Also, conglomerates tend to shed non-core assets and double down on winners. We expect this to be an important theme in the next few years.

Fragmented Industries Consolidating

A number of sectors including financials, construction material etc are still very fragmented with a large number of operators. Over time these industries will consolidate and the scale required to stay profitable will continue to grow larger. This trend will also lead to more M&A activities.

Generational Transfers Will Lead To Increased M&A Activity

A large number of family-owned companies in Bangladesh will go through generational change in ownership and management. The newer generation are often western educated and have strong likes and dislikes about the type of businesses they are interested to run. Some also prefer to stay in western countries. This trend will lead to business sales as well as joint venture agreements where a strategic investor takes over management to ensure business continuity.

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Key Partners

EDGE Research is an investment advisory services firm centered on corporate transactions, M&A, capital raising, and economic research. The company also has extensive public market experience as one of Bangladesh's top equity research providers, catering to some of the top funds and financial institutions globally.



Invest Bangladesh promotes foreign direct investments in Bangladesh through advocacy efforts, access to macro, industry level and regulatory insights, and facilitating end-to-end market entry process in collaboration with ecosystem partners.



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Data and assurance integrity

Considering the opaque nature of the Bangladeshi market, we strive to constantly update our data to maintain accuracy. If you spot any error or inaccuracy, please contact Bijon Islam, Co-Founder and CEO at LightCastle Partners at bijon.islam@lightcastlebd.com

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