

Take5

for business

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EY CEO Outlook Survey 2022

Malaysia and Southeast Asia
highlights

The EY logo is positioned in the bottom right corner. It features a yellow chevron pointing upwards and to the right, followed by the letters 'EY' in a bold, white, sans-serif font.

Building a better
working world

CEOs are prioritizing the acceleration of mergers and acquisitions

As the world transitions to a new environment, leading CEOs are resetting their risk radars and reframing their investment strategy for growth, as highlighted by the EY Global CEO Outlook 2022 survey.

In tandem, CEOs in Malaysia and Southeast Asia (SEA) are prioritizing the acceleration of investments and mergers and acquisitions (M&A) to boost capabilities in technology, talent and innovation as well as environment, social and governance (ESG) / sustainability strategies in their pursuit for growth.

EY Global CEO Outlook 2022: survey highlights

- ▶ Leading CEOs are resetting their risk radars and reframing their investment strategy for growth in a new environment.
- ▶ M&A remains a critical strategic option to boost capabilities in technology, talent and innovation as well as ESG/sustainability strategies.
- ▶ Most CEOs have investor support, but a fifth (21%) face challenges to safeguard future growth plans with backers.

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While the pandemic's impact on companies has been unique, the better outcome is a renewed focus on capital allocation.

Leaders now have an opportunity to reframe, reimagine and reinvent their organization. Among the key enablers will be investments in digital and technology.

It is no longer a case of “can we afford to” but “can we afford not to?”



Dato' Abdul Rauf Rashid
Malaysia Managing Partner
Ernst & Young PLT

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M&A continues to be a vital investment tool

Following a record 2021 that saw US\$5.5t worth of global deals, the EY Global CEO Outlook 2022 survey highlighted that M&A will remain a critical tool for CEOs.

In parallel with the strategies of Global CEOs, over half (57%) of SEA CEOs are expecting to actively pursue acquisitions in the next 12 months. In particular, one-third of SEA CEOs (32%) indicate that their acquisitions will focus on improving operational capabilities, and over a quarter (28%) indicate bolt-on acquisitions to increase market share.

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The experience of the pandemic has compelled companies to review their strategy and portfolio. This helps identify the areas that need investment — and at speed.



Preman Menon
Malaysia Strategy and Transaction Leader
Ernst & Young PLT

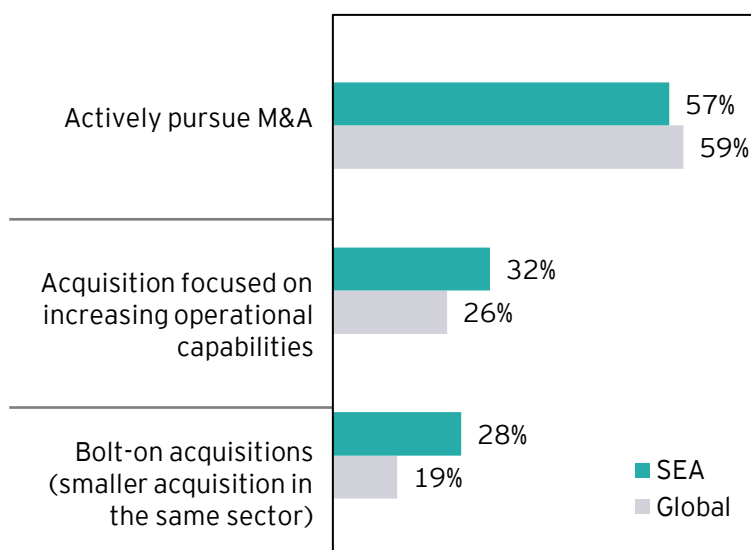
Key M&A trends: SEA

72% Increase in cross-sector M&A

71% Increase in hostile and competitive bidding

66% Increase in cross-border deal making

Primary planned M&A activity in the short term



Note:
Southeast Asia refers to Indonesia, Malaysia, Philippines, Singapore and Vietnam.

Source:
► CEO Outlook Survey, EY, 2022
► EY analysis and Dealogic

2 Southeast Asian CEOs balance strategic investment opportunities with geopolitical and supply chain risks

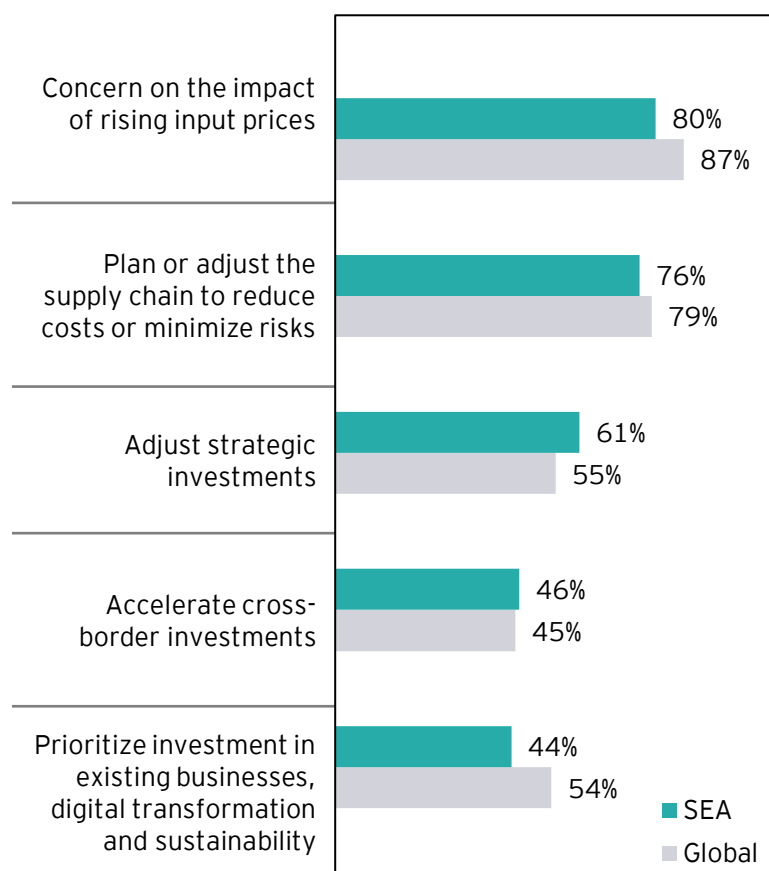
In view of the uncertain geopolitical environment:

- ▶ over three-quarters (76%) of SEA CEOs indicate that they are planning to adjust their supply chain to help reduce costs and minimize risks to prepare for future disruptions; and
- ▶ nearly two-thirds (61%) of SEA CEOs say they are adjusting their strategic investments.

Whilst close to half (46%) of SEA CEOs say that they have accelerated cross-border investments; 44% of SEA CEOs indicate that they will prioritize investment in existing businesses, digital transformation and sustainability.

Among the key risks, 80% of SEA CEOs are concerned about the impact of rising input prices in view of geopolitical tensions and its impact on the supply chain.

Managing new opportunities, mitigating new types of risks



Note:
SEA refers to Indonesia, Malaysia, Philippines, Singapore and Vietnam.

Source: CEO Outlook Survey, EY, 2022

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Challenging externalities demand the re-prioritization of investments and the re-allocation of capital to maintain and improve the companies' competitive positions.



Tzai Ming Pok
Senior Executive Director,
Turnaround and Restructuring Strategy
Ernst & Young PLT

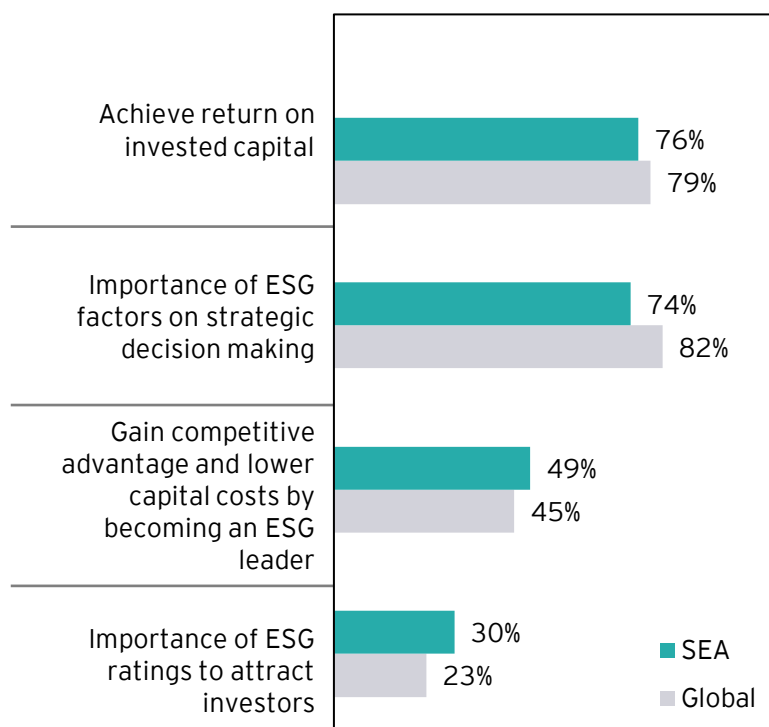
3 CEOs prioritize ESG as a key driver of value

The pivot toward sustainable transformation among CEOs is becoming a permanent shift in our new normal.

While the return on invested capital is ranked highest (76%) among drivers of value over the next few years, nearly three-quarters of SEA CEOs (74%) identify ESG factors as important, when it comes to strategic decision-making.

In fact, half of SEA CEOs recognize that becoming a leader in ESG will help them gain a competitive advantage and lower the cost of capital for their business, and that ESG ratings are important to attract investors (30%).

ESG and sustainability concerns are becoming critically important for CEOs



Note:
SEA refers to Indonesia, Malaysia, Philippines, Singapore and Vietnam.

Source: CEO Outlook Survey, EY, 2022

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ESG is increasingly becoming an integral part of investment decisions, with many CEOs and investors committing to adapt their current and future deal strategies with sustainability and long-term value creation at the forefront.



Ng Boon Hui
Senior Executive Director,
Strategy and Transactions
Ernst & Young PLT

What are Malaysian CEOs thinking?

Malaysian CEOs are concerned about inflationary risks arising from supply chain disruptions

As the COVID-19 pandemic and geopolitical tensions continue to evolve, nine out of ten (91%) Malaysian CEOs are concerned about inflationary pressures in view of increasing labor costs and the prices of raw materials and commodities.

Additionally, to mitigate the risk of supply chain disruptions, nine out of ten (93%) CEOs have adjusted or are planning to adjust their supply chains. At the same time, 80% of CEOs are adjusting their strategic investments, of which, half (50%) are accelerating their cross-border investments.

In future proofing their businesses, 43% of CEOs are prioritizing investments in existing businesses, digital transformation and sustainability.

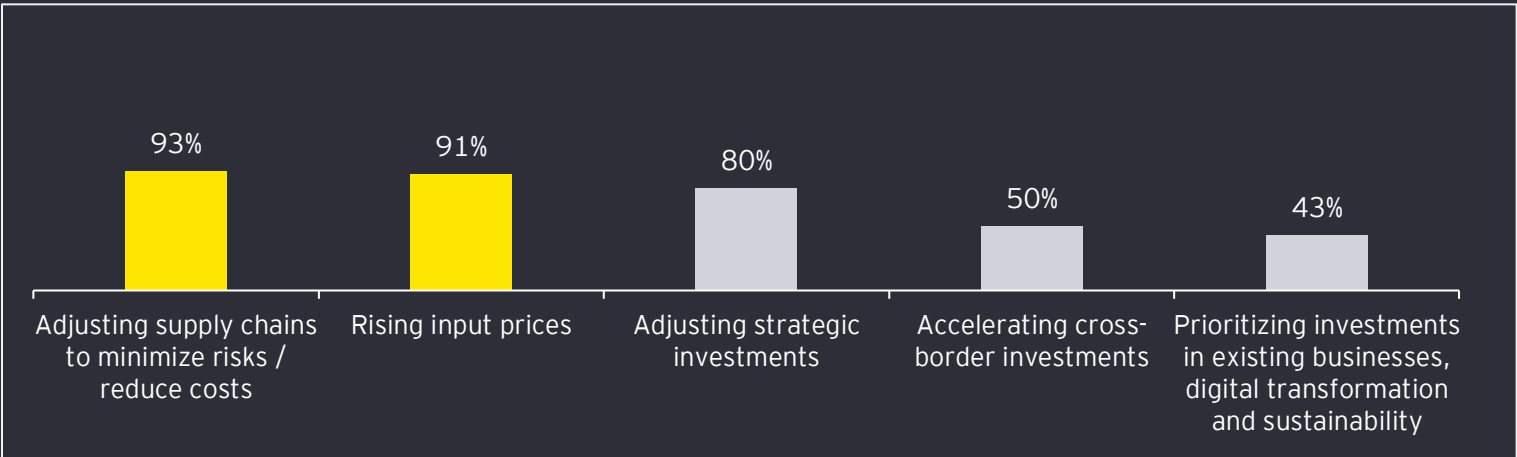
COVID-19 impact on industry

73% negatively impacted

13% neutral impact

10% reshaped the industry for the better

Mitigating risks and exploring investment opportunities



Notes:

- ▶ The CEO outlook survey received responses from 135 CEOs in Southeast Asia, of which one-fifth are Malaysian CEOs
- ▶ The total sum will not add up to 100% as only key findings are highlighted

Over half of the CEOs are actively pursuing M&A in the next 12 months

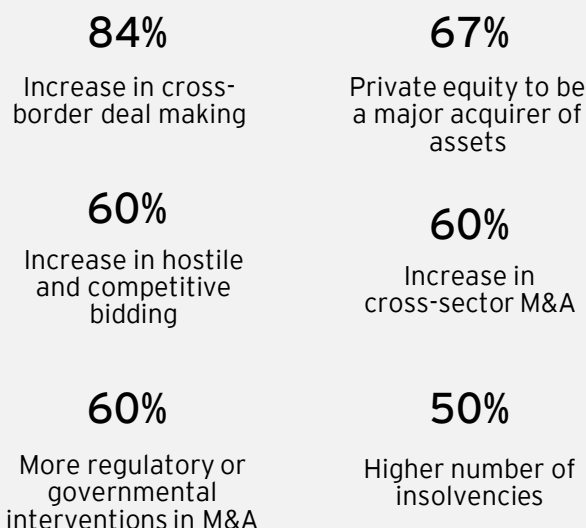
More than half (55%) of Malaysian CEOs are expecting to actively pursue M&A.

In the next 12 months, the prioritized M&A deals include those to:

- ▶ Acquire technology, talent, new production capabilities or innovation startups (27%)
- ▶ Strengthen ESG performance or their sustainable footprint (20%)
- ▶ Bolt-on acquisitions (20%)
- ▶ Increase operational capabilities (20%)

The preferred M&A destinations for Malaysian CEOs are the United Kingdom, Singapore, Philippines, United States, China and Germany.

M&A outlook: Malaysia

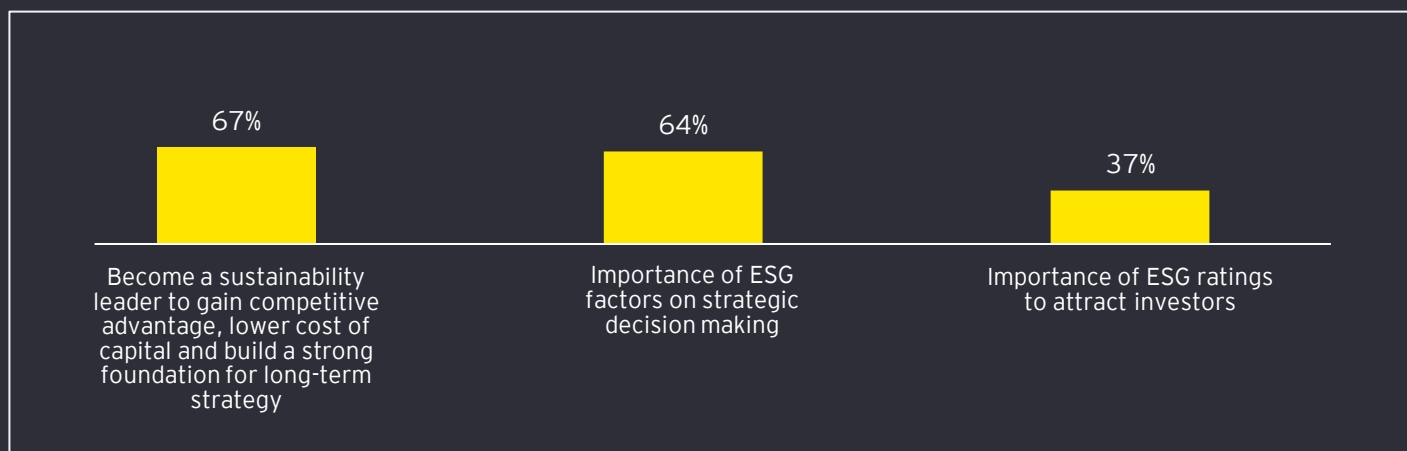


Gaining competitive advantage by becoming a sustainability leader

Over two-thirds of the CEOs (67%) indicated that by becoming a sustainability leader, they can gain competitive advantage, lower costs of capital and build a strong foundation for their company's long-term strategy.

While nearly two-thirds (64%) of Malaysian CEOs ranked ESG factors as the driver for company value, over a third (37%) of the CEOs recognized the importance of ESG ratings to attract investors.

ESG factors drive strategic decision-making



EY Business Pulse Survey: Malaysia

Improving business, exploring new opportunities

Over half of Malaysian companies are seeking new markets, new partnerships, new talent and new business models, products and services

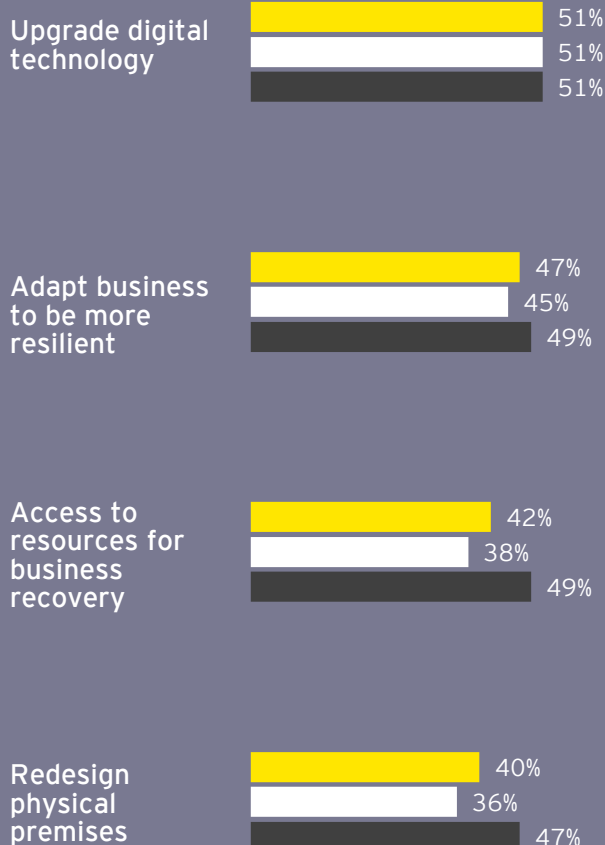
Areas in which businesses need further support include:

- ▶ Upgrading digital technology (51%)
- ▶ Adapting the business to be more resilient (47%)
- ▶ Accessing resources for business recovery (42%)
- ▶ Redesigning physical premises (40%)

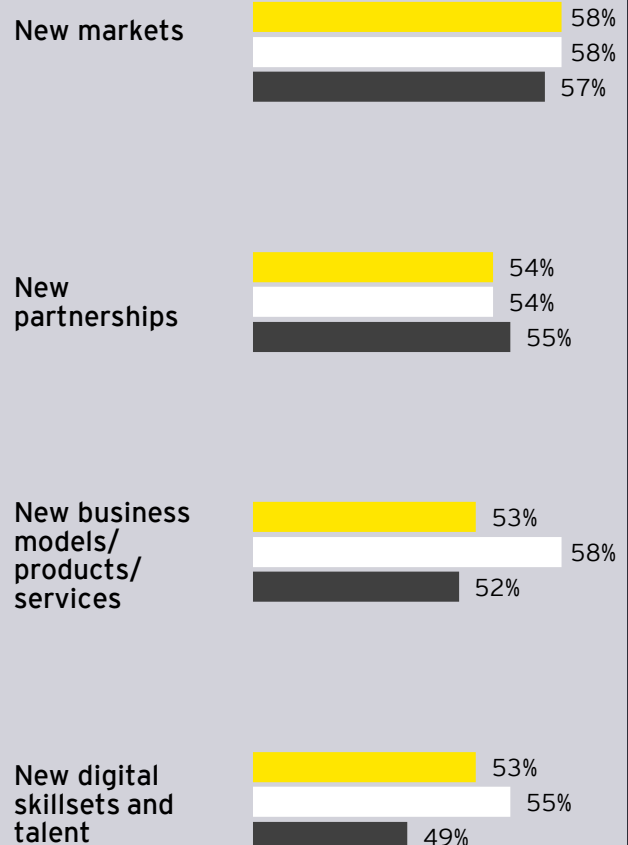
Areas where businesses seek guidance:

- ▶ Finding new markets (58%)
- ▶ Forging new partnerships (54%)
- ▶ Accessing digital skillsets and talent (53%)
- ▶ Developing new business models, products and services (53%)

Improving business




Exploring the new



■ Total ■ Large companies ■ MSMEs

Source:

▶ Insights: Business pulse survey - Living with COVID-19 and winning together, EY, March 2022



What are the next steps for CEOs?

1 Dealing with the endemic

Change from the inside out

- Reconfigure internal processes to strengthen operational resilience and the talent agenda while engaging the external ecosystem to position for future growth.

Stability is no accident

- Strategically prioritize for the next unforeseen shock to help safeguard optionality across the enterprise, including supply chain security and channels to customers.

See around corners

- Plan for a changing regulatory environment, such as emerging oversight of how companies can store and use data for commercial ends.

2 Investment strategies as opportunity abounds

Strategize for the long haul

- Focus on efficiency and stronger stakeholder engagement – emphasizing long-term value over short-term wins.

Mine your own treasure

- Use customer data to help predict changing behaviors and define future strategies.

Educate and engage

- Refresh narratives to engage investors and all internal and external stakeholders – articulate a positive vision and respond to concerns quickly

3 Transformational deal, a priority in Board's agenda

Buy vs. build

- Determine which approach is the best option to accelerate digital transformation or boost your ESG rating.

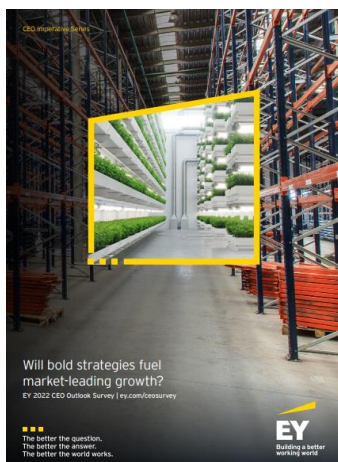
Fix, sell, close

- Systematically review your portfolio through the lens of changing talent, customer and societal expectations more broadly and prepare to divest and reshape for a different environment.

Beware of affinity bias

- Understand synergies and risks from unfamiliar assets that differ from your core business.

EY thought leadership



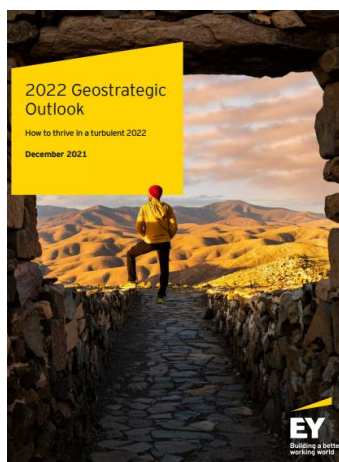
Will bold strategies fuel market-leading growth?
January 2022



Tunnel vision or the bigger picture?
January 2022



Asia-Pacific Capital Markets Survey
December 2021



2022 Geostrategic Outlook: How to thrive in a turbulent 2022
December 2021



Is your capital allocation strategy a long-term plan or a short-term fix?
March 2021



Will COVID-19 turbo-charge M&A and transformation?
February 2021



FSB Series: Advancing Digitalization
April 2022



Business Pulse survey - Living with COVID-19 and winning together
March 2022



Trending: Sustainable responsible investment in Malaysia and the region
February 2022

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