Introduction

According to United Nations Conference on Trade and Development ("**UNCTAD**"), the number of cross-border mergers and acquisitions ("**M&A**") globally declined by 15% year-on-year in the first nine months of 2020.[1] However, the trend in Asia is the polar opposite, with equivalent M&A activity in the region rising by 60% year-on-year over the same period, with much of the focus has been on pandemic-proof industries such as technology.[2] As technology has opened the door to a vast trove of digitalisation potential following the COVID-19 outbreak, the timing of these deals was rather propitious. Against this background, this article seeks to provide a sampling of recent transactions that took place across various verticals within the technology industry, involving Malaysia-based companies.

Technology Deals in Malaysia

The number of deals within the technology industry in Malaysia continues to flourish despite various challenges precipitated by the government-sanctioned lockdown. These technology transactions transpired across several verticals within the industry, such as financial technology ("**fintech**"), insurance technology ("**insurtech**"), government technology ("**govtech**"), and digital advertising.

Fintech

The concept of fintech, a shorthand for "financial technology", needs no introduction. The financial service industry has been thrown into a state of massive disruption since the end of the 2008 financial crisis, witnessing a massive wave of digitalisation of various financial services. Fintech companies have transformed the ways in which consumers pay merchants, transfer money, and purchase goods through utilising many cutting-edge technologies designed for daily convenience. In Malaysia, the fintech sector has recently witnessed a flurry of acquisitions across multiple segments, involving both fintech incumbents and newcomers.

One deal that took many fintech observers by surprise was the acquisition of Uniqa, an electronic payment system provider, by Minetech Resources, a KLSE-listed construction and mining company. The acquisition was carried out by Minetech Resources' subsidiary, Techmile Resources, and was first announced on February 15, 2021.[3] This cross-industry deal serves as an example of how attractive the fintech sector has become that even a business that sits well outside the technology industry has chosen to diversify into the field. As remarked by a Minetech Resources representative, "the pandemic has pushed us to accept a new reality, a future where businesses operate online as a necessity rather than a meagre second thought."[4] The acquisition was reportedly part of Minetech Resources' plan to turn one of its subsidiaries into a full-stack fintech provider.[5] Minetech Resources is no longer exclusively a construction and mining group as it had been popularly known for, but it has now also become a fintech company. This cross-industry acquisition could be interpreted as a smart tactical move made by Minetech Resources that would enable it to reap the benefits out of the fintech sector's rapid upswing. It is also safe to expect that the number of cross-industry M&A deals, including ones involving non-traditional buyers, will continue to proliferate. This prediction is especially plausible considering how fintech has blurred the lines between financial services and other industries, prompting non-technology companies to re-evaluate their value chains and investment decisions.

The digital payment segment in Malaysia has recently celebrated an intracontinental marriage between Fave, a Kuala Lumpur-based consumer fintech company, and Pine Labs, an India-based payment merchant platform provider. In the deal that was announced on April 13, 2021, Pine Labs stated that it has acquired Fave for over $45 million.[6] The acquisition will enable both Fave and Pine Labs to spur their growth in Asia and unlock massive consumer opportunities across retail, food, fashion, and consumer goods sectors, as Fave application will be rolled out in all major Indian cities by the end of 2021.[7] Fintech has long been popularly lauded as a transformative force disrupting the traditional world of financial services for the benefit of consumers. In this case, it is indisputably the truth that consumers will stand to benefit from the merging of these two companies. Fave is a smart payment application that consumers can use to pay for their goods whilst saving money on every transaction at the same time. Since 2016, Fave has impressively helped 6 million Southeast Asian shoppers save over $400 million across 40,000 retailers.[8] Following this acquisition, Fave will be able to tap into Pine Labs' existing user base, thereby allowing more consumers in Asia to save. As the two entities now have approximately 560,000 merchant touchpoints in India and Southeast Asia following the acquisition,[9] consumers are the clear winners in this deal.

Within the remittance segment, on September 17, 2020, Merchantrade Asia, a digital money service business operator, announced its successful acquisition of Valyou, a cross-border digital remittance service provider which was previously owned by Norway's Telenor Group.[10] The said acquisition reportedly turned Merchantrade Asia into Malaysia's largest money services business with a customer base of more than 3 million people.[11] Through the acquisition, Merchantrade Asia has increased both of its online and offline touchpoints, allowing them to reach out to more customers. One of Valyou's founding missions was to ease international remittances for migrant workers and to divert them from the traditional over-the-counter business models to a mobile remittance model.[12] It is not a secret that Valyou has a large migrant worker client base. Accordingly, this acquisition has also increased Merchantrade Asia's share of migrant worker client base. The traditional remittance system has been identified as having flaws, which has prompted a shift to digital methods. Due to office hours, migrant workers may have to take time off on weekdays to visit remittance counters. Some migrant workers pay their remittances through unofficial means, risking losing their money. Thus, as this deal has the potential of further increasing financial inclusion within the migrant worker community, it should certainly be celebrated.

Insurtech

In its simplest form, insurtech involves the application of technology to the provision of insurance services. Globally, the insurtech segment has witnessed a soar in M&A activities, with 37 deals in 2019, 62 deals in 2020, and 45 deals in the first half of 2021, including an insurtech acquisition that occurred right at home.[13] On June 29, 2021, KG Information Systems ("**KGISL**"), an India-based information technology ("**IT**") company, announced their acquisition of AETINS, a Malaysian insurance company, thereby marking their expansion within the insurtech space.[14] KGISL is a longstanding insurtech industry player in Malaysia that has been operating through its Malaysian subsidiary since 2006. The acquisition of AETINS has brought a wider breadth of insurance products to KGISL that were not previously available, including core insurance products and insurance solution framework.[15] Further, as AETINS boasts a vast clientele from the Asia-Pacific, the Middle East, and North Africa, this acquisition will certainly help KGISL strengthen its insurtech footprint by reaching a wider customer base. From consumers' perspective, the acquisition is certainly welcomed. Traditional ways of servicing customers have slowly become increasingly irrelevant, and the insurance service is no exception. Insurance customers nowadays prefer interacting with carriers through digital platforms, requesting on-demand solutions. The convergence between the two companies is certainly auspicious and represents a win-win situation for both the providers and their consumers. Insurance is an industry where players must get fit or fail. Thus, as digitalisation has become an inevitable trend, all industry players must seek and embrace changes. Ultimately, insurers that will survive in the long term are the ones that operate like retail businesses: those which are quick to pre-empt consumer demands and interact with customers in the way they want.

Govtech

Govtech, a portmanteau of the words "government" and "technology," refers to the application of technology in government administration and services. The application is typically aimed at increasing efficiency in administration by digitalising work processes or incorporating new technologies. The govtech sector is worth approximately $400 billion globally,[16] and global govtech spending is projected to grow to $483 billion by the end of 2021.[17]

The business uptrend within the Malaysian govtech sector can be exemplified by a mid-pandemic transaction that was recently announced. On July 23, 2021, Pertama Digital, a KLSE-listed investment holding company specialising in the technology sector, announced that it is acquiring additional equity in Dapat Vista, a homegrown govtech software company.[18] Pertama Digital is carrying out this acquisition through its subsidiary, Television Airtime Services ("**TAS**"), which will be exercising its contractual option to acquire a further

24% equity, and has the right to acquire up to 60% before 2023.[19] Pertama Digital, through TAS, will be acquiring the additional stake in Dapat Vista from HeiTech Padu, a Selangor-based IT services provider. Upon completing the transaction, Pertama Digital's stake in Dapat Vista will increase to 80%, while HeiTech Padu will hold 20%.[20] TAS, the holding company of Dapat Vista, was itself acquired by Pertama Digital in 2020.[21]

The govtech sector in Malaysia is still young, but it is gaining traction. This transaction serves as an example of how more technology investors are beginning to recognise the potential in the govtech sector, and rightfully so. As remarked by a Pertama Digital's representative, "we intend to identify and invest in more companies such as Dapat Vista. Our group's main objective is to provide digital solutions to the *rakyat* to access government services."[22] Further, MyEG Services, the flagship provider of electronic government services in Malaysia, has also announced its expansion into healthcare, by reportedly allocating $168 million for its new healthcare arm.[23] The govtech sector was previously seen as a backwater and has met numerous hurdles over the years. Some government authorities may have been resistant to the idea of govtech, latching on to their traditional ways. To others, govtech may have been too prohibitively expensive as an investment.[24] In Malaysia, many dealings with government agencies still require physical paperwork and physical presence at the counters. To help governments embrace new solutions, it is paramount for technology industry leaders and companies to push for more coalitions with the government to accelerate digitalisation on government services. Outside Malaysia, this sector appears to be very promising too. According to StateUp, the govtech companies in their database collectively raised around £500 million in 2020 alone.[25] It is safe to predict that more investment will flow into the sector, with more government agencies doubling down on digital transformation following the COVID-19 outbreak. Soon enough, the govtech sector will prove to be one of the most lucrative market opportunities that has been hiding in plain sight.

Digital Advertising

Following the COVID-19 outbreak, more consumers are transitioning to online channels. As a result, more businesses are feeling the pressure to upscale their usage of technologies in advertising. In July 2020, BMW fans in Malaysia were surprised with an action-packed augmented reality showroom for the launch of the new BMW X5, which brought the car to life for consumers on lockdown, allowing consumers to explore the vehicle at any time and place.[26] The said impressive marketing campaign was delivered to BMW by Entropia, a Kuala Lumpur-based full-service digital agency with core capabilities in advertising and marketing. Entropia's strong record of success had apparently caught the attention of Accenture, a NYSE-listed technology consulting and services provider, which on June 2, 2021, proudly announced their acquisition of the digital agency. This deal is rather historic as this is Accenture's first ever successful acquisition in Southeast Asia.[27] Through this acquisition, Entropia joined Accenture by being a subsidiary of its digital services offshoot, Accenture Interactive. Entropia, which has previously rejected many takeover offers, has in the past year, incorporated many technology tools such as extended reality, internet of things, and artificial intelligence into its services.[28] Thus, the acquisition will undoubtedly strengthen Accenture Interactive's digital prowess and its offerings to the Malaysian market. This deal is also a win for Entropia, whose client base was mostly local,[29] as Accenture is giving them a highway to a global reach through its worldwide presence.

The deal does not come across as a mighty surprise considering the sheer number of acquisitions that Accenture Interactive has made. Within the past six years, Accenture Interactive has acquired more than 30 companies worldwide, including few well-known names in the industry, such as a design giant, Fjord; a New York-based digital advertising company, Adaptly; a London-based digital consultancy firm, Bow & Arrow; and Japan's largest independent digital agency, IMJ.[30] Following the COVID-19 outbreak, Accenture Interactive has finally turned its attention to Southeast Asia and marked its inaugural foray into the region. This acquisition serves as an example of how consequences associated with the pandemic have actually contributed to growth. As remarked by an Accenture Malaysia's representative, "a new approach to customer experience is required since the COVID-19 pandemic shifted behaviours in how people shop, work, and interact."[31] It is thus fair to perceive Accenture's decision to upscale its digital marketing services, through acquiring a local brand, as a good sign of forthcoming growth of the Malaysian digital advertising industry.

Final Thoughts

The technology industry appears to be one of the industries that is the least affected by the pandemic-induced economic upheaval. As illustrated by the given samples of successful deal, there is clearly a promising trend in the technology M&A space in terms of the number of transactions that occurred both between two Malaysian entities as well as ones with foreign involvement. Further, as technology has increased the propensity for companies to cross industry lines, the rising trend in cross-industry M&As involving buyers outside the technology sphere is also expected to maintain in the future. Even if the complexity and the ticket size of these transactions are smaller compared to similar deals closed in some other parts of the world, overall, these deals represent a good indicator that the rapid growth of the Malaysian technology industry will continue. The overall prediction for the industry is thus optimistic, and more new deals can be anticipated to come to the fore across all verticals.

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