

THE PRIVATE EQUITY
REVIEW

EIGHTH EDITION

Editor
Stephen L Ritchie

THE LAWREVIEWS

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REVIEW

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PREFACE

The eighth edition of *The Private Equity Review* follows an extremely active 2018. While the number of global private equity deals completed declined from 2017, the total value of such deals was the highest since 2007, and the third-highest of all time. Deal activity was weighted towards the upper end of the market, and included several large take-private transactions. Fundraising activity was also strong, as institutional investors remained extremely interested in private equity as an asset class because of its strong performance relative to public markets. As a result, private equity funds have significant amounts of available capital, leading to very competitive transactions being completed at increasing purchase price multiples. This has caused private equity firms to become even more creative as they seek opportunities in less competitive markets or in industries where they have unique expertise. Given all of this, we expect private equity will continue to play an important role in global financial markets, not only in North America and western Europe, but also in developing and emerging markets in Asia, South America, the Middle East and Africa. In addition, we expect the trend of incumbent private equity firms and new players expanding into new and less established geographical markets to continue.

While there are potential headwinds – including trade tensions, a slowing Chinese economy, Brexit and an eventual end to one of the longest-running recoveries in US history – on the horizon for 2019 and beyond, we are confident that private equity will continue to play an important role in the global economy, and is likely to further expand its reach and influence.

Private equity professionals need practical and informed guidance from local practitioners about how to raise money and close deals in multiple jurisdictions. This review has been prepared with this need in mind. It contains contributions from leading private equity practitioners in 25 different countries, with observations and advice on private equity deal-making and fundraising in their respective jurisdictions.

As private equity has grown, it has also faced increasing regulatory scrutiny throughout the world. Adding to this complexity, regulation of private equity is not uniform from country to country. As a result, the following chapters also include a brief discussion of these various regulatory regimes.

I want to thank everyone who contributed their time and labour to making this eighth edition of *The Private Equity Review* possible. Each of these contributors is a leader in their respective markets, so I appreciate that they have used their valuable and scarce time to share their expertise.

Stephen L Ritchie

Kirkland & Ellis LLP

Chicago, Illinois

April 2019

Part II

INVESTING

KOREA

Chris Chang-Hyun Song, Tong-Gun Lee, Brandon Ryu, Joon Hyug Chung, Alex Kim and Sung Uk Bak¹

I OVERVIEW

i Deal activity

Offshore private equity funds (foreign PEFs) became active in Korea during the immediate aftermath of the Asian financial crisis of 1997; this period saw an influx of foreign investment to buy Korean companies, thus forming Korea's M&A market landscape as it is today. Following the entry of foreign PEFs into the Korean M&A market, the Korean legislature went on to provide a legal framework for onshore private equity funds (Korean PEFs) by implementing the Indirect Investment Asset Management Business Act of 2004 and its successor, the Financial Investment Services and Capital Markets Act of 2007 (the Capital Markets Act). From then on, Korean PEFs, whether sponsored by independent private equity houses, securities firms or other financial institutions, have been active players in the Korean M&A market. As at June 2018, there were a total of 501 Korean PEFs registered in Korea with a total commitment amount of 66.4 trillion won,² and the competition among Korean and foreign PEFs continues to heat up.

In 2018, there were 449 M&A transactions in terms of volume, with total deal value amounting to US\$53.1 billion; these figures represent a substantial increase compared to 2017, for which, in terms of volume, 360 deals were recorded, worth US\$41.6 billion in terms of total deal value.³ There were several large-scale deals that boosted the total deal value in 2018, with a noteworthy example being the KCC Consortium's US\$3.1 billion acquisition of US-based Momentive Performance Materials. This deal was also ranked as the most highly valued outbound deal of 2018 by Korean entities. The technology, media and telecommunications sector also saw a noticeable increase in M&A activity in 2018 on the back of a US\$4 billion intra-group merger deal between CJ O Shopping and CJ E&M. Likewise, the financial services sector saw a remarkable increase in M&A deal value following the announcement of Shinhan Financial Group's acquisition of a 59.15 per cent stake in Orange Life Insurance from MBK Partners for US\$2.2 billion.

In 2017, M&A transactions in Korea decreased by 23.2 per cent in terms of value compared to 2016, for which, in terms of volume, 352 deals were recorded, amounting to US\$46.8 billion in value.⁴ On the basis of deal value, the consumer goods sector was the most popular target industry in 2018, with 57 deals, worth US\$10.4 billion in terms of deal

1 Chris Chang-Hyun Song, Tong-Gun Lee, Brandon Ryu, Joon Hyug Chung are partners and Alex Kim and Sung Uk Bak are associates at Shin & Kim.

2 Financial Supervisory Service, Status of Private Equity Funds in June 2018 (19 July 2018).

3 Mergermarket, South Korea M&A activity, Q1–Q3 2018 trend report.

4 Mergermarket, South Korea M&A activity, Q1–Q4 2017 trend report.

value. The industrials and chemicals sector was the second most active sector in 2017 by deal value, with 103 transactions worth US\$9.6 billion, but this was a 45.6 per cent decrease in value compared to 2016, for which 104 deals were recorded, worth US\$17.7 billion in value. The financial services sector followed with 26 deals, worth US\$7.3 billion, representing a 40.5 per cent drop in terms of value compared to 2016, for which 25 deals were recorded, worth US\$12.3 billion in value. The year 2017 saw 42 inbound deals, worth US\$7.3 billion in value, a 79 per cent increase in value compared to the 46 inbound deals in 2016, which were worth US\$4.1 billion in value. In terms of nationality, investors from the United Kingdom were the most represented, with two deals worth a total of US\$2.6 billion in value, followed by US-based investors with 12 deals worth US\$2 billion in value, and investors from Greater China with 10 deals worth US\$1.3 billion in value. Investment from mainland China has decreased from US\$1 billion in 2016 to US\$512 million in 2017, partly because of geopolitical issues; however, a meeting between the Korean and Chinese heads of state took place in December 2017, which could have positive effects in alleviating political tensions and resulting in more M&A activity in Korea by Chinese investors.

After hitting historical highs in 2015, there was a downturn in Korean M&A transactions during 2016. The year 2016 saw 352 deals worth US\$46.8 billion, which was a 44.8 per cent decrease in value compared to 2015.⁵ In 2015, there were 362 deals worth US\$87.5 billion, which was a 13.6 per cent increase in value compared to 2014, making 2015 the peak year in terms of both deal volume and value.⁶ The year 2014 had 334 deals worth US\$73.5 billion, which represented a 107 per cent increase in value compared to 2013.⁷ In 2013, there were 274 deals worth US\$36.1 billion, which represented a 22.5 per cent increase in value compared to 2012.⁸

ii Private equity funds activity⁹

In 2018, there were 91 acquisition deals worth US\$7.7 billion in value sponsored by PEFs. With respect to exit deals by PEFs, 2018 saw a 59.20 per cent increase in value, with 36 deals worth US\$10.03 billion compared to 27 deals in 2017, worth US\$6.3 billion (excluding initial public offerings (IPOs)).

The table below shows the annual aggregate deal volume and deal count for acquisitions and exits by PEFs from 2007 to 2017.

Year	Acquisitions		Exits (excluding IPOs)	
	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume
2018	7.70	91	10.03	36
2017	10.03	91	6.35	28
2007	4.86	13	4.33	17

5 Mergermarket, South Korea M&A activity, Q1–Q4 2016 trend report.

6 Mergermarket, South Korea M&A activity, Q1–Q4 2015 trend report.

7 Mergermarket, South Korea M&A activity, 2014 trend report.

8 Mergermarket, South Korea M&A activity, 2013 trend report.

9 All statistics on the value and volume of M&A deals in Korea involving private equity funds were retrieved from Mergermarket. They are based on M&A deals announced for the given year (the announcement is based on the signing date), some of which have not disclosed the size of investment; the statistics take into account only direct investments by private equity funds and not those done through a special purpose vehicle.

With respect to acquisition deals by PEFs in 2018, there were 18 acquisitions with value exceeding US\$100 million; this was a decrease from 2017, which had 25 acquisitions exceeding US\$100 million. Among these 18 acquisition deals, there was one deal with value equal to US\$1 billion or more, and two deals with value between US\$100 million and US\$500 million. With respect to exit deals by PEFs in 2018, there were 12 deals with value equal to US\$100 million or more, which was an increase from 2017, which had only five exit deals with value exceeding US\$100 million. Among the 12 exit deals in 2018, there was one deal with value equal to US\$1 billion or more.

The following table compares the annual aggregate number of deals by PEFs in terms of value from 2007 to 2018.

Year	Acquisitions			Exits (excluding IPOs)		
	US\$1 billion or over	US\$500 million or over	US\$100 million or over	US\$1 billion or over	US\$500 million or over	US\$100 million or over
2018	1	2	18	2	0	10
2017	0	6	25	2	1	5
2007	1	3	2	1	2	5

Buyout and majority stake deals decreased by 39.13 per cent in 2018 compared with 2017 in terms of deal value, while deal volume increased to 28 from 21. In 2018, minority stake acquisition deals decreased in terms of deal value by 45.68 per cent to US\$1.89 billion from US\$3.48 billion in 2017, and deal volume also decreased from 27 in 2017 to 16 in 2018.¹⁰

Year	Buyout (100%)		Majority stake (50% or more)		Minority stake (up to 50%)		Undisclosed	
	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume
2018	-	-	1.26	28	1.89	16	4.55	47
2017	-	-	2.07	21	3.48	27	4.48	43
2007	0.21	3	1.91	1	2.73	9	-	-

There were no public-to-private deals in 2018, compared to the single public-to-private transaction in 2017 worth US\$0.36 billion. In general, public-to-private deals are not common in Korea, with only four public-to-private transactions recorded from 2007 to 2018.

In 2018, trade sales deals increased in terms of deal value to US\$8.91 billion compared to US\$4.20 billion in 2017; likewise, deal volume also increased to 28 in 2018 compared to 21 deals in 2017. Secondary sales deals among PEFs decreased in terms of deal value in 2018, with deal value at US\$1.12 billion compared to US\$2.15 billion in 2017; deal volume increased in 2018 to eight deals from seven deals in 2017. Finally, IPO deals decreased in terms of deal value in 2018, with deal value at US\$0.17 billion compared to US\$0.53 billion in 2017; deal volume for IPOs also decreased, from 16 deals in 2017 to seven deals in 2018.

¹⁰ The data in the above table is based solely on the deal information disclosed in the Mergermarket survey. Figures concerning acquired stakes were mostly undisclosed.

Year	Trade sales		Secondary sales		IPO	
	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume	Deal value (US\$ billion)	Deal volume
2018	8.91	28	1.12	8	0.17	7
2017	4.20	21	2.15	7	0.53	16
2007	3.07	11	1.24	4	0.08	2

Registered private equity funds

Typical buyout-type PEFs were introduced to Korea in 2004 under the Indirect Investment Asset Management Business Act; as at June 2018, a total of 501 PEFs were registered with the Financial Supervisory Service (FSS).¹¹ In 2017, there was a significant increase of 135 newly registered PEFs, while there were 57 newly registered PEFs in 2018. The total commitment amount also increased from 62.6 trillion won in 2017 to 66.4 trillion won in 2018.

Year	2018	2017	2016	2015	2014
Newly registered PEFs	57	135	109	76	71

Registered general partners of private equity funds

As at December 2017, a total of 209 general partners (GPs) are registered with the FSS; among these 209 GPs, 138 are full-time GPs. The remaining 71 GPs are comprised of existing financial institutions, start-up investment companies and new technology companies. The number of GPs for newly established PEFs decreased from 23 in 2016 to 19 in 2017; on the other hand, the number of full-time GPs newly registered with the FSS increased from 21 in 2016 to 23 in 2017. Note that, as at January 2019, the FSS has yet to disclose the number of registered GPs of private equity funds for 2018.

Year	2017	2016	2015	2014
Full-time GPs	138	115	94	82
Financial institution GPs	35	41	41	46
Startup GPs	36	34	32	34
Total GPs	209	190	167	162
Newly registered GPs	19	23	5	16
Newly registered full-time GPs	23	21	12	8

The largest private equity funds set up by major GPs in Korea in terms of committed capital are as follows: a US\$2.44 billion fund set up by the Korea Development Bank called KDB Value VI Fund; a US\$2.26 billion fund set up by MBK Partners called MBK III; a US\$1.24 billion fund set up by UAMCO called United PF 1st Corporate Finance Stability; and a US\$1.23 billion fund set up by Hahn & Company called Hahn & Company II-1.

¹¹ The vast majority of these were registered under Capital Markets Act, but the total number includes those registered under the Industrial Development Act and Overseas Resources Development Business Act.

ii Operation of the market

Standard sales process

As is the case in other jurisdictions, the investment process for private equity funds in Korea usually takes place across the following stages: (1) deal structuring, (2) due diligence checks of investment target, (3) negotiation of deal terms, and (4) closing. The overall process can take around six to seven months on average; however, this timeline can vary depending on the particular nature and complexity of each deal. If regulatory authorisations are required to complete the deal (e.g., because of foreign capital investment, industry-specific licensing requirements, or market dominance or competition-related issues), the process can be further delayed. Generally, the aforementioned regulatory authorisations are not especially onerous or far-reaching in terms of scope and depth of regulatory review, and therefore are not considered significant obstacles in most Korean M&A deals.

II LEGAL FRAMEWORK

i Acquisition of control and minority interests

Pursuant to the Capital Markets Act, Korean PEFs are required to either acquire *de facto* control over the target company or otherwise acquire a minimum of 10 per cent or more of the target company's voting shares. Because of these regulatory restrictions, Korean PEFs must either engage in a buyout, acquire a majority stake in the target company, or otherwise acquire a minority stake of 10 per cent or higher. If a Korean PEF acquires a minority stake in a company, it can still influence the management or governance of the target company by means of a shareholders' agreement with the controlling shareholder or major shareholders.

Unlike Korean PEFs, foreign PEFs are not subject to the aforementioned regulatory restrictions under the Capital Markets Act, and thus Korean PEFs has been pressing for regulatory change to secure a level playing field between Korean PEFs and foreign PEFs.

ii Fiduciary duties and liabilities

The Korean Commercial Code does not impose fiduciary duties on a shareholder towards the company; furthermore, a shareholder is not liable for the debts of the company aside from the shareholder's investment contribution.¹² Therefore, a PEF (or its GP) shareholder does not owe any fiduciary duty towards the company and is not liable for the company's debts beyond its investment contribution.

On the other hand, the KCC states that directors owe fiduciary duties towards the company and can be held both civilly and criminally liable for actions that result in harm to the company. These fiduciary duties and liabilities apply to all directors of the company, whether inside or outside directors, as well as to non-executive directors. Furthermore, individuals who do not officially hold director titles but nonetheless exert control over the company's management can be treated as '*de facto* directors' pursuant to the KCC and will be subject to the same fiduciary duties and liabilities as directors. It is common practice for personnel from a PEF investor to serve on the board of directors of a target company; therefore, by extension, the PEF director would also be subject to the aforementioned fiduciary duties and liabilities.

¹² As an exception, a majority shareholder holding 51 per cent or more of a company's total issued shares can be subject to secondary tax liability; also, if a majority shareholder is deemed to have pierced the corporate veil, the shareholder will also be subject to shareholder liability.

Another point of concern regarding fiduciary duties pertains to leveraged buyout transactions (LBOs); currently, there are differing opinions as to whether company directors can be held civilly and criminally liable for LBOs. The court precedents from the Korean judiciary distinguish between ‘collateralised LBOs’ and ‘merger LBOs’; in relation to the former, wherein the target company’s assets are used as collateral to obtain acquisition financing without giving any benefit to a target company, the Korean courts have ruled that the directors responsible are in criminal breach of their fiduciary duties. In contrast, with regard to merger-LBO scenarios, where the acquiring party sets up a special purpose company (SPC) and merges the target company with the SPC (thereby having the target company succeed to the liabilities of the SPC), the Korean courts have not found criminal breach of fiduciary duties by the directors involved in debt push-down mergers of this type. Note, however, that these court rulings do not necessarily imply a bright-line rule with regard to criminal breach of fiduciary duties in an LBO context; for each transaction, the courts will decide based on the totality of circumstances (e.g., whether the LBO will enhance managerial efficiency, financial conditions and company value).

III YEAR IN REVIEW

i Recent deal activity

The year 2018 saw a diverse range of M&A deals in Korea in terms of deal size, ranging from small and medium-sized deals to mega deals worth US\$1 billion and above. One mega-sized cross-border acquisition deal, Apollo’s sale of Momentive Performance Materials to the KCC, Wonik, QNC and SJL Partners consortium, had a deal value of approximately US\$3.5 billion.

In addition, the Carlyle Group sold its 100 per cent stake in Siren Holdings, a company engaged in security solutions business, via its subsidiary ADT Caps to the SK Telecom, Daishin PE and Keystone Partners consortium with a value of approximately US\$2.7 billion. MBK Partners made two successful exits by selling its 59.15 per cent stake in Orange Life Insurance to Shinhan Finance Group, with a deal value of approximately US\$2.2 billion, and selling its 22.17 per cent stake in Coway to Woongjin ThinkBig with a deal value of approximately US\$1.6 billion.

Notable past transactions

There have notable M&A deals led by PEFs in recent years and PEFs have been involved in large M&A deals as a co-investor or a consortium partner.

In February 2017, MBK Partners acquired a 100 per cent stake in DaeSung Industrial Gases, with a deal value of approximately US\$1.5 billion.

In December 2016, the consortium of Hanhwa Life Insurance, Korea Investment & Securities, TongYang Life Insurance, Kiwoom Securities, Mirae Asset Global Investment, IMM Private Equity and Eugene Asset Management acquired a 29.7 per cent stake in Woori Bank, the fourth-largest commercial bank in Korea, with a deal value exceeding US\$2 billion.

In September 2015, the consortium of Temasek Holdings, Canada Pension Plan Investment Board, MBK Partners, Public Sector Pension Investment Board and Chengdong Investment acquired a 100 per cent stake in Homeplus, a large hypermarket store chain, from Tesco, with a deal value of approximately US\$6.4 billion.

ii Financing

As mentioned above, there is uncertainty over whether obtaining acquisition financing through LBOs constitutes a breach of directors' fiduciary duty. Because of this restriction on LBOs, PEFs in Korea tend to raise acquisition financing through loans from financial institutions. The amount and terms of such loans are determined based on the financial health and business operations of a target company. In the event a target company holds existing liabilities, it is market practice for PEFs to have the target company pay off the existing liabilities through refinancing from the financial institution simultaneously with the completion of the acquisition of the target company by PEFs. In large M&A deals, a syndicate of financial institutions provides loans often consisting of term loans and revolving facilities. Though it is not common, vendor financing has been provided in some M&A deals.

iii Key terms of recent control transactions

Before proceeding with a transaction, it is usual practice for PEFs to impose confidentiality obligations on the counterparties with regard to the transaction by way of a non-disclosure agreement. Such confidentiality obligations are particularly important with regard to publicly listed companies, since news of a potential acquisition may have a substantial effect on share prices and, by extension, result in a higher acquisition price. A related issue is that publicly listed companies may have limited capacity to enter into confidentiality obligations because of disclosure requirements; when faced with a disclosure request from the Korea Exchange, parties sometime opt to disclose that a potential acquisition is being contemplated.

In acquisition transactions, certainty of closing and break-up (termination) flexibility are key concerns for PEFs, so they tend to request strict representations and warranties, indemnification obligations and material-adverse-change (MAC) clauses from the seller, while objecting to contractual language that undermines closing certainty or restricts their break-up flexibility. In recent years, insolvent companies have started to comprise a significant portion of M&A targets in Korea; since sales and purchases of insolvent companies are supervised by the courts, the courts will sometimes impose various restrictions or conditions, such as purchase price adjustment restrictions and MAC clause prohibitions, from the onset of the bid process.

With regard to purchase price adjustment mechanisms, the following options are available: (1) price adjustment based on net working capital,¹³ whereby the risk of value fluctuation between the valuation date and the closing date is borne by the seller; (2) the 'locked-box' method,¹⁴ whereby the risk of value fluctuation between the valuation date and the closing date is borne by the buyer; and (3) the earn-out method,¹⁵ whereby the buyer potentially pays an additional purchase price amount based on the target company's earnings

13 A potential downside of this option is that the parties have to come to an agreement on which accounts should be included to determine net working capital.

14 Under this option, the buyer will pay interest on the purchase price accumulated from the locked-box date up until the closing date; provided, however, that the transaction document clearly states that certain leakage from the target company is prohibited, and if leakage should occur, the buyer shall be indemnified accordingly.

15 The earn-out period is usually set at two to three years; a potential downside is that the buyer must continue to closely monitor the operations and earnings of the target company during this period.

before interest, tax, depreciation and amortisation; business profits, net profits, cash flow, turnover, etc. In Korea, it is common for parties to either opt for the locked-box method or forgo a purchase price adjustment mechanism altogether.

iv Exits

The joint sale of Oriental Brewery by KKR and Affinity Equity Partners with a deal value of approximately US\$6.2 billion was both the largest and the most highly publicised exit by a PEF in Korea. The 2012 sale by Lone Star of its 51.02 per cent stake in Korea Exchange Bank with a deal value of approximately US\$3.4 billion remains the second-largest private equity fund exit transaction in Korea. In 2018, the Carlyle Group sold its 100 per cent stake in Siren Holdings, a company engaged in security solutions business through its subsidiary ADT Caps to the SK Telecom, Daishin PE and Keystone Partners consortium with a value of approximately US\$2.7 billion. In 2017, Goldman Sachs and Bain Capital sold a 95.39 per cent stake in Carver Korea, a cosmetic manufacturer, to Unilever, with a value of approximately US\$2.5 billion.

IV REGULATORY DEVELOPMENTS

i Regulatory landscape

The Capital Markets Act requires all Korean PEFs to be registered with the FSS. Furthermore, as stated above, Korean PEFs are required either to acquire *de facto* control over the target company or otherwise acquire a minimum of 10 per cent or more of the target company's voting shares, whether directly or through an SPC.

There is no general legal framework that governs PEF M&A transactions; likewise, M&A transactions by PEFs are not subject to approval by a designated regulatory body. Nonetheless, each transaction can have differing regulatory requirements depending on the nature of the target company's business and industry.

ii Recent regulatory measures

The government has recently taken certain regulatory measures that are expected to stimulate the M&A regulatory landscape in Korea. While these measures are still at the discussion stage, it is anticipated that reform of the PEF regulations and extension of the One-Shot Law discussed below will have a positive impact on the legal framework for PEFs, and will facilitate investment activity by PEFs within the Korean market.

Reform of private equity fund regulations

On 27 September 2018, the FSS announced its plans to reform the regulations governing PEFs and hedge funds. Specifically, the FSS is seeking to implement the following: (1) removal of the minimum 10 per cent stake rule that currently governs PEFs; (2) removal of the distinction between PEFs and hedge funds, and instead recategorising as general PEFs (PEFs that raise financing from retail, professional and institutional investors) and institutional PEFs (PEFs that raise financing exclusively from institutional investors), pursuant to which only institutional PEFs with the capacity to supervise their GPs will be permitted to make investments as limited partners; and (3) permitting PEFs to have up to 100 investors, up from the current limit of 49 investors.

Extension of One-Shot Law

Under the current laws, corporate restructuring requires the company to follow the procedures and authorisation requirements set out under the KCC. With the aim of facilitating corporate restructuring for companies in over-saturated industries, in August 2016 the Korean government announced the Special Act on Corporate Revitalization, colloquially known as the 'One-Shot Law'. Under this One-Shot Law, a company whose corporate restructuring plan has been approved will be eligible for various benefits, including the simplification of the restructuring process, as well as tax incentives and financial support benefits. On 17 December 2018, the government announced that the One-Shot Law would remain in effect until August 2024 and that its scope would be expanded to include 'Fourth Industrial Revolution' (or 4IR) businesses and also companies located in industrial crisis zones.

The M&A landscape in 2019 will depend on the regulatory reform efforts of the Korean government and geopolitical factors such as Korea's relation with neighbouring countries and denuclearisation of North Korea.

V OUTLOOK

After hitting historic peaks in 2014 and 2015, the Korean M&A market saw a temporary slowdown in the past few years; however, this downward trend is once again being reversed, with the Korean M&A market continuing to show strong signs of recovery and continued growth. The combination of this upward trend with the government's pro-M&A regulatory stance, various preemptive restructuring attempts by Korean companies, and the ongoing development of PEFs means there is cautious optimism that the Korean M&A market will continue to expand in 2019.

In terms of challenges in 2019, PEFs will have to grapple with the worsening economic situation in Korea, as well as with competition from strategic investors. Minimum wage rises and shortened working hours are likely to have a negative impact on corporate bottom lines in 2019; furthermore, key industries such as automobiles and semiconductors are showing signs of slowing down, while the global economic slump is also projected to impact Korea's M&A market in 2019. Nonetheless, there are various factors to offset these negative influences, including the preemptive restructuring of various Korean companies and the improved regulatory landscape for PEFs. Furthermore, considering the financial constraints of corporate and strategic investors at this juncture, there is significant deal-making potential for both Korean and foreign PEFs in 2019.

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