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Methodology

All dollar figures unless otherwise stated are in Australian dollars. Data has been compiled from the Mergermarket intelligence database, the S&P Capital IQ database, and additional sources noted within this report. M&A figures may include deals that fall outside Mergermarket’s official inclusion criteria.
Australia’s M&A market is firmly rooted in the mid-market as the nation’s economy rebalances to a more diversified, innovative and service driven one.
2015 will be best remembered for a rebalanced economy in terms of mid-market M&A. Expected to continue throughout 2016, the Australian M&A market has seen an increase in proportions to non-resource related industries. Coming off the back of a decade long mining boom, this is a significant trend that has now seen the emergence of an innovative, diversified and service based M&A market.

In spite of a slow start to 2016, currently some 20% behind the same time last year, we predict M&A activity to be led strongly by the non-resource related sectors of leisure, technology, media and telecommunications (TMT), and business services.

What is interesting currently, is the similarity between the economy of 2000, amidst the crash of tiger economies in Asia, where arguably we could have suffered a recession, and the economy of today surrounded by volatility and Asian uncertainty. Then and now, we are seeing the emergence of inbound tourism and growth to the tourism services sector, which bolsters the domestic economy. Australia’s ongoing popularity as a tourist destination and holiday hotspot is further amplified by our favourable exchange rate and stable political environment. Australia would appear to be a safe destination for tourists and financial capital in the form of M&A activity.

Riding off the wave of tourism will be innovations brought by emerging technologies which are proving essential to the tourism sector. A raft of online booking platforms, like Airbnb, is disrupting the sector, much the way online booking platform Webjet did in the past. This disruption forces industry players to pool resources, consolidate, diversify and potentially divest or spin off assets to remain competitive.

This type of activity, of course, creates the opportunity for expansion in the TMT and business services sectors. Not only reserved for domestic players, international investors are also looking to join the swell of activity.

What remains unknown is whether there will be an upswing in activity by the broader investment community as bidders return to realistic bidding processes and vendors accept the new norm in pricing.

The lower Australian dollar and financing costs will continue to lure foreign investors wanting to capitalise on the favourable market and dealmaking conditions. Australian assets, in particular, continue to provide attractive opportunities for investment, evidenced by both state and federal governments realising assets.

Domestic politics in general will also play a role in mid-market dealmaking in 2016, with Australia scheduled for a Federal election. While elections typically result in lower volume deal activity, most market watchers are hopeful that this election year will not result in the same protracted uncertainty as 2013.

The leadership change to Turnbull in 2015 generated a spike in business and consumer confidence, which is hoped will translate to 2016, especially given the prime minister’s personal history of mid-market deals.

### Figure 1: Australian M&A

![Graph showing the number of deals and deal value from 2010 to 2015. The number of deals remains relatively stable from 2010 to 2013, with a slight increase in 2014, and a significant rise in 2015. The deal value trend shows a steady increase from 2010 to 2015.](image-url)
In addition, an emphasis on Australian company innovation, backed by government encouragement and, in some cases, fostering a technology culture will spur mid-market M&A activity as well.

All in all, these conditions should provide the backdrop for a solid year in M&A.

**Volume down, value up**

While the number of deals was down, the value of all reported deals was up in Australia, underpinned by a significant number of bulge bracket deals: AU$134.9bn in deals completed, a 76.6% increase in value from AU$76.4bn in 2014, while there was a 9.8% decline in the number of deals reported.

While Australian mid-market volumes and values were down on the prior year, Australian M&A remains firmly rooted in the middle market. Mid-market deals – those valued between AU$10m and AU$250m – continue to buttress overall deal flows in Australia, accounting for 73% of transactions in 2015, up from the five-year average of 72%.

Once again, Pitcher Partners has teamed up with Mergermarket to analyse trends in Australia’s mid-market. We look at opportunity sectors and deal drivers that have provided impetus to activity over the past year, and that we expect will play a role in similar dealmaking in the year ahead. This year, we look at year-on-year comparisons in sectors, as well as a high-level view of mid-market M&A from coast to coast.

We expect mid-market M&A will continue the trend to represent at least 70% of dealmaking activity throughout 2016. Consolidation in some industries may continue as the drive for growth remains. However, the higher multiple strategic acquisition activity may ease.
The mid-market: Mainstay of Australian M&A

Mid-market companies are the backbone of M&A activity in Australia. As acquisition targets, they represent nimble businesses with the size and scope to add significant value to their acquirers and allow targeted strategic growth with robust results. As acquirers, they are the epitome of entrepreneurial activity and possess the ability to operate on a global scale, often proving more efficient and effective than larger corporations.

Mid-market trend considerations

2015 reinforced the need for businesses to become ‘sale ready’—with three out of five businesses needing to transition over the next decade or so, either from one generation to the next, or as part of a sale process. However, many business owners are ignoring this message, evidenced by the increasing number of firms entering the market focused on acquiring unprepared businesses at discounted prices.

In general, as investment targets, mid-market companies offer an attractive value proposition. Compared to the bulge bracket firms that are usually targeted by industry giants looking to absorb the competition, mid-market firms often fly under the radar, while offering more room for faster growth and a higher degree of malleability.

Additionally, compared to start-ups, mid-market firms are more likely to have established and stable business models. They offer a more observable market position from which the sustainability of their business models can be projected, while remaining flexible enough and with enough drive to carry through game-changing business elements like disruptive innovation.

Figure 4: Australian mid-market M&A by quarter
Activity slows
While 2015 is being touted as the year of the mega deal, with 27 transactions worth AUS$105.1bn, the mid-market held its own, making up 73% of deal volumes. Mid-market deals were impacted by significant reductions in energy and mining deals, together with a retreat in foreign capital and private equity.

Foreign investment in the mid-market decreased from 188 deals worth AUS$9.4bn to 140 deals worth AUS$6.9bn (discussed in greater detail on page 17). However, 2015 was also a record year for outbound M&A, posting its highest value for at least four years (see page 21).

In 2016, several drivers could bolster dealmaking as the year unfolds. Strong global and local markets for M&A could provide impetus for robust activity in the mid-market, fuelled by the lower Australian dollar, low interest rates across the world and inflows of capital from Asian investors looking for a safe haven from volatility in the region’s emerging markets.

73% of all Australian M&A involved mid-market transactions in 2015
State by state mid-market activity

While privatisations dominated dealmaking in 2015 as the government lined up significant assets for sale or lease, led by the New South Wales (NSW) government’s sale of a stake in TransGrid for AU$13bn, a distribution of wealth and stimuli to the Australian economy means that significant value can be found within each state’s mid-market – value that is easily overlooked.

Dealmaking down under: Regional perspectives
Regionally, NSW accounted for the largest portion of mid-market activity across Australia in 2015, with 36.8% of total deals and 37.4% of deal values. As the largest and most diverse economy in Australia, NSW is being forced to offer up a smorgasbord of business offerings, given its lessening dependence on the resources sector – a microcosm of what is happening nationally. The state is also the most populated in Australia and features a highly educated, business savvy, and multilingual workforce able to tackle the challenges of an increasingly globalising world.

As part of ongoing initiatives, the NSW government has made it a priority to increase the state’s appeal as an investment destination. This is exemplified by the NSW Economic Development Framework, which aims to support industry growth in all major sectors of the economy. The government is also determined to make NSW the preferred destination for foreign capital, and a regional hub for innovation as a fledgling tech start-up community begins to take root.

Like NSW, Victoria’s diverse and globally-minded talent pool provides a degree of agility and adaptability to mid-market firms that start-ups or larger corporations may lack. The state accounted for 21.2% of deal volume and 22.7% of deal value in 2015, led by transactions in the consumer sector.

Queensland contributed heavily to a growing trend of business services M&A deals, while also reporting solid activity amongst energy and resources companies. This trend has seen dealmaking remain steady as mining majors begin divesting assets to stabilise balance sheets. Queensland as a whole accounted for 19.1% of deal volume and 19.4% of deal value.

It could be said that Queensland is leading the way in a rebalancing. Given their lack of growth in terms of population and jobs, they are still performing relatively strongly.

<table>
<thead>
<tr>
<th>Completed date</th>
<th>Target state</th>
<th>Target company</th>
<th>Target sector</th>
<th>Bidder company</th>
<th>Bidder country</th>
<th>Deal value AU$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>07-Dec</td>
<td>New South Wales</td>
<td>Tea Gardens Manor in Sydney</td>
<td>Medical</td>
<td>Estia Health Ltd.</td>
<td>Australia</td>
<td>$28</td>
</tr>
<tr>
<td>19-Mar</td>
<td>Victoria</td>
<td>Elite Sports Properties Holdings Pty Ltd.</td>
<td>Leisure</td>
<td>TLA Worldwide PLC</td>
<td>United Kingdom</td>
<td>$25</td>
</tr>
<tr>
<td>28-May</td>
<td>Queensland</td>
<td>Fisher Adams Kelly Pty Ltd.</td>
<td>Services (other)</td>
<td>IPH Ltd.</td>
<td>Australia</td>
<td>$27</td>
</tr>
<tr>
<td>29-May</td>
<td>South Australia</td>
<td>Balco Australia Pty Ltd. (75% stake)</td>
<td>Consumer: Foods</td>
<td>Shanghai Yanhua Bio-tech Co., Ltd.</td>
<td>China</td>
<td>$21</td>
</tr>
<tr>
<td>01-Oct</td>
<td>Western Australia</td>
<td>Glencore PLC (Cosmos nickel mine)</td>
<td>Mining</td>
<td>Western Areas Ltd.</td>
<td>Australia</td>
<td>$25</td>
</tr>
<tr>
<td>29-Jan</td>
<td>Tasmania</td>
<td>The Sebel Launceston Leisure</td>
<td>Leisure</td>
<td>Richman family</td>
<td>Australia</td>
<td>$10</td>
</tr>
<tr>
<td>05-May</td>
<td>Northern Territory</td>
<td>Wollongorang Ranch (operating assets); Wentworth Ranch (operating assets)</td>
<td>Agriculture</td>
<td>Tianma Bearing Group Co., Ltd.</td>
<td>China</td>
<td>$47</td>
</tr>
<tr>
<td>30-Apr</td>
<td>Australian Capital Territory</td>
<td>Uber Global Pty. Ltd.</td>
<td>Computer software</td>
<td>Melbourne IT Ltd.</td>
<td>Australia</td>
<td>$16</td>
</tr>
</tbody>
</table>
Figure 6: Mid-market M&A across Australia (2015)

Western Australia
- 17%: Energy, mining and utilities
- 16%: Consumer
- 1%: Industrials and chemicals

Northern Territory
- 1%: Financial services
- 1%: Leisure
- 1%: Transportation

Queensland
- 19%: Business services
- 19%: Energy, mining and utilities
- 1%: Pharma, medical and biotech

New South Wales
- 37%: Leisure
- 37%: Technology, media and telecommunications
- 1%: Energy, mining and utilities

Australian Capital Territory
- 1%: Consumer
- 1%: Technology, media and telecommunications
- 1%: Leisure

South Australia
- 4%: Pharma, medical and biotech
- 2%: Leisure
- 1%: Energy, mining and utilities

Tasmania
- 1%: Consumer
- 1%: Energy, mining and utilities
- 1%: Leisure

Key:
- Volume
- Value

Top 3 sectors by value

Inbound heat map:
- AU$2bn
- AU$500m-$2bn
- <AU$500m

Percentage totals may not add up to 100% due to rounding.
Industry capabilities across Australia are shifting and converging as regional growth relaxes its pace and mid-market businesses reassess core drivers of sustainable growth. With increasing regional volatility impacting domestic conditions, mid-market companies are beginning to show greater interest in M&A as a faster route to driving innovation, achieving operational synergies, and generating shareholder value.

**An economy rebalances: From resources to services**

Traditionally dependent on its wealth of natural resources to spearhead growth in the country, Australia has rebalanced its economy as regional and global demand for fossil fuels gradually decline.

Australia has been forced to shift dependence away from the energy, mining and utilities (EMU) sector, which is seeing overcapacity and rising distress in a depressed commodities price environment. Despite an oversupply across the sector and weakening demand as China’s growth continues to decelerate, the sector still remains the top target industry for M&A.

As Australia’s decade-long mining boom recedes, several other sectors have been billed as new engines of long-term sustainable growth, shifting development towards a knowledge-based economy with a sharpened focus on service industries.

This shift is already becoming apparent in the mid-market, as the service-heavy leisure, business services and consumer sectors come up tops for M&A activity over 2014 and 2015. The TMT sector is also showing immense potential for strategic dealmaking in 2016 and beyond.

Given continued investment in TMT, especially from foreign buyers and particularly the US, we expect to see a strengthening in TMT over the medium term.

This shift will spread investment and jobs across the country, which will lead to more diversified stimuli of the overall Australian economy than is currently possible within the concentrated mining and energy sector.

**Figure 7: Mid-market target sectors (2014-15)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015 Deal Value</th>
<th>2014 Deal Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy mining and utilities</td>
<td>17%</td>
<td>20%</td>
</tr>
<tr>
<td>Leisure</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Business services</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Consumer</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Financial services</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Technology, media and telecommunications</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Pharma, medical and biotech</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Industrials and chemicals</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Real estate</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Percentage totals may not add up to 100% due to rounding.
### Figure 8: Australian mid-market M&A: Sector breakdown by value of transactions

<table>
<thead>
<tr>
<th>Sector</th>
<th>2014 % of deal values</th>
<th>2014 Value (AU$m)</th>
<th>2015 % of deal values</th>
<th>2015 Value (AU$m)</th>
<th>YOY change in value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure</td>
<td>12%</td>
<td>3,026</td>
<td>14%</td>
<td>2,712</td>
<td>-10%</td>
</tr>
<tr>
<td>Consumer</td>
<td>11%</td>
<td>2,610</td>
<td>11%</td>
<td>1,987</td>
<td>-24%</td>
</tr>
<tr>
<td>Industrials and chemicals</td>
<td>8%</td>
<td>1,859</td>
<td>9%</td>
<td>1,638</td>
<td>-12%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3%</td>
<td>631</td>
<td>4%</td>
<td>686</td>
<td>9%</td>
</tr>
<tr>
<td>Financial services</td>
<td>8%</td>
<td>2,023</td>
<td>9%</td>
<td>1,753</td>
<td>-13%</td>
</tr>
<tr>
<td>Pharma, medical and biotech</td>
<td>8%</td>
<td>1,988</td>
<td>9%</td>
<td>1,698</td>
<td>-15%</td>
</tr>
<tr>
<td>Energy, mining and utilities</td>
<td>20%</td>
<td>4,960</td>
<td>13%</td>
<td>2,426</td>
<td>-51%</td>
</tr>
<tr>
<td>Real estate</td>
<td>4%</td>
<td>1,020</td>
<td>4%</td>
<td>619</td>
<td>-3%</td>
</tr>
<tr>
<td>Construction</td>
<td>1%</td>
<td>329</td>
<td>4%</td>
<td>669</td>
<td>103%</td>
</tr>
<tr>
<td>Transportation</td>
<td>4%</td>
<td>1,080</td>
<td>6%</td>
<td>1,051</td>
<td>-3%</td>
</tr>
</tbody>
</table>

% YOY change in value
Leisure

Government support for development of the services sector is adding to the motivation for strategic M&A in the leisure sector. In 2015, the sector posted 61 mid-market deals worth AU$2.7bn. A large portion of deals targeted the hotel and resorts industry as a result of Australia’s rise in prominence as a choice destination for both business and leisure travel, as well as the tourism industry’s need to achieve cost synergies as organic growth begins to prove elusive.

Growth in the wider leisure sector is likely to move in tandem with the tourism industry, helped along by government initiatives to stimulate tourism, as well as the increasing frequency of flights between China and Australia and a lower Australian dollar making ‘Destination Australia’ much more affordable.

Creative disruption from advances in technology is changing consumer behaviour and preferences, spurring on deal activity as hotels see heightened competition from ecommerce and sharing websites such as Airbnb, giving the fragmented industry impetus to pool its resources and consolidate to take on new competition.

Major hotel chains are becoming bigger as they take the M&A route to fast growth, expanding to capture economies of scale such as technological system upgrades, marketing and loyalty club programs, and the ability to cut deals with both traditional travel agents and online booking platforms.

Demand is also being generated by Asia’s expanding middle class, which increasingly sees Australia as a top travel destination. In 2015, Marriott Ownership Resorts, a global timeshare operator, acquired Surfers Paradise Resort Hotel for AU$84.5m, a mark of international interest in Australia as a prime holiday location.

The Gold Coast in southeast Queensland remains Australia’s iconic tourism and leisure spot. In November 2015, the Queensland government reached contractual close on the AU$3bn Queen’s Wharf Brisbane Integrated Resort Development, which is expected to create jobs and drive investment in the sector, across supporting industries, such as construction, consumer retail and real estate.

The interest from Asia, combined with the lower Australian dollar reducing the price of the hotels while increasing demand, will result in ongoing demand for leisure assets throughout 2016.

Figure 9: Leisure sector mid-market M&A

Key points:
- More potential given lower Australian dollar offering holiday-making and shopping opportunities
- Increased demand for travel agents and online booking platforms
- Asia’s expanded middle class continues to see value in Australia as a top travel destination
Consumer

Australia’s consumer sector posted 35 mid-market deals worth AU$2bn in 2015, contributing to 8.8% of total volume and 10.5% of total value. Activity is led by New South Wales and Victoria given their population densities and tourist-attracting urban centres.

Australia’s consumer market has ample room for growth before it nears saturation, making it a favourable target for international brands looking to expand customer bases in areas where purchasing power is high and tourism is creating ‘global consumers’. Recent arrivals Zara Home and cosmetics retailer Sephora have more store openings in the pipeline for 2016.

In the food and beverages (F&B) sub-sector, demand is being generated by a number of consumer segments. For example, Chinese consumers have been showing a strong propensity for Australian F&B produce and exports, as well as confidence in Australia’s reputation for safe F&B products. This is also sparking interest from internationals further afield, including Europe and America, looking to use Australia F&B acquisitions as their entry point into Asia, where Australia’s ‘clean, green’ reputation makes Australian F&B products a top choice.

Baby formula continues to be Chinese shoppers’ top target purchase, while there is growing demand for fresh food and health supplements, such as vitamins from Blackmores, Swisse and Thompson.

Meanwhile, the nature of domestic demand may be shifting as consumers become increasingly health-conscious, revealing untapped potential and deal opportunities in niche companies focused on health and natural products. Such shifts were evidenced by Pitcher Partners throughout the sale of Australia’s largest natural skincare brand, Sukin, in June 2015.

Deal activity may be driven by companies seeking to grow via diversification and cost synergies. Companies are coming under increasing pressure to deliver shareholder value as consumers rein in spending. We expect to see firms acquiring or merging with companies that can expand their range of product offerings and secure distribution networks, thus providing wider market exposure and connection to consumer bases.

Local companies may place greater emphasis on portfolio optimisation, trading lower-growth businesses for higher-margin ones. They may also begin divesting non-core or low-performing assets as the industry consolidates, shedding excess weight and streamlining towards leaner operations. Meanwhile, international retailers may continue to show interest in acquiring and transforming underperforming local retail companies.

Figure 10: Consumer sector mid-market M&A

Key points:
- More room for growth in consumer market
- Chinese consumer demand still rising for Australian food and beverage produce and exports
- Health and natural products continue to be popular for dealmaking
Business services

Approximately 1.2 million people were employed in Australia’s business services sector in 1995. This has risen over 20 years to roughly 2.2 million in 2015. The sector accounted for 12.3% of mid-market deal volume and 11.5% of mid-market value with 49 deals worth AU$2.2bn in 2015.

In the legal services sub-sector, Gadens announced its AU$3bn merger with Dentons and Rodyk, part of a combined mission to become a significant player across the Pacific Rim with combined revenues of approximately AU$3bn. According to Gadens’ chairman Ian Clarke, the deal was cut in the context of changes in the Asia-Pacific region, heightened interest from the United States, and China’s infrastructure investments in Australia and Papua New Guinea.

For the mid-market, law firm M&A is more likely to be a story of survival and a search for value rather than acquisitive expansion, as less sizeable firms face the difficulty of maintaining and growing profitable revenue in a softer economic environment – which is proving to be a major challenge for Australian law firms, according to Pitcher Partners’ 2015 Legal Practices Survey.

The legal industry has also been affected by the increasingly influential and even disruptive role that technology plays in legal services. Technological change is throwing up new opportunities in certain areas of practice, but threatening lower-skilled aspects through products like eDiscovery and digital docketing.

In 2016, the industry is likely to continue seeing increasing demand for niche, specialised areas of practice, especially in intellectual property, riding on the wave of growing tech companies that are heavily reliant on intellectual property as a core intangible asset. In an illustration of this trend, IPH Limited, a listed Australia-based company providing intellectual property and trademark attorney services, announced its AUS$86.9m strategic acquisition of Australia-based specialist law firm Pizzey’s Patent and Trade Mark Attorneys Pty Limited, widening its range of intellectual property services and expanding its market share.

Cross-sector activity has likewise been apparent, with professional services firms looking to expand service specialties and clientele by way of multidisciplinary dealmaking.

Pitcher Partners’ recent work with SGA is a sign of how the professional services industry needs to diversify their service offerings and be prepared to spend up big on doing so.

Key points:
• Technology continues to underpin growth potential of business services organisations
• Professional services firms will seek growth through acquisitions which bolster their technical capabilities or diversify their service offerings

Figure 11: Business services sector mid-market M&A

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of deals</th>
<th>Deal value (AU$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>59</td>
<td>2,687</td>
</tr>
<tr>
<td>2015</td>
<td>49</td>
<td>2,175</td>
</tr>
</tbody>
</table>
Technology, media and telecommunications

Traditionally fast-evolving and accustomed to creating and leading trends, TMT continues to be among the hottest industries, with Australia beginning to lay out its potential on a global scale in the sector.

Cross-sector M&A catalyses the business transformation necessary for non-TMT companies to diversify or upgrade their product and service offerings, most quickly achieved by way of bolt-on acquisitions of TMT firms. This enables companies to expand their sector presence, remain competitive and stay ahead of the technological curve.

In Australia, such developments have the support of the Federal Government through its new National Innovation and Science Agenda (NISA), which is expected to bolster investor confidence. The NISA codifies the government’s support for innovative and acquisitive corporate behaviour. The government has also promised to establish a public-private Innovation Collaboration Committee.

Crucial factors to take into consideration in technology M&A include intellectual property ownership; the acquisition, retention and longevity of specialised talent; and challenges relating to post-merger integration. When assessing a potential target that has recently graduated from start-up to mid-market status, it is also important to evaluate the sustainability of its business model.

In terms of targeting tech sub-segments, data breaches in recent years have led to increased interest in companies that provide state-of-the-art cybersecurity solutions.

On the mobile technologies front, consumers have become habituated to the availability of faster internet and smarter devices.

To expand or even just to maintain market share, M&A offers manufacturers and telecommunications carriers a shortcut to meeting rapidly transforming consumer demands.

As predicted in our 2015 edition, tech deal values have come down, however overall activity in the sector has held steady. Looking ahead, as Australia looks to build out its world class tech hub, we would expect to see more activity eventuate.

**Key points:**
- Government support and initiatives bolster investor confidence
- Cybersecurity solutions prove attractive for investors
- Technology deals steady over 2015 but on the rise for 2016

Figure 12: TMT sector mid-market M&A

![Figure 12: TMT sector mid-market M&A](image)
Energy, mining and utilities

While all major mid-market sectors largely declined in line with the overall reduction in deal values, the 51% reduction in EMU values highlighted a significant move in activity.

Australia’s energy and resources sector remained the second largest sector for M&A in 2015, despite its downward trend. Industry deals contributed to 12.8% of total deal value and 18.6% of total volume, with 74 deals worth AU$2.4bn.

Given our historical reliance on resources and our huge stores of commodities and resources, the sector should prosper again, once technology advancements and process innovations improve accessibility. A shift to commodities offering emerging value is also likely.

The continued deceleration in China has resulted in decreasing demand for energy and fossil fuels, impacting the bottom lines of both local and international companies with operations in the Asia-Pacific.

Having stepped on the gas to cater to inflated demand in the heyday of China’s double-digit growth, Australian resources companies are now experiencing overcapacity. As a result, companies that levered up are no longer able to pay for the upkeep of infrastructure, equipment and operating costs.

These troubles are being compounded by freefalling oil and gas prices in an already low commodity price environment. As such, the industry is headed towards consolidation as companies seek to divest assets and recoup capital under pressure to refinance and restructure.

Today, deal activity is trending towards merge-to-survive transactions. Such assets are likely to be picked up by companies looking for bargains. While this adjustment continues into 2016, mid-market EMU deals are expected to continue to rank well on a value basis while continuing to decline in number.

**Key points:**
- Consolidation will be key for EMU deal activity
- Large mining companies set to capitalise on smaller operators
- Climate change continues to impact mid-market EMU activity

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**Figure 13: EMU sector mid-market M&A**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of deals</th>
<th>Deal value (AU$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>100</td>
<td>$4,960</td>
</tr>
<tr>
<td>2015</td>
<td>74</td>
<td>$2,426</td>
</tr>
</tbody>
</table>
Cross-border activity

In 2015, Australia attracted 37.6% of total inbound investment into the Asia-Pacific region, due in part to the Australian government’s privatisation of various national infrastructure assets, with investors being attracted to the maturity of Australia’s economy, its low political risk and its strong equity markets.

Inbound interest

Foreign investment in Australia’s mid-market declined year on year – 26% by deals and 27% by values – but the window for inbound acquisitions remains very much open. Foreign investors still see the mid-market as an entry point to the Australian economy.

As in 2014, proximity was the dominant factor determining inbound acquisitions. Asia-Pacific acquirers accounted for 43.1% of inbound deal values and 42.5% of deal volume, followed by North American acquirers with 31.6% of value and 31.5% of total deals.

Looking at individual countries, the United States was the front runner, having made 33 acquisitions (23.6% of inbound deals) valued at AU$1.8bn (26.1% of value), US-based dealmakers largely targeted the TMT sector, evidenced by Pitcher Partners’ sale of Blast Movement Technologies to US Resource Capital Funds in the second half of 2015.

Inbound deals from developed economies like the United States are often driven by Australia’s – and particularly Melbourne and Sydney’s – positioning as tech hubs with growing talent and opportunities. Australia is also seen as a reliable way into the Asia-Pacific market, with its stable geopolitical environment and predictable regulatory terrain.

China held the second largest portion of the inbound pie with 19 deals (13.6% volume) worth AU$1.1bn. China has displayed high interest in Australia’s infrastructure sector, which has been billed as a growth area for M&A via privatisations in order to raise capital for major economic and social developments. Given the high value of such assets, infrastructure M&A in the mid-market may be limited to smaller deals involving tributary or ancillary products and services surrounding the sectors.

Interest in infrastructure is likely to generate deal activity in concatenated industries such as transportation, consumer and construction.

In third place, the United Kingdom accounted for 18 deals (12.9% volume) worth AU$0.9bn (13.7% value). Interest from the UK was spread across a range of sectors, though target acquisitions were often service-based companies.

The AU$217m acquisition of Australia-based Link Healthcare by UK-based Clinigen Group was expected to strengthen Clinigen’s global footprint and enable it to directly supply medicines into Australasia.

Updates to the Foreign Acquisitions and Takeovers Act 1975

On 1 December 2015, substantial amendments were made to the Foreign Acquisitions and Takeovers Act 1975 with the aim of bolstering the integrity of Australia’s foreign investment framework. These changes have helped to clarify the regime without any real change to qualifying investors, which is expected to attract quality investments and heighten investor confidence in the country’s regulatory framework.
Chinese and other Southeast Asian investors view Australian property as a relatively safe investment which provides a means to diversify wealth outside of homelands with inherent sovereign risk. As developing economies such as China continue to experience stock market volatility and potential slowdowns, Australian property will continue to be an enticing option for investors looking to move money offshore.
China-Australia FTA: Tariff cuts come into force

The China-Australia Free Trade Agreement (ChAFTA) officially entered into force on 20 December 2015, making it the latest addition to Australia’s set of regional free trade agreements. Australia currently has such treaties with Japan, Korea, the ASEAN region and New Zealand.

These FTAs are bilateral and multilateral displays of intention to facilitate foreign investment and reflect the Australian government’s recognition of the importance of foreign capital as a driver of growth for the local economy.

The ChAFTA raises the screening threshold of private Chinese investors in non-sensitive sectors from AU$252m to AU$1.094bn. It also locks in commitments to do away with a range of tariffs, enabling agribusinesses to sell their products at more competitive prices.

Industry spotlight: Agribusiness

The year ahead is likely to see an influx of investment in Australian agribusiness, particularly as Asia wrestles with its need to ensure food security and food safety and Australia seeks to position itself as Asia’s food deli, focusing on quality and niche markets rather than simply a food bowl for the masses.

The Foreign Investment Review Board (FIRB) adjusted its screening threshold from AU$252m to AU$15m effective 1 March 2015, tightening scrutiny of the sale of arable land to foreign investors.

The sale by Pitcher Partners of Australia’s largest kiwi fruit producer, Bunbartha, to New Zealand listed Seeka Kiwifruits, combined with the recent FIRB approval for the sale of Australia’s largest land holding and cattle holder S. Kidman & Co. to Chinese conglomerate Shanghai Pengxin Group, highlights overseas interest in Australian agricultural assets and the current government’s commercial approach to dealing with foreign buyers.

The Foreign Investment Review Board (FIRB) adjusted its screening threshold from AU$252m to AU$15m effective 1 March 2015, tightening scrutiny of the sale of arable land to foreign investors.
Industry spotlight: Real estate

Although the figures for M&A activity may suggest the real estate sector has been overlooked, there has been a good deal of foreign investment in the industry. The M&A data is not reflective of the activity we are seeing in the real estate sector, and may be showing poor performance due to lack of reported transactions.

According to CBRE, inflows of Chinese capital to Australia’s commercial real estate market from January to September 2015 rose to AUD4.9bn for deals over AUD14.4m.

Property purchases have traditionally been concentrated in Sydney and Melbourne but investors are also showing interest in southeast Queensland and Brisbane.

The Australian government restricts housing purchases by non-resident foreign investors to new-build properties as opposed to established housing, with investment interest leaning towards apartments (approximately 53% in Q4 2015, according to NAB). Popular properties have easy access to central business districts, universities and public transportation networks, as opposed to detached suburban houses.
Australian outbound M&A

In 2015, Australian outbound M&A reached its highest level since 2010, with 138 deals grossing AUS$30.4bn — 77 of these transactions, worth AUS$4.5bn, were mid-market deals and included Pitcher Partners’ client Cromwell Property Group, a leading property and investment fund which acquired diversified European investment manager, Valad Europe, for AUS$207.8m, its first venture offshore.

In terms of value, Australia’s top target geography for mid-market outbound M&A was New Zealand, accounting for 33% of total deal value with 20 deals worth AUS1.5bn.

Coming in second for mid-market outbound deals was the United States, which contributed to 18% of total value with 15 deals worth a total of AUS800m. The third highest outbound target for value was the United Kingdom, with 10 deals worth AUS728m.

Outbound mid-market M&A targeting the Asia-Pacific region totalled AUS$2.4bn and 34 deals, 44.2% of mid-market outbound deal volume for 2015. Excluding New Zealand, China (4 deals, AUS$382m) and India (3 deals, AUS$215m) had the bulk of these cross-border inflows. Outbound interest into emerging Asia signals widening opportunities for Australian businesses looking to take their products and expertise into developing markets.

While outbound interest has been directed towards divergent industries, the TMT sector gained the most attention in 2015, often from non-TMT acquirers looking to enhance or diversify their service and product repertoires. In an illustration of such acquisitions, the Commonwealth Bank of Australia’s (CBA) AUS$40m acquisition of South African tech company Tyme Capital was expected to advance CBA’s digital banking ecosystem.

![Outbound mid-market M&A targeting the Asia-Pacific region totalled AUS$2.4bn and 34 deals, 44.2% of mid-market outbound deal volume for 2015.](image)

<table>
<thead>
<tr>
<th>Top outbound target geographies (2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Zealand</strong></td>
</tr>
<tr>
<td>Number of deals: 20</td>
</tr>
<tr>
<td>% of total: 26%</td>
</tr>
<tr>
<td>Value (AUS$m): 1,502</td>
</tr>
<tr>
<td>% of total: 33%</td>
</tr>
<tr>
<td><strong>USA</strong></td>
</tr>
<tr>
<td>Number of deals: 15</td>
</tr>
<tr>
<td>% of total: 20%</td>
</tr>
<tr>
<td>Value (AUS$m): 800</td>
</tr>
<tr>
<td>% of total: 18%</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
</tr>
<tr>
<td>Number of deals: 10</td>
</tr>
<tr>
<td>% of total: 13%</td>
</tr>
<tr>
<td>Value (AUS$m): 728</td>
</tr>
<tr>
<td>% of total: 16%</td>
</tr>
<tr>
<td><strong>China</strong></td>
</tr>
<tr>
<td>Number of deals: 4</td>
</tr>
<tr>
<td>% of total: 5%</td>
</tr>
<tr>
<td>Value (AUS$m): 382</td>
</tr>
<tr>
<td>% of total: 9%</td>
</tr>
<tr>
<td><strong>India</strong></td>
</tr>
<tr>
<td>Number of deals: 3</td>
</tr>
<tr>
<td>% of total: 4%</td>
</tr>
<tr>
<td>Value (AUS$m): 215</td>
</tr>
<tr>
<td>% of total: 5%</td>
</tr>
</tbody>
</table>
One of the most important considerations for companies interested in outbound investment is local knowledge, a factor that bears even greater importance when investing in emerging markets. Investors need to find out, before a transaction takes place, whether a target acquisition would be a good match in terms of business culture. Finding a good alignment for business practice involves a plethora of considerations, including issues relating to the prevailing rules and norms of legality, ethicality and conventionality where a target business is domiciled.

Figure 19: Australia outbound M&A deal volume

AU$30.4bn in outbound M&A in 2015, with 77 transactions worth AU$4.5bn in the mid-market
Figure 20: Australian outbound M&A deal values

Figure 21: Top outbound target sectors by deal volume (2015)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of deals</th>
<th>% of total</th>
<th>Value (AU$m)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMT</td>
<td>36</td>
<td>26%</td>
<td>995</td>
<td>3%</td>
</tr>
<tr>
<td>Energy, mining and utilities</td>
<td>24</td>
<td>17%</td>
<td>5,554</td>
<td>18%</td>
</tr>
<tr>
<td>Business services</td>
<td>17</td>
<td>12%</td>
<td>2,027</td>
<td>7%</td>
</tr>
</tbody>
</table>

Figure 22: Top mid-market outbound target sectors by deal volume (2015)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of deals</th>
<th>% of total</th>
<th>Value (AU$m)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMT</td>
<td>23</td>
<td>30%</td>
<td>929</td>
<td>21%</td>
</tr>
<tr>
<td>Industrials and chemicals</td>
<td>11</td>
<td>14%</td>
<td>761</td>
<td>17%</td>
</tr>
<tr>
<td>Energy, mining and utilities</td>
<td>9</td>
<td>12%</td>
<td>936</td>
<td>21%</td>
</tr>
</tbody>
</table>
Trending in 2016: Pitcher Partners closing remarks

As Australia galvanises itself for a shift towards a knowledge and services-based economy characterised by innovation, mid-market companies must recognise the cards they have been dealt, and prepare to play a winning hand. Pitcher Partners takes a look at the hot sectors for deal activity in 2016, and delves into succession planning as a pertinent consideration for staying ahead of the game.

On the cards: Industry reshuffle and business transformation

As we move into Q2 2016, professional services and financial services deals will continue to lead all sectors in the mid-market landscape for the rest of the year. These will be driven by larger corporates with an appetite for bolt-on acquisitions.

Key areas within this segment include insurance brokerage services, particularly with the recent listing of PSC Insurance to join other major players Steadfast and Austbrokers, and financial planning businesses with Findex and AMP still highly active in the market.

Dealmaking in NSW and Victoria will drive M&A in this sector as the largest financial market hubs in Australia.

According to Pitcher Partners, TMT will be one of the most important segments for Australian mid-market M&A in 2016.

As the mining boom becomes a distant memory, Australia’s economy is in the process of restructuring towards services and intellectual property.

Australia has the potential to be one of the global leaders in tech, as highlighted by the recent listing of Atlassian on the NASDAQ at a market capitalisation in excess of US$4.2bn (AU$6.1bn).

Closer to home, listed IT businesses remain highly acquisitive, eager to stay ahead of the curve with new technologies. UXC, DWS, and RXP are expected to continue on the M&A path in 2016.

TMT focused start-ups such as Aconex, Reffind and Urbanise are also in acquisition phases with newfound access to capital.

Meanwhile, M&A in the EMU space continue to be well represented as lower commodity prices place significant pressure on those businesses with a relatively high cost of production.

Megadeal privatisations of ports, railways and other government assets in the past year have shone a light on inbound activity in infrastructure. Earmarked as a source of long-term sustainable growth for the Australian economy, mid-market deals in infrastructure are more likely to be focused around services to the sector.

However, there is also growing interest in Australia’s agribusiness sector, with many reaping the benefits already of recently effected FTAs – beef exports to Japan have experienced an 86% increase, and horticulture exports to Korea are also up – making these companies ideal targets for M&A activity.

“Megadeal privatisations of ports, railways and other government assets in the past year have shone a light on inbound activity in infrastructure.”
Succession planning: A proactive approach to business continuity

When thinking about business succession planning, many people intuitively envision passing down the torch to the next generation. However, this line of thinking overly focuses on the notion of choosing and prepping an individual candidate instead of setting up a mechanism that can be kicked into gear when the time is right.

Of concern is the increasing number of business owners who have failed to turn their mind to succession until it’s too late, resulting in a business that is no longer appealing to a potential acquirer in its current form, resulting in lost opportunity and wealth to shareholders.

While failure to prepare has allowed for the introduction of firms looking to capitalise on such turnaround opportunities, appropriate planning may have resulted in a more positive outcome for the vending shareholders.

Key takeaways from Pitcher Partners and Swinburne University’s Succession Reset survey:

- **15%** of baby boomer business owners globally have completed succession plans. In Australia, this is slightly higher at **18.9%**, leaving **81.1%** yet to address this issue.

- **73.6%** of respondents agreed that there appeared no compelling rationale for continuing the existing business along family lines and most believed that selling the business was always an option.

“Succession requires action today no matter how far away you believe your transition may be. Identifying the triggers, focusing on the outcomes sought and overcoming the barriers to effective succession will be your key challenge.”

“One of the aspects commented on by many respondents was the importance of acquiring independent professional succession advice, but also the real difficulty in locating and securing this advice.”

“Of concern is the increasing number of business owners who have failed to turn their mind to succession until it’s too late, resulting in a business that is no longer appealing to a potential acquirer in its current form.”
Roots to routes: Growing an international business

From its beginnings operating out of a cold concrete warehouse, Sukin knew the meaning of lean business. Overheads were kept low, and management maintained a watchful eye on cash flow and expenditures and utilised scalable outsourcing where possible. Whenever appropriate, the company shared costs with distributors or retailers and refrained from spending big on marketing. This frugal approach to business allowed management to focus on the bigger picture: making Sukin the #1 natural skincare brand in Australia, a goal it accomplished by putting resources to work building customer loyalty through top-line products.

While Sukin’s initial ambition was to capture a leading position in the high growth natural products market, making the leap offshore wasn’t part of the original plan. As co-founder Alison Goodger notes, “We designed our business for the home market, where we knew the climate. Eventually we began to see that our products were appealing to overseas customers, with people contacting us to say they thought the products would do well in offshore markets.”

Before moving beyond Australia’s borders, Sukin shored up its local operations, taking the time to understand its capabilities and learn from past mistakes in the domestic market. Management then staged a tiered approach towards international expansion, identifying and launching in a single overseas market before moving into others. When it came to marketing overseas, the brand’s natural botanical attributes, combined with the concept of a clean, safe and stable Australian aspirational lifestyle, was easy to promote.

Before moving beyond Australia’s borders, Sukin shored up its local operations, taking the time to understand its capabilities and learn from past mistakes in the domestic market.
To position the deal and provide essential support to expedite the sale, we hired advisory firm Pitcher Partners to provide much-needed advice, facilitate all aspects of the transaction, and ensure Sukin covered its pre-transactional due diligence.

Deciding to sell:
Navigating the M&A process

Having made the leap into international markets in Asia and North America with promising expansion plans and double digit growth, Sukin’s management knew it might be time to sell.

“For us, to take Sukin to the next stage of its growth would have entailed hefty investment in the business processes,” Goodger said. “Ultimately, we knew this wasn’t something we’d be able to do on our own.”

Sukin began searching for a buyer, eventually choosing BWX on the strength of their long-term business relationship. BWX had been Sukin’s contract chemist and manufacturer for years and also contributed to building the Sukin brand as the developer of the product in the bottle.

The sale process took around nine months.

“Going through the M&A process has been an emotional rollercoaster ride,” Goodger said. “It has been difficult to let go of what we created. It has also been physically demanding and a true test of time management, as I’ve been very busy managing the day-to-day business on top of going through the acquisition process. To position the deal and provide essential support to expedite the sale, we hired advisory firm Pitcher Partners to provide much-needed advice, facilitate all aspects of the transaction, and ensure Sukin covered its pre-transactional due diligence.”

External advisors:
A valuable opinion, thorough guidance

Sukin’s initial engagement with Pitcher Partners involved the preparation of a sale strategy, which included an information memorandum.

Pitcher Partners advised Sukin’s owners through a plethora of preparatory matters, including the documentation and protection of intellectual property ownership. They also reviewed the company’s corporate and tax structures, as well as identified and assessed key assets so the business could be properly and optimally valued and thus return the highest amount possible to shareholders.

Pitcher Partners also walked Sukin through the pitching process with BWX, helping managers to examine how a possible integration of the two businesses would unfold.

For the final stage, Pitcher Partners negotiated the ultimate business sale agreement to meet the specific terms and concerns of shareholders while eventually seeing the transaction through to deal completion.

As Goodger notes, “Pitcher Partners’ advice was invaluable. We had never sold a business before, and they brought a wealth of knowledge and expertise to both the sale process and post-sale transition and integration stages.”
When should planning for a sale occur, and how much time is typically needed?

Being sale ready is something that should be considered years in advance. This provides time to ensure the most appropriate structures have been chosen and agreements are in place with key customers, suppliers, and employees. Sellers also want to make sure their financials have been thoroughly audited, providing potential bidders with more comfort as to past performance. Investing the time years out from a sale date also helps to identify potential purchasers and to consider what aspects of the business might add the most value to potential acquirers.

Of equal importance to the eventual outcome are the conversations vendors have with their advisors when the idea of exiting their business is firmly planted in their minds. It is these conversations that set the benchmark expectations of vendors as regards an eventual sale. Things like realistic valuations, possible bidders, likely deal scenarios and earn-out provisions are all potential problem areas if vendor expectations are out of alignment with prevailing market conditions.

Another important consideration is the timeline attached to most sales processes. In general, businesses are looking at a 4-6 month process, and in some instances it is up to and over a year. Again, this will come down to the level of preparation and expectations on the seller’s part.

Being sale ready is something that should be considered years in advance. This provides time to ensure the most appropriate structures have been chosen and agreements are in place with key customers, suppliers, and employees.
What are the biggest opportunities Australian mid-market firms are missing out on by not being sale ready? What are the main differences in the sales process of a mid-market firm compared to a small-cap or larger corporation?

Many larger companies are continually ‘deal ready’ – that is, they undergo constant audits and evaluation processes and can respond to transaction opportunities quickly and efficiently. Due to their size, they are also likely to have more written agreements in place as part of well-documented business operations, and the level of compliance and regulation often increase and improve as a business grows, resulting in improvement of the quality of reporting, systems, processes and controls.

Aside from having the appropriate financial records to demonstrate financial results, in many cases sellers lack sophistication in forecasting. This means that value is often measured on historic results as opposed to growth, which could have been reflected in a forecast.

At the extreme, lack of access to quality information during a transaction process can mean the difference between a deal going through or not. At the very least, it could constitute a drastic reduction in price.

Many quality acquisition opportunities with proven growth trajectories, proven financial performance and defined strategic advantages fall by the wayside as a direct result of not being sale ready. This makes it impossible for buyers to complete a thorough due diligence process given the lack of quality information. The answer is simple: Be Prepared.

“Many quality acquisition opportunities with proven growth trajectories, proven financial performance and defined strategic advantages fall by the wayside as a direct result of not being sale ready. This makes it impossible for buyers to complete a thorough due diligence process given the lack of quality information. The answer is simple: Be Prepared.”
What are some of the key components and actual logistics involved in the sale that often get overlooked?

Documented agreements with key employees and similar arrangements with suppliers and customers will be required, so buyers can get a more granular sense of how internal processes work and have confidence that business relationships will be maintained post-transaction.

While issues may not be given the required consideration, by far the biggest factor overlooked is timing - not just the time required to sell but also the challenge of finding an appropriate time to go to market, given market cycles and other macroeconomic factors that could impact the final sale price.

Take for example the timing of an IPO (another form of exit) which is given significantly higher priority. Perhaps it is because mid-market divestments are largely triggered by an approach, or by internal factors concerning the vendor personally, and therefore tend to somewhat ignore external market factors and considerations.

Long term planning involves understanding the valuation cycle in the sector, and maximisation involves aligning the sale to the peak or near peak in that cycle.

What financial and operational areas require the most attention? Where do bidders usually pay the most attention and how do you address these before going to market?

Beauty is in the eye of the beholder, and with mid-market deals this is certainly the case. The seller wants to maximise proceeds; the buyer wants to minimise risk and part of this is minimising price paid.

Normalisations, or the removal of non-recurring expenses or revenue from earnings, are closely scrutinised. If your business doesn’t need an expense, run it without the expense to prove it. The buyer will always look for unintended consequences of cost savings and whether these savings will have an impact on future revenues and growth. Likewise, if you consider the business to be overstocked, again demonstrate this: if you’ve carried three months’ stock for the last three years, it will be difficult to argue that you only need one month and therefore you should be paid for the surplus stock.

A set of normalised earnings will rarely be the same from a vendor’s point of view and a buyer’s point of view. It is vital that an advisor with experience of both sides of the buyer-seller equation be consulted in the preparation of the financial model.

Forecasting and getting bidders comfortable on what the business will generate in profit and cash will reap the best results. This is best addressed by embedding this into the business well before the actual sale process kicks off.

“A set of normalised earnings will rarely be the same from a vendor’s point of view and a buyer’s point of view. It is vital that an advisor with experience of both sides of the buyer-seller equation be consulted in the preparation of the financial model.”
What does an ideal buyer list look like? What is the best way of narrowing down the bidders once they confirm their interest?

The ideal buyer list identifies a bidder with as much or more motivation to complete the deal as the vendor. This motivation will stem from a number of factors and not all of them are always easily understood.

The types of bidders (strategic, trade, financial) will also influence the reasons for doing a deal. The best way to assess these intangible reasons is to carefully look at the industry. If a transaction within an industry has achieved a higher than normal result, perhaps expressed as a higher than expected earnings multiple, there is often an underlying reason. That reason may not even be known to the vendor or their advisor.

Within a group of buyers, you would ideally include buyers who are able to realise greater synergistic value than others, as they have the ability to offer above market prices. Finally, buyers who have recently missed out on a similar transaction may be compelled to bid high and secure a needed asset.

What is it about great advisors that enables their clients to get extraordinary outcomes?

Price maximisation is the sum of many deal components, including at the very least finding the right acquirer, but mid-market deals often have myriad issues that aren’t experienced at the higher and lower ends of the market. Mid-market deals thus require broader experience from advisors - an appropriate balance between banking, deal skills, accounting, finance and general management brings real value to mid-market business owners looking to sell.

The role of the advisor is to work with the company to identify hidden value and position the business such that you get the best offer. The advisor’s priority is to then ensure this price and value is maintained throughout due diligence and documentation.

Retaining an advisor will add credibility to the process and indicate a level of seriousness and commitment to the transaction. They also provide a reasonably independent voice in facilitating the process. Some advisors will possess greater networks than others and indeed better than most vendors directly. Their reputation within the market and industry knowledge will also impact the end result of the deal. An advisor that goes the extra mile and gives unknown intelligence and support in the form of international connections, unique bidders and market insights and is able to create competitive tension and find the most appropriate bidder will extract maximum value for the vendor.
About Pitcher Partners

Pitcher Partners is a full service accounting and business advisory firm with a strong reputation for providing quality advice to privately-owned, corporate and public organisations.

In Australia, Pitcher Partners has firms in Adelaide, Brisbane, Melbourne, Perth, Sydney and Newcastle. We collaboratively leverage from each other’s networks and draw on the skills and expertise of 1,200+ staff, in order to service our clients.

Pitcher Partners is also an independent member of Baker Tilly International, the eighth largest network in the world by fee income. Our strong relationship with other Baker Tilly International member firms, particularly in Asia Pacific, has allowed us to open many doors across borders for our clients.

Our commercial services to dynamic businesses

Financial essentials
- Accounting and Business Advisory Services
- Audit, Risk Management and Assurance
- Internal Audit
- Recovery, Turnarounds and Insolvency
- Tax advice and Compliance

Planning and growth
- Business Consulting and Commercial Advice
- Business Performance Improvement
- Business Structuring
- Corporate Finance
- Corporate Governance
- International Business Advisory
- Investment Advisory Services
- Succession Planning
- Superannuation Services
- Tax Consulting
- Technology and IT Consulting
- Valuations

Our private wealth services
- Estate Planning
- Family Office Management
- Investment Advisory Services
- Philanthropy Services
- Succession Planning
- Superannuation Strategies
- Tax Advice and Compliance

Industry specialisations
- Retail
- Professional services
- Health and aged care
- Manufacturing
- Not for profit
- Property and construction
- Government and the public sector
- Agriculture
- Food and beverage
- Hospitality

$n3.8bn$
Worldwide revenue 2015 (USD)

141
Countries

28,000+
Partners and staff globally

Nationally

1,200+
Total staff

110
Partners

Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners has the resources and depth of expertise of a major firm, but with a smaller firm feel. We give our clients the highest level of personal service and attention. That’s the difference.
About Mergermarket

Mergermarket is an unparalleled, independent mergers and acquisitions (M&A) proprietary intelligence tool. Unlike any other service of its kind, Mergermarket provides a complete overview of the M&A market by offering both a forward-looking intelligence database and a historical deals database, achieving real revenues for Mergermarket clients.

Remark, the events and publications arm of the Mergermarket Group, offers a range of publishing, research and events services that enable clients to enhance their own profile, and to develop new business opportunities with their target audience.

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