MOORE

APAC MID-MARKET M&A REVIEW Q2 | 2022

OVERVIEW

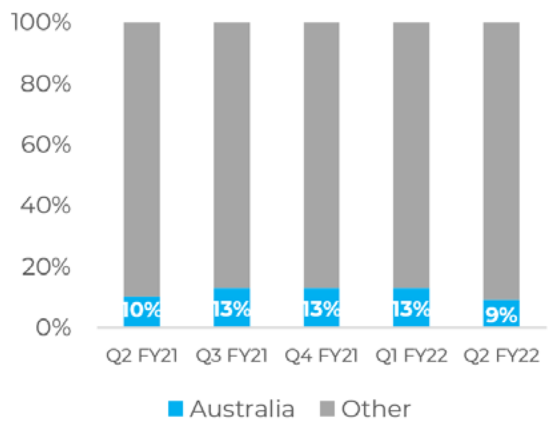
As the calendar year comes to a close, we take a look back at the M&A activity from the second quarter of FY22. Facing the introduction of the well-publicised Omicron variant and the fear of interest rate increases, one might expect to see a reduction in confidence, however market evidence would suggest otherwise. Our investigation has determined a combination of the continuation of discounted debt, readily available equity, enhanced virtual deal making capabilities and the fear of missing out (FOMO) which has fuelled M&A confidence in the final three months of the 2021 Calendar Year.

SECTOR ANALYSIS

In a quarter where we would traditionally expect to see less activity, the AUS & NZ mid-market M&A sector was thriving. There were 153 deals published in Q2 – down from 202 in Q1 but in line with the last quarter of FY21. We saw an average deal size $54.3M, up almost $10M from last quarter and another $18M from Q4 last year – likely driven by sustained low interest rates that allow for a higher concentration of larger transactions. The top 3 performing sectors by deal count in Q2 FY22 were IT, Medical and Financial Services. There were a total of 36 deals in the IT sector with an average deal size of $48m, 24% of all mid-market activity. As aforementioned, the IT sector in Australia and NZ has been a leading industry for some time now, at times making for stirring headlines in both the mid and large cap M&A market.

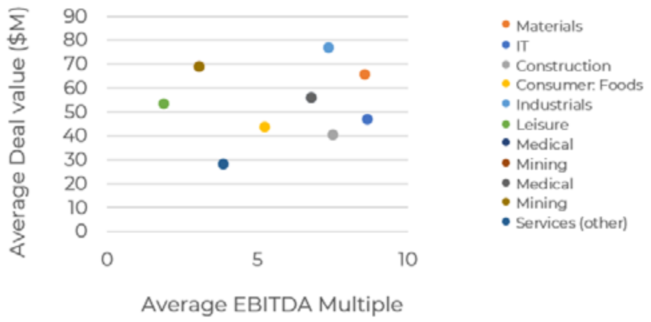
AUSTRALIA'S DEAL ACTIVITY VS WORLD – TRANSACTION VOLUME

When assessing Australia's hold on international mid-market M&A, data extracted from Mergermarket highlights a decrease in market share. Consistently responsible for 13% of activity over the previous 3 quarters, Q2 of FY22 activity fell to 9% of total deal count. This decrease on previous quarters is due to instability and uncertainty in international and domestic border closures. While other nations also experienced surges in the number of positive COVID cases, Australia was in a period of transition from lockdown to freedom. With this, dealmakers may have considered holding off until certainty was provided around borders and other related policies.



APAC INDUSTRY EBITDA MULTIPLES

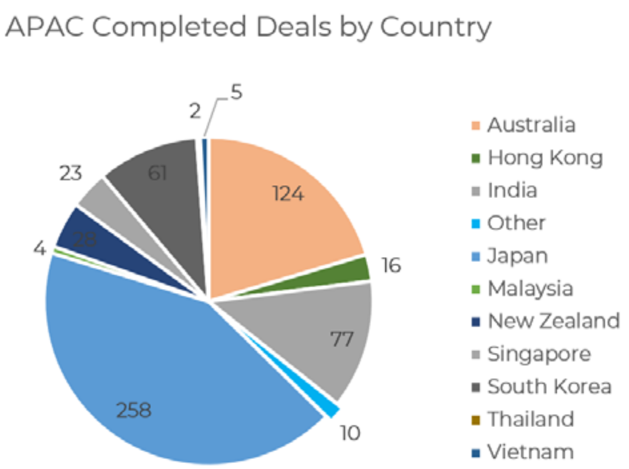
A key indicator of industry confidence is the multiples at which participants are willing to pay for businesses. From the available EBITDA multiples extracted from Mergermarket, the two sectors with the most activity, IT and Medical, traded at average multiples of 9x and 7x respectively. We do caution that when using transactions multiples on a comparable basis, both sample size and deal specific factors should be considered. For example, a public company may trade higher due to their access to capital or lack of dependency on key personnel



APAC REGIONAL DEAL COUNT

Between the major APAC deal making countries, there were 608 deals completed with an average deal size of $51M, up over $6M from last quarter. Although the average deal size increased, there was a 9% decrease in deal volume from the previous quarter. This follows a similar trend to the AUS and NZ market, and was perhaps heavily influenced by activity in the Australian market alone.

In Australia there were 124 deals completed - down from ~180 in the previous quarter. This alone was enough to cause the 9% decrease. On the other end of the spectrum, Japan proved a Mid-Market powerhouse in Q2, completing 258 deals – up from 108 last quarter.



MAJOR DEAL REVIEW: MID-MARKET HIGHLIGHTS

Moore Australia consistently play a key role in the AUS & NZ mid-market. In December 2021, we provided financial and tax due diligence services to Credit Clear Limited, an ASX listed company, for their $46M acquisition of ARMA. ARMA is an Australian and New Zealand based provider of debt recovery solutions and litigation services generating $15.5M in revenue and $6.4M in EBITDA.

The conversion of end users to Credit Clear's advanced digital platform foregrounds the impact technology is having in M&A decision making nowadays, and also the increased opportunities and synergies provided by it.

NOTES:

- Deals with value under $150M were considered
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 13 January 2022
- Sub-sectors have been allocated towards larger sectors
- Deal metrics for the APAC region are excluding mainland China

REGIONAL CONTACT DIRECTORY

BENJAMIN YEO
Director, Moore Australia (VIC) and
Chair of the National Corporate Finance Committee
benjamin.yeo@moore-australia.com.au

PATRICK ROZARIO
Managing Director, Advisory Services, Hong Kong
patrickrozario@moore.hk

HERJANTO LUTANTO
Managing Partner, Indonesia
hlutanto@moore.co.id

JAMES CALDWELL
Partner, Audit, Japan
james.caldwell@mooreshisei.jp

LEON HOU
Regional Director, APAC, China
leon.hou@moore-global.com

ATUL MEHTA
Director, New Zealand
atul.mehta@markhams.co.nz

BERNARD JUAY
Director, Corporate Finance, Singapore
bernardjuay@mscf.com.sg

DENNIS CHONG
Executive Director, Malaysia
dennischong@moore.com.my

NIKIHIL SINGHI
Managing Partner, India
nsinghi@singhico.com

MOORE

www.moore-australia.com.au