

APAC MID-MARKET M&A REVIEW Q3 | 2022 FINANCIAL YEAR



OVERVIEW

As the new calendar year starts, we take a look at the M&A activity for the third quarter of Financial Year (FY) 22. Coming out of the numerous COVID-19 variant scares, and with the fear of interest rate increases, we were uncertain of what to expect from the APAC mid-market in terms of M&A.

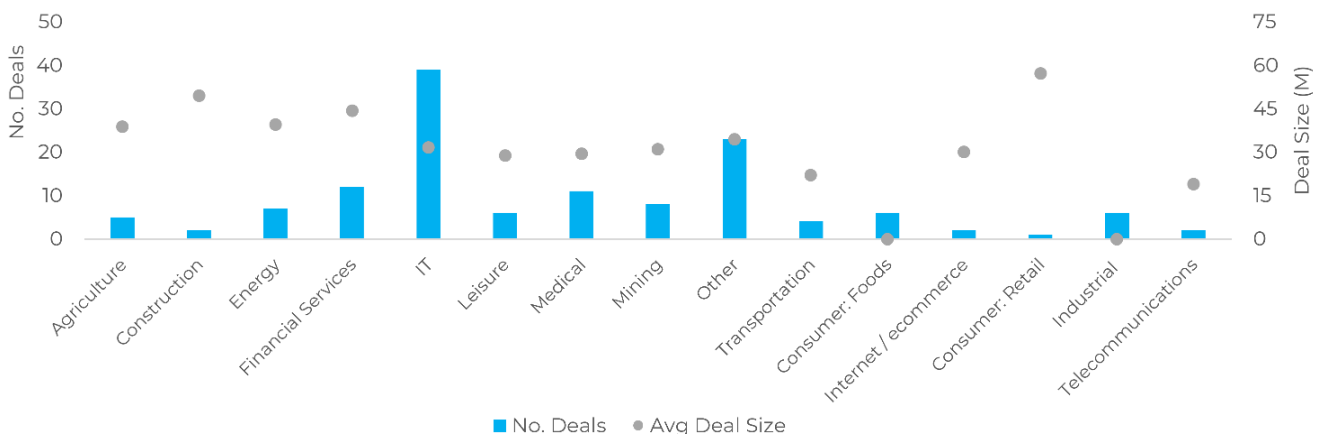
But evidence suggests APAC deal-makers returned from Christmas break with a hot appetite for M&A, withstanding the potential flow-on effects of the Russia-Ukraine war. The RBA and their monetary policy certainly helped Australia in keeping the momentum positive by maintaining the cash rate at a record low of 0.1% for the 15th month in a row.

SECTOR ANALYSIS

A quarter when we would traditionally expect to see less activity with January being a low functional month, the energy in the AUS & NZ mid-market M&A sector was positive.

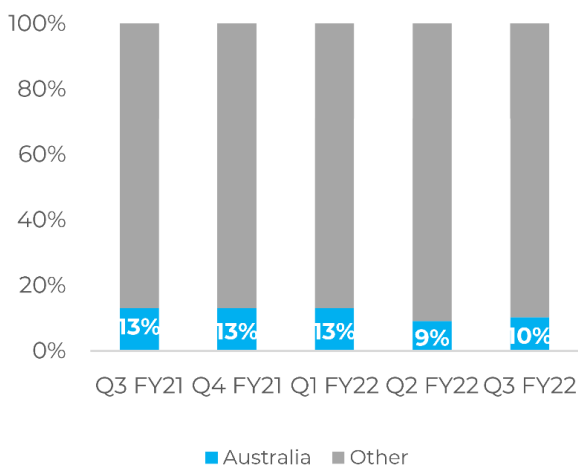
There were 134 deals published in Q3 – down from 153 in Q2. We saw an average deal size \$34M, pretty much in line with Q1 FY22 and Q4 FY21. We believe, Q2 FY22 was an outlier with a high average deal size of \$54M.

To kick off Calendar Year (CY) 2022, the top 3 performing sectors by deal count were IT, Medical and Financial Services. There were a total of 39 deals in the IT sector with an average deal size of \$31m, 30% of all ANZ mid-market activity. Similar to our previous quarter M&A reviews, the IT sector in Australia and NZ continues to lead the industry.



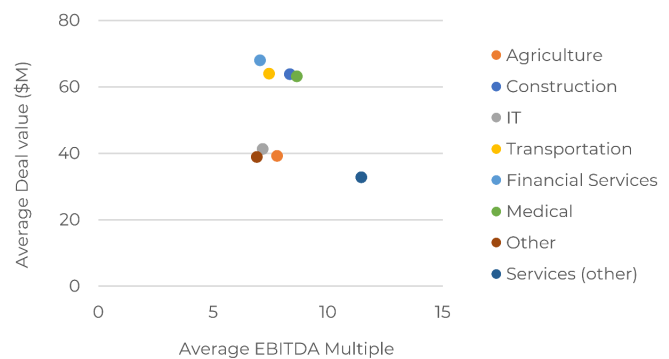
AUSTRALIA'S DEAL ACTIVITY VS WORLD – TRANSACTION VOLUME

When assessing Australia's hold on international mid-market M&A, data extracted from Mergermarket highlights a slight increase in the market share. Consistently responsible for 13% of activity in the past, the total deal activity in Australia is slowly recovering with 10% of the total deals in Q3 FY22. This slight increase on the previous quarter is likely due to the recovery from the instability and uncertainty in international and domestic borders during Covid-19. We observe that, Australian dealmakers have slowly started getting back to making deals and this trend is expected to continue for the next few quarters.



APAC INDUSTRY EBITDA MULTIPLES

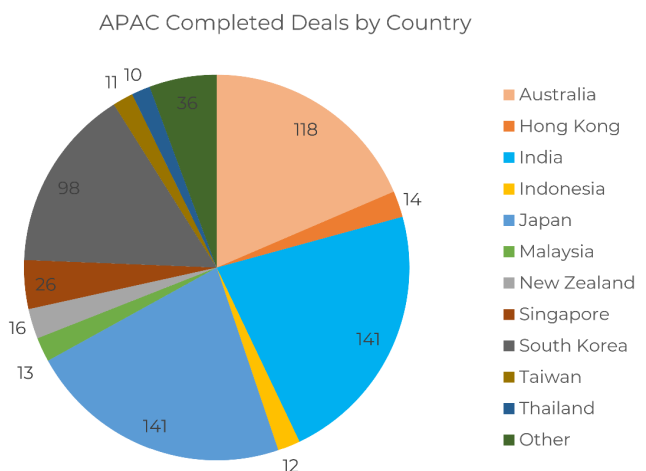
A key indicator of industry confidence is the multiples at which participants are willing to pay for businesses. From the available EBITDA multiples extracted from Mergermarket, the sectors with the most activity, IT, Medical and Services, traded at average multiples of 7x to 11x respectively. We do 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 636 deals completed with an average deal size of \$48M. Although the average deal size was down by \$3M from last quarter, the average deal volume increased by 5% compared to the previous quarter. We believe this was perhaps due to a recovery from the uncertainty in the international and domestic markets caused by Covid-19 and also deal-makers returning from Christmas break.

In Australia there were 118 deals completed - down from 124 in the previous quarter. On the other end of the spectrum, India proved a Mid-Market powerhouse in Q3, completing 141 deals – up from 77 last quarter.



MAJOR DEAL REVIEW: MID-MARKET HIGHLIGHTS

Moore Australia consistently plays a key role in the AUS & NZ mid-market.

In the December 2021 - January 2022 period, we provided transaction advisory services to RPL Trading Limited, with their successful acquisition by IMCD. RPL is a raw material supplier to the chemical industry in Australia and IMCD is a distributor of specialty chemicals and ingredients.

IMCD is listed on the Euronext Amsterdam Stock Exchange operates in more than 50 countries.

NOTES:

- Deals with value under \$150M were considered
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 26 April 2022
- Sub-sectors have been allocated towards larger sectors
- Deal metrics for the APAC region are excluding mainland China

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