

APAC MID-MARKET M&A REVIEW Q4 | 2022 FINANCIAL YEAR



OVERVIEW

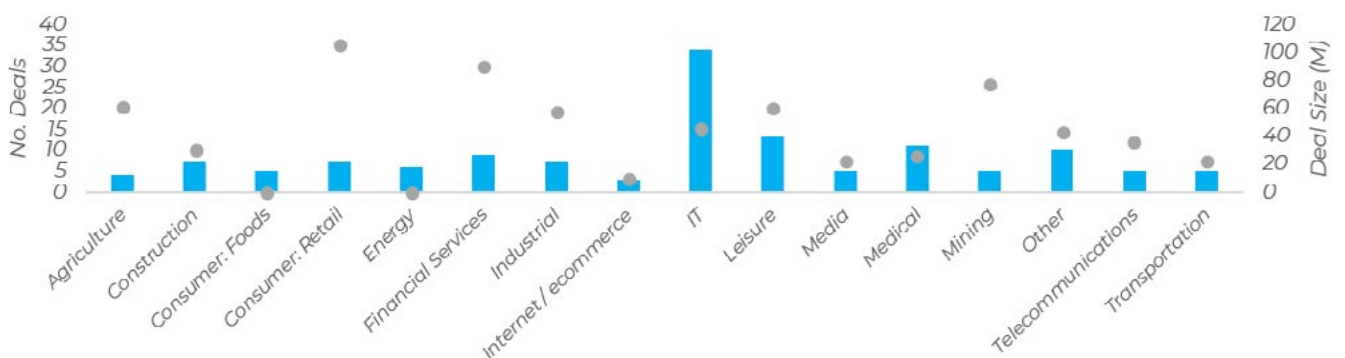
As the curtains are drawn on FY22, we look at the M&A landscape for the fourth quarter. Making headlines were the RBA. Confronted with the prospect of elevated inflation and market uncertainty, they were the dominant influence within the M&A market. The decision to increase rates from 0.1% to 0.85%, as well as indicate additional increases within the short term was a far cry from the promise of no rate rises until 2024.

But, despite rising cost of debt, the lingering effects of COVID-19 and the geo-political instability flowing from the Russia-Ukraine war, the resilience of the M&A market in APAC has been evident. We also confirm the trend from the third quarter that stable and profitable companies are the flavour of the season.

SECTOR ANALYSIS

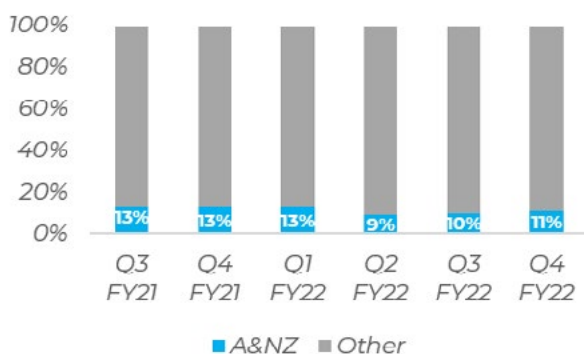
The Australian and New Zealand mid-market saw an exceptionally strong quarter with a significant lift in deal values and volume. There were 152 deals published in Q4 – up from 134 in Q3 and consistent with 158 seen in Q4 2021. We also saw an average deal size of \$49.8M, up over \$15M from last quarter as well as in Q4 2021. Our analysis of the deal values highlighted several outlier transactions at the top of the mid-market range, including Mexican restaurant chain Guzman Y Gomez’s partial sale for \$146M (Leisure).

Notably, Australia’s top performing sectors by deal volume were IT, Services and Leisure. Agriculture has also performed strongly in the final quarter of FY22 with average deal value increasing by over 60% as firms place an increased value on securing supply chains by acquiring businesses to combat the rising cost of international freight and transportation. Financial Services also performed admirably with ~103% rise in average deal value as the sector undertook a number of consolidations and dealmakers seek to realise synergies.



AUSTRALIA AND NEW ZEALAND DEAL ACTIVITY VS WORLD – TRANSACTION VOLUME

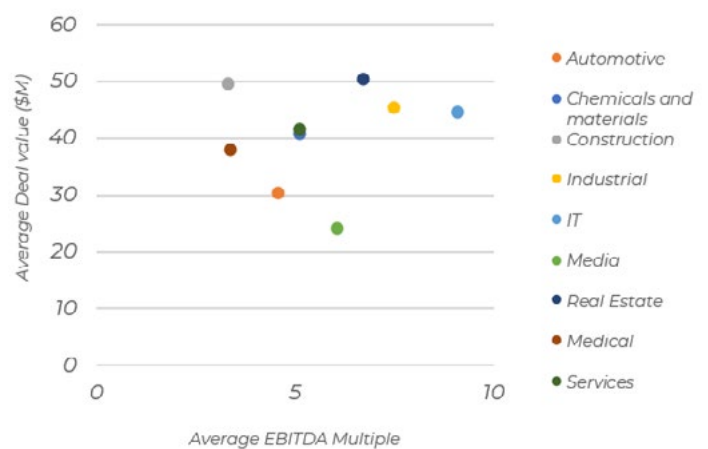
When assessing Australia and New Zealand's hold on international mid-market M&A, data extracted from Mergermarket highlights a slight increase in the market share. Previously responsible for 13% of activity, the total deal activity in Australia is slowly recovering with 11% of the total deals in Q4 FY22. This slight increase on the previous quarter is likely due to cross border transactions with New Zealand beginning to re-enter the pipeline after the easing of the significant Trans-Tasman border restrictions that limited deal flow between the neighboring countries.



APAC INDUSTRY EBITDA MULTIPLES

AA key indicator of industry confidence is the multiples at which buyers are willing to pay. From the available EBITDA multiples extracted from Mergermarket, the two sectors with the most activity, IT and Services, traded at average multiples of 9x and 5x respectively. Our analysis indicates there has been a general decrease in multiples paid across most sectors, with multiples now falling below 5x in contrast to recent quarters.

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.

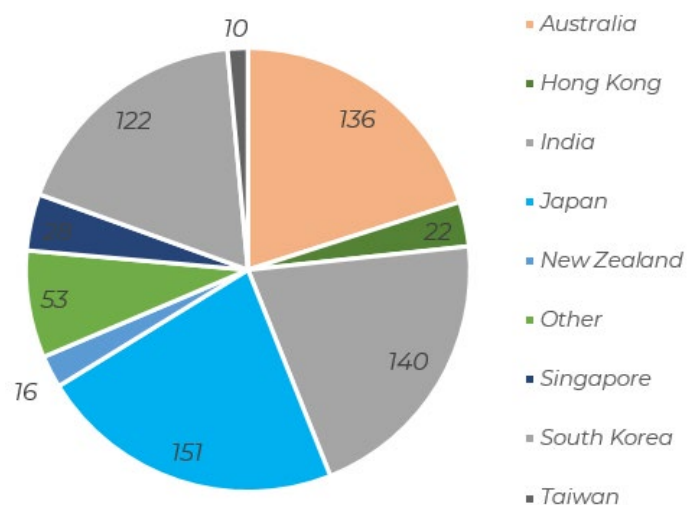


APAC REGIONAL DEAL COUNT

Alongside Australia and New Zealand, the entire APAC region also experienced a robust final FY22 quarter. In total there were 678 deals completed with an average deal value of \$46M representing an 11.5% increase in deal volume compared to the 608 last quarter and 34.8% increase on the corresponding quarter last financial year (503). Average deal volumes are down by \$5M compared to the preceding quarter however remain in line with recent historical averages.

In the Australian market, there were 136 deals completed – up from 124 in the previous quarter, contributing positively to the rise in deals overall. Perennial APAC leader Japan also had a strong quarter increasing deal volume from 141 to 151 but still down from its mammoth 258 deals in the second quarter of FY22.

APAC Completed Deals by Country



MAJOR DEAL REVIEW: MID-MARKET HIGHLIGHTS

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

In the fourth quarter of FY22, the Moore Australia Corporate Finance Division provided transaction advisory services to AnchorMark Pty Ltd, advising on the sale to high-net worth individuals. Anchormark are a wholesaler of construction fixing materials, supplying screws, steel anchors, general fixings and others. Formerly known as Fischer Australia, the business was established as AnchorMark in 2002 and was sold at ~5x EBITDA multiple.

NOTES:

- Deals with value under \$150M were considered
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 21 July 2022
- This report is based on the availability of transaction metrics
- Sub-sectors have been allocated towards larger sectors
- Deal metrics for the APAC region are excluding mainland China

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