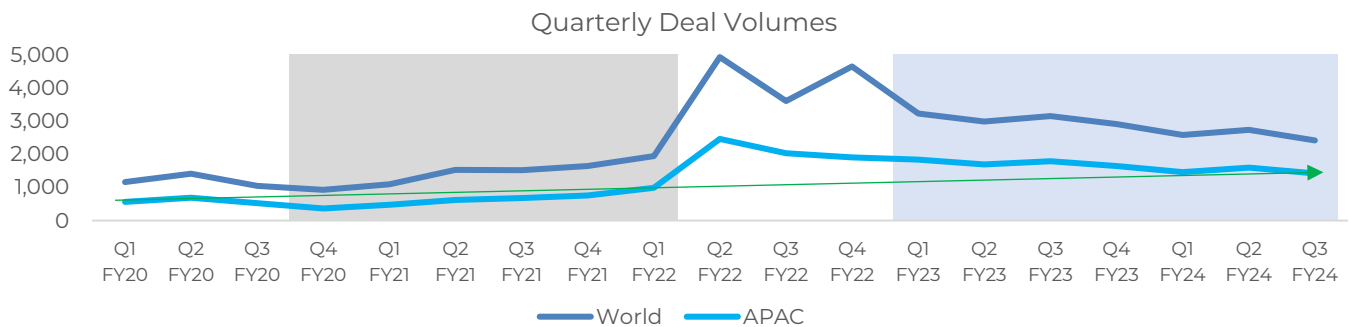




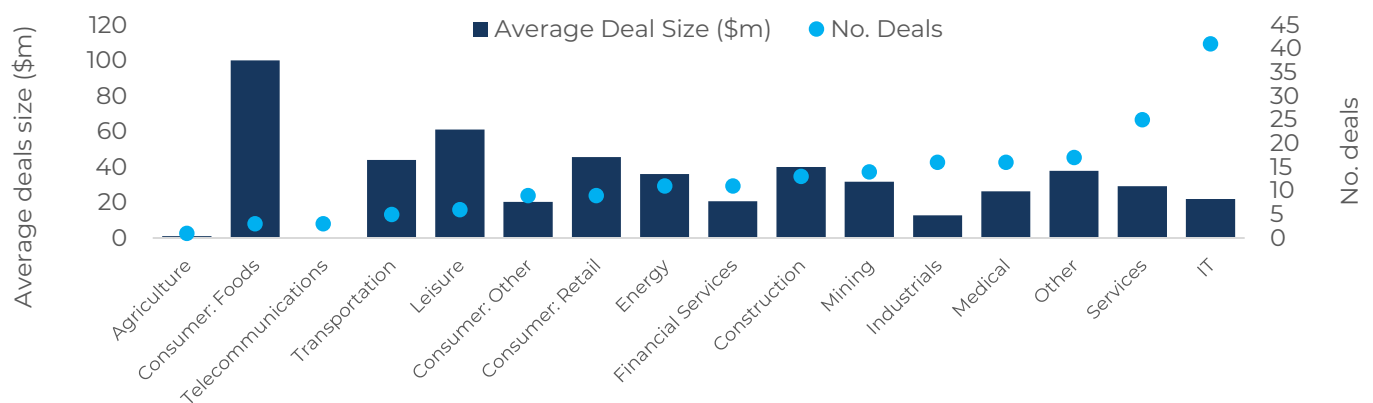
Overview – M&A to pick up as normalisation process completes.

As we move into the last quarter of the financial year, Moore Australia takes the opportunity to review mid-market M&A activity for Q3 FY24. After an improved Q2 performance, deal volumes across APAC fell 8%. This was mirrored globally, with a 9% drop from Q2, while the ANZ region saw a 32% decrease in activity. Although not unusual in the period following Christmas—since FY20, the average movement in deal volumes from Q2 to Q3 has been minus 8% in APAC—we take this opportunity to explain Q3 using some long-term trends in the APAC mid-market.



We refer to the graph above—deal volumes in the APAC region tend to follow trends seen worldwide. The grey highlight represents the COVID-19 impacted period surrounding FY21. The compounded quarterly growth rate (CQGR) over this period was 11%. Despite restrictions in travel, record low interest rates drove solid M&A growth due to the low cost of debt funding transactions. On the other hand, the blue highlight represents the period post COVID-19 (and the COVID-19 boom) and begins from the first interest rate rise. The CQGR over this period is -4%. Based on this, it appears the world's monetary policy, coupled with the now completion of deals delayed during COVID-19, is doing its job in normalising deal volumes. Based on simple trend analysis, we believe the normalisation process is almost complete and expect to see deal volumes pick up as we transition into FY25.

Strategic buyers drag businesses out of administration.



In the A&NZ region, there were 200 deals announced in Q3 FY24, down from the 293 seen in Q2. A drop in the Jan-Mar period is somewhat expected given January is often reserved by dealmakers for summer holidays.

The usual sectors in IT and Services remained busy but at lower deal values of between \$20m and \$30m, while there were 3 transactions in consumer foods, most notably the sale of Sara Lee out of administration. Bought by the same party who carried Darrell Lea out of administration in 2012, this transaction highlights the unique ability of those with industry experience to turn a struggling business profitable again. Moore is seeing an increase in these scenarios as insolvency practitioner appointments continue to soar.

Japan leads M&A activity in APAC and demand for IT businesses remains strong.

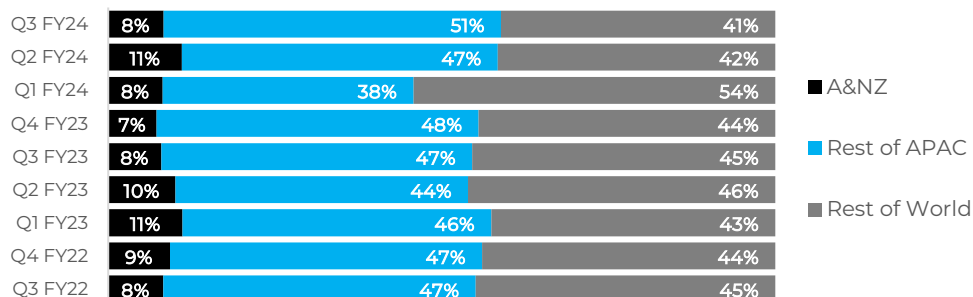
	IT	Other	Services	Industrials	Medical	Construction	Financial Services	Consumer: Retail	Consumer: Other	Leisure	Energy	Consumer: Foods	Transportation	Mining	Telecommunications	Agriculture	Total
Japan	274	96	81	72	37	31	22	38	22	33	7	16	9	0	5	4	747
India	54	31	23	16	14	15	15	2	14	9	7	8	3	0	4	2	217
Australia	35	14	24	15	13	9	10	9	8	4	11	3	5	14	3	1	178
Other	23	14	8	12	5	8	4	5	7	5	8	2	5	4	4	2	116
South Korea	22	13	8	19	9	3	10	4	5	2	1	1	2	1	2	0	102
Singapore	17	2	5	2	1	3	1	1	1	1	1	0	0	0	1	1	37
New Zealand	6	3	1	1	3	4	1		1	2	0	0	0	0	0	0	22
Total	431	173	150	137	82	73	63	59	58	56	35	30	24	19	19	10	1419

Transaction volumes in the APAC region fell to 1,419, down from the 1,549 deals in the previous quarter. The top three players in the space all held strong. Japan remains the most influential contributor with 747 deals announced, while India and Australia sit second and third respectively.

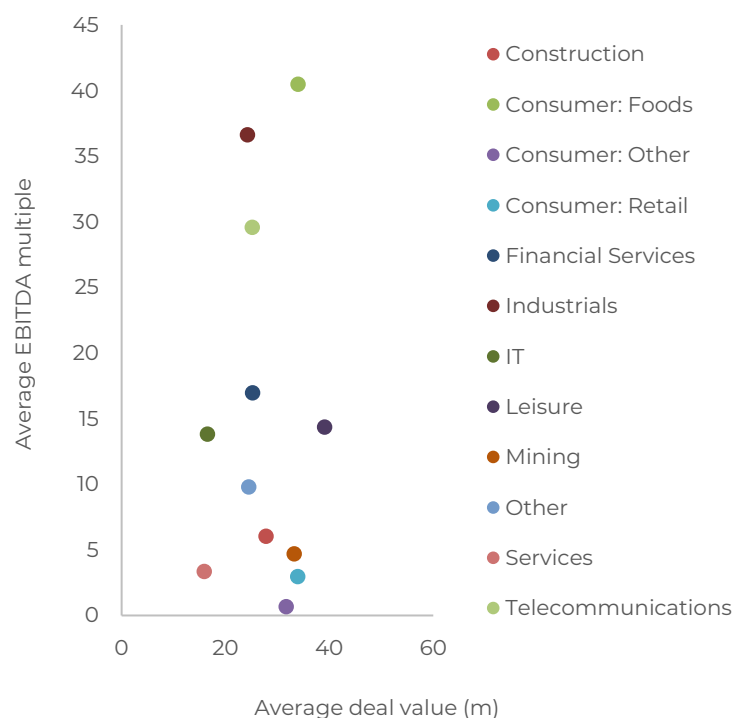
From an industry perspective, IT businesses continue to sell well alongside services. We at Moore Australia are seeing an increase in excitement around the industrial sector, particularly those with an ESG angle, and this is highlighted by an increase in the number of deals in the space.

A&NZ share of global M&A remains solid.

The A&NZ region's foothold on global M&A fell to 8% in Q3 FY24. This is in line with Q3 figures for the last 3 years. APAC, however, increased its share as a whole—largely thanks to Japan and India.



EBITDA multiples jump as outliers skew data.



A key indicator of industry confidence is the multiples at which buyers are willing to pay. Overall, average EBITDA multiples increased on Q2 from 11x to 15x. Consumer foods and Industrials drove this increase with average multiples of 40x and 36x, albeit skewed by various outliers. Last quarters multiples were 10x.

The IT sector traded at an average of 14x, the same as in Q2, but still 18% lower than in Q1. The sector is still a standout, and results continue to align with the demand we are seeing in the space.

We do caution that when using transaction 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.

Get in touch with Moore Australia today

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

We offer lead advisory and transaction support services. Our experienced teams provide a professional and personal experience that distinguishes us from other firms.

Reach out to your local firm today.

Notes:

- Deals with value under \$150M were considered;
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 17/04/2024;
- Not all transaction's deal value available due to private nature of some transactions where deal size is not revealed;
- This report is based on the availability of transaction metrics;
- Sub-sectors have been allocated towards larger sectors; and
- Deal metrics for the APAC region are excluding mainland China.

REGIONAL CONTACT DIRECTORY

BENJAMIN YEO

Director, Chair of the Moore Australia National Corporate Finance Committee
benjamin.yeo@moore-australia.com.au

ATUL MEHTA

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

PATRICK ROZARIO

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

BERNARD JUAY

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

HERJANTO LUTANTO

Managing Partner, Indonesia
hlutanto@moore.co.id

DENNIS CHONG

Executive Director, Malaysia
dennischong@moore.com.my

JAMES CALDWELL

Partner, Audit, Japan
james.caldwell@moreshisei.jp

NIKIHIL SINGHI

Managing Partner, India
nsinghi@singhico.com

LEON HOU

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



www.moore-australia.com.au

An independent member of the Moore Global Network Limited - members in principal cities all throughout the world. Liability limited by a scheme approved under professional Standards Legislation.

The information provided in this document is for general advice only, and does not represent, nor intend to be advice. We recommend that prior to taking any action or making any decision, that you consult with an advisor to ensure that individual circumstances are taken into account.