



APAC MID-MARKET M&A REPORT

MID-MARKET REVIEW Q2 | 2023

OVERVIEW

As January commenced marking the start of the new Q3 FY23, we have taken the opportunity to review the mid-market M&A activity for Q2 FY23. Many of the same themes that dominated the start of FY23 continued to exert their influence over investor decision making in Q2 FY23, including rising interest rates and inflation, record low unemployment, the war in eastern Europe and the rising cost of energy.

With equity capital markets remaining cautious and large M&A on hold, mid-market M&A has continued to strengthen in the APAC region with deal volumes eclipsing previous quarters.

Understandably, a risk-averse attitude to investment has continued to prevail across the market, with Moore Australia continuing to experience a trend of businesses with strong cash flows and steady profit margins appearing more favourable to acquirers.

With the general economic outlook forecast to improve in 12-24 months and high-growth opportunities appearing, many profitable businesses with strong balance sheets are gearing up, hunting bolt-on acquisitions that will provide them with the necessary human resources and technical know-how to succeed as market conditions improve.

Dealmakers across the region have also been anticipating a relaxation of COVID-19 restrictions and

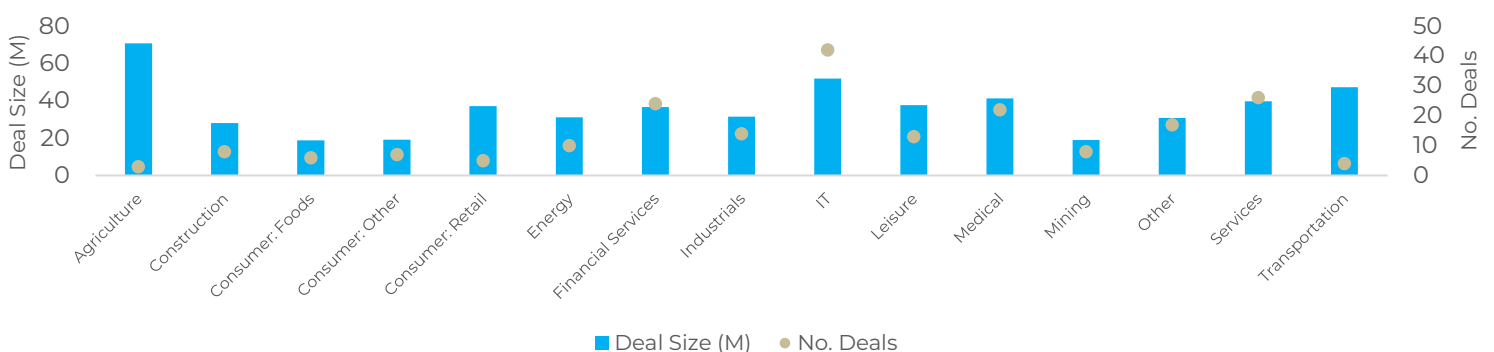
re-opening of international borders in China, which will re-invigorate economic activity in the APAC region and reward businesses which are well prepared to take advantage of this market.

SECTOR ANALYSIS

Continuing to buck the trend of other global markets, including large-scale M&A and ECM, the quarterly performance for Australia and New Zealand mid-market M&A was positive. There were **209 deals** inked in Q2 FY23 compared to 184 the previous quarter and the highest since Q1 FY22 highlighting the resilience of the ANZ M&A market.

We saw an average deal value of \$37m which is down \$10m from the previous quarter, highlighting the current emphasis in smaller mid-market dealmaking amidst volatile economic conditions. Turning to performance by sector, IT had once again the greatest number of deals (42) followed by services (26) and financial services (24). IT has continued to perform strongly with confidence re-emerging, consolidation occurring as companies look to realise cost synergies and enhance profitability.

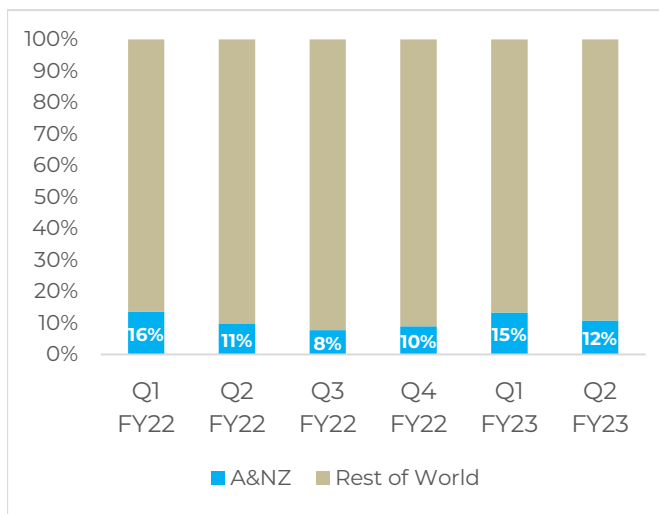
The consumer retail sector has, however, been hit hard by heightening cost of living pressures with the average deal value falling from \$63m in the previous quarter to \$37m in Q2 FY23. This trend is expected to continue in the short-to-medium term.



AUSTRALIA AND NEW ZEALAND DEAL ACTIVITY VS WORLD – TRANSACTION VOLUME

In terms of Australia and New Zealand’s relative importance in the mid-market M&A sphere, Q2 FY23 saw a slight reversal of recent trends. ANZ decreased their hold to 12% as a percent of total transaction volume compared to 15% the previous quarter.

We believe this to be due to speculation around the further re-opening of borders and loosening of COVID-19 restrictions within APAC, leading to a disproportionate increase in regional M&A activity. Furthermore, continued inflationary pressures, record low employment and ongoing rising interest rates have fueled caution amongst Australian deal makers.

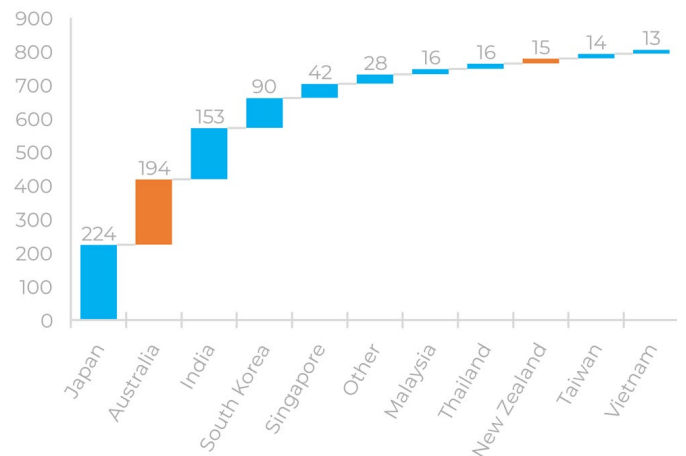


Although ANZ saw a decrease in its share of the mid-market M&A this quarter, the APAC region demonstrated a strong appetite to transact, with 805 deals completed across the second quarter compared to last quarter’s 636. Turning to average deal size they have fallen by \$6m to **\$37m** relative to the \$43m last quarter. However, this is once again in line with historical averages.

Australia indicated a strong willingness for M&A with **194** deals, a significant rise from 168 the previous quarter.

Japan saw a major increase in the number of M&A transactions following the re-opening of its borders and relaxation of COVID-19 restrictions, with 224 deals compared to 154 on the previous quarter. India remains the third major influence with 153 deals completed in Q2 FY23.

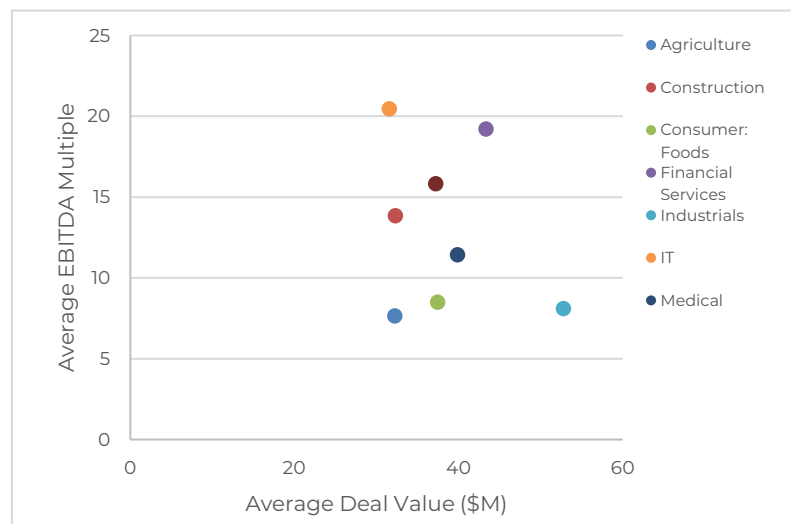
APAC DEALS BY COUNTRY



APAC INDUSTRY EBITDA MULTIPLES

A 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 Financial Services, traded at average multiples of **20x** and **19x** respectively. These multiples have increased on last quarter and can be attributed to the stabilisation of valuations in the technology space following significant devaluations in late FY22.

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.



MAJOR DEAL REVIEW: MID-MARKET HIGHLIGHTS

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

In the second quarter of FY23, we provided strategic and transaction advisory services to RPO Pty Ltd (“RPO”), with their successful acquisition of Wyse Finance Pty Ltd (“Wyse Finance”). Following a strategic review, it was advised that RPO, a leading operational lease provider of luxury automobiles to non-citizen Australian residents, required an Australian Credit Licence (“ACL”) to expand their services to commercial operators. RPO’s acquisition of Wyse Finance enabled access to the ACL held within Wyse Finance and expansion into the commercial leasing markets within Australia.

NOTES

- Deals with value under \$150M were considered.
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 03/02/2023.
- 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.
- 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.