

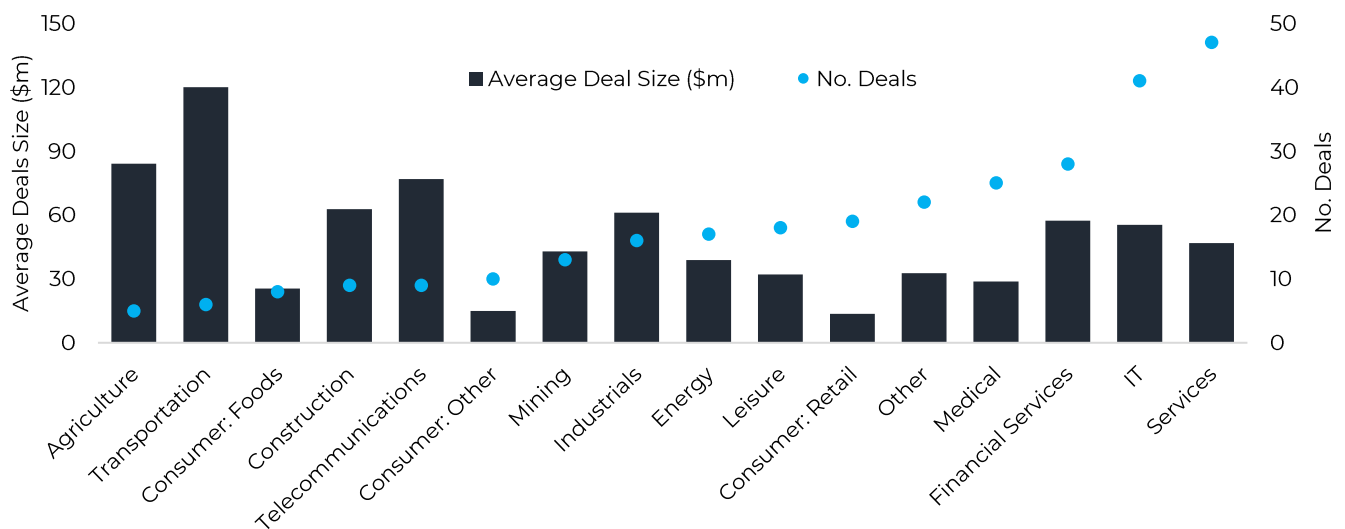


Overview

As we enter the new year, Moore Australia has taken the opportunity to review the mid-market M&A activity for Q2 FY24. After a slow Q1, activity across APAC has improved with a 31% increase in deal volumes. Activity in Australia & New Zealand (A&NZ) was a highlight in the region, with a 39% increase in deals. The local M&A market rebound is on the back of slowing inflation, rumours of a 2024 interest rate cut from the RBA, and improved investor sentiment surrounding the forecast earnings of businesses in the near term.

IT, Services and Financial Services continued to be the most popular sector for dealmakers in A&NZ and APAC, with IT accounting for 27% of total deals. The earnings multiples acquirers were willing to pay for businesses across APAC fell by 19% this quarter, after increasing 25% last quarter. These swings are not unusual in an environment with volatile inflation and interest rates, which are key inputs to company valuations.

Mid-market M&A deal volume rebounds and Services reigns as the most active sector in APAC



A&NZ mid-market transaction volumes grew significantly, signalling investor confidence in a soft landing for the Australian economy. There were **293** deals announced in Q2 FY24, eclipsing the 211 deals of last quarter and hitting a 12-month high. Ignoring macro-economic factors, this isn't unexpected given the batch of deals brought to market in the new FY would be expected to complete prior to Christmas.

Turning to activity by sector, Services once again dominated the mid-market as the most active sector for local M&A, with a total of 47 deals inked, a strong increase from 34 last sector.

Another consistently active sector is Financial Services with 28 deals and an average deal value of **\$57m** in Q2. This is despite the sector facing challenges in recent times with high inflation, real wage growth and lower economic growth projections reducing the outlook for these businesses. Sharp analysts use these factors as an opportunity to find a bargain.

The largest completed deal value within our search range also fell in the Financial Services industry after Regal Partners' acquisition of PM Capital valued the fund manager at **\$150m**.

Moore Australia notes that 80 of the 293 deals are yet to be completed at the time of writing due to delays in deal reporting.

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

	IT	Other	Services	Industrials	Financial Services	Medical	Construction	Leisure	Consumer: Retail	Consumer: Other	Energy	Transportation	Consumer: Foods	Telecommunications	Mining	Agriculture	Total
Japan	277	91	72	53	24	39	46	33	26	28	14	14	11	3	0	4	735
Australia	33	17	42	16	22	22	8	14	18	10	16	5	7	6	13	5	254
India	53	37	14	12	26	21	12	9	10	11	10	7	4	1	0	0	227
South Korea	25	28	11	27	10	10	5	3	1	3	3	3	5	3	1	0	138
Singapore	18	6	10	4	8	3	1	2	0	1	3	0	0	0	1	1	58
New Zealand	8	5	5	0	6	3	1	4	1	0	1	1	1	3	0	0	39
Other	8	20	10	4	14	8	6	5	3	1	6	4	3	2	2	2	23
Total	422	204	164	116	110	106	79	70	59	54	53	34	31	18	17	12	1549

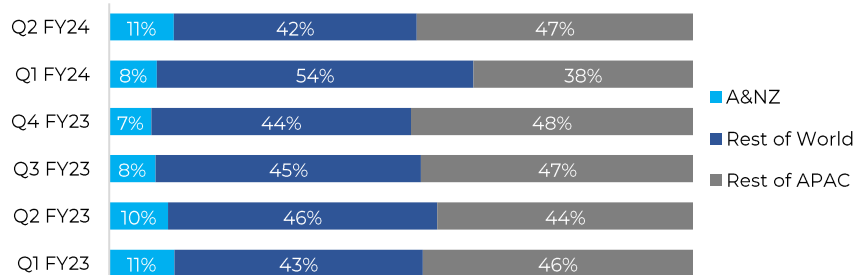
Transaction volume surged across the APAC region, with 1549 deals announced in Q2 FY24, a significant rise from 1184 deals last quarter. Japan remains the most influential contributor with 735 deals announced, accounting for 47% of deals in the region.

India also proved to be a growing space for M&A activity with 227 deals announced, closely following A&NZ's count of 293. A large portion of these deals coming from the IT space, a product of strong demand for inbound M&A in the region.

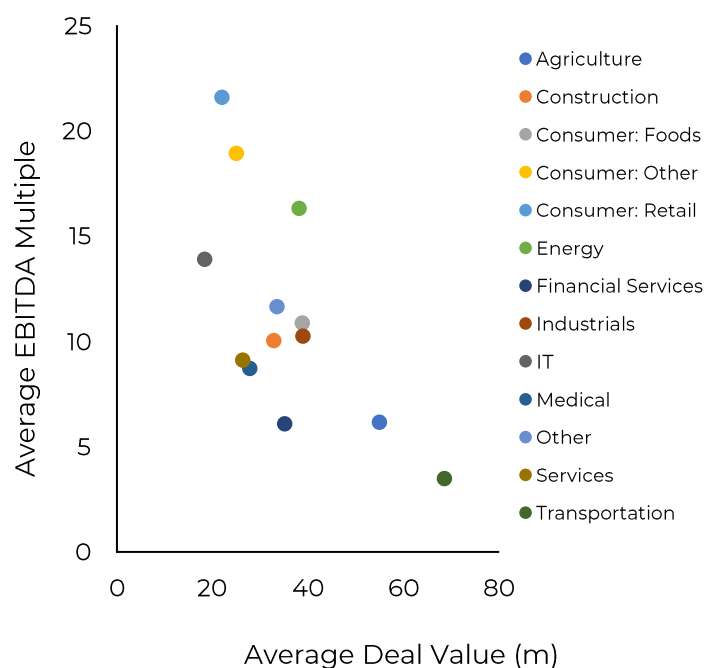
A&NZ share of global M&A increases to reach high since Q1 FY23

A&NZ has increased its foothold on global M&A to 11% after declining to 7-8% in the previous three quarters.

APAC has also improved its share of global M&A from 38% to 47%, with a positive outlook for most economies in the region.



EBITDA multiples fall 19% across APAC and IT sector valuations are slashed



A key indicator of industry confidence is the multiples at which buyers are willing to pay. Overall, EBITDA multiples decreased by 19% on last quarter.

The drop in multiples is no surprise given the volatility in M&A multiples seen in recent years, a result of turbulent inflation and interest rates – both key inputs to company valuations.

The most active sectors, IT and Services traded at average multiples of 14x and 9x respectively. IT multiples have fallen 18% from Q1, as the AI hype for technology businesses subsides.

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

We provided lead advisory services to Wild Rhino on their successful sale to The Shoe Group in Q2 FY24. Established more than 20 years ago, footwear and accessories company Wild Rhino is one of Australia & New Zealand's leading footwear brands – specialising in premium quality footwear and accessories for men. Moore Australia lent on our extensive experience providing specialist Lead Advisory and Transaction Support to maximise the value realised by shareholders. The transaction joins two highly synergistic businesses and we look forward to continuing to provide expert M&A advice to the footwear sector.

Notes:

- Deals with value under \$150M were considered;
- Deal values and multiples are based on data available only through Acuris Mergermarket; Accessed on 07/02/2024;
- 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@moorehisei.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

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