Dealtracker 2019

Australian M&A and IPO market insights

March 2019

Financial Advisory

M&A

Welcome to the sixth edition of Dealtracker, our analysis of the Australian Mergers and Acquisition (M&A) and equity markets. This edition covers transactions during the 18 month period from 1 July 2017 to 31 December 2018.

Our key

Increased deal activity

Deal volume is on a positive trajectory compared with previous Dealtracker periods, driven by strong M&A activity for the most part across both Investment Manager ("IM") and corporate acquirers during 2017. This has been assisted by a surge in Information technology sector acquisitions lead by corporate bidders intending to expand their technological capabilities and opportunistic IM bidders identifying growth opportunities.

Continued flow of overseas acquirers

Overseas purchasers comprised 31% of transactions, up from 28% in the previous Dealtracker period to continue the upward trend evident in prior years. There has been strong and continued appetite for Australian investments primarily from the US and Canada, as Australia is regarded as a safe-haven given its relative political and economic stability which strengthens its international reputation.

Investment Managers

There was a continued growth in IM activity in the current Dealtracker period particularly in comparison with the period of high exit volumes in 2013 to 2015. This was driven by improved fundraising conditions for managers. Compared to the previous Dealtracker, IM interest shifted towards Information Technology and Industrials sector consolidation opportunities, and away from the Consumer Discretionary sector.

IPO activity

The IPO market has continued to stabilise post the high activity level observed in 2015, with an overall decline of 4% in the total value of IPO proceeds during the Dealtracker period, compared with the preceding 18 months. The slower activity was felt particularly in the higher end of the market, and is a result of increased global market volatility throughout the period, however H2 2018 finished with a strong rebound in capital raises.

Deal multiples

The median multiples of EBITDA across the market as analysed during this Dealtracker period were strong for transactions in the $20+ million revenue ranges fueled by the weight of funding available for high quality businesses. Stand out sectors included niche consumer discretionary providers and consumer staple providers driven by food security and branded food opportunities.

Deal volumes peaked through the 18 month period through to December 2018, with overall deal volume reaching record levels compared with historical Dealtracker reports. Activity over the period was likely driven by continued interest from offshore investors and a rush for corporates to enhance their technological capabilities.

Introduction

This sixth edition of Dealtracker focuses on Australian Mergers and Acquisitions ("M&A"), and equity market activity during the 18 month period to 31 December 2018 ("the period"). Our previous Dealtracker (edition five) covered the 18 months to 30 June 2017 and edition four covered the 18 months prior.

The data in this report was compiled from several sources including S&P Capital IQ, the Australian Securities Exchange, Mergermarket, IBISWorld, transaction surveys, company announcements and other publicly available documents.

We consider this consolidated mutli-source analysis – supplemented with our own proprietary sources – to provide the most comprehensive insight into recent Australian deal activity.

This survey is limited to going concern business sales, excluding those with a significant real estate nature.

The currency referred to throughout the document is in Australian dollars.

M&A deal trends

Our analysis shows that there was a surge in M&A deal volumes during the 18 months to 31 December 2018, with transactions growing by 10% compared to the previous Dealtracker period (edition five), although the majority of the surge occurred in H2 2017.

On a quarterly basis, the fourth quarter of 2017 was a record for this publication, with a total of 302 deals occurring during the quarter comprising 22% of the total deals for the full period. In comparison, the same quarter of the following year (Q4 2018) amounted to 12% of total deals within the period, which was relatively the weakest quarter overall.

Following the strong level of activity in the second half of 2017, which comprised 42% of the total deals for the period, deal volumes reverted back to previous historical levels. The recent decline in activity over Q3 2018 and Q4 2018 may be attributable to the significant volatility on equity markets, regulatory uncertainty in a number of sectors (notably Banking and Health and Aged Care) and concerns over the effects of 2018 residential property valuation falls.


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Dealtracker 5
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Dealtracker 3
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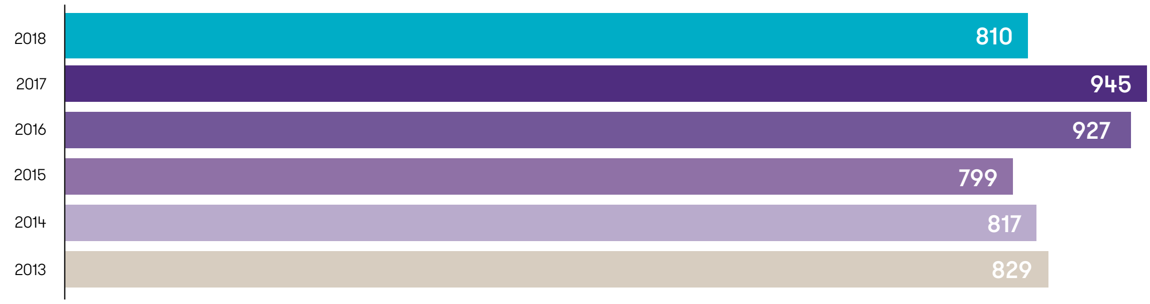
2018
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2017
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2016
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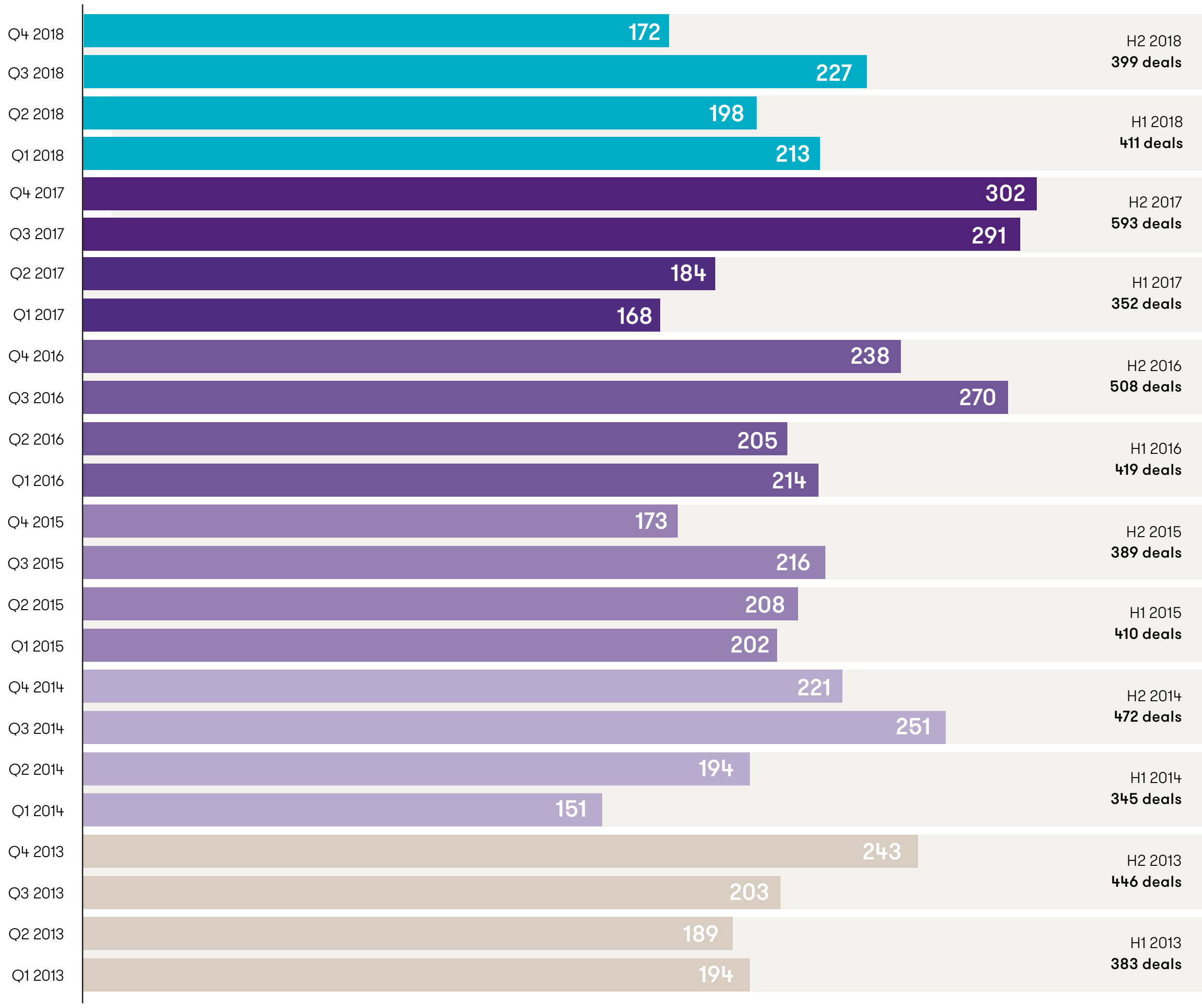
Q4 2018
172
Q3 2018
227
H2 2018
399 deals
Q2 2018
198
Q1 2018
213
H1 2018
411 deals
Q4 2017
302
Q3 2017
291
H2 2017
593 deals
Q2 2017
184
Q1 2017
168
H1 2017
352 deals
Q4 2016
238
Q3 2016
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H2 2016
508 deals
Q2 2016
205
Q1 2016
214
H1 2016
419 deals
Q4 2015
173
Q3 2015
216
H2 2015
389 deals
Q2 2015
208
Q1 2015
202
H1 2015
410 deals
Q4 2014
221
Q3 2014
251
H2 2014
472 deals
Q2 2014
194
Q1 2014
151
H1 2014
345 deals
Q4 2013
243
Q3 2013
203
H2 2013
446 deals
Q2 2013
189
Q1 2013
194
H1 2013
383 deals

Sector composition

The continued movement of the Australian economy from a resource-led economy to a knowledge-based service economy has driven investments in the Information technology, Healthcare, and Consumer staples sectors, whilst simultaneously resulting in significant consolidation in the Industrials sector.

The composition of M&A deals by sector is driven by a focus on innovation through adoption of new technological capabilities and also continues to exemplify the transition of the Australian economy from a resources driven economy to a diversified service based economy.

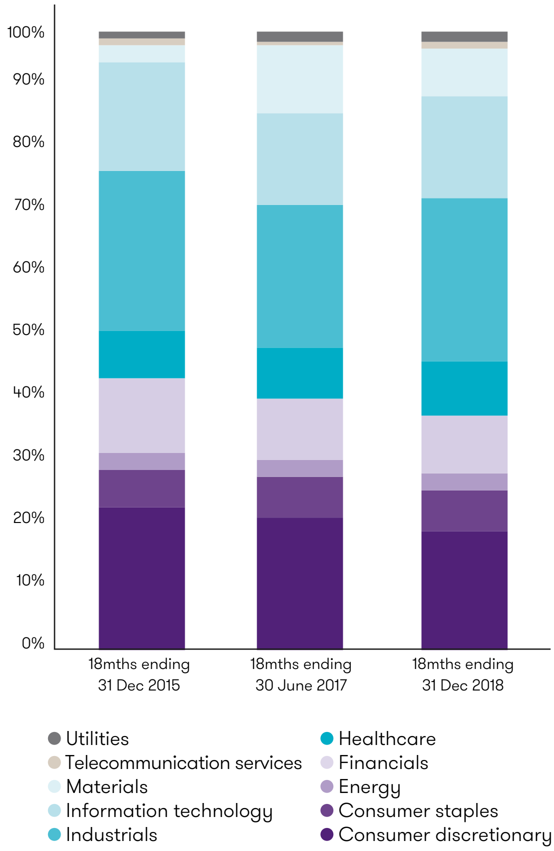
A surge in Information technology deals has occurred as established trade buyers across sectors become increasingly inclined toward innovative investment strategies to enhance their technological capabilities whilst seeking to tap into new customer markets. Deals in this sector increased over the period by 23% from the preceding 18 month period. Volumes in this sector are predicted to remain strong as buyers continue to seek the expansion of their digital capabilities, to better serve customer preferences and create operational efficiencies.

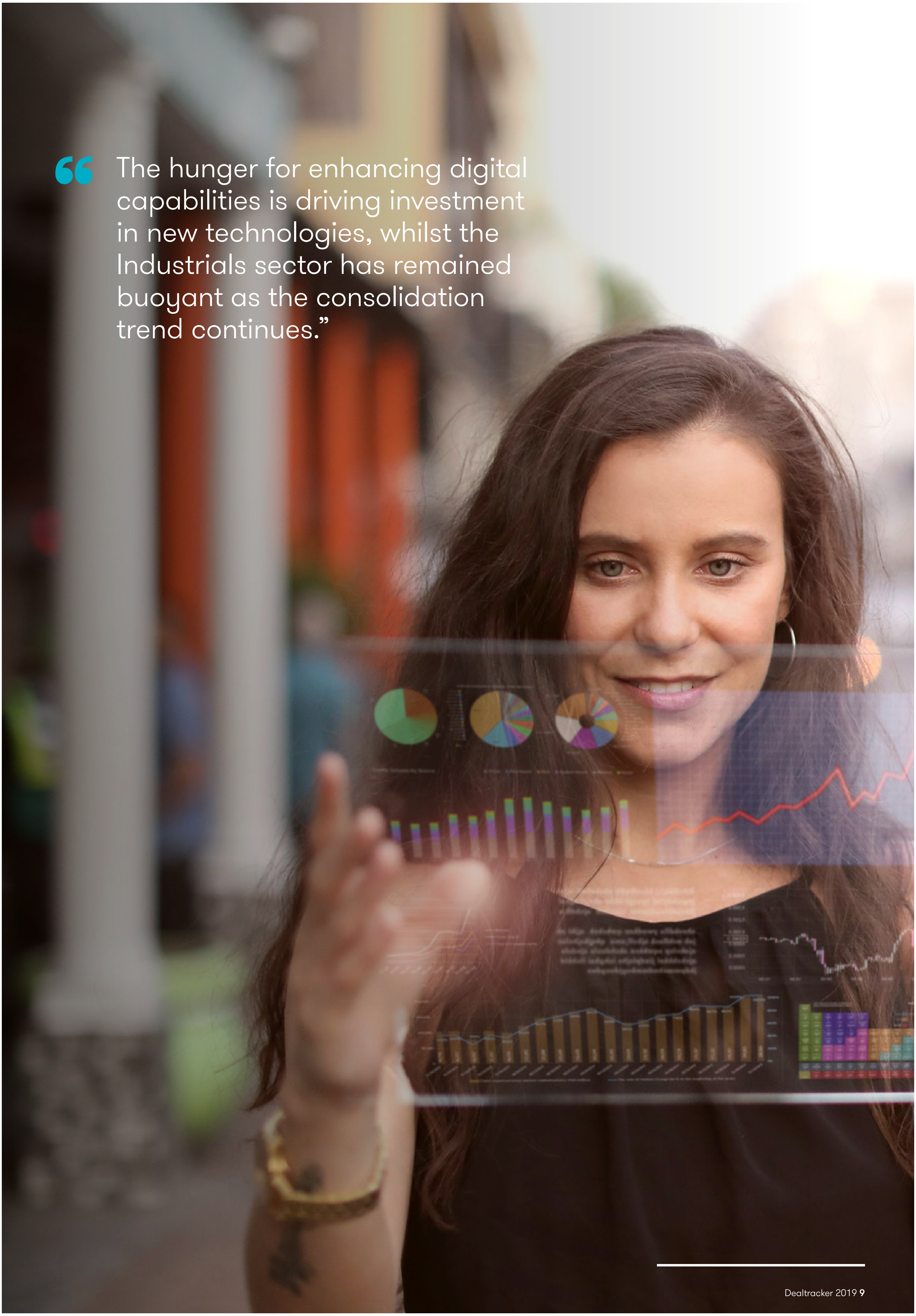
Consistent with prior periods, the Industrials sector remains the main focus for Australian M&A activity with 26% of total deal flow and the numerically largest increase in deal volume at 24% growth since the prior Dealtracker period to 30 June 2017. This continued strength can be partly attributable to the ongoing consolidation in the sector to increase operational efficiencies and breadth of offerings.

The greatest comparative decline was experienced by the Materials sector, declining by 21% over the period, although volumes remained robust driven by continuing strong commodity prices.

Deal flow in the Financials sector has also experienced a marginal fall of 3% compared with the previous Dealtracker period and now comprising 9% of M&A activity during the period, with regulatory uncertainty offset by the continuing trend of financial institutions simplifying their operating structures.

M&A – Deal composition by sector

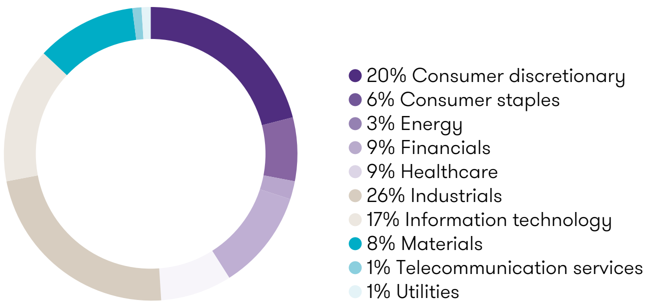




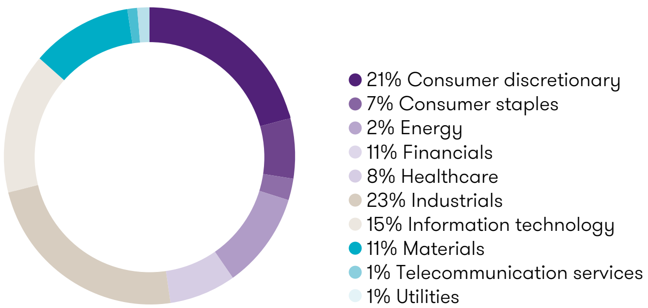
> The hunger for enhancing digital capabilities is driving investment in new technologies, whilst the Industrials sector has remained buoyant as the consolidation trend continues.”

Corporate M&A has focused on the trend of consolidation in the Industrials sector, whilst investment managers have concentrated on the Consumer discretionary, Information technology, and Consumer staples sectors.

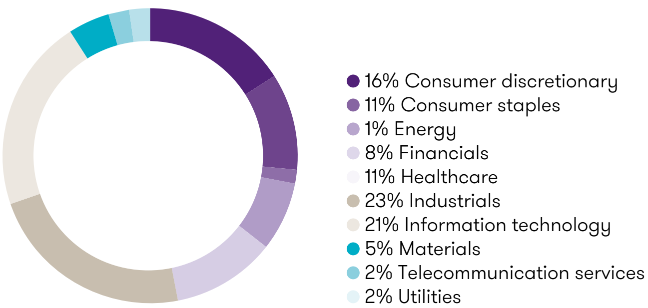
Corporate deals by sector (current period)



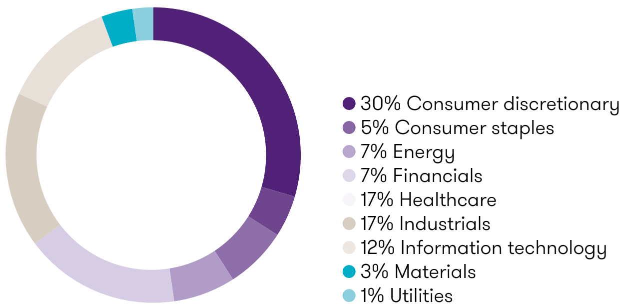
Corporate deals by sector (prior comparable period)



IM deals by sector (current period)



IM deals by sector (prior comparable period)



- In line with the prior Dealtracker period, the vast majority of corporate acquisitions occurred in the Industrials sector (26%), which was also the largest increase of corporate deal activity between the comparable periods as trade buyers continue to drive consolidation in the market. Other corporate activity remained largely similar to the comparable prior period, with slight relative decreases in the Materials, Financials and the Consumer discretionary sectors.

- In regards to IM acquisitions, there has been a change in strategy over the most recent period, with investment managers moving away from a focus Consumer discretionary and Healthcare deals to focus on Information technology, Consumer staples and niche Industrial providers. IM activity in the Information technology sector has continued to increase as companies reach the scale and profitability required to fit investment mandate criteria and IMs have been amending their mandate to invest slightly earlier.

- The level of IM acquisitions in the Industrials sector has increased to almost ¼ of all deals. This focus is driven by support for niche providers who have globally addressable markets and are taking opportunities of large corporates simplifying their structure.

- The largest decline in IM deal flow was seen in the Consumer discretionary sector, declining by 14% since the prior period. This has been driven by poor trading conditions for many of our retailers and the lack of bank support for the sector.

Top 10 deals
in the 18 months to December 2018

Acquirer: Unibail-Rodamco-Westfield (ENXTAM:URW)

Target: Westfield Corporation (ASX: WFD)

Deal value: $30,867 million

Acquirer country: France

Date: 30/08/2018

EV/EBITDA multiple: 17.0×

Westfield Corporation is an internally managed shopping centre group undertaking ownership, development, design, construction, funds/asset management, property management, leasing and marketing activities with ~2,000 staff worldwide and total assets under management of $34.5bn.

Unibail-Rodamco-Westfield (FKA Unibail Rodamco SE) is a global developer and operator of flagship shopping destinations.

Unibail Rodamco SE acquired 100% of Westfield Corporation from the Vanguard Group, Lowy family and others for shares and cash under schemes of arrangement.

Acquirer: Transurban Group (ASX:TCL); Canada Pension Plan Investment Board; AustralianSuper Pty Ltd; Tawreed Investments Ltd.

Target: Sydney Motorway Corporation Pty Limited

Deal value: $9,260 million

Acquirer country: Australia

Date: 27/09/2018

EV/EBITDA multiple: N/A

Sydney Motorway Corporation Pty Limited develops, constructs, funds, operates, and maintains WestConnex project and is based in Sydney after being founded in 2014.

The lead consortium party, Transurban Group, develops, operates, manages, maintains, and finances urban toll road networks with 13 roads across Australia and USA.

The consortium executed an agreement to acquire a 51% stake in Westconnex from the Government of New South Wales.

Acquirer: Tabcorp Holdings Limited (ASX:TAH)

Target: Tatts Group Limited

Deal value: $7,555 million

Acquirer country: Australia

Date: 22/12/2017

EV/EBITDA multiple: 15.69×

Tabcorp Holdings Limited, together with its subsidiaries, provides gambling and entertainment services in Australia.

Tatts Group Limited engages in the gambling business in Australia. The company provides gaming services through its retail and direct channels.

Tabcorp Holdings Limited agreed to acquire 100% of Tatts Group Limited.

Acquirer: Government of Australia

Target: Snowy Hydro Limited

Deal value: $7,069 million

Acquirer country: Australia

Date: 29/06/18

EV/EBITDA multiple: 11.1×

Snowy Hydro Limited generates and markets renewable electrical energy in Australia. It owns, operates, and maintains gas-fired power stations and gas-fired generator; and owns and operates diesel fired peakers.

The Federal Government of Australia signed an agreement to acquire the remaining 87% stake in Snowy Hydro Limited from Governments of New South Wales and Victoria.

Acquirer: Oxford Properties Group

Target: Investa Office Fund

Deal value: $4,433 million

Acquirer country: Canada

Date: 06/12/2018

EV/EBITDA multiple: 13.2×

Oxford Properties Group, Inc. is a real estate investment firm specialising in owning and managing interests in office, industrial, residential, and retail premises in Canada's urban markets.

Oxford Investa Property Partners (FKA: Investa Office Fund) was a real estate investment trust.

Oxford Properties Group, Inc. completed the acquisition of a 90% stake in Investa Office Fund.

Acquirer: AIA Group Limited

Target: Sovereign Assurance Company Limited and The Colonial Mutual Life Assurance Society Limited

Deal value: $4,107 million

Acquirer country: Hong Kong

Date: 31/05/2018

EV/EBITDA multiple: N/A

AIA Group Limited is the listed Hong Kong-based provider of life, retirement planning, accident and health insurance as well as wealth management solutions.

AIA Group Limited has agreed to acquire Sovereign Assurance Company Limited (a New Zealand-based life insurance company) and The Colonial Mutual Life Assurance Society Ltd (an Australia-based financial services company providing life and health insurance) from Commonwealth Bank of Australia.

Acquirer: Adaro Energy Tbk, PT; EMR Capital

Target: Kestrel Coal Resources Pty Ltd

Deal value: $2,917 million

Acquirer country: Australia

Date: 01/08/2018

EV/EBITDA multiple: N/A

Adaro Energy Tbk, together with its subsidiaries, explores for, mines, sells, and trades in coal in Indonesia.

EMR Capital Pty Ltd is a private equity firm specialising in investments in listed and unlisted resource companies.

The two parties acquired an 80% stake in Kestrel Coal Resources Pty Ltd from Rio Tinto plc.

Acquirer: Nine Entertainment Co. Holdings Limited (ASX:NEC)

Target: Fairfax Media Limited

Deal value: $2,617 million

Acquirer country: Australia

Date: 07/12/2018

EV/EBITDA multiple: 11.4×

Nine Entertainment Co. Holdings Limited engages in television broadcasting and program production businesses in Australia. It operates through Television and Digital segments.

Fairfax Media Limited operates as a multi-platform media company in Australia and New Zealand.

Nine Entertainment Co. Holdings Limited acquired 100% of Fairfax Media Limited.

Acquirer: CDH Genetech Limited and China Grand Pharmaceutical and Healthcare

Target: Sirtex Medical Limited

Deal value: $1,779 million

Acquirer country: China

Date: 13/09/2018

EV/EBITDA multiple: (negative multiple)

CDH Genetech Limited is a private equity firm based in China. China Grand Pharmaceutical and Healthcare manufactures and sells pharmaceutical preparations and medical devices, bio-technology products, nutrition products, specialised pharmaceutical raw materials, and other products primarily in China.

The two companies formed a consortium to acquire Sirtex Medical Limited from a group of sellers. Sirtex Medical Limited develops and delivers oncology treatments using novel small particle technology.

The buyers

The proportion of IM activity as a composition of total buyer activity has increased over the recent period, driven by a continued expansion of available funding and number of participants in the market.

Corporates were once again the most active buyers, with 91% of acquirers being classified as corporate M&A deals and 9% classified as IM or private equity deals. The dominance of corporate buyers supports the strategic appetite of these organisations to acquire growth.

The proportion of IM deals was marginally higher than the previous period, where IMs comprised 7% of total M&A deal flow, reflecting a total numerical increase from 88 to 132 deals. The increase in IM activity represents a trend that we are observing given the volume of funds that have been raised over the last few years.

Top IM acquirers – 18 months to 31 December 2018

Rank	IM acquirer	No. of deals
1	Quadrant Private Equity Pty Limited	5
2	The Growth Fund	4
3	Advert Partners	3
=4	Adamantem Capital	2
=4	Odyssey Private Equity Pty Limited	2
=4	Kohlberg Kravis Roberts & Co. L.P.	2
=4	Blue Sky Private Equity Ltd.	2
=4	Next Capital Pty Ltd.	2
=4	CHAMP Private Equity Pty. Ltd.	2
=4	Chapmans Limited (ASX:CHP)	2

Top corporate acquirers – 18 months to 31 December 2018

Rank	Corporate acquirer	No. of deals
1	Zenitas Healthcare Limited (ASX:ZNT)	10
2	PSC Insurance Group Limited (ASX:PSI)	6
3	Wisetech Global Limited (ASX:WTC)	4
=4	Oneflare Pty Ltd.	4
=4	Paragon Care Limited (ASX:PGC)	4
=4	ORAFOL Australia Pty Ltd.	4
=4	Fullerton Health Australia Pty Ltd	4
=4	Experience Co Limited (ASX:EXP)	4
=4	Dreamscape Networks Limited (ASX:DN8)	4
=4	Downer EDI Limited (ASX:DOW)	4

Sources: S&P Capital IQ, Mergermarket, Grant Thornton

Dealmakers by type

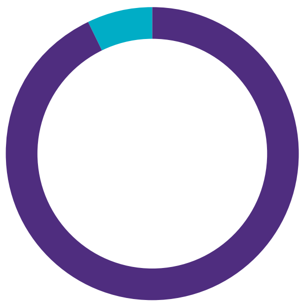
The most active buyer of Australian targets amongst the pool of corporate buyers was Zenitas Healthcare with an impressive 10 deals during the period. Zenitas Healthcare Limited is a community-based healthcare company that provides integrated in-home and in-clinic care solutions in Australia. Zenitas Healthcare Limited has grown its portfolio of aged and disabled care services through strategic acquisitions across Australian states, in an effort to drive revenue growth and pave the way for expansion by enhancing its operational capabilities.

With a total of 6 deals over the period, PSC Insurance Group Limited ranked second for deal volume. PSC Insurance operates in the insurance services sector and has made targeted acquisitions to consolidate the market during the period, strategically acquiring insurance providers and brokers.

Of the IM dealmakers, Quadrant Private Equity and The Growth Fund are both notable standouts for deal volume of new investments in Australian targets.

Quadrant Private Equity expanded its portfolio with 5 acquisitions over the period, targeting family-owned businesses seeking succession options. Acquisitions by Quadrant Private Equity were in diverse target sectors including entertainment, healthcare, consulting and business support services.

Dealmakers by type



- 91% Corporate M&A deals (1,271 deals)
- 9% IM deals 132 deals)

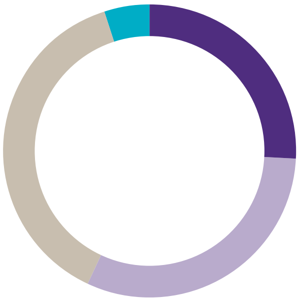
Dealmakers by region

The global trend of cross-border activity is representative of the appetite for global companies seeking growth where it can be found in a global environment of volatile economic regulation and political instability.

International investment into Australia represented 31% of total deal flow, which was marginally above the prior comparable period with 28% (an increase of 74 deals), representing a continued increasing trend of foreign investment into Australia.

Globally, Australia is regarded by corporates and IMs as a safe-haven, unlike the US, UK or Europe which are experiencing ongoing political and economic instabilities. Globally, investor sentiment is strong toward Australia's ability to provide valuable and stable investment opportunities.

Inbound acquirer regions



- 21% Asia Pacific (90 deals)
- 32% Europe (140 deals)
- 43% US and Canada (187 deals)
- 4% Others (17 deals)

$198m

Median enterprise value Cross Border Inbound

$27m

Median enterprise value Domestic

Deal sector composition by acquirer region

	All deals	US & Canada	Europe	Asia Pacific
Consumer discretionary	19%	16%	23%	20%
Consumer staples	7%	6%	1%	13%
Energy	3%	2%	2%	2%
Financials	9%	8%	4%	10%
Healthcare	9%	8%	7%	7%
Industrials	26%	**25%**	**39%**	**28%**
Information technology	17%	**32%**	18%	13%
Materials	8%	4%	5%	3%
Teleco Services	1%	-	1%	-
Utilities	1%	1%	1%	3%
Total	100%	100%	100%	100%

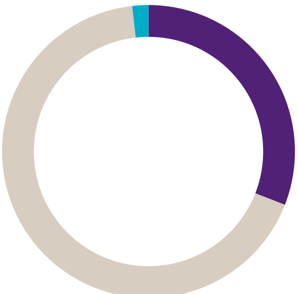
US and Canadian buyers remain the largest volume of offshore acquirers, with 43% of deals, which is consistent with 38% in the prior Dealtracker period.

As predicted in the previous Dealtracker period, Asia Pacific bidders have begun to ease off the Australian market after a period of heightened activity in 2016 to 2017, as a result of changes to foreign exchange regulations having discouraged investments. Inbound acquisitions from the Asia Pacific region has dropped to 21% of total deals compared with 26% in the previous Dealtracker period. In regards to sector focus, Asia Pacific buyers continue the trend in recent years by focusing on the Industrials sector, which comprised 28% of Asia Pacific transactions.

Amidst the drop in overall Asia Pacific activity, it is anticipated that Chinese buyers may contrastingly become more prominent participants in the Australian market as Chinese corporations pursue growth by breaking into the multinational category in terms of enterprise size. Chinese buyers continue to perceive the Australian mid-market as a source of dynamic rapidly growing business, particularly in the Industrials sector, and will seek to leverage these businesses accordingly.

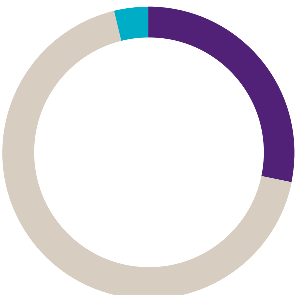
European buyers rank second with 32% of total inbound deals, which is consistent with the proportion of European deals in the previous Dealtracker period (31%). European buyers have increased their focus on the Industrials sector, now amounting to 39% of total European transactions, up from 31%. This is reflective of the continued trend for European buyers to access the Asia Pacific growth markets and acquire niche Intellectual Property that can be deployed in their home market.

Domestic vs cross boarder transactions



- 31% Cross border inbound (434 deals)
- 67% Domestic (944 deals)
- 2% Undisclosed (25 deals)

Domestic vs cross border transactions (2017 Dealtracker)



- 28% Cross border inbound (361 deals)
- 68% Domestic (871 deals)
- 4% Undisclosed (48 deals)

Top 5 cross-border

Inbound deals: US and Canada – 18 months to 31 December 2018				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
Oxford Investa Property Partners	Financials	Oxford Properties Group, Inc.	Canada	4,107
Aconex Limited	Information technology	Oracle Corporation	USA	1,526
IntraLinks Holdings, Inc.	Information technology	Siris Capital Group, LLC	United States	1,381
Murray Goulburn Co-operative Co Limited	Consumer staples	Saputo Inc.	Canada	1,310
Metronode Pty Ltd	Information technology	Equinix, Inc. (REIT) (NasdaqGS:EQIX)	United States	1,035

Inbound deals: APAC – 18 months to 31 December 2018				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
The Colonial Mutual Life Assurance Society Limited; Sovereign Assurance Company Limited	Financials	AIA Group Limited	Hong Kong	3,800
SIRTeX Medical Limited	Healthcare	Consortium led by CDH Investments	China	1,779
Scottish Pacific Group Limited	Financials	Affinity Equity Partners Ltd.	Hong Kong	1,696
Programmed Maintenance Services Limited	Industrials	Persol Holdings Co.,Ltd. (TSE:2181)	Japan	1,050
Real Pet Food Company	Consumer staples	Temasek Holdings (Private) Limited; New Hope Group Co., Ltd.; Beijing Hosen Investment Management, LLP; Genbridge Capital	China	1,000

Inbound deals: Europe – 18 months to 31 December 2018				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
Westfield Corporation	Industrials	Unibail-Rodamco-Westfield (ENXTAM:URW)	France	30,867
I-MED Holdings Pty Limited	Healthcare	Permira Advisers Ltd.	United Kingdom	1,250
A.C.N. 004 410 833 Limited (FKA: Arrium Limited)	Materials	GFG Alliance	United Kingdom	700
Mineral Deposits Limited (92% Stake)	Materials	Eramet S.A.	France	555
Ainsworth Game Technology Limited (ASX:AGI)	Consumer discretionary	Novomatic AG	Austria	490

Australia's core M&A: mid-market business

Small and medium sized businesses (SMEs) remained the predominant acquisition targets with a high proportion of deals having transaction values of less than $100 million.

This composition is reflective of the overall corporate landscape in Australia, with the majority of businesses being SMEs.

SMEs with strong growth prospects and a proven core business represent attractive acquisition targets, with an ability to obtain premium valuation multiples. Whilst in the past, transaction size was a significant barrier to attracting foreign buyers, from our experience overseas interest in the SME sector is strong even at deal values below $50 million. An example of such a deal is the WhistleOut Pty Ltd acquisition, summarised below, where international corporates bid strongly for specific strategic benefits.

The level of deal activity in the mid-market sector is expected to continue to accelerate over the coming years. Owners of private Australian SMEs are becoming increasingly mindful of the need for succession planning as the baby boomer generation nears retirement.

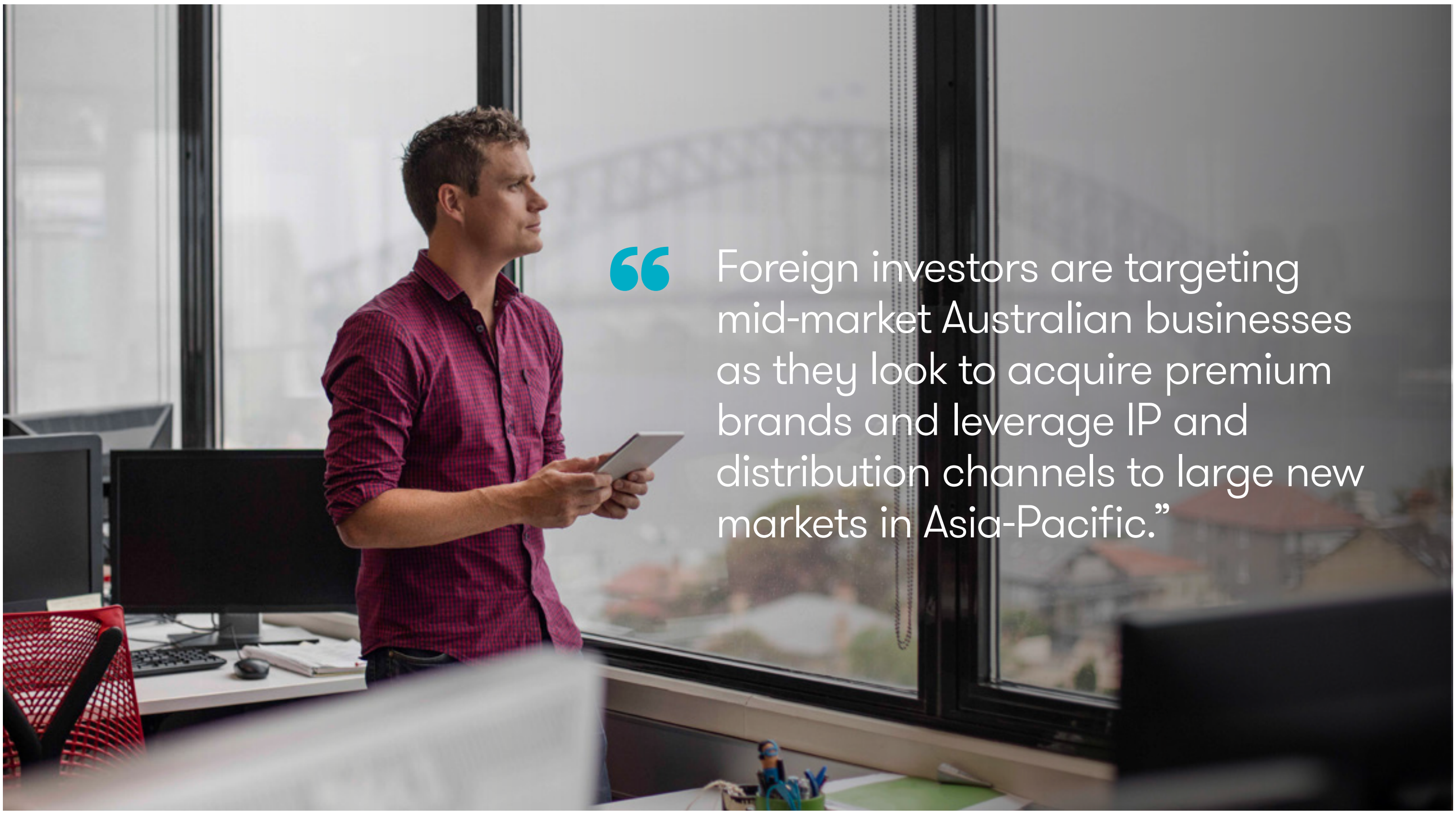
Further, we would expect continued strong interest from overseas buyers seeking to acquire mid-market companies with products and services transferable to their home markets, particularly in the technology space. Transactions in this industry, both by domestic or inbound bidder typically have a smaller deal size as the technology companies acquired were most often in their initial growth stages.

A snapshot of noteworthy SME deals of different ranges of size is provided below.

Acquirer	Target	Transaction value $m
Steadfast Group Limited (ASX:SDF)	Whitbread Insurance Group	95
Odyssey Private Equity Pty Limited	OZtrail Leisure Products	55
Sykes Enterprises Incorporated	WhistleOut Pty Ltd	30

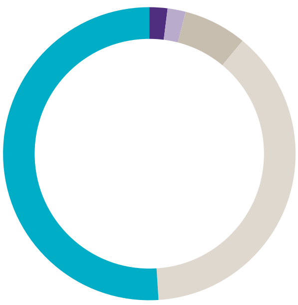
The acquisition of Whitbread Insurance Group by Steadfast Group Limited - $95 million on 8 December 2017

Whitbread Insurance Group provides insurance services through it business units. Steadfast Group Limited, the Australian listed general insurance broker group, completed the acquisition of Whitbread Insurance Group in its continued effort of strategic consolidation of the insurance market by targeting mid-market Australian insurance players.



> “Foreign investors are targeting mid-market Australian businesses as they look to acquire premium brands and leverage IP and distribution channels to large new markets in Asia-Pacific.”

Transaction size



- 2% Greater than $1 billion (26 deals)
- 2% $500 – $999.9 million (22 deals)
- 6% $100 – $499.9 million (84 deals)
- 38% Less than $100 million (536 deals)
- 52% Undisclosed (735 deals)

The acquisition of OZtrail Leisure Products by Odyssey Private Equity - $55 million on 15 January 2018
Oztrail Leisure Products is a manufacturer of camping and outdoor products.

Odyssey Private Equity Pty Limited is an Australian private equity firm, and acquired Oztrail Leisure Products through a management buy-in, buy-out transaction providing Odyssey with a controlling interest in the company. Oztrail Leisure Products benefits from capital to access new markets and expand its product offering.

The acquisition of Sykes WhistleOut Pty Ltd by Sykes Enterprises Incorporated - $20.0 million on 9 July 2018
WhistleOut Pty Ltd is an Australia-based consumer comparison platform focused on mobile, broadband and pay TV services. The acquirer, Sykes Enterprises Incorporated, is a US-based global leader in providing customer contact management solutions and services in the business process outsourcing arena.

The acquisition of WhistleOut Pty Ltd exemplifies the appetite for foreign investment in Australian fast growing companies particularly in the technology space, which can enable corporates such as Sykes Enterprises Incorporated to gain access to global markets and enhance existing technological capabilities.

Investment managers

The period covered by this report has seen an increase in IM deals volumes by 50%, up to 132 transactions since the prior Dealtracker period as a direct consequence of the recent improved fund raising environment.

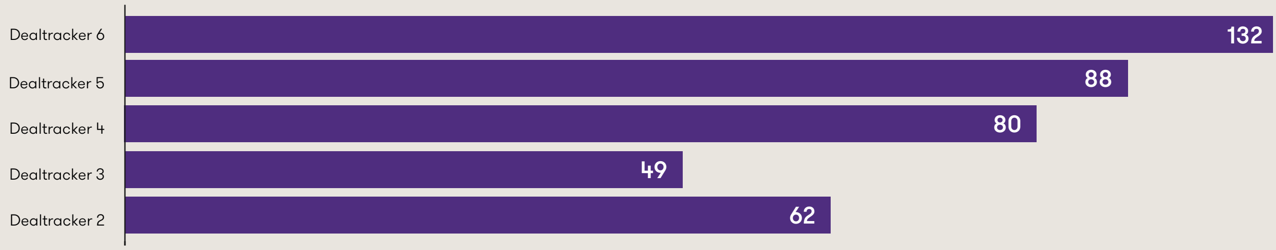
IM activity in Australia has remained strong despite global macroeconomic uncertainties and tensions in a competitive IM market. The number of IM deals in the current period materially increased to 132 deals, up from 88 in the prior Dealtracker period.

This increased level of activity has followed significant exit volumes achieved during the period 2013 to 2015 which slowed down in 2017 and 2018 in terms of aggregate value. The current period has seen recent successful fund raisings being deployed by an increased number of participants both through formal close-end fund structures, family office, and high-net-worth investor club structures.

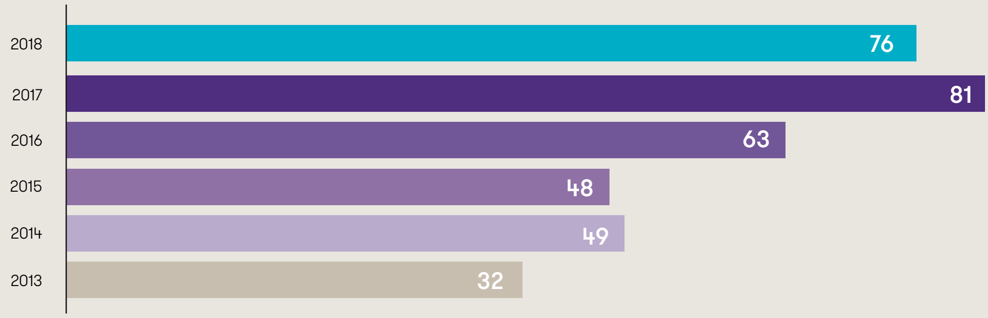
The chart over shows the number of IM deals recorded in each period specified.

“The availability of capital and an increased number of IM participants has driven the significant increase in IM activity. Such bidders are seeking out the most attractive new areas of growth, despite global political uncertainties.”

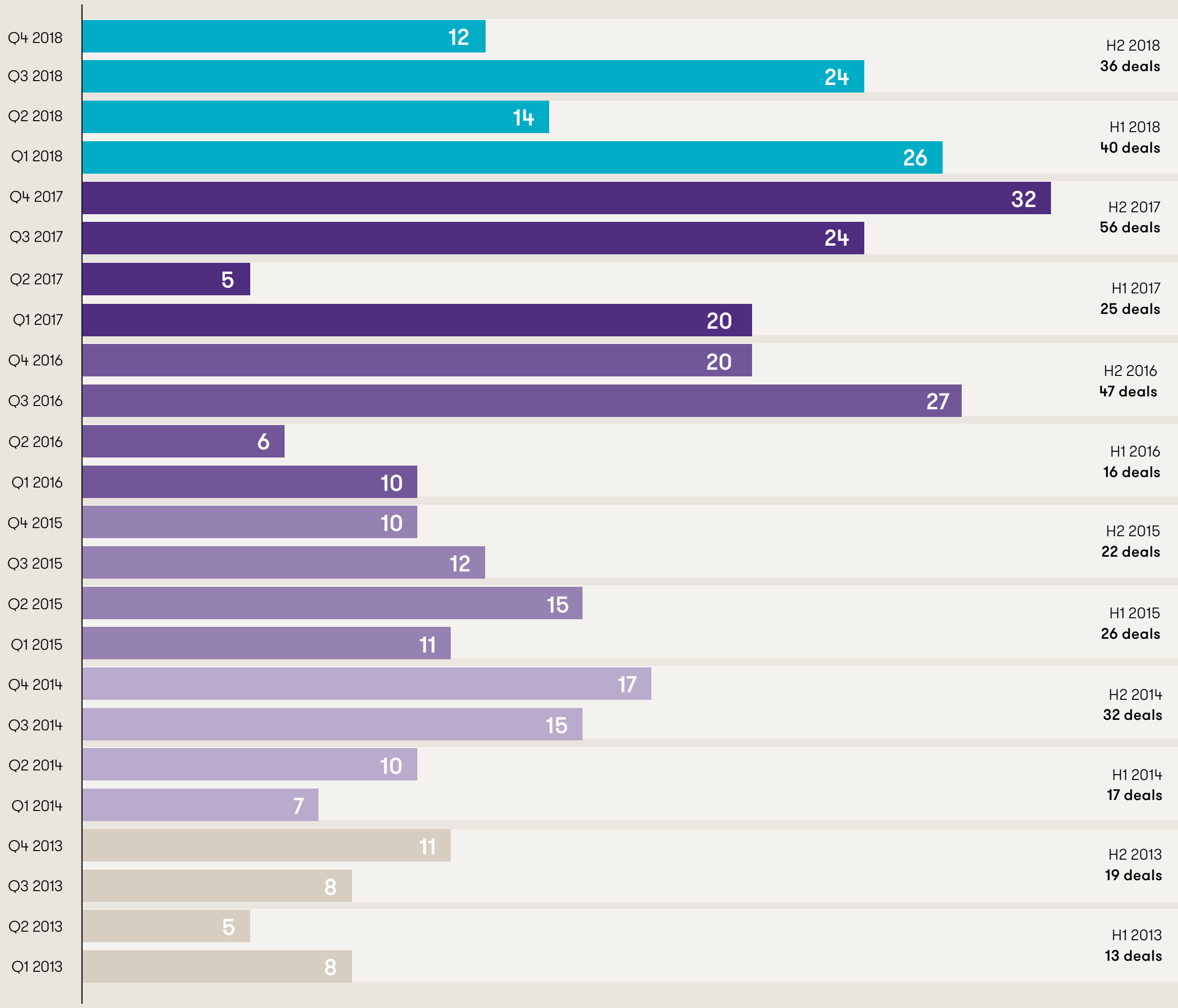
IM entries – Prior comparative Dealtracker periods



IM entries – Annual trends



IM entries – Quarterly & half yearly trends



Valuation multiples
by target size

In line with previous Dealtracker reports, our analysis shows that size is a significant determinate of value, with larger businesses generally transacting at higher multiples than smaller businesses.

EBITDA is typically used as a measure of earnings for valuation purposes as it reflects the financial performance of the business prior to taking into account how it is funded.

A multiple of EBITDA provides an enterprise value (EV) of the business (i.e. the value of the business before deducting net debt).

The multiples included in the table opposite are based upon the most recent financial statements prior to the transaction and accordingly, doesn't necessarily factor in forecast profit performance that is built into deal valuations.

As has been the result over prior Dealtracker periods, larger businesses attracted greater valuation multiples than smaller businesses. This is because larger businesses typically have greater stability and consistency in their earnings base as compared to smaller businesses.

When assessing comparable deal multiples (particularly at the lower end of the market) attention needs to be focused on the individual target growth prospects, inherent risks and strategic premium available to the buyer pools. From our experience and historical data, it remains our general view that SMEs' historical EV/EBITDA multiples average in the range of 5.0× to 6.0× with one turn of multiple increase applicable to each of our size brackets.

Overall median trading EBITDA multiples in the report of 7.1× were down from the last Dealtracker at 8.2×. This is reflective of the increased sample of sub $20 million revenue deals in the data, rather than a wider trend on valuations which was predominantly higher or consistent in all revenue ranges above $20 million, consistent with our market experience.

The median trailing EBITDA multiples observed on businesses with less than $20 million in revenues was marginally below the respective long-term average multiples for businesses of that size. In part, this is attributable to a greater proportion of smaller deals reported in this data.

In contrast, deals involving targets of over $20 million revenue were predominately above long-term averages which is consistent with what we are observing in the process we are involved in. Median trading multiples for companies in the revenue range of $50 million to $100 million is 8.2× for the period, which is above the historical Dealtracker average of 7.7×. Targets with revenue between $100 million and $200 million, and those between $200 million and $500 million, obtained median EV/EBITDA multiples of 12.6× and 13.2× respectively.

The high multiples for companies across the $20+ million revenue range can be partly attributable to a number of deals occurring in sectors that are typically characterised by high multiples. In addition, the increased availability of capital and the continued strong interest from oversees acquirers seeking growth has continued to drive competition in processes and therefore valuations.

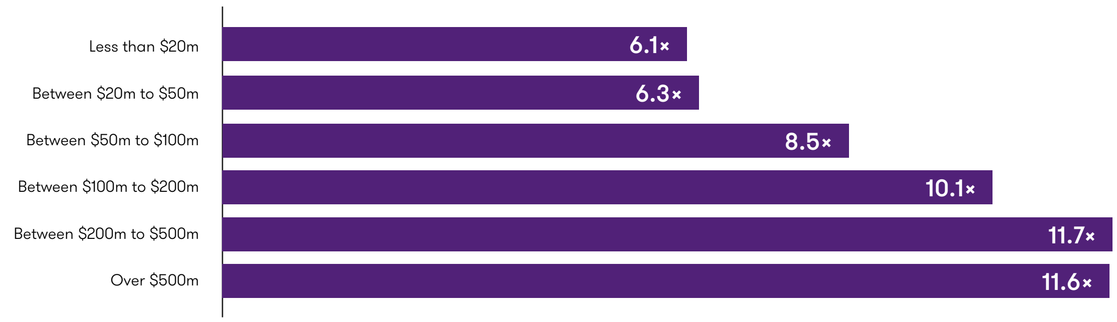
For example, the acquisition of Seymour Whyte Limited, an Australian engineering and construction company, attracted a superior historical earnings multiple of 20.3× in the $86 million transaction. The company was acquired by French based Vinci Construction International Network SAS which also operates in the construction and building space and was seeking to expand its existing construction operations in the Asia Pacific region.

Within the $500+ million revenue range, median EV/EBITDA multiples matched the historical average of 11.4×. The relatively high valuations in this revenue range are attributable to the significant proportion of mega- transactions, with 6 of the 11 targets in this range (with available deal multiples) having revenues greater than $1 billion.

Revenue range	No. of deals	Current Dealtracker median EV/EBITDA multiples	Prior 2017 Dealtracker median EV/EBITDA multiples	Prior 2016 Dealtracker median EV/EBITDA multiples	Prior 2014 Dealtracker median EV/EBITDA multiples	Prior 2012 Dealtracker median EV/EBITDA multiples	Prior 2011 Dealtracker median EV/EBITDA multiples	Historical Dealtracker average
Less than $20 million	42	5.1×	7.2×	5.5×	5.5×	4.9×	6.1×	6.1×
Between $20 million to $50 million	20	6.6×	5.9×	8.8×	6.7×	6.1×	6.5×	6.3×
Between $50 million to $100 million	8	8.2×	8.9×	6.1×	8.0×	7.0×	7.9×	8.5×
Between $100 million to $200 million	9	12.6×	7.6×	10.8×	7.8×	8.7×	7.5×	10.1×
Between $200 million to $500 million	11	13.2×	10.2×	8.5×	8.8×	7.0×	8.7×	11.7×
Over $500 million	11	11.4×	11.9×	10.9×	7.1×	8.9×	9.8×	11.6×
Median (overall)		**7.1×**	**9.0×**	**7.8×**	**7.3×**	**7.5×**	**7.5×**	**7.7×**
Total	**101**							

Sources: S&P Capital IQ, Mergermarket, Grant Thornton

Historical Dealtracker average



Valuation multiples
by target sector

The overall EV/EBITDA multiple observed during this Dealtracker period was slightly lower than in recent years with a median EBITDA multiple of 7.1x across sectors.

Transactions and valuation multiples per target sector (101 deals)

Industry	No. of deals	Median target EV ($m)	Median target revenue ($m)	Median target EBITDA ($m)	Current dealtracker median EV/ EBITDA multiples	Prior 2017 dealtracker median EV/ EBITDA multiples	Prior 2016 dealtracker median EV/ EBITDA multiples
Consumer discretionary	18	256	174	31	10.6×	6.8×	8.7×
Consumer staples	9	63	35	5	11.4×	11.0×	14.2×
Energy	2	87	25	11	5.5×	11.4×	12.2×
Financials	7	32	33	4	8.0×	13.7×	10.7×
Healthcare	11	9	10	2	5.6×	4.6×	8.3×
Industrials	30	37	41	5	5.8×	9.3×	5.1×
Information technology	14	13	5	2	8.2×	9.0×	6.9×
Materials	5	29	34	10	4.7×	5.7×	7.7×
Telecommunication services	4	14	8	2	5.9×	11.1×	7.4×
Utilities	1	7,966	2,593	718	11.1×	16.8×	11.7×
Median (all sectors)		**34**	**35**	**5**	**7.1×**	**9.0×**	**7.8×**
Total	**101**						

The largest median observed valuation multiple was in the Consumer staples sector with a EV/EBITDA multiple of 11.4×. It should be noted that valuation data was available only for a small number of deals relative to the total deals for the period, each of which attracted above average multiples.

Notable deals included the following:

- The acquisition of Microlistics Pty Ltd by Wisetech Global Limited (ASX:WTC), a software company based in France, for $40 million and at a valuation of 23.5× EBITDA. Microlistics Pty Ltd designs and develops warehouse management software solutions.
- The acquisition of an 73% stake in Spotless Group Holdings Limited by Downer EDI Services Pty Ltd for $1.7 billion at a valuation of 9.2× EBITDA. Spotless Group Holdings Limited provides outsourced facility, laundry and linen, technical and engineering, and maintenance and asset management services.
- The acquisition of an 82.5% stake Gateway Lifestyle Group by Hometown America Corporation for $821 million ta a valuation of 20.3×. Gateway Lifestyle Group engages in the development and operations of manufactured homes in Australia.

A further outperforming sector, when compared to prior comparative periods, was the Consumer discretionary sector.

Notable deals in these sectors included the following:

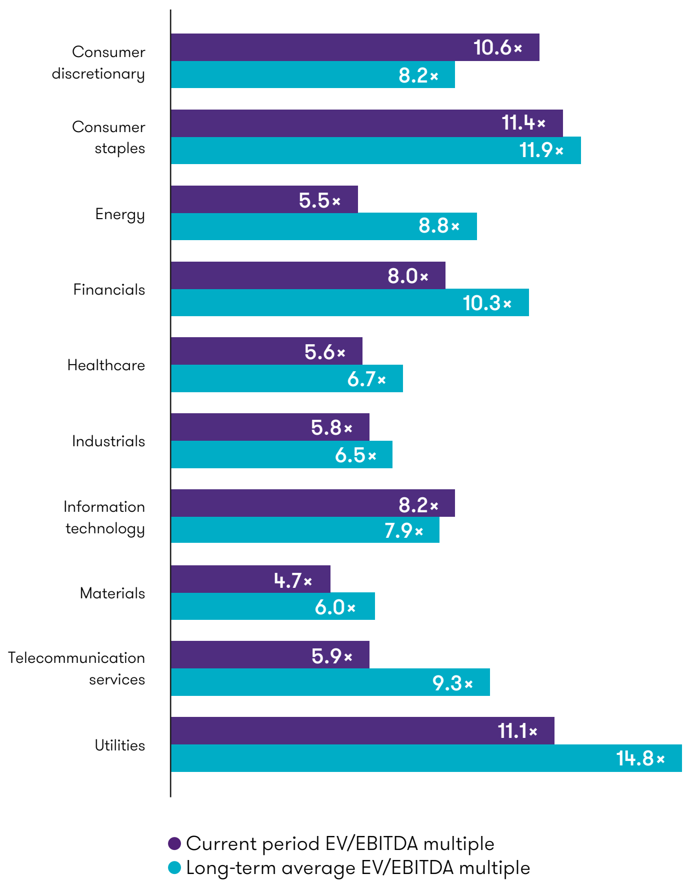
- The acquisition of Zip Industries (Aust) Pty Ltd by Culligan International Company, a buyer based in the USA. Zip Industries (Aust) Pty Ltd is engaged in the manufacture of instant drinking water appliances and was sold at a valuation of 15.4× EBITDA for $422 million.
- APN Outdoor Group Ltd, operator of an outdoor advertising company in Australia and New Zealand, was acquired by JCDecaux ANZ Pty Ltd, a company that also engages in outdoor advertising activities. APN Outdoor Group Ltd was sold at an EBITDA multiple of 13.7× for $1.2 billion.
- Greys eCommerce Group Limited was sold to Leasing Finance (Australia) Pty Limited. Greys eCommerce Group operates as an online retail and auction company in Australia and New Zealand, and was sold for $182 million and a valuation of 13.5× EBITDA.

Valuation multiples observed in the current Dealtracker period for the Information technology and Consumer discretionary sectors were all above long-term averages. Valuation multiples in other sectors were all below long-term averages.

In relation to some specific drivers of industry valuations movements, we noted the following:

- Information technology: Information technology related deals have been a key focus of local and international buyers who continued to bid aggressively for businesses that are taking advantage of the disruption facing every sector.
- Consumer discretionary: the Consumer discretionary sector was the largest deviation from the average EBITDA multiples of all sectors with an increase to 10.6× compared with average of 8.2×. This increase occurred despite the relative drop in deal volumes compared with the prior Dealtracker period. However, out of these deals within this sector, 53% involved targets with revenues above $100 million. Typically such larger deals tended to attract a higher valuation multiple which can be attributable to the higher reported median multiples which is contrary to what trading conditions would dictate.

EV/EBITDA multiples by sector



Domestic vs international valuation multiples

As historically experienced in prior Dealtracker periods, international acquirers have continued to buy larger businesses and pay higher valuation multiples than that achieved from domestic acquirers. This was reflected across all industries where there were international acquirers.

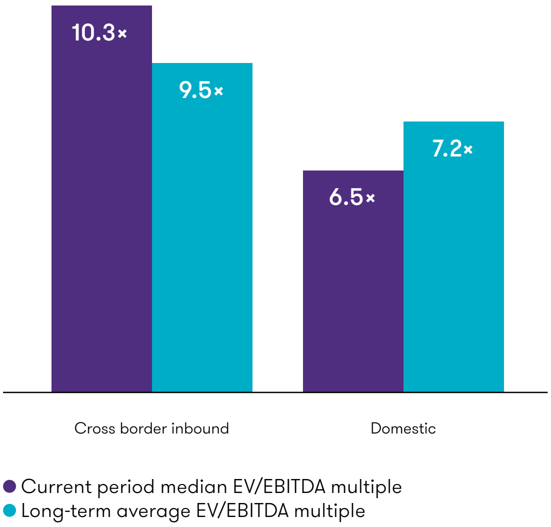
Of the total 101 deals with valuation data, 78 involved domestic acquirers while 23 targets were acquired by buyers outside of Australia. Of these foreign acquirers the composition between the USA, Europe and Asia was 39%, 30% and 19% respectively, with the remaining 12% from Africa and the Middle East.

Foreign buyers were interested in larger targets and willing to pay more than their domestic counterparts. This was exemplified through a median target enterprise value of $198 million and an EBITDA multiple of 10.3× (6.5× for the corresponding domestic EBITDA multiples). The driving factor for the comparatively higher enterprise values for cross border deals is the perceived relative stability of the Australian market, particularly from the perspective of buyers in the USA which comprised the majority of inbound bidders. In addition, Australia has been considered as the key pathway for global companies to tap into Asian growth markets.

As noted previously, the level of interest from overseas acquirers continues to rise. Total inbound deal volume grew from 28% to 31% of total deals. This is mainly due to improvements in technology making it easier for acquires to target and operate businesses on a global basis. Furthermore, Australia's continued outperformance in economic terms and relative political stability continues to contribute to Australia being seen as an attractive place to invest. As a global network of firms, Grant Thornton corporate finance teams are increasingly collaborating on cross-border opportunities as buyer pools become truly global even for SMEs.

Multiples - Cross border inbound vs domestic

Dealmaker	No. of deals	Median target EV ($m)	Median target revenue ($m)	Median target EBITDA ($m)	Current dealtracker median EV/EBITDA multiples	Prior 2017 dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples	Average
Cross border inbound	23	198	126	26	10.3x	10.6x	9.1x	8.0x	9.5x
Domestic	78	27	20	4	6.5x	8.5x	7.4x	6.6x	7.2x
Median (overall)		**34**	**35**	**5**	**7.1x**	**9.0x**	**7.8x**	**7.3x**	**7.8x**
Total	**101**								



> “Australia continues to attract foreign buyers. It has been perceived by international bidders as a safe haven for investments whilst boasting relative economic and political stability and access to Asian growth markets.”

Corporate M&A vs IM valuation multiples

The median EBITDA multiple on IM deals has been observed to be significantly higher than that of corporate transactions over the current Dealtracker period. This is predominantly as a result of the strong interest in the Industrials sector.

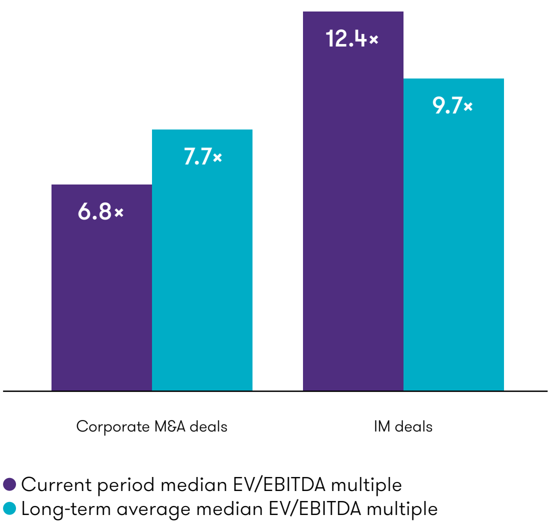
The data collected for the 18 months through to 31 December 2018 shows that IMs paid on average higher valuation multiples than corporates. Note, the number of IM deals with available valuation multiples is significantly less than corporate deals with available data. As a result, IM transactions involving a significant premium become more heavily weighted.

Based on this data set, the median EV/EBITDA multiple for IM deals was 12.4× compared with the long-term average of 9.7×. The significant skew in median multiple is likely due to several mega deals occurring during the period, such as the acquisition of Ansell Limited (ASX:ANN) by Humanwell Healthcare (Group) Co Ltd and CITIC Capital Parters for 15.8×.

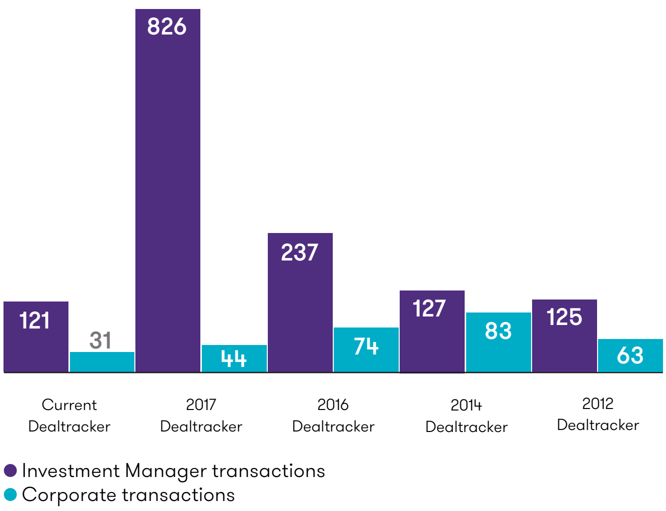
In contrast, when compared to prior periods, the EBITDA valuations paid by corporate bidders was lower than the long-term average for median valuation multiples, with an overall median multiple of 6.8× for the period, falling below the long term average of 7.7×.

Of these transactions by corporate bidders which had available EBITDA multiples, 32% involved targets in the Industrials sector. Of these, the median revenue and median transaction value was $47 million and $40 million, respectively. This is indicative of the majority of targets in this data set belonging to a smaller size category. Such companies typically attract lower valuation multiples, as consistent with our other findings in this report. This is therefore the likely reason for the drop in valuation multiples for the period in comparison to long term averages.

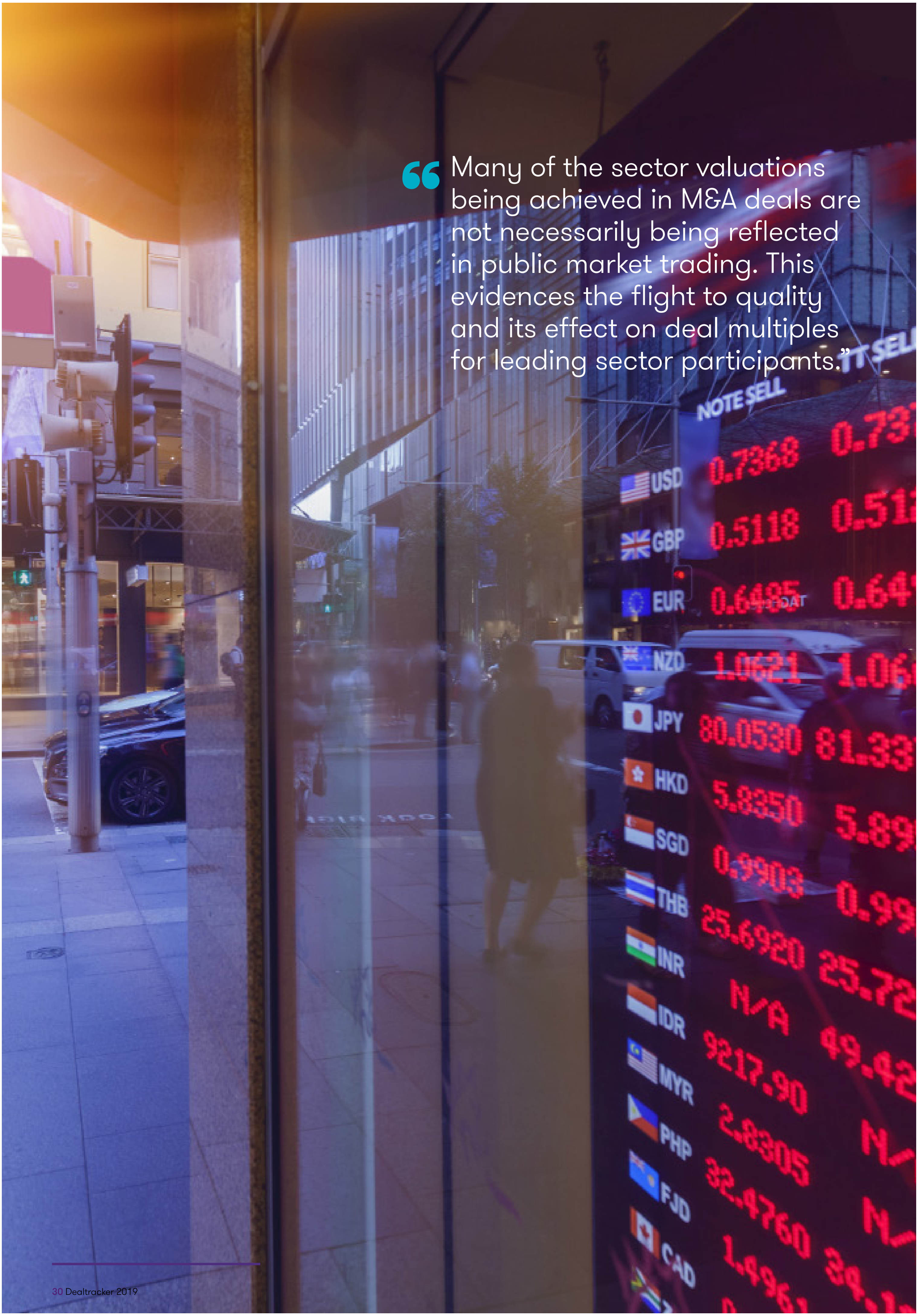
EV/EBITDA valuation multiples



Median target EV ($m)



Dealmaker	No. of deals	Median target EV ($m)	Median target revenue ($m)	Median target EBITDA ($m)	Current dealtracker median EV/EBITDA multiples	Prior 2017 dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples
Corporate M&A deals	92	31	29	5	6.8×	8.7×	8.3×	7.0×
IM deals	9	121	79	16	12.4×	11.0×	6.1×	12.0×
Median (overall)		**34**	**35**	**5**	**7.1×**	**9.0×**	**7.8×**	**7.3×**
Total	**101**							



> "Many of the sector valuations being achieved in M&A deals are not necessarily being reflected in public market trading. This evidences the flight to quality and its effect on deal multiples for leading sector participants."

Share price performance of listed companies

Our analysis shows that the median trading multiple of all ASX listed companies over the last 18 months to 31 December 2018 retracted slightly to 9.2x from 9.8x in June 2017, indicating softening of equity markets in 2018 since reaching a peak in 2017.

Sectors with the highest valuation multiples

Information technology

The Information technology sector has experienced strong valuation growth up to an historical peak reached at 31 December 2016 of 17.0× EBITDA. However, the industry multiple fell significantly to 11.2× EBITDA by 31 December 2018. Despite the decrease, the Information technology sector remains as the sector category with the highest median trading multiple on the ASX.

Financial Services

The Financials sector ranked second in terms of median trading multiple and also experienced a re-rating in valuations, decreasing to a median multiple of 10.7× EBITDA at 31 December 2018. This fall can predominantly be attributed to the effects of the Royal Commission process which was in progress throughout 2018.

Sectors with lower multiples

Materials

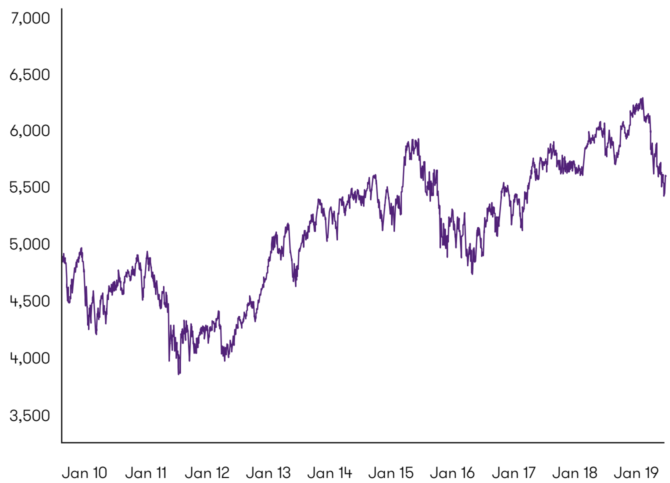
The Materials sector has experienced a decrease in the last 18 months, falling from 11.7× at 30 June 2016 to 9.1× at 30 June 2017, with industry participants experiencing tougher trading conditions.

Utilities

The Utilities sector ranked second lowest in terms of relative EBITDA values observed and was materially below long term averages. The utilities sector similarly experienced a decline in its trading multiple from 11.4× at 30 June 2016 to 9.9× at 30 June 2017, affected by continued volatility in macro trading conditions and regulatory uncertainty.

Movement in the S&P/ASX 200

Jan 2010 to Jan 2019



Sources: Standard & Poor's Capital IQ. Grant Thornton Australia analysis-.

The decline in the overall trading multiple of ASX listed companies is the result of significant variances across economic sectors from their respective long-term averages, with the largest deviation being a deterioration in the Utilities sector.

Median EV/EBITDA multiples observed on the ASX by sector

Median EV/EBITDA as at	30/06/10	30/06/11	30/06/12	31/12/12	30/06/13	31/12/13	30/06/14	31/12/14	30/06/15	31/12/15	30/06/16	31/12/16	30/06/17	31/12/17	30/06/18	31/12/18	Average
Consumer discretionary	7.5	7.4	6.7	7.6	7.5	9.6	9.7	10.2	10.2	10.6	10.0	10.8	9.4	9.9	9.5	9.3	9.0
Consumer staples	8.3	8.2	8.2	8.7	9.8	10.2	10.2	10.8	10.8	10.3	10.3	11.4	10.5	11.2	11.6	**10.5**	10.1
Energy	6.4	9.3	5.9	7.7	3.8	5.5	6.4	4.3	4.2	5.1	5.2	6.6	5.4	6.8	8.5	7.8	6.8
Financials	9.8	9.8	9.4	10.6	12.7	13.1	13.2	12.5	12.7	12.0	9.9	11.4	11.4	13.0	11.3	**10.7**	11.8
Healthcare	7.0	7.0	9.6	11.2	12.8	16.8	15.0	13.1	12.6	11.8	11.5	11.1	10.9	11.7	12.3	**10.5**	11.3
Industrials	6.7	7.4	6.0	5.7	5.5	6.4	7.0	6.3	6.3	6.9	6.4	8.0	9.0	9.2	8.5	7.9	7.2
Information technology	7.3	5.9	6.5	8.6	9.3	12.0	12.5	12.6	12.6	13.8	12.0	14.3	12.8	17.0	15.3	**11.2**	10.9
Materials	8.5	7.4	5.2	5.1	2.2	3.5	7.1	4.7	4.7	4.4	5.9	6.2	5.9	7.7	7.1	6.5	6.2
Telecos	6.2	5.8	6.7	9.8	10.7	10.8	9.5	9.2	9.2	15.6	11.7	9.1	9.1	9.3	8.6	8.6	9.0
Utilities	9.5	9.4	10.5	11.1	9.5	8.7	9.1	9.6	9.6	11.6	11.4	11.2	9.9	10.3	8.8	7.5	10.3
Overall	**7.6**	**7.8**	**6.8**	**7.6**	**7.0**	**8.2**	**9.5**	**8.9**	**8.8**	**8.8**	**8.9**	**10.3**	**9.8**	**10.3**	**9.8**	**9.2**	**8.8**

Source: Standard & Poor's Capital IQ

The median EBITDA multiples for each sector have continued to fluctuate materially from their respective historical average multiples (from 31 December 2010 to 31 December 2018 or 40 quarters). An overall peak was hit for 2H 2017 matching the equivalent high experienced in 2H 2016, at an overall median EV/EBITDA multiple of 10.3× across all sectors.

The largest deferential was experienced in the Utilities sector. The trailing median EV/EBITDA multiple of 7.5× for the sector was well below its historical average of 10.3×, or a 27% discount when compared to the sector's historical average since 31 December 2010.

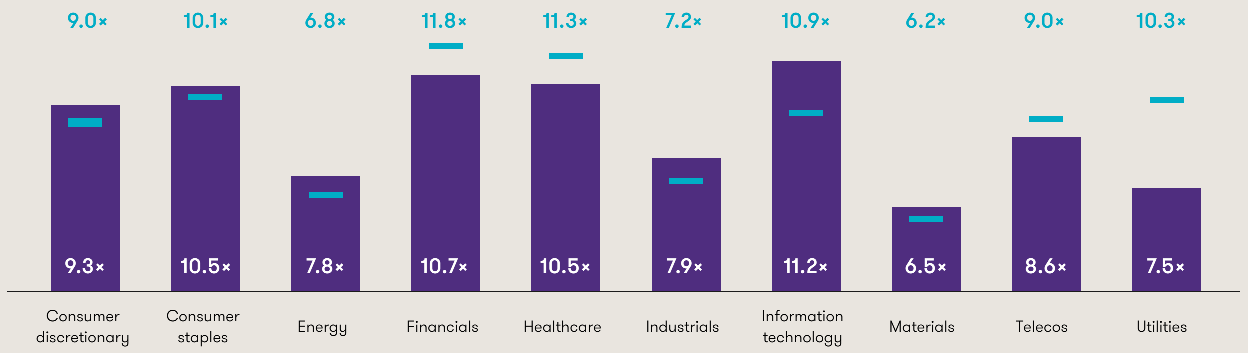
The Energy sector has experienced the greatest increase in valuations, with the trailing median EV/EBITDA multiple of 7.8× exceeding its historical average of 6.8×, or a 15% premium when compared to the sector's historical average since 31 December 2010.

Based on foreceast CAGR by sector (source: IBISWorld, Grant Thornton analysis), the 'Communication & Technology' and 'Personal and Other' sectors have experienced the strongest market growth. This is in line with the trend in recent deal activity reported, particularly with regards to the high level of deal activity in the Information technology sector.

4 yr revenue compound annual growth rate (CAGR) forecast by sector

Sources: IBIS World, Grant Thornton analysis-

Median EV/EBITDA trading multiples by sector



● Sector median EV/EBITDA multiples as at December 2018 ● Sector long-term average (June 2009 to December 2018)

IPO activity in Australia

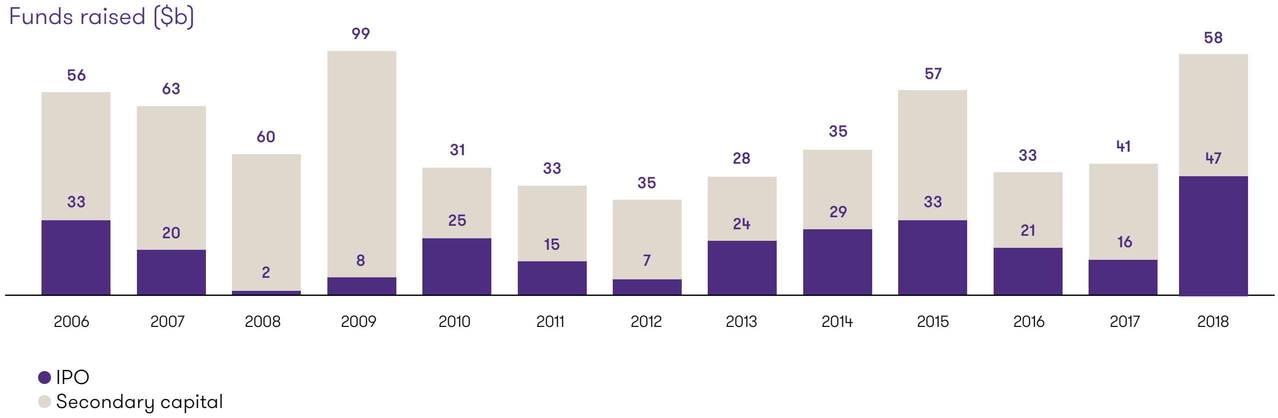
IPO activity in the 18 months to December 2018 remained robust due to favourable capital raising conditions particularly in H2 2018.

The year

- The 2018 calendar year boasted far superior capital raising conditions than any other period over the last 9 years. Cumulatively, through both IPOs and secondary capital raisings, during 2018 a total of $105 billion was raised, a 185% increase over the 2017 period.
- The proceeds of IPO activity through 2018 totalled $47 billion, compared to $16 billion in 2017 and $21 billion in 2016 – an increase of 294% and 223% respectively.
- Proceeds from secondary offerings reached a ten-year high in 2018 with $58 billion raised. Additionally, 2017 saw a moderate increase over 2016, rising 24% to $41 billion.
- As alluded to in the previous Dealtracker, the formerly buoyant IPO market has become more normalised when compared to the 2013 - 2016 periods. These calendar years were propped up by both more frequent and larger than average IPOs and as such, abnormal overall sized raisings were made which could not have been sustained.
- Q4 2018 experienced a decrease in the number of IPOs undertaken, falling beneath 30 listings in the fourth quarter to 23 listings for the first time in five years. This reduction however was offset by a 5 year high in third quarter listings of 26 in Q3 2018.
- The value of listings in 2018 has increased to $5.7 billion, materially up from 2017 with $3.6 billion.
- The average IPO value has increased to $61 million in 2018 from $38 million in 2017. However, this amount is lower than the 2016 average amount of $80 million, which is a byproduct of comparatively less ‘mega-deals’ and an increasing trend in smaller IPOs experienced in this current period.

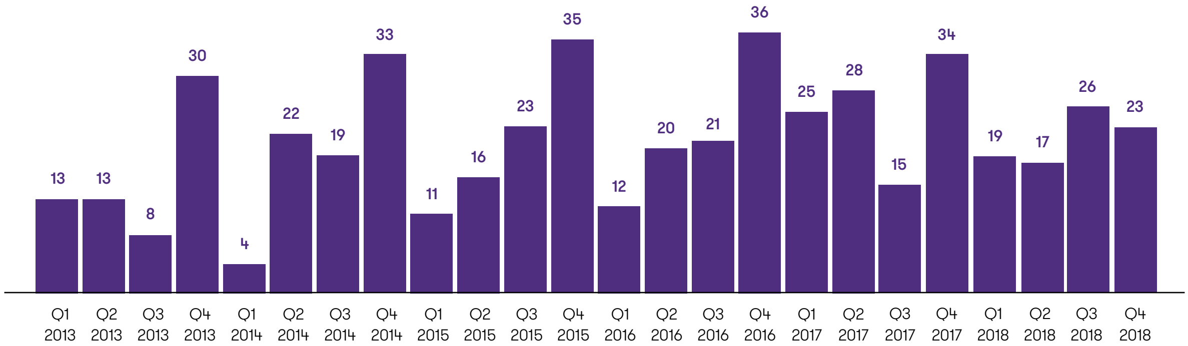
Initial & secondary capital raising (January 2006 to June 2018)

Funds raised ($b)



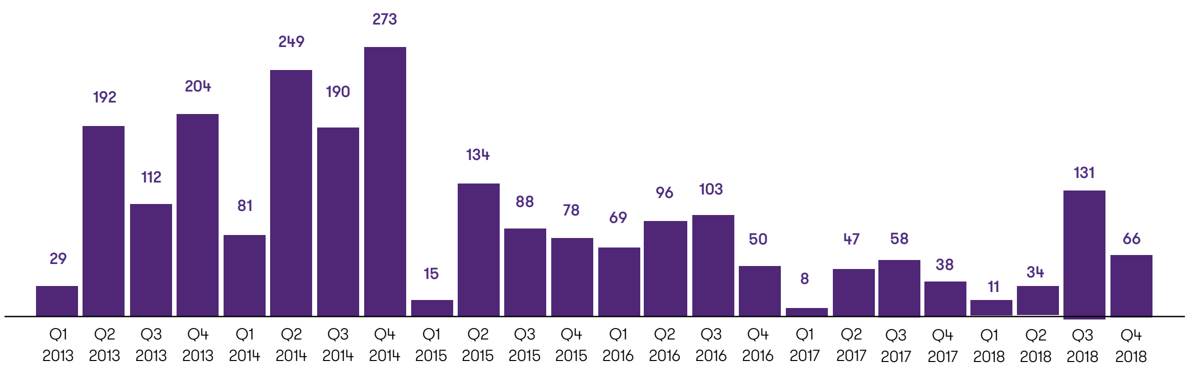
Quarterly IPO trends (FY 2013 to FY 2018)

Number of IPOs



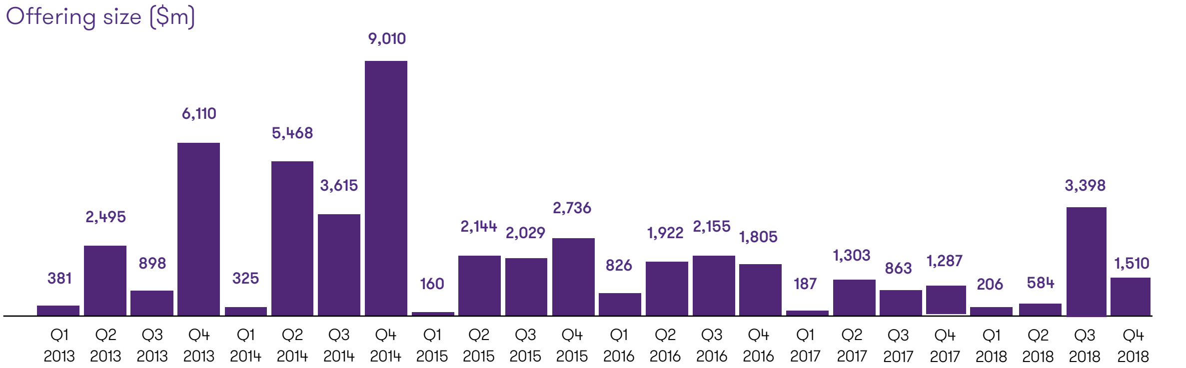
Quarterly IPO trends (FY 2013 to FY 2018)

Average size ($m)



Quarterly IPO trends (Q1 2013 to Q4 2018)

Offering size ($m)



Over the 18 months to 31 December 2018 a total of 134 new companies listed on the ASX, decreasing slightly from 142 in the preceding 18 month period. The difference in total value of funds raised was marginal, decreasing by 4% since the prior period.

IPOs by size range (1 Jul 2017 to 31 Dec 2018)

Range	No. of IPOs	Offering size ($m)	% of total
Less than $10 million	76	438	5.6%
Between $10 million to $50 million	36	622	7.9%
Between $50 million to $100 million	9	566	7.2%
Between $100 million to $500 million	9	1,751	22.3%
Over $500 million	4	4,473	57.0%
Total	**134**	**7,849**	**100%**

IPOs by size range (1 Jan 2013 to 30 Jun 2014)

Range	No. of IPOs	Offering size ($m)	% of total
Less than $10 million	24	95	0.6%
Between $10 million to $50 million	21	435	2.8%
Between $50 million to $100 million	7	521	3.3%
Between $100 million to $500 million	29	6,949	44.3%
Over $500 million	9	7,677	49.0%
Total	**90**	**15,677**	**100%**

IPOs by size range (1 Jan 2016 to 30 Jun 2017)

Range	No. of IPOs	Offering size ($m)	% of total
Less than $10 million	69	389	4.7%
Between $10 million to $50 million	48	950	11.6%
Between $50 million to $100 million	9	586	7.1%
Between $100 million to $500 million	11	2,640	32.2%
Over $500 million	5	3,632	44.3%
Total	**142**	**8,197**	**100%**

IPOs by size range (1 Jul 2014 to 31 Dec 2015)

Range	No. of IPOs	Offering size ($m)	% of total
Less than $10 million	40	211	1.1%
Between $10 million to $50 million	42	1,044	5.3%
Between $50 million to $100 million	19	1,380	7.0%
Between $100 million to $500 million	29	6,162	31.3%
Over $500 million	6	10,890	55.3%
Total	**136**	**19,687**	**100%**

- The total number of listings reflected a small decrease in the volume of 4% compared to the Dealtracker period, with eight less listings in this Dealtracker period from the 142 recorded in the previous corresponding period. This decrease was primarily driven by a 33% fall on the previous period in offer sizes between $100 million and $500 million.

- The total funds raised on initial offerings declined 4.2% to $7.85 billion. The funds raised were dominated by offer sizes over $500 million which accounted for 57% of the total funds raised in this Dealtracker period.

- Comparing the previous three Dealtracker periods to this report, the average offering size has reduced as a result of the overall increase in IPOs within the less than $10 million range and subsequent decrease in the larger IPOs (over $100 million). The increase in small cap ASX listings is indicative of the increased volume of early stage resource listings.

IPO size by sector

- Materials has emerged as the standout sector, contributing 50 listings (37%) to total of 134 listings in the current Dealtracker period. This increase has been facilitated by a improving commodity markets indicated by the 625% growth in listing activity over the prior two Dealtracker periods to the current period.

- The Information technology sector has experienced a decline in terms of listing activity, falling from 31 listings in the prior Dealtracker period to 23 in the current period. This can partly be attributed to the change in listing rule requirements that has made it more difficult to complete some early stage listing processes.

- Across the board, all sectors experienced lower listing activity in comparison to the prior Dealtracker period except for the Telecommunications, Energy and Materials sectors.

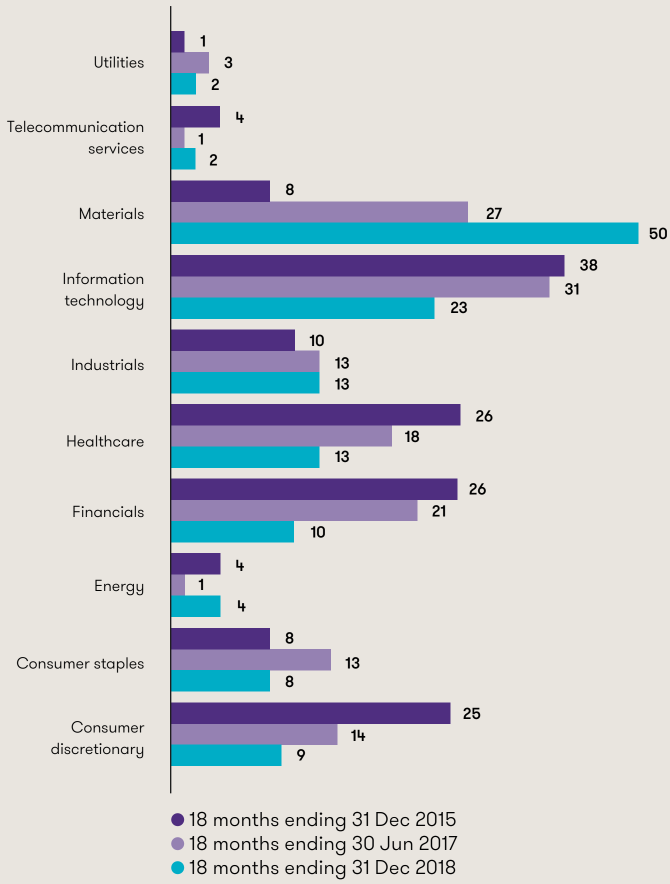
- The Financials sector exhibited the largest decline in activity, falling from 21 listings in the prior Dealtracker period to 10 in the current Dealtracker period. In line with this decrease in listings, the financial sector's IPO market value also fell by 16.7%. This is indicative of tightening regulations and increased investor caution surrounding financial institutions off the back of the recent royal commission.

- Energy has now overtaken Financials in terms of IPO value by sector, characterised by several large IPOs in this Dealtracker period.

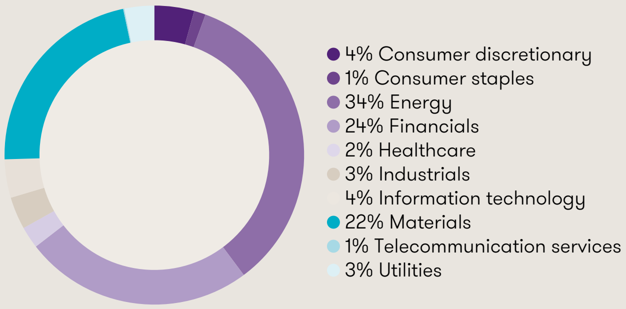
- The IPO value of the Industrials sector now accounts for 3.5% of the total IPO value for the period, which is a decrease from 19.4% in the previous Dealtracker period as the market shifted back to the Materials sector and large Energy listings.

- The Healthcare sector's share of total IPO value fell sharply, accounting for just 5%, down from 20% in the previous Dealtracker period as the market shifted back to listing Materials sector opportunities.

Number of IPOs by sector



IPO value by sector for 18 months to 31 December 2018



Top IPOs in each sector
6 months to 31 December 2018

Industrials	
Issuer	Johns Lyng Group Limited
Offer size	$96 million
IPO price	$1.00
Price at 30 Jun 2018	$1.06
Price change	+6%

Utilities	
Issuer	New Energy Solar Limited
Offer size	$202 million
IPO price	$1.50
Price at 30 Jun 2018	$1.39
Price change	-7%

Consumer staples	
Issuer	Duxton Broadacre Farms Limited
Offer size	$21 million
IPO price	$1.50
Price at 30 Jun 2018	$1.50
Price change	0%

Financials	
Issuer	VGI Partners Global Investments Limited
Offer size	$550 million
IPO price	$2.00
Price at 30 Jun 2018	$2.23
Price change	+12%

Healthcare	
Issuer	Telix Pharmaceuticals Limited
Offer size	$50 million
IPO price	$0.65
Price at 30 Jun 2018	$0.65
Price change	0%

Information technology	
Issuer	Trimantium GrowthOps Limited
Offer size	$70 million
IPO price	$1.00
Price at 30 Jun 2018	$0.80
Price change	-20%

Consumer discretionary	
Issuer	Propel Funeral Partners Limited
Offer size	$131 million
IPO price	$2.70
Price at 30 Jun 2018	$2.51
Price change	-7%

Materials	
Issuer	Coronado Global Resources Inc
Offer size	$774 million
IPO price	$4.00
Price at 30 Jun 2018	$3.06
Price change	-24%

Energy	
Issuer	Viva Energy Group Limited
Offer size	$2,649 million
IPO price	$2.50
Price at 30 Jun 2018	$1.80
Price change	-28%

Telecommunication services	
Issuer	Vonex Limited
Offer size	$6 million
IPO price	$0.20
Price at 30 Jun 2018	$0.08
Price change	-60%

Listing multiples and immediate price returns

In the 18 months to 31 December 2018, a total of $57 billion was raised from new listings on the ASX, with the 10 largest listings contributing approximately 10% of the total equity raised during this period. The largest listing during the 18 month period was Viva Energy Group Limited (ASX:VEA) which was Australia's largest float since late 2014.

IPO multiples of the ten largest IPOs (in the 18 months to 31 December 2018)

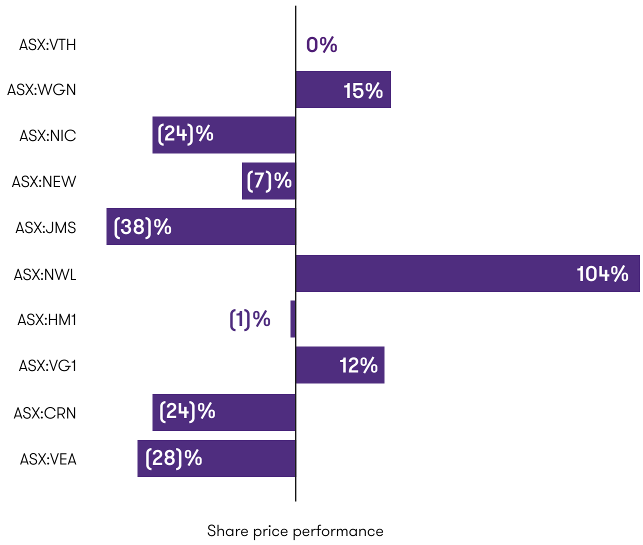
Company	Listing date	Industry	Offer size ($m)	Market cap ($m)	FY2019F EBITDA ($m)	FY2019F EV/EBITDA (forecast multiple)
Viva Energy Group Limited (ASX:VEA)	13/07/18	Energy	2,649	4,861	634	7.9×
Coronado Global Resources Inc. (ASX:CRN)	19/10/18	Materials	774	3,866	715	5.3×
VGI Partners Global Investments Limited (ASX:VG1)	26/09/17	Financials	550	550	-	N/A
Hearts and Minds Investments Limited (ASX:HM1)	09/11/18	Financials	500	500	-	N/A
Netwealth Group Limited (ASX:NWL)	20/11/17	Financials	264	879	58	14.7×
Jupiter Mines Limited (ASX:JMS)	16/04/18	Materials	240	779	-	N/A
New Energy Solar Limited (ASX:NEW)	04/12/17	Utilities	202	489	-	N/A
Nickel Mines Limited (ASX:NIC)	16/08/18	Materials	200	486	53	9.2×
Wagners Holding Company Limited (ASX:WGN)	08/12/17	Materials	197	437	50	10.0×
Vitalharvest Freehold Trust (ASX:VTH)	30/07/18	Financials	185	185	22	10.7×
Total			**5,761**	**13,034**		
Average			**576**	**1,303**	**153**	**9.6×**

Six of the top 10 listings during the 18 months ending 31 December 2018 have experienced declines in their post-listing share prices. The largest underperformer was Jupiter Mines Limited (ASX:JMS) with a share price deterioration of 38% since its IPO on 16 April 2018. The manganese mining company raised $240 million in the largest mining IPO since 2010 and despite the drop in share price, value is expected to rise in 2019 after the recent release of positive results in 2H 2018.

Likewise, Viva Energy Group Limited, which was the largest IPO in the period for offer size, had similarly experienced a deterioration in share price since listing. The petroleum company has dropped in share price by 24% since IPO on 13 July 2018.

The top performer in terms of share price was Netwealth Group Limited (ASX:NWL), doubling in value since listing on 20 November 2017. The financial services technology company engages in the wealth management sector in Australia.

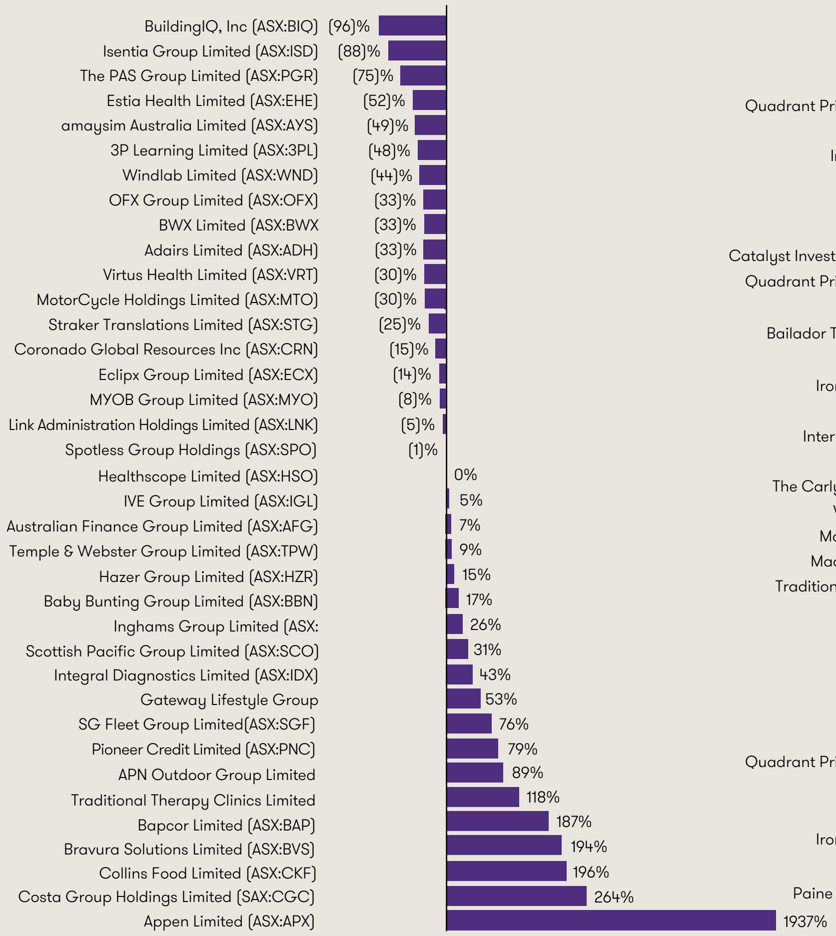
IPO performance of the ten largest IPO's to 31 December 2018



Private equity story

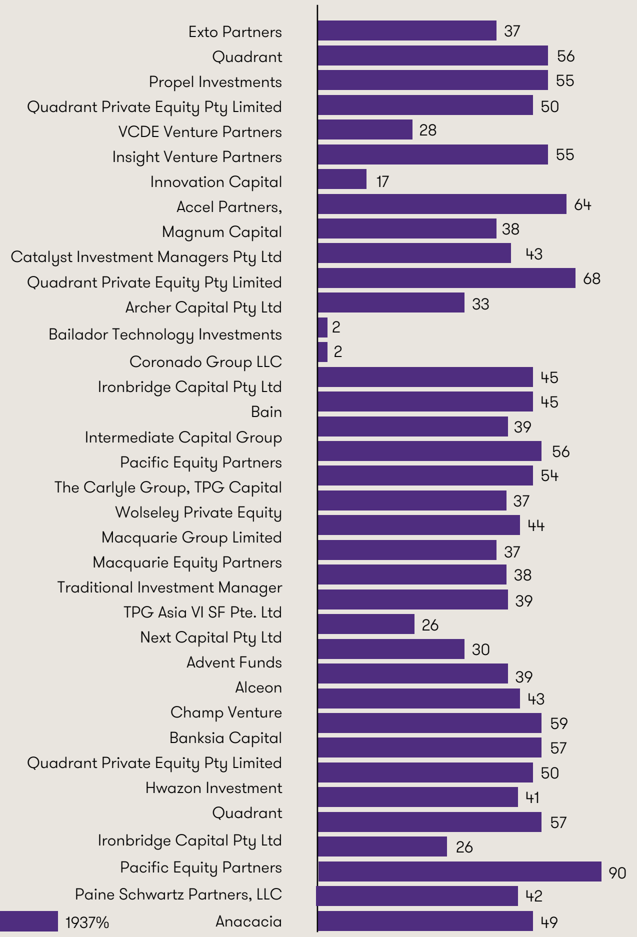
The performance of the majority of private equity backed floats demonstrates the continued value contributed by the sector. For the period from 1 July 2011 through to 31 December 2018, 16% of private equity backed IPOs have doubled in value since listing, and 49% are currently trading above their listing price. In comparison, within the same period, only 21% of all Australian IPOs are currently trading above their listing price.

Private Equity backed IPOs performance to date



Performance to 31 Dember 2018

Months since listing



Months since listing

Working together

“In the constant state of change in which dynamic organisations operate, ultimate success depends on their ability to identify trends as they emerge and seize those opportunities in front of their competitors. Our team’s constant focus is to help these dynamic organisations unlock their potential for growth through market leading insights and expertise.”

Paul Gooley, National Head of Corporate Finance

Depth of experience

Are you looking at a merger, making an acquisition, disposing of a business, undertaking a future public share offering or raising finance? Whatever your strategic objectives, Grant Thornton Australia Limited can help you achieve them and increase your shareholders' wealth

Corporate Finance

Our success is built on the importance we place on developing deep, long-lasting relationships, both with our clients and with third parties such as private equity houses, banks, other financial intermediaries, lawyers and government bodies. The strength of our partnerships and our multidisciplined team allows us to provide a rapid response, tailored to your particular circumstances.

1 In an ever changing market environment, it is important to effectively manage costs and maximise returns. Our team acts as a strategic advisor and is committed to taking the time to genuinely listen to your individual needs. This enables us to present you with solutions which add value and ensure your shareholder wealth is maximised.

2 Clients expect the highest level of service and value for money from their financial advisor. Grant Thornton Australia firmly believes that we will exceed your expectations. By adopting a truly Partner-led approach we set ourselves apart from other firms whilst maintaining competitive and sustainable fee arrangements. Our clients appreciate the proactive and commercial advice and solutions which are tailored to meet their individual needs today and in the future.

3 In today's market, knowing your business environment and market is critical. It is therefore important to be able to trust that your advisor has strong industry skills and is aware of current issues relevant to you, your customers and your stakeholders. With extensive experience in providing corporate advisory services for both large and medium size organisations we have the ability to share best practice solutions and industry insights with you.

4 As one of Australia's leading advisors, we work with dynamic, growing organisations to unlock their potential for growth. You will benefit from working with your local team who understand the issues you face and is able to draw upon the expertise and resources of dedicated industry specialist and technical experts throughout Australia and internationally.

Working with our clients has given our team extensive experience in all aspects of corporate

Merger & acquisition services

- Mergers & acquisitions
- Buy/sell side lead advisory
- Private equity transactions
- MBIs/MBOs
- Cross border transactions
- Industry consolidation
- Debt refinancing
- ASX/AIM listings
- Corporate structuring
- Capital raisings
- Information memorandum preparation

Financial modelling

- Financial model construction
- Financial model review
- Project analysis
- Project feasibility
- Project financing
- Tender support

Transaction advisory services

- Acquisition due diligence
- Vendor due diligence
- Tax due diligence
- Commercial due diligence
- Investigating accountants' report
- Forecast reviews
- Management assessment
- Data room services
- Pre-lend reviews

Valuations

- Independent valuations
- Independent expert reports
- Majority/minority interests
- Purchase price allocations
- Employee share and option plans
- Hybrid financial instruments
- Intangible assets
- Disputes and litigation support
- Impairment testing
- Tax consolidation

Mergers & acquisitions

Undertaking a merger, acquisition, or divestment can be a watershed event in a company's evolution. Grant Thornton Australia's Mergers & Acquisitions (M&A) team are highly skilled and entrepreneurial and have the experience and expertise you need.

To assist our clients with their ambitions, Grant Thornton Australia's M&A team can provide an independent view and insight into the risks and opportunities available for companies aiming to grow both organically and through acquisition or shareholders realising value.

We understand our clients are looking for more than just an advisor. They need a partner who will work through the whole transaction process with them to achieve the optimal outcome.

We work closely with our Tax, Assurance and other Specialist Advisory Services practitioners to provide a seamless service that caters for the various financial and commercial issues that arise. We take this approach with every assignment, with the ultimate goal of building strong ongoing relationships with our valued clients.

Our team brings together multidisciplinary financial backgrounds and strong relationships with financial sponsors, banks and leading corporates. In addition, our national and international capability provides clients with true integrated cross-border transaction capabilities.

Our M&A team
Will provide hands-on strategy and transaction execution advice
Is independent of all debt and equity providers and will provide impartial advice
Will provide overall process and transaction management and ensure timely progress of the various pieces of the strategy
Will provide a seamless suite of advisory services in a co-ordinated manner
Will provide access to relevant parties both domestically and internationally through our worldwide network

Adding value

Seamless support from Grant Thornton Australia brings real value to the M&A process, ensuring parties remain informed, processes are completed smoothly and efficiently and superior outcomes are positively achieved.

Transaction advisory

Whether you are acquiring, divesting or considering an initial public offering, our transaction advisory team will identify and resolve key business issues through our rigorous risk and business analysis process.

Tailoring a reporting method to suit your preferred medium and help you make informed decisions, you will receive balanced and objective advice, giving you insight and confidence around the numbers and key questions in respect of your transaction

Our national team of advisors is experienced, capable and hands on. We work to develop a real understanding of our clients' businesses and requirements, with partner-led service and long-term working relationships.

We also offer cross-border transaction experience and depth. Working with transaction advisory teams in other countries via our international network enables seamless delivery of cross border opportunities.

Operational Deal Services

Our Operational Deal Services (ODS) team provides practical advice to ensure the greatest possible outcome and value from business transactions.

We work with you through all stages of the deal to maximise deal value and performance, through a robust approach to strategic planning, stakeholder engagement, value mapping and change management.

Our services have been developed to meet the needs of the middle to large market sectors and include:
Acquisition financial and tax due diligence
Vendor financial and tax due diligence
Agreed upon procedures reports
Investigating accountant reports
Reporting accountant reports (Alternative Investment Market)
Forecast modelling and review
Pre-acquisition/disposal planning
Pre bid analysis and valuation
Tax planning and structuring
Sell side preparation
Data room facilitation and management
Transaction accounting advice including purchase price allocation
Transaction cost analysis
Transaction project management
Completion accounts review and comments on sale agreement
Operational Deal Services, including post acquisition integration and reviews

Valuation services

Grant Thornton Australia's valuation team provides clients access to dedicated practitioners with in-depth expertise in the valuation of shares, hybrid securities, businesses and related intangible assets.

Valuation services include:
Preparation of Independent expert's reports for public
Transactions in accordance with the requirements of the Corporations Act and the ASX listing rules
Valuation for mergers, acquisitions, disposals and pre-bid support
Purchase price allocation
Valuation for pre-lending review process
Impairment testing for intangible assets
Valuation for taxation purposes, including entering the tax consolidation regime, capital gains tax and stamp duty
Option valuations
Valuation for dispute resolution and expert determination

Financial modelling

Financial modelling is the process of forecasting performance of businesses and assets, using relationships among a range of variables. The central aim of all financial modelling is decision making or valuation under uncertain conditions, which provides management with leading insights into the short term or even long term business environment.

In an environment of increasing corporate governance requirements, financial models also assist with monitoring compliance with debt covenants and assisting with financial reporting.

Financial models are commonly required when businesses are contemplating:
Improving existing decision making processes
Financing/refinancing
Business expansion
Improving efficiency in the finance team
Acquisitions of businesses
Sales and divestments
Public offerings (IPO)
ASX continuous disclosure
Supporting contract tender processes

Reviewing financial models

All major business decisions and transactions require financial analysis. The critical factor of any financial analysis is ensuring that the appropriate analysis is being conducted on the correct information.

Our team has extensive experience in providing financial model reviews for both the public and private sectors, in M&A and other internal operational contexts.

Developing financial models

Our team specialises in providing custom-built financial models that can be used for a wide variety of situations to enhance the decision making process, including:

- Feasibility analysis
- Scenario analysis
- Forecasting
- Cash flow management

Key decision making tool

A financial model is not seen as a piece of software but rather as a key decision making tool that has the ability to make or break a business or investment. Therefore all of our models are fully tested to ensure the highest level of integrity in their construction. Likewise our financial model review process is systematic and thorough and conducted by practitioners with capabilities in advanced modelling.

Our financial models
Are user friendly
Have assumptions easily identified and easy to manipulate
Are easy to follow, with a logical layout
Are sophisticated in logic but not overly complex
Contain automated scenario analysis around key business risks
Are well summarised, with visual outputs and dashboards

In preparing this publication, we have relied upon the following key sources of information, including: Standard & Poor's Capital IQ, the Australian Securities Exchange, MergerMarket, IBISWorld, company announcements and other publicly available information. We have considered transactions during the period between 1 July 2017 to 31 December 2018 where the target company's primary sector was resident in Australia and the acquirer gained control of the company.

Our analysis is based on the assumption that the information derived from the different sources mentioned above are correct and that no material information is missing. Whilst all reasonable actions have been observed to ensure that the information in this report is not false or misleading, Grant Thornton does not accept any liability for damage incurred as a result of facts or deficiencies in this report. Conclusions and judgements reflect our assessment at the time of the publication's completion.

About us

We are Grant Thornton

Grant Thornton Australia is a leading business advisor that helps dynamic organisations to unlock their potential for growth. Our brand is respected globally, as one of the major global accounting organisations recognised by capital markets, regulators and international standards setting bodies.

We are constantly evolving and developing alongside our clients.

Grant Thornton Australia has more than 1,300 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable "client first" mindset and a broad commercial perspective.

Global scale and agility

We have the scale to meet your changing needs, but with the insight and agility that helps you to stay one step ahead. More than 53,000 Grant Thornton people, across over 135 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

Privately owned, publicly listed and public sector clients come to us for our technical skills and industry capabilities but also for our different way of working. Our member firm partners and teams invest the time to truly understand your business, giving real insight and a fresh perspective to keep you moving.

Whether a business has domestic or international aspirations, Grant Thornton can help you to unlock your potential for growth

Snapshot

$248.4m
(AU 2018 revenue)

166
partners

6
offices

1,300+
people nationally

$5.45bn
(US 2018 global revenue)

53,000+
people globally

700+
offices globally

135+
countries

Industry Specialisation

- Automotive
- Consumer products & retail
- Energy & resources
- Financial services
- Food & beverage
- Health & aged care
- Life sciences
- Manufacturing
- Not for Profit
- Professional services
- Public sector
- Real estate & construction
- Technology & media

Our services

Audit & Assurance

Private Advisory

Private wealth
Family office services
Superannuation
Business advisory services

Tax

Financial Advisory

Forensic consulting
Corporate finance
Restructuring advisory

Grant Thornton Consulting

Business risk
Human capital
Performance management
Strategy & growth
Technology advisory

National Specialist Tax

Indirect tax
Transfer pricing
Remuneration taxes

Public Sector Advisory

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