Grant Thornton

Financial Advisory

M&A

Dealtracker 2020

Australian M&A and IPO market insights

November 2020

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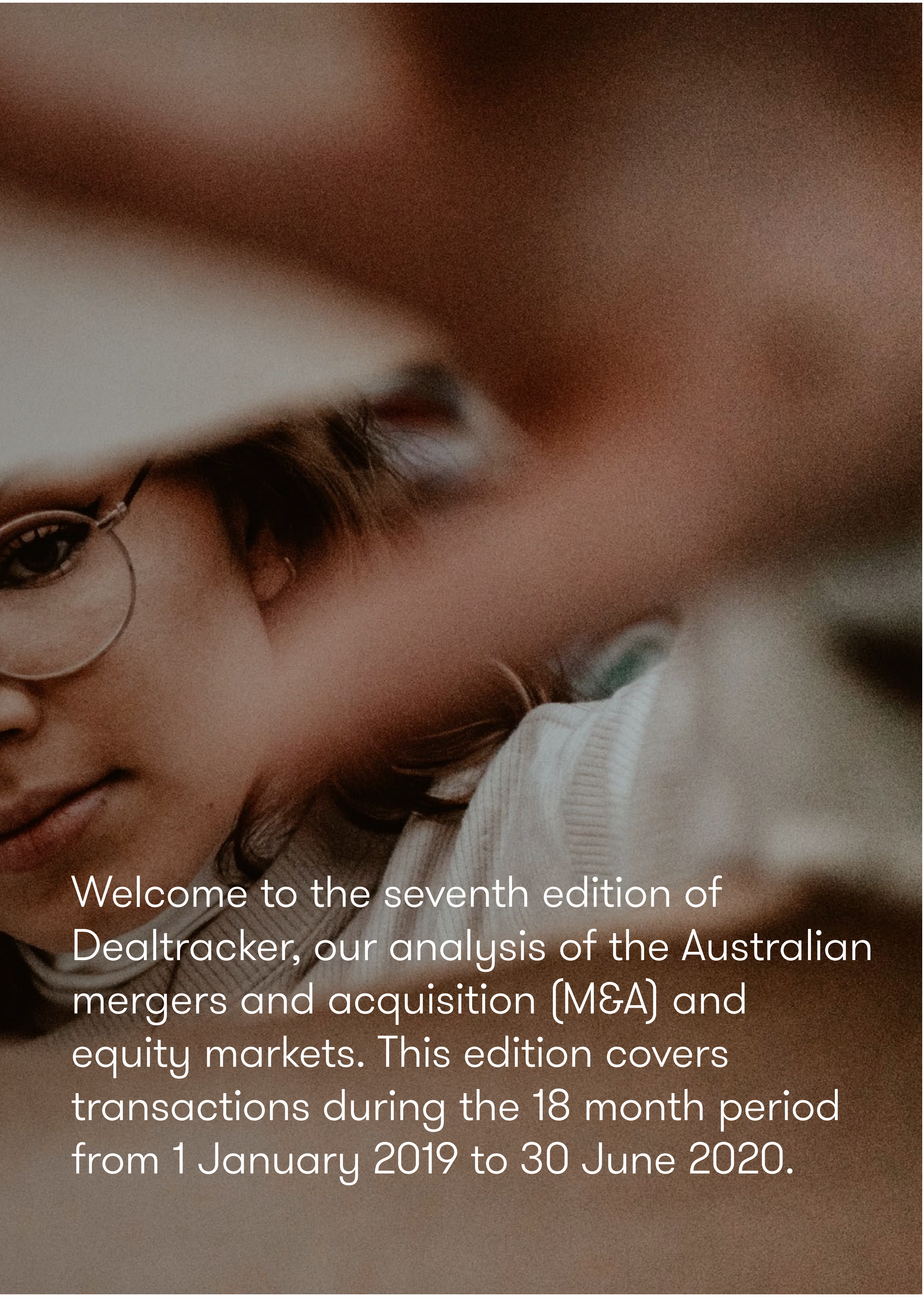


Welcome to the seventh edition of Dealtracker, our analysis of the Australian mergers and acquisition (M&A) and equity markets. This edition covers transactions during the 18 month period from 1 January 2019 to 30 June 2020.

Our key insights

Deal activity affected by Pandemic

Deal volume up to 31 December 2019 was strong with a record number of deals reported for CY2020 over the history of this publication. The level of activity decreased significantly during H1 2020 as the pandemic took hold falling to levels not seen since 2017. At the issuance of this report, there has been an increase in activity levels as participants start to consider a post pandemic period despite the uncertainties that remain. This interest is particularly focused on technology enabled opportunities that may benefit from the shift in consumer and employee behaviours post pandemic.

Overseas acquirers remain relevant

Overseas purchasers comprised 29% of transactions, down from 31% in the previous Dealtracker period to reverse the upward trend evident in prior years. This reversal can be attributable to the challenges faced with cross border deals since the commencement of the pandemic given travel restrictions and foreign investment regulatory tightening. Notwithstanding these headwinds, their remains appetite for overseas acquirers to continue pursuing Australian assets aided by the use of deal related technology and a willingness to accommodate the extended approval process.

Investment Managers

Investment Manager ("IM") activity continued to be strong during the period despite the overall pandemic related slowdown that occurred in H1 2020. This was driven by Managers' continued access to significant funding and their interest in Information Technology and wider technology enabled opportunities that have been the standout drivers of deal volume during this period.

Deal multiples

The median multiples of EBITDA across the market as analysed during this Dealtracker period was 8.1× which was an increase since the last Dealtracker report of 7.1× and slightly higher than the long-term historical average of 7.8×. This was partly due to outperformance in the Consumer Discretionary, Healthcare, Materials and Energy sectors.

Primary and Secondary Listed Markets

IPO primary issuances experienced a material decline as a result of the pandemic with small volumes reported for H1 2020. This was offset to a certain degree by the significant secondary issuances that occurred during that period with many corporates focusing on ensuring they had sufficient liquidity to trade through the pandemic period. As with overall activity levels, there has been strong appetite by companies to access the IPO markets in the months preceding the issuance of this report with much of this demand related to technology enabled opportunities.

Expected market themes

Whilst predicting market conditions over the next Dealtracker period is extremely difficult, the current market themes around the acceleration of deploying technology across all sectors will continue to drive deal activity and in particular IM activity levels in the next 18 months. Notwithstanding this theme, there remains caution on the trading environment that will occur once government stimulus is materially reduced and the ongoing risks associated with the inevitable waves of infection that will occur prior to a vaccine becoming widely available. This may lead to lower deal volumes and asset valuations should these risks remain for an extended period of time.

M&A deal volumes

Overall deal volumes were consistent with the previous period. However, it was a period of two halves with a high number of deals recorded in the second half of CY2019 and a material reduction in deals recorded in the first half of CY2020 caused by the global pandemic.

Introduction

This seventh edition of Dealtracker focuses on Australian mergers and acquisitions (M&A), and equity market activity during the 18 month period to 30 June 2020 ("the period"). Our previous Dealtracker (edition six) covered the 18 months to 31 December 2018 and edition five 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 multi-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 and greater than $5m value.

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

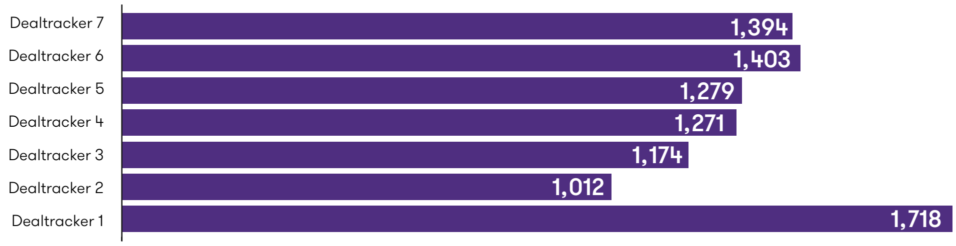
M&A deal trends

Our analysis shows that the number of M&A deals during the 18 months to 30 June 2020 was on par with the previous reported period (18 months to 31 December 2018). The increased number of deals in second half of 2019 calendar year was offset by the pandemic caused decline in the first half of CY2020.

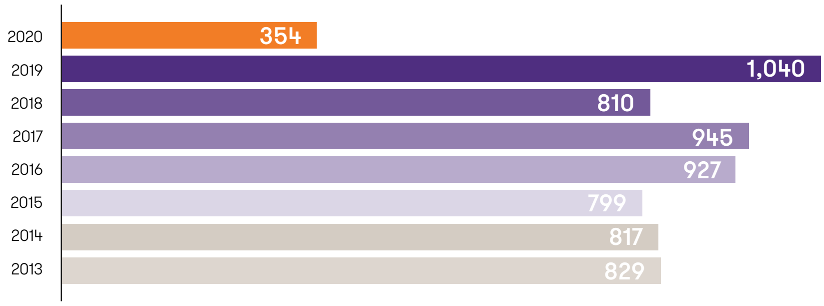
On a quarterly basis, the fourth quarter of 2019 was a record for this publication, with a total of 301 deals occurring during the quarter comprising 22% of the total deals for the full period. In comparison, the first and second quarters of the following year (Q1& Q2 CY2020) represented only 13% and 12% of total deals within the period.

Following the strong level of activity in the second half of CY 2019, which comprised 42% of the total deals for the period, deal volumes plummeted below previous period numbers and fell to levels last observed in first half of 2017. The recent decline in activity over Q1 and Q2 CY2020 is aligned with the global economic downturn caused by the COVID worldwide pandemic and its consequences on economic activity, mobility and accordingly deal activity.

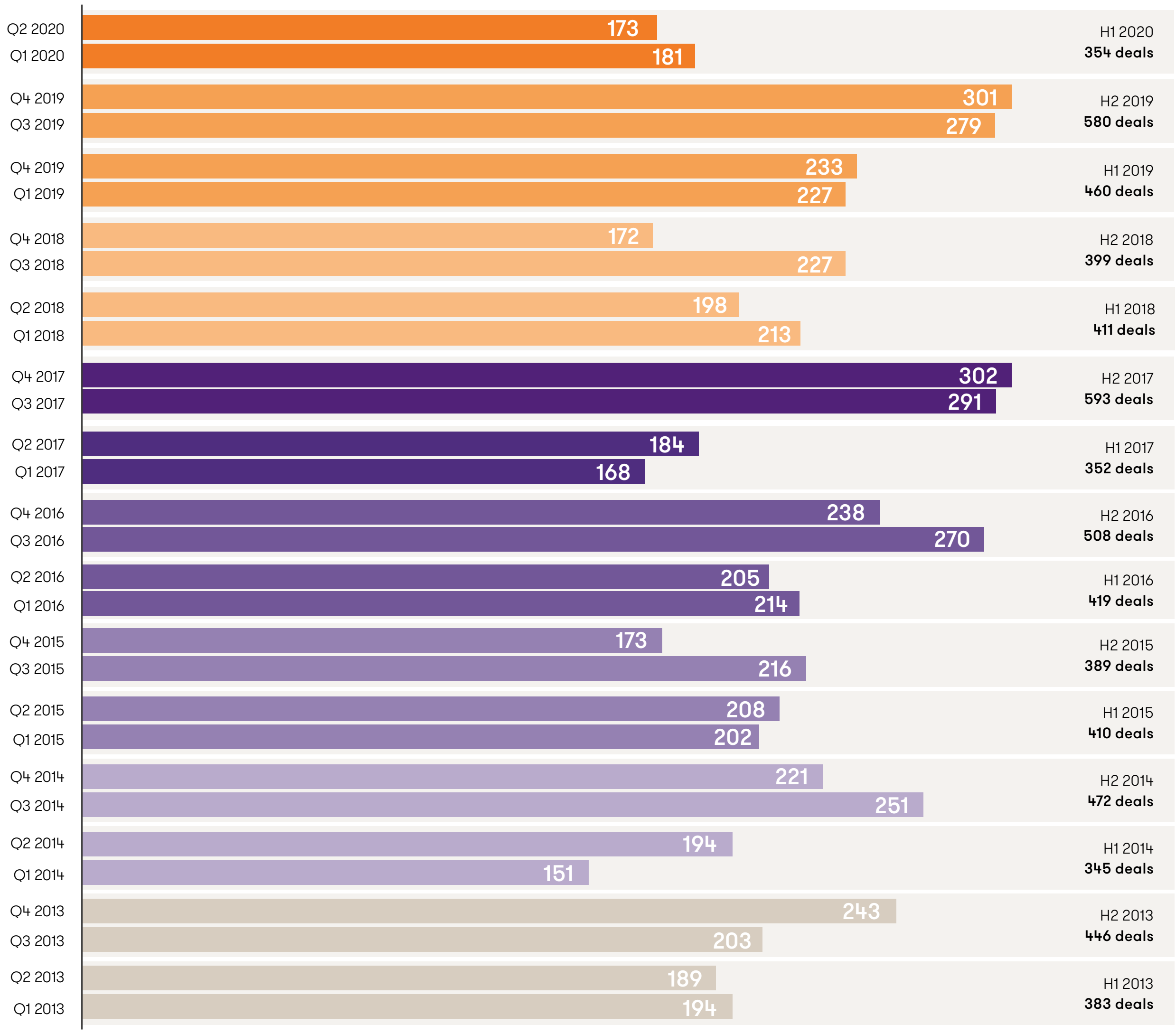
M&A – Prior comparative Dealtracker periods



M&A – Annual trends



M&A – Quarterly & half yearly trends



Sector composition

The continued movement of the Australian economy from a resource led economy to a knowledge-based service economy that has been observed over these reports has accelerated through this period with the Information Technology sector showing considerable growth in deal activity boosted by pandemic market conditions.

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 M&A market.

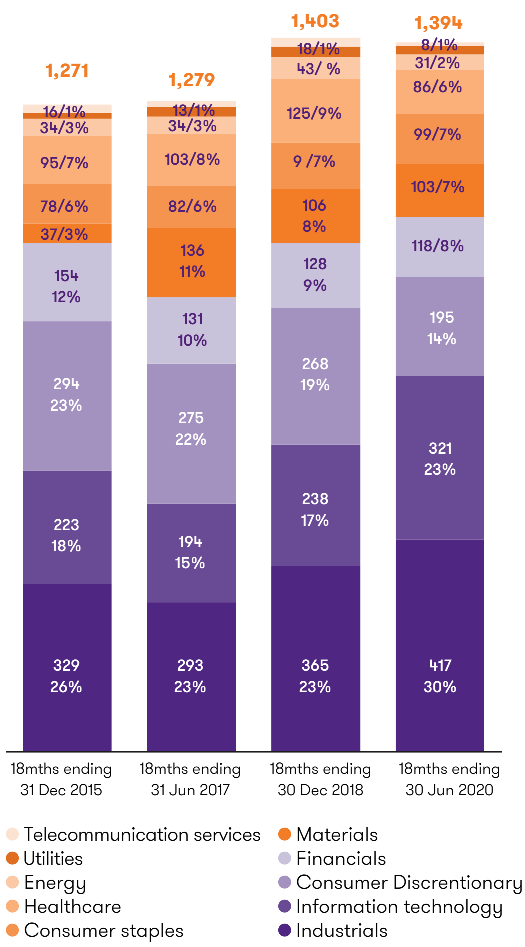
A surge in Information Technology deals occurred as established trade buyers across sectors become increasingly inclined toward innovative investment strategies to enhance their technological capabilities, protect their businesses in the new trading environment, whilst seeking to tap into new customer markets. Deals in this sector increased over the period from 238 to 321 deals which represents 35% growth from the preceding 18 month period. This was the largest increase in relative share for the period. Volumes in this sector are predicted to remain strong as buyers continue to seek the expansion of their digital capabilities to serve customer and workforce preferences that have shifted as a result of the pandemic and create further operations efficiencies.

Consistent with prior periods, the Industrials sector remains the main focus for Australian M&A activity with 30% of total deal flow and numerically the second largest increase in deal volume at 14% growth since the prior Dealtracker period to 31 December 2018. This continued strength can be partly attributable to the ongoing consolidation in the sector to increase operational efficiencies and the acquisition of Intellectual property for deployment in foreign markets.

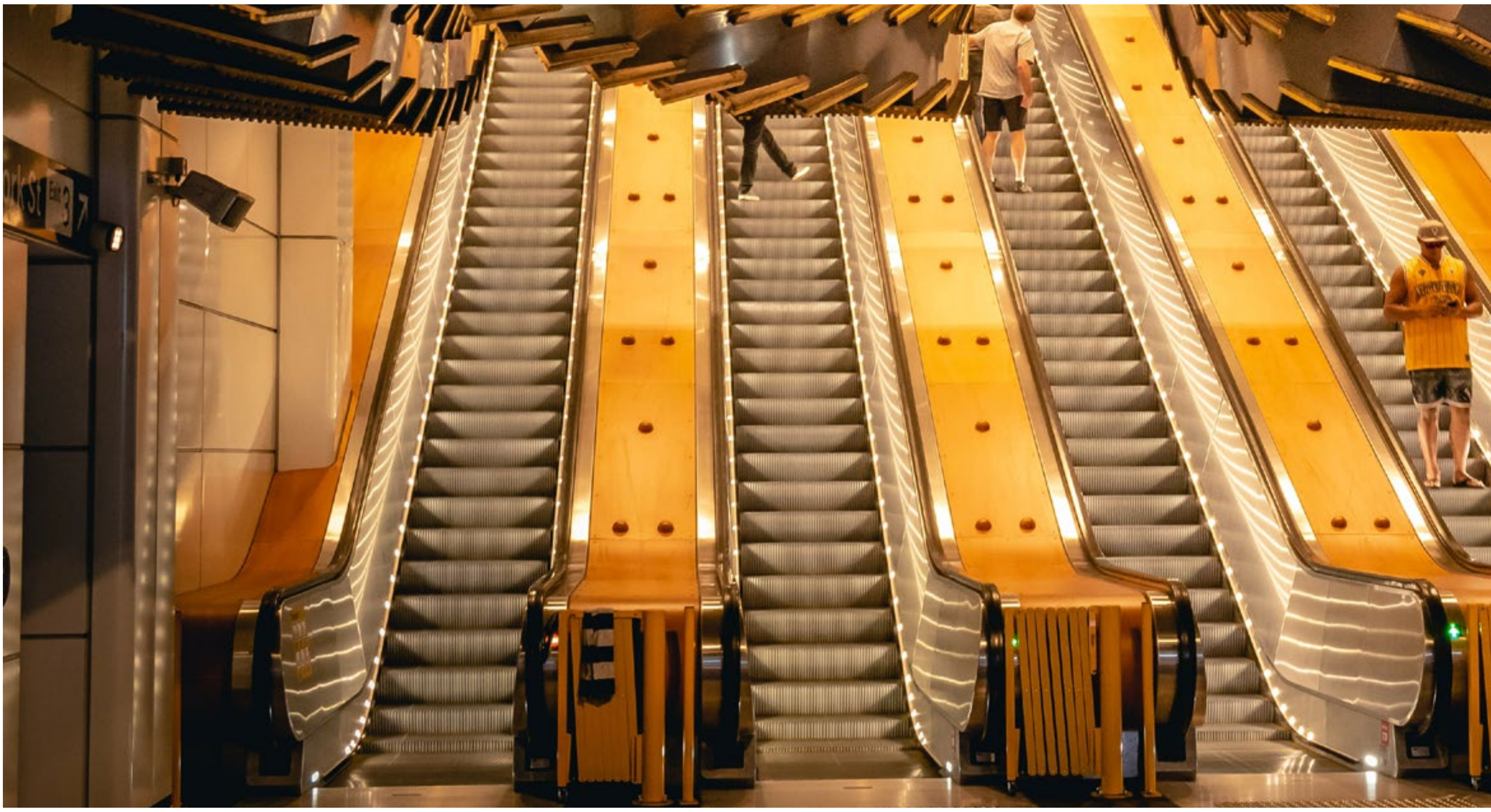
The third sector which recorded an increase in the number of deals for the period was Consumer Staples, which grew by 8% from 92 to 99 deals. The number of deals in other sectors declined on a scale from 3% in Materials sector to 56% in Telecommunications on low volumes.

Deal flow in the Financials sector also experienced a marginal fall of 8% compared with the previous Dealtracker period and now comprises 8% of M&A activity during the period, with regulatory uncertainty offset by the continuing trend of financial institutions simplifying their operating structures and the continued emergence of Fintech.

M&A – Deal composition by sector

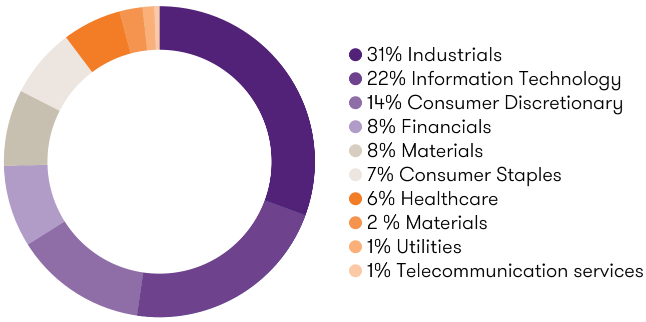


“The hunger for enhancing digital capabilities to serve customers and workforce changes post pandemic is driving investment in new technologies, whilst the Industrials sector has remained buoyant as the consolidation trend continues.”

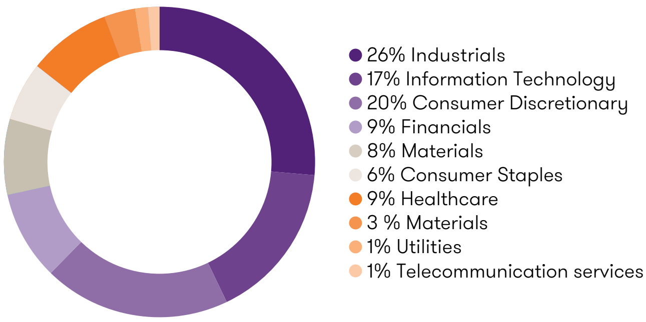


Corporate M&A has focused on the trend of consolidation in the Industrials sector, whilst investment managers have focused on the Consumer Discretionary, Information Technology and Consumer Staples sectors.

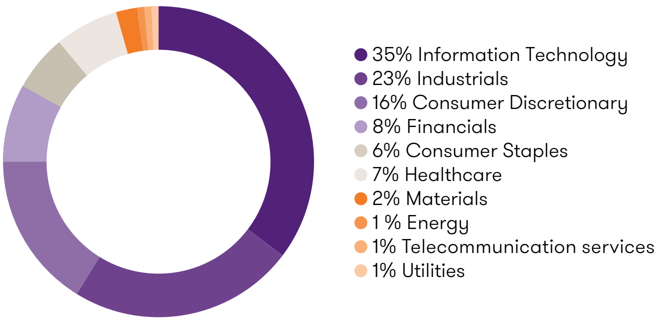
Corporate deals by sector (current period)



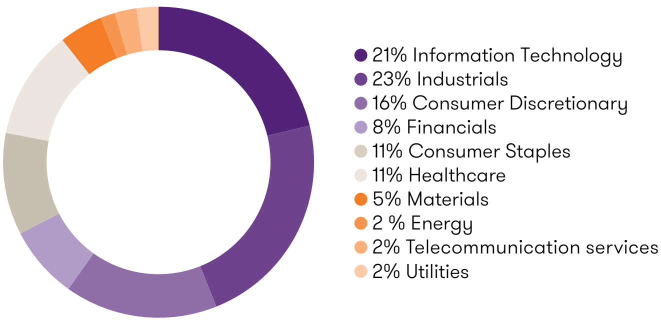
Corporate deals by sector (prior comparable period)



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 31% [PP: 26%] and Information Technology sectors 22% [PP 17%]. The relative shares for Consumer Discretionary and Healthcare sectors declined – 14% [PP20%] for the former and 8% [PP 9%] for the latter.

- These decreases can partly be explained by the disruption caused to both sectors by the lockdowns imposed by State governments to deal with the pandemic. Whilst the Healthcare sector is expected to provide greater opportunities as lockdowns ease, the Retail sector is likely to be a difficult area to invest for some period other than for distressed opportunities. Other corporate activities remained largely similar to the comparable prior period.

- In regards to IM acquisitions, we observed a dramatic increase in Information Technology deals from representing 21% in the previous period to 35% currently. Whilst this trend to invest in technology enabled businesses was already in place prior to the pandemic, the dramatic shift in consumer preferences and behaviours along with the need for businesses to amend their operational models has accelerated IM interest in the sector. A similar theme is evident in public market activity as well.

- The largest decline in IM deal flow was seen in the Healthcare – from 11% to 7%, Consumer Staples - from 11% to 6% and the Materials sectors – from 5% to 2%. As indicated previously, most sectors outside technology experienced material declines in activity levels since the onset of the pandemic given the lack of visibility of medium term trading conditions that exist for acquisition targets.

Top 10 deals
in the 18 months to June 2020

Acquirer: Asahi Group Holdings, Ltd.

Target: CUB Pty Ltd

Transaction Value AUD(m): A$16,000 million

Date: 01 June 2020

EV/EBITDA multiple: 14.9×

CUB Pty Ltd engages in the production and distribution of beer in Australia and internationally. The company also offers ciders and spirits. CUB Pty Ltd was formerly known as Foster's Australia Limited.

Asahi is a Japanese global beer, spirits, soft drinks and food business group headquartered in Sumida, Tokyo.

Asahi Holdings (Australia) Pty Ltd agreed to acquire CUB Pty Ltd from Anheuser-Busch InBev SA/NV (ENXTBR:ABI) for an enterprise value of AUD 16 billion.

Acquirer: Vodafone Hutchison Australia Pty Limited

Target: TPG Telecom Limited

Transaction Value AUD(m): A$ 8,688 million

Date: 29 June 2020

EV/EBITDA multiple: 10.3×

Vodafone Hutchison Australia is a private company owned by Vodafone Group Plc and Hutchison Telecommunication Australia.

Vodafone Hutchison Australia, an Australia-based mobile telecommunications provider, has agreed to merge with TPG Telecom, an Australian internet service provider.

Deal terms - 1 VHA share per TPG share.

Acquirer: Brookfield Capital Partners Ltd.; Brookfield Business Partners L.P. (NYSE:BBU)

Target: Healthscope Limited

Transaction Value AUD(m): $5,635 million

Date: 06 June 2019

EV/EBITDA multiple: 14.3×

Healthscope Limited provides healthcare services in Australia and New Zealand. The company operates through Hospitals Australia and Pathology New Zealand segments.

Brookfield Asset Management Inc. is an alternative asset management company focusing on real estate, renewable power, infrastructure and private equity.

Brookfield Capital Partners Ltd. made a proposal to acquire Healthscope Limited (ASX:HSO) from NorthWest Healthcare Properties Real Estate Investment Trust (TSX:NWH.UN) and others for AUD 4.3 billion on May 14, 2018.

Acquirer: Nippon Paint Holdings Co., Ltd. (TSE:4612)

Target: Dulux Group Limited

Transaction Value AUD(m): $4,333 million

Date: 21 August 2019

EV/EBITDA multiple: 16.5×

Dulux Group Limited manufactures, markets, sells, and distributes paints, coatings, adhesives, and garden care and other building products in Australia, New Zealand, Papua New Guinea, South East Asia, China, and the United Kingdom.

Nippon Paint Holdings Co., Ltd is a Japanese paint and paint products manufacturing company.

Nippon Paint Holdings Co., Ltd. (TSE:4612) agreed to acquire DuluxGroup Limited (ASX:DLX) for AUD 3.8 billion on April 16, 2019

Acquirer: Mitsubishi UFJ Trust and Banking Corporation

Target: First Sentier Investors

Transaction Value AUD(m): $4,130 million

Date: 02 August 2019

EV/EBITDA multiple: 42.1×

Colonial First State Global Asset Management (CFSGAM) is an Australia-based company engaged in the global investment management business, headquartered in Sydney.

Mitsubishi UFJ Trust and Banking Corporation is a Japan-based company engaged in providing commercial banking, asset management and administration, real estate and stock transfer agency services.

MUTB has agreed to acquire 100% stake in CFSGAM from CBA for a total cash consideration of AUD 4.13bn (USD 2.93bn).

Acquirer: Resolution Life Australia Pty Ltd

Target: Australian and New Zealand Wealth Protection and Mature Businesses of AMP Limited

Transaction Value AUD(m): $3,000 million

Date: 30 June 2020

EV/EBITDA multiple: N/A

Resolution Life Group Holdings LP, parent of Resolution Life Australia Pty Ltd, is a global life insurance group focusing on the acquisition and management of portfolios of life insurance policies.

Resolution Life Australia Pty Ltd agreed to acquire Australian and New Zealand wealth protection and mature businesses from AMP Limited (ASX:AMP) for AUD 3 billion.

Acquirer: Macquarie Infrastructure and Real Assets

Target: AirTrunk Operating Pty Ltd. (88% Stake)

Transaction Value AUD(m): $2,640 million

Date: 08 April 2020

EV/EBITDA multiple: N/A

AirTrunk Operating Pty Ltd. is a company engaged in providing cloud storage of data and backup services.

Goldman Sachs & Co. LLC and TPG Capital LP have agreed to sell undisclosed majority stake in AirTrunk Operating Pty Ltd. to Macquarie Infrastructure and Real Assets (MIRA), for an undisclosed consideration.

Acquirer: Santos Ltd

Target: ConocoPhillips Company (northern Australia business)

Transaction Value AUD(m): $2,158 million

Date: 27 May 2020

EV/EBITDA multiple: N/A

Santos Ltd is the listed Australia-based ASX-listed company engaged in the exploration, development, production, transportation, and marketing of hydrocarbons, headquartered in Adelaide.

ConocoPhillips Company is the listed US-based integrated energy company that explores, produces, transports and markets crude oil, natural gas, natural gas liquids and bitumen, headquartered in Houston, Texas.

Santos Ltd has agreed to acquire ConocoPhillips's north Australian business from ConocoPhillips Company.

Acquirer: KKR & Co. Inc. (NYSE:KKR)

Target: MYOB Group Limited

Transaction Value AUD(m): $2,072 million

Date: 08 May 2019

EV/EBITDA multiple: 18.5×

MYOB Group Limited develops and publishes software in Australia and New Zealand. It provides its solution for SMEs and advisers.

KKR & Co. Inc. is an American global investment company that manages multiple alternative asset classes.

KKR & Co. Inc. made a proposal to acquire remaining 80.1% stake in MYOB Group Limited (ASX:MYO) from Bain Capital Abacus Holdings, L.P. and others for AUD 1.7 billion.

Acquirer: AustralianSuper Pty. Ltd.; Remjay Investments PTY Ltd; BGH Capital; Hoperidge Enterprises Pty Ltd Superannuation Fund

Target: Navitas Limited

Transaction Value AUD(m): $2,069 million

Date: 05 July 2019

EV/EBITDA multiple: 27.9×

Navitas Limited provides educational services for students and professionals in Australia, the United Kingdom, Europe, Asia, Canada, the United States, and internationally.

Australian Super Pty. Ltd., the largest Australian superannuation and pension fund, made a preliminary, conditional and non-binding proposal to acquire remaining 85% stake in Navitas Limited (ASX:NVT) from Jones Family Trust, Remjay Investments PTY Ltd, Hoperidge Enterprises Pty Ltd Superannuation Fund and others for AUD 1.6 billion.

The buyers

The proportion of investment manager 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 90% of acquirers being classified as corporate M&A deals and 10% 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 9% of total M&A deal flow, which in total numbers increased from 132 to 137. The increase in IM activity represents a trend that we have been observing over recent reports given the volume of funding that have been raised over the last few years across a diverse range of managers.

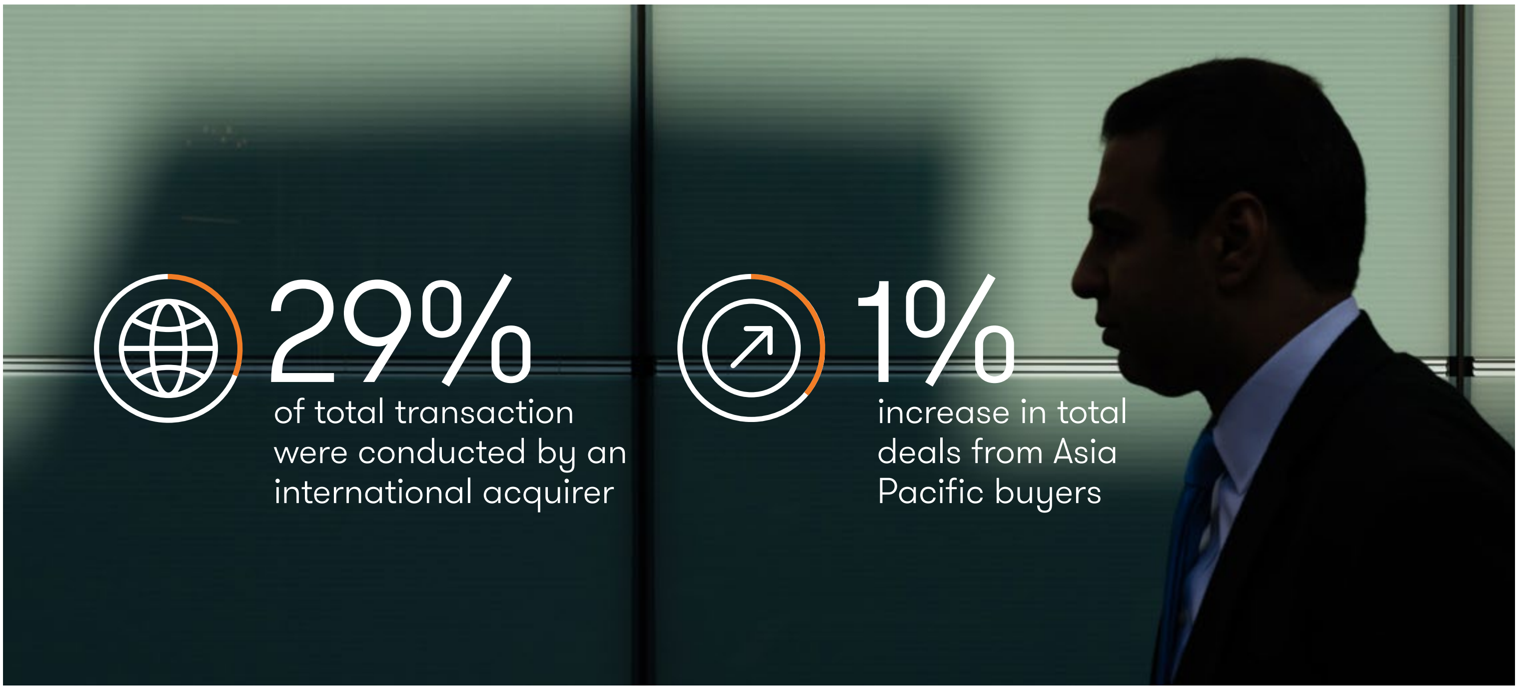
Top IM acquirers – 18 months to 30 June 2020

Rank	IM acquirer	No. of deals
1	Quadrant Private Equity Pty Limited	7
=2	CPE Capital Pty. Ltd.	4
=2	Potentia Capital Pty Ltd	4
=3	Pacific Equity Partners Pty Ltd.	3
=3	Anacacia Capital Pty Ltd.	3
=3	Advent Capital Partners	3
=4	Quintet Yorkway	2
=4	Colington Capital Partners	2
=4	Arrowroot Capital	2
=4	Anchorage Capital Partners Pty Ltd.	2
=4	Allegro Funds Pty Ltd.	2
=4	Odyssey Private Equity Pty Limited	2
=4	Armitage Associates	2
=4	Next Capital Pty Ltd.	2
=4	Pemba Capital Partners	2
=4	Crescent Capital Partners	2

Top corporate acquirers – 18 months to 30 June 2020

Rank	Corporate acquirer	No. of deals
1	Uniti Group Limited (ASX:UWL)	6
=2	Healthcare Australia Pty Ltd.	4
=2	Spirit Telecom Limited (ASX:ST1)	4
=2	AAM Investment Group	4
=2	Accenture plc (NYSE:ACN)	4
=2	Arthur J. Gallagher & Co. (NYSE:AJG)	4
=3	I-MED Holdings Pty Limited	3
=3	Primewest Group Limited (ASX:PWG)	3
=3	Trinity Consultants, Inc.	3
=3	ASSA ABLOY AB	3
=3	Spirit Telecom Limited	3
=3	KPMG Australia	3
=3	Endeavour Drinks Group	3
=3	Management Vehicle	3
=3	Morningstar Australasia Pty Limited	3
=3	Qube Holdings Limited	3
=3	People Infrastructure Ltd (ASX:PPE)	3

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



Dealmakers by type

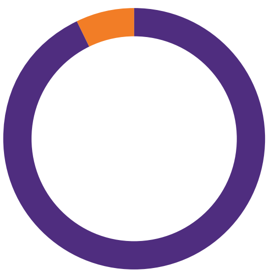
The most active buyer of Australian targets amongst the pool of corporate buyers was Uniti Group Limited with 6 deals during the period. Uniti group is a diversified provider of telecommunications services. Uniti acquired several internet provides and phone calls processing companies.

Five companies from different industries (healthcare, communication, financial and professional services) logged 4 deals for the observed period and 11 entities had 3 deals each across a diverse range of industries.

Of the IM dealmakers, as with the previous Dealtracker, Quadrant Private Equity was a notable standout for deal volume of new investments in Australian targets.

Quadrant Private Equity expanded its portfolio with 7 acquisitions over the period, targeting family-owned businesses seeking succession options. Acquisitions were in diverse target sectors including ecommerce, retail, consulting and business support services.

Dealmakers by type



- 90% Corporate M&A deals (1,263 deals)
- 10% IM deals (137 deals)

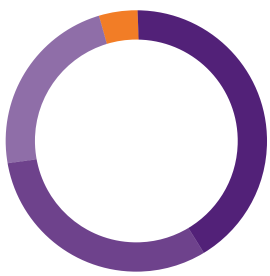
Dealmakers by Region

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 29% of total deal flow, which was marginally below the prior comparable period with 31% (a decrease of 28 deals), representing a continued robust trend of foreign investment into Australia. However, many cross border deals have been slowed in recent times given the changes to the Foreign Investments Review Board (FIRB) regime which has likely delayed deals seeking to complete in H1 CY2020.

Globally, Australia is regarded by corporates and IMs as a safe-haven, unlike US, UK or European which are experiencing ongoing political and economic instabilities. Globally, investor sentiment is strong toward Australia's ability to provide valuable and stable investment opportunities despite the current FIRB requirements which is mostly seen as a timing issue rather than a binary decision on deal completion. However, should these restrictions continue, we are likely to see domestic acquirers having a competitive advantage in processes which may lead to a further reduction in overseas acquirer deals until these changes are reversed.

Inbound acquirer regions



- 41% US & Canada (168 deals)
- 32% Europe (128 deals)
- 22% Asia Pacific (91 deals)
- 5% Others (19 deals)

Deal sector composition by acquirer region				
	All deals	US & Canada	Europe	Asia Pacific
Consumer discretionary	14%	11%	9%	15%
Consumer staples	7%	4%	5%	8%
Energy	2%	-%	3%	3%
Financials	8%	9%	4%	9%
Healthcare	6%	8%	3%	6%
Industrials	30%	28%	38%	29%
Information technology	23%	35%	34%	19%
Materials	7%	5%	3%	9%
Teleco Services	1%	-	-	2%
Utilities	-	-	-	-
Total	100%	100%	100%	100%

$183m

Median enterprise value Cross Border Inbound

$45m

Median enterprise value Domestic

Domestic v cross border transactions (current period)

- 69% Domestic (957 deals)
- 29% Cross Border Inbound (406 deals)
- 2% Undisclosed (31 deals)

Domestic v cross border transactions (prior comparable period)

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

US and Canadian buyers remain the largest volume of offshore acquirers, with 41% of deals, which is consistent with 43% in the prior Dealtracker period.

Inbound acquisitions from the Asia Pacific region has marginally increased to 22% of total deals compared with 21% in the previous Dealtracker period. In regard to sector focus, Asia Pacific buyers continued the trend seen in recent years by focusing on the Industrials sector, which comprise 29% of Asia Pacific transactions.

Asian buyers continue to perceive the Australian mid-market as an attractive source of opportunities to which they can deploy their capabilities in home markets.

European buyers rank second with 32% of total inbound deals, which is consistent with the proportion of European deals in the previous Dealtracker period (32%). European buyers have increased their focus on the Information Technology sector from 18% in the previous period to almost double (34%) and have marginally decreased their share in Industrials sector, now amounting to 37% of total European transactions, down from 39%. This is reflective of the continued trend for European buyers to access the higher growth Asian growth markets and acquire niche Intellectual Property that can be deployed in Europe.

Top 5 cross-border inbound deals

Inbound deals: US and Canada – 18 months to 30 June 2020				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
MYOB Group Limited	Information Technology	KKR & Co. Inc. (NYSE:KKR)	United States	2,071.68
Aveo Group	Real Estate	Brookfield Financial Properties L.P.	United States	2,066.79
ClickSoftware Technologies Ltd.	Information Technology	Salesforce.com, inc. (NYSE:CRM)	United States	1,998.54
TEG Pty Limited	Communication Services	Silver Lake	United States	1,921.27
Serendipity (WA) Pty Ltd	Industrials	Madison Dearborn Partners, LLC	United States	725.00

Inbound deals: APAC – 18 months to 30 June 2020				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
CUB Pty Ltd	Consumer: Other	Asahi Group Holdings, Ltd.	Japan	16,000.00
DuluxGroup Limited	Materials	Nippon Paint Holdings Co., Ltd. (TSE:4612)	Japan	4,333.49
First Sentier Investors	Financial Services	Mitsubishi UFJ Trust and Banking Corporation	Japan	4,130.00
Orora Limited (Australasian Fibre Business)	Manufacturing (other)	Nippon Paper Industries Co., Ltd.	Japan	1,720.00
Bellamy's Australia Limited	Consumer Staples	China Mengniu Dairy Company Limited (SEHK:2319)	Hong Kong	1,425.59

Inbound deals: Europe – 18 months to 30 June 2020				
Target company	Target sector	Buyer	Buyer location	Transaction value $m
GBST Holdings Limited	Information Technology	FNZ (UK) Ltd	United Kingdom	243.81
Mackay Sugar Limited (70% Stake)	Agriculture, Consumer: Foods	Nordzucker AG	Germany	211.00
Kalbar Operations Pty Ltd	Mining	Appian Capital Advisory, LLP	United Kingdom	144.00
Ampac Technologies Pty Ltd	Information Technology	Halma plc (LSE:HLMA)	United Kingdom	135.00
Lasers and Ultrasound Business Segment of Ellex Medical Lasers Limited	Health Care	Lumibird SA (ENXTPA:LBIRD)	France	100.00

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

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

SMEs 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 continue to represent attractive acquisition targets, with an ability to obtain premium valuation multiples. Transaction size continues not to be a barrier for foreign buyers, particularly as deal technology continues to be adopted through the increased take up of virtual calls and virtual deal rooms. From our processes, overseas interest in the SME sector remains strong even at deal values around $50 million. Examples of SME deals include Kounta Pty. Ltd. and Montessori Academy Group, summarised below, where international corporates bid strongly for specific strategic benefits of these assets.

Whilst the owners of private Australian SMEs are becoming increasingly mindful of the need for succession planning as the baby boomer generation nears retirement the slowdown that is likely to occur post pandemic will only add to the supply of businesses that will be looking to be sold once conditions improve. This is likely to be in several years' time once economic conditions stablise. However, if the Australian economy can outperform other jurisdictions post pandemic, this could improve demand for local businesses in the shorter term.

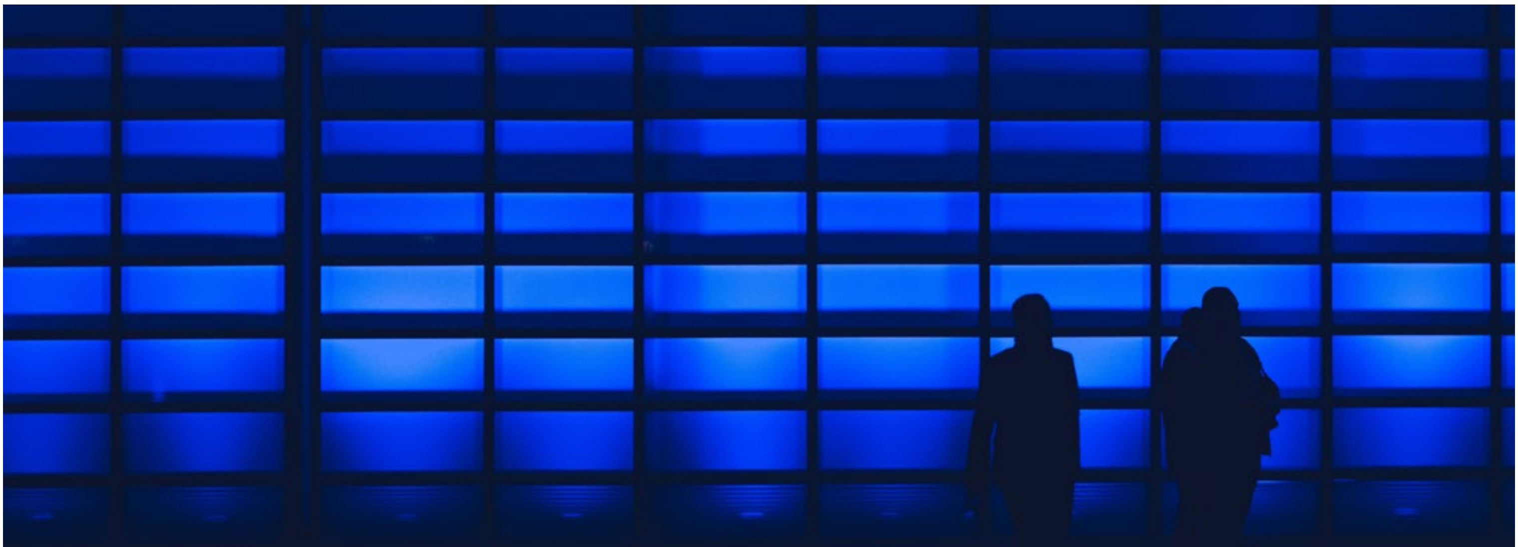
A snapshot of noteworthy SME deals of different ranges of size is provided below.

Acquirer	Target	Transaction value $m
Kounta Pty Ltd	Lightspeed POS Inc. (TSX:LSPD)	63.04
Chalmers Limited	Qube Logistics (Aust) Pty Ltd	61.98
Montessori Academy Group Holdings Pty Ltd	Greentown Service Group Investment Co. Ltd.	57.35

The acquisition of Kounta Pty. Ltd by Lightspeed POS Inc for $63 million – 20 October 2019

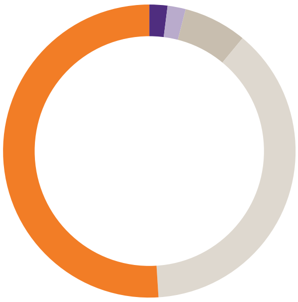
A leading Omni channel point of sale platform for over 51,000 customer locations worldwide, announced an agreement to acquire Australia-based Kounta Holdings Pty Ltd, a rapidly growing, cloud-based POS solutions provider to small and medium-sized businesses operating within the hospitality industry.

Management commented: "Combining with Kounta will strengthen Lightspeed's resources to provide improved customer experiences as it expands into the Asia-Pacific region, while tapping the talent and expertise needed to accelerate Lightspeed's mission of becoming the leading global POS platform for small and medium-sized businesses, the backbone of vibrant cities and communities throughout the world."



> Foreign investors continue to target mid- market Australian businesses which could become more attractive if Australia can weather the global pandemic better than other markets and therefore outperform when growth returns."

Transaction size



- 2% Greater than $1 billion (27 deals)
- 2% $500 – $999.9 million (21 deals)
- 6% $100 – $499.9 million (81 deals)
- 39% Less than $100 million (546 deals)
- 52% Undisclosed (719 deals)

The acquisition of Chalmers Limited by Qube Logistics for $62 million – 8 August 2019

Chalmers Limited provides road transportation, logistics, warehousing, tank and container storage, and repair and sales services in Australia. It operates through Transport and Containers segments.

Qube is Australia's largest integrated provider of import and export logistics services with a market capitalisation in excess of $4.88 billion as at 30 June 2019.

According to Qube, the Chalmers transport and logistics operations, coupled with the company's strategically located property assets, are complementary to those of Qube Logistics. The acquisition will allow Qube to progress its growth plans while also providing an opportunity for significant cost savings by integrating the Chalmers businesses to achieve greater efficiencies and economies of scale.

The acquisition of Montessori Academy Group Holdings Pty. Ltd by Greentown Service Group Investment Co. Ltd. for $57.0 million – 5 July 2019

Montessori Academy Group Holdings Pty Ltd provides preschool education and nursery services. The company was founded in 2019 and is headquartered in Summer Hill, Australia.

Greentown Education Investment Co. Ltd, a wholly-owned subsidiary of HKSE-listed Greentown Service Group Co., Ltd. is one of Asia's high-quality players in the education sector, with interests in K12 schools, kindergartens and early childhood education.

Greentown Service Group Investment Co. Ltd. entered into the share purchase agreement to acquire 56% stake in Montessori Academy Group Holdings Pty Ltd.

Investment managers

The period covered by this report has seen a slight increase in IM deals volumes by 4% up to 136 transactions since the prior Dealtracker period, as significant amounts of funding remained available to IMs. Notably though, H1 CY2020 experienced very low deal volumes.

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 increased to 136 deals, from 132 in the prior Dealtracker period.

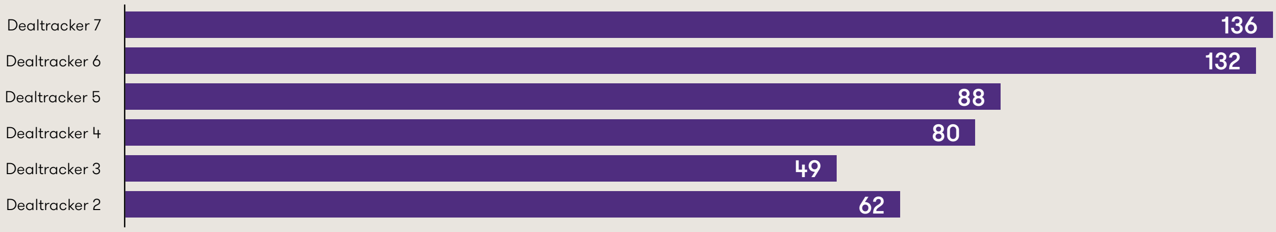
The strength of the current period was despite the tough conditions in H1 CY2020 and was supported by the continued depth of funding that is being deployed by formal close-end structures, family office and high-net-worth investor club structures.

We expect IMs to continue to be cautious for the remainder of the year and remain focused on COVID19 positive opportunities particularly in businesses favourable to technology adoption.

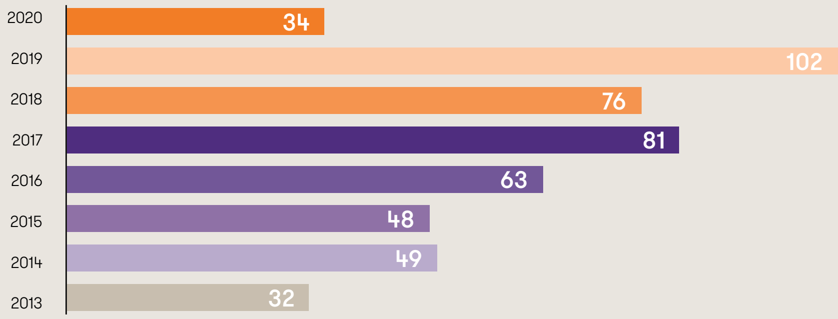
The next chart below shows the number of IM deals recorded in each period specified.

“The availability of capital has driven continued strength in IM activity. Such bidders are seeking out the most attractive new areas of growth, particularly technology enabled opportunities, despite domestic and global uncertainties.”

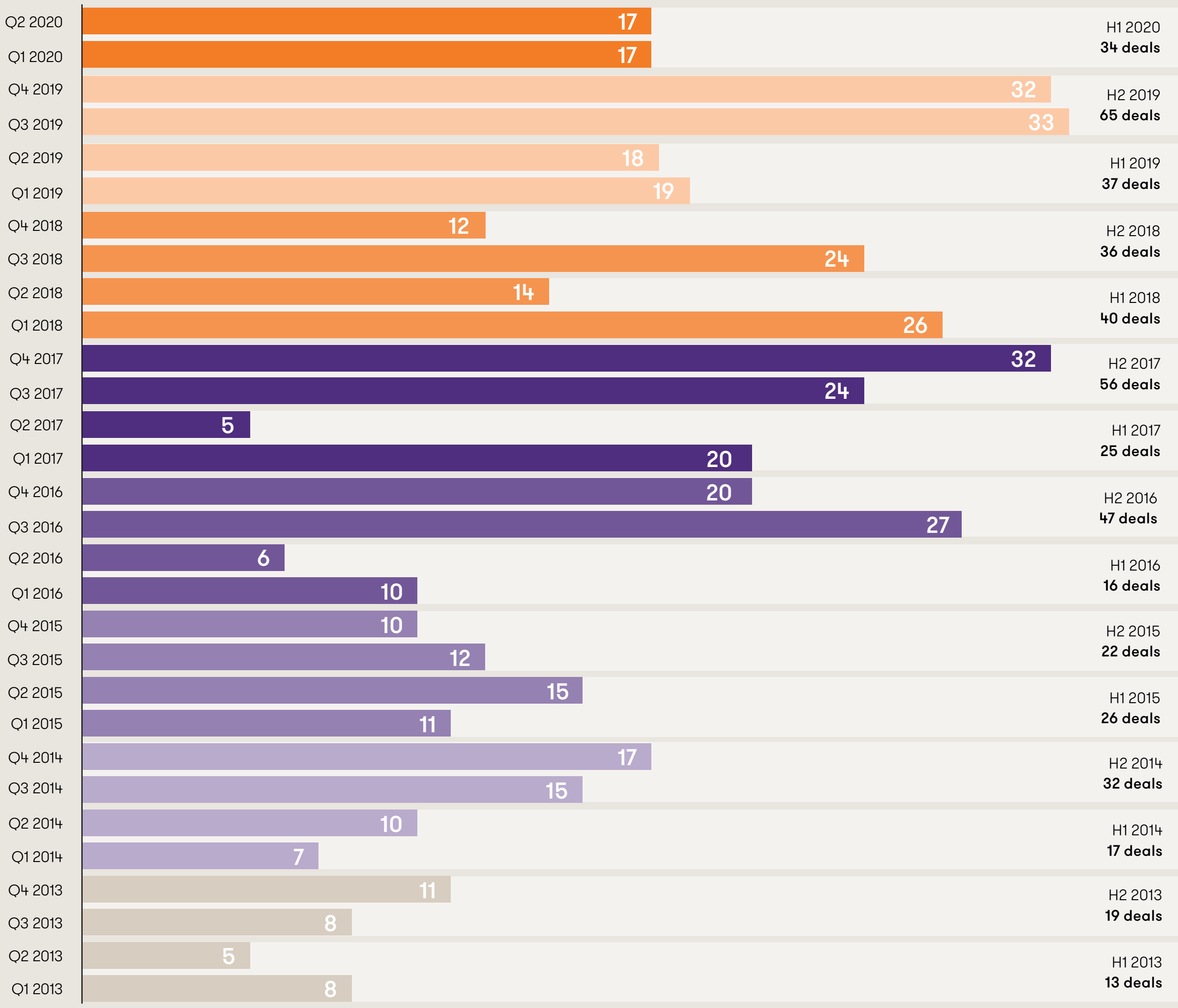
IM entries – Prior comparative Dealtracker periods



IM entries – Annual trends



IM entries – Quarterly & half yearly trends



Valuation multiples
by target size

In line with previous Dealtracker reports, our analysis continues to show 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 below 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 8.1× were up from the last Dealtracker at 7.1× and above the long term average observed as 7.8×.

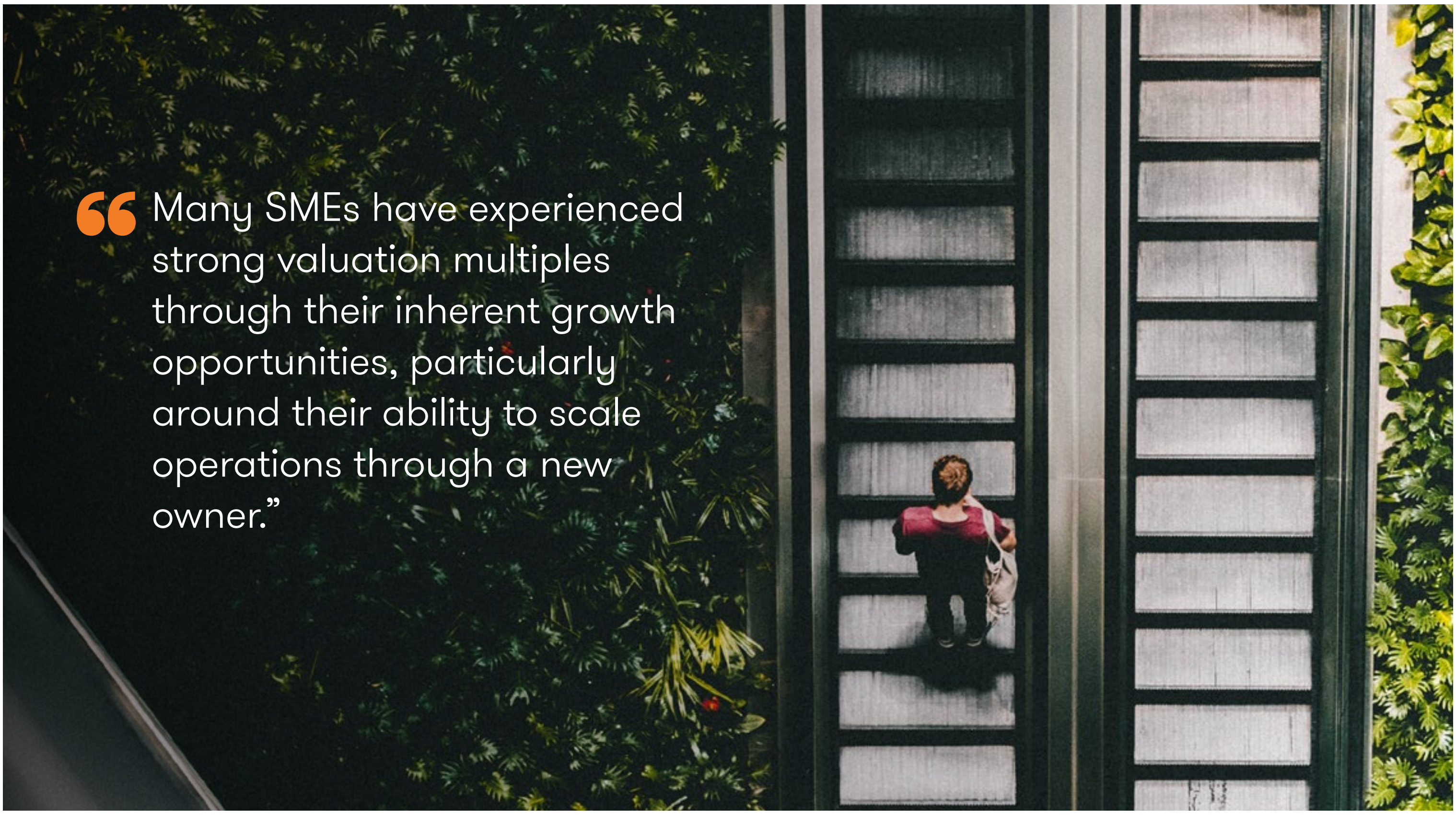
The median trailing EBITDA multiples observed on businesses with less than $50 million in revenues was in line with the respective long-term average multiples for businesses of that size.

Median trading multiple for companies in the revenue range of $50 million to $100 million was 11.5× for the period, which is above the historical Dealtracker long term average of 8.2×. Targets with revenue between $100 million and $200 million, and those between $200 million and $500 million, obtained median EV/EBITDA multiples of 8.9× and 8.2× respectively, while long term averages for these sectors are 9.1× and 9.2×.

The historical high multiples for companies across the $50 million to $100 million revenue range can be partly attributable to a concentration of deals in the Healthcare and Information Technology sectors that traded on high multiples. In addition, the increased availability of capital and the continued strong interest from oversees acquirers seeking growth up to 31 December 2019, continued to drive competition in processes and therefore valuations.

The median multiple reported for the $200 million to $500 million range at 8.2× was down on recent Dealtrackers given the prominence of deals in the Consumer Discretionary and Industrial sectors at comparatively lower multiples.

Within the $500+ million revenue range, median EV/EBITDA multiples of 10.8× which was in line with the historical long term average of 10.1×. The relatively high valuations in this revenue range are attributable to the significant proportion of mega-transactions, with 11 of the 151 targets in this range (with available deal multiples) having revenues greater than $1 billion.

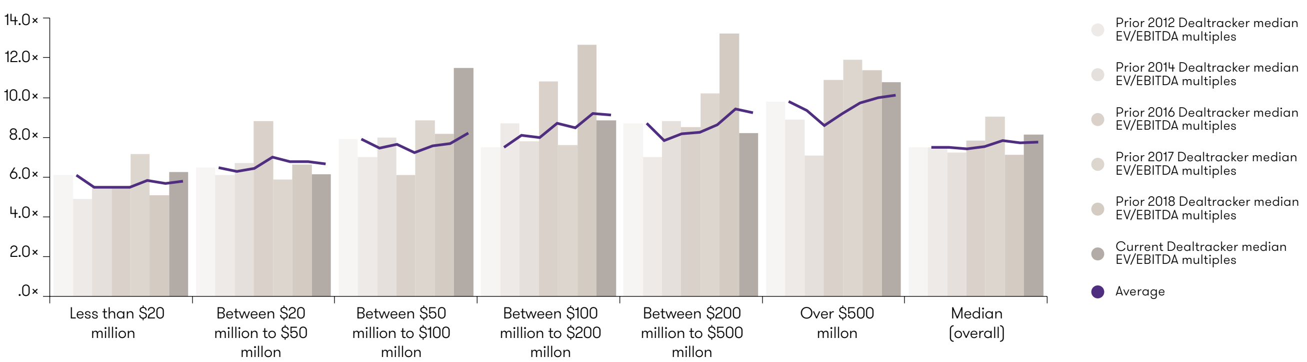


"Many SMEs have experienced strong valuation multiples through their inherent growth opportunities, particularly around their ability to scale operations through a new owner."

Revenue range	No. of deals	Current Dealtracker median EV/EBITDA multiples	Prior 2018 Dealtracker median EV/ EBITDA multiples	Prior 2017 Dealtracker median wEV/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	27	6.3×	5.1×	7.2×	5.5×	5.5×	4.9×	6.1×	5.8×
Between $20 million to $50 million	16	6.2×	6.6×	5.9×	8.8×	6.7×	6.1×	6.5×	6.7×
Between $50 million to $100 million	11	11.5×	8.2×	8.9×	6.1×	8.0×	7.0×	7.9×	8.2×
Between $100 million to $200 million	19	8.9×	12.6×	7.6×	10.8×	7.8×	8.7×	7.5×	9.1×
Between $200 million to $500 million	8	8.2×	13.2×	10.2×	8.5×	8.8×	7.0×	8.7×	9.2×
Over $500 million	14	10.8×	11.4×	11.9×	10.9×	7.1×	8.9×	9.8×	10.1×
Median (overall)		**8.1×**	**7.1×**	**9.0×**	**7.8×**	**7.3×**	**7.5×**	**7.5×**	**7.8×**
Total	**95**								

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

Historical Dealtracker median & average over all past Dealtracker periods



Valuation multiples
by target sector

The overall EV/EBITDA multiple observed during this Dealtracker period was higher than in recent years with a median EBITDA multiple of 8.1x across sectors. This was partly driven by the Healthcare and Industrial sectors.

Transactions and valuation multiples per target sector (100 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	21	272	117	20	11.2×	10.6×	6.8×
Consumer staples	5	18	136	4	8.0×	11.4×	11.0×
Energy	4	120	129	11	7.5×	5.5×	11.4×
Financials	4	45	18	3	7.2×	8.0×	13.7×
Healthcare	8	92	62	9	11.4×	5.6×	4.6×
Industrials	36	38	42	6	8.0×	5.8×	9.3×
Information technology	12	46	17	11	8.0×	8.2×	9.0×
Materials	5	219	197	59	6.0×	4.7×	5.7×
Telecommunication services	-	-	-	-	.0×	5.9×	11.1×
Utilities	5	315	197	51	7.1×	11.1×	16.8×
Median (all sectors)		**83**	**63**	**10**	**8.1×**	**7.1×**	**9.0×**
Total	**100**						

The largest median observed valuation multiple was in the Healthcare sector with an 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 sector deals included the following:

- The acquisition of 85% of Navitas by consortium of companies led by BGH Capital Fund for c.$2 billion and at a valuation of 27.9× EBITDA. Navitas is an education service provider.
- The acquisition of Healthscope Limited by Brookfield Asset Management Inc for $5.7 billion at a valuation of 14.3× EBITDA. Healthscope provides healthcare services in Australia and New Zealand. The company operates through Hospitals Australia and Pathology New Zealand segments.
- The acquisition of an 80.1% stake in MYOB Group Limited by KKR & Co., Inc. for $2 billion at a valuation of 18.5×. MYOB Group Limited develops and publishes software in Australia and New Zealand. It provides its solution for SMEs and advisers

Deals in Consumer Staples and Financials recorded overall lower multiples than in the previous periods.

Notable deals in the Consumer Staples and Financials sectors included:

- The acquisition of 70% of Mackay Sugar Limited by Nordzucker AG, a Germany-based sugar producer for an estimated consideration of AUD 60m at a valuation of 26.7× EBITDA.

- Sargon Capital Pty Ltd acquired Trustee Services business of OneVue Holdings Limited for $45 million at a valuation of 16.9× EBITDA. Sargon Capital Pty Ltd is an Australia-based provider of innovative pension products and services.

- Trustee Services business is an Australia-based financial services company that provides superannuation trustee, administration, promotion and investment.

- CPE Capital Pty. Ltd. acquired Unispace Global Pty Lt from its management and employees, for a consideration of AUD 400m at a valuation of 27.0× EBITDA. Unispace Global Pty Ltd is an Australia-based office outfitter and renovator.

Valuation multiples observed in the current Dealtracker period for the Healthcare, Industrials and Consumer Discretionary sectors were above long-term averages. Valuation multiples in other sectors were equal to or below long-term averages.

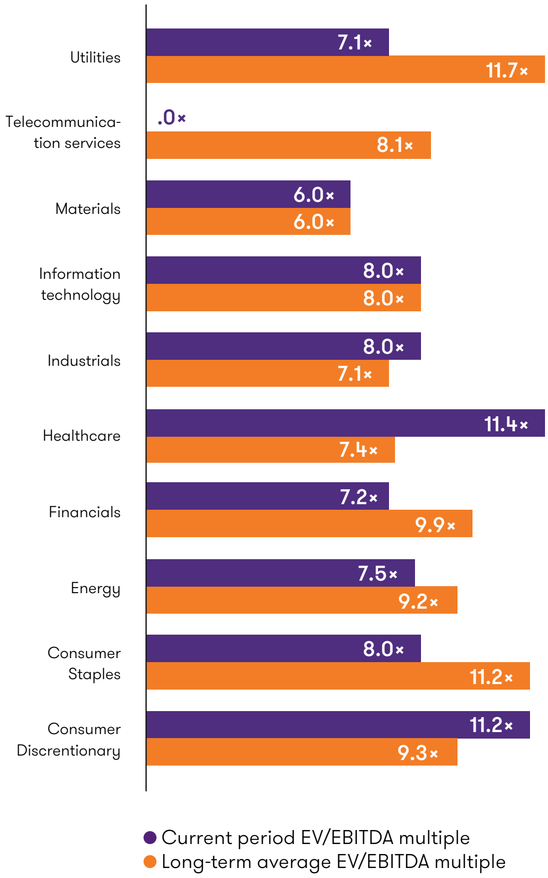
In relation to some specific drivers of industry valuations movements, we noted the following:

- **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. It was noted that M&A deal valuations were considerably below that achieved in the public markets (EV/EBITDA: 20×) which is reflective of the earlier stage opportunities accessing these markets as against more mature private opportunities.

- **Healthcare:** this sector was the largest deviation from the average EBITDA multiples of all sectors with an increase to 11.4× compared with a long term average of 7.4×. This increase occurred despite the relative drop in deal volumes compared with the prior Dealtracker period. However, out of these deals within this sector, half involved targets with revenues above $100 million. Typically larger deals tend to attract a higher valuation multiple which can be attributable to the higher reported median multiples for this sample of deals.

- **Utilities:** the Utilities sector experienced the largest downward deviation from historical ETBIDA average multiple, on low number of reported deals.

EV/EBITDA multiples by sector



Domestic vs international valuation multiples

As reported 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 100 deals with valuation data, 68 involved domestic acquirers while 31 targets were acquired by buyers outside of Australia. Of these foreign acquirers the composition between the USA, Europe and Asia was 8, 10 and 12 respectively, with the remaining deal from Africa.

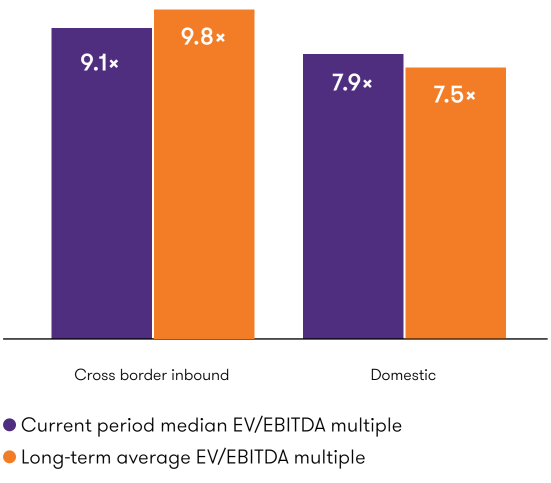
Foreign buyers were interested in larger targets and willing to pay more than their domestic counterparts. This was exemplified through a median target enterprise value of $179 million and an EBITDA multiple of 9.1× (7.9×) for the corresponding domestic EBITDA multiples). The driving factor for the comparatively 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.

The level of interest from overseas declined from 31% to 29% of total deals. One of the major reasons is a decline in the number of deals in the first half CY2020 due to the challenges of doing cross border deals during the pandemic. Despite this Grant Thornton corporate finance teams continue to see cross-border opportunities as buyer pools remain 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 2018 dealtracker median EV/EBITDA multiples	Prior 2017 dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples	Average
Cross border inbound	31	179	130	16	9.1x	10.3x	10.6x	9.1x	9.8x
Domestic	68	45	50	7	7.9x	6.5x	8.5x	7.4x	7.5x
Median (overall)		**82**	**65**	**10**	**8.2x**	**7.1x**	**9.0x**	**7.8x**	**8.0x**
Total	**99**								

Multiples – cross border inbound v domestic



> “Australia continues to attract foreign buyers. It has been historically perceived by international bidders as a safe haven for investments whilst boasting relative economic and political stability and access to Asian growth markets. Should Australia emerge from the pandemic in better shape than other global markets, this could continue foreign interest in Australian assets.”

Corporate M&A vs IM valuation multiples

The median EBITDA multiple on IM deals has been observed to be 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.

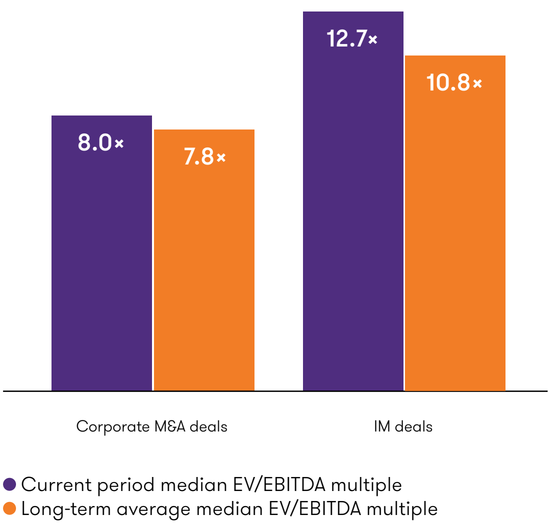
The data collected for the 18 months through to 30 June 2020 report shows that IMs paid on average higher valuation multiples than corporates. Note, the number of IM deals with available valuation multiples is significantly less than corporate deals with available data. As a result, IM transactions involving a significant premium become more heavily weighted.

Based on this data set, the median EV/EBITDA multiple for IM deals was 12.7× compared with the long-term average of 10.8×. The significant skew in median multiple is likely due to several larger deals occurring during the period, such as the acquisition of Unispace Global Pty Ltd by CPE Capital Pty Ltd for 27.0× and acquisition of Navitas Ltd by Australian Super Pty Ltd for 27.9×. It also talks to the weight of funds that is supporting IMs.

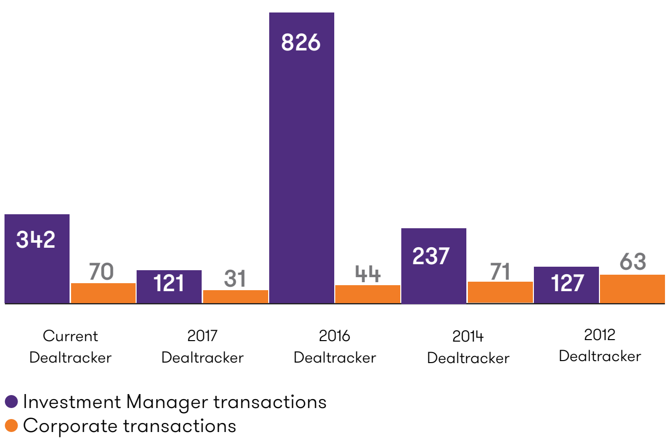
In contrast, when compared to prior periods, the EBITDA valuations paid by Corporate bidders was similar to the long-term average for median valuation multiples, with an overall median multiple of 8.0× for the period, above the long term average of 7.8×.

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 $70 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.

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 20178 dealtracker median EV/EBITDA multiples	Prior 2017 dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples
Corporate M&A deals	88	70	47	8	8.0×	6.8×	8.7×	8.3×
IM deals	12	342	156	37	12.7×	12.4×	11.0×	6.1×
Median (overall)		**83**	**63**	**10**	**8.1×**	**7.1×**	**9.0×**	**7.8×**
Total	**100**							

“In contrast to the significant fall and subsequent recovery in public market valuations to previous levels, private market valuations improved over the period which may reflect the lack of post pandemic deal volumes to date to represent a downward shift in valuations.”

Share price performance of listed companies
by target sector

Our analysis shows that the median trading multiple of all ASX listed companies over the last 18 months to 30 June 2020 retracted slightly to 9.1x from 9.2x in December 2018, indicating softening equity markets in H2 2020 since reaching a peak of 10.4x in December 2019.

Sectors with the highest valuation multiples

Information technology
The information technology sector has experienced strong valuation growth up to an historical peak reached at 30 June 2020 of 20.0× EBITDA. The Information Technology sector remains the sector category with the highest median trading multiple on the ASX. This is attributable to the high growth nature of many of these participants and the markets appetite to pay for expected future growth.

Healthcare
The Healthcare sector ranked second in terms of median trading multiple of 11.8× for the observed period. The sector reached a peak of 13.1× in December 2019 before declining with the wider market post pandemic.

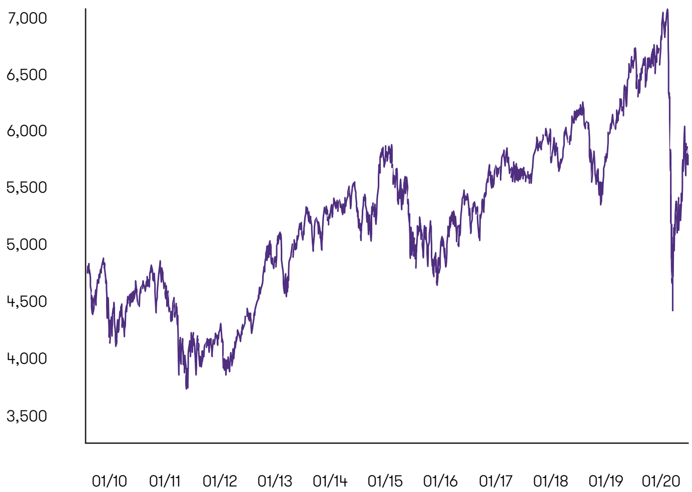
Sectors with lower multiples

Materials
The Materials sector remains the lowest valued sector however did record an increase in valuations with the average multiple for the last 18 months of 7.1× higher than the long term average of 6.3× given improving commodity prices during the period.

Energy

The Utilities sector ranked second lowest in terms of relative EBITDA values observed and was materially below long terms averages.

Movement in the S&P/ASX 200 – Jan 2010 to Dec 2020
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	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	30/06/19	31/12/19	30/06/20	Average	Ave 3p
Consumer discretionary	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	9.7	10.8	9.3	9.1	9.9
Consumer staples	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	10.7	12.2	**11.1**	10.2	11.3
Energy	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	7.3	7.0	5.0	6.8	6.4
Financials	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	12.0	11.3	**8.7**	11.6	10.6
Healthcare	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	11.7	13.1	**10.7**	11.4	11.8
Industrials	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	8.4	9.6	8.8	7.4	8.9
Information technology	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	15.3	18.1	**20.0**	11.9	17.8
Materials	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	6.8	7.6	6.8	6.3	7.1
Telecos	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	10.3	10.2	10.3	9.1	10.3
Utilities	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	11.6	13.7	9.4	10.4	11.6
Overall	**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**	**9.8**	**10.4**	**9.1**	**8.9**	**9.8**

Source: Standard & Poor's Capital IQ.

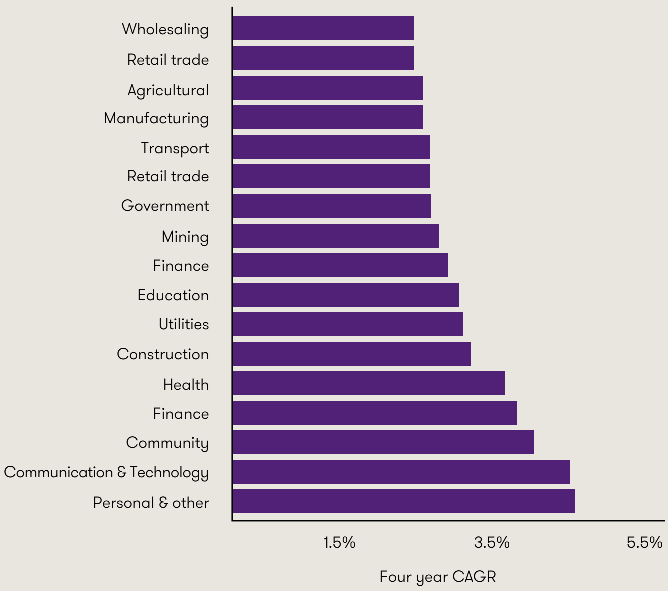
The median EBITDA multiples for each sector have continued to fluctuate materially from their respective historical average multiples (from 31 December 2010 to 30 June 2020 or 40 quarters). An overall peak was hit for 2H 2019 matching the equivalent high experienced in 2H 2017, at an overall median EV/EBITDA multiple of 10.4× across all sectors.

The largest deferential was experienced in the Energy and Financials sectors. The trailing median EV/EBITDA multiple of 5.0× for the Energy sector was well below its historical average of 6.8×, or a 26% discount when compared to the sector's historical average since 31 December 2010. For the Financial sector the drop was equal to 25% - from average of 11.6× to trailing 8.7×.

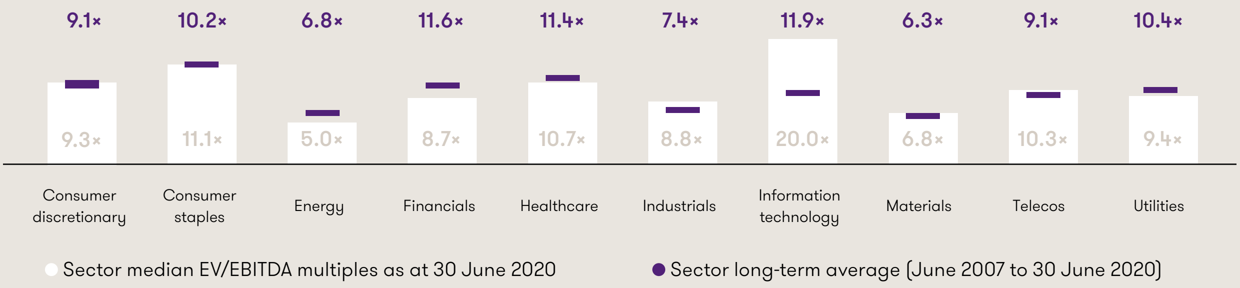
The Information Technology sector has experienced the greatest increase in valuations, with the trailing median EV/EBITDA multiple of 20.0× exceeding its historical average of 11.9×, or a 69% premium when compared to the sector's historical average since 31 December 2010. The tendency to value these companies with reference to revenue multiples given their annuity revenue streams is driving some of these valuations.

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

Four year revenue compound annual growth rate (CAGR) forecast by sector



Median EV/EBITDA trading multiples by sector



IPO activity in Australia

In line with the market conditions, IPO activity comparatively dampened in the 18 months to June 2020 with minimal activity since the commencement of the pandemic.

Comment

- The CY2019 and CY2020 periods experienced weaker primary capital raising conditions than previous periods. Cumulatively, through both IPOs and secondary capital raisings, during CY2019 a total of $60 billion was raised. The cumulative amount raised for the first half of CY2020 was equal to $53 billion which was boosted by the significant secondary raisings undertaken at the commencement of the pandemic and the TPG merger and relisting amounting to $16.6 billion. Excluding the TPG deal, H1 CY2020 IPOs were circa $1 billion which is the lowest level in the history of this publication.

- The proceeds of IPO activity through CY2019 totaled $14 billion, compared to $47 billion in CY2018 and $16 billion in CY2017 – a decrease of 69% and 10% respectively.

- Whilst the H1 CY 2020 period experienced limited IPO activity, as at the publication of this report, the market in H2 CY2020 is considerably stronger with many issuers looking to list prior to year-end.

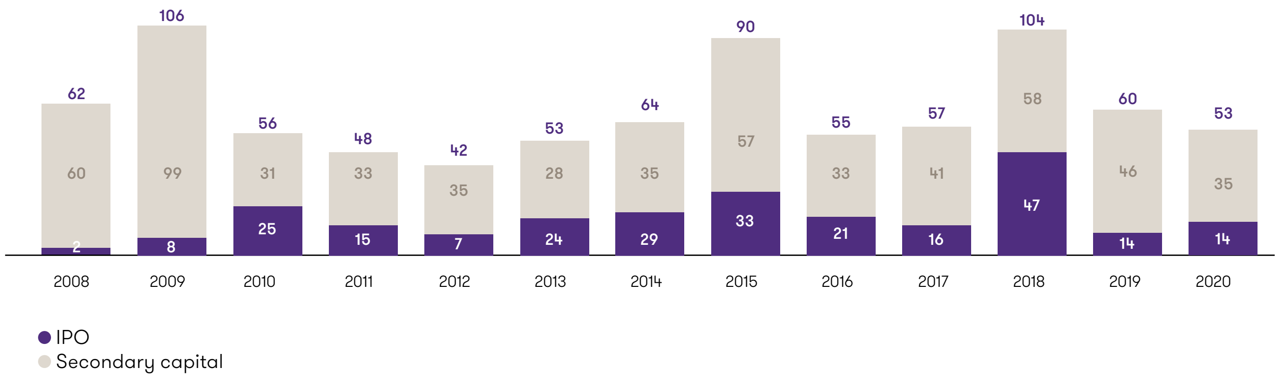
- The whole CY2019 experienced a decrease in the number of IPOs undertaken with total number of 50 deals, which is 41% lower than CY2018 with total of 85 deals. Slow start of the 2019 - 4 deals in Q1- was offset by the higher number of 25 deals in the last quarter. The first half of CY2020 represented 7 deals which is the lowest number of IPOs for the entire observation history.

- The value of listings in CY2019 has decreased to A$2.4 billion, materially down from CY2018 with $5.7 billion.

- The average IPO value has decreased to $49 million in CY2019 from $67 million in CY2018. However, this amount is higher than the CY2017 average amount of $36 million.

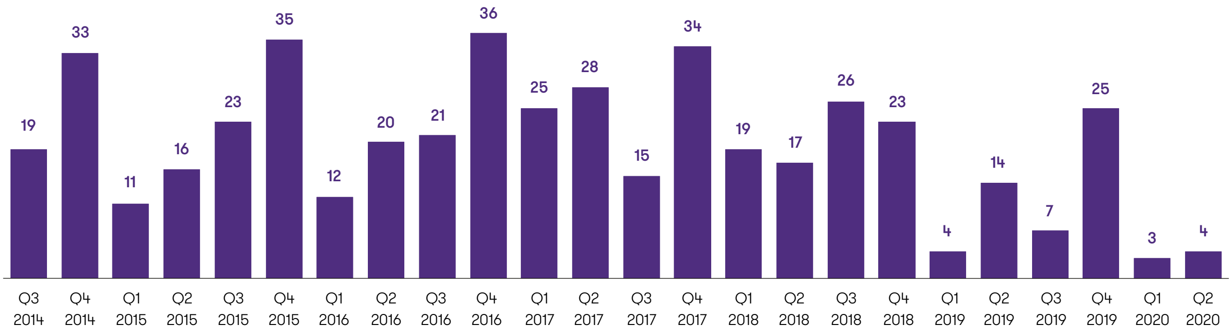
Initial & Secondary Capital Raisings (CY2008 to CY2020)

Funds raised ($b)



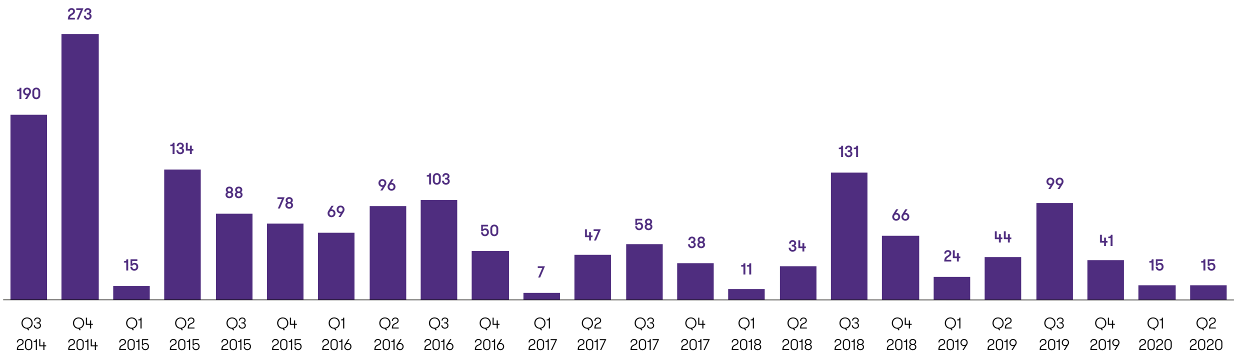
Quarterly IPO trends (FY2015 to FY 2020)

Number of IPOs



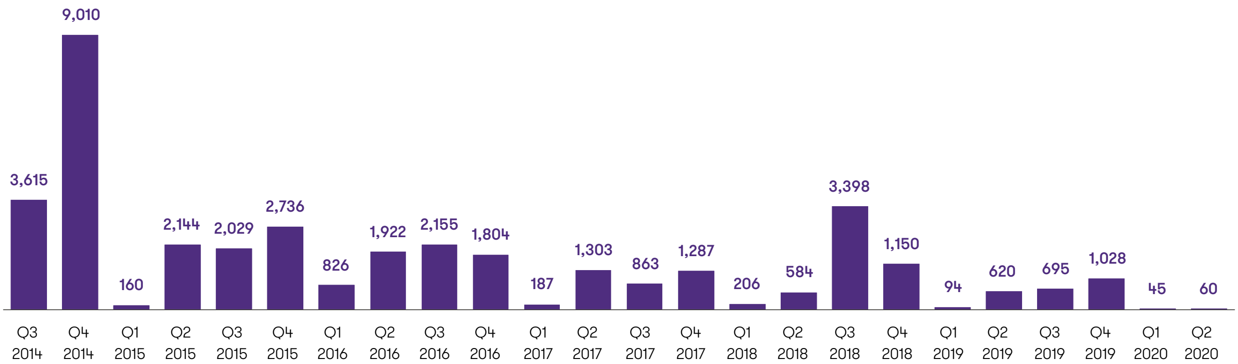
Quarterly IPO trends (FY2015 TO FY2020)

Average size ($m)



Quarterly IPO trends (FY2015 - FY2020)

Offering size ($m)



Over the 18 months to 30 June 2020 a total of 57 new companies listed on the ASX, decreasing significantly from 134 in the preceding 18 month period. The difference in total value of funds raised was proportional, decreasing by 68% since prior period.

IPOs by size range (1 Jan 2019 to 30 June 2020)

Range	No. of IPOs	Offering size ($m)	% of total
Less than $10 million	18	106	4.2%
Between $10 million to $50 million	26	706	27.8%
Between $50 million to $100 million	5	340	13.4%
Between $100 million to $500 million	8	1,388	54.6%
Over $500 million	-	-	-
Total	**57**	**2,541**	**100.0%**

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%**

IPOs by size range (1 Jan 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 2016 to 30 June 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%**

Comment

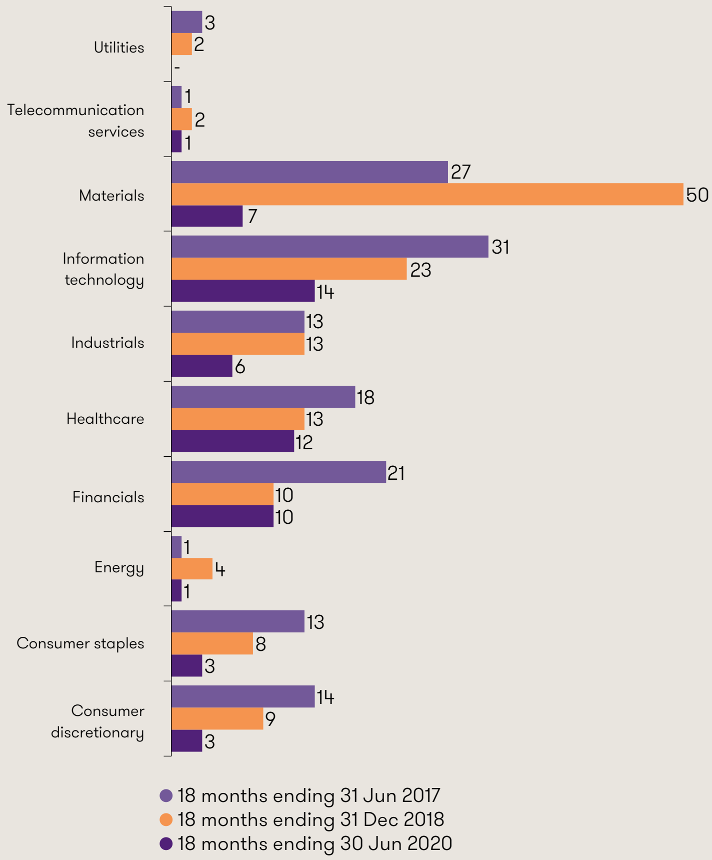
- The total number of listings reflected a significant decrease in the volume of 58% compared to the previous Dealtracker period, with 57 less listings in this Dealtracker period from the 134 recorded in the previous corresponding period.
- The total funds raised on initial offerings declined 68% to $2.54 billion. The funds raised were dominated by offer sizes between $100 and $500 million which accounted for 54.6% of the total funds raised in this Dealtracker period.
- Comparing the previous three Dealtracker periods to this report, the average offering size has reduced in almost all categories. The only size category which had an increase in the average size was 'Between $10m and $50m' where size grew from $622 million to $706 million.

IPO size by sector

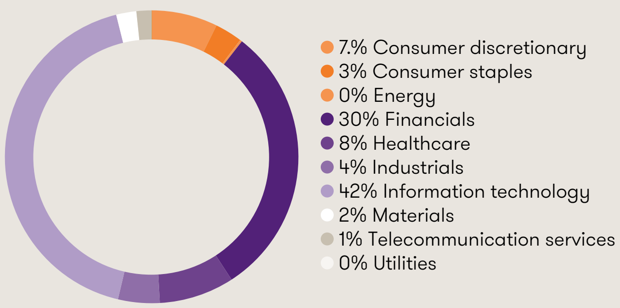
Comment

- Almost every sector has experienced a reduction in the number of deals for the observed period with the only exceptions being in the Financials and Healthcare sectors.
- The Information Technology sector has experienced a decline in terms of listing activity, falling from 23 listings in the prior Dealtracker period to 14 in the current period. This can partly be attributed to the change in listing rule requirements that has made it more difficult to pursue some early state listing processes.
- The materials sector experienced the largest decline in the number of deals – from 50 in the previous period to 7 in the current.
- Information technology has now overtaken Financials in terms of IPO value by sector, characterised by several large IPOs in this Dealtracker period.

Number of IPOs by sector for 18 months to 30 June 2020



IPO value by sector for 18 months to 30 June 2020



Top IPOs in each sector

18 months to 30 June 2020

Industrials	
Issuer	Mader Group Limited (ASX:MAD)
Offer size	$49.8 million
IPO price	$1.0
Price at 30 Jun 2018	$0.8
Price change	-22%

Materials	
Issuer	Terragen Holdings Limited (ASX:TGH)
Offer size	$20.0 million
IPO price	$0.3
Price at 30 Jun 2018	$0.2
Price change	-30%

Energy	
Issuer	Tubi Limited (ASX:2BE)
Offer size	$5.8 million
IPO price	$0.2
Price at 30 Jun 2018	$0.8
Price change	-22%

Consumer discretionary	
Issuer	Carbon Revolution Limited (ASX:CBR)
Offer size	$90.2 million
IPO price	$2.6
Price at 30 Jun 2018	$1.8
Price change	-29%

Consumer staples	
Issuer	Nuchev Limited (ASX:NUC)
Offer size	$48.7 million
IPO price	$2.6
Price at 30 Jun 2018	$2.3
Price change	-12%

Information technology	
Issuer	Tyro Payments Limited (ASX-:TYR)
Offer size	$287.1 million
IPO price	$2.8
Price at 30 Jun 2018	$3.5
Price change	+27%

Financials	
Issuer	Home Consortium Limited (ASX:HMC)
Offer size	$325.0 million
IPO price	$3.40
Price at 30 Jun 2018	$3.0
Price change	-10%

Telecommunication services	
Issuer	OptiComm Ltd (ASX:OPC)
Offer size	$42.4 million
IPO price	$2.0
Price at 30 Jun 2018	$5.1
Price change	+155%

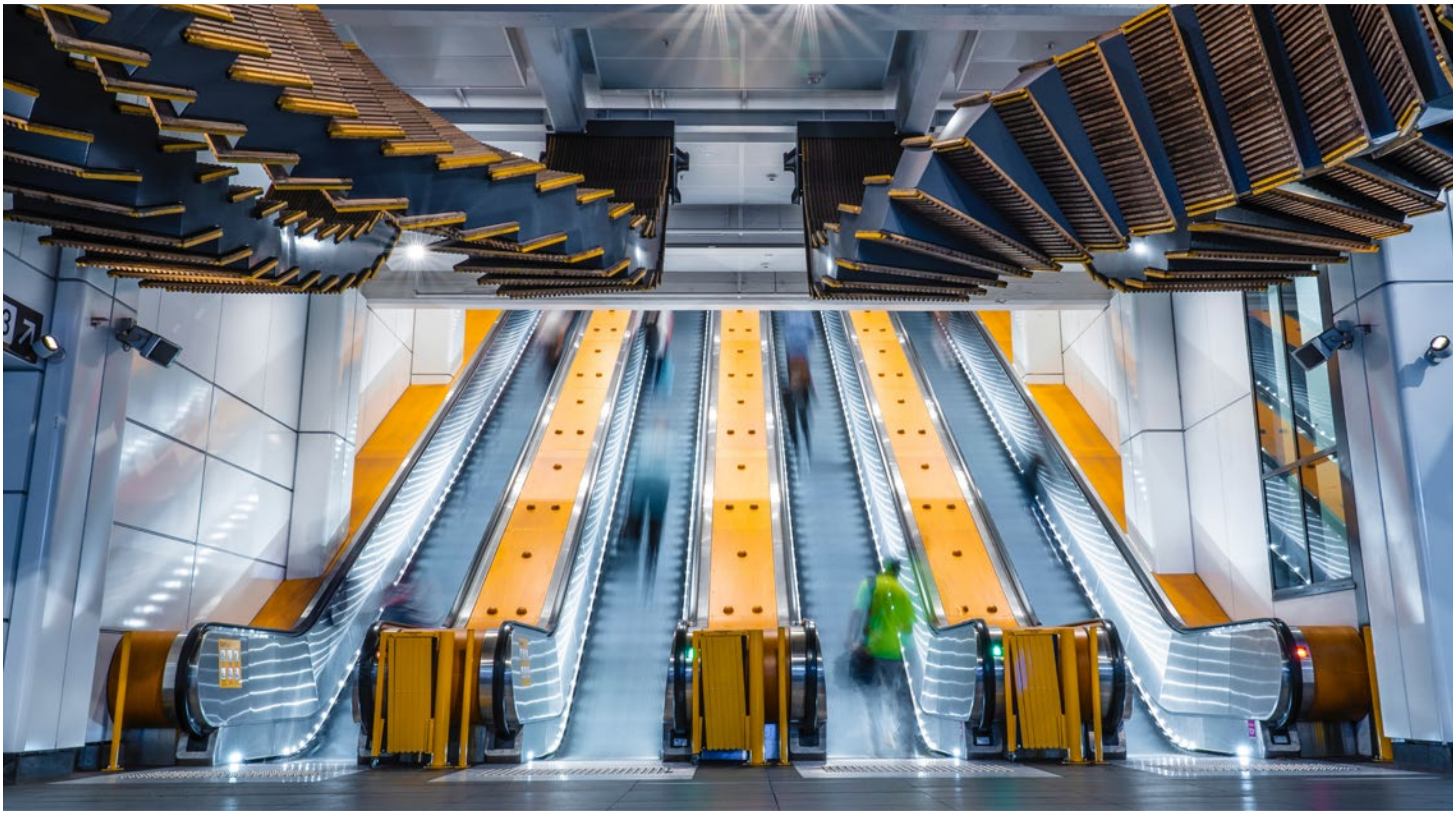
Health care	
Issuer	Aroa Biosurgery Limited (ASX:ARX)
Offer size	$45 million
IPO price	$0.8
Price at 30 Jun 2018	$0.0
Price change	-100%

Listing multiples and immediate price returns by target sector

In the 18 months to 30 June 2020 a total of A$16 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 Home Consortium Limited (ASX:HMC) that raised $325 million.

IPO multiples of the ten largest IPOs (in the 18 months to 30 June 2020)

Company	Listing Date	Industry	Offer size (A$m)	Market Cap (A$m)	CY2020F EBITDA	FY2019F EV/EBITDA (forecast multiple)
Home Consortium Limited (ASX:HMC)	23/09/19	Financials	325	663	41	31.3
Tyro Payments Limited (ASX:TYR)	18/11/19	Information Technology	287	1,366	(4)	N/A
FINEOS Corporation Holdings plc (ASX:FCL)	26/07/19	Information Technology	211	661	15	46.0
Life360, Inc. (ASX:360)	17/04/19	Information Technology	145	689	(17)	N/A
Nitro Software Limited (ASX:NTO)	21/11/19	Information Technology	110	325	(5)	N/A
Prospa Group Limited (ASX:PGL)	16/05/19	Financials	110	721	(13)	N/A
Primewest Group Limited (ASX:PWG)	14/10/19	Financials	100	349	24	11.1
Limeade, Inc. (ASX:LME)	02/12/19	Information Technology	100	453	(5)	N/A
Carbon Revolution Limited (ASX:CBR)	01/11/19	Consumer Discretionary	90	331	(12)	N/A
PointsBet Holdings Limited (ASX:PBH)	16/05/19	Consumer Discretionary	75	220	(51)	N/A
Total			**1,553**	**5,778**		
Average			**155**	**578**	**(3)**	**29.5×**

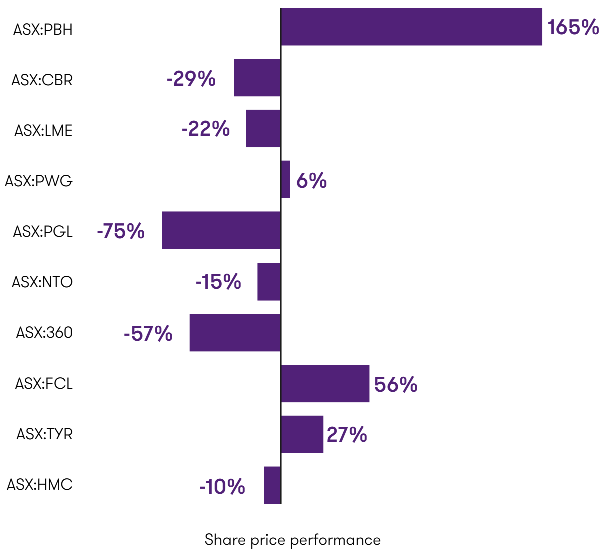


Six of the top 10 listings during the 18 months ending 30 June 2020 have experienced declines in their post-listing share prices. The largest underperformer was Prospa Group Limited (ASX:PGL) with a share price deterioration of 75% since its IPO on 16 May 2019.

Likewise, Life360, Inc. (ASX:360) had similarly experienced a deterioration in share price since listing. The software company has dropped in share price by 57% since IPO on 17 April 2019.

The top performer in terms of share price was Points Bet Holdings Limited (ASX:PBH), more than doubling in value since listing on 16 May 2019. This company provides online bookmaker service and has benefited from the COVID -19 trading conditions.

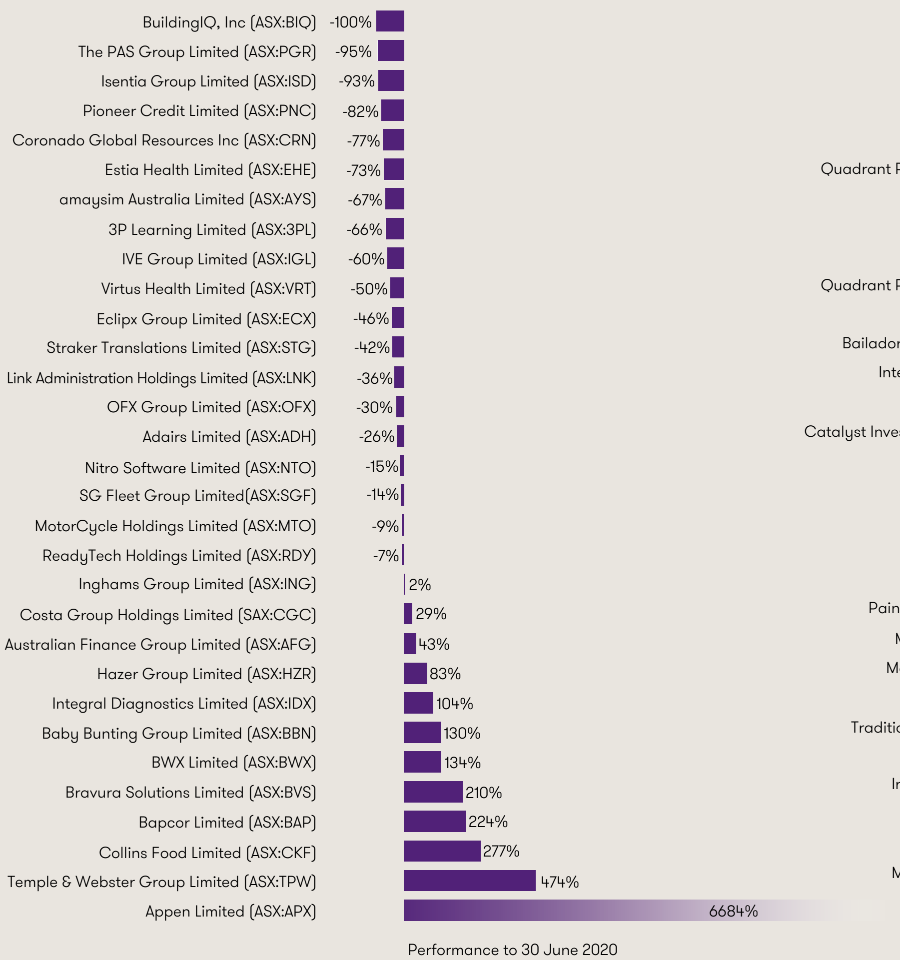
IPO performance of the ten largest IPO's to 30 June 2020



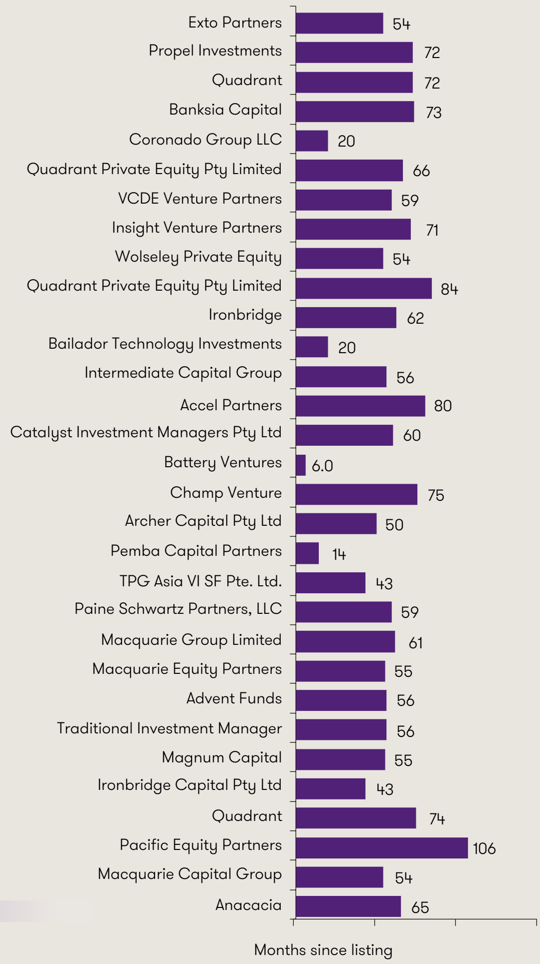
Private equity story

The performance of the private equity backed floats has come under recent pressure with the wider market volatility however long term value has continued to be created by the sector with 25% of IPOs doubling in value since listing and 39% currently above their listing price.

Private Equity backed IPOs performance to 30 June 2020



Months since listing



Working together

“In these unprecedented market conditions, organisations’ ultimate success depends on their ability to deal with trends as they emerge and seize those opportunities in front of their competitors. Our team’s constant focus is to help these 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 services

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 finance.

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

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 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 services

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 services

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

Methodology

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 January 2019 to 30 June 2020 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're an organisation of independent assurance, tax and advisory firms, made up of over 50,000 people in 135 countries. And we're here to help dynamic organisations unlock their potential for growth.

For more than 100 years, we have helped dynamic organisations realise their strategic ambitions. Whether you're looking to finance growth, manage risk and regulation, optimise your operations or realise stakeholder value, we can help you.

Grant Thornton Australia has more than 1,300 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We've got scale, combined with local market understanding. That means we're everywhere you are, as well as where you want to be.

Snapshot

$248.4m
(AU 2019 revenue)

166
partners

6
offices

1,300+
people nationally

$5.72bn
worldwide revenu FY19 (USD)

50,000+
people globally

700+
offices globally

135+
countries

Industry Specialisation

- Agribusiness, Food & Beverage
- Energy & resources
- Financial services
- Health & aged care
- Life sciences
- Manufacturing
- Professional services
- Public sector
- Automotive
- Technology & media
- Real estate & construction
- Retail & Consumer Products
- Not for Profit

Our services

Audit & Assurance

Private Advisory

Business advisory services
Family office services
Private wealth
Superannuation

Tax

Financial Advisory

Corporate finance
Debt & payment advisory
Foresnic consulting
Restructuring advisory

Growth Advisory

Asia practice
Business risk service
Leadership, talent & culture
Performance improvments
Public sector advisory
Technology advisory

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Transfer pricing

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