

Dealtracker 2017

Australian M&A and IPO market insights

October 2017





M&A deal volumes	06
Sector composition	08
Top 10 deals in the 18 months to June 2017	12
The Buyers	14
Top 5 Cross-Border Inbound Deals	17
Australia's Core M&A: Mid-Market Business	18
Investment Managers	20
Valuation multiples by target size	22
Valuation multiples by target sector	24
Domestic vs international valuation multiples	26
Corporate M&A versus IM valuation multiples	28
Share price performance of listed companies	31
IPO activity in Australia	34
IPO size by sector	37
Top IPOs in each sector (6 months to 30 June 17)	38
Listing multiples and immediate price returns	39
Private equity story	41
Working together	43
Depth of experience	44
Corporate finance services	45
Mergers & acquisitions	46
Transaction advisory services	47
Valuation services	48
Financial modelling services	49
About us	51



Welcome to the fifth 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 2016 to 30 June 2017.

Our key insights



Strong deal activity

Deal volume has remained consistent with the prior Dealtracker period, driven by strong M&A activity for the most part across both IM and corporate acquirers during CY2016. This has been assisted by a significant rebound in the Materials sector, due to consolidation by opportunistic corporates and a slow resurgence in commodity prices.



Continued flow of overseas acquirers

Overseas purchasers comprised 28% of transactions, up from 26% in the previous Dealtracker period. There has been continued appetite for Australian Information Technology businesses, primarily from the US and Canada, as the domestic technology landscape strengthens in its international reputation. Foreign buyers continue to acquire larger mid market businesses and are willing to pay higher multiples to secure premium strategic assets.



Investment Managers

The growth in Investment Manager activity in the current Dealtracker period was driven by successful fundraisings by a consolidated group of active fund managers, following high exit volumes in CY2013 to CY2015 and a number of significant infrastructure transactions. Compared to the previous Dealtracker, IM interest in Consumer Staples and Industrials was seen to be shifting towards Healthcare, Financial Services and Information Technology sector opportunities.



Period of exits

The IPO market has slowed post the high activity level observed in CY2015, with a 37% decline in the value of IPO proceeds when comparing to CY2015 to CY2016. The slower activity resulted from increased market volatility at the beginning of CY2016 and at the lower end of the market, the amendments made to the ASX disclosure and listing requirements.



Deal multiples

The median multiples of EBITDA across the market as analysed during this Dealtracker period was higher than recent years, driven by outperformance in the Utilities, Industrials, IT and Telco industries. Deal multiples in the Utilities sector was driven by a number of mega deals (>\$1bn transaction value) which was in contrast to the reduced ASX trading multiples of this sector as regulatory uncertainty dampened market sentiment.

M&A deal volumes

Deal volumes were strong through calendar year 2016, recording a record number of deals when compared to historical Dealtracker reports. Activity over 2017 appears to be moderating, likely driven by recent political and economic uncertainty and a volatile business environment.

Introduction

This fifth edition of Dealtracker focuses on Australian mergers and acquisitions (M&A), and equity market activity during the 18 month period to 30 June 2017. Our previous Dealtracker (edition four) covered the 18 months to 31 December 2015 and edition three 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.

M&A deal trends

Our analysis shows that M&A deal volumes remained steady through the 18 months to 30 June 2017, with transactions growing by only 1% compared to the previous Dealtracker period (edition four).

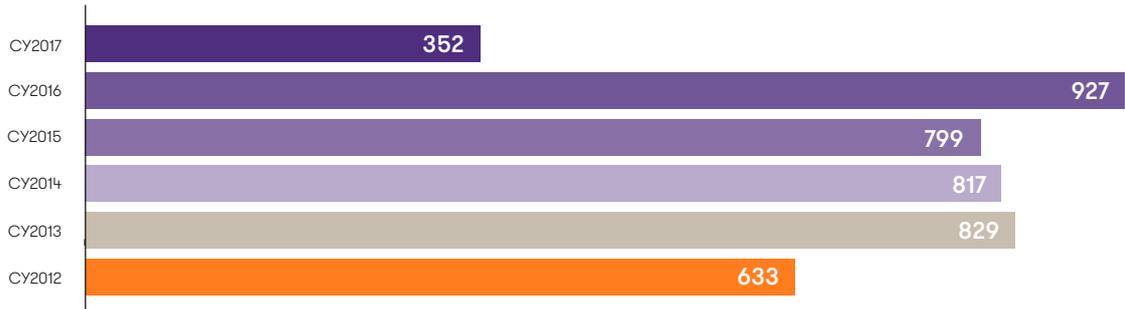
On a calendar year basis, 2016 activity was at a record high with 927 deals, surpassing the previous high water mark of 829 deals in 2013. The record activity level is attributable to the second half of CY2016, with H1 likely subdued in part due to political uncertainty around the July 2016 federal election.

Despite the strong level of activity in CY2016, a downward trend has been experienced in Q1 and Q2 2017; deal numbers are 15% and 7% below the average deal volumes experienced over the previous 20 quarters, respectively. The recent decline in activity over Q1 and Q2 2017 is most likely driven by increased equity market volatility, global political and regulatory uncertainty, and a continuation of on-going deleveraging.

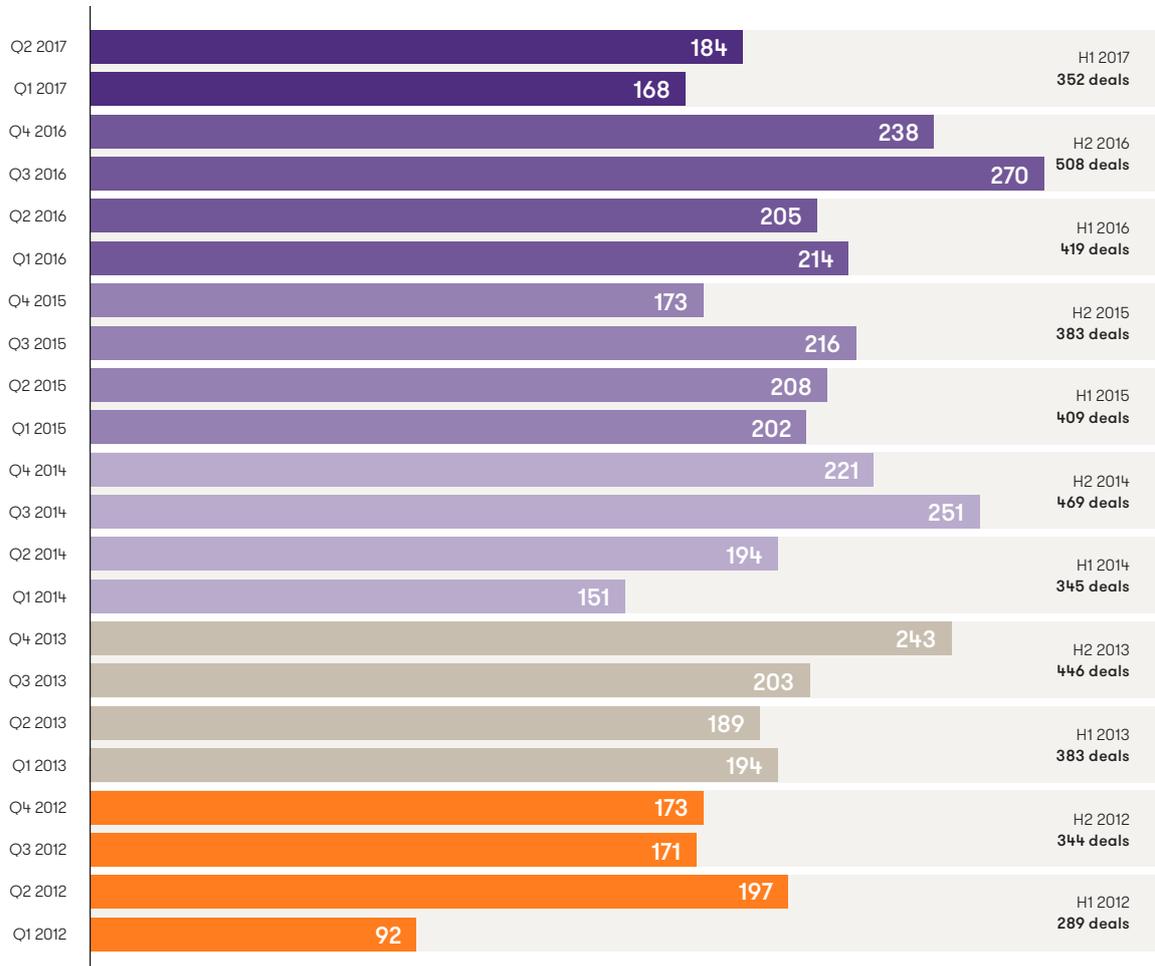
M&A - Prior comparative Dealtracker periods



M&A - Annual trends



M&A - Quarterly & half yearly trends



Sector composition

The movement of the Australian economy from a resource led economy to a knowledge-based service economy has continued, now accompanied by a gradual resurgence in the materials sector.

The composition of M&A deals by sector exemplifies the transition of the Australian economy from a resources driven economy to a diversified service based M&A market.

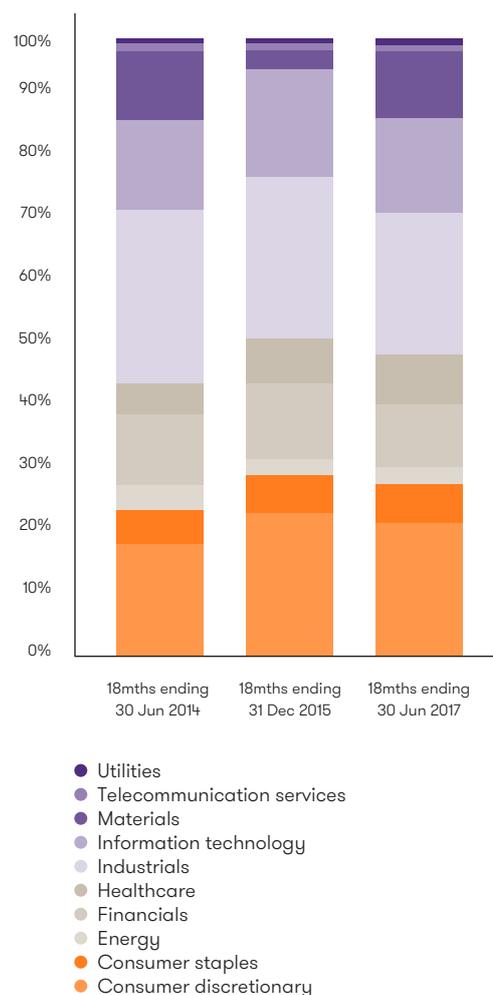
Consistent with prior periods, the industrials sector remains the main focus for Australian M&A activity with 23% of total deal flow, although this has been slowly declining since we began publishing this report. In line with this trend, the sector experienced the greatest decline in terms of M&A activity in the current period, falling by 3% from the prior Dealtracker report.

As predicted in the previous Dealtracker reports, the materials sector has experienced a large rebound in terms of M&A deal volume. The sector increased from 3% of total deal activity in the previous Dealtracker report to 11% in the current period. This has occurred largely as opportunistic corporates took advantage of low valuations, consolidating participants who have been able to trade through the decline. Furthermore, commodity prices have experienced a slow resurgence at the back end of CY2016 and into 2017, particularly in coal and – to a lesser extent – iron ore.

In contrast, the information technology sector saw the greatest comparative decline, comprising 15% of total M&A activity, compared to 18% the period prior as deal volume moderated from the record levels experienced in the 18 months to 31 December 2015.

Deal flow in the financial sector has also experienced a marginal fall, comprising 10% of M&A activity to June 2017, down from 12% in the prior Dealtracker period.

M&A – Deal composition by sector



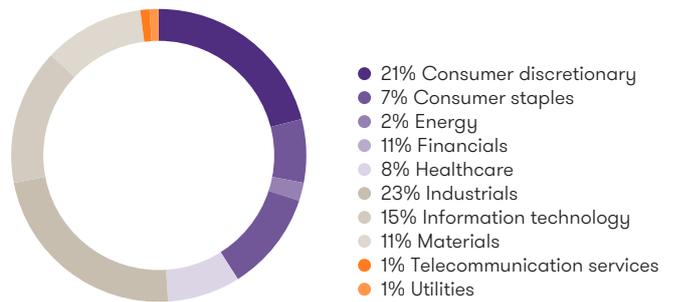
“ The Materials sector has experienced a strong rebound in deal flow with the continuing importance of the services sector moderating to a certain degree.”



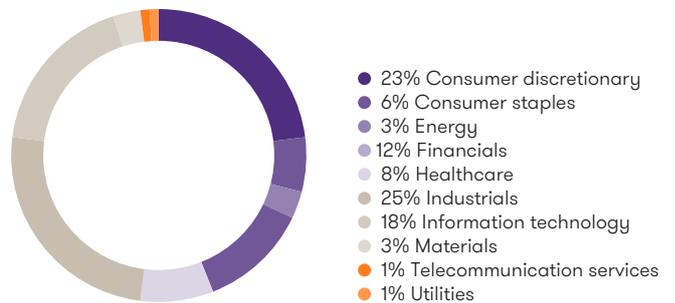


Corporate M&A has displayed a trend of consolidation in the materials sector whilst investment managers have focused on healthcare.

Corporate deals by sector (current period)

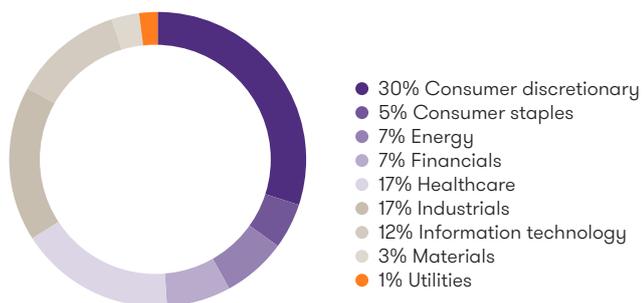


Corporate deals by sector (prior comparable period)





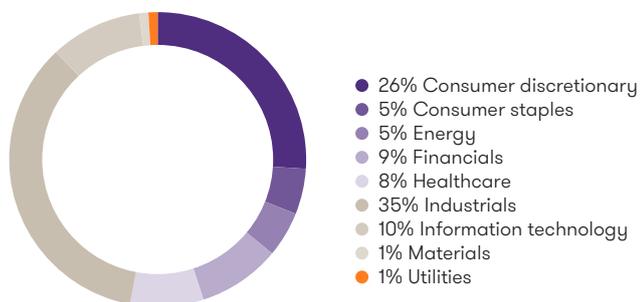
IM deals by sector (current period)



- Consistent with the prior period, a large portion of corporate acquisitions remains in the industrials sector (23%), continuing the consolidation theme. Corporate activity across other sector groups were similarly on par to the prior comparable period, aside from the materials sector which experienced a large increase in corporate deal volume from 3% of total activity in the prior period to 11% in the current period.

- 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 in consumer staples and industrials to enter the healthcare sector. IM activity in the healthcare sector was proportionately larger (17%) in the 18 months to June 2017 than in the prior 18 month period (8%).

IM deals by sector (prior comparable period)



- The largest decline in IM deal flow was seen in the industrials sector, declining from 35% in the prior period, to 17% in the current period. This is supported by our experience in the market and liaison with IMs where investment focus remains in the areas of consumer discretionary, healthcare, information technology and financials.

Top 10 deals

in the 18 months to June 2017



Acquirer: IFM Investors Pty Ltd;
AustralianSuper Pty Ltd

Target: Ausgrid

Deal value: A\$15,475 million

Acquirer country: Australia

Date: 20/10/2016

EV/EBITDA multiple: 17.0x

IFM Investors is a privately owned investment management firm which manages separate client-focused equity and fixed income portfolios. AustralianSuper is a private investment management firm of superannuation funds.

Ausgrid supplies electricity primarily in Sydney, the Central Coast and Hunter regions through the ownership and management of electricity distribution and transmission networks.

IFM Investors Pty Ltd and AustralianSuper Pty Ltd agreed to acquire a 50.4% stake in Ausgrid from the New South Wales Government. IFM Investors and AustralianSuper will re-finance Ausgrid's debt plus stamp duty of A\$10.258b.



Acquirer: Consortium led by
Cheung Kong Property

Target: Duet Group

Deal value: A\$14,123 million

Acquirer country: Switzerland

Date: 15-05-2017

EV/EBITDA multiple: 14.0x

DUET Group owns and operates energy utility assets in Australia, the United States, the United Kingdom and Europe. Portfolio utilities largely consist of gas distribution companies and assets.

The lead consortium party, Cheung Kong Property, operates as a property developer in Hong Kong, China and Singapore, with interests in residential, commercial and industrial property. The consortium acquired 100% of the DUET Group



Acquirer: GIC Pte. Ltd., Canada Pension
Plan Investment Board, Qatar Investment
Authority, Brookfield Infrastructure Partners

Target: Asciano Limited

Deal value: A\$12,768 million

Acquirer country: Canada

Date: 19-08-2016

EV/EBITDA multiple: 12.0x

Asciano Limited provides rail freight and port services in Australia. The company offers interstate, regional and bulk freight alongside container import/export supply chain services and logistics.

The consortium were a part of multiple transactions, acquiring Asciano Holdings (General & Bulk) Pty Ltd for A\$930, Asciano Limited for A\$8.9b and Asciano Holdings (Containers) Pty Ltd for A\$2.9b.



Acquirer: British Columbia Investment
Management The Retail Employees
Superannuation Trust; Qatar Investment
Authority; Macquarie Infrastructure
and Real Assets Pty Ltd

Target: Endeavour Energy

Deal value: A\$11,764 million

Acquirer country: Canada

Date: 11-05-2017

EV/EBITDA multiple: 29.0x

Endeavour Energy operates as an electricity distributor in Australia. Its infrastructure spans 24,800 square kilometres, connected by 50,000 kilometres of underground and overhead cables servicing 2.3 million people.

The consortium acquired 50.4% of the target at auction after the NSW government began taking expressions of interest for its stake in December 2016. The NSW government has retained a 49.6% holding in the company.



Acquirer: Willis Towers Watson Public Limited Company

Target: Towers Watson & Co

Deal value: A\$11,300 million

Acquirer country: United Kingdom

Date: 04-01-2016

EV/EBITDA multiple: 11.0x

Willis Group Holdings Public Limited Company (NYSE:WSH) signed a definitive merger agreement to acquire Towers Watson & Co. (NasdaqGS:TW) in merger of equals transaction for A\$11.3b. The joint entity – now known as Willis Towers Watson Public Limited – provides professional services in advisory, broking and solutions internationally.

“Willis Towers Watson is uniquely positioned to see the connections between talent, assets and ideas, and how they can lead to strong performance and growth for our clients. We intend to help our clients manage risk and engage their people in a whole new way,” John Haley, CEO of Willis Towers Watson said.



Acquirer: Caisse de Depot et Placement du Quebec; Hastings Funds Management Limited; Spark Infrastructure Group; Tawreed Investments Ltd.; Wren House Infrastructure Management Limited

Target: TransGrid

Deal value: A\$10,258 million

Acquirer country: Canada, Australia, UAE, Kuwait

Date: 16-12-2016

EV/EBITDA multiple: N/A

A 65% foreign-owned consortium outbid China’s State Grid and Macquarie for the NSW’s government electricity network.

The consortium – led by Spark Infrastructure Group – includes Hastings Funds Management, Canadian pension fund Caisse de depot et placement du Quebec and Abu Dhabi’s Tawreed Investments, a unit of Kuwait Investment Authority.

TransGrid operates major power networks in New South Wales and the Australian Capital Territory. Its assets include 99 bulk-supply substations and 12,900 kilometres of power lines. The network allows electricity to be traded between the country’s three largest states along the east coast, from Queensland down to Victoria.



Acquirer: Macquarie Group Limited

Target: Esanda Finance Corporation Limited

Deal value: A\$8,230 million

Acquirer country: Australia

Date: 20-10-2016

EV/EBITDA multiple: N/A

Esanda Finance provides vehicle asset financing solutions nationally, for both individuals and businesses.

Macquarie Group purchased Esanda Finance from ANZ bank. The Portfolio comprises retail and wholesale dealer finance on motor vehicles across Australia.



Acquirer: Liberty Mutual Group, Inc.

Target: Ironshore Inc.

Deal value: A\$3,923 million

Acquirer country: United States

Date: 01-05-2016

EV/EBITDA multiple: N/A

Source: Liberty Mutual Insurance, Liberty Mutual Insurance Announces Acquisition of Ironshore Inc. from Fosun International Limited.

Ironshore provides various commercial property and causality insurance products internationally, including professional and management liability, property, healthcare and political risk insurance. Similarly, Liberty Mutual Group offers a broad range of insurance products.

“We are pleased to have Ironshore and its proven management team led by CEO Kevin H. Kelley join Liberty Mutual,” David H. Long, Liberty Mutual Insurance Chairman and CEO said.

“Ironshore has a track record of profitably underwriting global and diverse specialty risks insurance and is an ideal complement to Liberty Mutual, providing additional scale, expertise, innovation and market relationships to our \$5 billion global specialty business.”



Acquirer: Iron Mountain Incorporated

Target: Recall Holdings Limited

Deal value: A\$3,209 million

Acquirer country: United States

Date: 02-05-2016

EV/EBITDA multiple: 15.0x

Recall Holdings provides information management solutions internationally in both physical and digital assets. Iron Mountain provides similar services. The acquisition expands the international footprint of Iron Mountain into Australia and New Zealand.



Acquirer: State Nuclear Power Technology Corporation (SPIC)

Target: Pacific Hydro Pty Ltd

Deal value: A\$3,000 million

Acquirer country: China

Date: 10-02-2016

EV/EBITDA multiple: 32.4x

Pacific Hydro develops, constructs and operates renewable energy assets in Australia, Brazil and Chile. The company’s assets are spread across 19 hydropower dams and windfarms, which together hold a capacity of c.900 MW of both hydro and wind energy generation. Chinese company State Nuclear Power Technology outbid multiple domestic and international parties to acquire Pacific Hydro from IFM Investors.

The buyers

The proportion of investment managers comprised of total buyer activity has increased over the recent period, driven by a continued refocus post a strong divestment period in 2014 and 2015 and the continued expansion of available funding.

Corporates were once again the most active buyers, with 93% of acquirers being classified as corporate M&A deals and 7% as investment manager (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 6% of total M&A deal flow. The continued uplift in IM acquisition activity comes off the back of a favourable exit environment during from 2013 to 2015 where many IMs sought liquidity of pre and post GFC investments.

Top IM acquires – 18 months to 30 June 2017

Rank	IM acquirer	No. of deals
1	Quadrant Private Equity Pty Limited	10
2	Allegro Funds Pty Ltd	6
3	Blue Sky Private Equity Ltd	4
=4	Bain Capital Private Equity, LP	2
=4	Bridgeport Capital, Boab Capital Group	2
=4	CHAMP Private Equity Pty Ltd	2
=4	Industry Funds Management Pty Ltd	2
=4	Infrastructure Capital Group Ltd	2
=4	SK Capital Partners	2
=4	The Growth Fund	2

Top corporate acquires – 18 months to 30 June 2017

Rank	Corporate acquirer	No. of deals
=1	RuralCo Holdings Limited (ASX:RHL)	6
=1	Total Face Group Limited (ASX:TFG)	6
=2	AZ Next Generation Advisory Pty Ltd	4
=2	KPMG Australia	4
=3	Accenture plc (NYSE:ACN)	3
=3	amaysim Australia Limited (ASX:AYS)	3
=3	Downer EDI Limited	3
=3	OMS Media Limited (ASX:OMS)	3
=3	SmartGroup Corporation Ltd (ASX:SIQ)	3
=3	Swift Networks Group Limited (ASX:SW1)	3
=3	Threat Protect Australia Limited (ASX:TPS)	3
=3	Veris Limited (ASX:VRS)	3

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



28%

of total transactions were conducted by an international acquirer



14%

increase in total deals from Asian buyers

Dealmakers by type

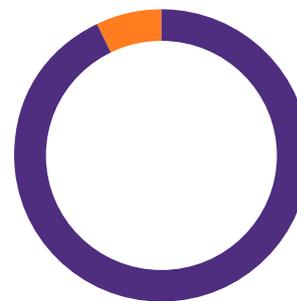
Of the corporate buyers Ruralco Holdings was the most active, acquiring across the utilities space through Hunter, Riverland and Mildura Irrigation. Ruralco Holdings also acquired Newham Rural Supplies – within consumer discretionary – and Great Northern Rural Services and Ausure Consolidated Brokers, operating within the consumer staples and financial sectors respectively.

Equal first in terms of M&A activity was Total Face Group, acquiring five businesses within the healthcare sector and one within consumer discretionary.

One of the top acquirers was big four professional services firm KPMG, which has continued the trend observed in the previous Dealtracker by undertaking a number of acquisitions in order to add depth to – and broaden – their base of service offerings. Notable deals include KPMG’s acquisition of TRACE Chartered Accountants – a Penrith based accounting practice – and Acuity Research and Insights, which provides market research services.

The largest IM dealmaker by deal volume was Quadrant which completed 10 deals, followed by Allegro Funds and Blue Sky Private Equity, completing six and four deals respectively. Quadrant has continued to build its footprint in the fitness and wellbeing space with the acquisitions of Fitness First Australia, Jetts Fitness and Ardent Leisure Group’s Health Clubs Division. Quadrant also added further acquisitions in the healthcare sector with Injury Treatment, Qscan Services and St Ives Home Care.

Dealmakers by type



Dealmakers by region

International investment into Australia represented 28% of total deal flow, which was marginally above the prior comparable period with 26%. The sustained interest from offshore acquirers is underpinned by Australia’s political and economic stability. This continues to attract growth-seeking investors in a rapidly globalised economy. Furthermore, the Australian dollar remained consistently low against the US dollar through FY2016, supporting the attention given to Australian investments as the US economy experienced a resurgence from previous years of slowing economic activity.

Inbound acquirer regions



- 26% Asia Pacific (93 deals)
- 31% Europe (111 deals)
- 38% US and Canada (137 deals)
- 5% Others (19 deals)

 **\$87m**

Median enterprise value
Cross Border Inbound

 **\$36m**

Median enterprise value
Domestic

Deal sector composition by acquirer region

	All deals	US & Canada	Europe	Asia Pacific
Consumer discretionary	22%	20%	23%	15%
Consumer staples	6%	1%	-	9%
Energy	3%	1%	5%	3%
Financials	10%	9%	8%	9%
Healthcare	8%	12%	6%	8%
Industrials	23%	26%	31%	26%
Information Technology	15%	26%	19%	15%
Materials	11%	4%	6%	13%
Teleco Services	1%	1%	-	-
Utilities	1%	-	1%	3%
Total	100%	100%	100%	100%

Looking at individual regions, the United States and Canada were the largest offshore acquirers with 137 deals representing 38% of total cross-border inbound transactions. This compared to 134 deals or 41% of inbound deal activity during the prior comparable period. US and Canadian dealmakers were more heavily focussed on information and technology businesses, with approximately 26% of US and Canadian deals occurring in this sector compared to 15% for the Australian region as a whole. This continues the trend seen in the prior Dealtracker period. The Australian technology sector has been increasingly regarded as an international hub for strong growth and innovation, and with the shifting of the Australian economy away from the resources sector, the domestic IT industry is becoming increasingly attractive.

Europe was the second largest contributor to inbound activity with 111 deals or 31% of total cross-border inbound transactions. The level of European interest was relatively in line with the prior comparable period where the region accounted for 32% of inbound deals. European activity in industrial business accounted 30% of inbound deals from this region, compared to 23% across the board, which has been driven by European participants seeking Australian-based IP and access to growing Asian markets, a continued trend from the previous Dealtracker period.

Inbound activity from Asia-Pacific ranked third with 93 deals or 26% of total inbound transactions. This level of inbound deal activity was above the prior comparable period of 24% by 14 deals, or an 18% increase. Similar to the previous Dealtracker report, Asia-Pacific acquirers were focused on Australian industrial businesses (26% of transaction) along with information technology (15% of transactions). This corresponds to a growing trend of Asian corporates looking to acquire attractive Australian businesses to leverage into the growing property construction and technology markets. Recent changes to foreign exchange regulations are likely to dampen this activity level somewhat in the next Dealtracker period.

Domestic vs cross border transactions



- 28% Cross border inbound (361 deals)
- 68% Domestic (870 deals)
- 4% Undisclosed (48 deals)

Top 5 cross-border inbound deals

Inbound deals: US and Canada – 18 months to 30 June 2017

Target company	Target sector	Buyer	Buyer location	Transaction value A\$m
Asciano Limited	Industrials	GIC Pte. Ltd.; Canada Pension Plan Investment Board; British Columbia Investment Management Corporation; Global Infrastructure Partners; CIC Capital Corporation	Canada	12,768
Ironshore Inc.	Financials	Liberty Mutual Group, Inc.	United States	3,923
Recall Holdings Limited	Industrials	Iron Mountain Incorporated (NYSE:IRM)	United States	3,209
Veda Group Limited	Industrials	Equifax Inc. (NYSE:EFX)	United States	2,620
Heartware International Inc.	Healthcare	Medtronic, Inc.	United States	1,708

Inbound deals: APAC – 18 months to 30 June 2017

Target company	Target sector	Buyer	Buyer location	Transaction value A\$m
DUET Group	Utilities	Power Assets Holdings Limited (SEHK:6); CK Infrastructure Holdings Limited (SEHK:1038); Cheung Kong Property Holdings Limited (SEHK: 1113)	Hong Kong	14,123
Pacific Hydro Pty Ltd.	Utilities	State Nuclear Power Technology Corporation	China	3,000
MLC Limited	Financials	Nippon Life Insurance Company	Japan	2,400
SAI Global Limited	Industrials	Baring Private Equity Asia	Hong Kong	1,303
Santos Ltd (11.72% stake)	Energy	ENN Ecological Holdings Co Ltd	China	1,005

Inbound deals: Europe – 18 months to 30 June 2017

Target company	Target sector	Buyer	Buyer location	Transaction value A\$m
The Chubb Corporation	Financials	Chubb Limited (NYSE:CB)	Switzerland	4,125
Towers Watson & Co.	Industrials	Willis Towers Watson Public Limited Company (NasdaqGS:WLTW)	United Kingdom	11,300
Nuplex Industries Limited	Materials	Allnex Belgium SA/NV	Belgium	1,116
Guardian Early Learning Group Pty Ltd	Consumer Discretionary	Partners Group Holding AG (SWX:PGHN)	Switzerland	440
Cura Day Hospitals Group Pty Ltd (70% stake)	Healthcare	Fresenius Medical Care AG & Co. KGaA	Germany	315

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 Vulcanite Holdings summary 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 through the increased aging profile of private business and the need to transition to new ownership via an external sale process. With corporate cash reserves and untapped private equity funding recovering, we expect demand for high-quality mid-market enterprises to remain strong. Further, as provided below, we would expect continued strong interest from overseas buyers seeking to acquire mid-market companies with products and services transferable to their home markets.

The acquisition of J & P Richardson Industries by VINCI Energies S.A - \$98.63 million - 8 February 2016

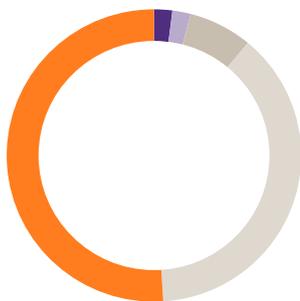
VINCI Energies is a French engineering firm focused on the deployment, operation and optimisation of energy, transport and communication infrastructure.

VINCI Energies acquired J & P Richardson to boost its position within the Australia energy and transport infrastructure services market. This further adds to its APAC portfolio after VINCI Energies' acquisition of New Zealand based HEB Construction.

Acquirer	Target	Deal value
VINCI Energies S.A.	J&P Richardson Industries	98.63
Helloworld Travel Limited	AOT GROUP Ltd	97.17
Continental AG	Vulcanite Holdings Pty Ltd	20.0

“ 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 (29 deals)
- 2% \$500 - \$999.9 million (22 deals)
- 7% \$100 - \$499.9 million (80 deals)
- 38% Less than \$100 million (490 deals)
- 51% Undisclosed (649 deals)

The acquisition of AOT Group Ltd by Helloworld Travel Limited - \$97.17 million - 1 February 2016

AOT Group provides travel services for inbound tourism in Australia, New Zealand and the South Pacific. Acquirer Helloworld Travel offers international and domestic travel products and services through a franchised network of travel agents.

The deal will see Helloworld able to leverage the material operating synergies of AOT Group and its strength in inbound wholesale travel and accommodation management.

The acquisition of Vulcanite Holdings by Continental AG - \$20.0 million - 11 March 2017

Vulcanite operates as a manufacturer and supplier of engineered rubber components to the global rail, construction, automotive and industrial industries.

The acquirer, Continental AG and its wholly owned subsidiary ContiTech AG, is collectively the world's largest supplier of engineered products. The acquisition will complement their technical elastomer and vibration control products.

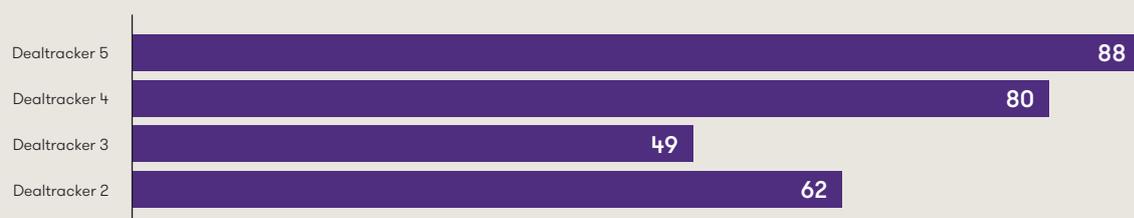
Investment managers

The period covered by this report has seen an increase in IM deals to 88 transactions with particularly strong activity in CY2016.

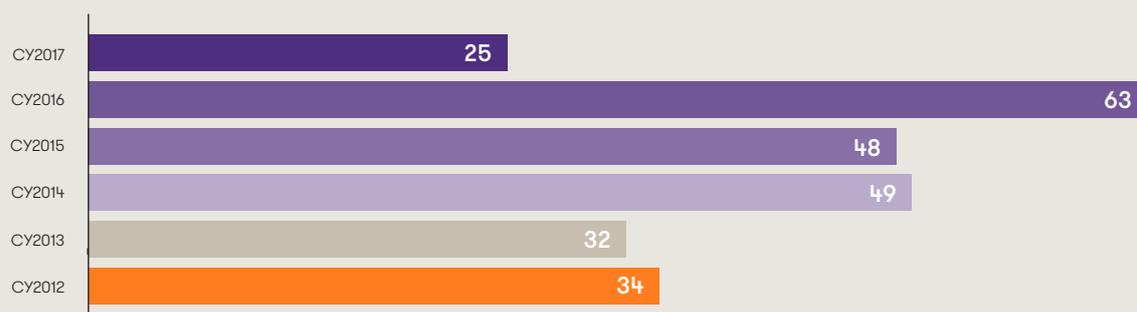
The chart below shows the number of IM deals recorded per each period specified, including both those with and without valuation details. The number of IM deals in the current period increased to 88 deals, from 80 in the prior Dealtracker period. This increased level of activity has followed significant exit volume during the period CY2013 to CY2015 and recent successful fund raising by a consolidated group of active fund managers, particularly in mid market private equity. In addition, there has been significant growth in deal by deal operators and family office investors which has filled the supply gap that arose from the closure of a number of closed end funds.

“ Successful fund raising, particularly in mid market private equity and significant growth in deal by deal operators and family office investors has driven deal activity by investment managers.”

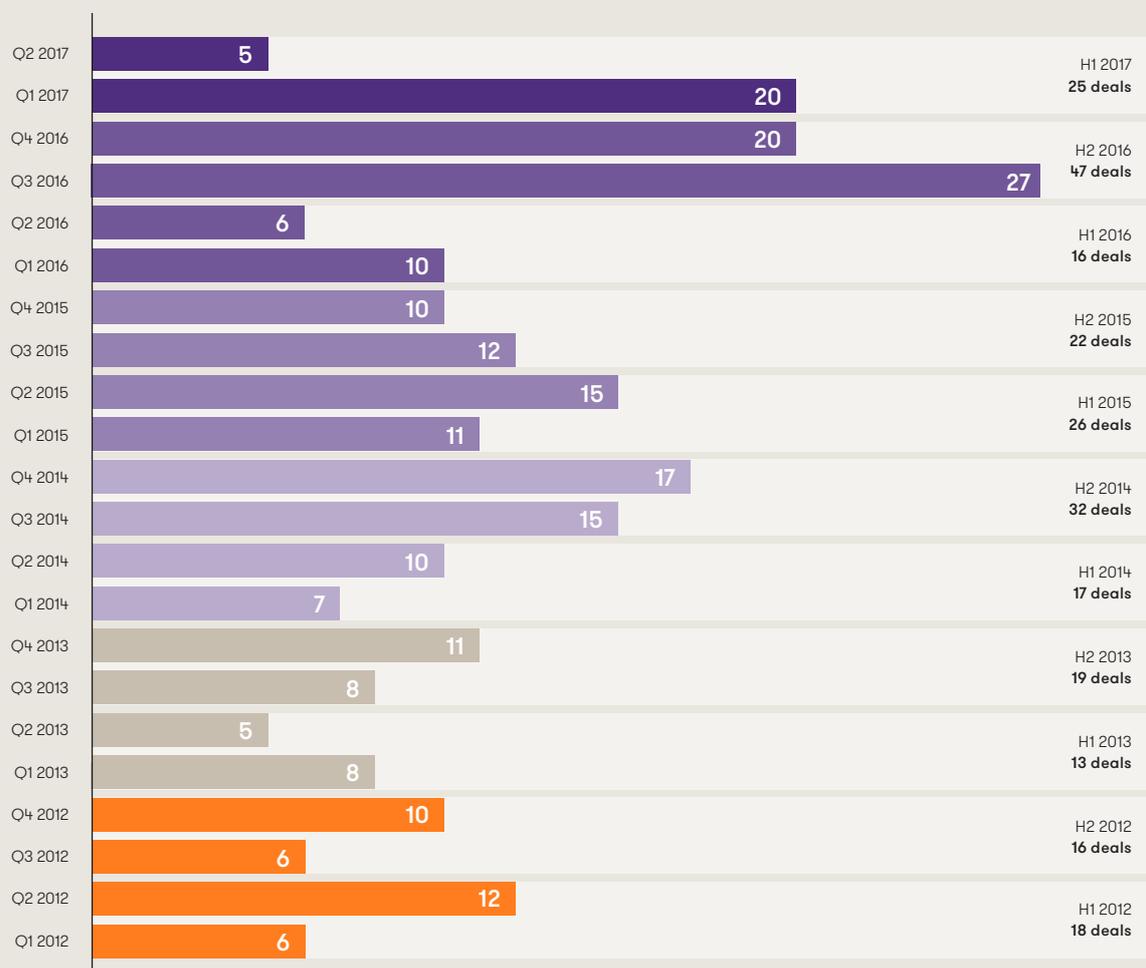
IM entries - Prior comparative Dealtracker periods



IM entries - Annual trends



IM entries - Quarterly & half yearly trends



Valuation multiples by target size

Inline 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 5.0x to 6.0x with one turn of multiple increase applicable to each of our size brackets.

The median trailing EBITDA multiples observed on businesses with less than \$20 million in revenues was 7.2x, significantly above the respective long-term average of 6.1x for businesses of this size. In part, this is attributable to a number of deals attracting a large strategic premium above market. For example, the acquisition of Mareterram Limited – an agribusiness focusing on the processing and supply of seafood – attracted a valuation of 21.0x EBITDA. The high multiples can also be attributable to a number of deals occurring in sectors characterised by high multiples such as financial services and the fact that capital available is being concentrated on high quality businesses which is driving competition and therefore valuations. It also demonstrates the ability of mid-sized businesses to drive strong valuation outcomes through evidencing strong forecast growth prospects.

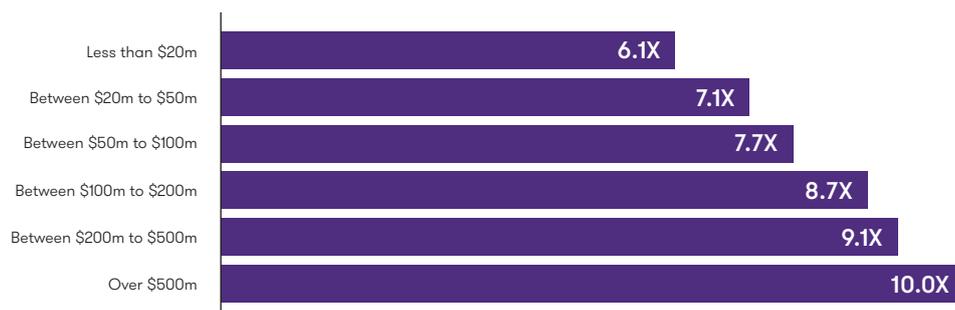
Deals involving targets of over \$200m revenue were similarly above long-term averages. Targets with revenue between \$200m and \$500m, and those above \$500m, obtained median EBITDA multiples of 10.2x and 11.9x respectively. Within the \$500m+ revenue range, the high valuations were likely attributable to the significant proportion of mega-transactions, with 12 of the 19 targets (with available deal multiples) having revenues greater than \$1 billion.

“ Many SMEs have obtained greater valuation multiples through their articulation of well founded growth opportunities.”

Revenue range	No. of deals	Current dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples	Average
Less than \$20 million	28	7.2X	5.5X	5.5X	6.1X
Between \$20 million to \$50 million	14	5.9X	8.8X	6.7X	7.1X
Between \$50 million to \$100 million	17	8.9X	6.1X	8.0X	7.7X
Between \$100 million to \$200 million	12	7.6X	10.8X	7.8X	8.7X
Between \$200 million to \$500 million	14	10.2X	8.5X	8.8X	9.1X
Over \$500 million	19	11.9X	10.9X	7.1X	10.0X
Median (overall)		9.0X	7.8X	7.3X	8.0X
Total	104				

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 higher than recent years, driven by outperformance in the utilities, telecommunications, industrials, IT and financials sectors.

Transactions and valuation multiples per target sector (104 deals)							
Industry	No. of deals	Median EV (A\$million)	Median target revenue (A\$million)	Median target EBITDA (A\$million)	Current dealtracker median EV/EBITDA multiples	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples
Consumer discretionary	23	34	27	4	6.8X	8.7X	6.9X
Consumer staples	6	154	128	13	11.0X	14.2X	10.9X
Energy	1	415	251	36	11.4X	12.2X	6.3X
Financials	6	40	56	4	13.7X	10.7X	9.0X
Healthcare	8	27	27	5	4.6X	8.3X	8.5X
Industrials	31	134	186	22	9.3X	5.1X	5.7X
Information technology	14	65	76	10	9.0X	6.9X	7.3X
Materials	9	35	65	6	5.7X	7.7X	5.9X
Telecommunication services	3	249	80	22	11.1X	7.4X	12.6X
Utilities	3	19,257	1,642	944	16.8X	11.7X	19.5X
Median (all sectors)		60	77	9	9.0X	7.8X	7.3X
Total	104						

The largest median observed valuation multiple was in the utilities sector with a EV/EBITDA multiple of 16.8x. It should be noted that valuation data was available on a small number of deals, each of which attracted above average multiples.

These deals were:

- The acquisition of Ausgrid by IFM Investors and AustralianSuper for \$15.5 billion at a valuation of 16.8x EBITDA. Ausgrid supplies electricity in Australia through the ownership and management of electricity distribution and transmission networks.

- The acquisition of DUET Group by Power Assets Holdings and CK Infrastructure and Cheung Property for \$14.1 billion at a valuation of 14.5x EBITDA. Duet Group owns and operates energy utility assets in Australia.

- The acquisition of Endeavour Energy by a consortium led by British Columbia Investment Management for \$1.18 billion at a valuation of 28.7x EBITDA. Endeavour Energy operates as an electricity distributor in Australia.

Other outperforming sectors, when compared to prior comparative periods, were the telecommunications, industrials, IT and financials sectors.

Notable deals in these sectors, included:

- ASK S.A.'s acquisition of Paragon Group (Identification Division) for \$311 million at a valuation of 27.1x EBITDA. Paragon's Identification division provides magnetic tickets, RFID encoding and other track and trace solutions.

- Equifax Inc.'s acquisition of Veda Group Limited for \$2.62 billion at a valuation of 20.1x EBITDA. Veda Group operates as a data analytics company and provides credit analysis, data and marketing information services.

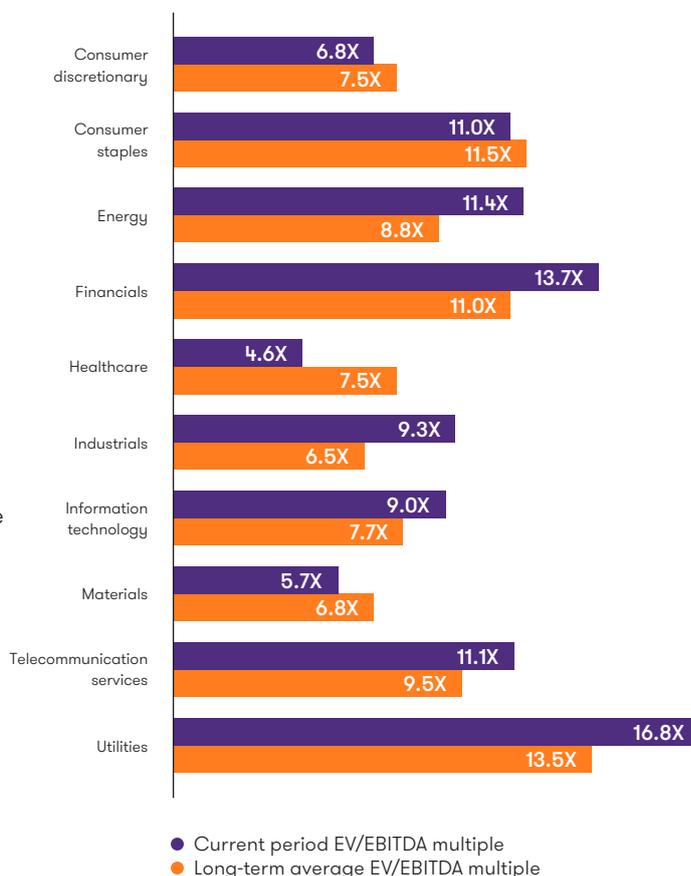
- OneVue Holding's acquisition of Diversa Limited for \$56.6 million for a valuation of 19.95x EBITDA. Diversa operate in the financials sector, providing superannuation and trustee services.

Valuation multiples observed in the current Dealtracker period for the energy, financials, industrials, IT, telecommunication and utilities sectors were all above long-term averages. Valuations in the consumer discretionary, consumer staples and healthcare sectors were all below long-term averages.

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

- Consumer discretionary: we identified softer trading conditions and increased competition as key drivers in valuation decreases in the retail sector.
- Financials: there are a number of macro factors driving financial services multiples, particularly around technology-based solutions and service offerings taking advantage of the continued expansion of superannuation assets.
- Healthcare: the analysed healthcare deals in this Dealtracker were predominantly at the SME level which drove the below average deal multiples for this sector.
- Information Technology: IT-related deals have been a key focus of local and international buyers who continue to bid aggressively for businesses that are taking advantage of the disruption facing every sector.
- Industrials: this Dealtracker period involved a significant number of large industrial deals which contributed to above average deal multiples.

EV/EBITDA multiples by sector



Domestic vs international valuation multiples

As seen in prior Dealtracker publications, international acquirers 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.

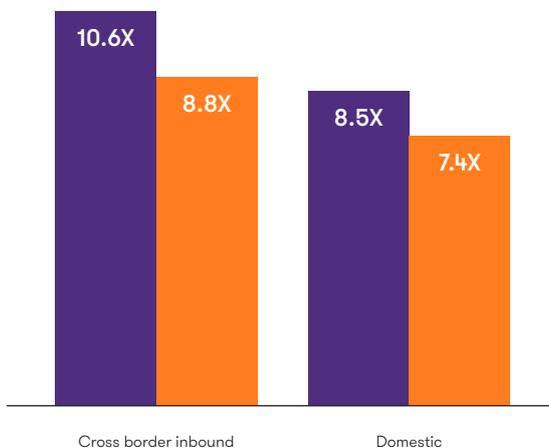
Of the total 104 deals with valuation data, 67 involved domestic acquirers while 37 targets were acquired by buyers outside of Australia. Of these foreign acquirers the composition between the USA, Europe and Asia was 32%, 37% and 26% respectively, with the remaining 5% from Africa and the Middle East.

Foreign buyers were interested in larger targets and willing to pay more than their domestic counterparts. This was shown through a median target enterprise value of A\$93m (A\$57m above that of the domestic acquirers) and an EBITDA multiple of 10.6x (2.1x above the corresponding domestic EBITDA multiple). The relatively low Australian dollar during this period – in particular during CY2016 – contributed to this as competition from international buyers intensified. It is noted however, that the median transaction size for inbound buyers has been decreasing since 1 January 2010 when this report began when the median target EV of international buyers was \$171 million.

As noted previously the level of interest from overseas acquirers continues to rise. Total inbound deal volume grew from 26% to 28% of total deals. This is due to improvements in technology making it easier for businesses 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 (A\$million)	Median target revenue (A\$million)	Median target EBITDA (A\$million)	Current dealtracker median EV/EBITDA	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples	Prior 2012 dealtracker median EV/EBITDA multiples	Average
Cross border inbound	37	93	189	18	10.6X	9.1X	8.0X	7.6X	8.8X
Domestic	67	36	52	6	8.5X	7.4X	6.6X	7.0X	7.4X
Median (overall)	-	60	77	9	9.0X	7.8X	7.3X	7.5X	7.9X
Total	104								



- Current period EV/EBITDA multiple
- Long-term average EV/EBITDA multiple

“Boasting relative economic and political stability, as well as strong exposure to Asian growth markets, Australia continues to attract foreign buyers.”

Corporate M&A vs IM valuation multiples

The median 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 infrastructure assets.

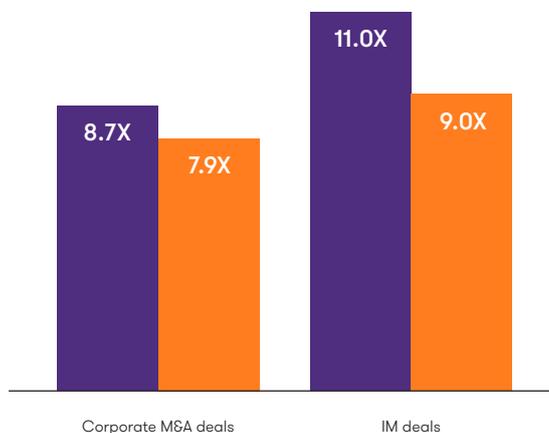
The data collected for the 18 months through June 2017 shows that IMs paid a higher valuation multiple than corporates. Note, the number of IM deals with available valuation multiples is significantly less than corporate deals with available data. As a result, IM transactions involving a significant premium become more heavily weighted. For instance, the acquisition of St Ives Home Care by Quadrant Private Equity attracted a multiple of 20.7x EBITDA.

When compared to prior periods, the valuations paid by both corporates and IMs was higher than the long-term average.

Overall, the median valuation multiple paid in the current Dealtracker period of 9.0x was 1.2x greater than the previous Dealtracker period.

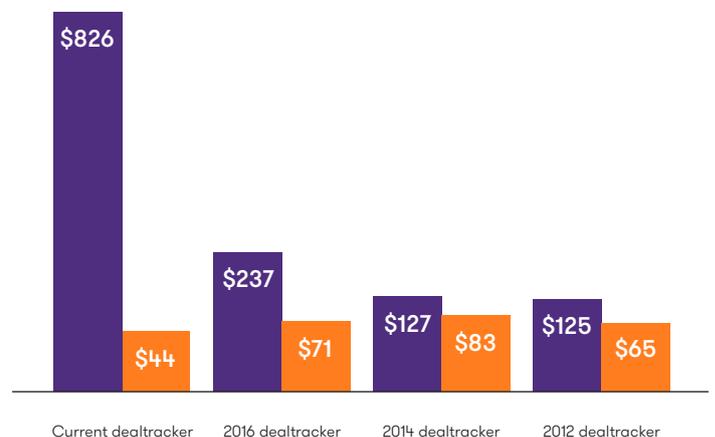
As previously observed, IMs transacted with targets of larger enterprise value than corporate buyers – the median target enterprise value of IMs in the current period was significantly greater than the prior period, increasing from \$237 million to \$826 million. This is due to the occurrence of four mega deals, valued at over \$1 billion EV (out of the eight total IM deals with valuation details), including the acquisition of Asciano Limited, a \$12.6 billion EV company.

EV/EBITDA valuation multiples



● Current period EV/EBITDA multiple
● Long-term average EV/EBITDA multiple

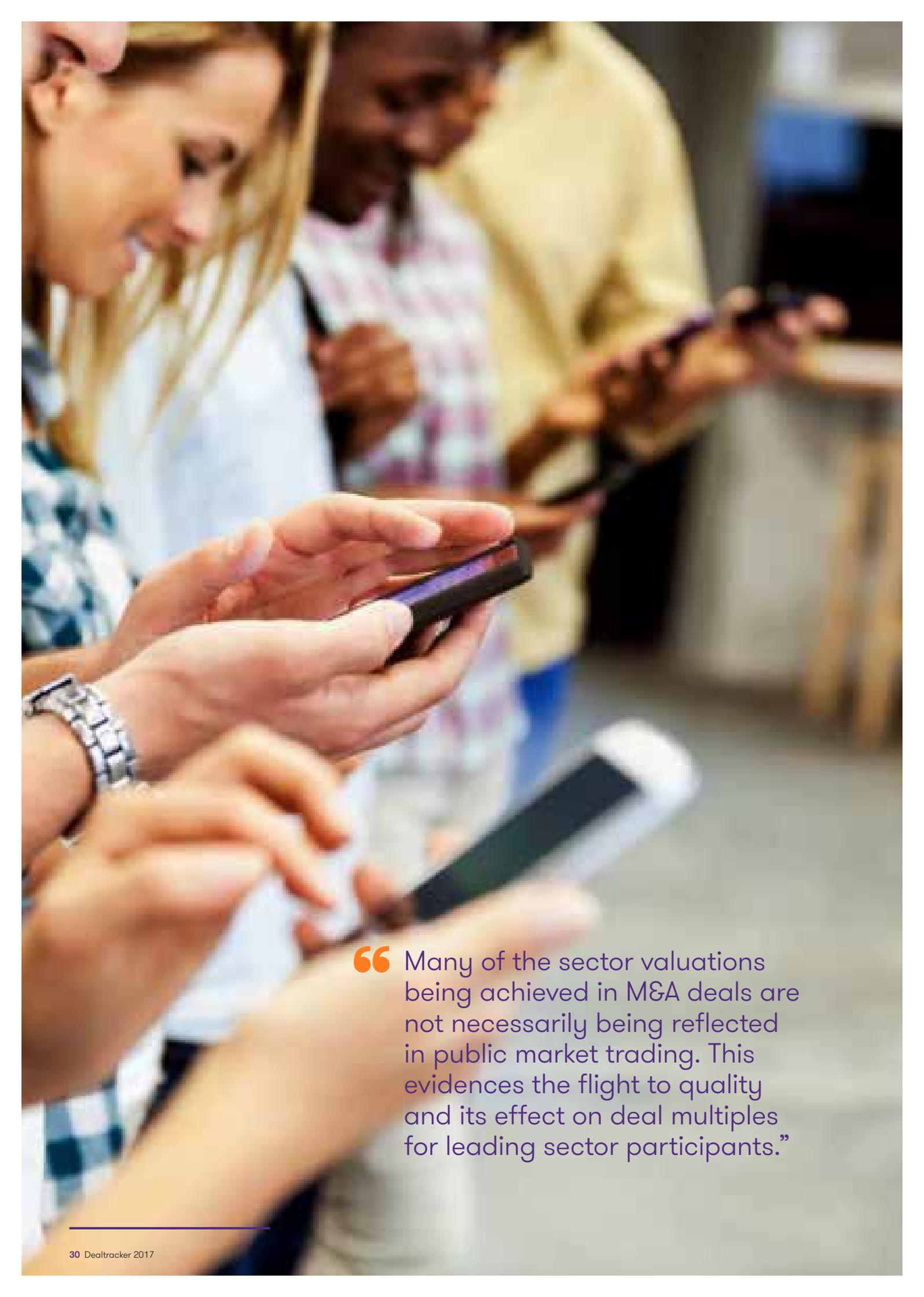
Median target EV (A\$millions)



● Investment Manager transactions
● Corporate transactions



Dealmaker	No. of deals	Median target EV (A\$million)	Median target revenue (A\$million)	Median target EBITDA (A\$million)	Current dealtracker median EV/EBITDA	Prior 2016 dealtracker median EV/EBITDA multiples	Prior 2014 dealtracker median EV/EBITDA multiples	Prior 2012 dealtracker median EV/EBITDA multiples
Corporate M&A deals	96	44	56	7	8.7X	8.3X	7.0X	7.6X
IM deals	8	826	538	81	11.0X	6.1X	12.0X	6.8X
Median (overall)		60	77	9	9.0X	7.8X	7.3X	7.5X
Total	104							

A photograph showing a group of people in a professional setting, likely a conference or meeting. In the foreground, a woman with blonde hair is looking down at her smartphone. Behind her, another person is also looking at a phone. The background is blurred, showing other people and what appears to be a bar or reception area. The overall atmosphere is busy and focused on mobile devices.

“ 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 by target sector

Our analysis shows that the median trading multiple of all ASX listed companies over the last 18 months to 30 June 2017 retracted slightly to 9.3x from 10.3x in December 2016, its highest point since the GFC.

Sectors with the highest valuation multiples

Information Technology

The information technology sector has experienced strong valuation growth up to a peak reached at 31 December 2016 of 14.3x EBITDA. However, the industry multiple fell slightly to 12.8x EBITDA by 30 June 2017 as many of these businesses continued to mature and growth moderated accordingly.

Financial Services

The financials sector has seen a significant increase in valuations, reaching a multiple of 11.4x EBITDA at 30 June 2017, an increase of 1.5 turns from 30 June 2016. The recent increase in valuation reflects the continued expansion of the sector, driven by compulsory superannuation growth.

Sectors with lower multiples

The industries trading at notably lower median multiples were the telecommunications and utilities industries.

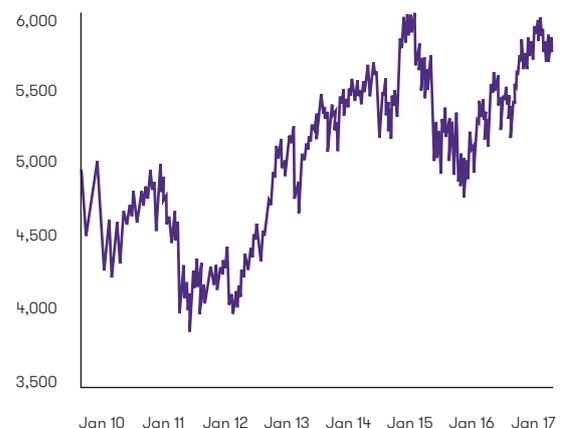
Telecommunications

The telecommunications sector has experienced a decrease in the last 18 months, falling from 11.7x at 30 June 2016 to 9.1x at 30 June 2017, with both Telstra and the second tier providers experiencing tougher trading conditions.

The utilities sector similarly experienced a decline in its trading multiple from 11.4x at 30 June 2016 to 9.9x 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 Mar 2016



Sources: Standard & Poor's Capital IQ, Grant Thornton 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 occurring in the industrials sector.

Median EV/EBITDA multiples observed on the ASX by sector																
Median EV/EBITDA as at	30/06/07	30/06/08	30/06/09	30/06/10	30/06/12	31/12/12	30/06/13	31/12/13	30/06/14	31/12/14	30/06/15	31/12/15	31/03/16	30/06/16	31/12/16	30/06/17
Consumer discretionary	11.9	6.9	6.6	7.5	6.7	7.6	7.5	9.6	9.7	10.2	10.2	10.6	8.8	10.0	10.8	9.4
Consumer staples	12.1	9.9	8.2	8.3	8.2	8.7	9.8	10.2	10.2	10.8	10.8	10.3	9.7	10.3	11.4	10.5
Energy	12.0	10.7	8.0	6.4	5.9	7.7	3.8	5.5	6.4	4.3	4.2	5.1	6.5	5.2	6.6	5.4
Financials	17.2	11.1	11.8	9.8	9.4	10.6	12.7	13.1	13.2	12.5	12.7	12.0	10.2	9.9	11.4	11.4
Healthcare	13.3	9.3	7.8	7.0	9.6	11.2	12.8	16.8	15.0	13.1	12.6	11.8	12.6	11.5	11.1	10.9
Industrials	10.8	6.9	5.7	6.7	6.0	5.7	5.5	6.4	7.0	6.3	6.3	6.9	6.6	6.4	8.0	9.0
Information technology	12.0	6.9	4.8	7.3	6.5	8.6	9.3	12.0	12.5	12.6	12.6	13.8	10.9	12.0	14.3	12.8
Materials	9.9	8.1	7.6	8.5	5.2	5.1	2.2	3.5	7.1	4.7	4.7	4.4	6.4	5.9	6.2	5.9
Telecos	10.7	5.7	3.9	6.2	6.7	9.8	10.7	10.8	9.5	9.2	9.2	15.6	8.9	11.7	9.1	9.1
Utilities	13.8	12.4	11.4	9.5	10.5	11.1	9.5	8.7	9.1	9.6	9.6	11.6	10.6	11.4	11.2	9.9
Overall	12.5	8.4	7.1	7.6	6.8	7.6	7.0	8.2	9.5	8.9	8.8	8.8	8.6	8.9	10.3	9.8

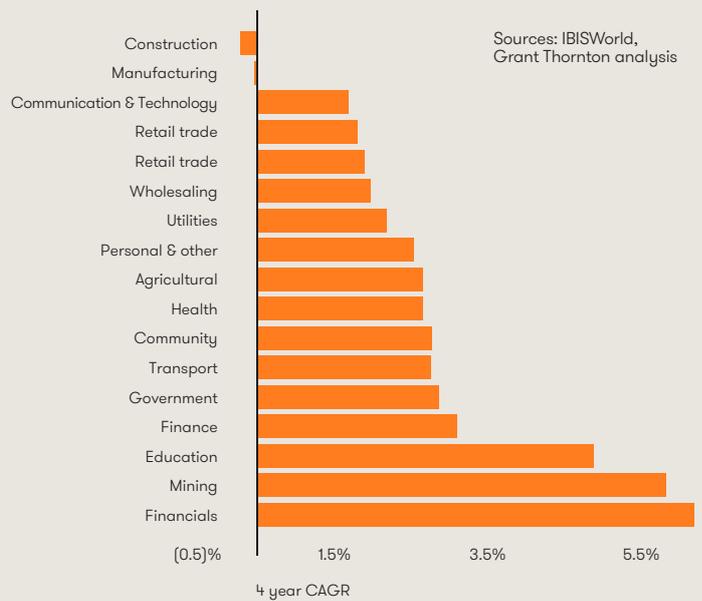
Sources: Standard & Poor's Capital IQ

As at 30 June 2017, the median EBITDA multiple for numerous sectors deviated materially from their respective historical average multiples (from 30 June 2007 to 30 June 2017 or 40 quarters).

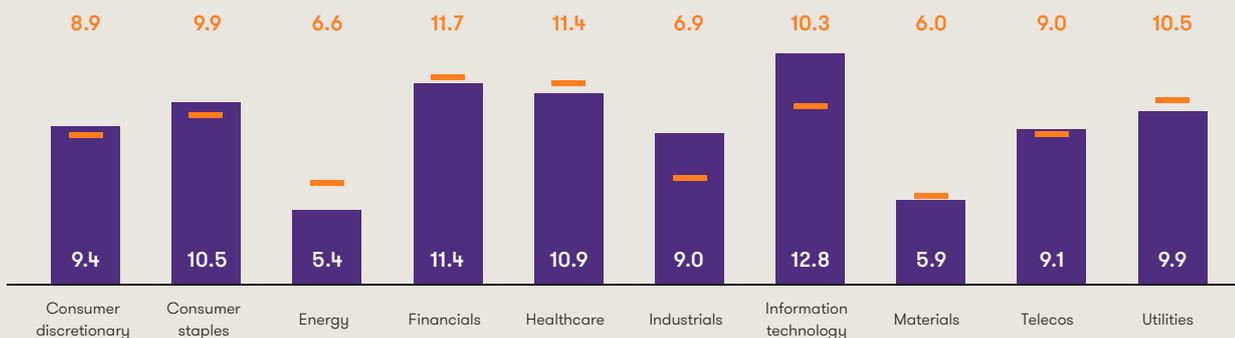
The largest differential was seen in the industrials sector. The trailing median EV/EBITDA multiple of 9.0x for the sector was above its historical average of 6.9x, or a 30% premium when compared to the sector's historical average since 30 June 2007. This is in line with the trend seen in reported M&A deals.

The IT sector also experienced a significant valuation boost with the trailing median EV/EBITDA multiple of 12.8x exceeding its historical average of 10.3x, or a 24% premium when compared to the sector's historical average since 30 June 2007, albeit, it has reduced from the record level recorded in CY2016.

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



Median EV/EBITDA trading multiples by sector



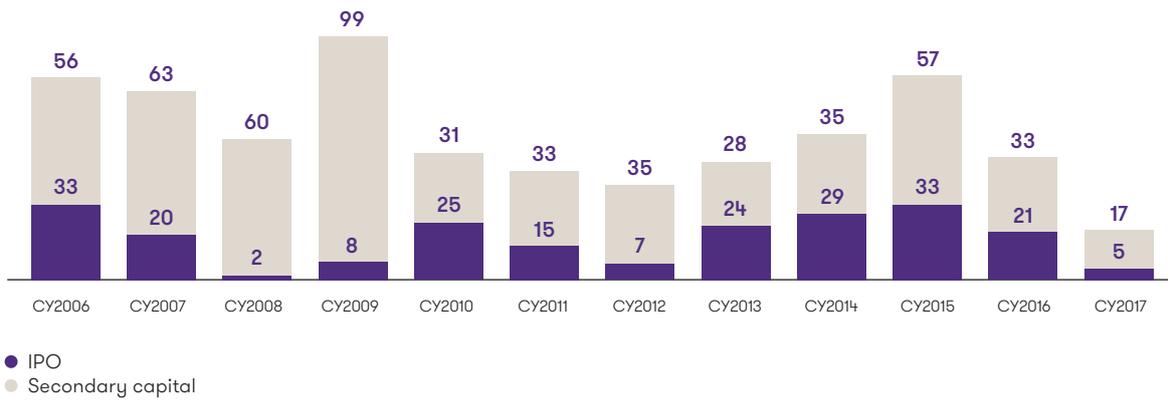
IPO activity in Australia

In line with the prediction provided in the previous Dealtracker, IPO activity dampened in the 18 months to June 2017 as the market slowed post the CY2016 strong activity levels.

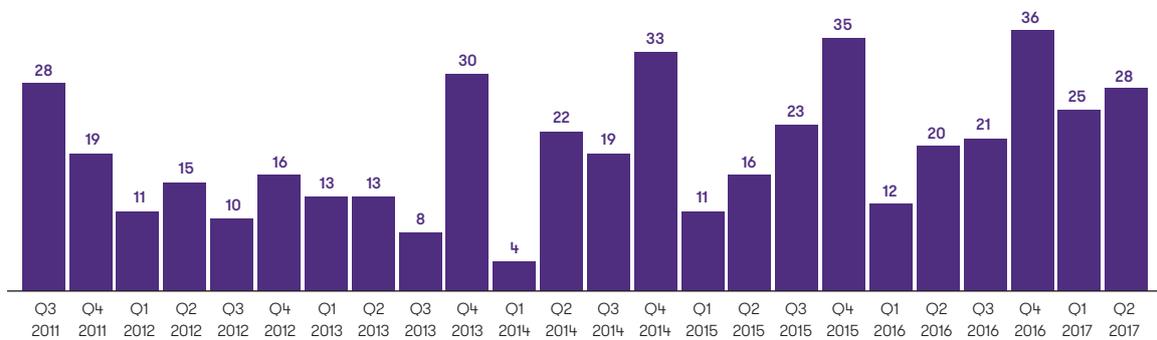
Comment

- In contrast to CY2015 – the best IPO market of the decade – this Dealtracker period saw weaker capital raising conditions.
- The proceeds of IPO activity through CY2016 totalled \$21.2 billion, compared to CY2015 with \$33.4 billion – a decline of 37%.
- Proceeds from secondary offerings reached a five-year peak in CY2015 with \$56.6 billion raised – CY2016 saw a return to the level of proceeds experienced post-GFC, falling 41% to \$33.3 billion.
- The run-rate for H12017 indicates a further dampening of market activity expected for CY2017.
- The IPO market made significant comebacks in 2010 and 2013, each raising additional funds of \$17 billion YoY.
- As predicted in the previous Dealtracker, the formerly buoyant IPO market has moderated considerably through CY2016 and H1CY2017, driven by the significant increases in market volatility since the start of the 2016 calendar year – and to a lesser extent at the lower end of the market – the amendments to the ASX disclosure and listing requirements.
- Despite lower capital raising results, Australian IPO activity during CY2016 was strong with 89 listings, up from 85 listings during CY2015, a 5% increase.
- The value of CY2016 listings was A\$6.7 billion, marginally down from CY2015 with A\$7.1 billion.
- The average IPO value remained steady at \$79 million over CY2015 and CY2016. This solidifies the return to ‘normal’ and underpins the impact of the mega-deals experienced during CY2013-14, including the A\$5.7 billion listing of Medibank.

Initial & secondary capital raising (CY2006 to June CY2017)

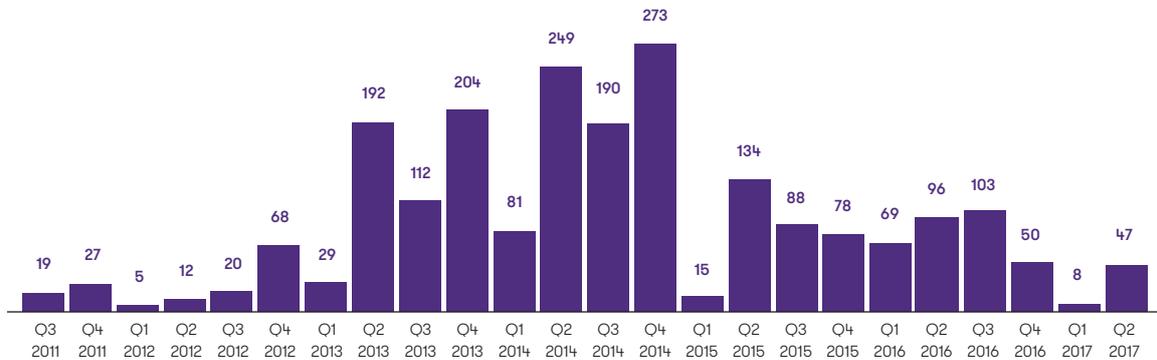


Quarterly IPO trends (FY2012 to FY2017)



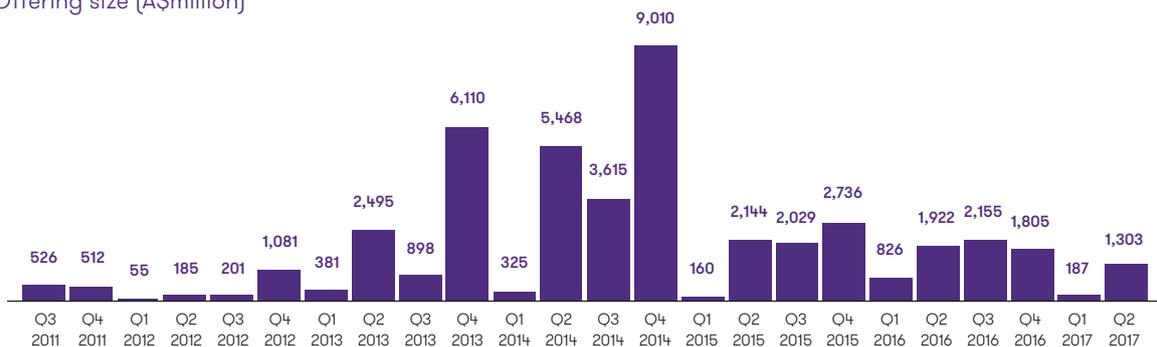
Quarterly IPO trends (FY2012 to FY2017)

Average size (A\$million)



Quarterly IPO trends (Q3 2011 to Q2 2017)

Offering size (A\$million)



Over the 18 months to 30 June 2017, a total of 142 new companies listed on the ASX, increasing marginally from 136 in the preceding 18 month period. However, the total value of funds raised decreased by 58% on the prior corresponding period to \$8.2 billion.

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

Range	No. of IPOs	Offering size (A\$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 (A\$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 2013 to 30 Jun 2014)

Range	No. of IPOs	Offering size (A\$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 Jul 2011 to 31 Dec 2012)

Range	No. of IPOs	Offering size (A\$m)	% of total
Less than \$10 million	68	280	10.9%
Between \$10 million to \$50 million	22	435	16.9%
Between \$50 million to \$100 million	6	404	15.7%
Between \$100 million to \$500 million	3	959	37.2%
Over \$500 million	1	500	19.4%
Total	100	2,578	100%

Comment

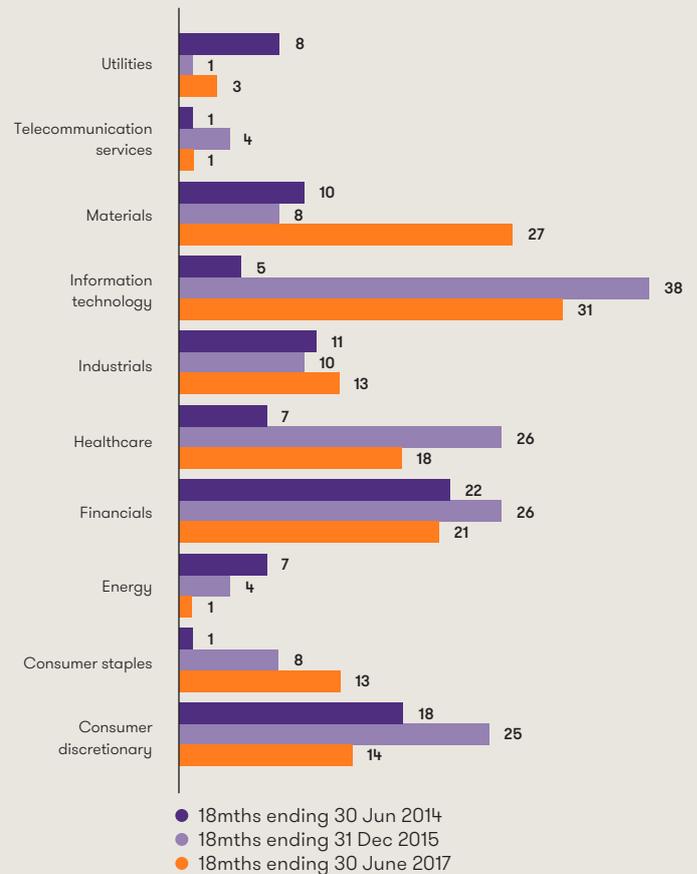
- The total number of listings recorded a small uplift of 4% (six additional listings) to 142 in this Dealtracker period from 136 recorded in the previous corresponding period.
- This increase was primarily driven by a 3.6% increase on the previous period in offer sizes below \$10 million. Further to this, the number of listings with offer sizes less than \$10 million constituted 49% of total listings.
- The total funds raised on initial offerings declined 58% to \$8.2 billion. The funds raised were dominated by offer sizes over \$500 million which accounted for 44% of the total funds raised in this Dealtracker period.
- Over the last three Dealtracker periods, the number of IPO listings recorded has experienced a steady uptrend, though total offering size has significantly reduced in the current Dealtracker period despite growth from CY2013 to CY2015. This volume increase in small IPOs was one of the driving factors around ASIC's focus on listing and suitability criteria.

IPO size by sector

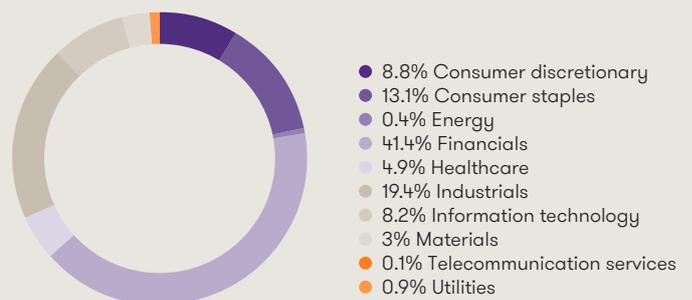
Comment

- The IT sector remained a standout, contributing 31 listings (22%) to 142 total listings in this Dealtracker period, though this is down from 38 deals in the prior Dealtracker period. The sector's listing activity has continued a strong uplift in the last four Dealtracker periods, rising nearly 15 fold from the 2 listings recorded in the 18 months to 31 December 2012.
- The Materials sector experienced the strongest growth in terms of listing activity, rising 238% from 8 listings in the prior Dealtracker period to 27 in the current period driven by gold and other specific commodity opportunities.
- Across the board, all sectors experienced lower listing activity in comparison to the prior Dealtracker period except for the industrials, consumer staples and materials sectors which saw increases of three, five and 19 listings respectively.
- Consumer discretionary exhibited the largest decline in activity, falling from 25 listings in the prior Dealtracker period to 14. This is a result of the continued uncertain trading environment through disruption and global competition.
- The telecommunications sector also recorded a drop in listings which fell by four on the prior Dealtracker period to record just one listing in this Dealtracker period.
- The financials sector again dominated the IPO market by value, accounting for 41.4% of the total IPO value – up from 39% in the previous Dealtracker period.
- The marginal uplift in listings recorded in the industrials sector lead the sectors IPO value to jump significantly to 19% of total IPO value, from 4% in the prior Dealtracker period.
- 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 material sector opportunities.

Number of IPOs by sector



IPP value by sector for 18 months to 30 June 2017



Top IPOs in each sector

6 months to 30 June 17



Industrials

Issuer	Bingo Industries Limited
Offer size	A\$439.7+ million
IPO price	A\$1.80
Price at 30 Jun 2017	A\$1.85
Price change	+3%



Utilities

Issuer	Zenith Energy Limited
Offer size	A\$25 million
IPO price	A\$0.50
Price at 30 Jun 2017	A\$0.51
Price change	+2%



Consumer staples

Issuer	Eagle Health Holdings Limited
Offer size	A\$25 million
IPO price	A\$0.40
Price at 30 Jun 2017	A\$0.44
Price change	+10%



Financials

Issuer	Plato Income Maximiser Limited
Offer size	A\$326 million
IPO price	A\$1.10
Price at 30 Jun 2017	\$1.10
Price change	-



Healthcare

Issuer	Oceania Healthcare Limited
Offer size	A\$185 million
IPO price	A\$0.73
Price at 30 Jun 2017	\$0.81
Price change	+11%



Information technology

Issuer	ELMO Software Limited
Offer size	A\$25 million
IPO price	A\$2.00
Price at 30 Jun 2017	A\$2.50
Price change	+25%



Consumer discretionary

Issuer	Oliver's Real Food Limited
Offer size	A\$15 million
IPO price	A\$0.20
Price at 30 Jun 2017	\$0.30
Price change	+50%

Listing multiples and immediate price returns by target sector

In the 18 months to 30 June 2017 a total of A\$26,191 million was raised from new listings on the ASX, with the 10 largest listings contributing approximately 20% of the total equity raised during this period. The largest listing during the 18 month period was Reliance Worldwide Corporation Limited.

IPO multiples of the ten largest IPOs (in the 18 months to 30 June 2017)

Company	Listing date	Industry	Offer size (A\$m)	Market cap (A\$m)	FY2018F EBITDA (\$Am)	FY2018F EV/EBITDA (forecast multiple)
Reliance Worldwide Corporation Limited (ASX:RWC)	29/04/16	Industrials	919	1,313	147	7.7X
Viva Energy REIT Trust (ASX:VVR)	03/08/16	Financials	911	1,518	133	10.9X
CYBG PLC (LSE:CYBG)	03/02/16	Financials	704	-	-	N/A
Inghams Group Limited (ASX:ING)	04/11/16	Consumer staples	596	1,198	213	7.0X
Propertylink (ASX:PLG)	04/08/16	Financials	502	536	66	10.0X
Bingo Industries Limited (ASX:BIN)	03/05/17	Industrials	440	628	89	7.7X
Plato Income Maximiser Limited (ASX:PL8)	04/05/17	Financials	326	326	-	N/A
Antipodes Global Investment Company Limited (ASX:APL)	17/10/16	Financials	313	313	-	N/A
Scottish Pacific Group Limited (ASX:SCO)	12/07/16	Financials	294	445	51	24.0X
Tegel Group Holdings Limited (NZSE:TGH)	02/05/16	Consumer staples	274	-	80	3.0X
Total			5,279	6,278		
Average			528	628	78	10.1X

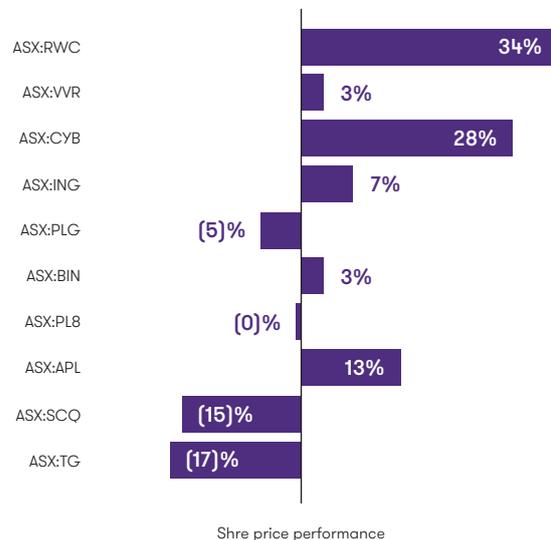


Four of the top 10 listings during the 18 months ending 30 June 2017 have experienced declines in their post-listing share prices. The largest underperformers have been Tegel Group Holdings Limited whose share price deteriorated by 17% from its 2 May 2017 IPO to 30 June 2017. The deterioration in share price largely resulted from a decline in profit margins due to an oversupply in the poultry market.

Scottish Pacific Group, a trade and debtor finance specialist, similarly experienced a large decline, with its share price having deteriorated by 15% since its IPO on 12 July 2016. The reason for the substantial decline can be attributed to a profit downgrade issued in November 2016 which described lower than expected levels of borrowings, primarily amongst larger clients.

The top performer has been Reliance Worldwide Corporation (RWC) which, in June 2017, acquired Securus Inc., a U.S. firm specialising in the manufacturing and distribution of pipes and fixtures. This along with strong financial and operating performance supported the growth of its share price.

IPO performance of the ten largest IPO's to 30 June 2017

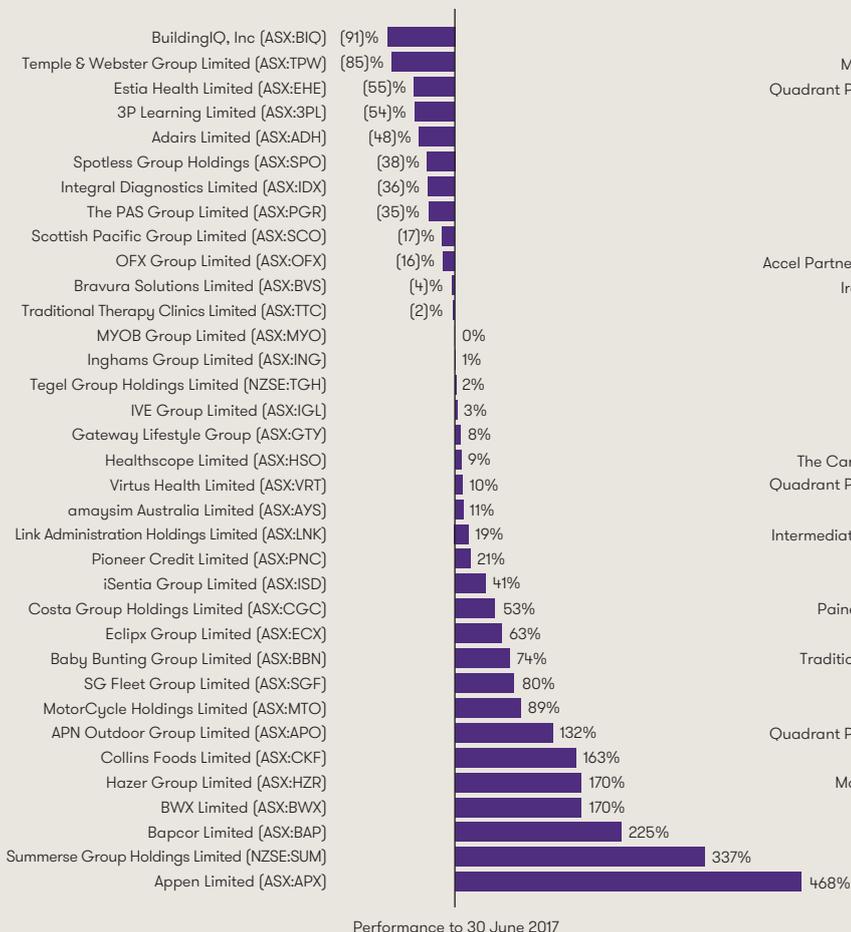


Share price performance

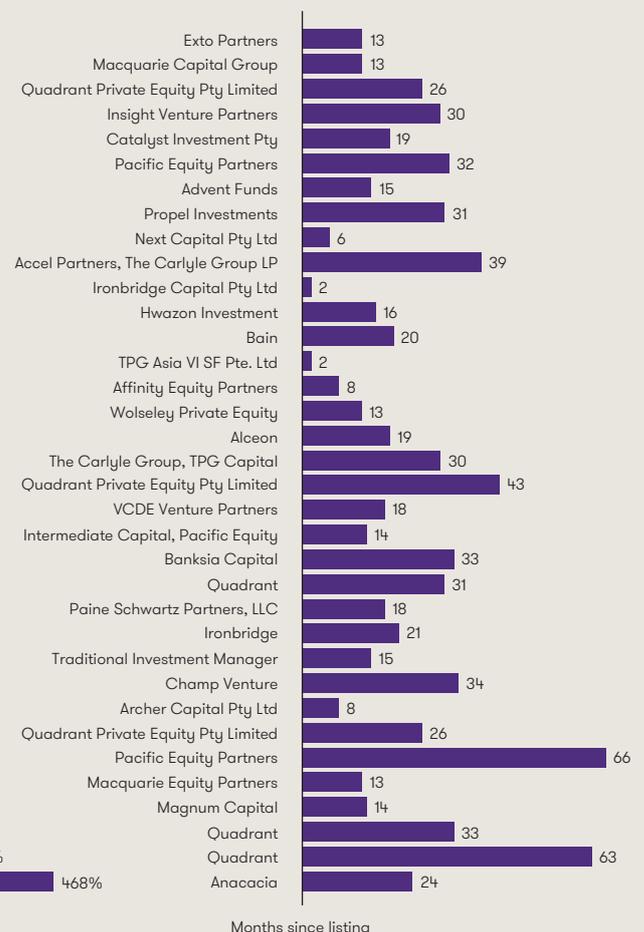
Private equity story

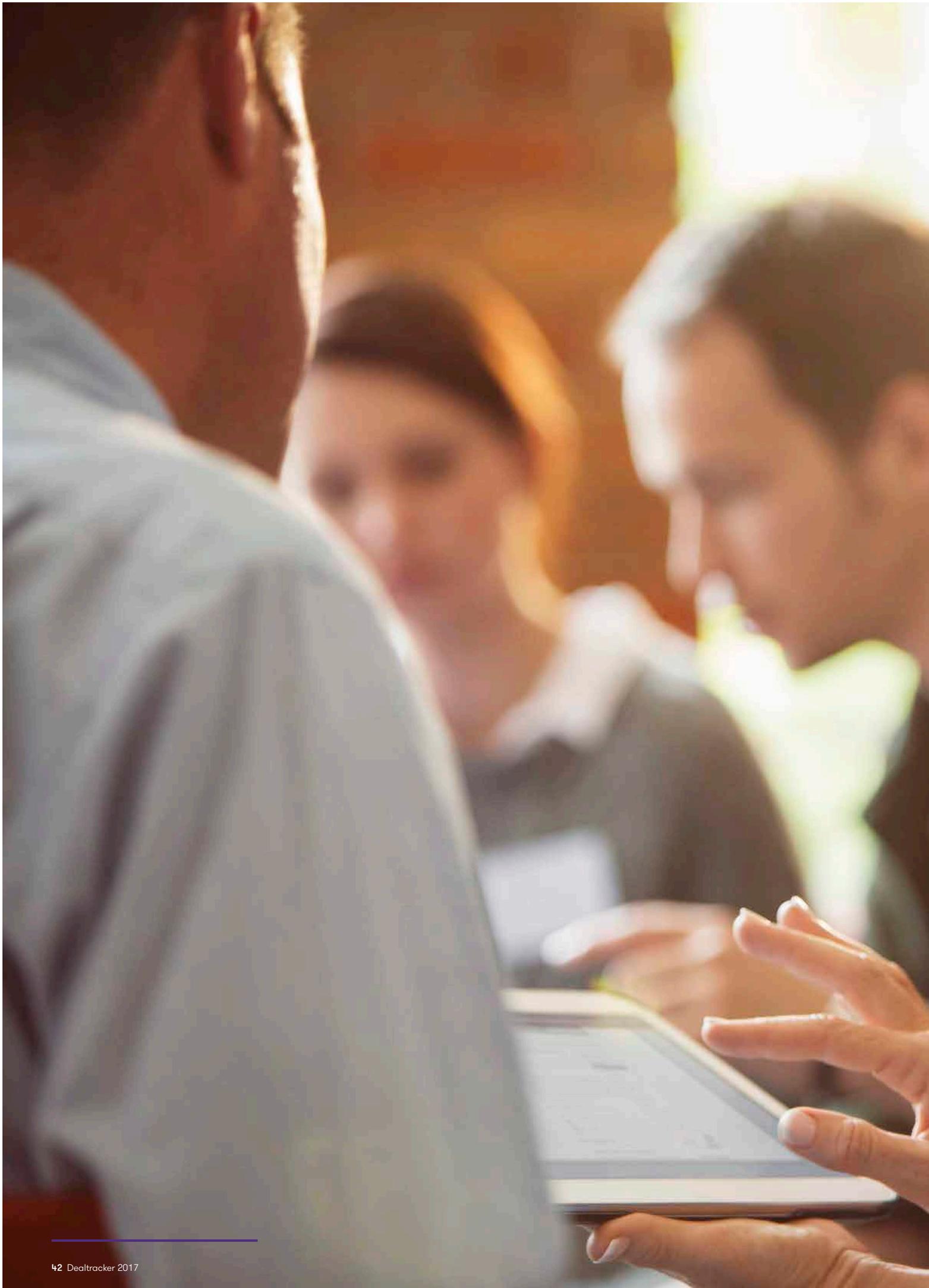
The performance of the majority of private equity backed floats demonstrates the continued value contributed by the sector with approximately 66% of these companies experiencing positive share growth and 20% doubling in value since listing. Notably, Quadrant Private Equity has produced two of the top three performers during this period.

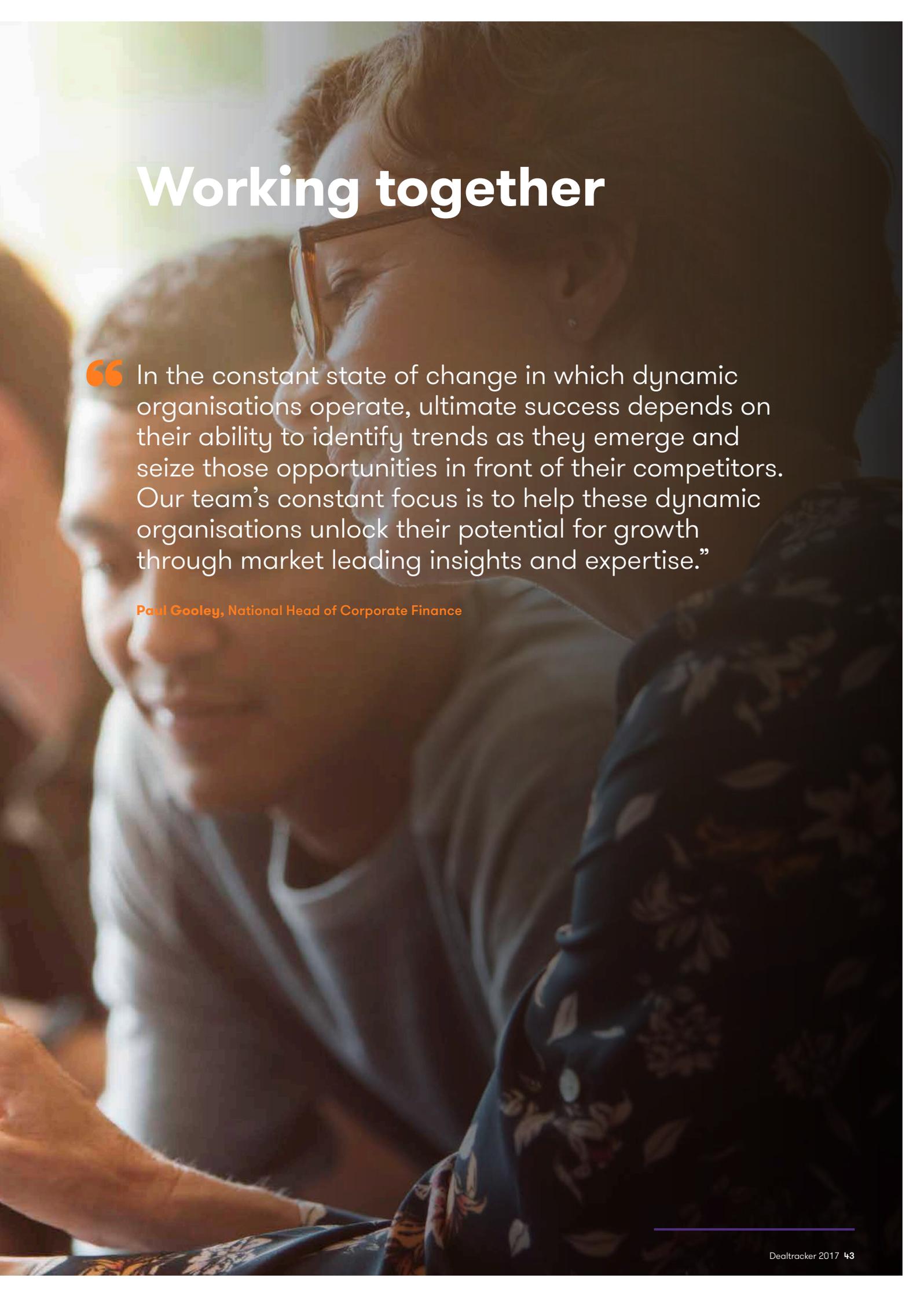
Private Equity backed IPOs performance to date



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 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 multidisciplinary 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

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

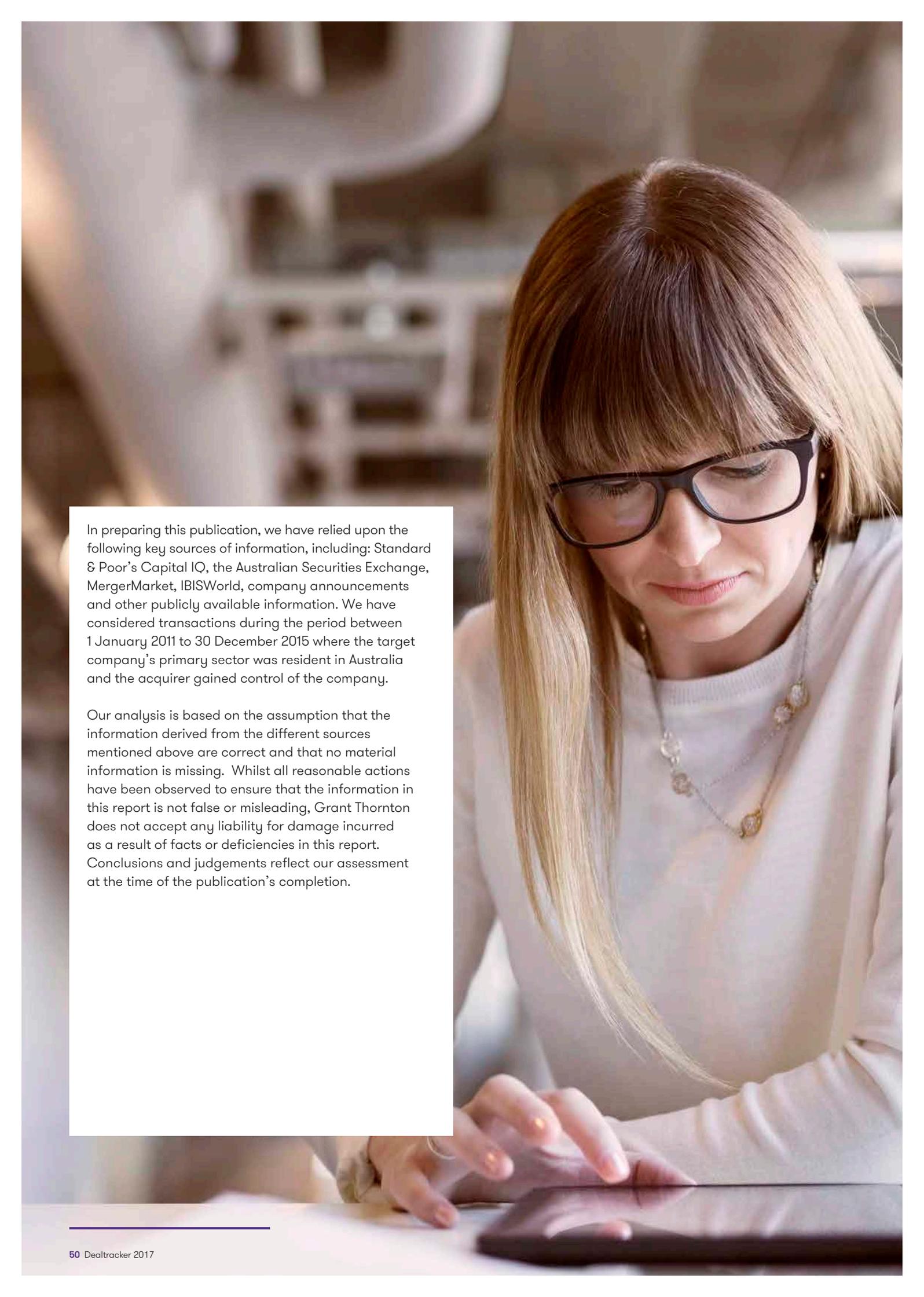
Have assumptions easily identified and easy to manipulate

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 summarized, 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 January 2011 to 30 December 2015 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 47,000 people in 130 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 1,200 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.



47,000
People globally



1,200+
People nationally



130+
Countries



\$4.8BN
Worldwide revenue
2016 (USD)

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

Business advisory services

Family office services

Private wealth

Superannuation

Tax

Financial Advisory

Corporate finance

Debt & payment advisory

Forensic consulting

Restructuring advisory

Growth Advisory

Asia practice

Business risk services

Leadership, talent & culture

Performance improvements

Public sector advisory

Technology advisory

National Specialist Tax

Indirect tax

Remuneration taxes

Transfer pricing

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