



2018 M&A Review





With many market commentators anticipating 2018 as a strong year for M&A, Holding Redlich's experience in the first half of 2018 has been consistent with this.

The deals in which our team have been involved in 2018, to date, strongly suggest it's a time for strategic and opportunistic acquisitions in the market (particularly the mid-market sector) driven to some extent by low interest rates as well as developing technology and business confidence.

However, worldwide deal failure rates were higher in 2017 than at the start of the Global Financial Crisis and Australia had the third highest deal failure rate globally (China & Singapore were higher) in studies conducted from 2010 – 2017 (Based on a study by the M&A research centre at Cass Business School, London).





Deals in financial year 2018

Our team have been busy across a range of deals in the 2018 financial year assisting both buyers and sellers in a range of complex corporate transactions, involving cross-border transactions and private equity and fund managers.

We set out below a selection of the deals in various sectors in which our team have been involved:

CONSTRUCTION & ENGINEERING SERVICES

- Advising on the sale of a family owned business to a US conglomerate.
- Advising on the acquisition of an Australian engineering services provider by a leading international engineering services company.

RETAIL/INSURANCE

- Advising on the Australian law aspects of a global acquisition of a worldwide market-leading white goods business.
- Advising on the sale to a UK private equity fund of an Australian insurance broking firm.

MINING SERVICES

- Advising on the acquisition of a privately owned drilling business for an Australian company which is partially owned by a US private equity fund/asset manager with over US\$100 billion under management.

FOOD & BEVERAGE

- Unwinding a joint venture and acquiring a national business through a multi-stage transaction.

HEALTHCARE

- Advising on the acquisition of an Australian market-leading Employee Assistance Provider by a UK entity.
- Advising on the sale to an ASX listed company of an Australian provider of information technology solutions to the health industry with operations in UK and NZ.
- Advising on the sale to a private equity fund of an Australian human resources provider to the health industry.
- Advising on the sale of a home care services provider.

MEDIA

- Advising on a complex divestiture of assets of a national market-leading media business.
- Advising on the Australian law aspects of an acquisition of a company that provides post-production services to Australian and international media.
- Advising one of Australia and NZ's largest advertising and marketing communications services group on the purchase of a digital agency.



EDUCATION / PROPERTY

- Regulatory review of a national asset portfolio in preparation for trade sale of a private equity owned education group.

FINANCIAL SERVICES

- Advising in connection with a part-investment in an accounting business by a financial services business.
- Advising an overseas buyer on the cross-border acquisition of an Australian financial services business.

AGRIBUSINESS

- Acquisition of Tumut Grove Citrus by Fresh Produce Group
- Advising on the cross-border acquisition of an Australian agronomy services provider.
- Advising on the acquisition of a macadamia nut farm and business.
- Advising on a cross-border seed trading joint venture.

TOURISM

- Acting for a bidder in connection with the acquisition of a Queensland tourism facility.

TRANSPORT AND LOGISTICS

- Acquisition of Gro-market Logistics and GAP Logistics by ACFS

TECHNOLOGY

- Acquisition of Anodyne Electronics Manufacturing Corp by Structural Monitoring Systems PLC
- Acquisition of Hydrix by Panorama Synergy Ltd
- Advising in connection with trade sale of a Software As A Service provider.
- Advising in connection with investment by international private equity fund in early stage online technology company.
- Advising on cross-border acquisition of two Australian web hosting groups by a leading international technology business.
- Acting for the seller of a Software As A Service provider to a U.S. purchaser.





Hot Topics & Trends

In our experience, there has been an increase in the use of earn outs in M&A transactions, particularly as institutional buyers seek more comfort on valuations and sellers seek to share in the increased synergies and growth of the business post-acquisition. We have advised both buyers and sellers on drafting and negotiating complex earn-out clauses including those relating to the formulation of the earn-out calculations and restrictions on the conduct of the business.

We have also seen an increase in management buy-outs and the implementation of pre-trade sale equity incentive schemes as a means to lock in key management personnel as part of post-M&A integration planning.

FIRB not surprisingly retains an active interest alongside the recently created Critical Infrastructure Centre (CIC), in advising the Treasurer across a vast number of industry sectors.

Some of our recent transactions involving foreign investment drive our advice, “the earlier, the better”, in notifying FIRB as the Treasury, FIRB and the CIC are working closely in consultation with investors and their advisers to address any national security concerns raised through the transaction process, *but not without some delay*.

The market focus on **privacy and data** has risen as expected with considerable activity around mandatory data breach reporting and the EU General Data Protection Regulation. Advisers globally are assessing the risk of cyber threats as a significant due diligence enquiry on behalf of both vendors and acquirers.

The recent **ipso facto** changes to the Corporations Act, which stay the enforcement of contractual rights on the occurrence of certain insolvency related events, is not expected to impact M&A transactions significantly. However, its application to ancillary agreements and interests in securities should be looked at closely.

We also agree with other M&A professionals that warranty and indemnity insurance is continuing to increase.

TEAM UPDATE

Brendan Wykes joined **our deal team** in the first half of 2018. Brendan has over 20 years' experience in all aspects of corporate transactions.

Please contact a team member to discuss how we can help you.





Holding Redlich Key Partners



William Khong
Melbourne
Partner
T +61 3 9321 9883
william.khong@
holdingredlich.com



Harry Kingsley
Melbourne
Partner
T +61 3 9321 9888
harry.kingsley@
holdingredlich.com



Dan Pearce
Melbourne
Partner
T +61 3 9321 9841
dan.pearce@
holdingredlich.com



Darren Pereira
Sydney
Partner
T +61 2 8083 0487
darren.pereira@
holdingredlich.com



Brendan Wykes
Sydney
Partner
T +61 2 8083 0432
brendan.wykes@holdingredlich.
com



Esteban Gomez
Brisbane
Partner
T +61 7 3135 0671
esteban.gomez@
holdingredlich.com



Carl Hinze
Brisbane
Partner
T +61 7 3135 0630
carl.hinze@
holdingredlich.com



Trent Taylor
Brisbane
Partner
T +61 7 3135 0668
trent.taylor@
holdingredlich.com



Ranjit Singh
Cairns
Partner
T +61 7 4230 0401
ranjit.singh@
holdingredlich.com

