

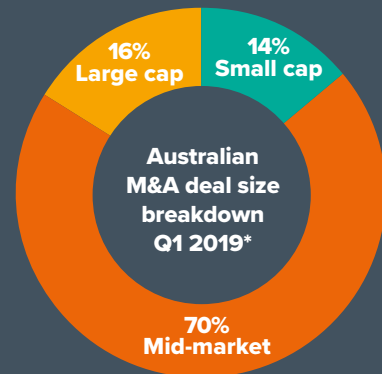
Dealmakers:

Australian mid-market M&A Q1 2019 update



280
Deals worth
AU\$19.9bn
in Q1 2018

246
Deals worth
AU\$17.8bn in
Q1 2019



As expected, Australian M&A was slow out of the gate in 2019, with overall deal totals for Q1 down 12% by volume and 11% by value quarter-on-quarter, and mid-market deals down 29% compared to the same quarter last year. Uncertainties – such as the impending federal election set for May, the fallout of the Royal Commission’s investigation into banking misconduct, and global frictions resulting from the US-China trade war – could all be contributing to the decline in investment activity as dealmakers sit on the sidelines.

If history is a guide, dealmaking will gain renewed momentum in the second-half of 2019 following the federal election, a trend observed during the last federal election in mid-2016. In Q1 2019, Australia’s mid-market saw 60 deals valued at AU\$4bn coming to market. One sector bucked the downturn however – business services saw a 120% uptick on deals in comparison to this time last year.

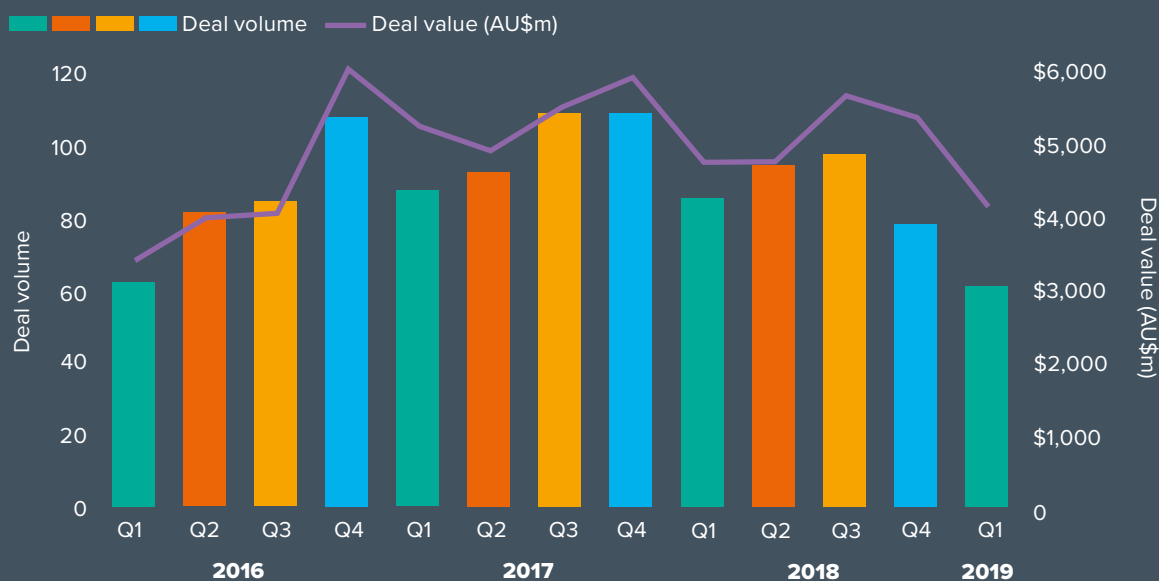
*By volume of deals with disclosed values.

Australian mid-market M&A Q1 2019

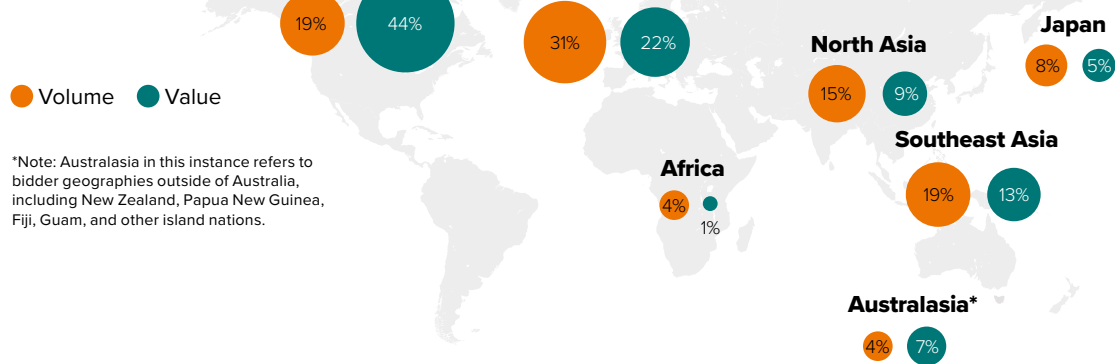
-29% 
change in deal volume
from Q1 2018

-13% 
change in deal value
from Q1 2018

Australian mid-market M&A



Australian mid-market Q1 2019: Bidder geographies



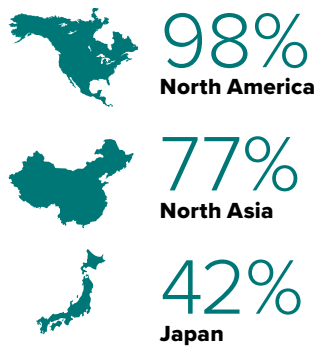
Foreign inbound: A key deal driver

Foreign investors continue to pour capital into the Australian mid-market, many positive on Australia given its strong fundamentals, economic growth and political stability. This investment accounted for almost half of deal volumes and values in the mid-market in Q1 2019, and the decline seen this quarter is less than the decline seen in domestic dealmaking. The vast majority of respondents in our Dealmakers 2019 survey say foreign investment will be a significant deal driver going forward. Buyers from North America, Europe and North Asia continue to lead these trends and respondents expect renewed interest through the second half of 2019.

Respondents in our Dealmakers 2019 survey say deals will be driven by:

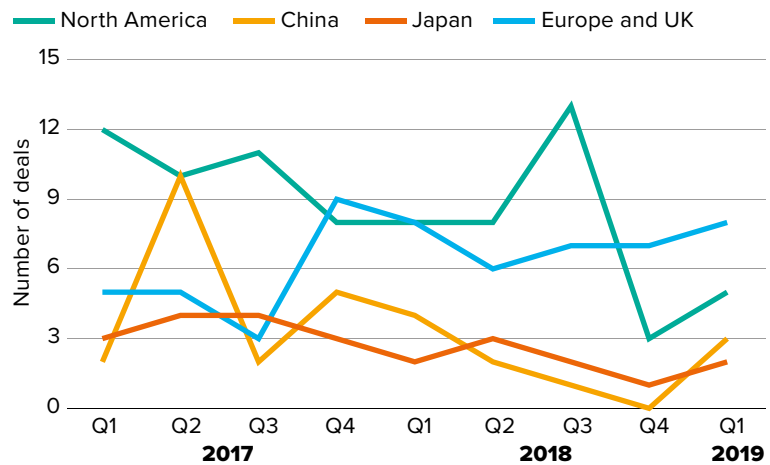


Foreign buyers/regions most likely to show interest in Australia's mid-market in 2019*



*Results from survey

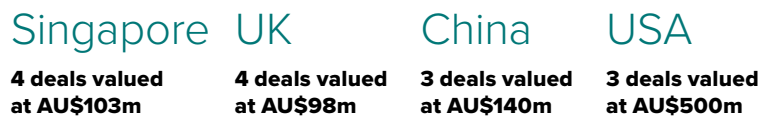
Australian mid-market M&A: Regional inbound trends



Foreign inbound dealmaking in the Australian mid-market in Q1 2019



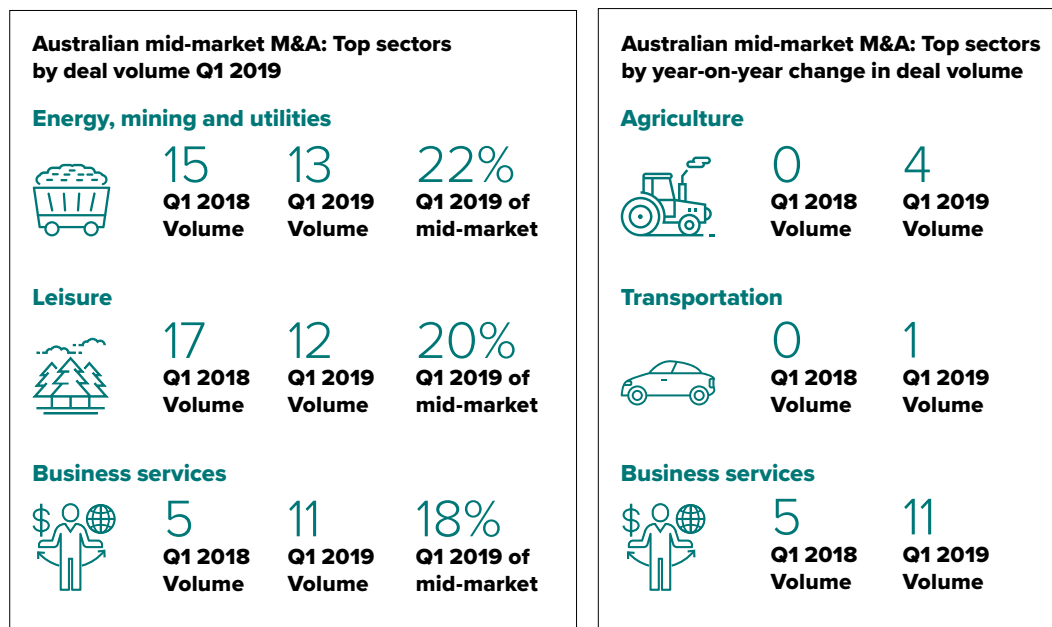
Australian mid-market M&A: Top inbound countries Q1 2019



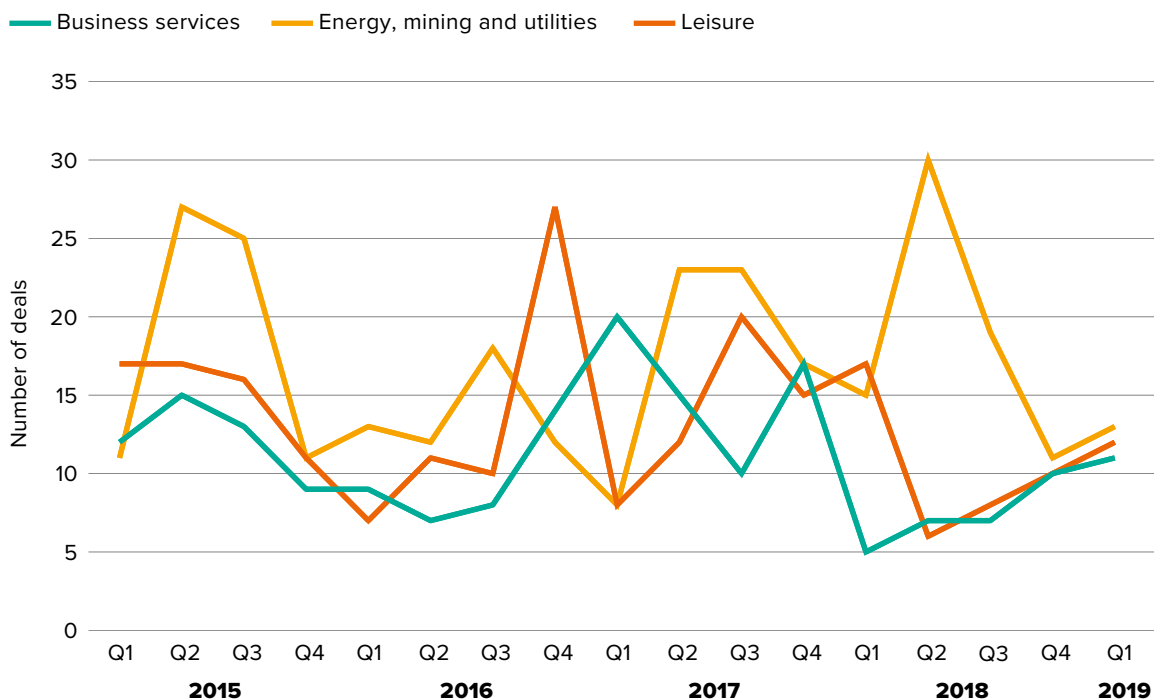
<p>Inbound mid-market M&A</p> <p>Q1 2018: 30 deals, AU\$2.3bn</p> <p>Q1 2019: 26 deals, AU\$1.8bn</p> <p>↓</p>	<p>Overall Australian inbound M&A Q-on-Q change</p> <p>-13% by deal volume</p> <p>↓</p> <p>-22% by deal value</p>
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Australian mid-market: Sector activity

In line with broader trends, deal volumes across the board posted quarter-on-quarter declines in most sectors. Assuming dealmaking confidence rebounds in the second-half after the federal elections, dealmakers say TMT could have the healthiest pipeline as buyers use acquisitions in this space to bolster their tech offerings and bolster existing digital advantages. Consumer and financial services could likewise drive activity as both industries contribute to economic growth and the national transition from resource-reliant to services based.



Top mid-market sectors by deal volume



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