

## Australian mid-market activity

Q3, 2022 Financial Year

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**We are happy to present the quarterly instalment of our mid-market M&A overview. The analysis focuses on the current quarter intending to provide you with a brief overview of recent mid-market M&A activity.**

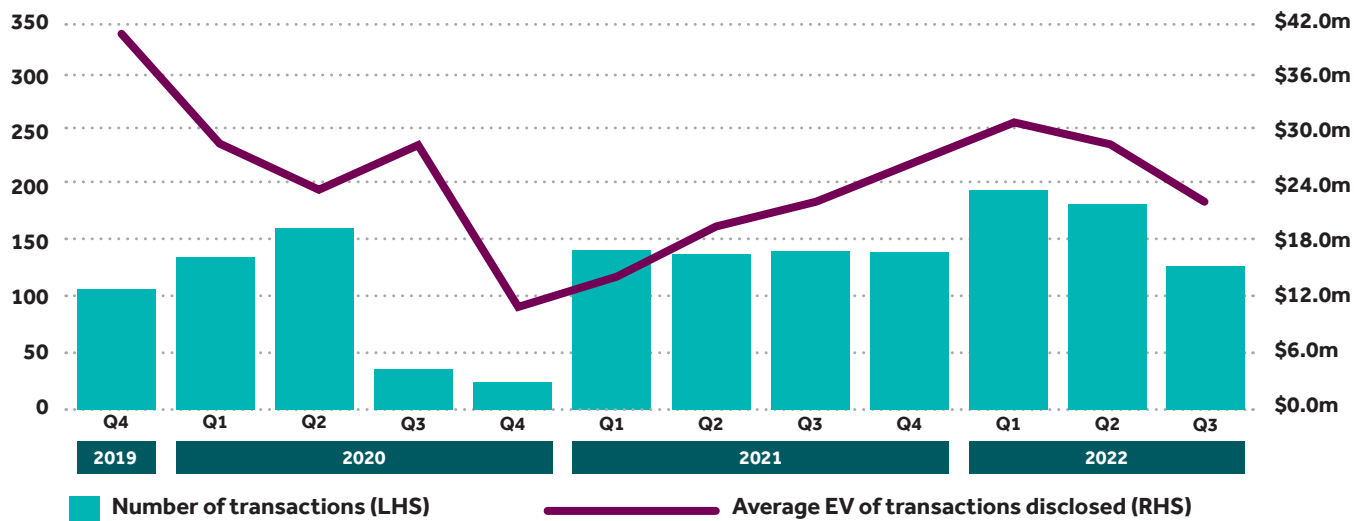
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### Overview

The number of transactions in Q3 FY2022 decreased on the previous quarter and a decrease on the same quarter in the prior year.

The average deal size decreased slightly from \$28.4 million in Q2 FY2022 to \$23.4 million in Q3 FY2022, a decrease of 17%. Over the last 12 months, the average deal size was slightly up from \$27.3 million to \$27.4 million, an increase of 0.5% from the average deal size for the prior 12 months.

### Number of transactions and disclosed average transaction value by quarter

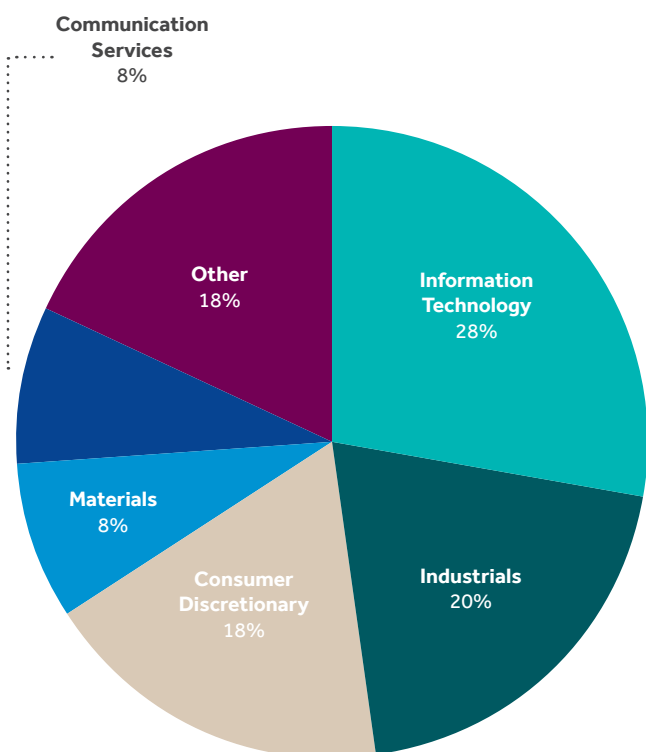


### Sector

Information technology (28%), industrials (20%) and consumer discretionary (18%) were still the most active sectors during the quarter, followed by materials (8%) and communication services (8%). Combined, the top 5 sectors represent 82% of all transactions completed in the quarter.

M&A activity in the information technology sector continued to be strong albeit a slight decrease from Q2 FY2022, from 43 transactions to 33 in this quarter. Other significant sectors were the industrials sector, which had 24 transactions, representing a 33% decrease from the previous quarter, and the consumer discretionary sector which had 21 transactions, representing a 19% decrease from last quarter.

### Top sector activity and number of transactions



### Geography

Overseas acquirers represented 28% of all transactions. The United States and the United Kingdom were the largest acquirers of Australian companies representing 8% and 7% respectively of all acquisitions in the quarter. China, followed by Canada were also actively acquiring Australian companies on a slightly smaller scale.

Overseas acquirers were active across the information technology and industrials, representing 65% of total overseas transactions.

### EBITDA multiples

The Nexia MM Index (see below regarding methodology and limitations) is compared to relative ASX indices in the graph.

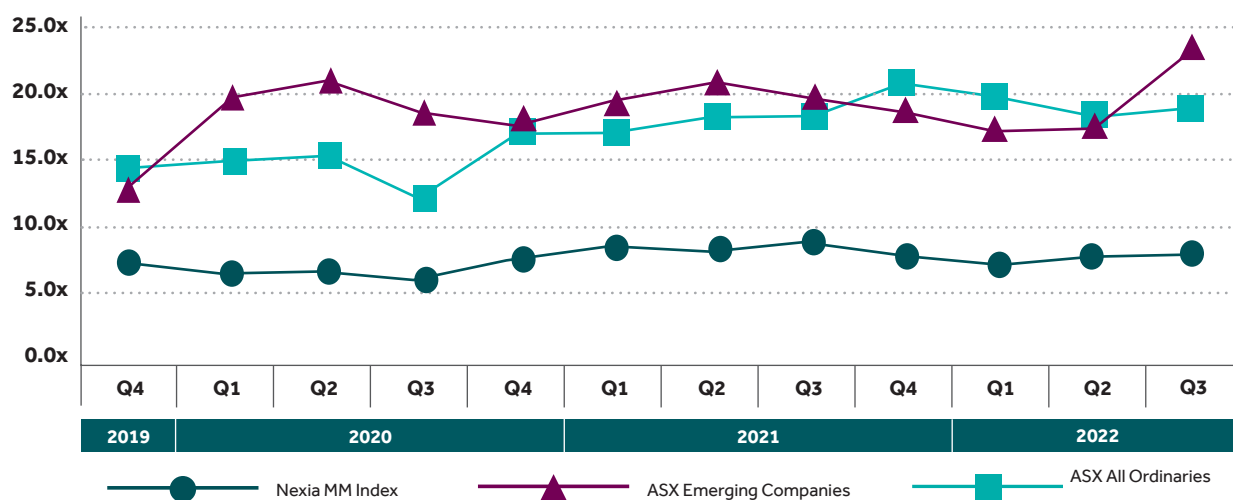
The ASX Emerging Companies index increased by 30% and the ASX All Ordinaries index increased by 4% from the prior quarter. The Nexia MM Index increased by 3% in the current quarter.

One transaction can have a significant impact on the Nexia MM Index. To provide more insight into the Nexia MM Index, we have highlighted the EBITDA and capitalisation multiple of some of the transactions.

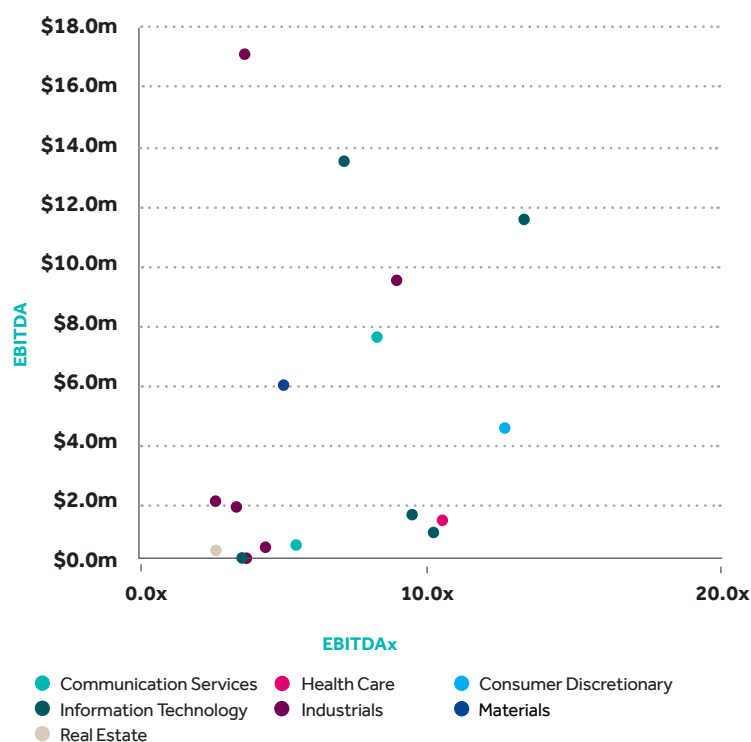
Although the same limitations apply to this analysis as the overall index, the study bears the relationship between multiples and size with lower EBITDA generating companies also receiving a lower multiple. It also provides an insight into the relative sector multiples.



## The Nexia MM Index compared to relative ASX listed companies



## Snapshot of EBITDAx distribution by sector



### Methodology

The analysis was prepared based on data sourced from S&P Capital IQ at the end of each quarter. Our data set has not been updated for transactions that may be added to S&P Capital IQ retrospectively as data becomes available. Data analysed is for completed transactions, with a primary geographic location in Australia and an implied enterprise value of less than \$200 million from 1 April 2019 to 31 March 2022. Transactions where no value was disclosed is included in the volume data with the implicit assumption that these would relate to smaller transactions and therefore meet the criteria.

Overall 1,545 transactions are included within the data analysed. Transaction values were disclosed for 687 (44%) of these transactions with an aggregated transaction value of \$26.1 billion. 77 transactions (5%) had sufficient data disclosed to calculate the EBITDA multiples.

In respect of our methodology, we note that this is a simple analysis to give an overview of the market and potential movements. It should in no way be seen as a substitute for a rigorous review of any potential opportunity that you may be considering and you should seek appropriate professional advice for your circumstances.

We note that the source data is limited by the amount of information that is made public and captured in the S&P Capital IQ database. The calculations we have performed, in particular, due to the limited number of data points in respect of EBITDA multiples, can be heavily influenced by a single transaction which reflects that transaction's particular circumstances rather than a reflection of the market as a whole.

Analysis of all transactions, including sector and buyer location is based on S&P Capital IQ classifications.

### About the Nexia MM Index

The Nexia mid-market EBITDA multiple (Nexia MM Index) analysis is a simple analysis of EBITDA for acquisitions of unlisted mid-market companies where the data is reported. It is indicative of a trend in the overall market rather than implying the multiple that should be considered for a particular company. The Nexia MM is limited by a number of factors, including that there are a small number of transactions in Australia where the data is available. As a result the average EBITDA multiple can be significantly influenced by individual transactions where the specific characteristics of the transaction may have resulted in a higher or lower multiple than would otherwise be achieved. To minimise the impact we have shown a rolling annual EBITDA multiple for disclosed transactions above.

Considering the data against the listed company comparative, the Nexia MM is based on acquisitions and therefore implicitly reflects a control premium whereas the multiple for the listed companies reflects a portfolio interest.

The range in the identified EBITDA multiples is significant at 2.6x to 12.3x in FY2019, 2.6x to 22.0x in FY2020, and 0.2x to 37.8x for FY2021. The current range for FY2022 is 1.9x to 42.3x.

### Contact us

If you would like to discuss further any of the information provided in this update and how it will impact you, please contact your Nexia Adviser.

## Contact us

For further information or to discuss how Nexia Australia can assist your organisation, please contact a local Nexia Advisor below.



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