

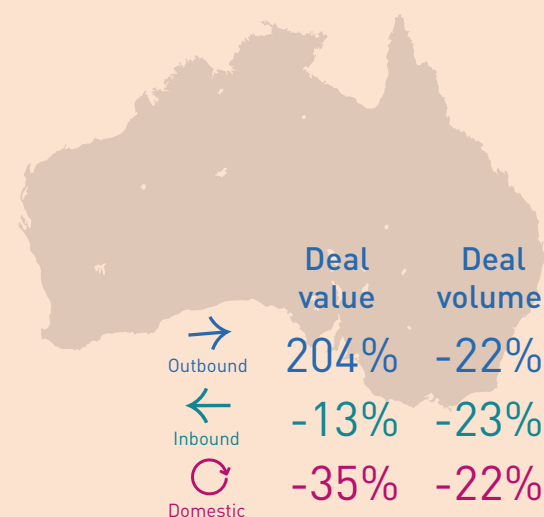
M&A Market Briefing - Australia

Inbound dealmaking continues to be a dominant theme in the Australian M&A market as international firms and funds continue to pour capital into the market. Indeed, offshore capital continues to account for large portions of deal values with buyers coming from all corners of the globe, drawn by the country's strong fundamentals, economic growth and political stability.

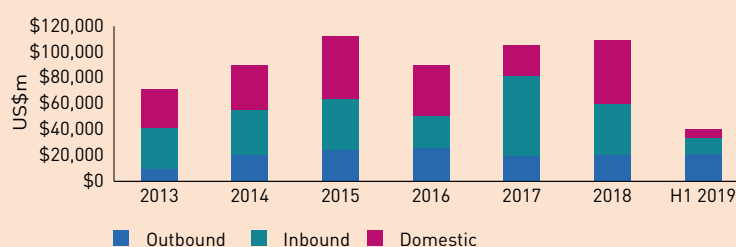
In total, however, the overall Australian M&A market (inclusive of domestic deals) has been somewhat subdued in H1 2019, with US\$19.8bn in 223 deals, a decline of 23% and 22% by value and volume, respectively. While some of this can be attributed to investor scepticism ahead of the election in May, deal flow has yet to regain lost ground with both domestic and inbound deal figures posting half year declines.

Perhaps the more interesting story involves the outbound flow of capital and M&A. For H1 2019, Australian outbound M&A value (US\$20.8bn) was greater than domestic and inbound values combined (US\$19.8bn). It also surpassed outbound dealmaking for FY 2018 (US\$20.6bn) and illustrates the ongoing momentum among Australian firms as they venture beyond their home borders in search of value opportunities globally.

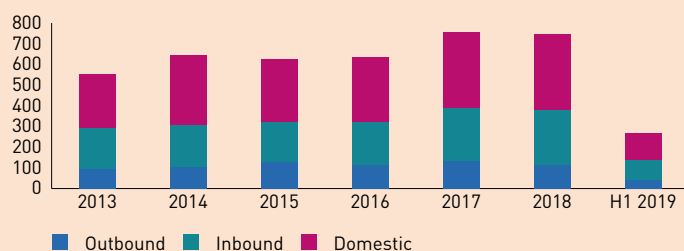
Half year % change in Australia M&A (H1 2019)



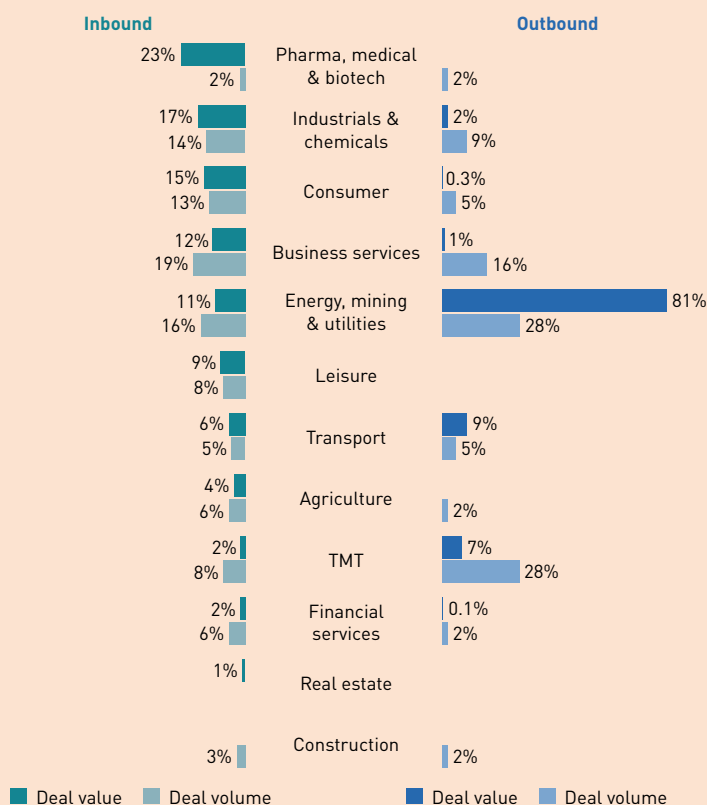
Australia M&A: Deal values



Australia M&A: Deal volumes



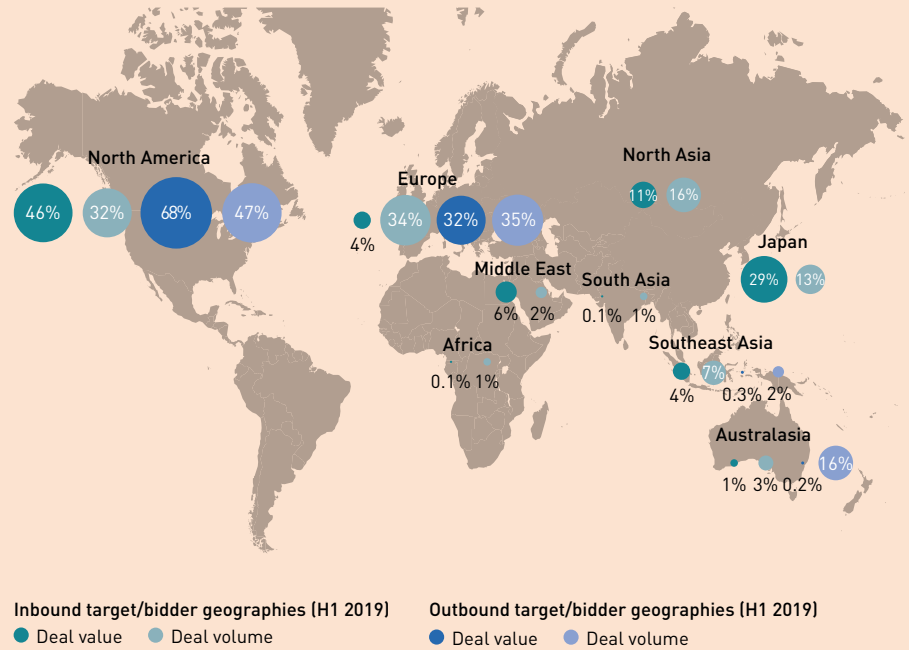
Australia M&A: Target sectors (H1 2019)



While inbound M&A is declining, Australia still stands out as a mature economy with a sound legal system in a region of high-growth yet high-risk emerging markets. For these reasons, and others, foreign investment will remain a significant deal driver, albeit with moderated strength as foreign investors reassess their strategies amid global frictions from the US-China trade war. Inbound investment has targeted numerous industries, taking advantage of sector opportunities in pharmaceuticals, industrials and chemicals, and leisure, as well as the agriculture and consumer spaces.

Similar geopolitical uncertainties are impacting outbound M&A. Despite increases, regulatory concerns in developed and emerging markets pose challenges and could be one reason behind declining Australian deal flow into several key markets in Asia Pacific and North America. Outbound M&A has focused heavily on mining deals in Europe and the USA.

Australia M&A: Target/Bidder geographies (H1 2019)



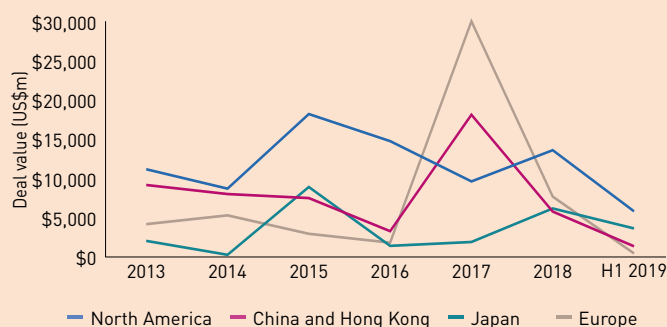
Australia inbound M&A: Top bidder geographies and sectors (H1 2019)

Canada	Japan	Hong Kong
US\$5.4bn 11 deals	US\$3.6bn 12 deals	US\$1.2bn 2 deals
<ul style="list-style-type: none"> Pharma, medical and biotech US\$4.5bn Agriculture US\$417m Energy, mining and utilities US\$288m 	<ul style="list-style-type: none"> Industrials and chemicals US\$3.1bn Consumer US\$411m Business services US\$90m 	<ul style="list-style-type: none"> Leisure US\$1.2bn Energy, mining and utilities US\$5m

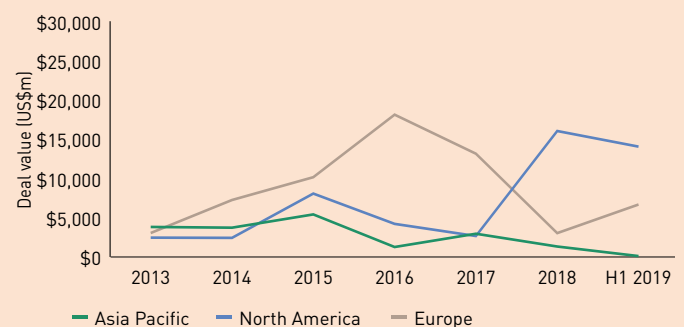
Australia outbound M&A: Top target geographies and sectors (H1 2019)

USA	UK	Czech Republic
US\$12.4bn 13 deals	US\$3.8bn 6 deals	US\$2bn 1 deal
<ul style="list-style-type: none"> Energy, mining and utilities US\$10.2bn Transport US\$1.8bn TMT US\$300m 	<ul style="list-style-type: none"> Energy, mining and utilities US\$2.5bn TMT US\$930m Industrials and chemicals US\$358m 	<ul style="list-style-type: none"> Energy, mining and utilities US\$2bn

Australia inbound M&A: Target geography trends



Australia outbound M&A: Target geography trends



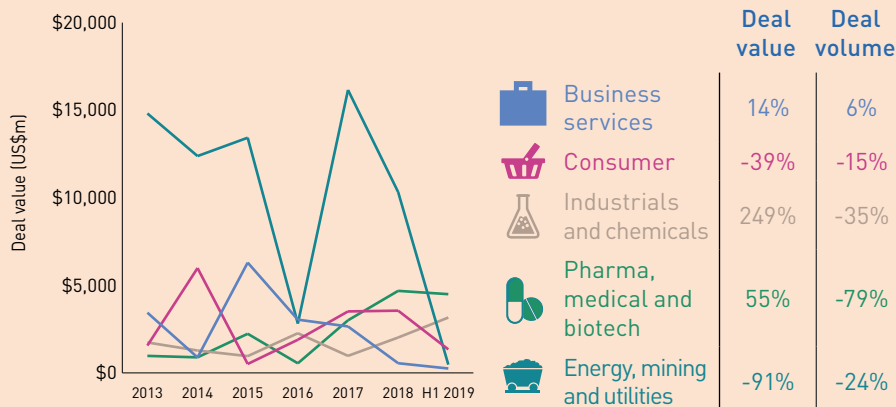
Energy M&A has been key to both inbound and outbound deal flows. While investment has focused predominantly on traditional energy assets, Australia's renewables sector is also receiving robust interest.

In H1 2019, services industries and industrials took center stage and are likely to drive M&A given their contribution to economic growth and as Australia transitions from resource-reliant to services-based. On the outbound front, energy deals have been led by several mega-transactions into traditional assets in the US and UK (listed on page 4).

Regarding PE/VC activity, inbound investment has slowed to a trickle in H1 2019, perhaps as investors weigh the risks and uncertainties created by the US-China trade war. Outbound investment, however, has trended confidently up, with H1 2019 surpassing that of FY 2018.

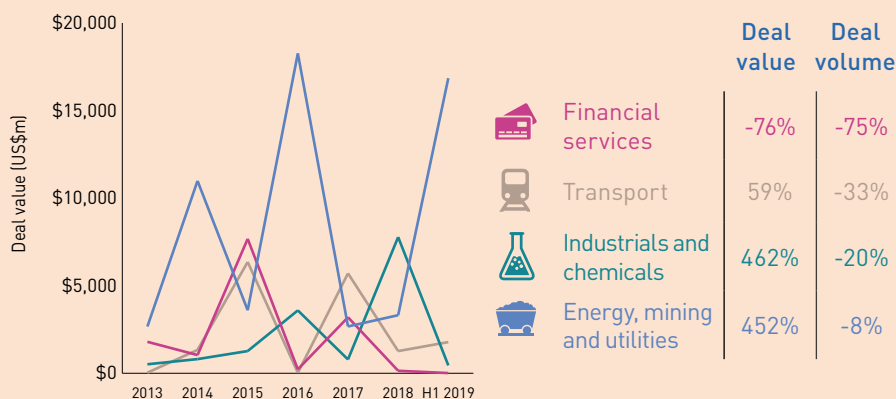
Australia inbound M&A: Top target sectors trends

1H18-1H19 % change

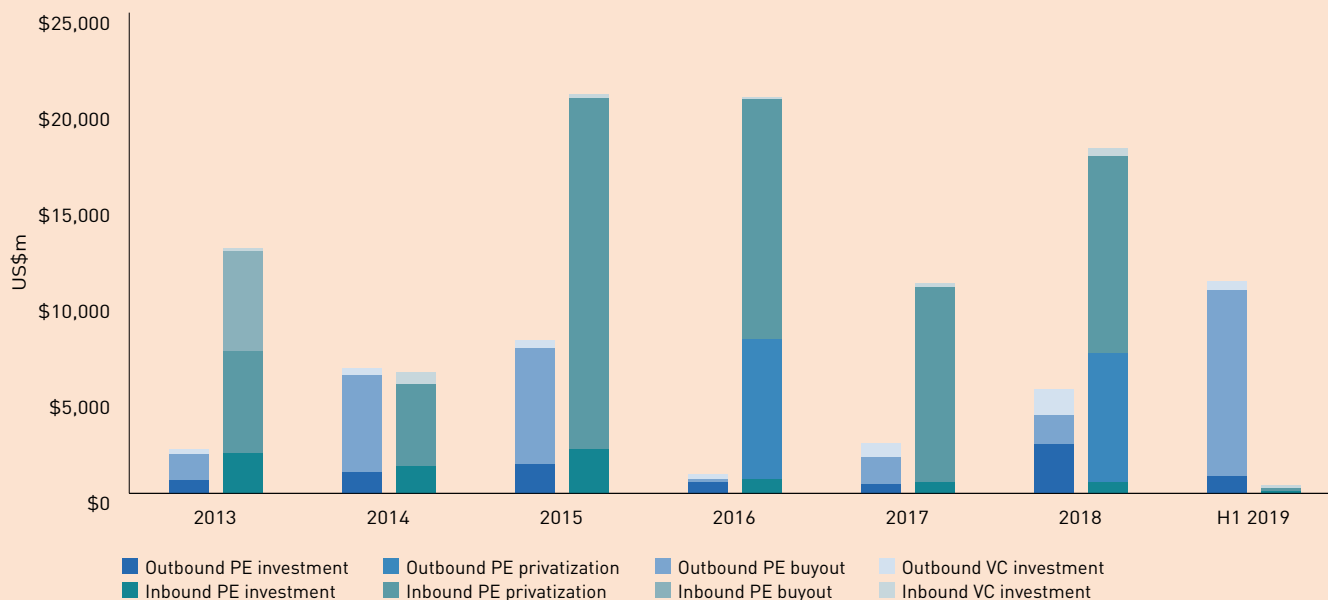


Australia outbound M&A: Top target sectors trends

1H18-1H19 % change



Australia PE/VC investment trends



Australia PE/VC inbound investment half-year comparison

H1 2018	H1 2019
28 investments worth	26 investments worth
US\$6.6bn	US\$397m

Australia PE/VC outbound investment half-year comparison

H1 2018	H1 2019
23 investments worth	29 investments worth
US\$2.9bn	US\$11.1bn

Top Australia deals: Domestic and outbound

Announced date	Target company	Target sector	Target country	Bidder company	Bidder country	Deal value US\$m
10/05/2019	Buckeye Partners, L.P.	Energy	USA	IFM Investors	Australia	\$10,188
01/02/2019	Healthscope Limited	Medical	Australia	Brookfield Asset Management Inc.	Canada	\$4,434
17/04/2019	DuluxGroup Limited	Chemicals and materials	Australia	Nippon Paint Holdings Co., Ltd.	Japan	\$3,019
28/06/2019	Cadent Gas Ltd. (39% stake)	Utilities (other)	UK	A Consortium led by Macquarie Infrastructure and Real Assets	Australia	\$2,500
29/04/2019	innogy Grid Holding, a.s. (50.04% stake)	Utilities (other)	Czech Republic	A Consortium led by Macquarie Infrastructure and Real Assets	Australia	\$2,010
29/04/2019	Long Beach Container Terminal LLC	Transportation	USA	Macquarie Infrastructure and Real Assets	Australia	\$1,780
21/03/2019	Navitas Limited (81.99% stake)	Services (other)	Australia	Consortium for Navitas Ltd	Australia	\$1,368
05/04/2019	Automotive Holdings Group Limited (71.16% stake)	Consumer: Retail	Australia	A.P. Eagers Limited	Australia	\$1,323
30/05/2019	Crown Resorts Limited (19.99% Stake)	Leisure	Australia	Melco Resorts & Entertainment Limited	Hong Kong	\$1,217
03/06/2019	KCOM Group Plc	Telecoms: Carriers	UK	Macquarie European Infrastructure Fund	Australia	\$930

DATASITEONE



SPEED. POWER. INTELLIGENCE.

Harness the power of DatasiteOne – the best-in-class app for due diligence. Focus on your clients, your partners and your results. Merrill DatasiteOne releases a series of new innovations designed to intelligently accelerate, support and inform your deal process.

Request a demo at merrillcorp.com, or call **+61 2 9157 3000**