



Holding Redlich 2022 M&A Review



Commentary



Despite ongoing pandemic-related disruption, M&A activity soared throughout 2021, with Australia recording one of its best years on record in overall deal value and volume. With pent-up demand from the disruption first caused in 2020 still lingering, healthy balance sheets and a considerable number of mid-market opportunities, it is expected that this momentum will continue into 2022.

We observed the health and technology sectors fare particularly well in 2021. We also saw a high proportion of deals in the financial services, infrastructure, and energy and resources sectors, owing largely to low interest rates and the significant volume of capital currently available. Public company work and capital raisings remained strong, whilst a number of mega deals capped off the year that was 2021.

Holding Redlich's M&A team was involved in a number of significant deals across a variety of industries and was selected as a finalist for Transaction Team of the Year at the 2021 Australian Law Awards. We set out a selection of these transactions in this review. With offices in Melbourne, Canberra, Sydney, Brisbane and Cairns, our team covers the full spectrum of M&A transactions – both in public markets and by private treaty. We advise across a range of industries, including agribusiness; brands, consumer, retail, wholesale and franchising; education; healthcare; industrials; media and telecommunications; professional and financial services; technology and transport.



Key deals in 2021

Last year, our team assisted in a range of complex corporate M&A matters, including cross-border deals and transactions involving individuals, private equity firms and listed parties – domestic and international. We set out a selection of our key deals below.

AGRIBUSINESS

- advising on the sale of an Australian winery business to an international buyer
- advising a buyer on the acquisition of shares in a maize seed research company.

BRANDS, CONSUMER, RETAIL, WHOLESALE & FRANCHISING

- advising the shareholders of a leading fragrance and candle business on a share sale to an ASX listed buyer
- advising UK listed Hilton Foods Group Plc on an acquisition and joint venture with an Australian business
- advising in connection with the sale and transfer of franchised businesses in the retail, fitness and hospitality industries
- advising a group of shareholders in an automotive services company on the acquisition of shares from the other shareholders
- advising a Singaporean based entity on Australian legal aspects of its acquisition of an Australian business.

CHILDCARE / EARLY LEARNING

- advising an early learning centre operator in connection with a joint venture with a private equity fund to drive growth.

HEALTHCARE

- advising LifeWorks.com on the strategic bolt-on of an Employee Assistance Program business
- advising the shareholders of the Cancer Care Group on a significant investment by Quadrant Private Equity
- advising Cancer Care Group on the acquisition of a business providing diagnostic and imaging services from a private equity fund
- advising Alcidion Limited (**ASX:ALC**) on its acquisition of Extramed Ltd, a UK provider of patient flow management software thereby expanding Alcidion's business in the UK
- advising Alcidion on its acquisition of Silverlink PCS Software Ltd, a UK provider of patient administration software serving the UK NHS market and solidifying Alcidion's position in the UK
- advising the founders of Back in Motion, one of the largest and fastest growing physiotherapy business in Australia and New Zealand, in the sale of the group to Healthia Limited (**ASX:HLA**)
- advising two private shareholders on an acquisition of a franchised business providing NDIS services
- advising a national not-for-profit disability support services provider with the acquisition of specific sites and assets for the provision of NDIS services in Victoria
- advising a not-for-profit disability support services provider with the acquisition of the interests of its commercial partner in their joint project
- advising Wellnex Life Limited (formerly Wattle Health Limited) on the acquisition of a health and wellness distribution business, in conjunction with a capital raising and reinstatement of securities to trading on the ASX following long-term suspension
- advising a med-tech subsidiary of a foreign sovereign wealth fund on the acquisition of a controlling stake in an ASX-listed healthcare company



- advising on the Australian legal aspects of a multi-billion dollar investment in a global business with Australian operations involved in manufacturing and distributing nutritional and dairy-based products and supplements
- advising an independent pharmaceutical group on its acquisition of a number of pharmacies in Queensland.



INDUSTRIALS

- advising a graphene research and development company on a demerger and spin off, and sale of its core business to a commercialisation partner
- advising an Australian diesel distribution and refuelling company on the acquisition of a fuel and lubricants distributor with operations in Victoria and South Australia
- advising the client on the expansion of its insurance remediation business with the acquisition of an asbestos removal business in Victoria.



MANUFACTURING

- advising Questas Group on the acquisition of hydraulic cylinder manufacturing business Hardchrome Sales
- advising Questas Group on the acquisition of hydraulic systems manufacturer Aussie Fluid Power Pty Ltd
- advising a Middle-East based privately owned conglomerate on an investment in, and joint venture with, an Australian business in the automotive sector.



PROFESSIONAL & FINANCIAL SERVICES

- advising the Australian owners on the sale of a consultancy firm
- advising major shareholders and directors on the sale of their shareholdings in an ASX-listed specialist third party administrator for the financial services industry via scheme of arrangement
- advising a Sydney based alternative funding provider in its expansion with the acquisition of a business based in Victoria
- advising a national insurance broking and solutions provider in the acquisition of a NSW insurance broking firm
- advising a successful fund manager on the

sale of shares, loan arrangement and financial assistance to be provided by the client on the admission of a new shareholder.



SUPERANNUATION

- acting on behalf of Host-Plus, as trustee of the Hostplus Superannuation Fund and Hostplus Pooled Superannuation Trust, in its successor fund transfer of Australia's Unclaimed Super Fund (AusFund) members and assets (\$210 million)
- acting on behalf of Host-Plus, as trustee of the Hostplus Superannuation Fund and Hostplus Pooled Superannuation Trust, in its successor fund transfer of Intrust Super members and assets (\$3 billion).



TECHNOLOGY

- advising The Real Estate Institute of Victoria (REIV) on the sale of PropertyData Online business
- advising the shareholders of Blake eLearning Ltd – providers of online literacy products, including Mathletics – on the sale of their shares to 3P Learning Limited (ASX:3PL) – the global leader in online learning products for school-aged students
- advising PINCHme, a US domiciled technology company, on its delisting from the ASX
- advising the shareholders of ENData insurance claims management technology business on sale of shares to Solera Holdings, a US-based risk management and asset protection software service provider
- advising the shareholders of Equate Technologies Pty Ltd – a provider of cyber security, risk and consulting technology solutions – on the sale of their shares to Nexon Asia Pacific Pty Ltd.



Hot topics and trends

2021 gave rise to a variety of topics and trends, many of which we anticipate will remain relevant in 2022.

THE PROMINENCE OF ESG IN THE DEAL PROCESS

In particular, ESG, or 'environmental, social and corporate governance' continued to occupy an increasingly significant role in the deal process. As a motivating factor in many strategic acquisitions, ESG has steadily emerged as a key component in the due diligence assessment. It is expected that M&A will involve more time and investment in ESG moving forward.

DUE DILIGENCE

We continued to see more emphasis from buyers on due diligence in the areas of regulatory compliance following numerous temporary pandemic measures, as well as key customer and supplier contract reviews. Moreover, whilst it has grown in complexity, timelines for completing due diligence have contracted. Our team of expert regulatory lawyers assisted our clients deal with this challenge across a range of sectors in 2021, and we expect this trend to continue in 2022.

CONFIDENCE, PRIVATE EQUITY AND THE MID-MARKET

Commentators have observed that Australia offers many of the best mid-market opportunities across the globe and confidence remains high amongst private equity funds. Incidentally, whilst 2021 already saw an uptick in private equity investment, we expect that the opening of Australia's international borders will continue to drive private equity activity in 2022, particularly at the mid-market level and from offshore sources.

PANDEMIC UNCERTAINTY REMAINS

Although we are entering the third year of the pandemic, considerable economic uncertainty remains. In the wake of this uncertainty, we have seen earn-outs and other delayed payment mechanisms, such as escrows, become more popular in an effort to manage the challenge of predicting future business revenue. Our

team of lawyers have considerable experience negotiating these mechanisms, which we anticipate will continue to feature in 2022 deals.

SCRIP CONSIDERATION

We saw many scrip consideration based transactions in 2021. We expect scrip consideration to remain attractive in 2022 because of the ongoing high market valuations, positive synergies and tax benefits that it offers.

SELLER FRIENDLY

With the levels of capital currently available, we also observed a highly competitive, seller-friendly environment, where sellers have possessed considerable bargaining power. In many cases, sellers benefited from fielding a number of favourable offers, which they were free to pursue in the event existing negotiations fell over.

FEDERAL ELECTION

2021 saw campaigning begin for the 2022 Federal Election. The progression of the Federal Election will factor in various dealmaker's strategic decisions as they await policy announcements from the major parties. This will particularly influence offshore entities and be more apparent in historically contentious sectors, such as energy and resources.

DIGITAL TRANSFORMATION TO CONTINUE TO DRIVE INVESTMENT

The pandemic has focused the attention of many companies on the importance of digital transformation. Incidentally, we are seeing strong growth in technology and software M&A, which will continue in the future.

SUPERANNUATION FUND MERGERS

2021 saw further consolidation in the superannuation sector, with this trend likely to continue as APRA seeks the consolidation of smaller funds into funds valued at or above \$30 billion.



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