

AUSTRALIAN M&A IN FY15 - A TALE OF TWO HALVES

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Legal Briefings - By **Paul Branston**

SUMMARY

- The Herbert Smith Freehills 2015 Australian Public M&A Report will be released on 1 October.
- The Report examines the 55 public takeovers and schemes involving ASX-listed companies that were announced in FY2015.
- Now in its seventh year, the Report gives readers an insight into how the trends, structure and conditions of Australian public M&A have evolved over a number of years, and provides an indication of where activity may be heading in years to come.

2015 AUSTRALIAN PUBLIC M&A REPORT

There were 55 deals announced in FY2015, down from 77 in FY2014 and at an all-time low in the 7 years that we have produced this Report.

However, total deal value remained solid at \$28 billion, primarily as a result of 7 mega deals (ie valuing the target in excess of \$1 billion). These were across a range of sectors and in total accounted for \$22 billion in value.

The Report's key findings include the following:

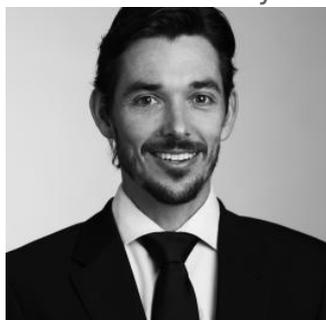
- Deals accounting for 84% of overall value were announced in the second half of FY2015, including all of the mega deals.

- The energy and resources sectors continued to provide a baseload of activity in the Australian public M&A market, accounting for 60% of transactions by number, though deal values were down.
- Schemes of arrangement featured prominently, particularly in the mega deals category, where 6 out of the 7 mega deals were structured as schemes.
- Only 2 targets were the subject of multiple bidders. This drop in competition was accompanied by high success rates at 70% overall and almost 90% in friendly deals.
- Target shareholders were particularly receptive to cash consideration, with 75% of transactions offering cash only being successful, compared to 54% for scrip only transactions. The use of private debt to fund cash consideration rose to 34%, a considerable increase from both FY2013 and FY2014.
- In FY2015 there was an increase in the proportion of deals with premia in the 20-40% range and reduction in the above 40% range. Premia size had a strong positive correlation with success rates, which has not often been the case in previous years.
- An increased proportion of transactions included a break fee of more than 1%.

Although the high level of global M&A in FY2015 did not translate to similar activity levels in Australia, conditions appear favourable for an increase in Australian M&A activity in FY2016, with a number of significant transactions having already been announced in the first quarter.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



PAUL BRANSTON
PARTNER, PERTH

+61 8 9211 7880
Paul.Branston@hsf.com

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