

REPORT: FOREIGN INVESTMENT FUELS AUSTRALIAN PUBLIC M&A IN FY18

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Firm news

Foreign bidders were dominant in Australian public M&A activity in FY18, significantly driving up the total value of transactions during the period, according to a new report by Herbert Smith Freehills.

The firm's tenth annual [Australian Public M&A Report](#) examines the 56 control transactions involving Australian targets listed on the ASX that were conducted by way of takeover or scheme of arrangement in FY18.

The report found that foreign bidders accounted for 90% (A\$36.8 billion) of total deal value (up from 53% in FY17) and 52% of bidders by number.

North American bidders were the most active in FY18, representing 14 of the 29 foreign bids and 22% of total deal value. Asian bidders also featured strongly, representing 18% of all bidders and 10 of the 29 foreign deals.

A Foreign Investment Review Board (FIRB) approval condition was included in 18 of the 56 deals during the period (32%, up from 22% last year) and approval was granted in all cases.

Herbert Smith Freehills partner and co-author of the report, [Paul Branston](#) commented: "Foreign bidders demonstrated an increasingly healthy appetite for Australian assets in the last financial year along with a preparedness to deploy significant amounts of capital to secure their targets.

"FIRB's approval of 100% of the public M&A deals it reviewed in FY18 shows that Australia really is open for business and highlights the presence of significant opportunities for offshore businesses looking to make strategic inroads in Australia.

“We expect foreign bidders to continue to underpin public M&A activity throughout FY19, particularly given the depreciation of the Australian dollar against foreign currencies.”

The report showed that public M&A activity in the last financial year was broadly consistent with the last three years. The 56 deals announced in FY18 were worth a combined A\$40.9b. This compared to 59 deals in FY17 worth A\$23.4b; 50 deals in FY16 worth A\$33.2b; and 55 deals in FY15 worth A\$28b.

Total deal value in FY18 was bolstered by Unibail-Rodamco’s A\$20b acquisition of Westfield Corporation, which is the largest public M&A transaction in Australian history. When that deal is omitted from the data, total deal value was A\$20.1b.

Private equity (PE) bidders were active across a broad range of sectors in FY18 and were involved in 18% of deals, contributing A\$7.26b to total deal value. This compares to 10% of deals in FY17 with a total value of A\$1.4b. PE bidders almost entirely originated from North America (50%) and Australia (40%).

Mr Branston said: “The healthy degree of private equity activity, along with a bump in the number of mega deals during the period, highlights the significant levels of capital available in the market, and bodes well for an active FY19, which we are already seeing.

“There has been a strong start to public M&A in FY19, with 25 deals announced worth a total value of over A\$20b. This compares to only 15 deals announced by the same period in FY18.

“In terms of sector outlook, we can expect to see increased activity in the energy and resources sector as well as continued growth in the healthcare and IT sectors.”

Additional findings of the Hebert Smith Freehills’ report included:

- There was a rise in energy and resources transactions in FY18, with 23 deals contributing A\$4.44b to total deal value.
- The real estate sector accounted for 60% of deals by value and 11% of deals by number.
- The healthcare and IT sectors both achieved higher than historical levels of activity. Transactions in healthcare accounted for 11% of overall deal value and 13% of deal volume, while deals in the IT sector reached 4% by value and 9% by volume.
- The median value of target companies was A\$179m.
- There were seven ‘mega deals’ in FY18 (deals with a value of A\$1 billion or more).
- 6 out of the 49 targets attracted multiple bidders.

- Cash was the sole form of consideration offered in 68% of deals, and was an element of the consideration offered in 82% of deals.
- There were 18 hostile bids in FY18, only 50% of which were ultimately successful.

For more information or to download a copy of the report, please visit:

<https://www.herbertsmithfreehills.com/latest-thinking/australian-public-ma-report-2018>

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