



Australian Mid-Market Activity

Q2, 2024 Financial Year

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.

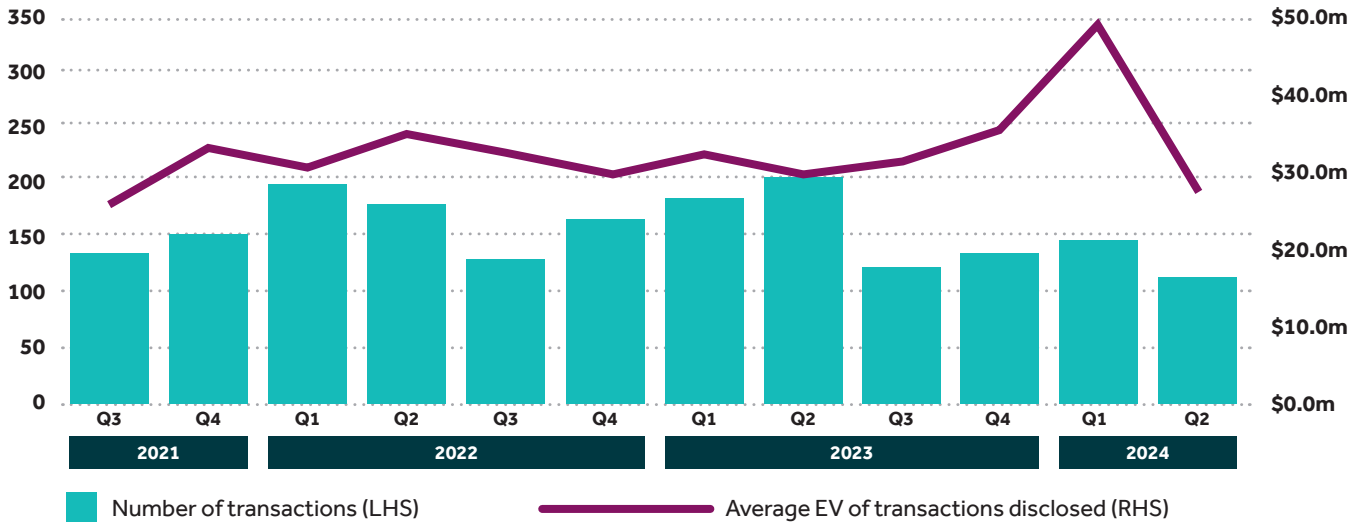
Overview

The number of transactions in Q2 FY2024 decreased slightly from the previous quarter and decreased from the same quarter in the prior year.

Overview

The average deal size decreased from \$48.6 million in Q1 FY2024 to \$26.9 million in Q2 FY2024, a decrease of 44.7%. Over the last 12 months, the average deal size increased from \$29.9 million to \$34.8 million, an increase of 16.5% from the average deal size for the prior 12 months.

Number of transactions and disclosed average transaction value by quarter

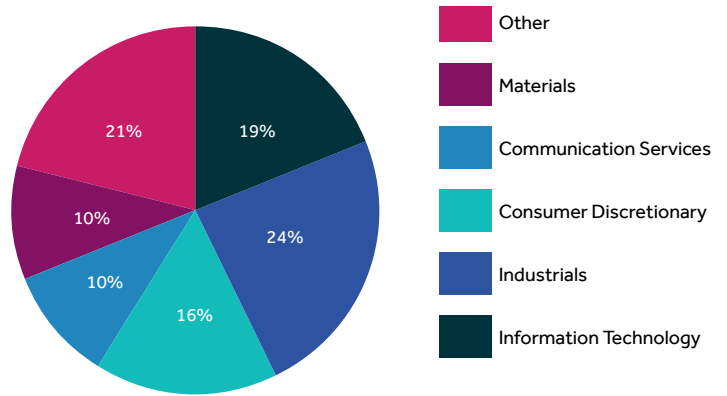


Sector

Industrials (24%), information technology (19%), and consumer discretionary (16%) were the most active sectors during the quarter, followed by communication services (10%) and materials (10%). These top five sectors represented 79% of all completed transactions in the quarter.

M&A activity in the industrials sector declined from Q1 FY2024, from 32 transactions to 28 in this quarter despite being the most active sector. The IT sector saw a minor increase in M&A activity with the number of transactions increasing from 21 last quarter to 22 in Q2 FY2024.

Top sector activity and number of transactions

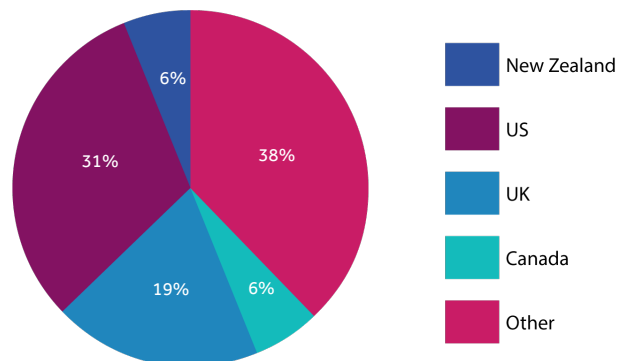


Geography

For transactions where a buyer was disclosed, overseas acquirers represented 41% of total transactions. The United States was the largest acquirers of Australian companies, representing 31% of overseas buyers in the quarter. The United Kingdom also actively acquired Australian companies, representing 19% of the total transactions.

The graph represents the country split of the overseas transactions throughout the quarter, excluding Australian acquirers.

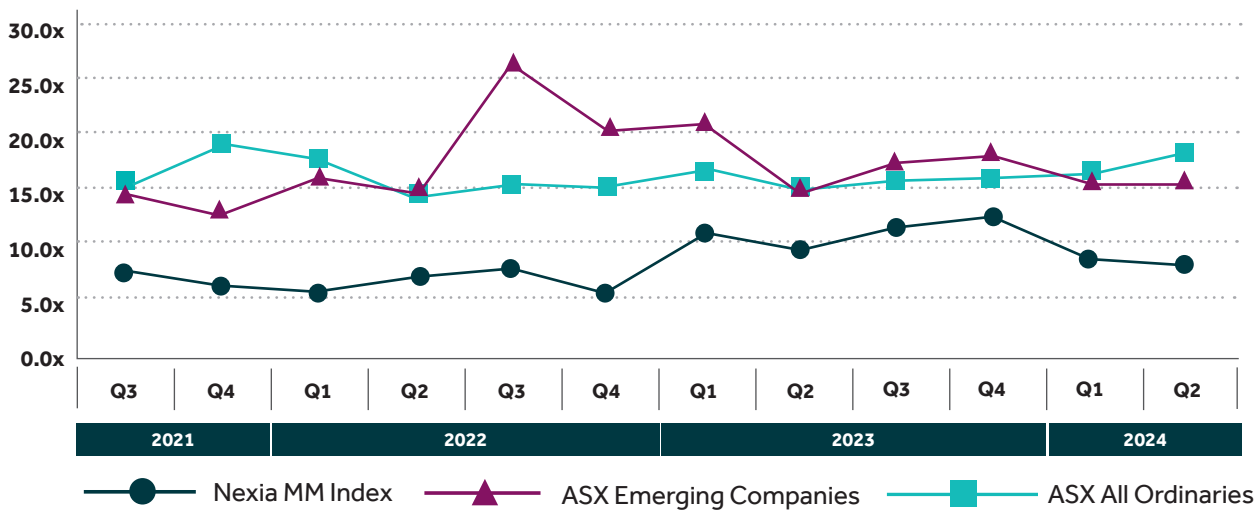
Overseas transactions



EBITDA multiples

The EBITDA multiples of the Nexia MM Index (see below regarding methodology and limitations) has been compared to relative ASX indices in the graph.

The Nexia MM Index compared to relative ASX listed companies

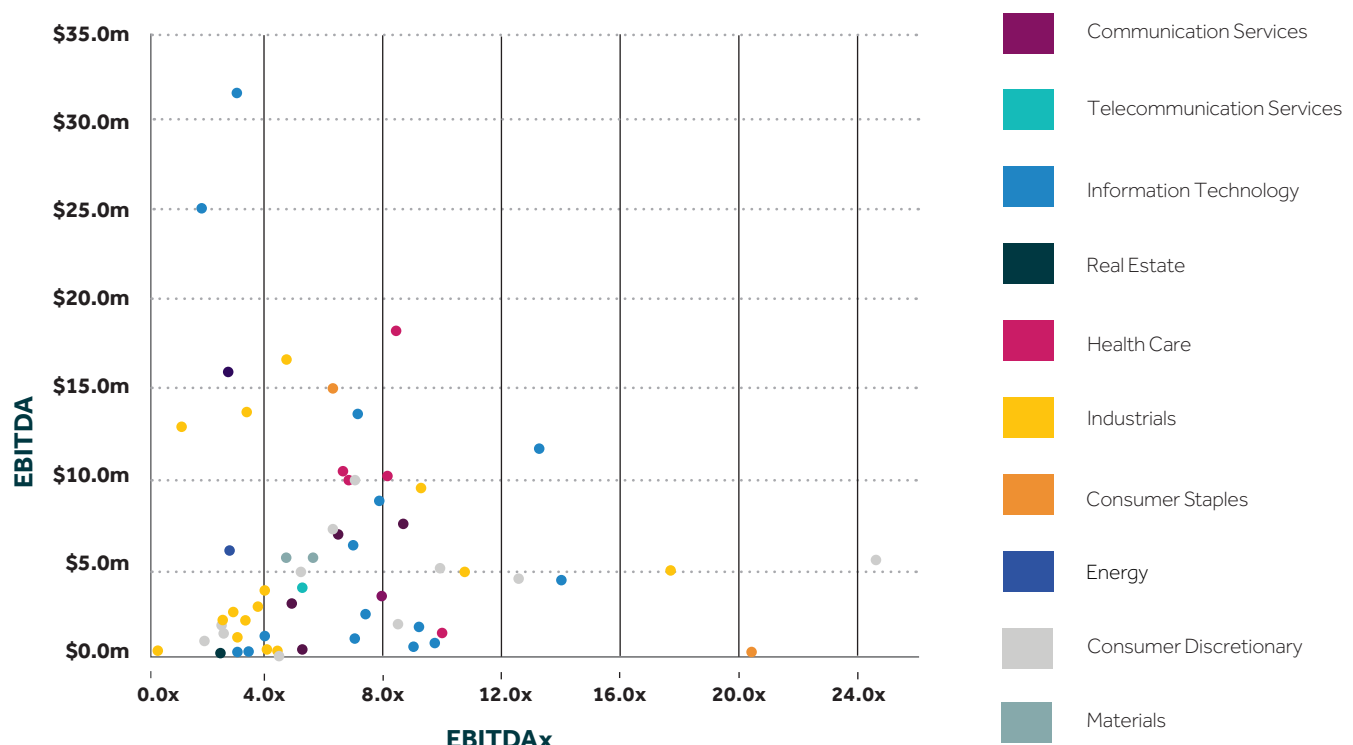


The ASX Emerging Companies index remained the same in comparison to the prior quarter, while the ASX All Ordinaries index increased by 15% from the prior quarter. The Nexia MM decreased by 5% in the current quarter.

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.

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 January 2021 to 31 December 2023. Transactions, where no value was disclosed, are included in the volume data with the implicit assumption that these would relate to smaller transactions and therefore meet the criteria.

Overall, 1,841 transactions are included within the data analysed. Transaction values were disclosed for 715 (39%) of these transactions with an aggregated transaction value of \$24.56 billion. 61 of these transactions (9%) 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 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 several 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 13.5x for FY2021, 0.2x to 50.3x for FY2022 and 1.1x to 30.5x for FY2023. The current range for FY2024 is 1.8x to 13.0x.



Who we are

At Nexia Australia, our purpose is to connect you with your true potential. With education specialists in each state, we are your personal and financial partners in making quality lifelong learning possible. From taxation, to reporting, audits, and general advice — get accounting solutions designed to identify risks and create realistic plans to meet statutory obligations and grow your business.

With the wealth of knowledge that comes with 30 years of excellence, a global network, and connections like Bursars' Associations, Independent Schools Associations, the Department of Education, Employment, and Workplace Relations, as well as consulting and bank executives — you can focus on setting 'new' goals instead of worrying about 'how' to reach your current ones.

We take pride in being responsive, progressive, and proactive in identifying and implementing the solution to your success.

Contact us

Learn how Nexia Australia can help set you and your organisation up for success. Contact your local Nexia Advisor below to get started.

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