

TECHNOLOGY M&A HIGHLIGHTS

Q4 FY19

BDO's quarterly Technology M&A Highlights provides a targeted snapshot of M&A activity in the Asia region, with a detailed focus on Australia.

ASIA M&A HEAT MAP



Q4 FY18
155 M&A
TRANSACTIONS
ACROSS ASIA
\$50.9 BILLION

Q4 FY19
117 M&A
TRANSACTIONS
ACROSS ASIA
\$30 BILLION

DEAL ACTIVITY

Q4 2019 recorded a total deal volume of 117, with a disclosed deal value of A\$30bn across the Asia-Pac region. This represented a 42% decrease in total disclosed deal value compared to the corresponding quarter in 2018.

The regions biggest economic powers, China and India both recorded a significant decline in disclosed deal value of 29% and 88%, respectively. Q4 2018, included the Wal-Mart/Flipkart transaction in India, which comprised c.90% of India's deal value for Q4 2018.

Dampening technology M&A activity in Asia-Pac is reflective of the US-China trade war and technological tensions which threaten to disrupt global supply chains and affect consumers worldwide.

The largest transaction this quarter involved **Softbank Corp**, a listed Japanese telecommunications carrier, and **Yahoo! Japan Corporation**, a listed Japanese company mainly engaged in internet advertising and commerce services.

telecommunications carrier, and **Yahoo! Japan Corporation**, a listed Japanese company mainly engaged in internet advertising and commerce services.

The transaction, valued at US\$4bn was effected by Yahoo! Japan issuing new shares through a third party allotment to SoftBank Corp. This increased Soft Bank Corp's equity stake in Yahoo! Japan Corporation from 12% to 45%.

The rationale for the transaction was to increase collaboration between both companies by maximising their competitive advantage within an extremely competitive environment. Together, both companies own one of Japan's largest customer bases, and this transaction will enable both companies to leverage the capabilities of big data analytics to offer individual customers with more tailored and convenient services.

AUSTRALIA

TECHNOLOGY M&A ACTIVITY

M&A activity increased 21% in Q4 FY19

In Q4 2019, M&A activity in Australia's technology sector increased by 21% to A\$275m, compared to the corresponding period in 2018.

Only four of the seven deals this quarter were disclosed, with the largest transaction involving the acquisition of e-commerce company, **Catch Group Pty Limited** by **Wesfarmers Limited**.

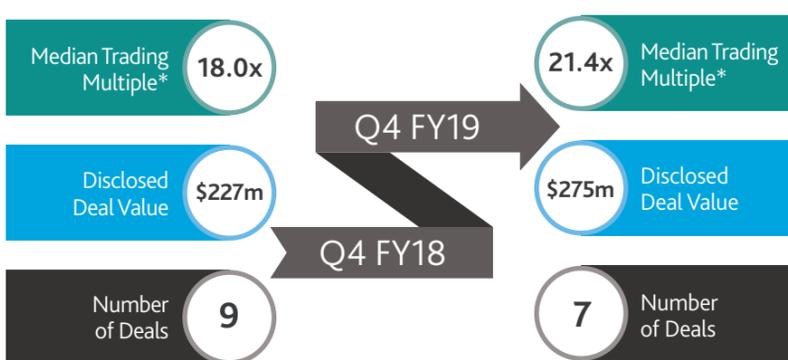
Similar to the decline in private equity buyouts seen in the general Asia-Pac region, private equity activity within Australia remained subdued this quarter. Only one transaction within Australia's technology sector involved a private equity bidder.

The median trading multiple grew by 19% to 21.4x, which is representative of high valuations in global tech stocks. Investor willingness to buy what would appear to be expensive and overvalued businesses is a primary driver of the high valuations. This is a result of technology business models which allow for scalability allowing businesses to generate high levels of profitability with minimal capital outlay.

NOTABLE TRANSACTIONS

A notable transaction this quarter involved the acquisition of **Catch Group Pty Ltd**, an Australian-based company engaged in online retail and e-commerce activities, by **Wesfarmers Limited** for a cash consideration of A\$230m. The acquisition enables Wesfarmers to accelerate digital capabilities across the entire group and in particular, increase Kmart and Target's online sales. This deal is reflective of Wesfarmers' development strategy of investing in opportunities which will strengthen its existing core divisions.

Cross sector deals are expected to continue to grow as technology is becoming an inherent part of most businesses with companies looking to increase their technological capabilities to remain competitive. This has resulted in cross-sector transactions, like the **Catch Group** acquisition becoming increasingly common.



Median EBITDA/Enterprise value trading multiple for all ASX listed technology companies with market capitalisation greater than \$50 million.

CentralNic Group Plc, a UK-based company engaged in the distribution of domain names acquired an Australian based company also operating in the domain name industry, for A\$24.4m.

A\$ 24m

RM plc, the listed UK-based supplier of information and communications technologies to education providers acquired **SoNET Systems Pty Ltd**, an Australian based company which provides SaaS and mobiles solutions for education and government sectors, for A\$13m.

A\$ 13m

APRIL

MAY

JUNE

Uniti Wireless Limited, a listed Australian-based provider of wireless broadband solutions announced its intention to acquire **Fone Dynamics Pty Ltd**, an Australian-based company engaged in designing and developing market and communications technologies, for A\$8.4m.

A\$ 8m

Wesfarmers Limited, an ASX listed company engaged in diverse business operations agreed to acquire Australian based e-commerce company, **Catch Group Pty Ltd** for A\$230m.

A\$ 230m

*As defined by BDO



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