



## **Market Observations: New Zealand Year ended 30 June 2015**

### **NZVCA/S&P Capital IQ**

## Executive Summary

This reports analyses the New Zealand M&A and private placement markets over the last five years, including the contribution of private equity (PE) to overall deal activity.

Key observations for FY2015:

- Total number of M&As and private placements completed in FY2015 dropped slightly from FY2014, but deal values were higher due to an increasing number of larger size deals.
- The mid-market (NZ\$50m-NZ\$250m) showed a large year-over-year increase, with deal volume and value up 72% and 287% respectively from the historical low in FY2014.
- Most significant M&As and private placements were completed in the first two quarters of FY2015, with a downward trend experienced during Q3 & Q4 due largely to global market volatility.
- The Financials sector continued to dominate M&A and private placement activity in New Zealand in FY2015 by both deal volume and size. Deal activity in this sector has been heavily driven by property and real estate.
- The largest deal in FY2015 involved an overseas buyer as URC International Co. Ltd acquired Griffins Foods Limited from Pacific Equity Partners on 14 November, 2014 for NZ\$1.1b.
- Two of the largest deals included PE as the buyer: Innovation Network Corporation (Japan) acquired 40% of Carter Holt Harvey Pulp & Paper Limited on November 30, 2014; and GIC Pte (Singapore) bought five Westfield malls from Scentre Group for NZ\$1.0b on December 31, 2014.

### Notes:

All currency units are in local currency unless stated otherwise.

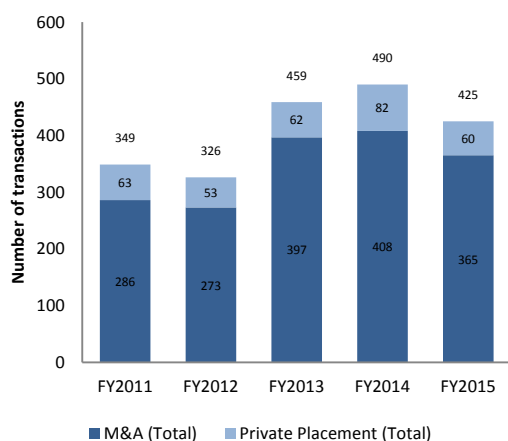
All transactions refer to completed/closed transactions unless indicated otherwise. Transaction locations refer to the country where the target company is headquartered.

All data used in this report is sourced from S&P Capital IQ. This report represents the data available as of 30 June 2015. There may be some differences compared to PE statistics published elsewhere by NZVCA. These differences arise because of different definitions of PE: S&P Capital IQ's definition may include, for example, investments in unquoted securities made directly by institutional investors, infrastructure and real estate PE funds.

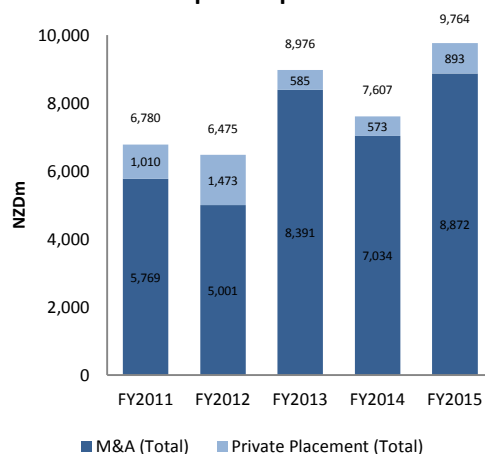
As with most transaction databases, historical data is updated when new or improved information becomes available. Therefore, the historical data presented in this report may differ from previous years' editions due to the incorporation of improved information on older transactions.

## Trends in transaction activity

### Number of M&As and private placements



### Value of M&As and private placements

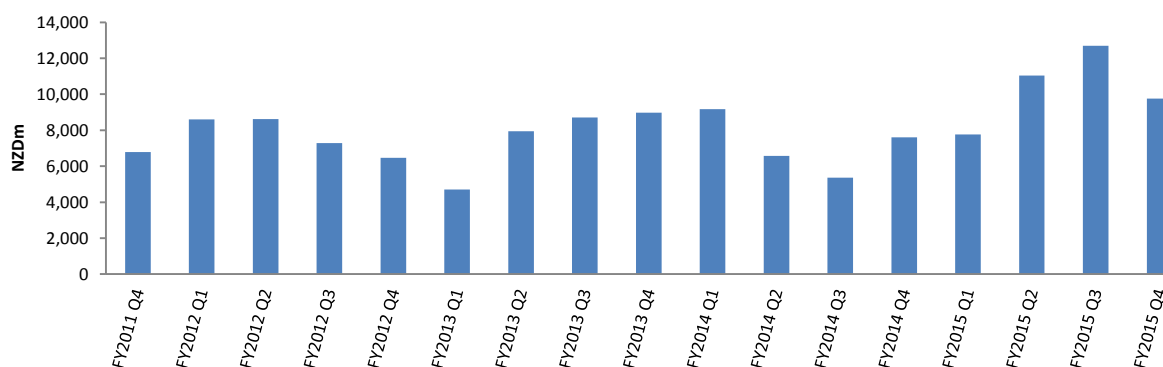


Total number of M&As completed in New Zealand in FY2015 dropped by 11% while the value of deals increased by 26% to a five year high of NZ\$8.9b.

Total number of private placements decreased by 27% but the total transaction value hiked 56% to NZ\$893m from NZ\$573 last year.

### Average transaction size

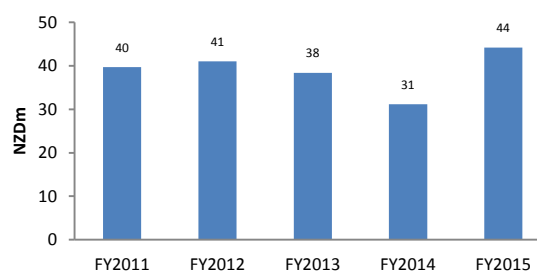
#### Total Transaction Value: 12-month moving annual totals (MATs) (New Zealand)



Note: Inclusive of M&As and private placements.

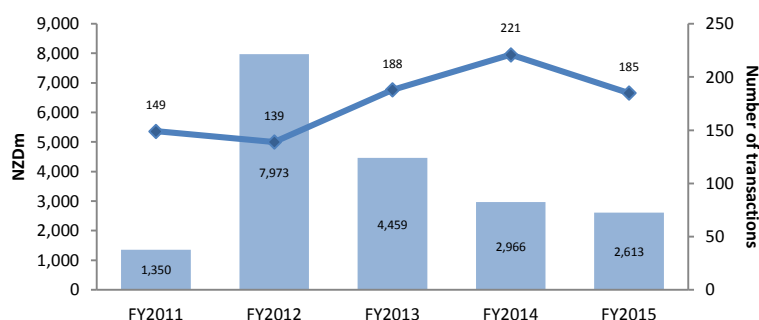
Moving annual totals (MATs) of the value of closed deals show that the market has been volatile in FY2015 after a very strong start to the year. Transaction activities grew rapidly in the first three quarters but dropped significantly in the last quarter mainly due to the global economic uncertainty. The average deal size in FY2015 increased one third to NZ\$44m from the historical low of NZ\$31m in FY2014

#### Average M&As and private placements transaction value for closed deals

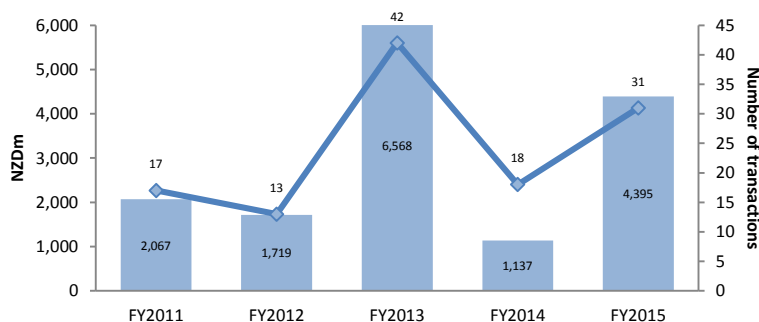


## Trends by transaction size

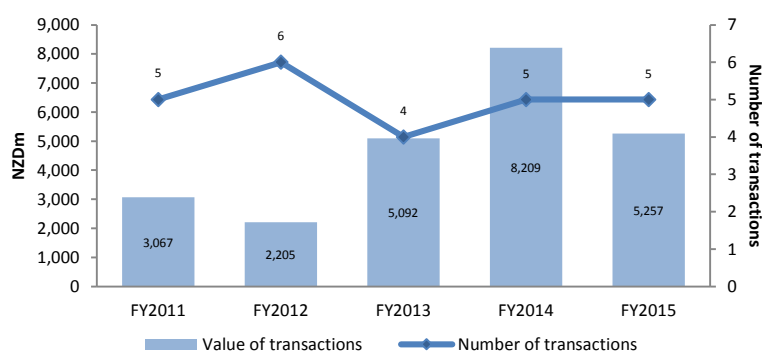
### M&As and private placements ≤\$50m



### M&As and private placements between \$50m and \$250m



### M&As and private placements >\$250m



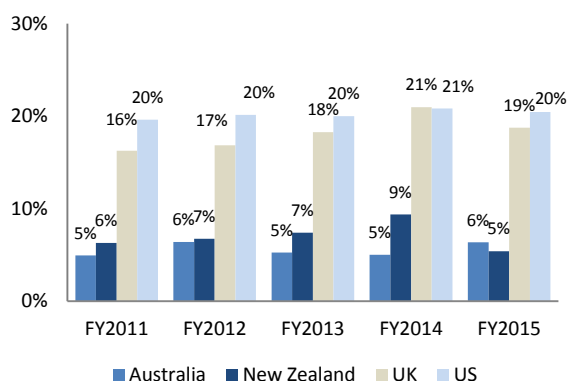
A breakdown of deal trends by transaction size shows that total aggregate deal value for smaller transactions (with enterprise value <NZ\$50m) continues to decline, with a 12% year-over-year drop in FY2015. Number of deals was down by 16% in FY2015 back to FY2013 levels.

The mid-market (NZ\$50-250m) recovered from the 5 year low in FY2014 with a 72% increase in volume and a 287% increase in value. Overall stronger valuations are evidenced by the increase in deal activity for the mid-market.

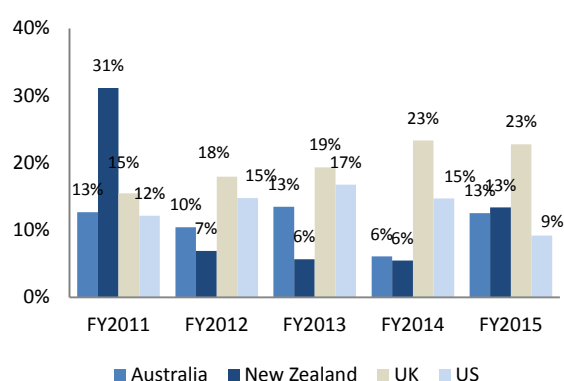
The deal volume in the larger end of the market (>NZ\$250m) remained constant in FY2015 while the aggregate transaction value declined by 36% from previous year.

## PE as a % of total transactions

No. of PE transactions as a % of total transactions



Value of PE transactions as a % of total transactions



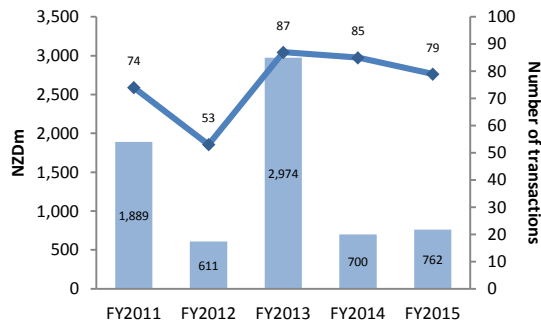
Note: Based on local currencies, and calculated as a percentage of total M&As and private placements. The percentages have been rounded to the nearest whole number.

PE deals in New Zealand made up 5% of all deals in FY2015, and contributed 13% of total deal value for the year. This has shown a decline in terms of volume but a rise in value from FY2014 and provides the strongest overall contribution since 2011. By way of comparison; PE activity tends to contribute a similar percentage of deals in New Zealand and Australia. However, historically nearly a quarter of transactions in the US and UK involved PE buyers, which suggests that there is still considerable headroom for PE to invest in the New Zealand market.

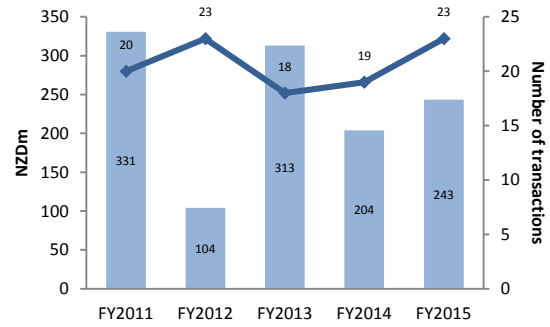
Both New Zealand and Australia saw PE contribution to overall deal value double in FY2015. The UK posted the highest PE contribution, which has steadily increased in the last five years, rising to 23% in FY2015. The share of PE-sponsored US deal value continued to decline, reaching a five year low of 9%.

## Sectoral breakdowns

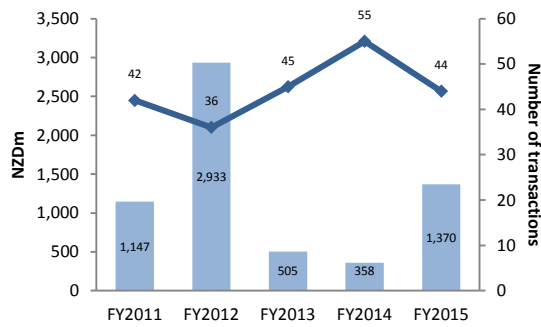
### Consumer Discretionary



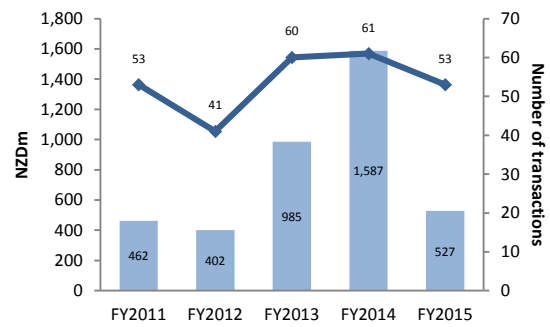
### Healthcare



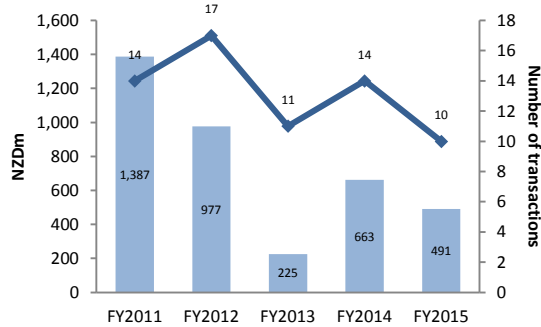
### Consumer Staples



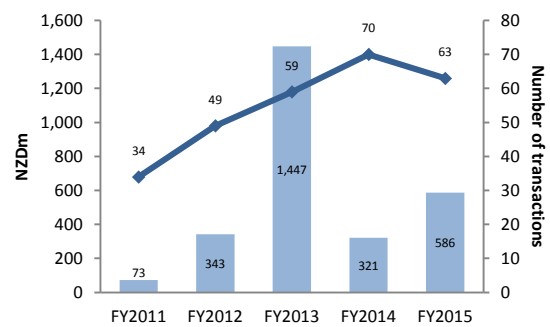
### Industrials



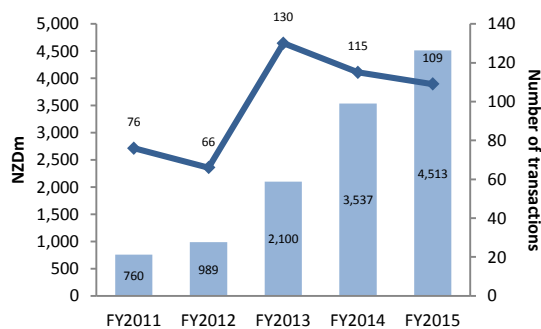
### Energy & Utilities



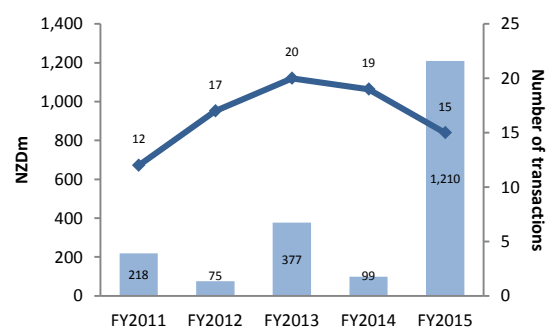
### IT & Telecommunications



### Financials



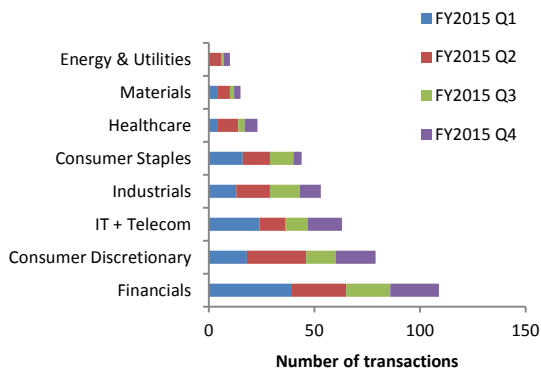
### Materials



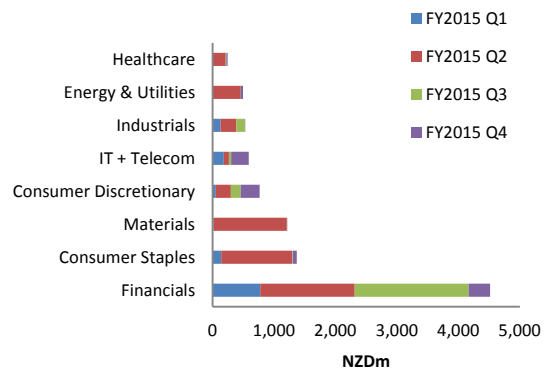
■ Value of transactions    ◆ Number of transactions

Note: Inclusive of M&A and private placements.

**Number of total M&As and private placements by sector in FY2015**



**Value of total M&As and private placements by sector in FY2015**



The Financials sector continued to dominate the market in New Zealand in FY2015 in terms of both volume and size, and accounts for almost half (47%) of the total deal value. This was largely attributable to the GIC Pte’s NZ\$1.0b acquisition of Westfield malls and Public Sector Pension’s acquisition of properties with total transaction value of NZ\$1.0b.

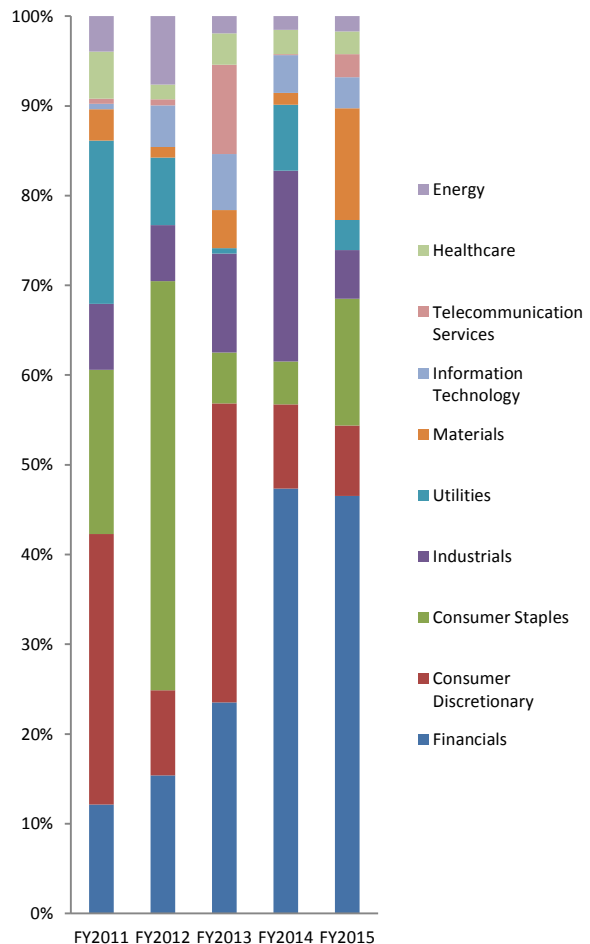
Consumer Discretionary is the second most active sector in FY2015 with 79 transactions composing 8% of the total deal value.

The Materials sector saw the largest year-over-year growth in transaction value of 1118%, primarily due to the NZ\$1.0b acquisition of Carter Holt Harvey Pulp & Paper Ltd by Oji Holdings and Innovation Network.

A decline in number of transactions was noted for most sectors while deal values were up, which indicates an increase in average deal size.

Most deals especially the large ones were closed in the first two quarters of FY2015 which points to a downward trend since the third quarter.

**Value of total M&As and private placements breakdown by sector**



## Top 10 deals by transaction value (FY2015)

Quarter	Target	Transaction Value (NZDm)	Buyers/Investors	Sector
FY2015 Q2	Griffins Foods Limited	1,142.36	URC International Co. Ltd.	Consumer Staples
FY2015 Q2	Carter Holt Harvey Pulp & Paper Limited	1,037.00	Oji Holdings Corporation; Innovation Network Corporation of Japan	Materials
FY2015 Q2	Westfield Albany, Westfield Manukau, et al	1,036.00	GIC Pte. Ltd.	Financials
FY2015 Q3	18 New Zealand Properties	998.58	Public Sector Pension Investment Board	Financials
FY2015 Q3	Bank of New Zealand	500.00	National Australia Group (NZ) Limited	Financials
FY2015 Q4	Call Plus Limited and 2Talk Limited	250.00	M2 Group Ltd	Telecommunication Services
FY2015 Q4	ACCENT FOOTWEAR NZ, Ltd.	206.49	RCG Corporation Limited	Consumer Discretionary
FY2015 Q1	Three Central Auckland Office Towers	200.00	-	Financials
FY2015 Q2	Electrix Limited	162.68	VINCI Energies S.A.	Industrials
FY2015 Q2	OtagoNet Limited	152.82	Electricity Invercargill Limited; The Power Company USA, LLC	Utilities

Private Equity was involved as buyer in two of the largest deals. Innovation Network Corporation (Japan) acquired 40% of the Carter Holt Harvey Pulp & Paper Limited on November 30, 2014; GIC Pte (Singapore) bought five Westfield malls from Scentre Group for NZ\$1.0b on December 31, 2014.

A further deal worth highlighting is Pacific Equity Partners exit from Griffins Goods by selling to URC International Co. for NZ\$1.1b. Pacific Equity Partners acquired Griffins Goods in March 2006 at 2.2x IEV/LTM Rev\* and exited the holding in November 2014 at 3.9x IEV/LTM Rev.

\*IEV/LTM Rev – Implied Equity Value/LTM Revenue

### Definitions

**Financial years:** Year ending 30 June of each year.

**M&A:** The acquisition of controlling equity stakes by purchasing existing securities.

**Private placement:** The private sale of newly issued securities (equity or debt) by a company to a selected investor or a selected group of investors. These are often minority stakes (under 50%), although it is possible to take control of a company through a private placement as well.

**Transaction date:** The date the transaction is completed.

**Transaction value:** The sum of the total consideration paid to shareholders, total net assumed liabilities (when the deal is for more than 50% of the company) and cash. For private placements, it refers to the gross proceeds raised in cash.



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