TAKEOVERS + SCHEMES REVIEW

KEY HIGHLIGHTS

2019

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GILBERT + TOBIN PRESENTS THE 2019 TAKEOVERS + SCHEMES REVIEW

Gilbert + Tobin has released the 2019 edition of its Takeovers + Schemes Review, providing an in-depth analysis of 2018's public M&A transactions valued over $50 million. It gives G+T's perspective on M&A transactions in 2018, recent trends and what that might mean for 2019.

Commenting on the Review, Partner Neil Pathak said:

"Despite regulatory headwinds, 2018 saw a distinct increase in activity for public M&A in Australia. Transaction activity was at a seven year high, with over 49 transactions announced with an aggregate transaction value of $48.7 billion. There was a significant improvement in success rates, perhaps due to the sharp uptick in premiums paid.

Cashed up private equity firms were highly acquisitive, willing to deploy approximately $13.6 billion on targets in a range of sectors. Interest from foreign bidders (especially from North America and Asia) was robust, with foreign transactions being substantially larger than domestic transactions.

The Financial Services Royal Commission galvanised public scrutiny of large corporates and will embolden regulators including ASIC and the ACCC to more proactively and aggressively scrutinise corporate activity in coming years.

We have analysed the data, drawn our conclusions on 2018 and have looked into our crystal ball for what 2019 might hold. We trust our clients and investment banking friends will find our Review to be a useful resource."

The following pages provide a summary of a number of the key highlights from the Review.

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1

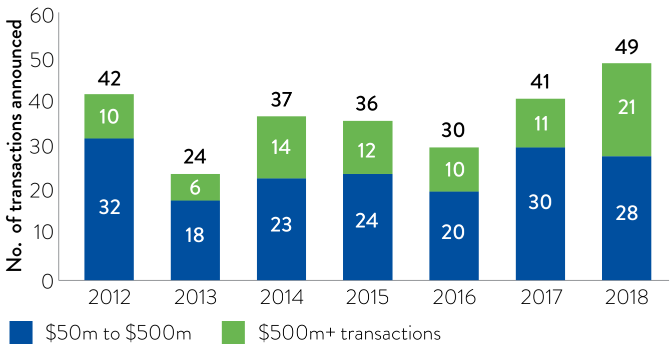
TRANSACTION ACTIVITY AT A SEVEN YEAR HIGH

2018 saw a distinct increase in activity in public M&A transactions in Australia. 49 transactions valued over $50 million were announced in 2018, representing a 19.5% increase from 2017. Indeed, the volume of deals represents the highest M&A activity in Australia in the last seven years.

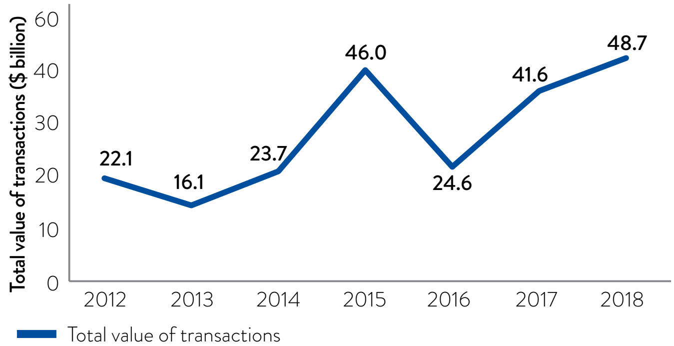
The story is similarly positive when measured by transaction value: the total value of transactions over $50 million in 2018 was approximately $48.7 billion, compared to $41.6 billion in 2017.

With continued activity in sectors including professional services and healthcare, and a number of private equity firms seeking to deploy capital, we are hopeful that 2019 will have similar or better activity levels.

Transaction announcements per year by number



Total transaction value per year



$48.7 BILLION

TOTAL VALUE OF TRANSACTIONS FOR LISTED COMPANIES VALUED OVER $50 MILLION IN 2018

2

REAL ESTATE AND PROFESSIONAL SERVICES WERE THE KEY SECTORS

The top 5 successful (or pending) transactions by value came from a variety of sectors:

1 **Telecommunications**

Vodafone Hutchinson's proposed merger with TPG Telecom by scheme of arrangement

$5.44 billion

2 **Real Estate Investment Trusts**

Oxford Properties' successful acquisition of Investa Office by scheme of arrangement

$3.35 billion

3 **Retail & Consumer Services**

Apax Partners' proposed acquisition of Trade Me Group by scheme of arrangement

$2.39 billion

4 **Professional Services (Media)**

Nine Entertainment's successful merger with Fairfax Media by scheme of arrangement

$2.16 billion

5 **Professional services**

KKR's proposed acquisition of MYOB by scheme of arrangement

$2.01 billion

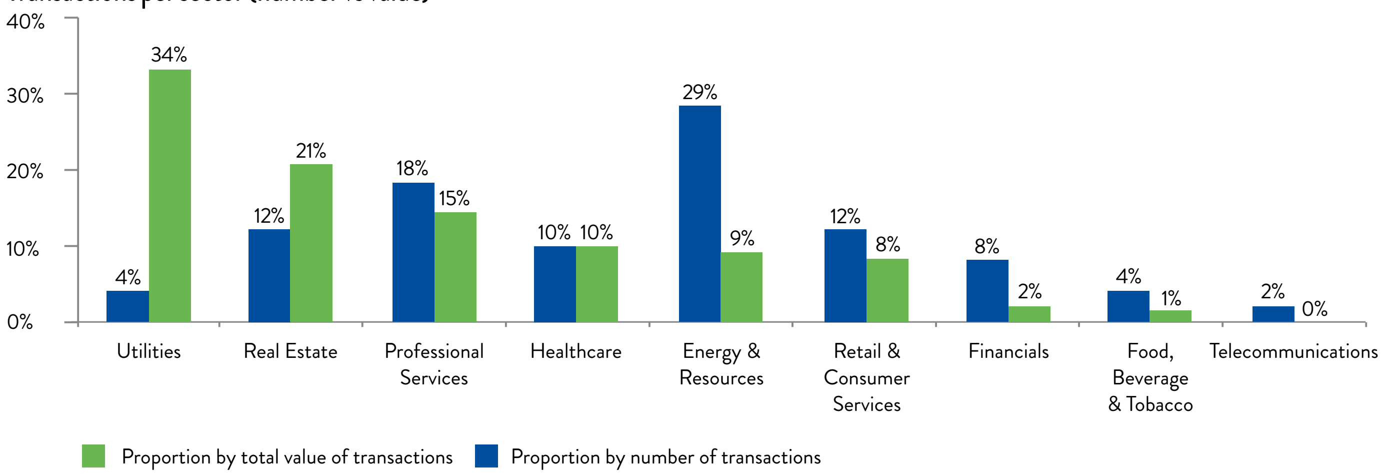
Excluding utilities (which was almost entirely accounted for by CKI's unsuccessful ~$13 billion offer for APA Group), the real estate sector had the highest aggregate transaction value in 2018, followed by professional services.

When it came to transaction volume, the energy & resources sector accounted for 29% of the number of public transactions in 2018, demonstrating a clear improvement in the contribution from this sector in recent years.

Healthcare also emerged as a new key sector.

All of these sectors should be closely watched in 2019, together with the aged care and retirement living sectors (given our aging population and a Royal Commission to focus attention).

Transactions per sector (number vs value)



3

FOREIGN BIDDERS REMAINED ATTRACTED TO AUSTRALIA

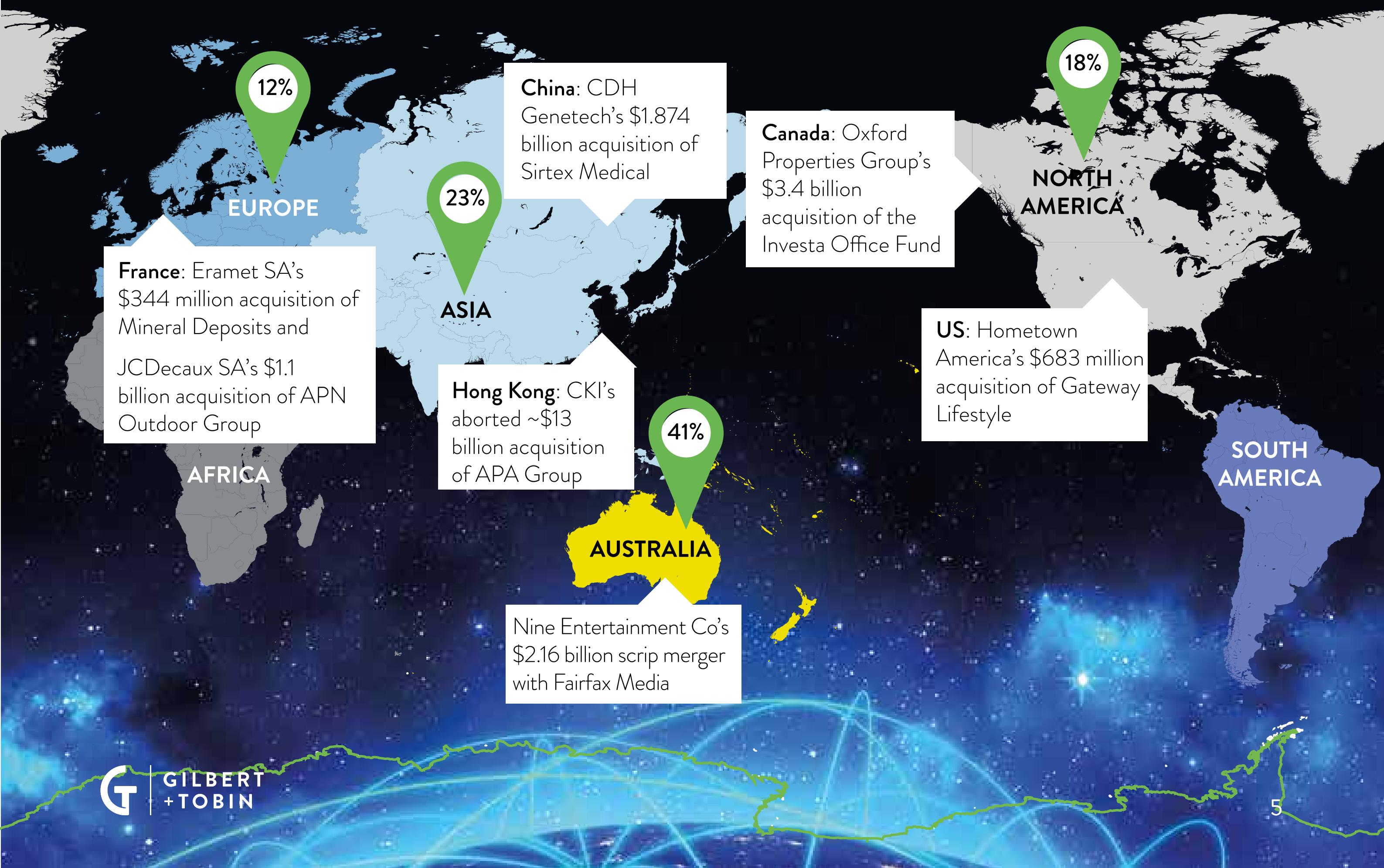
Despite increased scrutiny of foreign investment, foreign interest in Australian listed companies remained strong in 2018.

59% of all transactions valued over $50 million in 2018 were made by a foreign bidder, led by acquirers from North America and Asia. There was a decrease in the activity of Chinese bidders.

While the number of foreign bids held steady in a few sectors including energy & resources, real estate and financials, there was increased foreign interest in retail & consumer services and utilities. The interest of foreign acquirers in professional services decreased in 2018.

On average, foreign bidders were involved in significantly larger transactions than their domestic counterparts. Foreign bidder transactions had a success rate of 75%, which was eclipsed by the 94% success rate enjoyed by transactions involving Australian bidders.

We expect that foreign bidder interest will continue to be a key driver of transactions in this market in 2019. That said, with the 2019 election expected in May, FIRB approvals may see a temporary slowdown in the second quarter of the year, as the government enters into caretaker mode. Foreign transactions involving companies and assets holding sensitive or significant amounts of data (including in the healthcare sector) will be an area of focus for the Government and FIRB in 2019. We also expect to see continued scrutiny of Chinese investment.



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THE RETURN OF PRIVATE EQUITY

Private equity firms were involved in public M&A markets in a significant way in 2018, willing to deploy approximately $13.6 billion on a range of targets. This represented 28% of aggregate transaction value, and 24% of deal volume. Private equity appeared to have a clear focus on certain key sectors, including retail and consumer services, closely followed by real estate, healthcare and energy & resources.

2018 also saw the significant involvement of Australian superannuation funds in public M&A. We expect to see more of this in years to come as the size of Australian superannuation funds continue to increase.

Private equity transactions (deal & sector)

RETAIL AND CONSUMER SERVICES 34%

+ Greencross ($675 million)
+ Restaurant Brands New Zealand ($826 million)
+ Trade Me Group ($2.4 billion)
+ AMA Group ($452 million – withdrawn)

PROFESSIONAL SERVICES 8%

+ MYOB Group ($2 billion)

FOOD, BEVERAGE & TOBACCO 8%

+ Capilano Honey ($199 million)

DIVERSIFIED FINANCIALS 8%

+ Scottish Pacific Group ($612 million)

HEALTHCARE 17%

+ Sirtex Medical ($1.9 billion)
+ Zenitas Healthcare ($108 million)

ENERGY & RESOURCES 8%

+ Sino Gas & Energy Holdings ($530 million)

REAL ESTATE 17%

+ Investa Office Fund ($3.3 billion)
+ Propertylink Group ($723 million)

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5

SUCCESS RATES WENT UP, DRIVEN BY INCREASED PREMIUMS

There was a material increase in the proportion of transactions that made it all the way to the finish line: 83% of all concluded transactions valued over $50 million in 2018 reached a successful outcome, compared to only 70% in 2017.

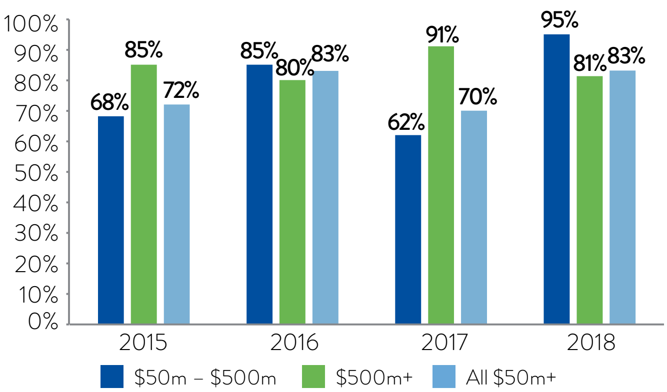
Lower value transactions ranging from $50 million to $500 million enjoyed a 95% success rate, which was significantly higher than the 81% success rate for transactions valued above $500 million.

Somewhat surprisingly, hostile or unsolicited bids had the same rate of success as friendly transactions. 83% of hostile takeovers announced in 2018 were successful, a sharp increase from 43% in 2017. Similarly, 83% of friendly transactions were successful, up from 2017's low of 76%.

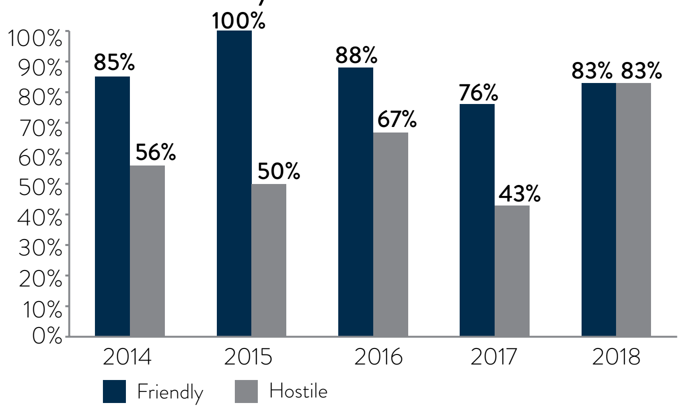
Takeovers were more successful than schemes in 2018, which is inconsistent with the trend we have observed in previous years of schemes being on average more successful than takeover bids.

The average final premium paid by bidders increased to 48% in 2018 (a significant increase from an average premium of 33% in 2017), correlating to the higher overall success rates seen last year.

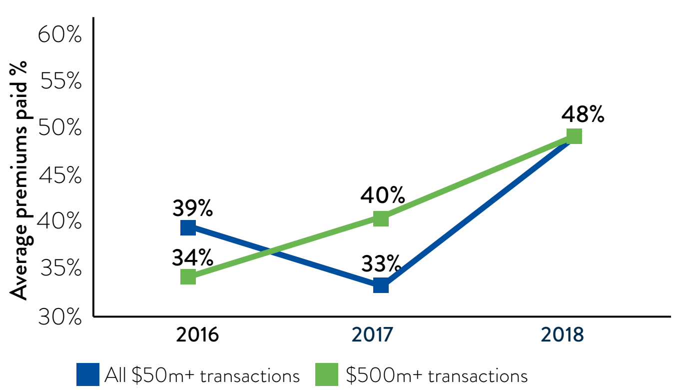
Success rates



Success rates for friendly and hostile transactions



Average premiums paid



SUCCESS RATES INCREASED TO 83% IN 2018, UP FROM 70% IN 2017

6

ROYAL COMMISSION: A REGULATORY GAME CHANGER

The Financial Services Royal Commission seemed to galvanise public opinion and sentiment against large corporates. Key regulators, including ASIC and APRA, were criticised for not taking stronger action sooner against misconduct. The ACCC was one of the few regulators to emerge from the Royal Commission with an enhanced reputation.

The change in landscape together with an increase in government funding for regulators and regulatory action all mean that we can expect corporate regulators to be more proactive and aggressive in 2019.

For example, ASIC's new chairman, James Shipton, has already signalled a more forceful approach through ASIC's adoption of a 'why not litigate?' enforcement stance. The ACCC's chairman, Rod Sims was reappointed and the remainder of his term also looks certain to be marked by increased activism and aggressive enforcement.

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