

Australia's M&A outlook shows reasons for optimism, says Deloitte

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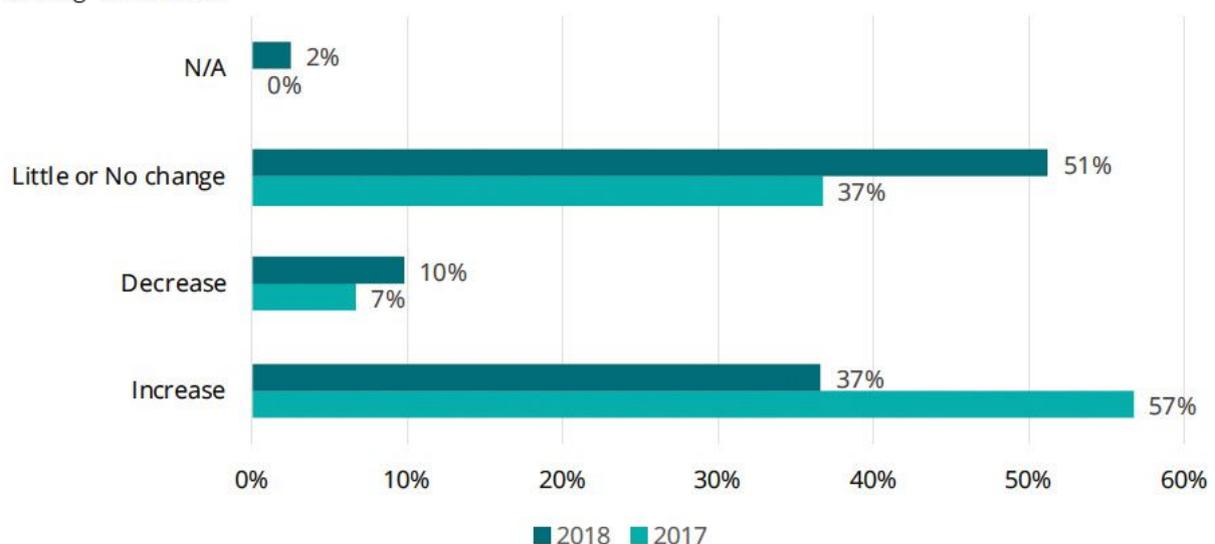
Merger & acquisition (M&A) activity in Australia is not only on the rise in tandem with the global economy, but also appears to be undergoing significant changes in composition and priorities. This is according to a new M&A report from global professional services firm Deloitte.

Globally, Deloitte reports a promising scenario for M&A activity, including acquisitions, mergers, divestments and carve-outs, particularly as the market has surpassed the \$3 trillion mark for three years in a row now. However, this vertical growth is being accompanied with a number of trends that are pushing the sector to explore its horizontal boundaries.

These trends include an increase in activism from stakeholders, while the private equity market has made a substantial comeback. Another trend that affecting the M&A sector is the increase of inorganic expansion activity in the domain of disruptive technologies such as FinTech, artificial intelligence and cybersecurity.

A similar focus on disruptive technologies is apparent in the Australian market as well. Recent studies have shown how most Australian businesses acknowledge the value and importance of AI, although few companies appear to have invested in a comprehensive artificial intelligence implementation strategy.

Are you expecting the number of deals that your organisation pursues to increase or decrease over the coming 12 months?



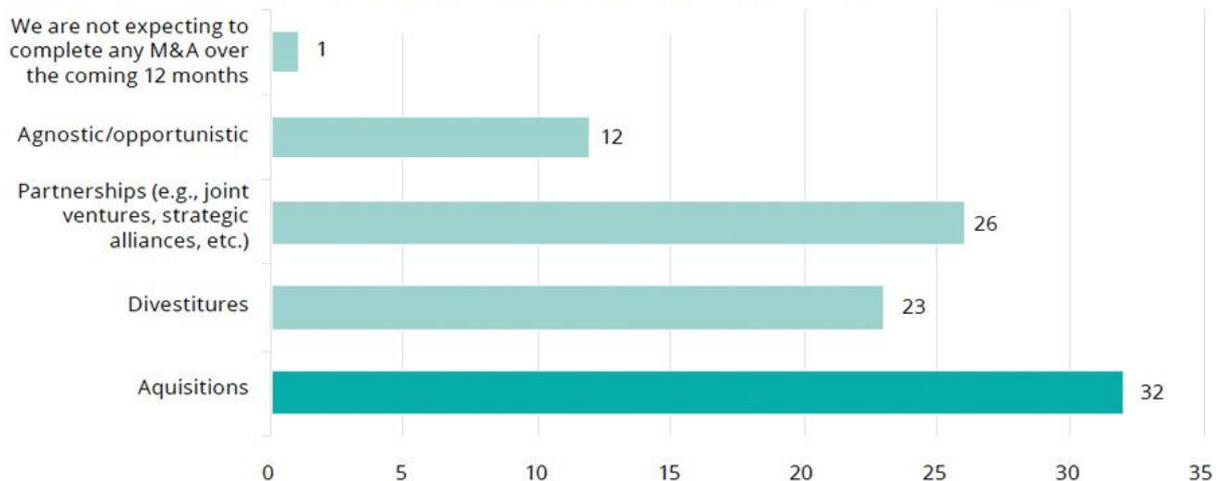


As firms come under time pressure to remain competitive, M&A activity becomes the go to means of entering this disruptive space. On the flipside, a number of companies are looking to finance this growth by divesting the more non-essential components of the business operations.

In terms of sentiment, meanwhile, Australian executives appear to be optimistic on the whole as the country's M&A scenario continues to improve, driven by some sectors in particular, such as mining & metals. Deloitte conducted face-to-face interviews with a number of market executives in Australia in an attempt to gauge the overall perception and confidence levels in country's business environment.

Part of this optimism is being fed by the fortunate positioning of the Australian market. The Asia-Pacific (APAC) region is becoming an attractive area of investment for an increasing number of firms worldwide, particularly in the M&A domain. More than 60% of Australian executives believe that the APAC region is the most attractive destination for foreign acquisitions.

Which deals are a priority to your organisation in the next 12 months? Choose all that apply.



This optimism extends to perceptions of the domestic market as well. Nearly 50% of Australian executives expect an increase in domestic deal activity, which is informed in many cases by their own strategies. 70% of these executives are preparing parts of their businesses for divestiture, and 25% have plans to acquire overseas operations.

Nevertheless, executives also anticipate some challenges in the near future. Most of these have to do with the sheer degree of transformation that the M&A landscape is going through. Businesses are struggling to arrive at the right approach to deal with a number of new contentions.

Corporate venturing, for instance, is on the rise across the globe, and this trend is expected to affect the Australian market. The rise of disruptive M&A activity is another challenge that must be navigated carefully. 65% of corporates are involved in disruptive M&A of some kind in Australia.



Value delivery is another major challenge. “M&A values have been rising, driven in part by competition between large acquirers to buy smaller innovative companies. The more successful acquirers are adopting a more integrated approach that ensures tight alignment to strategy and earlier involvement of the integration/separation teams and business units,” reads the [Deloitte](#) report reads