Hamilton Locke

M&A Report: 2023 Year in Review and Future Outlook

1 January 2023 – 31 December 2023

Introduction

In Mergermarket's 2023 Global & Regional M&A Rankings, Hamilton Locke ranked 6th in Australia for the highest volume of M&A deals, with 69 deals valued at USD738 million. This is the firm's highest Mergermarket ranking and a significant jump from 13th place in 2022.

As part of our ongoing commitment to driving excellence in the field, we have conducted an in-depth analysis of the transactions we advised on throughout the year. This report encapsulates our findings and insights gleaned from a thorough examination of deal trends and negotiation points within the Australian mid-market M&A sphere from January to December 2023.

Against the backdrop of a soft market marked by economic uncertainty and geopolitical complexities, our analysis sheds light on the prevailing challenges and opportunities that shaped the M&A landscape. We observed a notable downturn in deal activity across all sectors, with transactions often protracted due to heightened scrutiny and deliberation. Moreover, a persistent valuation gap between buyers and sellers continues to emerge as a prominent feature, prompting the adoption of innovative mechanisms such as earnouts, deferred considerations, escrow, and holdbacks to bridge the divide.

This report delves into the key themes and insights gleaned from our analysis, with a particular focus on critical sectors including FIRB, health, financial services, new energy, carbon markets, restructuring, and tax. By examining the negotiation points specific to these sectors, we aim to provide actionable intelligence that will empower businesses to navigate the evolving M&A landscape with confidence and foresight.

As we look ahead to 2024, our report not only reflects on the trends that defined the past year but also anticipates the trajectory of key negotiation points within each sector. By sharing our understanding of the market and aligning it with commercial trends, we aspire to contribute to the continued development and advancement of the M&A sector in Australia.

Jo Ruitenberg
Partner
Corporate

Gordon McCann
Partner
Corporate

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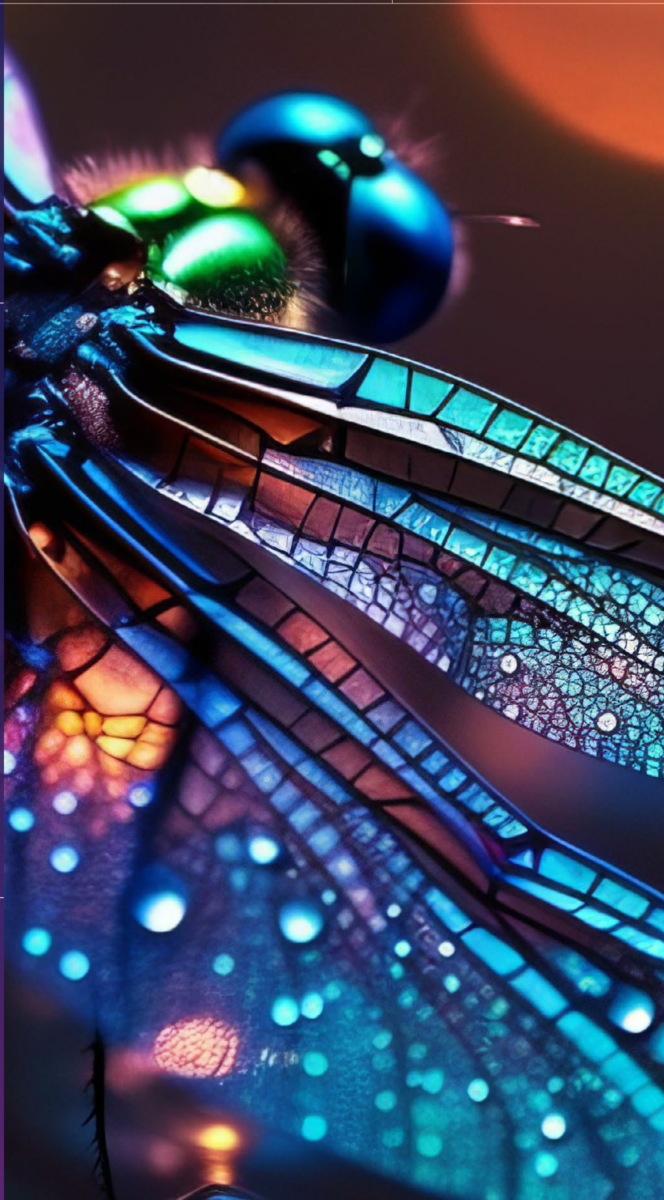


Foreign Investment

While there was a general softening in M&A activity throughout 2023, foreign investment levels remained relatively consistent.

"Navigating FIRB remains a strategic priority for sellers and bidders, and is now much more than a tick the box exercise. In transactions where FIRB is relevant (including transactions involving national security businesses and offshore transactions with downstream Australian aspects), we continue to recommend sellers turn their mind to FIRB early in the process, particularly the timing implications of any FIRB process and how this feeds into the broader transaction timetable, as well as any completion risks associated with particular foreign bidders."

Clementyne Rawlyk
Hamilton Locke Corporate Partner
and Foreign Investment Specialist

Key themes for 2023

- **Global foreign investment spread** – the US continued to lead the charge down under as the largest source country for approved commercial investments by value for the period of 1 January to 30 September 2023 ($37.6 billion). We also saw a boom in activity from Japanese investors, with Japan having the second highest value for the same period ($13.1 billion). This was followed by Canada, Singapore and the United Kingdom (with $5.9 billion, $5.6 billion, and $5.5 billion, respectively). We expect to see increased investment from Canada and France throughout 2024, particularly in the resources and new energy space.
- **Steep filing fees impacting timetables** – as a result of the significant increase in FIRB's filing fees in 2022, sellers who continue to call on bidders to lodge their applications early as a means of expediting the transaction timetable and avoiding completion delays are starting to face pushback (particularly in competitive auction processes with multiple bidders in the mix). Bidders are increasingly looking for certainty that they are the 'preferred bidder' in a process before paying the steep fee (which is generally non-refundable).
- **Conditionality of FIRB approval** – conditions are becoming more prevalent in FIRB approvals and are increasingly extending beyond the standard tax conditions to cover a wide range of perceived risks and areas of concern including in respect of data protection, compliance, governance, privacy and reporting obligations to FIRB. Interestingly, this has started to have a flow on effect for the construct of the FIRB CP in transaction documents. In particular, the typical provision requiring buyers to act reasonably in their acceptance of FIRB conditions is increasingly becoming unsatisfactory to vendors who see this as giving rise to undue regulatory completion risk. To address this, an emerging trend is developing whereby parties are pre-agreeing additional types of FIRB conditions which must be accepted by the buyer (i.e. in addition to the standard tax conditions). For example, we have seen several instances where a buyer has been required to accept any conditions which are the same as what FIRB has imposed on them previously.
- **FIRB processing times** – we are slowly seeing a reduction in FIRB processing times which is pleasing, with FIRB reporting that the median processing time for applications is now 37 days. We saw extended processing times in the past couple of years as a result of the increase in proposals during Covid when the foreign investment threshold was temporarily reduced to $0. Whilst this is promising, it's worth noting that 25% of deals between 1 January to 30 September 2023 took more than 60 days to process, with several of those exceeding 91 days. Therefore, we would still caution clients to expect lengthy approval times of up to 3 months for M&A transactions, particularly those involving national security targets and/or 'foreign government investor' acquirers.

Footnote: Statistics based on The Australian Government the Treasury data contained in the Quarterly Reports of Foreign Investment dated 8 February 2024, 3 November 2023 and 30 June 2023

New Energy

The new energy sector saw considerable growth over the last few years with 2023 continuing this trajectory.

Future outlook

“The outlook for M&A activity in the new energy sector will remain positive albeit with the ongoing challenges connecting to the grid and complex approval processes for development”.

Matt Baumgurtel
Hamilton Locke New Energy Lead

Key themes for 2023

- **Storage Projects** – we saw a prioritisation of energy storage to bridge the gap between intermittent renewable energy generation and consistent energy supply. Strategically located Battery Energy Storage Systems (BESS) and hybrid BESS and solar projects continued to attract investment. Significant activity occurred during the year for new storage technologies including flow batteries.
- **Offshore Wind** – offshore wind investment remained attractive in 2023. The Australian Government has made preliminary decisions relating to feasibility licence applications for the first offshore wind project to be built in the Gippsland declared area, in Victoria (one of 6 priority areas identified for offshore wind development in Australian Commonwealth waters).
- **Hydrogen** – the 2023-2024 Federal budget invested $4 billion to bolster Australia’s plan to become a renewable energy superpower. $2 billion was specifically earmarked towards the Hydrogen Headstart program to improve the country’s ability to participate competitively in the global hydrogen market.
- **Grid Saturation** – an ongoing challenge for the new energy sector is the instability of the grid due to the capacity of transmission lines. The grid saturation will require upgrades to transmission to accommodate the additional demand to meet Australia’s net zero target by 2050.
- **Electric Vehicles** – with transport on track to be the largest emitting sector by 2030, the electric vehicle market continues to accelerate. We have seen investment interest in companies in the electric vehicle and fast charging solution markets.
- **Environmental, Social and Governance (ESG)** – ESG considerations continue to impact investment strategies. Deal teams undertake ESG diligence throughout the acquisition process and there has been a particular focus on modern slavery risks in supply chains. We expect to see more robust screening of supply chains in 2024.

Carbon Markets

The carbon markets sector in 2023 saw various factors influence its development, including foreign investments, regulatory uncertainties and shifting dynamics in deal valuation and consolidation.

"These long-term investors, particularly the pension funds, are increasingly backing carbon credits as a strategic play, leveraging the potential benefits of aligning the payments from carbon credits with the long-term financial commitments of the pension funds, such as annuity payments and superannuation obligations"

James Delesclefs
Hamilton Locke Corporate Partner
and Carbon Capital Specialist

Key themes for 2023

- **Foreign investment** – a significant driver of activity in the carbon markets, with notable interest from Japanese trading houses, international private equity funds and overseas entities such as pension funds.
- **Offtake rights** – the importance of offtake rights, involving the ability or obligation to sell carbon credits to major polluters.
- **Regulatory changes** –
  - ongoing regulatory changes, including a significant review of carbon markets, introduced uncertainty from a commercial due diligence perspective, complicating investment decisions;
  - regulatory implications, particularly in terms of Australian Financial Services Licensing (AFSL) requirements for trading Australian Carbon Credit Units (ACCUs), added layers of complexity to deal structures.
- **Due diligence** – emerged as a critical aspect of transactions within the carbon markets with issues around AFSL requirements often raised, reflecting the regulatory complexities inherent in the sector.
- **Paris Agreement** – uncertainty surrounding Article 6 of the Paris Agreement, governing the international trading of carbon credits, further compounded regulatory and sovereign risk.

Deal valuation in the carbon markets sector was intricately tied to the quality of ACCUs and their associated co-benefits, such as engagement with indigenous communities. Savvy investors recognised the stratification of credit values based on the "quality" of ACCUs, often determined by ESG reporting requirements. The underlying quality of carbon credits emerged as a primary driver of valuation, influencing investment decisions and deal structures.

Future outlook

Rise of Direct Development – more corporates are expected to engage in direct project development, reducing reliance on intermediaries and enhancing efficiency. This shift is likely to drive more fundraising in both the project developer space and ancillary advisory services.

Sophistication in understanding ACCU Value – increased maturity and understanding of the carbon markets is expected to lead to greater sophistication in evaluating the value of ACCUs. Moreover, the expansion beyond ACCUs to include nature credits, such as biodiversity credits, reflects a broader trend towards diversification within the sector.

Deal Analysis

Scrip consideration: Our analysis shows just below 20.0% of our data set contained a scrip component.

Asset/share sale split:

27.7%

of our M&A transactions were asset sales, whereas

72.3%

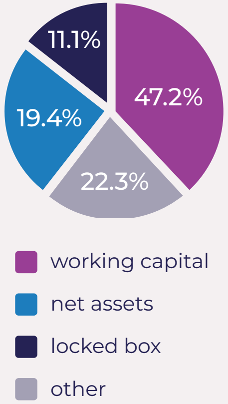
were share sales.

Deposit: Signing deposits in negotiated M&A transactions are rare in Australia. This remained the case in 2023, with only 23.0% of SPAs we advised on containing a deposit. However, this is a marked increase from what we saw in 2022.

23%

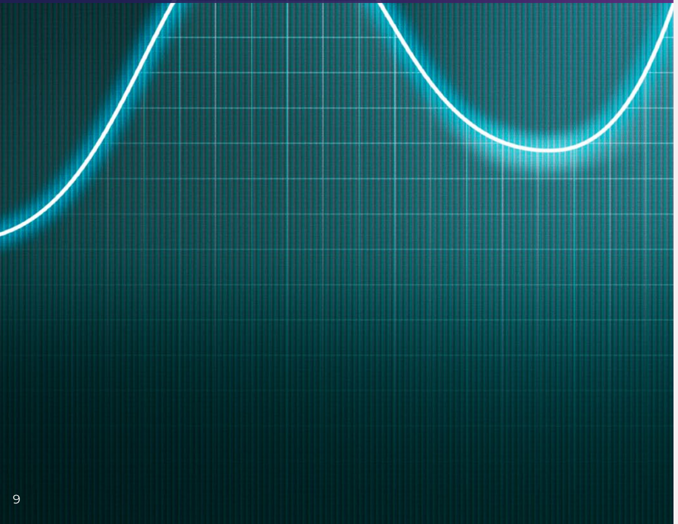
Adjustment mechanism: Completion accounts, specifically net debt/working capital adjustments, remain the status quo in Australia with over 51.7% of the SPAs we advised on containing a purchase price adjustment.

Of these adjustments:



Tax

The tax aspects of M&A transactions saw considerable movement in 2023, with significant changes in the focus areas of due diligence, the terms of transactions, and new litigation and tax rulings. This movement is expected to continue into 2024, with further regulatory changes expected.



Key themes for 2023

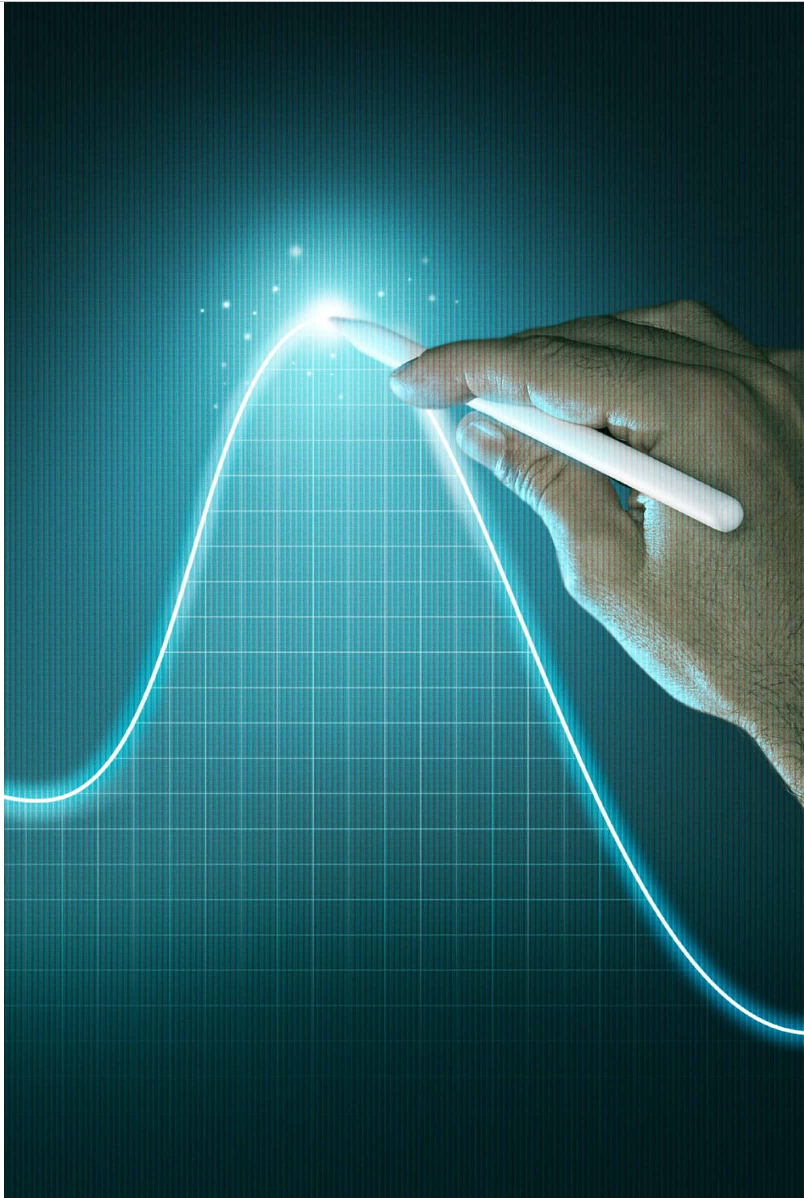
- **Employment matters** – increased focus on contracting structures, in the context of payroll tax and superannuation compliance particularly in the light of recent cases/rulings in the medical profession.
- **COVID-19 payments** – received less focus during due diligence in 2023, with JobKeeper payments being given less attention than previous years.
- **Structuring** – once deals got through due diligence, the structures and terms of deals also saw substantial movement compared to the previous few years.
- **Scrip consideration** – grew in popularity, with sellers receiving scrip rather than cash, and therefore availing themselves of rollover relief wherever possible to avoid the upfront tax bills that come with upfront cash payments.

> "Increasingly, earnouts were used to mitigate price gaps between buyers and sellers without the detrimental tax outcomes that often arise when holdbacks or other deferred cash consideration methods are used. Additionally, the complexity and number of earnouts also rose across 2023, and we often saw multistage earnouts with different time, financial and other targets needing to be hit before they were paid out instead of the simpler 12 or 24 month earnout periods with a single financial metric that has historically been the norm."

Seema Sandhu
Hamilton Locke Tax Partner

Future outlook

- **IP exploitation** – we expect the ATO's recent focus on the development and exploitation of IP and how transfer pricing / anti-avoidance rules can apply to the migration of IP offshore will continue to be an area of focus. This is likely to affect the structuring of start up businesses, as well as business restructuring which can occur either as part of a cross border M&A transaction or post-transaction, as part of a realignment of the target's business with that of the purchaser.
- **Thin capitalisation** – expected new thin capitalisation changes will affect the way cross-border M&A deals are funded, as multinational groups will need to be careful not to over-gear their Australian operations.
- **Pillar Two** – the impact of an OECD measure that imposes a minimum tax rate of 15% on multinational enterprises (MNE) is yet to be seen given that it will commence in various phases, starting in Australia in 2024. Medium size MNEs may seek to reconsider making further acquisitions to ensure that they continue to stay below the threshold for the minimum tax rate rules to apply. However, given that Australia has a comparatively high corporate tax rate, it may be that Pillar Two is unlikely to result in a decrease in inbound acquisitions by MNEs that are already subject to the rules.



AgriBusiness

Key themes for 2023

- **Deal slowdown** – much like the rest of the M&A market, the AgriBusiness sector in 2023 saw a substantial slow down in deal speed, with parties generally reluctant to spend money on due diligence until they were granted exclusivity. This meant ramp up times for deals were far longer than they have previously been, and the period between initial discussions and signing / completion continued to stretch.
- **Financing delays** – this slowdown was not helped by the rising cost of finance, with bidders less confident that they would be able to meet the price expectations of sellers, delaying the start of the process until finance was obtained or completion being conditional on the prospective buyer receiving finance approval.
- **Increased due dilgence** – diminishing risk appetites saw a significant expansion in the depth of due diligence, with enquiries into employment issues, particularly in key areas such as historic underpayments, misclassification risk, and modern award compliance, and data protection and privacy becoming more detailed as buyers sought to uncover any hidden skeletons and / or mitigate any potential post-completion claims being made against them.

> “In the last few months of 2023, there was a noticeable increase in the number of distressed assets that were hitting the market, particularly in the food processing space, which has been hit especially hard by interest rates and inflationary pressures.”

Peter Williams
Hamilton Locke Corporate Partner

However, it was not all bad news in AgriBusiness in 2023. High valuations have continued to be paid for quality assets over the last 12 months, with land valuations in particular holding up despite the tightening in economic conditions.

While the level of demand for transactions generally may have decreased, the strong performance of the domestic agriculture sector over the past few years has meant a significant level of domestic demand has remained, and we expect this trend to continue in 2024.

Future outlook

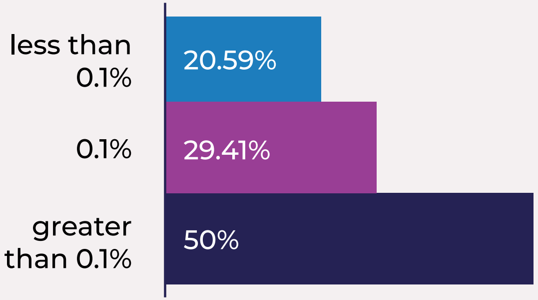
With inflation remaining high to end 2023, and the cost of inputs continuing to increase, further pressure will be placed on profit margins until agribusinesses are in a position to renegotiate supply terms or increase the price of their outputs, and these signs of distress are likely to continue.

> “The depth of diligence investigations will continue to expand in the AgriBusiness industry for as long as economic growth is stagnated and risk appetites remain low.”
>
> **Peter Williams**
> Hamilton Locke Corporate Partner

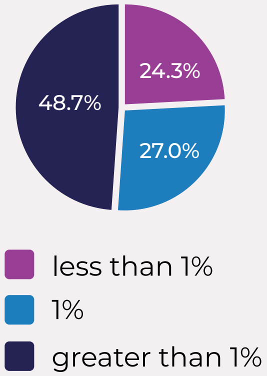
Deal Analysis

De minimus:

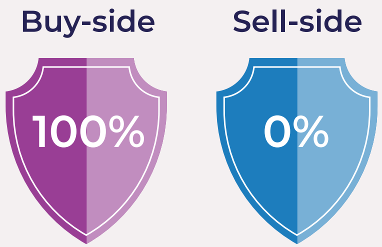
- A de minimus is a minimum amount a single claim (or a series of claims relating to the same breach) must reach before the buyer can make a claim under the SPA.
- The higher the de minimus threshold, the more limits there are on the buyer and the more seller friendly the mechanism becomes.



Baskets: 67.3% of SPAs we reviewed contained an aggregate threshold for warranty claims, or a "basket" which represents the minimum amount that all claims can add up to. The graph on the right reflects the proportion of deals with a threshold of less than 1%, 1% or greater than 1% in our SPA data set.

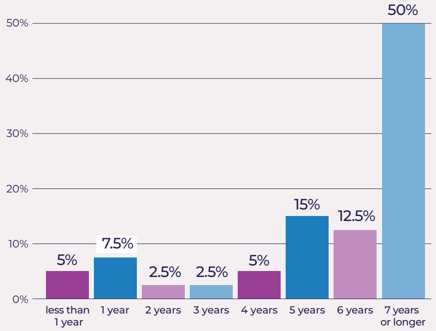


W&I Insurance: Of the deals we advised on, 5% had W&I insurance:

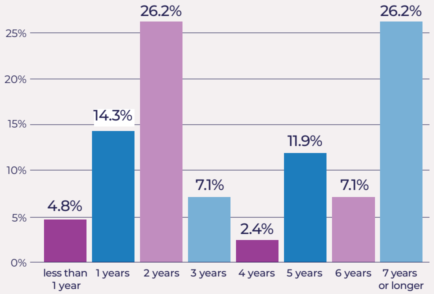


Time limits and caps:

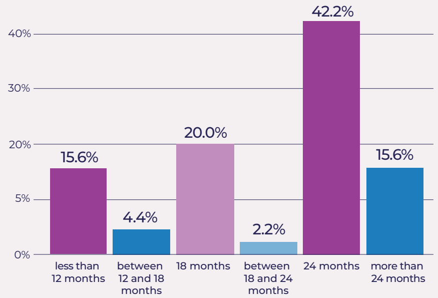
Time limit on tax claims



Time limit on title claims



Time limit on other claims



Mining and Resources

In 2023, the Australian resources industry continued its focus on critical minerals, feeding off the decarbonisation and EV themes that have dominated global headlines recently. However, in the second half of the year, there was increased pressure on commodity prices which, with increased capital costs and global tensions, has put pressure on exploration and mining companies and led to increased M&A activity.

Key themes for 2023

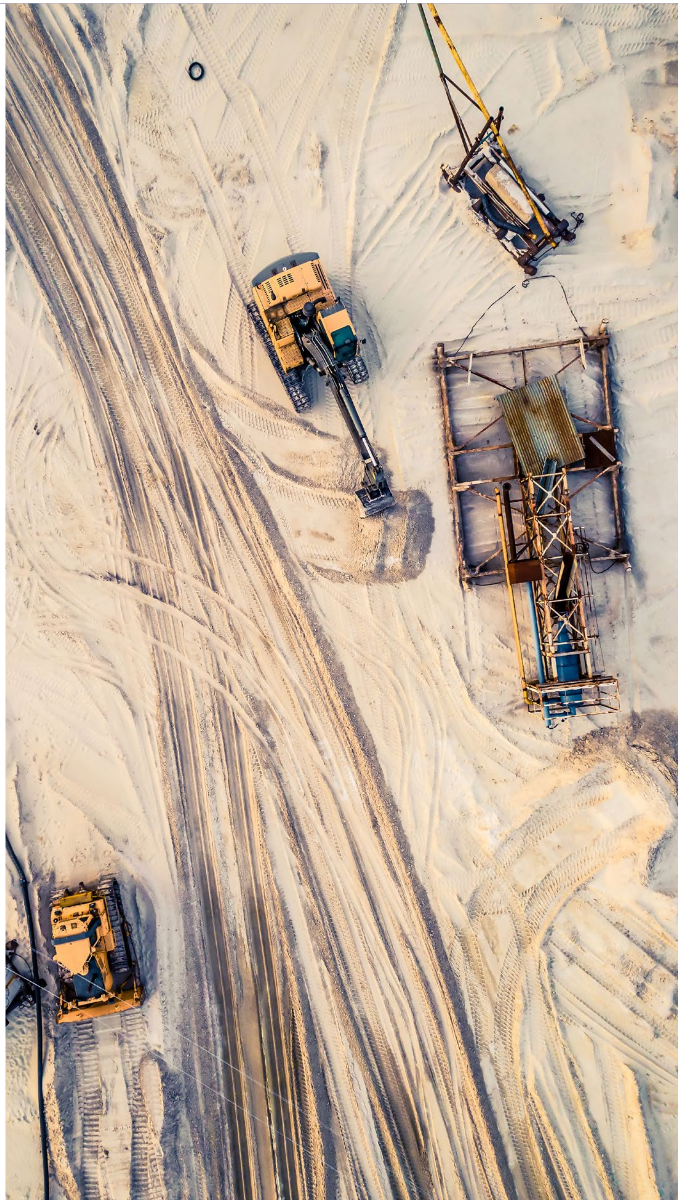
- **Energy transition** – the energy transition and decarbonisation continued to drive M&A activity in the mining and resources sectors, with investor demand for exposure to these mining companies and an increasing move to shore up supply chains away from China dictating valuation trends and jurisdictional targets.
- **Critical minerals ascendance** – the sector has experienced unprecedented growth in recent times, in part due to the introduction of the Federal Government's Critical Minerals Strategy 2023-2030 which was released in June 2023 and, amongst other things, opens up funding opportunities for the development of critical minerals' projects.
- **Legislative impacts on sector** – industrial relations and workplace safety reforms made headlines in 2023, alongside significant legislation changes including the repeal of the Aboriginal Cultural Heritage *Act 2021 reverting to the Aboriginal Heritage Act 1972* in Western Australia, with several amendments, particularly around the section 18 approvals process.

"Given the decline in commodity prices in the battery minerals sector, increased capital costs for new projects and heightened geo-political influences, we expect the recent pickup in M&A activity in the mining sector to continue in 2024."

Michael Boyce
Hamilton Locke Corporate Partner
Head of Mining and Resources

Future outlook

- **Consolidation and increased M&A activity** – tight capital markets, increased capex costs and lower commodity prices are creating ideal conditions for a wave of consolidation activity in the mining sector. With explorers facing difficulties in raising capital to advance their exploration projects, and the sheer number of junior exploration companies that have listed in the last three years, we expect to see a continued wave of M&A activity in the junior mining sector in particular this year. We also expect to see companies seeking other ways to protect their assets and conserve cash, with a focus on enticing a major to participate in a project by farming-in or entering mineral sharing arrangements.
- **Positivity for the gold sector** – with gold prices at all-time highs, particularly in Australian dollar terms, there continues to be a positive outlook on gold projects with investors returning to their safe-haven commodity. This is partly due to macro conditions, with US debt and global conflicts and uncertainty playing a key role. With the US looking like it is beginning to bring inflation under control, the US Federal Reserve is anticipated to announce interest rate cuts from mid-2024 with analysts expecting this to result in continuing higher gold prices throughout the course of 2024. We expect the increased gold focused M&A we saw in 2023 to continue into 2024.
- **Commodity pricing challenges** – the downturn in commodity prices, particularly for lithium and nickel, has posed significant challenges for explorers and miners alike, with expectations that these lower prices will continue throughout 2024. Despite the current market conditions, there remains some optimism regarding the medium to long-term outlook for the commodity prices of most critical minerals, especially for companies with efficient cost structures, given the essential role they will play in global decarbonisation efforts towards achieving net zero emissions by 2050. However, the longer commodity prices stay depressed, pressure will increasingly bear on higher cost mining companies and this is likely to contribute to increased M&A activity in the sector, particularly with some cashed-up producers taking a long-term view on distressed assets.



Health

Healthcare remained a focus for financial sponsors in Australia with good quality assets ripe for consolidation.

"Investors have focused their attention on quality of earnings in target acquisitions and have generally taken a more conservative approach on the buy-side. There has been a renewed focus on financial due diligence to ensure valuations reflect the raw data presented by the target. Transactions have taken longer on average from inception to completion often due to differences of opinion on valuation between buyers and sellers and the deeper focus on due diligence. We saw a significant increase in the use of earn outs and other deferred consideration mechanics to bridge the valuation gap."

James Tannock
Hamilton Locke Corporate Partner

Key themes for 2023

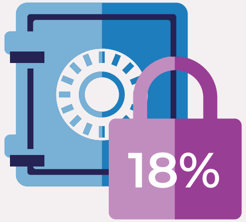
- **Quality of targets** – financial sponsors have been increasingly selective with the assets they are acquiring or into which they are investing. More in-depth due diligence has been undertaken to enable higher buy-side confidence in valuations and quality of earnings. Beyond the fundamentals, financial sponsors are seeking increased comfort that targets will have appropriate synergies with the buyer group for any buy and build strategy
- **Deal uncertainty** – deferred consideration mechanics, and earnouts in particular, have been a useful (and more popular than in previous years) tool to allow buyers to soothe their concerns with financial forecasting given the risks associated with inflation, the cost of finance and general economic conditions, while also meeting sellers' valuation expectations. These mechanics have tended to be highly negotiated.
- **Employment due diligence** – there has been a heightened focus on employment issues especially relevant for healthcare providers with large workforces. Employee sampling exercises were common to ensure target staff were paid fully and in accordance with relevant awards. Another key issue which can be expensive for buyers to rectify, and one that W&I insurers are particularly alive to is the appropriate classification of employees and contractors.
- **Early deal termination** – we saw an uptick in pre-execution terminations of transactions in this sector, largely driven by the valuation gap between sellers and buyers and focus from buyers on the due diligence process.

Future outlook

The hospital, in-home care, specialist care and pharmaceutical sectors have continued to experience a wave of consolidation, driven by the need for economies of scale and enhanced operational efficiency. In particular, financial sponsors (both international and domestic) show strong signs of continued focus on this sector with dry powder to spare and limited partners looking for adequate return on investment in more difficult general economic conditions. The Hamilton Locke experience also indicates that this sector will remain buoyant through 2024 with continued consolidation and plenty of competition for high quality assets at the right price.

Deal Analysis

Escrow or holdback: Our data reveals that in the past 12 months, we have seen over 18% of deals utilise an escrow account or holdback machanism to secure warranties. This was a significant increase from what we saw in 2022.



Earnouts: Earnout provisions were present in 29.5% of the SPAs we advised on in 2023. This was a significant increase from what we saw in 2022.

32.8%

of the deals we advised on contained deferred consideration.

Disclosure: Waranties were qualified by buyer knowledge in

38.6% of SPAs we advised on.

As expected, the majority of SPAs we reviewed had information warranties that captured the quality of data room content.

35% of SPAs had disclosure letters.

Foreign investment:
Despite strong inbound investment in Australia, of the deals reviewed in our data set, over 96.6% were acquisitions by Australian buyers. With increased regulatory scrutiny from FIRB, the certainty presented by domestic buyers has been a competitive advantage over international bidders.

Financial Services

In 2023, the M&A landscape within the fintech, payments, and cryptocurrency sectors remained relatively subdued, characterised by several key trends and events. The year saw minimal M&A activity within the fintech and crypto space, with market players facing challenges such as lower valuations, protracted transaction time frames, and more onerous term sheet negotiations.

Key themes for 2023

While deal activity in this space was slow in 2023, the high interest rates and difficulty of raising capital through traditional means saw businesses seek alternative avenues for cash flow, leading to increased divestment of non-essential assets and business divisions.

> "Despite the quietness in these sectors, deals that did proceed involved more thorough due diligence processes, with increased scrutiny directed towards unfair contract terms given the changes made in November 2023".

Michele Levine
Hamilton Locke Financial Services Partner

Future outlook

Looking ahead to 2024 and beyond, several trends and predictions are poised to shape the M&A landscape within these sectors:

- The convergence of increased regulation and inflationary pressures is expected to drive consolidation within the industry, as firms seek economies of scale and better pricing to navigate the evolving regulatory landscapes and financial conditions.
- With the introduction of major regulatory reform for digital assets and payments, we suspect businesses industry consolidation will follow. Firms may pursue strategic acquisitions to acquire customer bases and to navigate regulatory thresholds successfully.
- The Buy Now Pay Later sector is also expected to witness consolidation due to new regulatory changes proposed. We are seeing pressures being placed on credit businesses given current interest rates and expect to see industry consolidation to access greater scale and margin.

Restructuring and Insolvency

As expected, we saw a marked increase in M&A activity in the restructuring and insolvency sector in 2023 compared to previous years. Some of the most affected sectors in restructuring and insolvency included transportation, hospitality, retail and construction.

Key themes for 2023

- **Non-bank lender enforcement** – there continued to be increased activity from credit funds and non-bank lenders, and there was also a commensurate increase in enforcement by non-bank lenders through the appointment of receivers.
- **Opportunistic buyers** – we continued to see opportunistic buyers in the market looking to bolt on distressed businesses or acquire competitors. Those with access to capital who were able to act quickly and get comfortable with the lack of representations and warranties (i.e. sales on an ‘as is, where is’ basis) were able to get a good bargain.
- **Debt for equity** – there has been an increase in credit funds and sophisticated investors looking to purchase debt of distressed businesses with a view to a control play through a debt for equity swap.
- **ATO crackdown** – the ATO increased active recovery action, largely due to the quantum of ATO debt accrued during the COVID-19 pandemic. As part of this the ATO has recommenced issuing Director Penalty Notices and is taking an active and at times quite aggressive approach during insolvency processes, including voting down restructures.
- **Value deterioration** – in certain sectors there has been deterioration of asset values and businesses failing to reach profitability, prompting action by creditors who are no longer completely covered for their secured debt either through enforcement or seeking additional security such as parent company and personal guarantees from shareholder or directors.

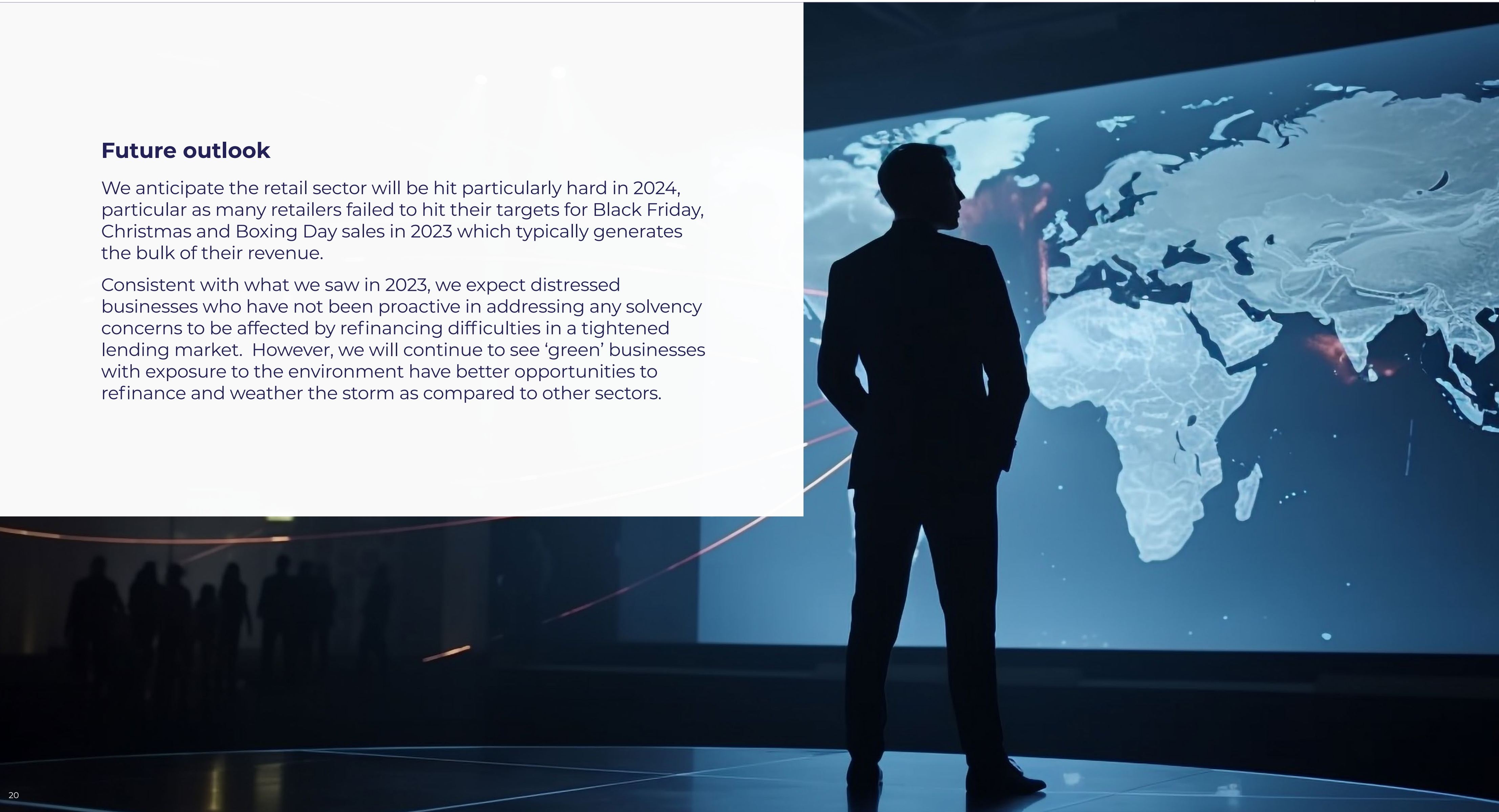
“Generally speaking, companies and boards who were proactive in looking to either restructure, refinance or sell while they still had access to cash tended to achieve better outcomes and maintain creditor and stakeholder support, and were able to avoid a forced M&A transaction or terminal insolvency. By contrast, companies and boards who moved too slow in addressing solvency concerns lost control of the process and often did not survive as a going concern. ”

Nicholas Edwards
Hamilton Locke Restructuring and Insolvency Lead

Future outlook

We anticipate the retail sector will be hit particularly hard in 2024, particular as many retailers failed to hit their targets for Black Friday, Christmas and Boxing Day sales in 2023 which typically generates the bulk of their revenue.

Consistent with what we saw in 2023, we expect distressed businesses who have not been proactive in addressing any solvency concerns to be affected by refinancing difficulties in a tightened lending market. However, we will continue to see ‘green’ businesses with exposure to the environment have better opportunities to refinance and weather the storm as compared to other sectors.



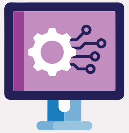
2024 M&A Predictions

1. W&I Insurance

The demand for warranty and indemnity insurance continues as capacity and competition among insurers in providing this type of coverage at favourable prices and terms continues. We expect to see buyers to push the boundaries and seek recourse against sellers beyond the W&I insurance policy.

2. Technology

With the expansion of artificial intelligence capabilities, we expect M&A activity in the technology sector with companies seeking to acquire other companies specialising in areas such as cybersecurity, cloud computing, and digital marketing to increase.



3. Private Equity Dry Powder

Private equity firms continue to look at ways to deploy capital. Dry powder has soared following a slow start in 2023 to deal making.

4. Regulatory Scrutiny

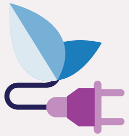
2023 saw heightened scrutiny from competition regulators. The proposed merger reforms from the ACCC, reforms to the Privacy Act and regulation for high-risk artificial intelligence development will mean firms in Australia face heightened antitrust scrutiny.

5. ESG

Investors are placing a strong emphasis on ESG considerations resulting in EGS as a focus throughout the due diligence process.

6. Renewable Energy

We expect the focus on renewable energy and sustainability in Australia will lead to a surge in M&A activity across renewable energy, clean technology, and environmental services as companies seek to meet and strengthen their green credentials and diversify their energy portfolios.



About Hamilton Locke

Hamilton Locke is an award-winning team of lawyers advising forward-thinking businesses and innovators on their most pressing challenges.

Courageous thinking. Collaborative structures. Culture at the fore. These are the qualities that enable us to provide today's most innovative companies with practical advice that moves the dial. From complex transactions to industry-first challenges, we strike the right balance of out-of-the-box thinking and accountability to our clients.

Our nimble structure empowers our team to focus wholly on outcomes. With top-tier lawyers operating across multiple jurisdictions, we bring the best people together to solve a problem and deliver creative and cohesive solutions.

We don't sit on the fence. We put people first. And we do the best work of our lives. It's a breath of fresh air that we believe our clients deserve.

Consistently ranked for Corporate M&A in:

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Thank you.

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