



**“High performing privately owned businesses are an increasingly attractive asset class.”**

With a 30-year history and combined experience of more than \$10 billion in transactions, Scan Capital is a leading boutique M&A firm specialising in divestments, acquisitions, valuations and corporate advice. Scan Capital (Scancorp) operates under its own Australian Financial Services License and has representatives across Australia.

#### Recent Transactions

**1. ASX listing of a Lithium technology company** - Lepidico Ltd was an Australian public unlisted company which had developed a disruptive technology to recover lithium from sub economic mica. Scancorp facilitated an Australian Stock Exchange (ASX) listing to deliver greater access to capital to fund growth, provide tradeable scrip to make acquisitions of lithium mining assets, and deliver liquidity for seed investors. Following its listing, in October 2017, Lepidico (ASX:LPD) announced that Galaxy Resources Limited (ASX:GXY), one of the world's leading lithium mining companies had subscribed for a 12 % private placement in Lepidico.

**2. Sale of industrial property into a single purpose fund** - within the current low interest rate environment, industrial property with long-term leases are in high demand from investors pursuing yield. In an advisory capacity, Scancorp facilitated the initial acquisition of an industrial factory on behalf of its client. Scancorp subsequently identified a potential buyer of the factory and structured the sale to a single-purpose property investment fund. This enabled its client to realise the capital appreciation and reinvest in its manufacturing business.

**3. Acquisition of a specialist day hospital** - Scancorp was engaged to assist a day hospital aggregator to accelerate its growth via the acquisition of existing hospitals. Scancorp managed an acquisition campaign over 12 months which resulted in two completed acquisitions and a pipeline of additional candidates. Demand for day hospital assets is highly competitive, and the acquisitions were made “off-market” to facilitate the succession planning of the existing owners.

**4. Sale of a privately held engineering company to an ASX listed entity** - Scancorp facilitated the sale of Morrison Geotechnic Holdings to HRL Holdings (ASX:HRL) which specialised in the provision of environmental services. The transaction enabled HRL to diversify its professional service offering while adding substantial revenues and increasing value to its shareholders. The shareholders of Morrison Geotechnic remained operational within the business following the sale.

**5. Sale of a privately held IT security company to an ASX listed entity** - Scancorp facilitated the sale of Decipher Works to Transaction Solutions International (ASX:TSN). TSN has a 25% interest in TSI India, which manages a network of 14,000 ATM machines. TSN sought to diversify its revenues through the acquisition of Decipher Works, a cyber security specialist based in Sydney. The transaction provides Decipher Works with additional support to accelerate growth of its service offering and geographic presence.

**6. Sale of a privately held labour hire company to a public company** - Scancorp was engaged to manage the sale of

a privately held trade and technical labour hire company. Scancorp noted substantial consolidation occurring within the labour hire industry and with revenues in excess of \$10 million, Scancorp's client was in high demand. The successful acquirer was an unlisted public company which achieved geographic, service and revenue expansion as a result of the transaction.

#### 2018 Predictions

In 2017, we saw the emergence of several trends that we anticipate will continue through 2018:

- Continued growth in small-cap activity: small enterprise value (<\$10m) transactions jumped from 10% of all deals by volume in 2015 to 22% of deals in 2016. We anticipate this trend will continue as the owners of high quality privately held businesses look to exit.
- Continued acquisition appetite within small-caps: as small cap ASX listed and public unlisted companies (e.g. \$25 million to \$150 million) look to accelerate their growth, we anticipate they will continue to be committed buyers of high quality privately held businesses.
- Increased syndication: in 2018, we predict that traditional debt will become more difficult to obtain. Meanwhile, profitable privately held businesses will present as an appealing asset class to financial buyers (such as syndicates of investors and family offices). As such, we anticipate an increase in the number of buying syndicates that combine experienced industry operators supported by financial investors.

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