

The latest in small and mid-market sales, mergers, acquisitions, investments and advisory



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December Industry Scan

Merger & Acquisitions | Business Sales | Corporate Advisory | Funding

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The team at Scancorp would like to wish you a Merry Christmas and a prosperous New Year. We wish to advise that during this period, our offices will be closed from 5:00pm Friday 21 December 2012 and re-open from 8:00am Monday 7 January 2013.

Scancorp's "5 Pillars" guide acquisitions

Drawing on its 26 years of experience, Scancorp has identified 20 key characteristics that determine the attractiveness of unlisted companies to potential acquirers.

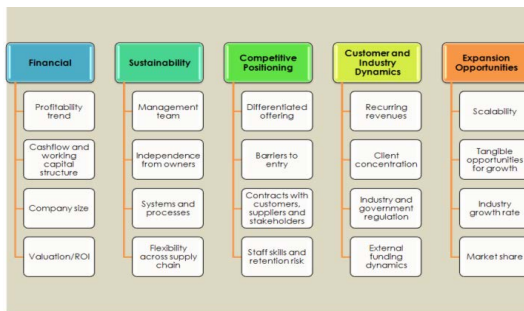
We find that the same core criteria are assessed by strategic buyers (such as a trade sale to industry participants) and financial buyers (such as a leveraged buyout through an investment syndicate or private equity fund).

Scancorp has grouped the key characteristics into "5 pillars":

1. **Financial:** such as the trend of profitability and the proposed valuation
2. **Sustainability:** including the strength of the management team and independence of the business from the current owners
3. **Competitive Positioning:** which considers the extent to which the Company's offerings are differentiated and the barriers to new entrants
4. **Customer and Industry Dynamics:** such as the extent to which revenues are recurring and the level of industry regulation (which may present as a positive barrier to new entry or a negative barrier to further

growth)

5. **Expansion Opportunities:** including for example, tangible opportunities for growth and the ability of the Company to scale to enjoy such growth.



We also leverage the "5 pillars" when we assist a Company to prepare for exit [Scancorp's Business Exit Service Overview](#).

While very few Companies excel in all 20 characteristics, we find the "5 pillars" enables us to readily identify the strengths and weaknesses of a business.

We can then work with the Company's owners and management to address the key issues and prepare the Company to optimise sale within 12-18 months.

Click here for more information regarding [Scancorp's Business Exit Service Offerings](#).

"Golden Tickets" Visa: New Source of Australian Investment Demand

On 24th November, the Federal Government launched its Significant Investor Visa program. Under this visa class, any foreigner making a complying \$5M investment in Australian assets can be issued with a visa that enables them to work, study or travel to and from Australia over a period of four years.

Complying assets include: Government bonds, ASIC regulated managed funds and importantly for Scancorp clients – **direct investment into proprietary Australian companies**.

The new visa class referred to as the "golden ticket" visa, is part of a revamped skilled migration program. The Department of Immigration and Citizenship estimates that 700 visas will be issued to significant investors each year. If correct, this would equate to an injection of \$3.5B into complying Australian assets each year.

Under the federal government's broad program criteria, each state can specify where the \$5 million is to be spent. New South Wales for example wants \$1.5 million from every \$5 million invested in a state infrastructure fund.

With a visa application number of 888, the new visa class appears to be unashamedly focused on attracting wealth from China; however migration agents expect to see interest across South East Asia as well as Russia.

The new visa class is modelled on the Singapore legislation and is seen to be more flexible than investment visas in other countries. For example, foreigners who invest in the US to gain "green cards" are required to comply with US global taxation reporting.

The "golden ticket" visa has significantly favourable conditions over current visa classes:

- Visa holders is only required to spend 40 days a year in Australia
- The four year visa's can be extended by a further two years with a maximum of two extensions
- The visa class has no English language test, no business skills requirement and no age limit
- There is no interview requirement with government representatives

Scancorp is currently investigating the new visa class as a possible distribution channel for clients to divest or access expansion capital.

Market Insights

In November, the Australian Private Equity and Venture Capital Association Limited (AVCAL) released its fourth annual report of private equity (PE) and venture capital (VC) deal activity, covering deals executed up to the end of June 2012.

Despite the difficult macroeconomic climate hampered by the European and American debt crises, PE transaction value and volume remained consistent with FY11 (allowing for two outlier deals conducted in FY11).

Some observations of interest include:

- 59% of deals were for transactions of companies worth < \$50M
- The average enterprise value (EV) for bolt-on acquisitions in FY12 was \$27M
- The average enterprise value (EV) for new acquisitions in FY12 was \$133M
- Weighted average pricing multiples based on company value / earnings before interest, tax, depreciation and amortisation (EV/EBITDA) declined from 8.3x in FY11 to 6.8x in FY12
- VC investment for the year was \$115M with \$57M new investment and \$58M for subsequent rounds
- The average size of new investments in FY12 increased slightly on the previous year to \$1.2M, while the average size of subsequent investments declined to \$0.8M
- PE firms surveyed are bullish regarding the prospects for 2013

[Read the full report here](#)

Client in focus

Evolve Group ("Evolve") has continued its progress towards becoming one of Australia's leading product innovation and commercialisation firms.

Over the past 10 years Evolve has specialised in the:

- identification of a specific product requirement
- design and protection of intellectual property
- commercialisation of the product, and
- successful distribution through some of the nation's largest wholesale and retail channels

CEO Ty Hermans states that the company is well ahead of its plan to expand revenues by 50% in calendar 2013: "we have seen major growth in the first months of FY13 and are now heading into our largest sales months around Christmas".

As one example, the company's TRED™ (Total Recovery and Extraction Device) product is exceeding all forecasts.

Commercialised in May 2012, Evolve has already

secured distribution for TRED through all major and up to 1,100 independent wholesale and retail outlets across Australia and New Zealand.

Evolve is receiving interest from various government and defence departments for TRED and is currently involved in a trial with the WA Rural Fire Brigade. TRED is on track to achieve revenues from domestic sales of around \$2M within 12 months.



Mr Hermans is bullish regarding TRED's international prospects: "after a successful launch in the USA at SEMA in November 2012, Evolve will open various international markets during FY13 such as South Africa, UAE, Asia and Europe."

Evolve has over 30 products short-listed for commercialisation over the next 24 months.

For more information refer to: <http://www.evolvecomposites.com.au/>

Scancorp is engaged as corporate advisers to the Evolve Group.

Other News

[My Heroes fills Round 2](#)

[Buyout industry feels lure of Australia](#)

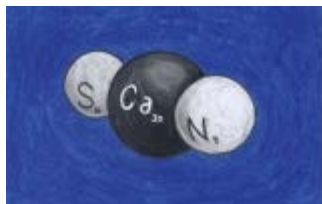
[How you can fund future growth](#)



Featured Investment

[Leading Mr Rental Franchises](#)

- * Award winning franchise system
- * 2 adjacent territories in the top 5 of 90 stores nationwide.
- * Strong sales and EBITD growth over past 4 years.
- * Both stores managed by an experienced team .
- * Secure leases with attractive



Featured Investment

[Investment Syndicate: Global Entertainment Technology Company](#)

- * Domestic entertainment centre generates strong annuity
- * International technology division has over 100 licensed sites
- * 23% compound growth year-on-year over past 5 years



Our Mission

We provide the highest quality advisory services and solutions, previously inaccessible to the small to mid market.

Our Vision

To be the leading boutique provider of advisory services to fellow small and medium

rent and lease terms.

* Exceptional profitability: 37%

EBIT margin

* Exceptional IRR to investors

companies.

Our Services and Capabilities

[Business Exit Service Overview](#)

[Scancorp Capabilities](#)

[Sellability Score](#)

Last Newsletter

[November Newsletter](#)



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