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**ON BOARD:** Macquarie Capital's Kate Vidgen and Brookfield Private Equity's Len Chersky are directors of Quadrant Energy, after playing key roles in the year's biggest completed M&A deal. *Photo: Attila Csaszar*

## WA deals top \$30bn in hit-and-miss year

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Published: Monday, 18 January, 2016 - 09:47

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Local firms [Azure Capital](#) [6] and [Hartleys](#) [7] punched above their weight in 2015 in what was a lucrative year for a handful of top corporate advisers in WA.

Also in this edition's corporate finance feature: [WA tech firms raised \\$132 million](#) [54] in 2015 and [the year's biggest capital raisings](#) [55].

Corporate finance dealmakers will need to look harder and get more creative to find opportunities in 2016, as commodities markets remain volatile and uncertainty grows over the Chinese economy.

One guide to the period ahead is the recent past.

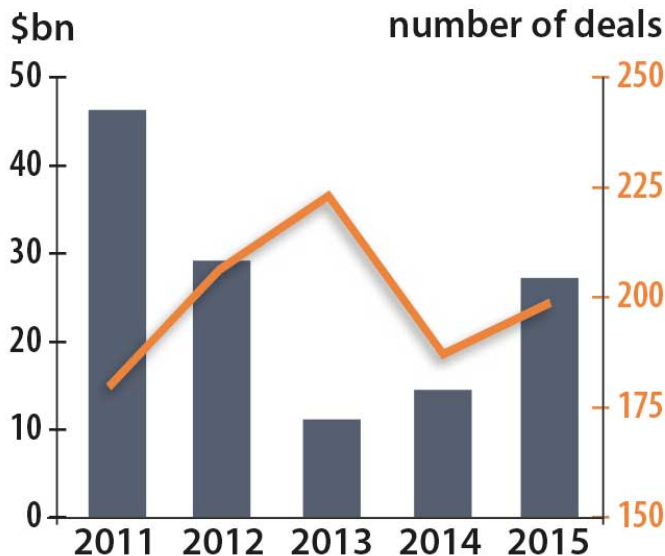
*Business News'* annual corporate finance survey shows there were about 470 M&A and capital raising deals in Western Australia last year worth a combined \$30.9 billion.

However, that total was substantially inflated by Woodside’s ill-fated takeover pitch to Oil Search, and several other failed M&A deals.

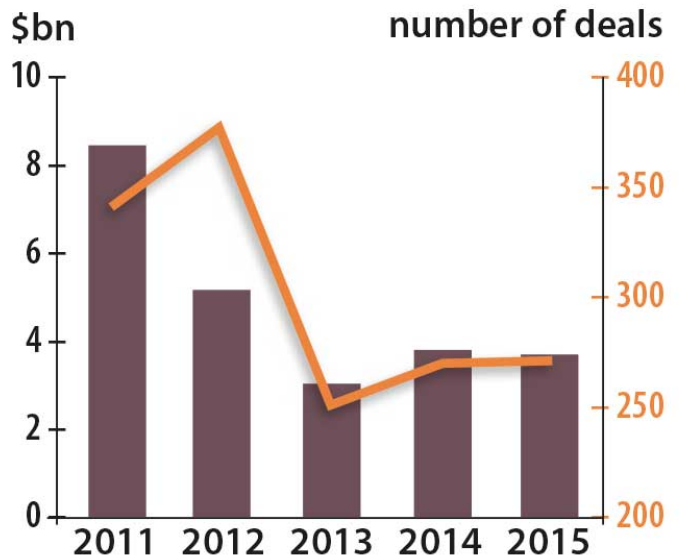
The dearth of successful M&A deals was most pronounced in the latter part of the year, with 2015 also characterised by the paucity of big capital raisings.

## Deal flow

### M&A



### ECM



Source: **BNiQ** SEARCHENGINE

[Wellard](#) [11]’s \$299 million IPO showed there are still opportunities for well-run businesses outside the resources sector to raise capital.

Another positive was the surge in tech sector capital raisings, which highlighted the opportunity for niche businesses to tap the large pool of risk capital in WA.

In the M&A space, there were two substantial privatisation deals in 2015, with dealmakers hoping for more in 2016.

The Town of Port Hedland sold its airport to an [AMP Capital](#) [13]-led consortium for \$165 million, while the state government has named the [Perth Markets](#) [12] consortium as preferred bidder for Market City in Canning Vale, in a deal speculated to be worth \$120 million.

Prospective sales include the Utah Point wharf in Port Hedland, which could yet be stymied by the weak iron ore market, and Fremantle Ports, but there are doubts about whether that will hit the market this year.

In the corporate sector, the long list of failed M&A deals in 2015 signalled the challenge ahead.

[Woodside Petroleum](#) [14], [Iluka Resources](#) [15], [Emeco Holdings](#) [16] and [Todd Corporation](#) [17] were among the bidders that did not complete announced takeover deals.

“The biggest issue with getting deals done is volatility,” [Goldman Sachs](#) [10] managing director [47][Peter Watson](#) [47] told *Business News*.

“When stock prices move significantly in short periods of time, that makes it very difficult.

“If we can have a period of relative stability, you are likely to see more M&A deals announced and completed.”

Tough markets also create opportunities, as evidenced by [Atlas Iron](#) [18] during 2015.

Atlas completed one of the larger capital raisings of 2015 (\$86 million through [Hartleys](#) [7]) to strengthen its balance sheet.

That was short of its target of \$180 million, and it still left the company exposed to weak iron ore prices.

It followed this with a debt-for-equity swap announced just before Christmas, which will slash the company's interest-bearing debt.

The deal, put together by [Lazard](#) [4] and [JP Morgan](#) [5], will drastically dilute the stake held by existing shareholders, but means the business has a much better prospect of surviving.

Asset sales are tipped to become more common in 2016, particularly by distressed sellers looking to strengthen their business, but are by no means guaranteed.

Oil and gas producer [Santos](#) [46] launched a strategic review last year that was expected to result in major asset sales.

Instead, the [Santos](#) [46] board opted for a heavily discounted capital raising, because it didn't believe it would get a fair price for their assets.

| M&A HIGHLIGHTS                         |  | ANNOUNCED M&A DEALS 2015 – ADVISERS LEAGUE TABLE |                 |                     |  | BNIQ |
|--|--|--|-----------------|---------------------|--|------|
| COMPLETED DEALS                        |  | FINANCIAL ADVISERS                               | NUMBER OF DEALS | VALUE OF DEALS \$bn | KEY CLIENTS  |      |
| Quadrant Energy born out of Apache     |  | <b>Gresham Partners</b>                          | 2               | <b>11.7</b>         | Woodside*, Wesfarmers                              |      |
| TPG Telecom snared iiNet               |  | <b>Merrill Lynch</b>                             | 1               | <b>11.6</b>         | Woodside*  |      |
| Independence Group acquired Sirius     |  | <b>Macquarie Capital</b>                         | 6               | <b>4.7</b>          | Brookfield Macquarie consortium, TPG, Programmed   |      |
| Yara International bought out Apache   |  | <b>Azure Capital</b>                             | 8               | <b>3.5</b>          | iiNet, Northern Star, Force Equipment, CKA         |      |
| Programmed bought Skilled              |  | <b>UBS</b>                                       | 3               | <b>2.2</b>          | Independence Group, Skilled                        |      |
| Port Hedland airport privatised        |  | <b>Hartleys</b>                                  | 7               | <b>2.1</b>          | Sirius Resources, Altona Mining                    |      |
| PRIVATE OWNERS CASHING IN              |  | <b>Goldman Sachs</b>                             | 2               | <b>1.9</b>          | Iluka Resources*, M2 Group*                        |      |
| DVG Automotive sold to Gulliver        |  | <b>Euroz Securities</b>                          | 1               | <b>1.8</b>          | Independence Group                                 |      |
| Force Equipment sold to China Minerals |  | LEGAL ADVISERS                                   |                 |                     |  |      |
| Gemini Accident Centres sold to AMA    |  | <b>Allens</b>                                    | 5               | <b>16.2</b>         | Oil Search*, M2 Group*, La Mancha                  |      |
| CKA Risk Solutions sold to Willis      |  | <b>Herbert Smith Freehills</b>                   | 12              | <b>14.2</b>         | Woodside*, Independence Group, Evolution Mining    |      |
| Strathearn sold to Gallagher           |  | <b>K&amp;L Gates</b>                             | 8               | <b>3.5</b>          | iiNet  |      |
| DEALS THAT DIDN'T FLY                  |  | <b>Clifford Chance</b>                           | 4               | <b>3.5</b>          | Apache Corporation, Skilled Group                  |      |
| Woodside's tilt at Oil Search          |  | <b>Ashurst</b>                                   | 12              | <b>3.2</b>          | Sirius, Iluka*, Northern Star, Atherton, Metals X  |      |
| Iluka's bid for Kenmare                |  | <b>Allen &amp; Overy</b>                         | 10              | <b>3.2</b>          | Wesfarmers, Strathearn                             |      |
| Emeco's purchase of Rentco             |  | <b>King &amp; Wood Mallesons</b>                 | 7               | <b>2.7</b>          | Lighthouse Minerals, Base Resources                |      |
| Todd Corp's bid for Flinders' project  |  | <b>Corrs Chambers Westgarth</b>                  | 8               | <b>2.6</b>          | Brookfield Macquarie consortium, Zijin Mining, RAC |      |
| AHG's sale of Covs                     |  | <b>Minter Ellison</b>                            | 3               | <b>1.6</b>          | TPG Telecom  |      |
| OPPORTUNITIES                          |  | <b>Clayton Utz</b>                               | 4               | <b>1.1</b>          | Yara International, Skilled, Force Equipment       |      |
| Restructuring/refinancing              |  | * Announced deal was not completed               |                 |                     |  |      |
| Distressed asset sales                 |  |  |                 |                     |  |      |
| Privatisation                          |  |  |                 |                     |  |      |
| Tech/niche sectors                     |  |  |                 |                     |  |      |

## Top of the league

The top corporate advisers in WA in 2015 were global firms [Macquarie Capital](#) [8] and [UBS](#) [9] and local players [Azure Capital](#) [6] and [Hartleys](#) [7].

Macquarie advised on six M&A transactions, including the largest completed deal of the year – the \$2.5 billion acquisition of Apache Corp's local oil and gas business by a Brookfield Macquarie consortium.

Other clients were [TPG Telecom](#) [28], [Programmed Maintenance Services](#) [38] and [AMP Capital](#) [13].

[Azure Capital](#) [6] had a bumper year, helped by its long-running advisory mandate with [iiNet](#) [25], which

was acquired by [TPG Telecom](#) [28] after a takeover battle.

It also advised [Force Equipment](#) [23] and [CKA Risk Solutions](#) [24], which were among a string of privately owned businesses sold to major national or international players.

[DVG Automotive Group](#) [19], [Gemini Accident Repair Centres](#) [20], [Strathearn Insurance Brokers](#) [21] and [Western Biomedical](#) [22] were other examples of this trend.

Azure also had success in the privatisation field, advising [Perth Markets](#) [12] on the purchase of Market City.

[Hartleys](#) [7]' biggest M&A job for the year was advising [Sirius Resources](#) [29] on the \$1.8 billion takeover by [Independence Group](#) [30].

It also worked on 25 capital raisings.

[UBS](#) [9] was on the other side of the Sirius deal, advising [Independence Group](#) [30], and had a lead role on the state's two biggest capital raisings, for Seven West Media and [Wellard](#) [11].

Gresham Partners and Merrill Lynch topped the *Business News* M&A league table, but only because they advised Woodside on its Oil Search proposal.

By contrast, the four advisers discussed above worked on multiple deals and had success with nearly all of them.

### **Lucrative fees**

The top advisers were paid handsomely for their work, judging by the numbers disclosed in takeover scheme documents.

[iiNet](#) [25] said its estimated takeover costs were \$22 million, with a big chunk of that likely to have been paid to Azure, law firm [K&L Gates](#) [26], [EY](#) [27] and other advisers.

Its new owner, [TPG Telecom](#) [28], had estimated costs of \$9 million, with Macquarie likely to have been paid the biggest fees.

[Sirius Resources](#) [29] said it expected to pay \$14.7 million in fees and expenses on the takeover by [Independence Group](#) [30] and demerger of [S2 Resources](#) [31].

The recipients would have included [Hartleys](#) [7], [Ashurst](#) [32], [BDO](#) [33] and [KPMG](#) [34].

Sirius also disclosed that it would have paid just \$2.7 million in fees if the deals did not proceed, which indicates the big upside for corporate advisers on successful deals.

Amcom revealed that corporate advisers – as opposed to lawyers and accountants – take the lion's share of fees.

It paid \$7.1 million to its advisers on the Vocus merger, with [Lazard](#) [4] paid \$5.9 million and the balance shared among [Clayton Utz](#) [36], [EY](#) [27] and others.

[Skilled Group](#) [37] disclosed that it expected to pay \$5.6 million to its advisers on the Programmed takeover, led by [UBS](#) [9], [Clayton Utz](#) [36], Grant Samuel and [Deloitte](#) [39].

### **Legal competition**

[Allens](#) [41] and [Herbert Smith Freehills](#) [40] topped the league table for law firms, helped largely by their work for Woodside and Oil Search.

Freehills worked on 12 deals, including for [Independence Group](#) [30] and Evolution Mining.

The only other major law firm to work on that many deals was [Ashurst](#) [32], which has a broad spread of

mining sector clients, including [Sirius Resources](#) [29], [Iluka Resources](#) [15] and [Northern Star Resources](#) [42].

The competing bids for [iiNet](#) [25] boosted the deal totals for [K&L Gates](#) [26], [Allens](#) [41] and [Minter Ellison](#) [43].

Similarly, the sale of Apache Corporation's oil and gas assets bumped up the deal totals for five law firms, with the major legal advisers being [Corrs Chambers Westgarth](#) [44] (which advised the Brookfield Macquarie consortium) and [Clifford Chance](#) [45] (which advised Apache).

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