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The Deal in Focus

Heads of M&A Survey 2023

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Foreword

Welcome to the sixth edition of our annual survey of corporate heads of M&A, which for the second year includes responses from New Zealand.

Off the back of last year's signs that the market was moderating, headwinds are now apparent and a slightly different take on uncertainty has settled in. This is particularly evident in the domestic market, where interest rates continue to influence the outlook. That said, most survey respondents are cautiously optimistic across most sectors, with appetite for inorganic growth remaining steady. Respondents also expect divestures to make a more regular appearance across deals in the next 12 months.

There's reason to be upbeat around robust labour market conditions in Australia and New Zealand, which both have unemployment rates near record lows, while population growth is also in recovery. Add to this a significant drop in supply chain disruption, which has halved in terms of its impact on deal execution – with international uncertainty now less of a concern.

The highest priority M&A objective over the next 12 months is filling gaps in the core portfolio, with 77% of respondents deeming this a high or medium priority. For just over half of respondents expediting synergy capture is also a prime objective, reflecting the change in conditions since deals completed in more buoyant markets. Unsurprisingly, the valuation of assets remains the most frequently cited challenge to M&A success, with 74% indicating it as their main difficulty.

Deals stalling at this stage are exposing the widening gap between buyer and seller expectations.

While 78% of respondents are highly confident in their strong balance sheet and adequate cash reserves, the changing economic cycle is challenging the financing of M&A, with 22% of respondents identifying the status of debt markets as a challenge, up from 8% last year.

There's an evolution taking place around how Environmental, Social & Governance (ESG) is understood in the context of M&A strategies. Our 2023 survey shows 37% of respondents are now leveraging ESG as a key source of value creation and a means to drive commercial growth. Considering ESG in the context of due diligence remains a primary area of focus, with the market now looking to ESG diligence to interrogate the growth prospects of a target company through analysis of relevant ESG megatrends and their impact (positively or negatively) on the business model and commercial ecosystem. These trends and tailwinds are shaping a growing proportion of transaction activity in the Power, Utilities and Renewables and Mining and Metals sectors, which is expected to drive continued deal flow in future years.

Even amid these mixed settings, more than half of respondents believe current economic conditions are supportive of M&A activity. There is opportunity for corporate M&A leaders to take advantage, with appetite for transactions steady and the pursuit of acquisitions remaining strong.

About the survey

The M&A Leadership Series brings together Heads of M&A from corporate Australia and New Zealand with leading Deloitte experts into one community.

The information in this survey is compiled from interviews with business leaders involved in M&A as well as insights gathered from Deloitte Access Economics and the views of the leading experts in Deloitte's M&A practices in Australia and New Zealand. In total, 132 interviews were conducted over an eight-week period between 3 April 2023 and 26 May 2023.

A total of 58% of interviewed firms were listed companies, and 42% were privately held.

Chart 1
Industry breakdown of interviewed firms

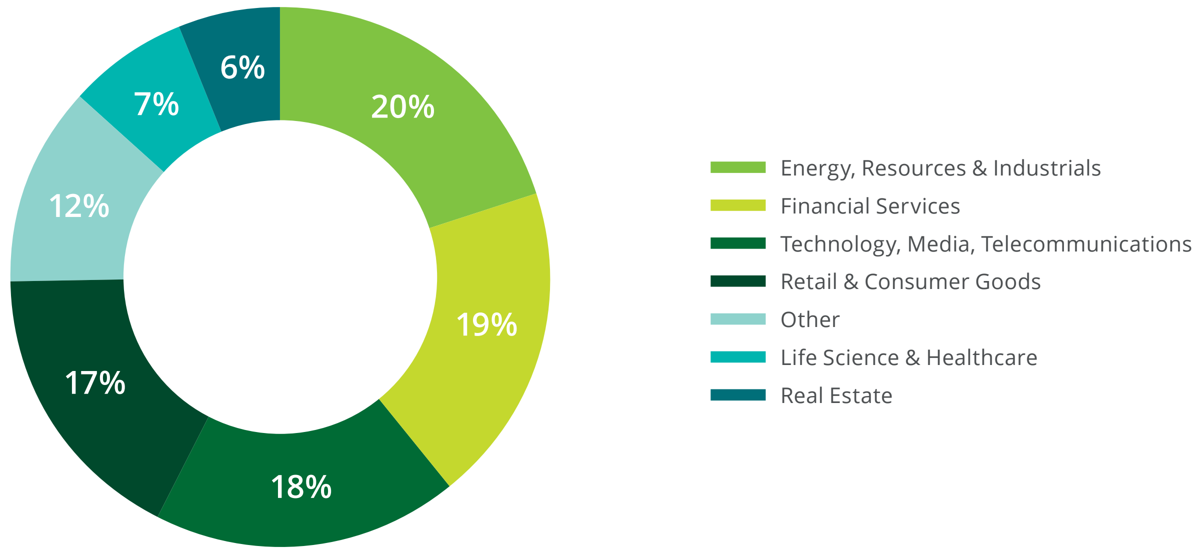
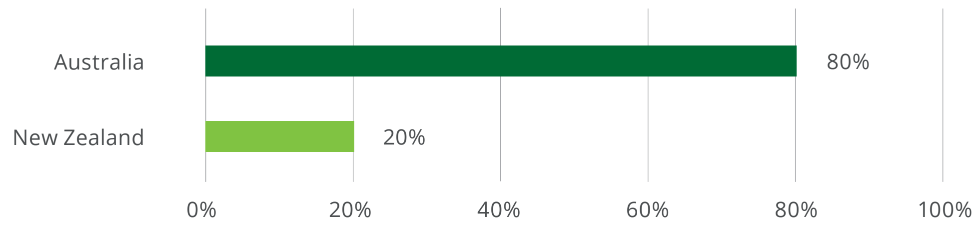


Chart 2
Location of interviewed firms



Key insights

87%

87% of Australian respondents and 88% of New Zealand respondents expect the number of deals they pursue to increase or remain stable in the next 12 months – up from 83% of Australian respondents and 81% of New Zealand respondents in the 2022 Heads of M&A Survey.

66%

66% of respondents believe current economic conditions are supportive of M&A activity, but with more positive sentiment in Australia relative to NZ respondents.

74%

74% of respondents see asset valuations as the greatest challenge to M&A success and 39% of respondents increased their equity hurdle rate in the last year.

77%

77% of respondents confirmed filling gaps in the core portfolio is a priority over the next 12 months, with 52% identifying a need for acquisitions in their last portfolio review.

71%

71% of respondents would not pay a premium if a target has positive environmental, social and governance attributes, but 84% of respondents would either apply a discount or not bid at all on a target that has negative ESG attributes.

M&A and the economic outlook

1.1 The macroeconomic outlook

M&A activity is influenced by a range of macroeconomic factors including economic growth, financial conditions and prevailing sentiment.

The economic outlook in both Australia and New Zealand has weakened over the past year. Persistently high inflation has led to the rapid tightening of monetary policy both domestically and abroad. Global growth has slowed significantly despite China reopening its borders, with the risk of a recession in the United States, United Kingdom and Europe remaining elevated. The economic outlook will depend on the outlook for interest rates. Central banks walk a narrow path in many advanced economies, attempting to raise interest rates enough to contain inflationary pressures without slowing the economy too much.

The rapid increase in financing costs has also exposed some fragilities in the global financial system. Multiple banks in the United States have collapsed, while others around the world have wobbled. These elevated levels of risk in the financial system are weighing on business and consumer confidence. Regulators have responded quickly to mitigate risk, but as interest rates rise, so does the risk of further defaults.

Monetary tightening has curtailed activity in the most interest rate sensitive parts of the Australian and New Zealand economies. Household consumption – which accounts for more than half of economic activity in Australia and over 60% in New Zealand – is expected to finish the year lower than where it started in both countries. Discretionary spending is being squeezed by the combination of higher mortgage repayments and falling real wages as cost-of-living pressures outpace wage growth.

Higher interest rates and the weaker economy have also weighed on property prices. Residential property prices in both Australia and New Zealand remain below their late 2021/2022 peaks and transaction volumes are low. This is placing downward pressure on new dwelling construction during an acute shortage of rental properties in Australia and rapidly increasing rents in New Zealand. And conditions are likely to tighten in the short term as population growth recovers more quickly than previously expected. Pressures remain in the construction industry driven on the supply-side by input costs, labour shortages and fixed price contracts.

In New Zealand, consumer confidence remains at record lows, and business confidence is low but is starting to rise driven by upgraded activity outlooks and access to credit. New Zealand has already seen a shift in consumer behaviour as a result of increasing cost pressures. The lockdown-era spending on durables (such as motor vehicles) has eased up and households are beginning to concentrate their spending on lower value items and imported goods. We would expect overall consumption to begin declining as mortgages continue to be repriced at higher rates and inflationary pressures persist.

Yet there are several positives. Labour market conditions in both Australia and New Zealand remain robust with unemployment rates near record lows, population growth is recovering rapidly amid a surge in migrants to Australia and New Zealand, and Australia is benefitting from commodity prices that are higher for longer – a win for exporters and the government budget.

Economic growth is forecast to slow considerably in both countries. Australia is expected to avoid a recession in 2023, however, New Zealand is now in a policy-induced recession. The New Zealand economy is forecast to shrink further in 2023 as higher interest rates weigh more heavily on economic activity compared to Australia.

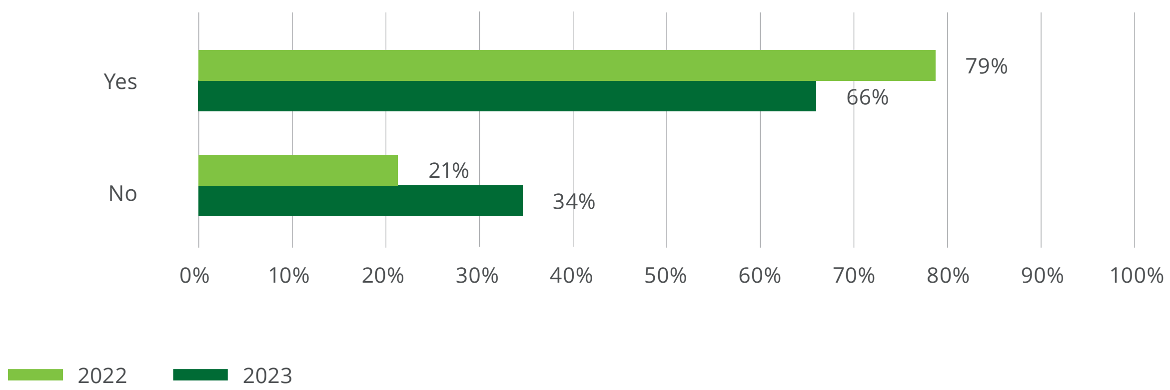
Consumer price inflation peaked in the second half of 2022 in Australia. We expect inflation to gradually return to the target band by mid-2024 to mid-2025.

This is likely to mean higher interest rates will be here for longer, although the peak of the tightening cycle should be near. Deloitte Access Economics' view is that the level of monetary tightening undertaken to date is enough to have tamed inflation, and that further rate rises significantly increase the risk of downgrades to economic growth.

In New Zealand, the RBNZ is of the view that inflation has peaked, and there's a risk it could continue to stay elevated. New Zealand's Budget 2023 proved more inflationary than expected with markets moving to price higher interest rates. Recent weather events and an October election date in New Zealand have created uncertainty around the outlook for fiscal policy.

Similar to last year, respondents in Australia are more optimistic than New Zealand (68% compared to 54%). That reflects a deterioration in the outlook from a year ago, when 79% of respondents believed economic conditions were supportive of M&A activity.

Chart 3
Are current economic conditions supportive of M&A activity?



1.2
The M&A outlook

The M&A outlook is proving resilient to the headwinds in the global, Australian and New Zealand economies. While not at the boom levels of 2021, 9 out of 10 respondents expect the number of deals they pursue to increase or remain stable in the next 12 months.

A total of 45% of respondents expect their organisation to see an increase in the number of deals over the next 12 months, while 42% expect the number to remain stable and 13% expect the number of deals to decrease. That's a slightly more optimistic outlook than in 2022, when 17% of respondents expected the number of deals to decrease over the following year.

Chart 4
Are you expecting the number of deals that your organisation pursues to increase or decrease over the coming 12 months?

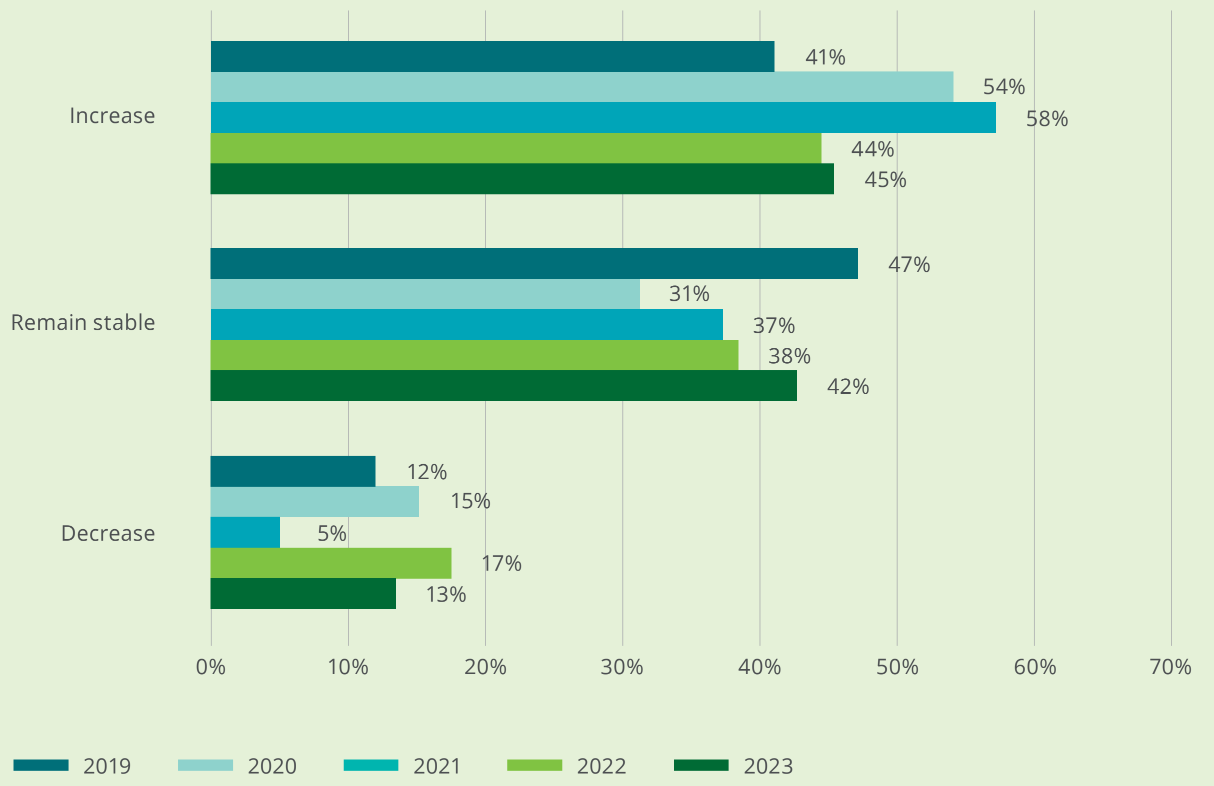
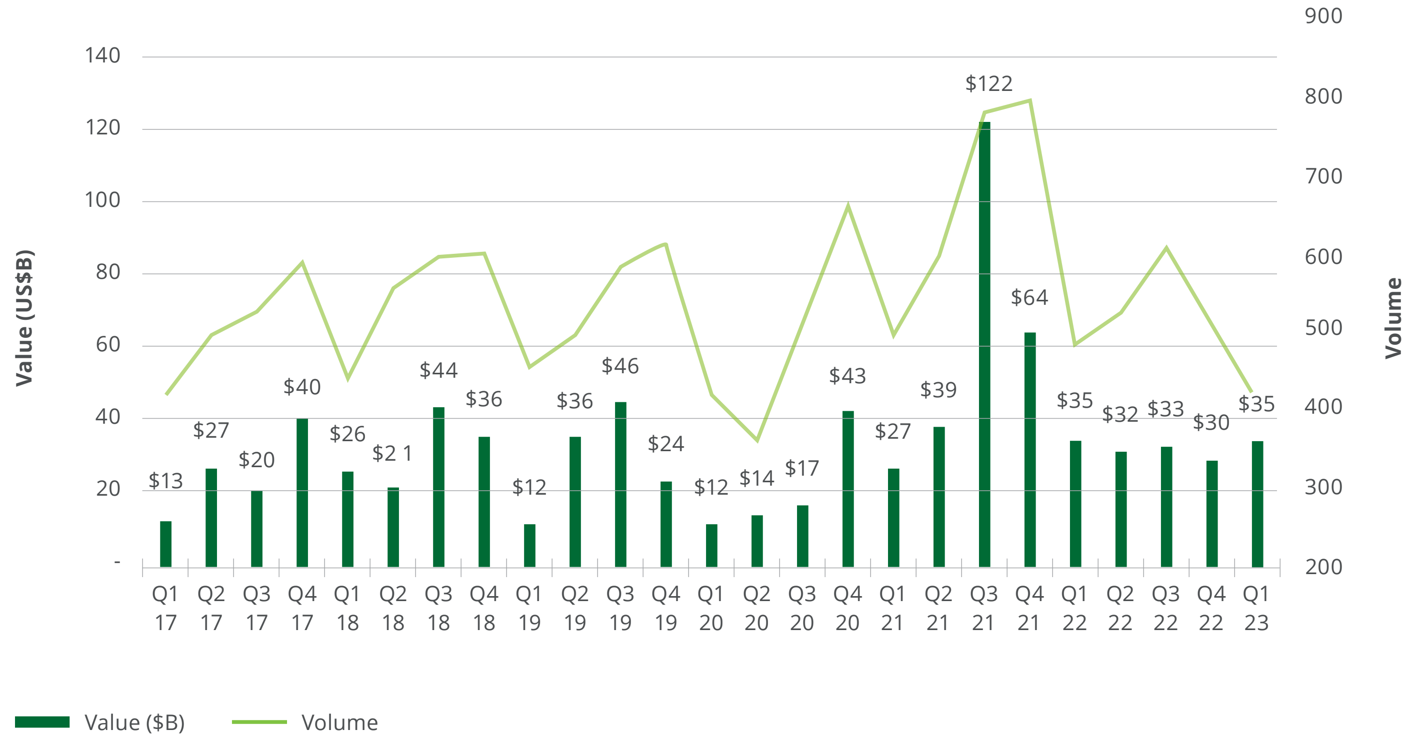


Chart 5
Australian & NZ M&A activity

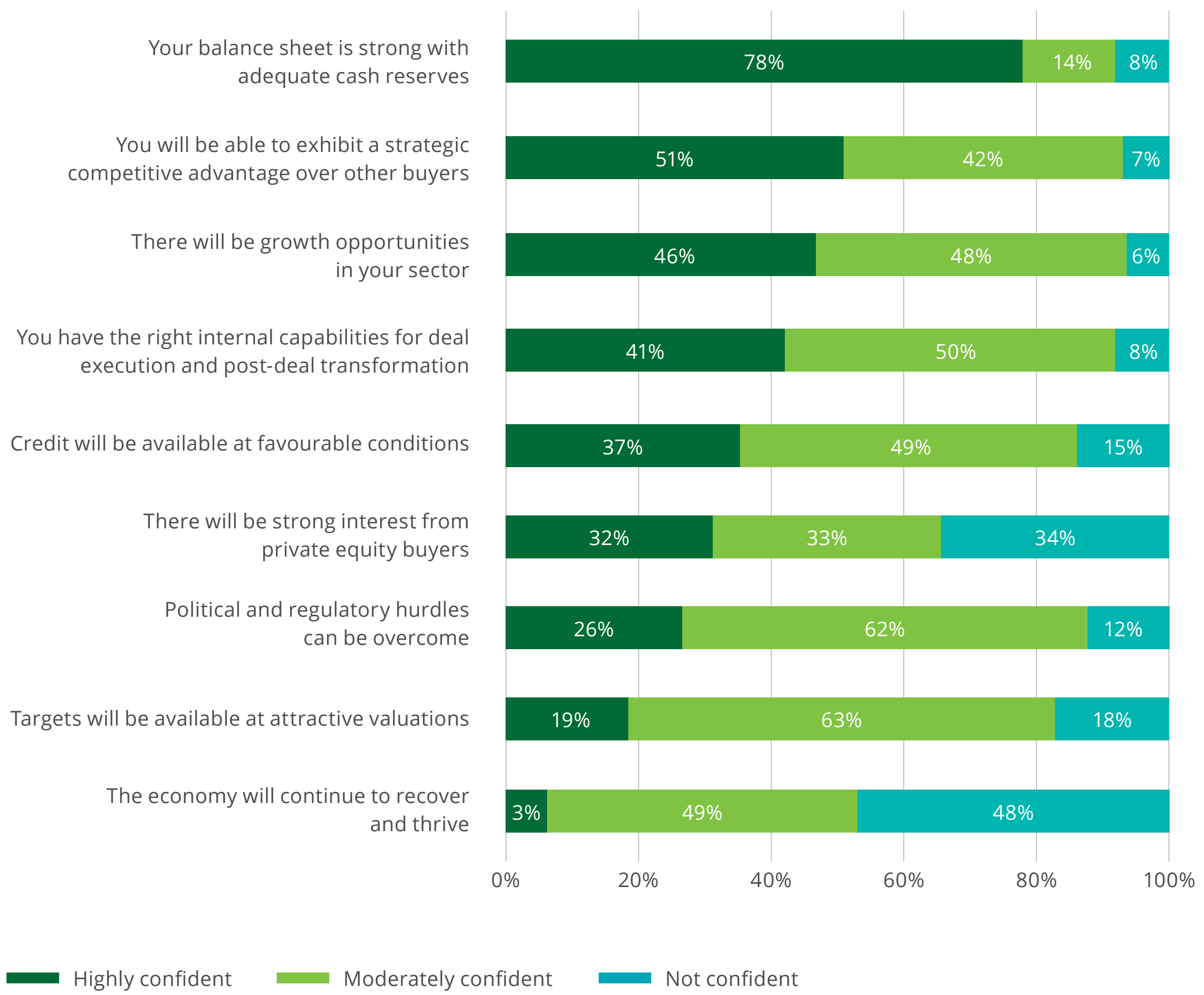


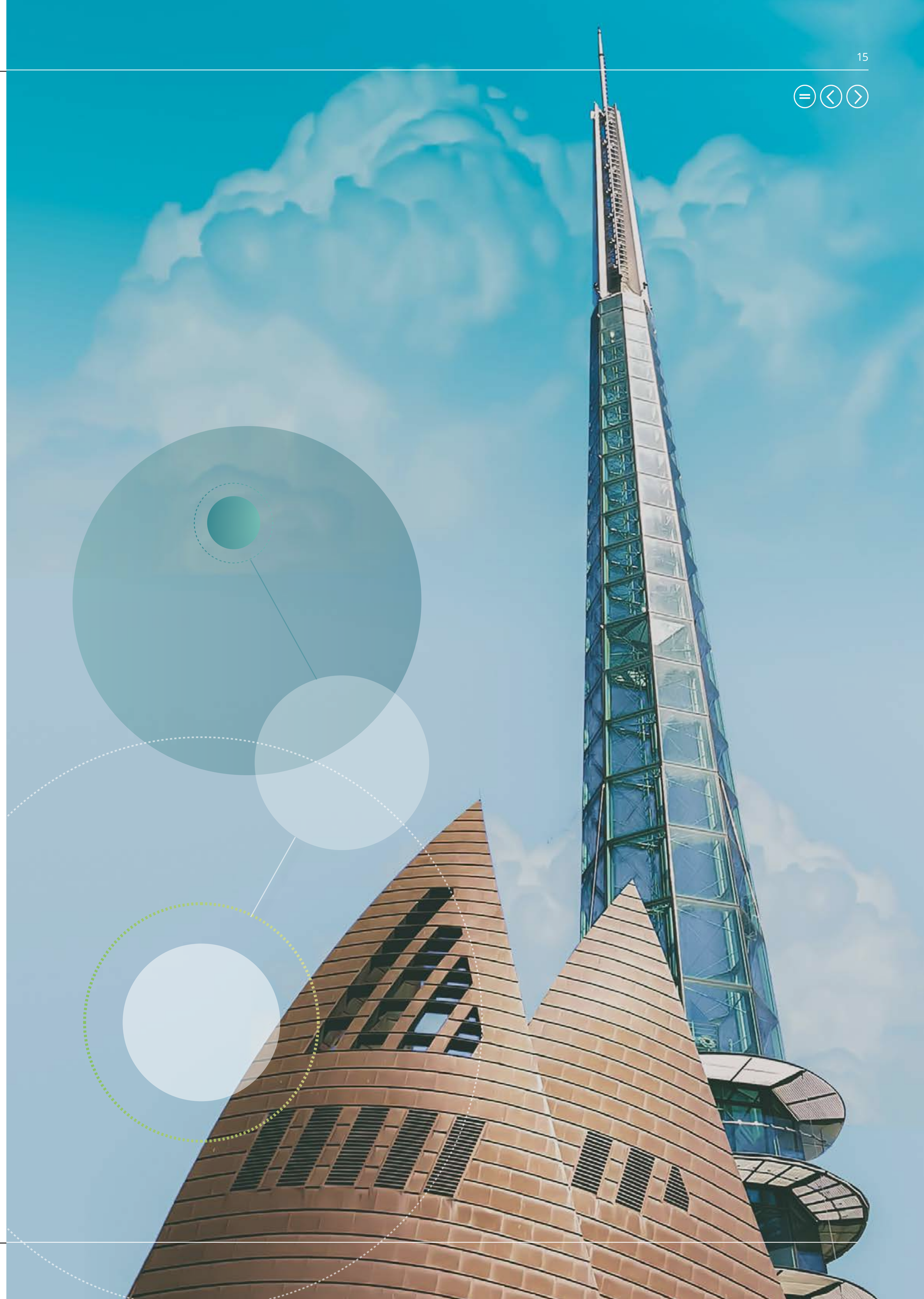
Source: Refinitiv & Deloitte Analysis

Only 8% of respondents reported a high level of confidence the economy would continue to recover and thrive, which was consistent with last year's similarly pessimistic response. Tougher economic conditions also see fewer respondents confident there will be growth opportunities in their sector. However, a greater proportion of respondents are highly confident they will be able to exhibit a strategic competitive advantage over other buyers (51% of respondents this year, relative to just 41% last year).

Despite higher interest rates and downward pressure on valuations, 78% of respondents are highly confident in the strength of their balance sheet – an increase of 4 percentage points from 2022.

Chart 6
How confident are you of the following factors that could influence your M&A decision over the next 12 months?

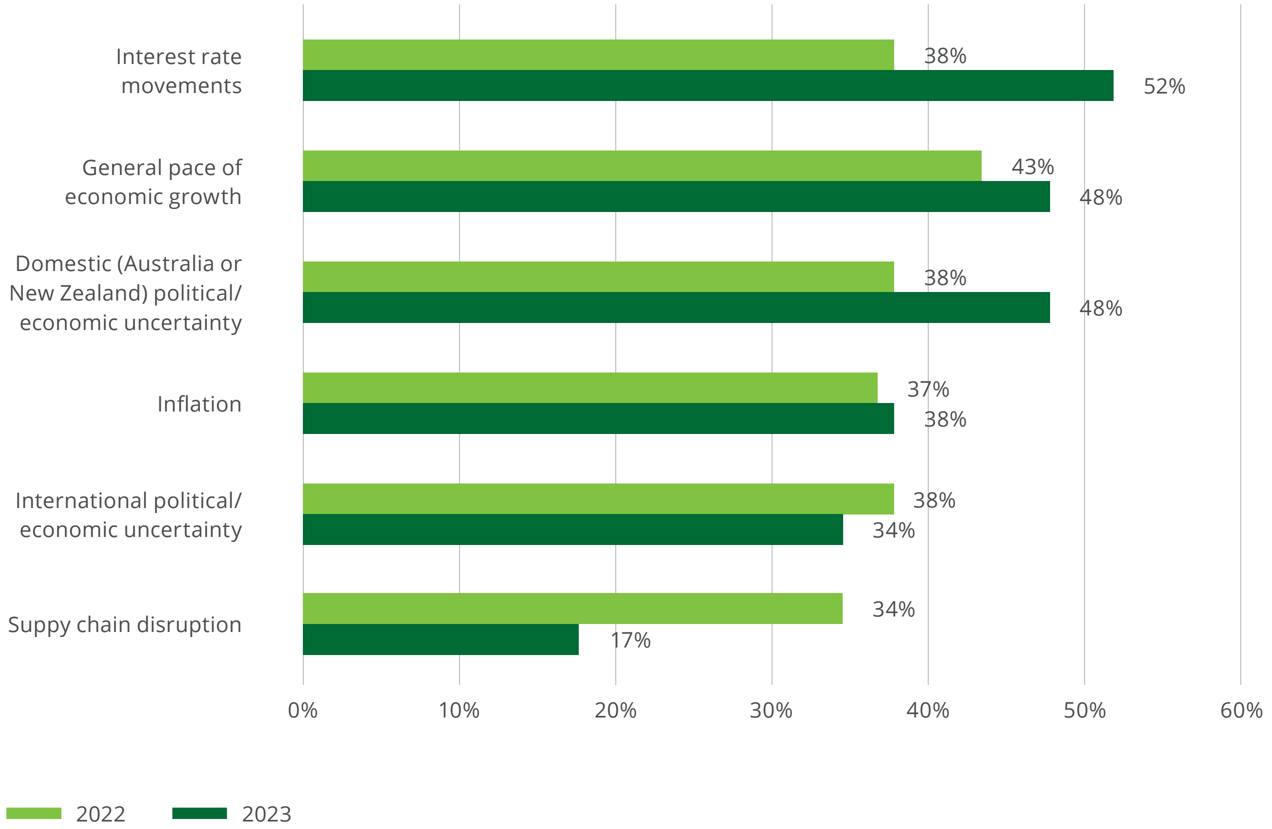




There's been a large shift in the economic factors most affecting M&A in 2023. More than half of this year's respondents selected interest rate movements as a factor affecting their ability to successfully execute deals, up from only 38% of respondents in 2022. Just under half of respondents also cited the general pace of economic growth and domestic uncertainty as factors affecting their deal execution.

The proportion of respondents for whom supply chain disruption was affecting their deal execution halved from last year. International uncertainty was also less of a factor affecting respondents' ability to successfully execute deals relative to last year.

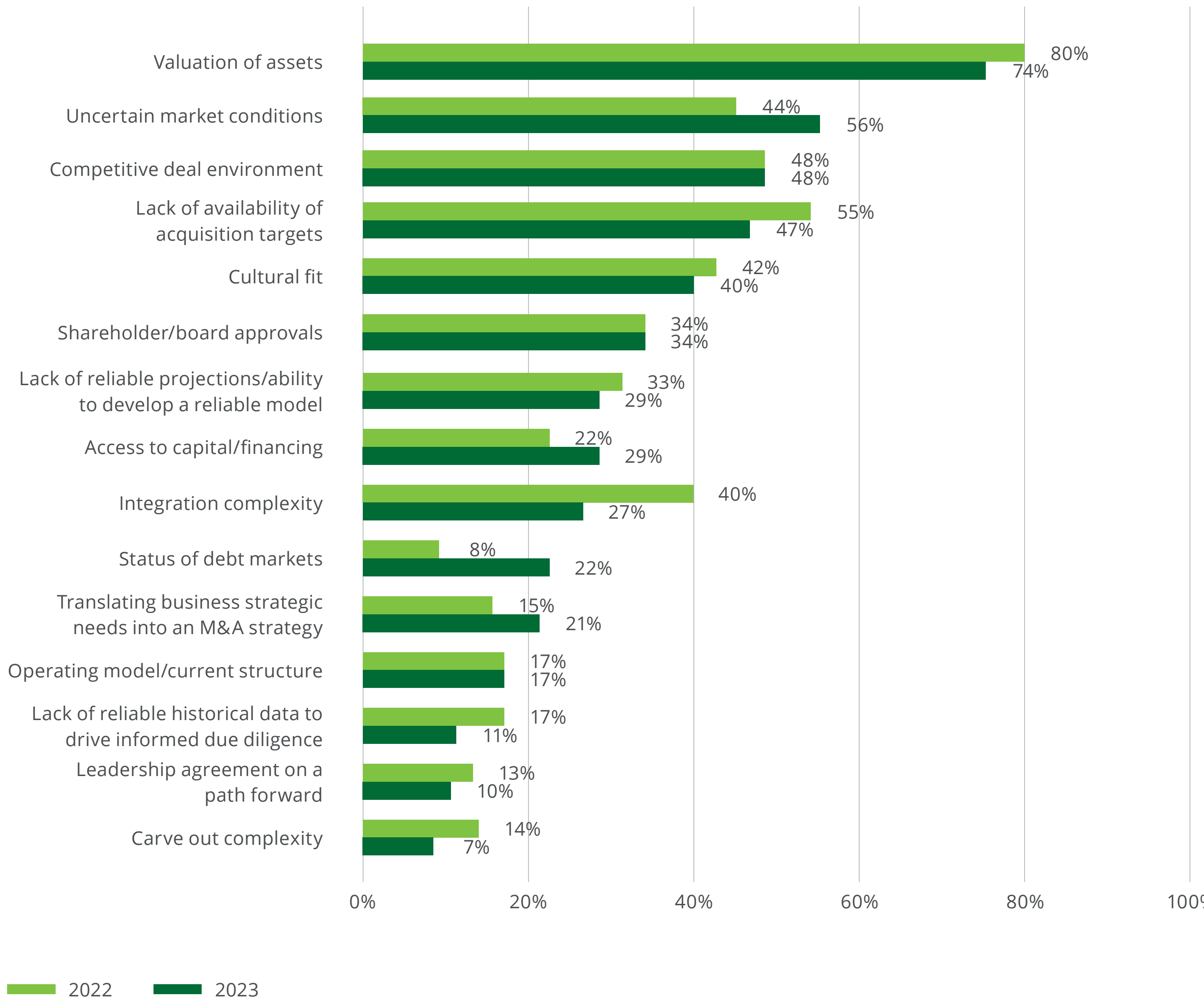
Chart 7
What are the economic factors that affect your ability to successfully execute deals?



Note: respondents were able to select all options that apply.

The valuation of assets remains the most frequently cited challenge to M&A success. Almost three quarters of respondents included valuations in their list of the top five challenges for M&A success, a slight decrease from the 80% seen in 2022. Uncertain market conditions are a key challenge for 56% of respondents in 2023 compared to 44% in 2022. The status of debt markets has become a greater challenge for respondents relative to this time last year, while the availability of acquisition targets and integration complexity are less pressing challenges in 2023.

Chart 8
In the current economic environment, what is your company's greatest challenge to M&A success (select the top five)?



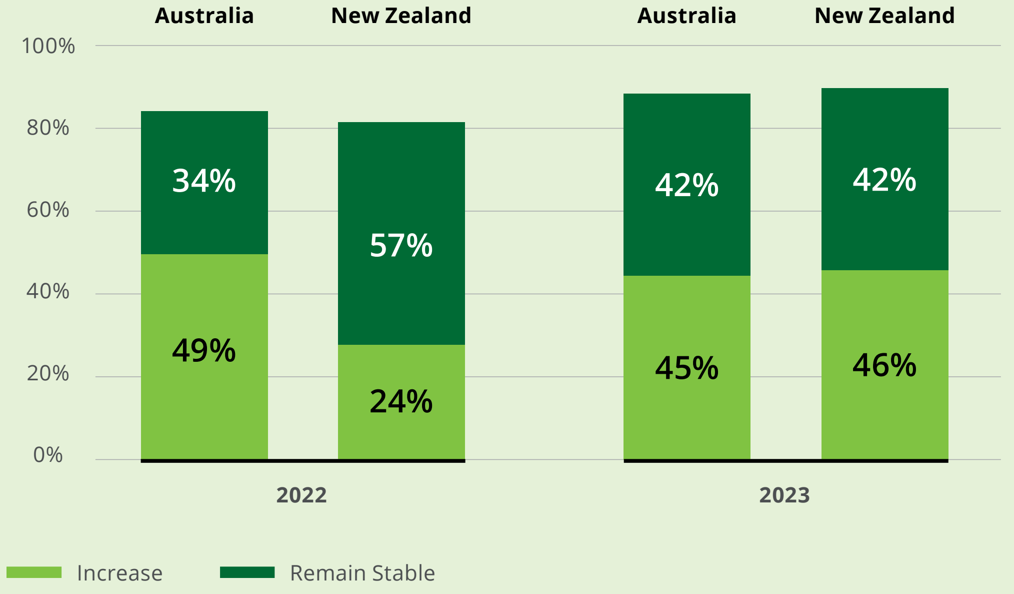
Note: respondents were able to select all options that apply.

1.2.1 Differences across the Tasman

The views of M&A survey participants were broadly consistent across the Australian and New Zealand markets, with a similar proportion of respondents expecting M&A activity to increase over the coming 12 months.

Albeit there has been a noticeable shift in NZ with 46% of respondents expecting deals to increase, up from 24% last year.

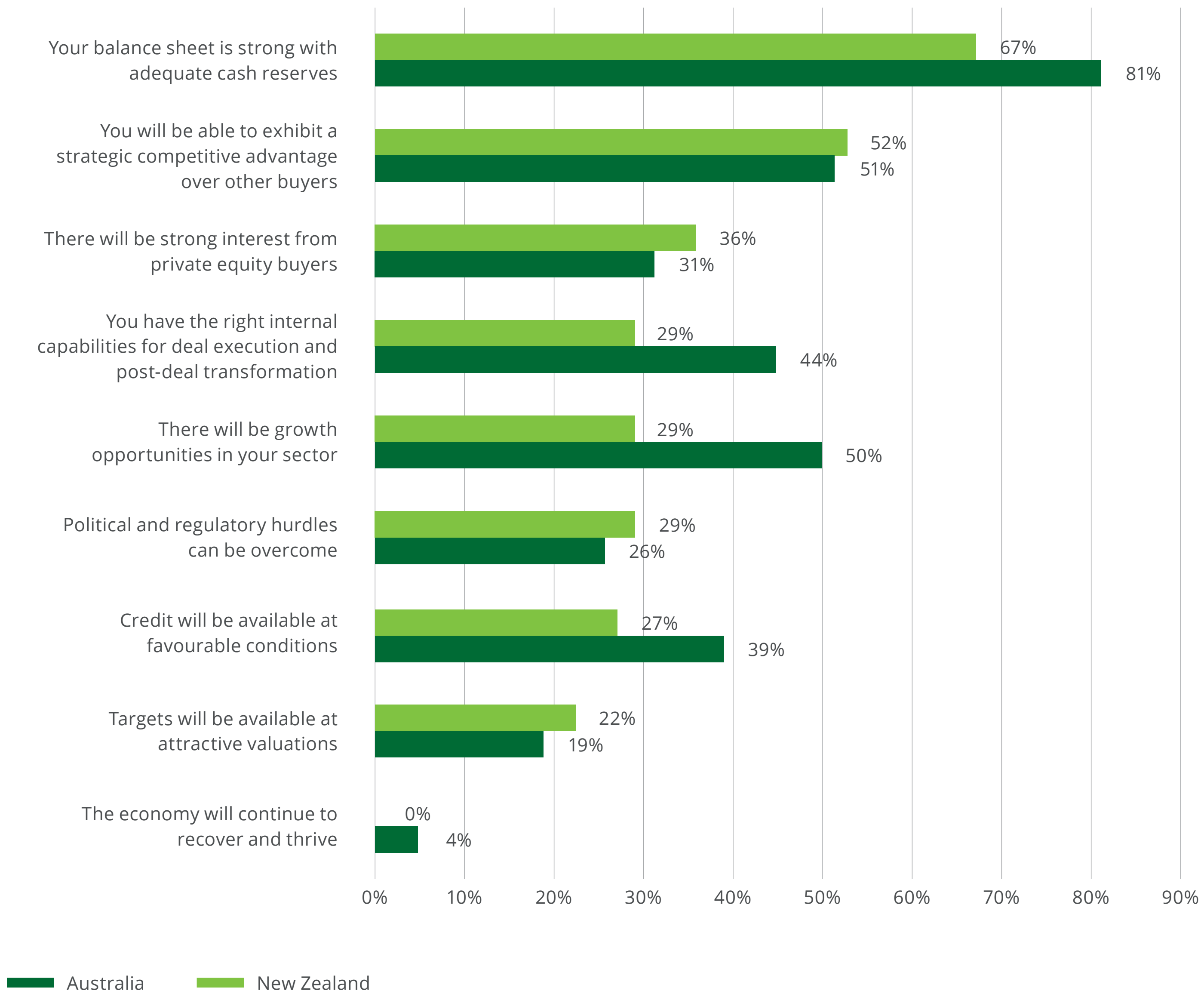
Chart 9
Are you expecting the number of deals that your organisation pursues to increase or decrease over the coming 12 months?



The most notable differences between Australian and New Zealand respondents are:

- Australian respondents are more optimistic around economic conditions with 68% of respondents viewing current conditions as supportive of M&A activity in comparison to 54% of New Zealand respondents
- Half of the Australian respondents are highly confident that there will be growth opportunities in their sector in comparison to just 29% of New Zealand respondents
- New Zealand firms are more likely to be exploring alternatives to traditional M&A such as alliances, partnerships and joint ventures with 71% of New Zealand respondents interested in pursuing these alternatives in comparison to 48% of Australian respondents
- Divestment appears to be a stronger priority for New Zealand firms with 41% of respondents identifying a decision to divest in their most recent portfolio review in comparison to just 24% of Australian respondents
- Upward pressure on equity hurdle rates has been more pronounced in New Zealand with 63% of its respondents increasing their equity hurdle rate in the past year in comparison to just 34% of Australian respondents.

Chart 10
Proportion of respondents that are highly confident of the following factors that could influence their M&A decisions over the next 12 months



Theme 01

Inorganic growth remains imperative

Taking advantage of an uncertain market

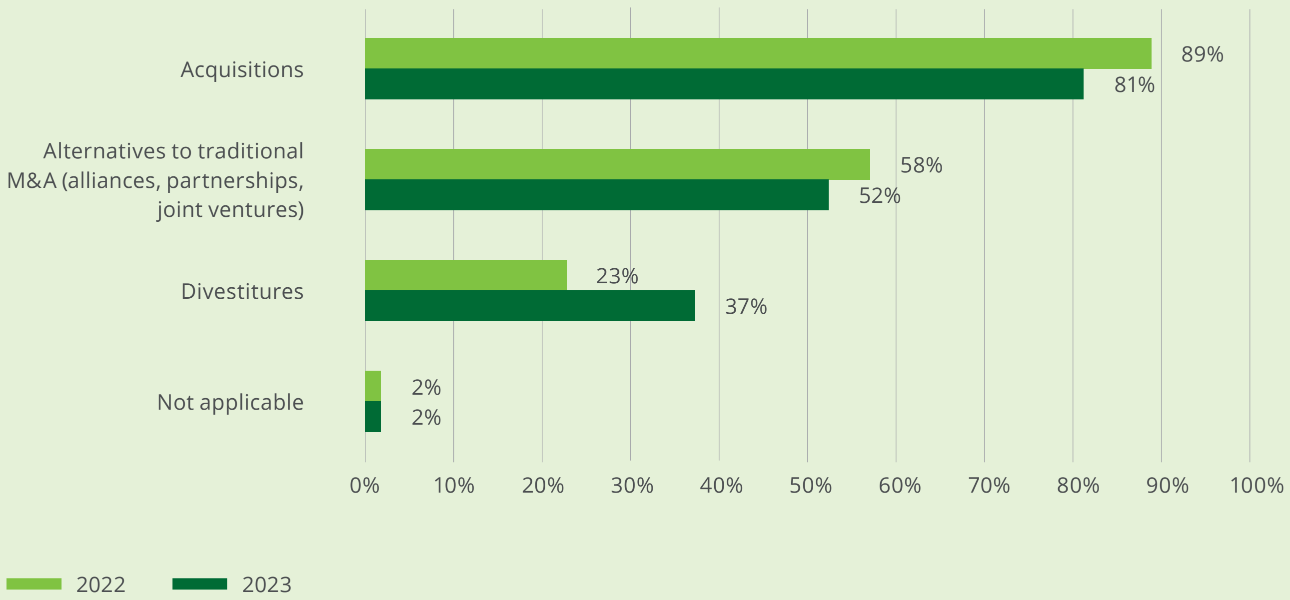
Corporate leaders are continuing to build resilience in their organisations as they emerge from the long tail of the pandemic, the ongoing effects of the war in Ukraine, and current domestic economic variables. With uncertainty likely to continue, leaders need to get their organisations into shape, to the point where they can sustain other shocks and navigate market issues with a good degree of confidence.

Even amid these conditions, it could well be the time to take advantage. Appetite for transactions is steady and within that the pursuit of acquisitions remains strong. With 52% of respondents identifying the need for acquisitions after their most recent portfolio review, we still expect highly interesting assets to be well contested. Additionally, it's important to pay close attention to known and previously explored assets – because variables or assumptions around them may have changed. Engaging in dialogue and building relationships with those you're looking to potentially transact with will be vital in fostering the success of the deal.

And while we may see lower deal volumes over the next year, there's still strong value to be realised. Even with the valuation of assets a central challenge, this should not necessarily drive deterrence. Corporate heads of M&A can be looking to the types of transactions that help their businesses galvanise resilience and grow strategically.

Inorganic growth is a strategic imperative for a significant majority of respondents. Just over half of the respondents who are currently pursuing transactions are interested in pursuing alternatives to M&A such as alliances, partnerships, and joint ventures. More than one third of respondents who are currently pursuing transactions are interested in divestitures, which is a significant increase from the 23% of respondents who were interested in divestitures in the 2022 survey. This suggests organisations are constantly reviewing their portfolio, ensuring they are 'match fit' for whatever the external market conditions throw at them.

Chart 11
To the extent that your company is currently pursuing transactions, which of the following are you most interested in exploring?



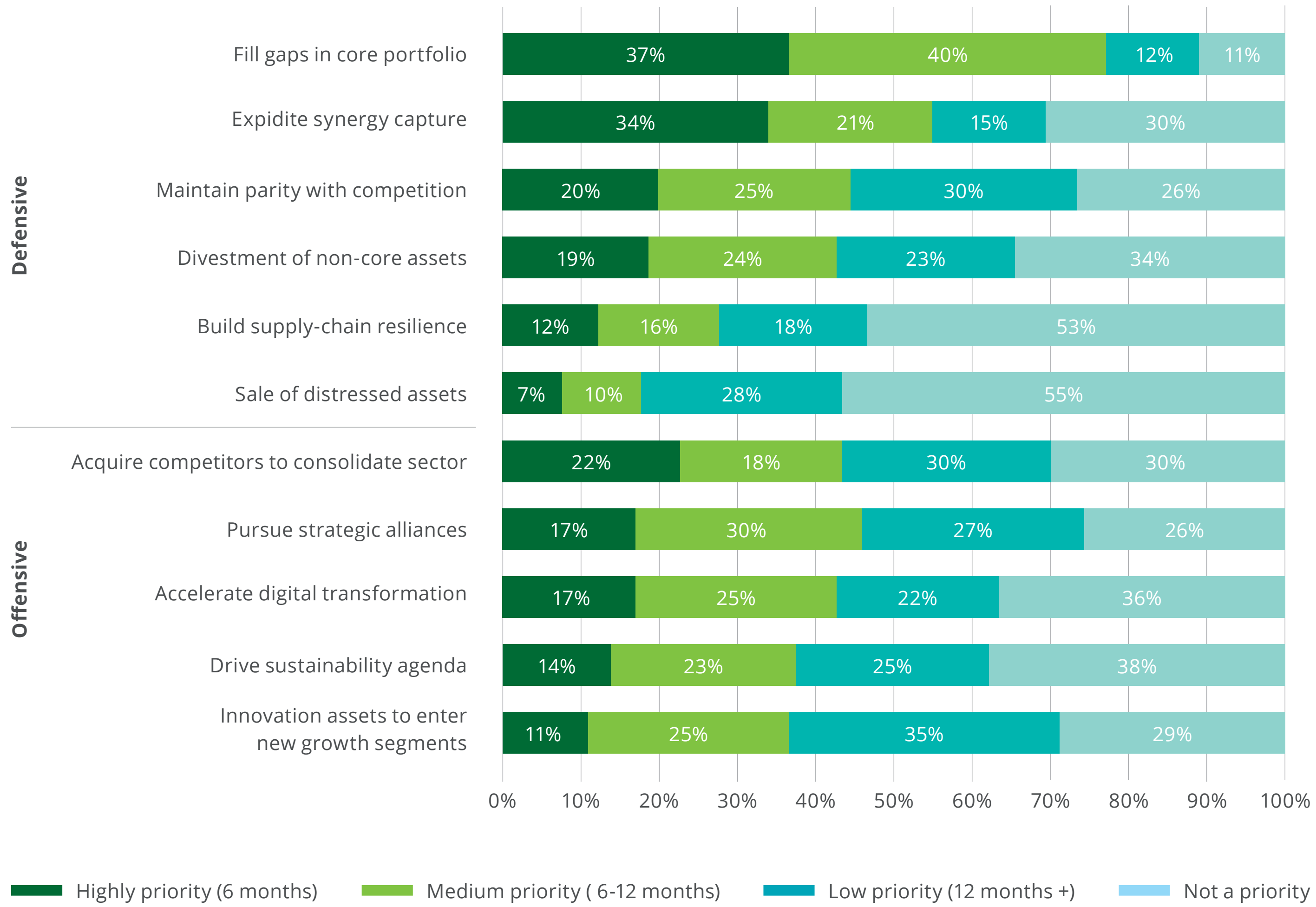
Note: respondents were able to select all options that apply.

The highest priority M&A objective over the next 12 months is filling gaps in the core portfolio. A total of 77% of respondents listed this as a high or medium priority, broadly consistent with the results from the 2022 survey.

Other high and medium priority objectives over the next 12 months include expediting synergy capture (55% of respondents), pursuing strategic alliances (47%), and maintaining parity with competition (45%).

The sale of distressed assets is a priority for only 17% of respondents, 8% lower than in the 2022 survey.

Chart 12
To what extent are the following M&A objectives a priority for your company?



Note: respondents were able to select all options that apply.

The top M&A objective over the next 12 months is a defensive strategy in each of the industries surveyed. But as shown in the table below, the second and third highest priorities over the next 12 months are often offensive strategies such as pursuing alliances and acquiring competitors.

Chart 13
Top 3 M&A priorities by sector over the next 12 months

	Top priority	Second priority	Third priority
Energy, resources and industrials	Fill gaps in core portfolio	Pursue strategic alliances	Drive sustainability agenda
Financial services	Expedite synergy capture	Fill gaps in core portfolio	Acquire competitors to consolidate sector
Life science & health care	Fill gaps in core portfolio	Acquire competitors to consolidate sector	Accelerate digital transformation
Retail and consumer goods	Fill gaps in core portfolio	Pursue strategic alliances	Maintain parity with competition
Technology, media, telecommunications	Fill gaps in core portfolio	Innovation assets to enter new growth segments	Pursue strategic alliances
Real estate	Fill gaps in core portfolio	Pursue strategic alliances	Divestment of non-core assets

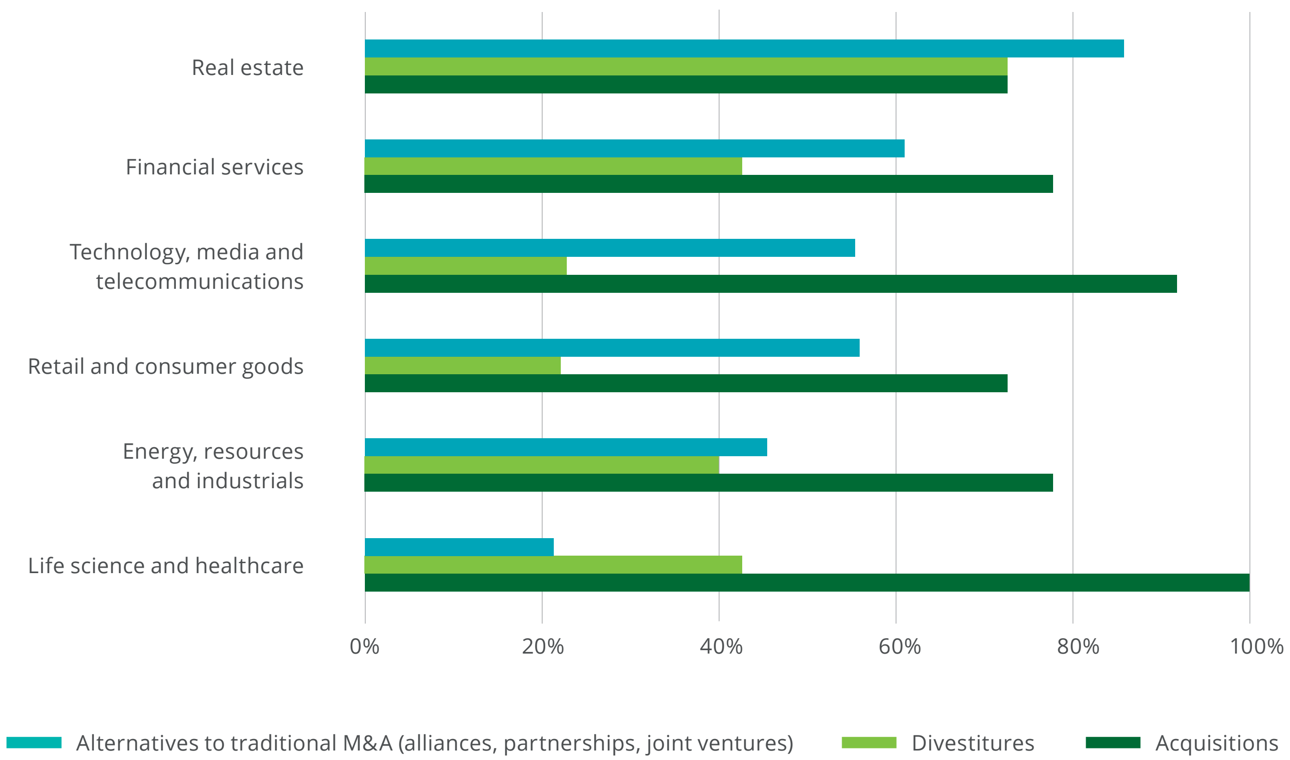
Defensive M&A strategy | Offensive M&A strategy

Interest in pursuing alternatives to traditional M&A, such as alliances, partnerships and joint ventures, is highest in the real estate sector, where over 80% of respondents identified this as an area of interest. More than 70% of all respondents from each sector were interested in pursuing acquisitions, including 100% of respondents from the life science and healthcare sector, and more than 90% of respondents in the technology, media and telecommunications sector. Interest in divestitures was strongest in the real estate sector.

Half of the firms surveyed stated an interest in pursuing cross-border M&A in 2023. Around half of these firms had interest in foreign targets to enter new markets, and around a third had interest in cross-border targets to drive product diversification.

Chart 14

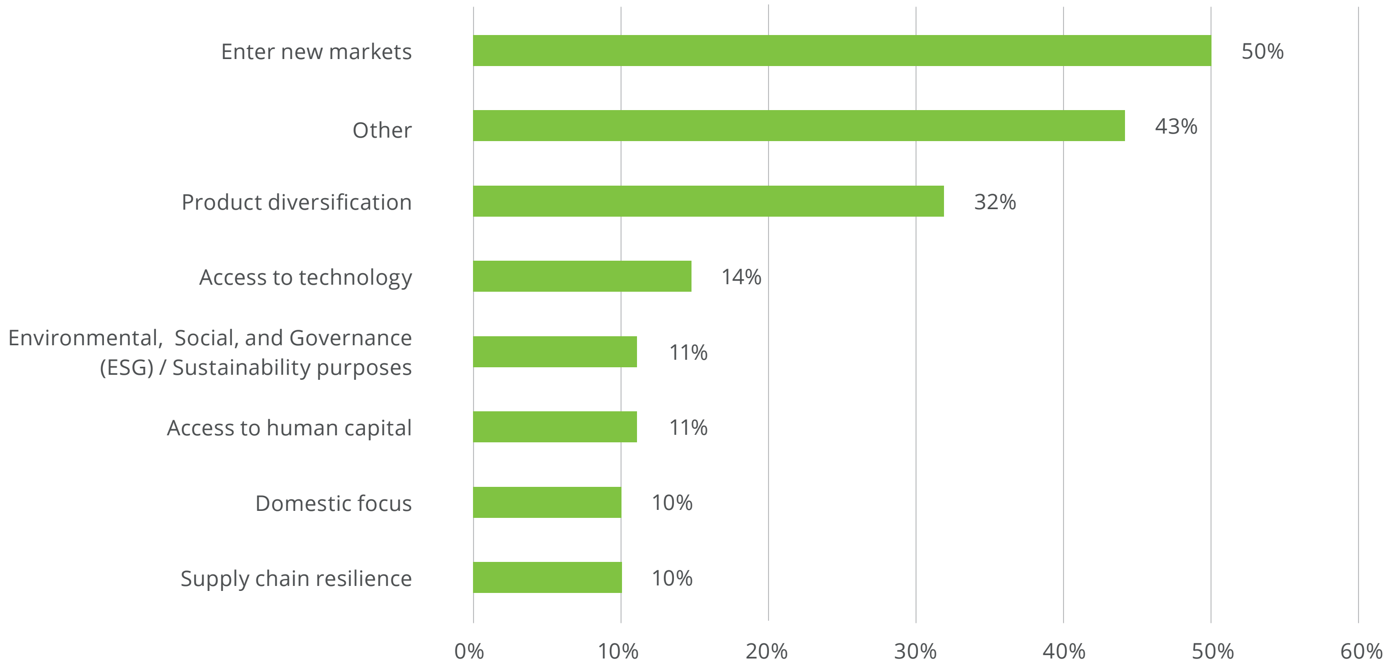
What types of transactions are you are most interested in exploring? (By respondent sector)



Note: respondents were able to select all options that apply.

Chart 15

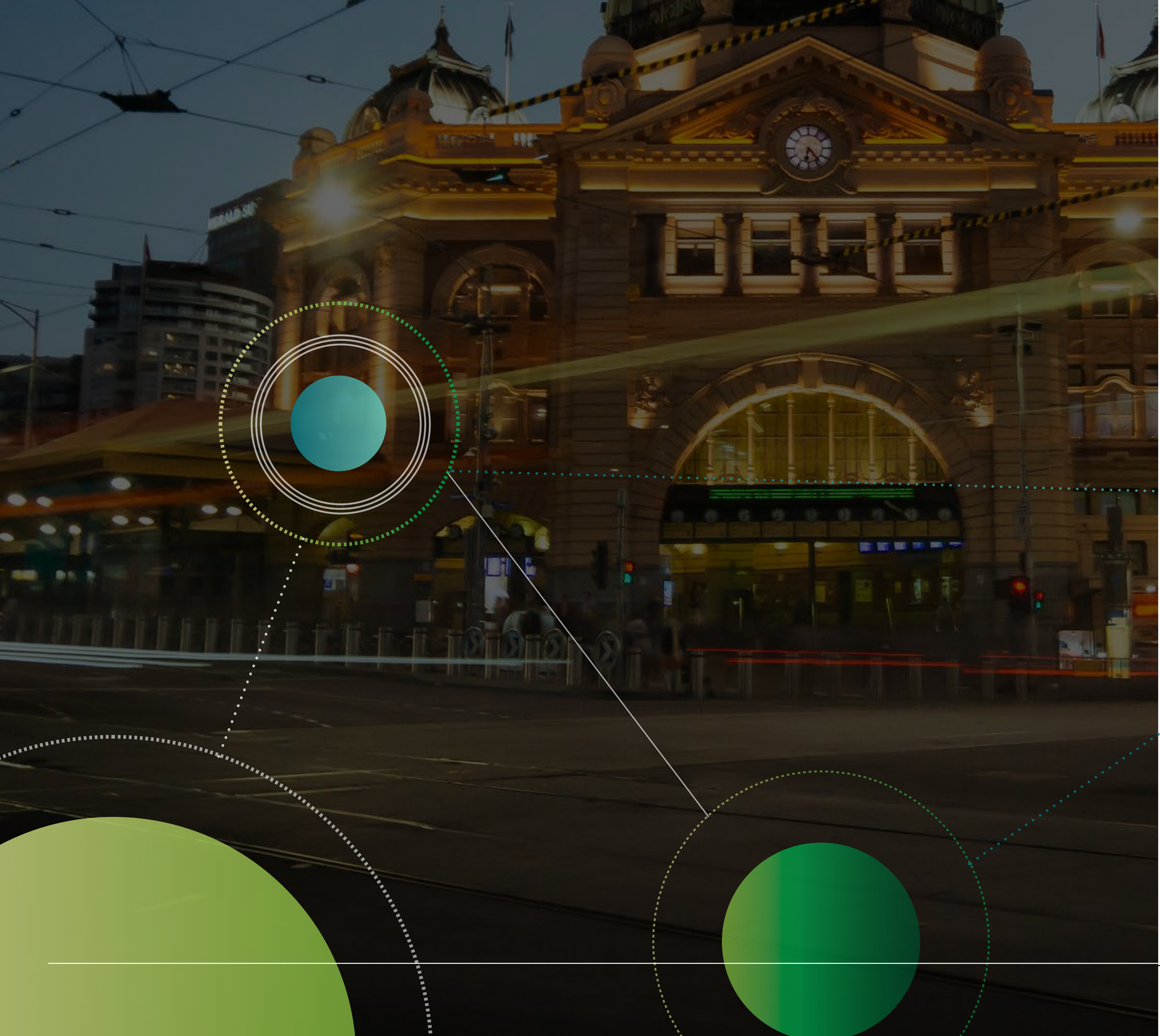
What is driving your organisation's interest in foreign targets in 2023?



Note: respondents were able to select all options that apply.

Grow your own way

"Even in the current environment, M&A remains key to growth and transformation. While organic growth and capability are vital to achieving a long term vision, filling capability gaps can be expedited through smart acquisitions, which is a growth and transformation strategy in and of itself."



As a solution to business transformation, M&A demands a deep understanding of all aspects of strategy, especially in terms of 'where to next' focus in an organisation's evolution.

Business leaders can think about where else they can grow, what strategies will yield future cash flow, what adjacencies are tightly aligned to potential new business pursuits, and how they're going to get there. If this includes targeting a new market or diversifying into adjacent areas, now is the time to prepare a strategy to enter, rather than making reactive decisions to external pressures down the track. There are many considerations when bringing this to fruition, including:

- How will capabilities be built or bought?
- Where are the strongest growing targets?
- Would an alliance or JV make more sense?
- Which choices drive a greater return?

This all comes back to decisions around risk appetite, capabilities, speed to execution, barriers to entry – then deciding which targets or transactions are available. Or by determining the best out there to partner with in the pursuit of future core competencies or distinct competitive advantages.

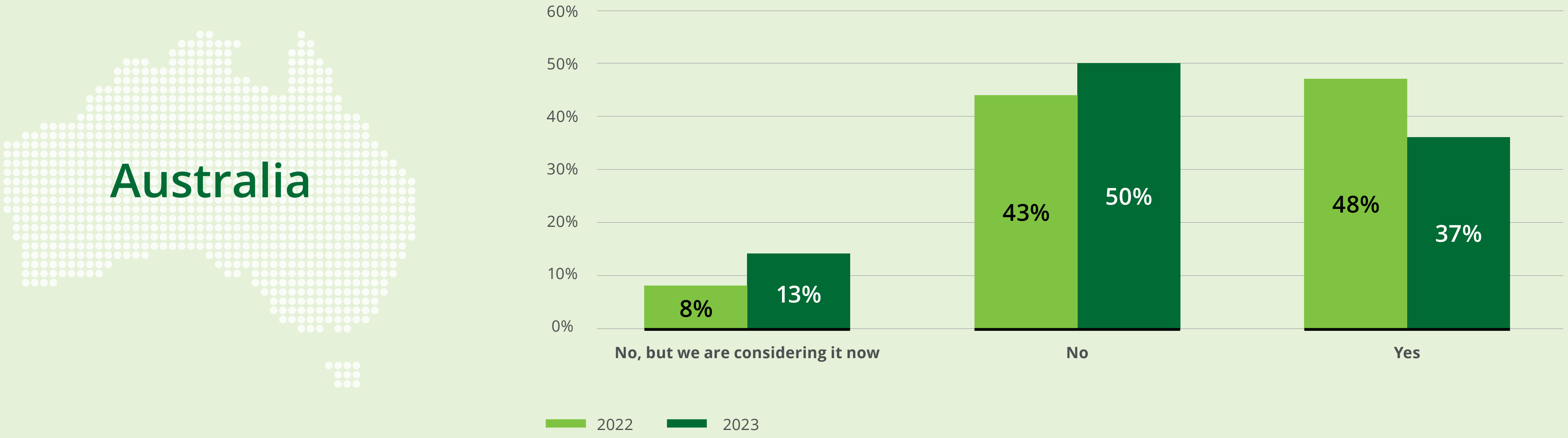
Inorganic growth might be quicker but it comes with more costs upfront. Organic growth may be slower but it's better for those seeking an avenue that doesn't require tapping into that upfront capital. While general market uncertainty could deter many from making decisions, business transformation requires action. And now could be the perfect time to strike – for those who can do so from a position of strength, or those willing to take a risk to own front position in the next 3-5 years.

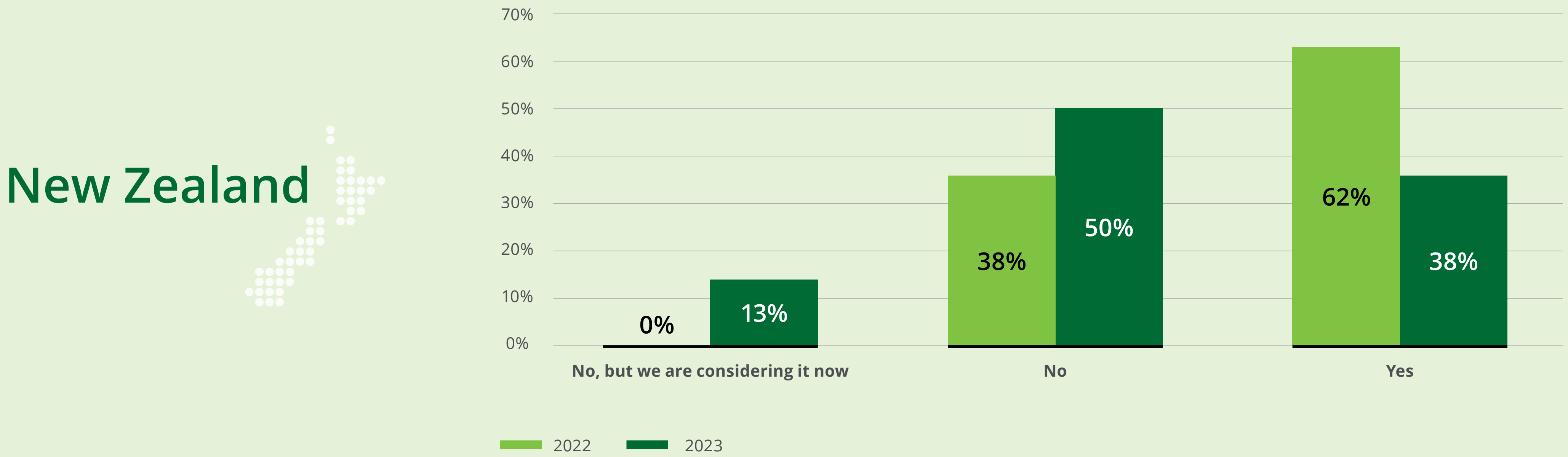
Potential appetite for divestitures?

Divestitures were less of a priority in 2022 and in 2023 the lack of palpable hunger may be about to change. While those who commenced or undertook a divestiture in the past year fell, more than a third of respondents currently pursuing transactions are now interested in divestitures. With these rumbles of new appetite, we could witness a change over the next 12 months.

The number of respondents considering a divestment rose to 13% in 2023. Consistent with our findings last year, the number that commenced or undertook a divestiture in the past year fell from 48% (Australia) and 62% (New Zealand) in the 2022 survey to 37% (Australia) and 38% (New Zealand) in the 2023 survey. This suggests that given the changing environment, some organisations are again looking to redefine their core operations or revisit potential divestment plans.

Chart 16
Did your organisation commence or undertake any divestitures in the previous year?





Theme 02

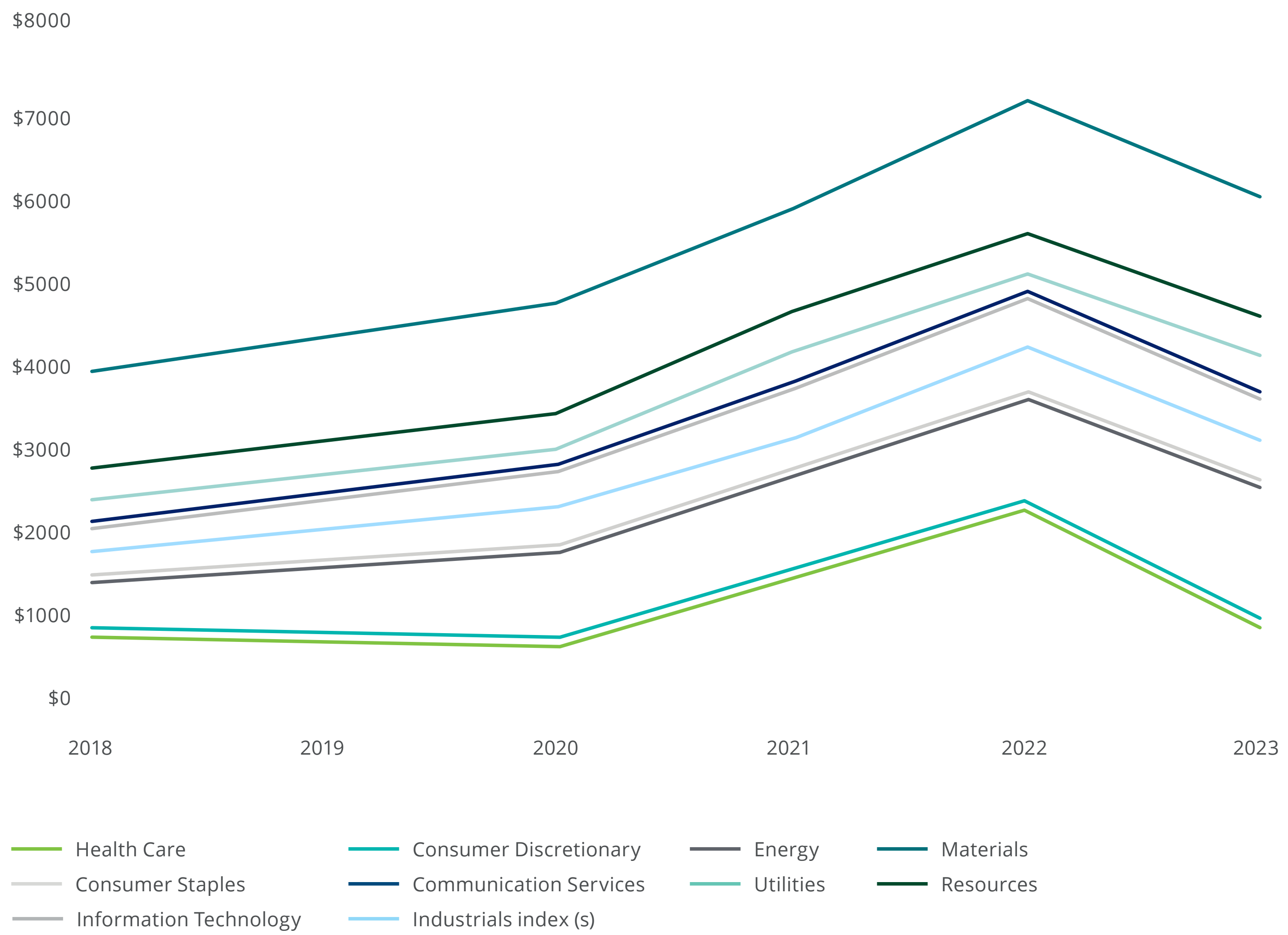
Valuation divergences remain a key challenge

Valuation of assets is once again the biggest obstacle for M&A success. Almost three quarters of respondents say it's one of their top five M&A challenges in 2023, a slight drop from 80% in 2022.

Many deals are stalling due to an insurmountable gap as buyers are increasing their hurdle rates and, in some cases taking a more conservative approach to valuation, while some vendors have yet to change their price expectations to reflect the current environment.

However, there are still deals to be made. Although cash reserves have declined over the last 12 months as access to attractively priced capital has declined for most companies, aggregate cash reserves still exceed pre-COVID levels as shown below.

Chart 17
Aggregate cash holdings for S&P ASX 200 companies



Source: CapitalIQ, Deloitte analysis, excluded companies in the Financials and Real Estate, Energy and Materials sectors (only considers reported cash balances)

In this environment, buyers are likely to be more discerning which will put a premium on assets with near-term cash flows or with reasonable visibility to achieve low-risk synergies. To bridge valuation gaps, both parties may need to rely on more detailed market analysis to gain a deeper understanding of the asset's value beyond current market conditions. How price sensitive are its customers? Can persistent inflationary pressures be passed on to preserve margins? Are its customers responding differently to the average consumer? Will the company or sub-sector be exposed to unique headwinds or tailwinds? Detailed scenario analysis of cash flows and earnings under different economic and industry growth assumptions has therefore become increasingly important for buyers and sellers.

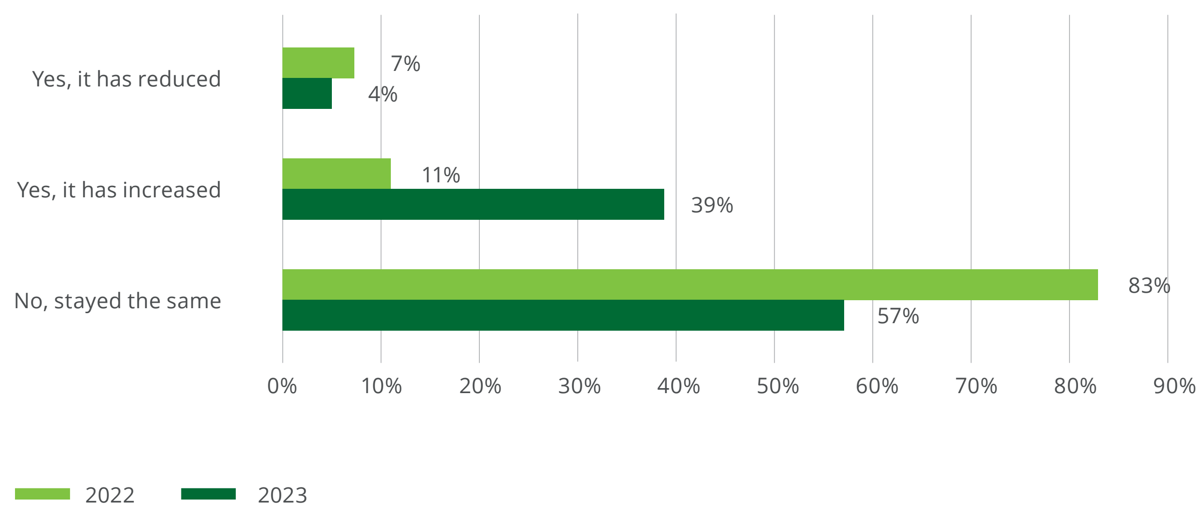
Businesses can also consider more innovative deal structures or alliances to help bridge valuation gaps. Sellers may accept deferred consideration or retain a minority interest to help realise more value in the long term. Some are fielding takeover offers without a premium on the share price, or even at a discount, based on considerations unique to the sector, the business and/or its shareholders.

We expect to see fewer stalemates on valuations in the year ahead as market realities sink in (including higher hurdle rates – see Chart 18). Furthermore, until we see a major new shift in the market, completing deals will also become more attractive to sellers than continuing to shop around unwanted assets.

Hurdle rates are increasing

Nearly two fifths of respondents have increased their equity hurdle rate in the past year, compared to only 11% in the 2022 survey. This is likely due to substantial and sustained increases in market interest rates since 2021.

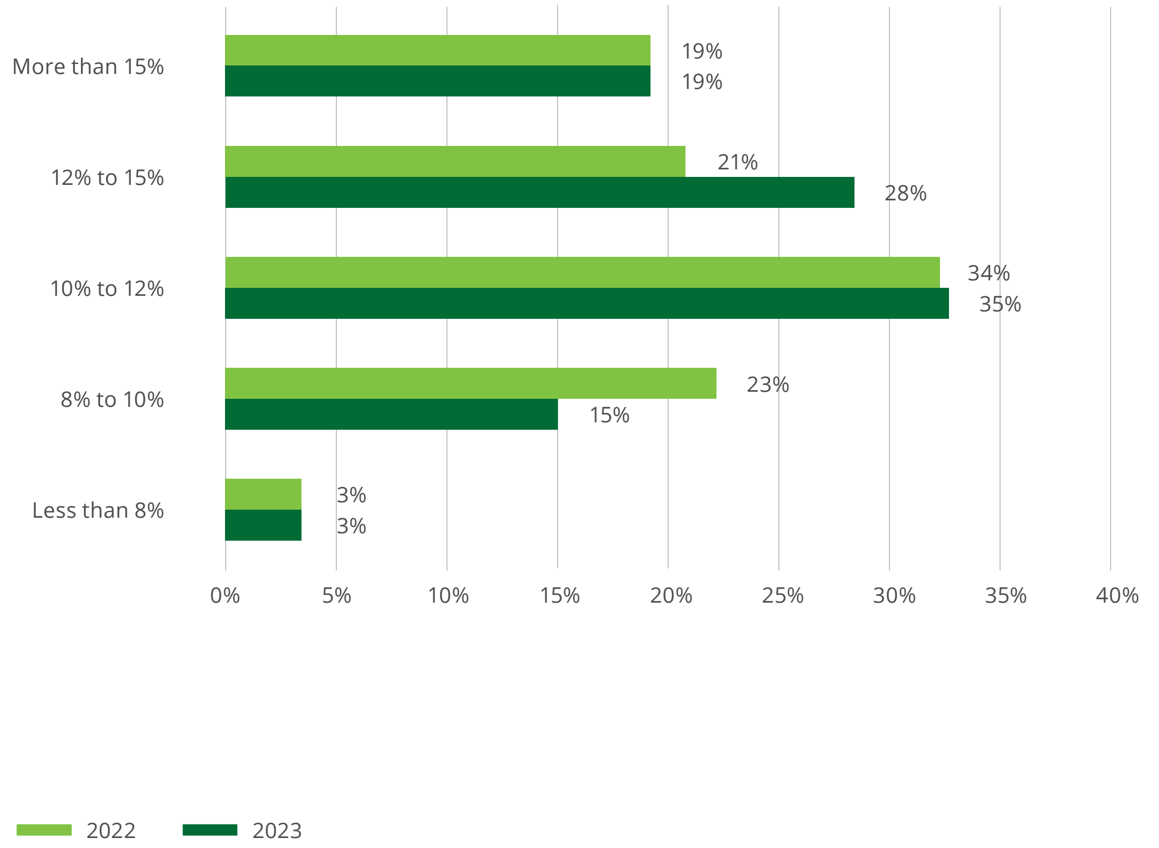
Chart 18
Has your equity hurdle rate changed in the last year?



The unprecedented velocity in recent interest rate increases has forced a number of companies to revisit their approach to hurdle rates for acquisitions and other capital allocation decisions, which in many cases have been static for the better part of a decade. Companies will need to ensure their approach to hurdle rates reflects current market conditions, and importantly, is responsive to changes in future market conditions (including any future rate reductions).

Static hurdle rates in a changing macroeconomic environment may result in companies over or under valuing assets and the potential for suboptimal allocation of capital (Deep dive into our Capital Allocation Survey insights.) More than 80% of respondents now use an equity hurdle rate of more than 10%, up from 74% of respondents in 2022. The proportion using a hurdle rate of more than 15% remains unchanged from last year but rose for hurdle rates between 10% to 15%.

Chart 19
What equity hurdle rate do you target?



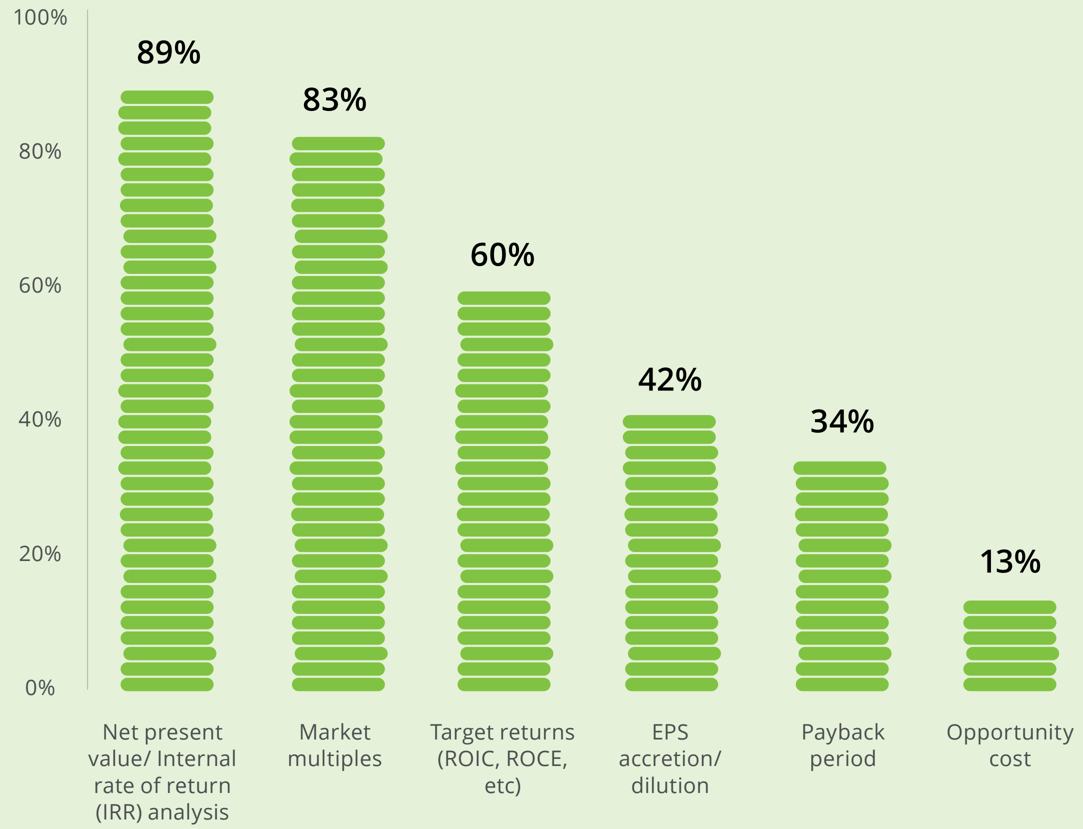
Note: respondents were able to select all options that apply.

When valuing assets, cash remains king

Valuation approaches were broadly in line with the 2022 survey. Most respondents use net present value (based on future cash flows), internal rate of return and market multiple approaches.

Target returns are used by approximately 60% of respondents, while EPS accretion/dilution, payback period and opportunity cost are less common approaches.

Chart 20
What approaches do you use to value a target?



Note: respondents were able to select all options that apply.

Future cash flow generated by an asset is always the most critical component of its value. This is even more true in the current market as cost pressures, economic uncertainty, and more constrained access to capital for some companies has created more cash flow variability and put stress on some balance sheets.

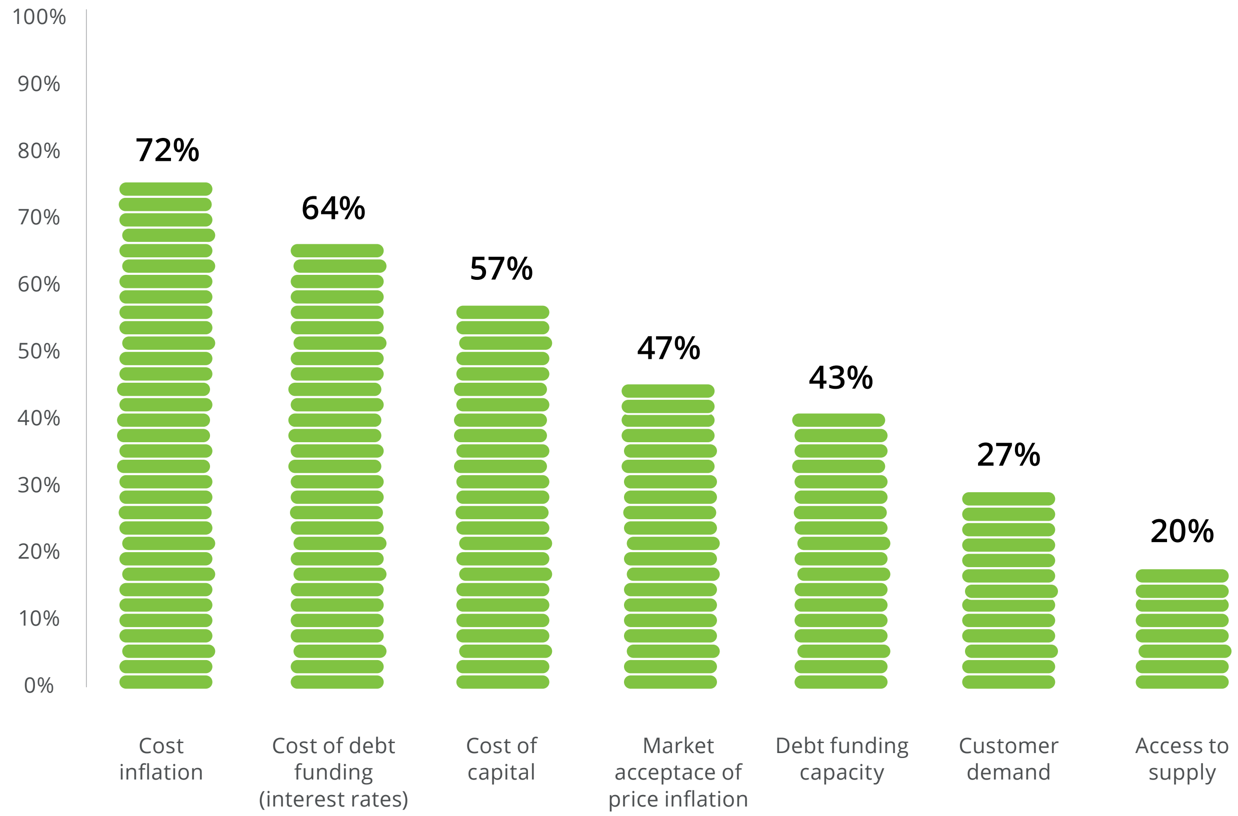
This is most prominent in the technology and venture capital sectors where demonstrating a clear path to profitability and cash flow generation is one of the most critical factors for investors rather than just scaling up.

Use of multi-scenario net present value analysis has now become more commonplace in the sector rather than relying solely on revenue multiples or other more crude measures of value.

Consistent with respondents' views on the disruptive impact of the changing economic cycle, respondents identified cost inflation, cost of debt funding, and the cost of capital as the three factors that they would be most cognisant of when valuing a target in the coming year.

Chart 21

What factors are you likely to be particularly cognisant of when valuing a target in the coming twelve months and how do you expect them to impact on value?



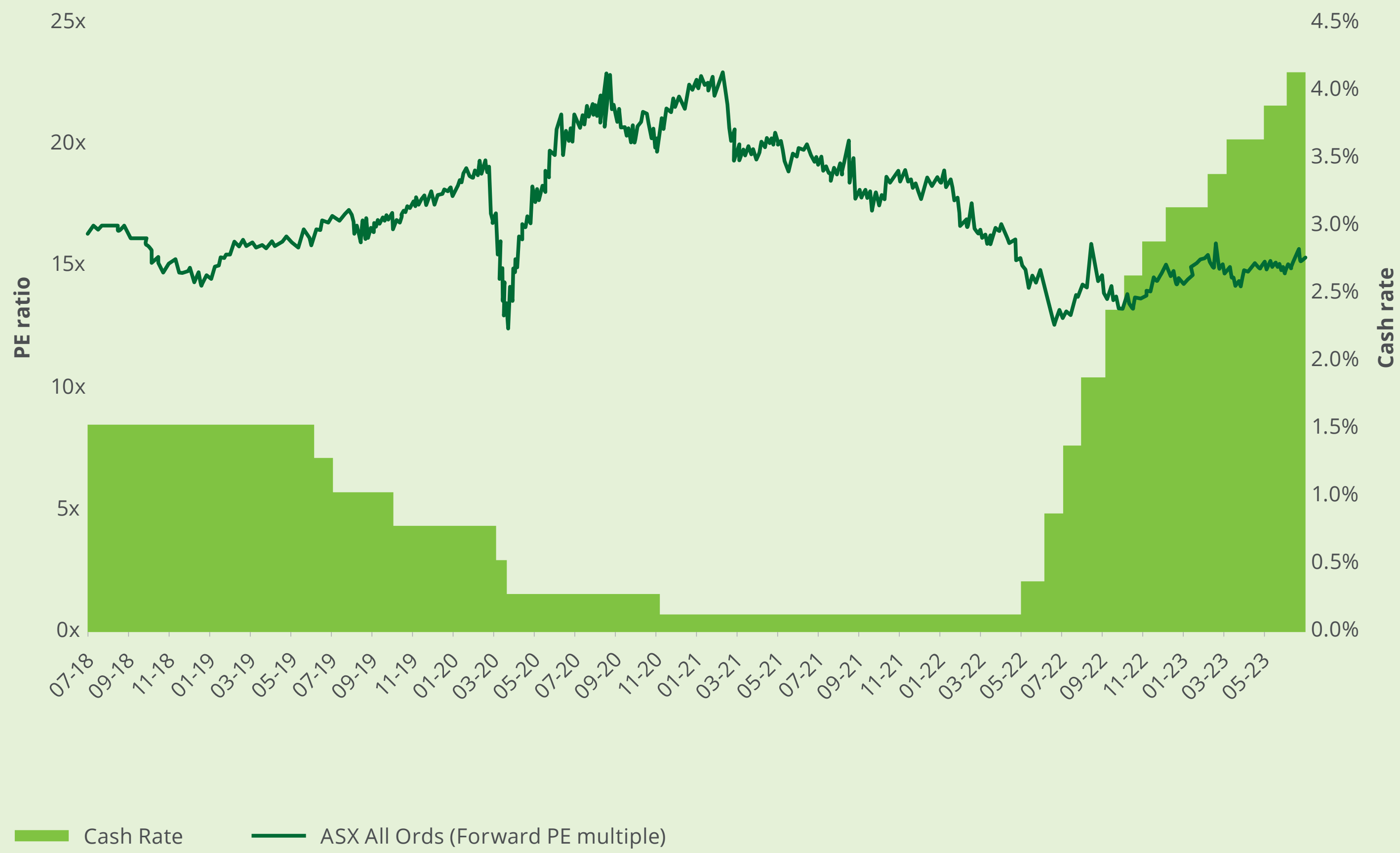
Note: respondents were able to select all options that apply.

Looking to the future

Valuation of assets will continue to be important for all M&A transactions as divergent views on value will persist, particularly for more discretionary and/or market-exposed sectors and assets. Interest rates, and importantly expectations of future interest rates, will continue to impact hurdle rates (and therefore multiples paid for assets).

Chart 22

ASX All ordinaries Forward PE ratio and the cash rate



Source: CapitalIQ, Deloitte analysis

PE multiples declined in advance of the rate rises as the market began to price in future interest rate increases and the potential for declining corporate earnings. Multiples have steadied in recent months despite a number of rate rises after indicating the market has essentially priced in future rate rises. Any unexpected rate rises in the near-term will adversely impact corporate earnings and multiples.

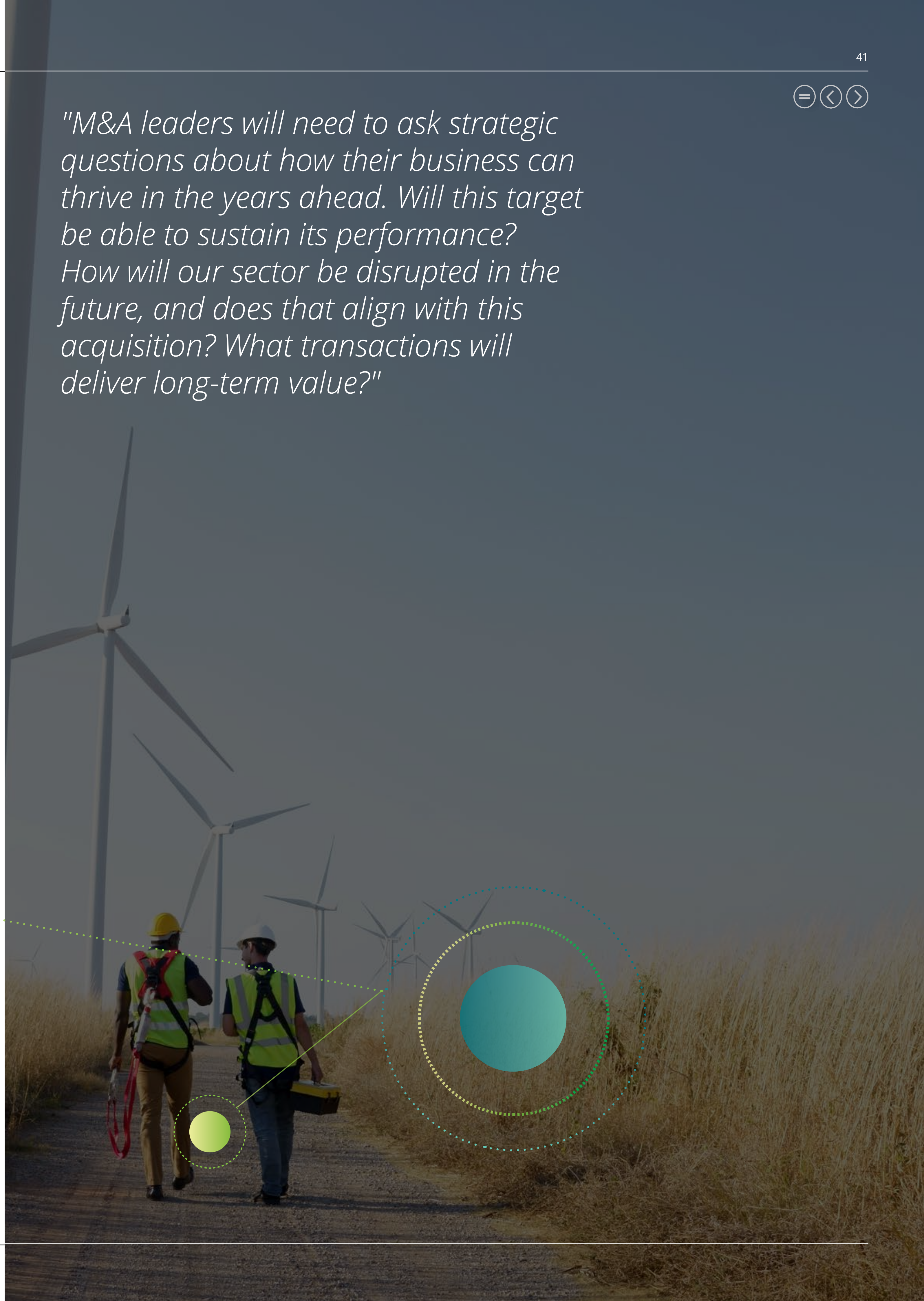
While declining cash balances and increasing interest rates have significantly curtailed available debt, and in some cases, equity, available for future acquisitions, private equity funds and superfunds tend to be resilient in fragile times and are sitting on a significant amount of dry powder to deploy. While this may limit competitive tension for some assets which will create opportunities for some acquirers, strategic buyers expected to go bargain hunting are likely to meet competition from financial buyers which will allow some target companies to still realise favourable valuations.

Much like the Australian property market, when it comes to the outlook for asset valuations in the near to medium term the devil will be in the detail as there will be a number of winners and losers amongst and within sectors and asset classes. For example, multiples for infrastructure, renewable and healthcare assets have remained resilient throughout the rising interest rate environment which is intuitive given their defensive nature and we expect this to continue.

However, other market-exposed sectors such as retail and other consumer-focused industries, will feel the pain of rate increases (and the associated impact on savings and discretionary income) on earnings and a potential decline in multiples from a rising cost of capital from investors. We also expect technology-driven M&A activity to rise again after gaining traction during the pandemic, however, there will be preference for businesses that have performed well since the pandemic and have a clear pathway to profitability with other assets being targeted more opportunistically.

Over the next three to five years, we expect valuations will pass through this phase of economic uncertainty and refocus on long-term strategy and disruption. ESG will continue to be a feature for all transactions as this becomes embedded in all aspects of decision making, including asset valuation. For now, precise quantification of ESG factors in valuing assets is an emerging area that will grow in scope and importance, compelling buyers to deepen their understanding of these issues and get better at gathering, analysing and comparing relevant data.

"M&A leaders will need to ask strategic questions about how their business can thrive in the years ahead. Will this target be able to sustain its performance? How will our sector be disrupted in the future, and does that align with this acquisition? What transactions will deliver long-term value?"



Theme 03

Realising the value

The expediting of synergy capture is a key priority objective for respondents in this year's survey. This reflects the changing conditions as deals completed in more buoyant markets now need to deliver value, while facing the additional headwinds outlined in our economic outlook.

In many deals, the hangover from a challenging valuation lingers well beyond the transaction's completion. In the last 12 to 18 months, numerous acquisitions have struggled to deliver on the promised business case returns.

Post acquisition reviews are critical to ensure businesses remain focused on delivering the promised returns. Only a small percentage of the respondents (26%) indicated that they have not carried post-acquisition reviews in the past year (5 percentage points less than in the 2022 survey). One third of respondents carried out reviews after 12 months or longer, and the remaining 41% review performance under some combination of 100-day, 6-month and 12-month reviews.

Whether it's partial or complete integration, careful consideration and a clear integration strategy are key to enabling the business to scale successfully and maximise synergy extraction.

Having the right resources and internal capabilities to drive synergy capture while also having an appetite for change are essential components to delivering on the deal. Without successful integration, transactions risk losing some or all their value.

A balancing act: time versus quality

Though most respondents aren't worried about time to completion, it's a major hurdle for a small number of larger transactions which are subject to regulatory approval.

These deals face convoluted, time-consuming processes that can impact on overall value of the transaction, by increasing transaction costs and reduced synergy realisation. If markets continue to consolidate as expected, time to completion may rise across the board.

The quality of business cases/investment theses was identified as the most significant challenge when it comes to delivering on acquisition business case returns, with 55% of respondents identifying this as the largest or second largest challenge.

Post-deal implementation clarity and capability was the next most significant challenge with 50% of respondents identifying this as one of the two largest challenges. Therefore, having a well designed integration plan, with clear milestones and appropriate resources allocated to it, remains a critical success factor in extracting maximum value from the transaction.

Expected synergies are in most transactions, a key element in the transaction business case, yet 42% of the respondents indicated that this was the most challenging or second most challenging item to execute on. To overcome this, businesses will need to develop appropriate change management plans and embed a culture of continuous improvement in the organisation, to ensure value continues to be delivered beyond transaction date.

Chart 23
Have you carried out post-acquisition reviews?

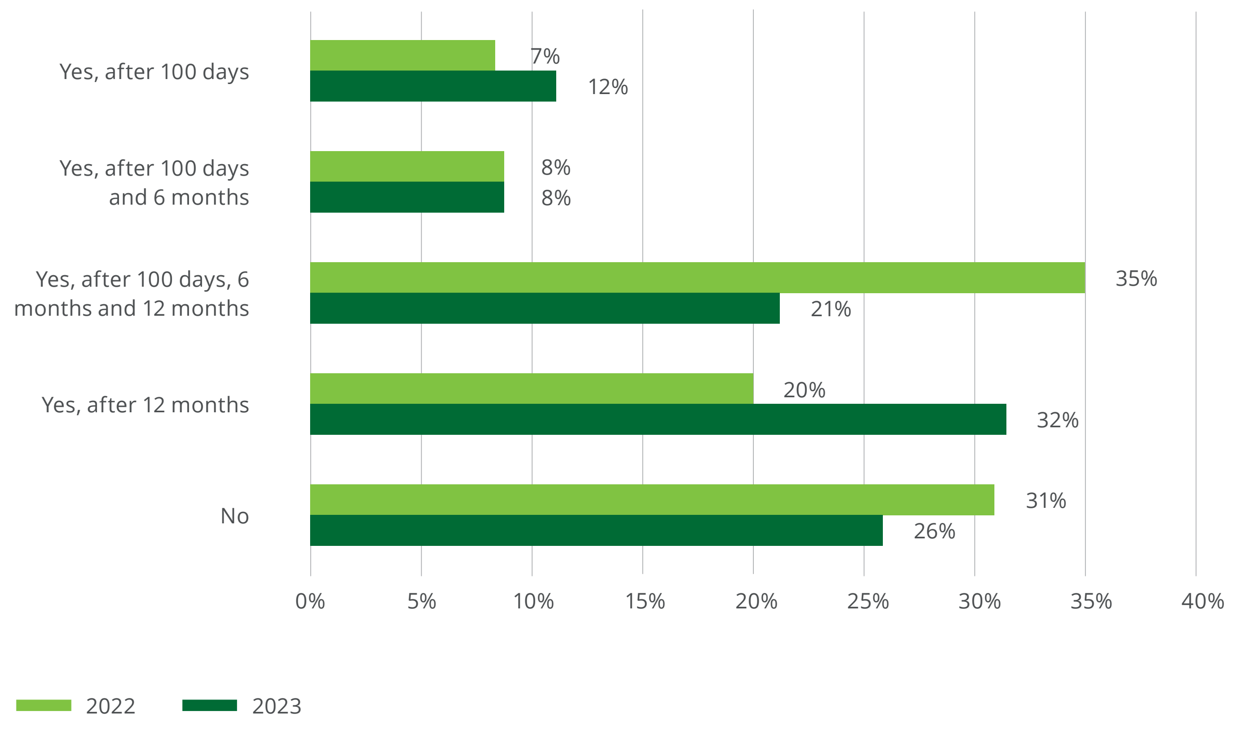
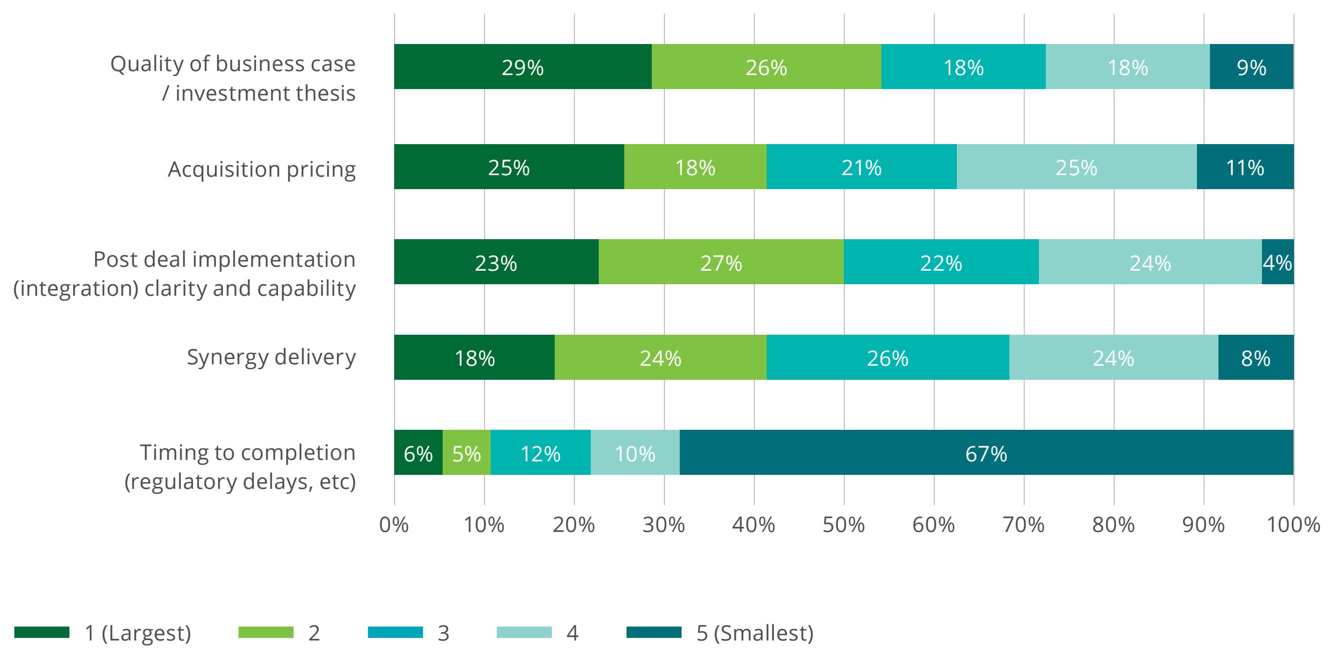


Chart 24
What do you think is the biggest challenge in delivering on acquisition business case returns?



Theme 04

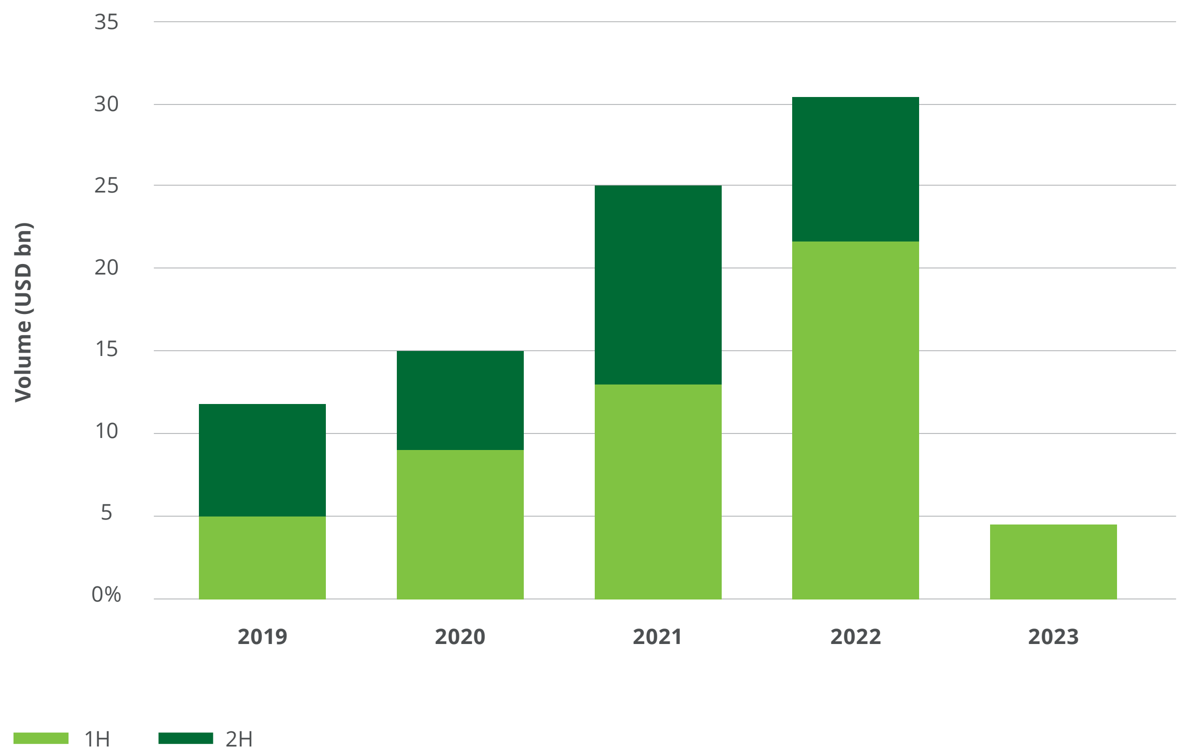
Facing the financing challenge

Our survey showed 78% of respondents are highly confident they have a strong balance sheet with adequate cash reserves, however, the changing economic cycle has seen the financing of M&A more challenging, with:

- 22% of respondents identifying the status of debt markets as a challenge to M&A success (8% last year)
- 29% of respondents identifying access to capital or financing as a challenge to M&A success (22% last year).

This is consistent with Deloitte's Debt and Capital Advisory team who have noted that activity in acquisition related debt markets slowed in the second half of 2022 as higher interest rates and valuation concerns depressed appetite for new debt issuance. Australian M&A loan volume nearly halved to US$7.6bn in the second half of 2022 (down from US$13.8bn a year earlier) and compared with US$23.3bn in the first half of 2022, according to Refinitiv LPC data.

Chart 25
M&A Loan Volume Australia



Source: Refinitiv

Acquisition & leverage finance market - Trends and outlook

"Despite moving past the recent US Government debt ceiling unease, global markets remain in a watchful mood as debt investor focus centres on macroeconomic fundamentals and upcoming central banks meetings."

As we continue to face the headwinds of inflation, rising interest rates and slowing economic growth, the Deloitte Debt & Capital Advisory team is seeing the following trends:

- Increased stress is likely to eventuate in the broader economy which may generate distressed M&A opportunities
- While appetite to provide acquisition finance remains with bank and non-bank lenders, capital structures and leverage multiples are less aggressive as lenders and borrowers alike focus on interest coverage and liquidity
- While there's liquidity to support well-structured M&A deals, credit and risk decisions are generally taking longer with lenders
- Bank treasury teams continue to manage fluctuations in their wholesale cost of funds, resulting in a marked increase in pricing for both investment and sub-investment grade borrowers
- The Interest Cover Ratio ('ICR') in existing debt facilities will remain under pressure in many sectors and we expect covenant waivers and amendments will continue
- Mezzanine debt likely to make a comeback particularly where an existing structure requires relief from its cash-pay interest burden
- Backstops and bridging finance are expected to feature in acquisition finance deals with subsequent take out from equity and debt capital markets
- Significant ongoing lender appetite to provide green and sustainability-linked ('SLL') leveraged loans.

Theme 05

ESG comes of age

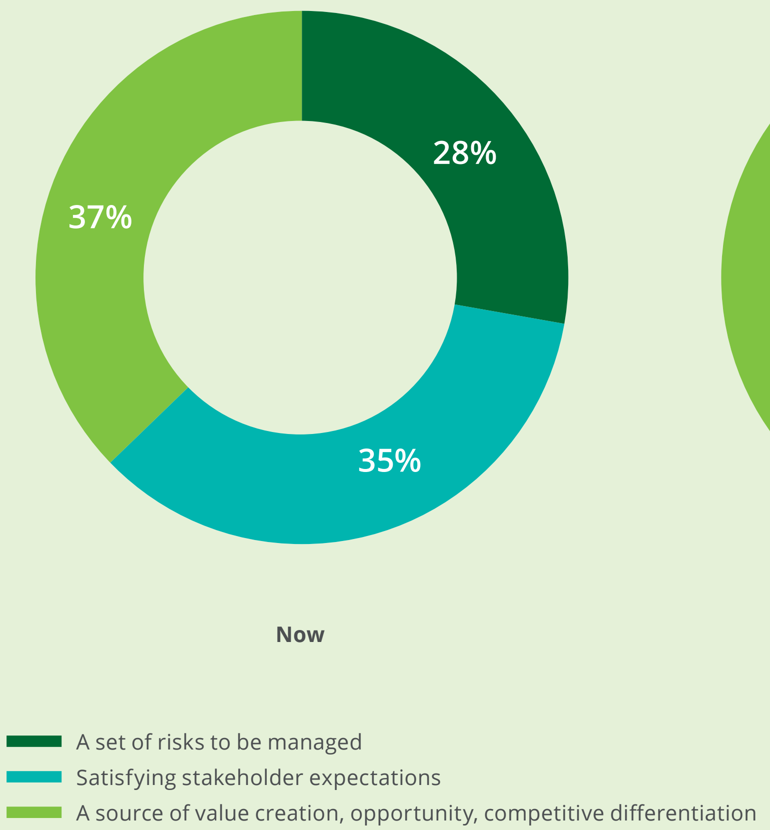
A growing imperative, but maturity varies

There is an evolution taking place around how Environmental, Social & Governance (ESG) is understood in the context of corporate strategy, with companies increasingly leveraging ESG as a key source of value creation and a means to drive commercial growth.

As a result, corporate strategies, ESG commitments, and M&A processes - which have traditionally been disconnected - are becoming intertwined across the deal lifecycle as ESG thematics are now shaping deal theses and infiltrating the decision-making space in M&A.

While climate change and the energy transition continue to be the main focus from an ESG perspective, we're already seeing signs of other ESG issues such as circular economies, sustainable products, and health and wellbeing begin to inform M&A strategies as well. The past year has seen these trends manifest in a number of marquee deals across Australia and New Zealand.

Chart 26
How is ESG dealt with in your M&A strategy?



A growing source of value creation

These trends are reflected in this year's results, with 37% of respondents seeing ESG as a source of value creation, opportunity and competitive differentiation in their M&A strategy, up from 32% last year. Around one third (35%) deal with ESG to satisfy stakeholder expectations, and 28% deal with ESG as a set of risks to be managed.

This is expected to change markedly in 3-5 years' time, with nearly two thirds of respondents expecting ESG to be a source of value creation, opportunity and competitive differentiation in the near future.

While this shifting sentiment is encouraging, M&A leaders waiting 3-5 years' time to incorporate ESG from a value creation into their M&A strategy will get left behind as others capitalise on the opportunity to drive growth in existing and adjacent markets with ESG at the forefront of commercial considerations.

Beyond value creation considerations, the risks arising from not appropriately managing ESG issues are becoming more pronounced, making it increasingly challenging for those looking to divest assets with negative ESG attributes. For example, the tightening of Australia's carbon pricing legislation earlier this year – the Safeguard Mechanism - has the potential to materially impact the commercial attractiveness of certain emissions-intensive assets, highlighting the implications of failing to appropriately mitigate ESG risks. Similarly, in New Zealand, the introduction of mandatory climate disclosures- that require relevant companies to disclose material climate-related risks and potential financial outcomes- will place pressure on companies to develop strategies for a sustainable future.

Using ESG to guide portfolio composition

"ESG is increasingly being used to inform portfolio decisions. A total of 39% of survey respondents stated that they have now re-evaluated their portfolio to acquire or divest through the lens of ESG, while more than half of respondents are still yet to."

One third of respondents reported undertaking a transaction in the past 12 months where the target was identified as potentially benefitting from ESG tailwinds. Around 18% of those surveyed in 2023 had not progressed with a potential transaction because of concerns around ESG performance, a decrease from the 26% of those surveyed in 2022.

These trends have been particularly apparent in the transaction activity that has dominated the Power, Utilities and Renewables, and Mining and Metals sectors over the past 12 months. Given the number of companies still yet to evaluate their portfolios through the lens of ESG, we can expect to see continued deal flow off the back of ESG tailwinds in these sectors.

Chart 27

Have you re-evaluated your portfolio to acquire or divest through the lens of ESG, including any "net-zero" emissions reduction commitments (energy transition)?

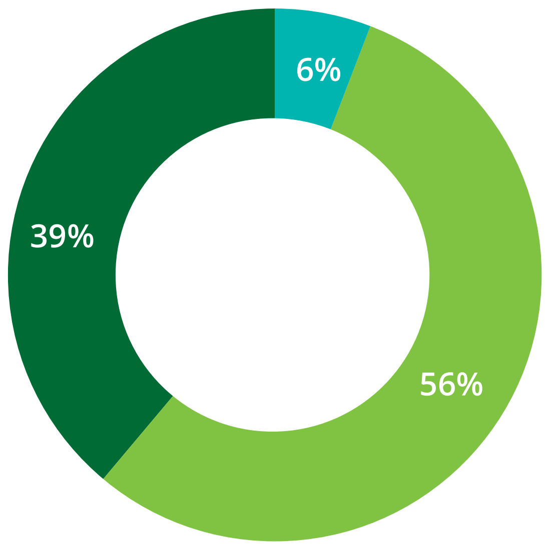
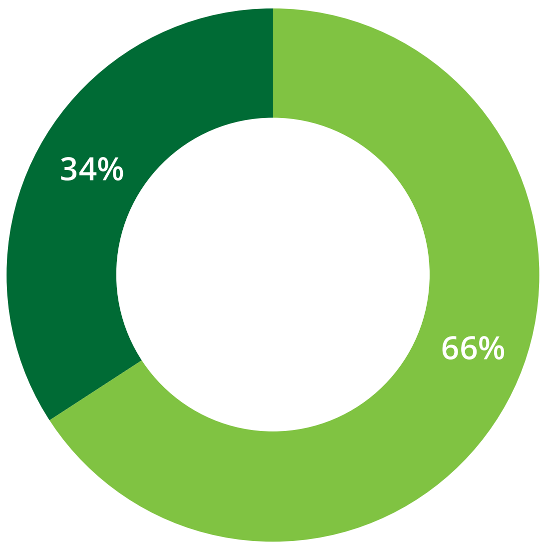


Chart 28

Has your company undergone a M&A transaction in the last 12 months / or next 12 months in which the target's market/ sector was/is identified as having the potential to benefit from ESG tailwinds?



Yes No No, but plan to do so in the next 12 months

The role of ESG in due diligence processes

The importance of considering ESG in the context of due diligence has continued to be a resilient topic amongst respondents, with 42% of respondents describing ESG performance as currently of high importance or a must have in the M&A due diligence process, which is largely on par with sentiment in recent years.

This is expected to rise to nearly two thirds of respondents in three to five years' time. Only 15% of respondents anticipate that ESG will be of low importance in the M&A due diligence process in three to five years.

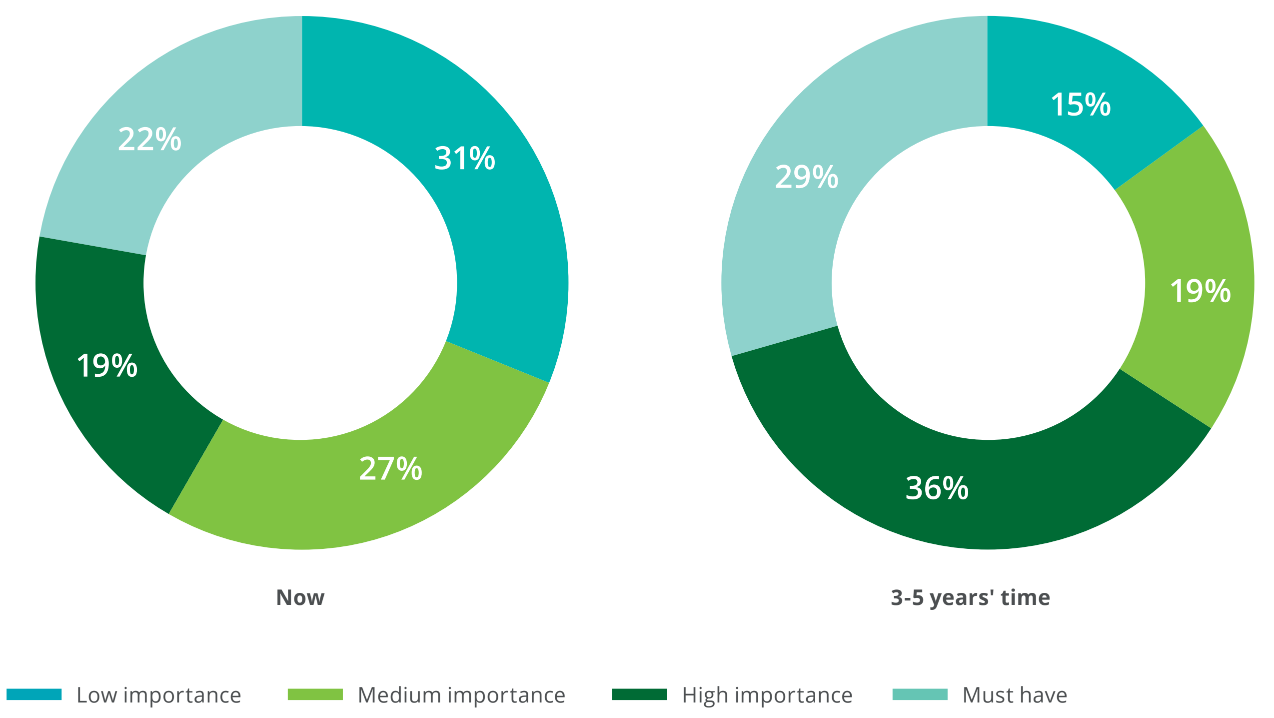
The way ESG is being considered as part of due diligence processes is maturing from a risk-focused 'red flags' exercise to one that looks to interrogate the target company's growth prospects through understanding relevant ESG megatrends and their impact (positively or negatively) on the business model and commercial ecosystem.

Key topics that ESG due diligence should focus on include:

- ESG-driven market trends and competitor responses
- The regulatory environment surrounding the target company's operations and how upcoming changes may drive opportunities and risks from an ESG standpoint
- The availability of government funding and incentives that could facilitate ESG value creation; and
- Analysing commercial implications from relevant ESG topics.

While often overlooked, taking a strategic approach to ESG due diligence will be increasingly important to companies as they face growing pressures to demonstrate progress on their own publicly stated ESG commitments.

Chart 29
How important is ESG performance as a consideration in the M&A due diligence process?



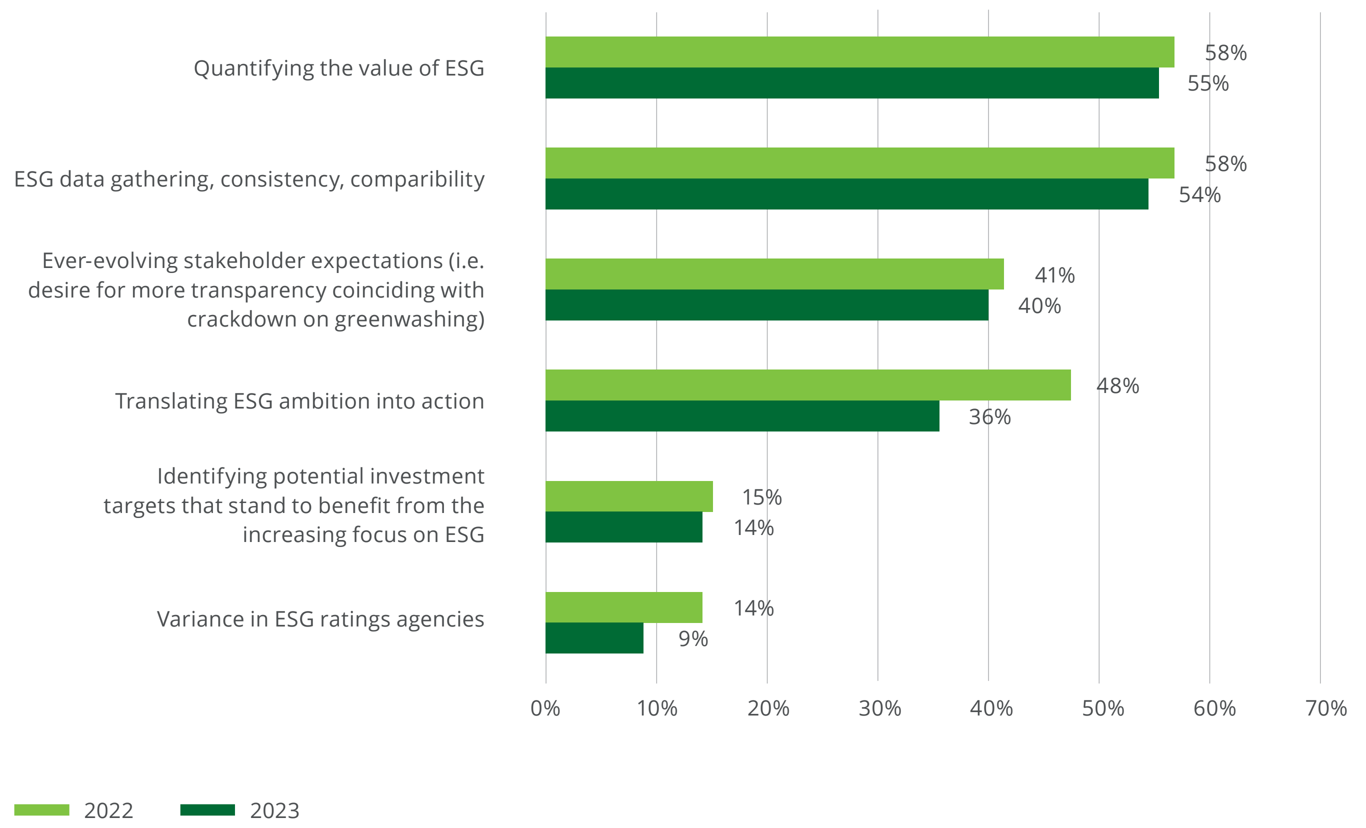
Overcoming the challenges

The survey results highlight that quantifying the value of ESG and the historic lack of consistency and comparability of ESG data continue to be the main pain points for respondents when it comes to integrating ESG into M&A activities, with 55% an 54% of respondents acknowledging this.

As the market continues to evolve its understanding of which ESG issues have the potential to impact commercial outcomes, the connection to, and quantification of, value from ESG will become clearer. Being able to quantify the CAPEX and OPEX associated with decarbonisation efforts and factoring these into valuation models is a key example of how this challenge can be overcome.

In addition, the recent release of the International Sustainability Accounting Standards and the proposed introduction of mandatory climate disclosures is set to drive the mainstreaming of ESG data in a significant way.

Chart 30
Acknowledging the complexities associated with ESG, where are the biggest pain points for your company?



Note: respondents were able to select all options that apply.

How ESG is (or is not) influencing deal pricing

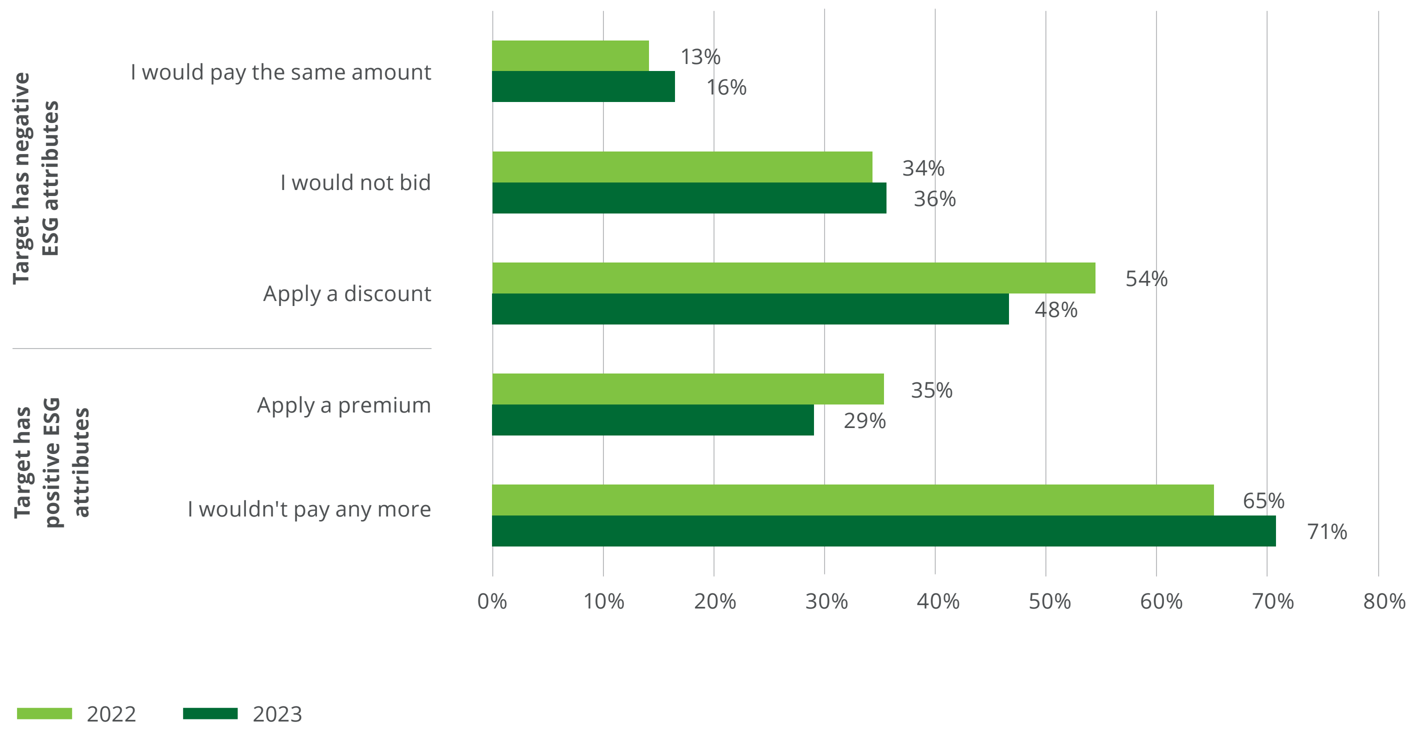
A significant majority (71%) of respondents would not pay any more for a target with positive ESG attributes, which may be indicative of a more challenging outlook for respondents rather than a shift in ESG focus. However, if a target has negative ESG attributes, 48% of respondents stated that they would apply a discount and 36% of respondents stated that they would not bid on the target at all.

This again highlights that while executives are becoming more conscious of targets' negative ESG attributes and the risks associated with such attributes, many are still yet to truly embrace the idea of ESG as an opportunity and driver of value in investment decisions.

One third of respondents account for ESG considerations in pricing and valuation models through qualitative overlay and adjustments, while a third of respondents do not account for ESG in pricing or valuations at all. That leaves just 14% of respondents who account for ESG through cashflow adjustments, 8% through discount rates or multiples, and 12% in other ways, which is tied into existing challenges around ESG data collection and quantifying the value of ESG.

Chart 31

If a target had positive or negative ESG attributes, how would that influence the price you would pay?



The outlook for ESG

Over the next three to five years, we expect ESG to motivate the majority of M&A activity in Australia and become embedded in all M&A processes – with very few not considering it at all.

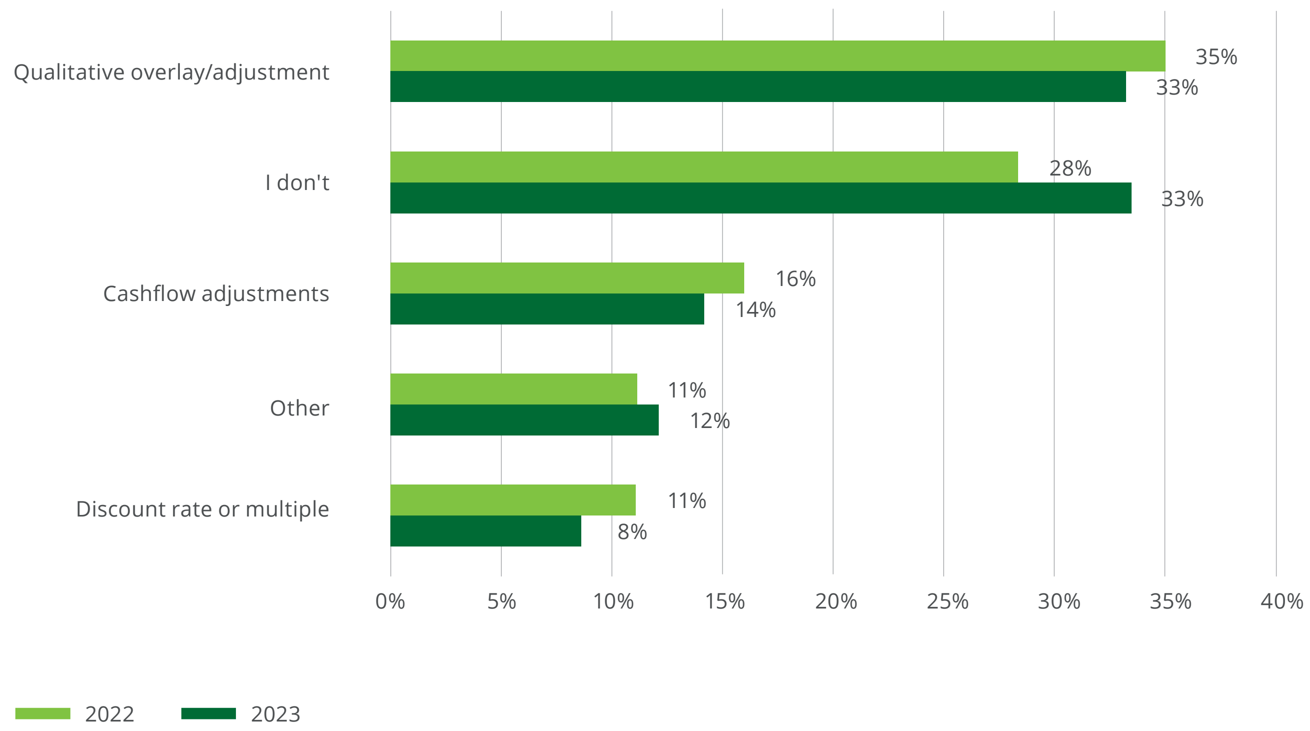
Companies will be using these deals to gain a competitive advantage and drive greater business value, recognising the potential of making early moves. Those that sit back and wait will risk falling behind, missing the limited opportunities available and facing substantial risks in an increasingly ESG-conscious landscape.

From a New Zealand perspective, while the integration of ESG into M&A processes is taking place at a relatively slower pace to Australia, it is expected that ESG will be a consideration in almost all transactions, especially those in the primary sectors, energy, financial services and healthcare.

We can also expect overall ESG maturity and sophistication to evolve as stakeholders become better equipped to understand and interrogate these issues. Companies that continue to invest in and acquire emissions-intensive businesses will be rare or sector-specific, and must face the prospect of stranded assets, impairment, write-downs, and other risks.

Chart 32

How do you account for ESG considerations in pricing and valuations?



Industry focus

Power, Utilities & Renewables

New worlds, new technology, enough time?

The burning platform facing the Power, Utilities and Renewables (PUR) sector is now well understood in loungerooms and boardrooms alike, as escalating prices and unstable supplies drive governments to search for a leaner, greener solution.

But have we left it too late to achieve an orderly transition of Australia's energy sector? Time will tell; but it may well be our greatest enemy in solving one of our nation's biggest challenges (and opportunities).

The growing social and economic imperative of Australia's energy transition and drive toward net zero is creating a new frontier from many perspectives. The worlds of electrons and molecules are converging, competitors are becoming counterparts and traditional business models are being upturned as new pools of capital lap at our shoreline. With this backdrop, we anticipate that the PUR sector will be impacted by the following six key trends in the near future.

Competing for capital

"Australia is far from running a single horse race in the battle for capital. Our limited sovereign scale has our eyes fixed overseas as both a source and competitor for funds."

Global trends are now in play, particularly the surging activity driven by the United States' Inflation Reduction Act. Not everyone agrees on how Australia will fare amid this evolving landscape.

Opinions are divided as to whether the IRA provides an opportunity to greater access to foreign capital or will provoke further competition for already scarce resources. With the scale of US opportunities, a different cohort of investors into Australia may emerge.

And there remains the other geopolitical elephant in the room and how that may impact Australia's access to all global capital sources. How will global political tensions influence Australia's capital inflows? It's certainly on the minds of our surveyed M&A leaders in the Energy, Resources and Industrials (ERI) space, with 60% concerned about international political and economic uncertainty (34% survey wide).

Other unique challenges will come into play, such as sourcing intellectual capital and skilled labour to realise our transition to renewables. With so much global competition for resources and domestic capacity to be installed, the fight for human capital will likely be as fierce as the battle for foreign capital. These global ripples from the IRA and offshore initiatives are likely to impede our ability to get the required traction to meet our net zero objectives.

Fortune favours the brave

With volatility comes opportunity. Many international operators realise that it's now or never to secure a meaningful position within Australia's energy ecosystem.

The industry's traditional players who elect to remain idle risk losing their privileged positions to new entrants, who are well funded and mandated to leverage their home-ground experience and scale secure, meaningful positions, particularly hydrogen and offshore wind. To compete, existing players will need to take bold actions and set a clear, decisive pathway for the future.

No transition without transmission

As the pending retirement of legacy generators accelerates, the need for a stable portfolio of dispatchable renewable solutions intensifies.

The challenge will be how to optimise the current environment to drive a more holistic approach to designing our networks. With the emergence of renewable energy zones and offshore wind applications and an absence of bi-directional transmission solutions, the rate of change occurring across the sector's infrastructure is eye watering. Yet it remains to be seen as to whether it is fast enough to meet the targets outlined by AEMO in its 30-year blueprint (the Integrated Systems Plan). Even on present run rates, commentators believe that the rate of incremental capacity each year is half that required to deliver "Sep Change" scenario promoted by AEMO.

Our transmission and distribution networks should not be forgotten in the overall design. Outdated energy networks will need an overhaul to support bi-directional energy flows generation of rooftop solar panels and microgrids gain scale to create virtual power plants. The public and private sectors will both need to put their hands in their pockets to address the curtailments that are impeding further development and the ability to optimise our pending pipeline of projects.

This transition also depends on there being enough dispatchable generation and firming capability. Potential solutions include battery energy storage systems (BESS), pumped hydro, biogas, and in the long term, leveraging existing gas pipelines to blend hydrogen to natural gas. Ultimately, the industry is likely to depend on an 'olive' phase to bridge the transmission between brown and green energy. A coordinated response to the ISP is needed to unlock bottlenecks and expedite investment.

Retail size matters

From a retail perspective, companies are balancing rising customer expectations with increasing demand from the energy market to be profitable and innovative.

The only way to keep this achievable is by scaling, adopting leading-edge solutions, and treating customers as 'prosumers' – both consumers and producers who sell rooftop electricity back into the grid.

Repurpose and rehabilitate

The energy transition also raises an important question for the PUR industry: what do we do with our retired assets?

Companies have an opportunity to repurpose and rehabilitate sites with existing infrastructure, retaining value in assets that would otherwise be written off. Innovative solutions should be explored to leverage our current electricity and gas infrastructure as time is unlikely to permit a holistic rebuild without a sensible period of transition. This opens the door for new technologies.

M&A outlook and the impact of ESG

There's little doubt ESG plays a critical role in the industry and will only become more important.

Of the energy, resources and industrials M&A leaders surveyed, 87% considered ESG due as of medium or high importance or a 'must have' for due diligence, and 60% view it as a source of value creation, opportunity and competitive differentiation. Despite this, there's still a clear opportunity for leaders to be bold and shift from a box-ticking exercise to a truly strategic approach.

Looking at M&A more broadly, we're seeing unparalleled activity in PUR with high deal multiples driven by significant capital available but limited opportunities of scale. Though filling gaps in core portfolio was the most common M&A objective among ERI respondents (of some importance to 84%), expediting synergy capture took top spot in terms of urgency with 40% labelling it a high priority. The sector shares survey-wide sentiment towards valuations (a major challenge for 80%) and the competitive deal environment (72%), highlighting the market remains focused on acquisitions despite macro headwinds.

Industry focus

Mining & Metals

Riding the wave

Though just 40% of Energy, Resources and Industrials (ERI) respondents expect M&A activity to increase over the next year – a drop from 55% in 2022 – it's likely a symptom of success.

Mining and metals deals have been surging over the past six months, and M&A leaders seem divided on whether this hive of activity could get any busier.

Inevitably, ESG is now of medium importance, high importance or a must-have in M&A due diligence for 87% of ERI respondents. The energy transition is a seismic, global shift that's creating enormous opportunities for mining and metals companies. Importantly, this boom isn't just about critical minerals for batteries and electric vehicles: demand is also rising for the materials needed to produce wind turbines, solar panels and other infrastructure central to the energy transition.

Though security of supply is hot on the agenda, making supply chains ethical, resilient and transparent is also a priority for the industry. ESG will further entrench as a factor in valuations and negotiations, making it imperative for companies to demonstrate how they source materials. Environmental impact will be key, but social and governance issues are equally important – particularly engagement with Indigenous communities.

Coal changing hands

Big miners with diversified portfolios continue to move away from coal assets while they still attract a good price. Approval for new mines is becoming more difficult, stakeholder expectations are changing, and there are clear opportunities in more future-proof areas. M&A activity will continue as long as there are buyers willing to see coal through to the end, often backed by overseas interest in energy security.

Global movements

This year's survey results hint at the forces at play, with 60% of ERI respondents seeing deals impacted by international political and economic uncertainty (34% survey wide).

They prioritise sustainability more than other respondents, and digital transformation less. And a greater proportion in this sector said regulatory change (48%) and geopolitical shifts (44%) will highly disrupt M&A performance over the next two years (29% and 21% survey wide, respectively).

These responses reflect the global, ESG-dominated movements in the mining and metals industry. The United States' (US) Inflation Reduction Act is driving investment into critical minerals, particularly downstream processing. The EU introduced the Critical Raw Materials Act, and a ban on petrol and diesel car sales from 2035 has prompted original equipment manufacturers (OEMs) to start securing raw materials for electrification.

This has dramatically changed Australia's investment landscape, thanks to its wealth of natural resources and attractive ESG profile – with lower risk of governance issues, corruption and modern slavery.

New international and non-traditional investors are heating up competition for high-quality assets in lithium, nickel, copper and other materials. Rising commodity prices in recent years have left big players with plenty of cash and the opportunity to invest it, whether it's buying more mines that align with their core growth strategy or looking at diversifying into new metals.

They're also more open to increasingly innovative pathways, such as joint ventures, alliances and partnerships, to secure long-term, ESG-friendly growth.

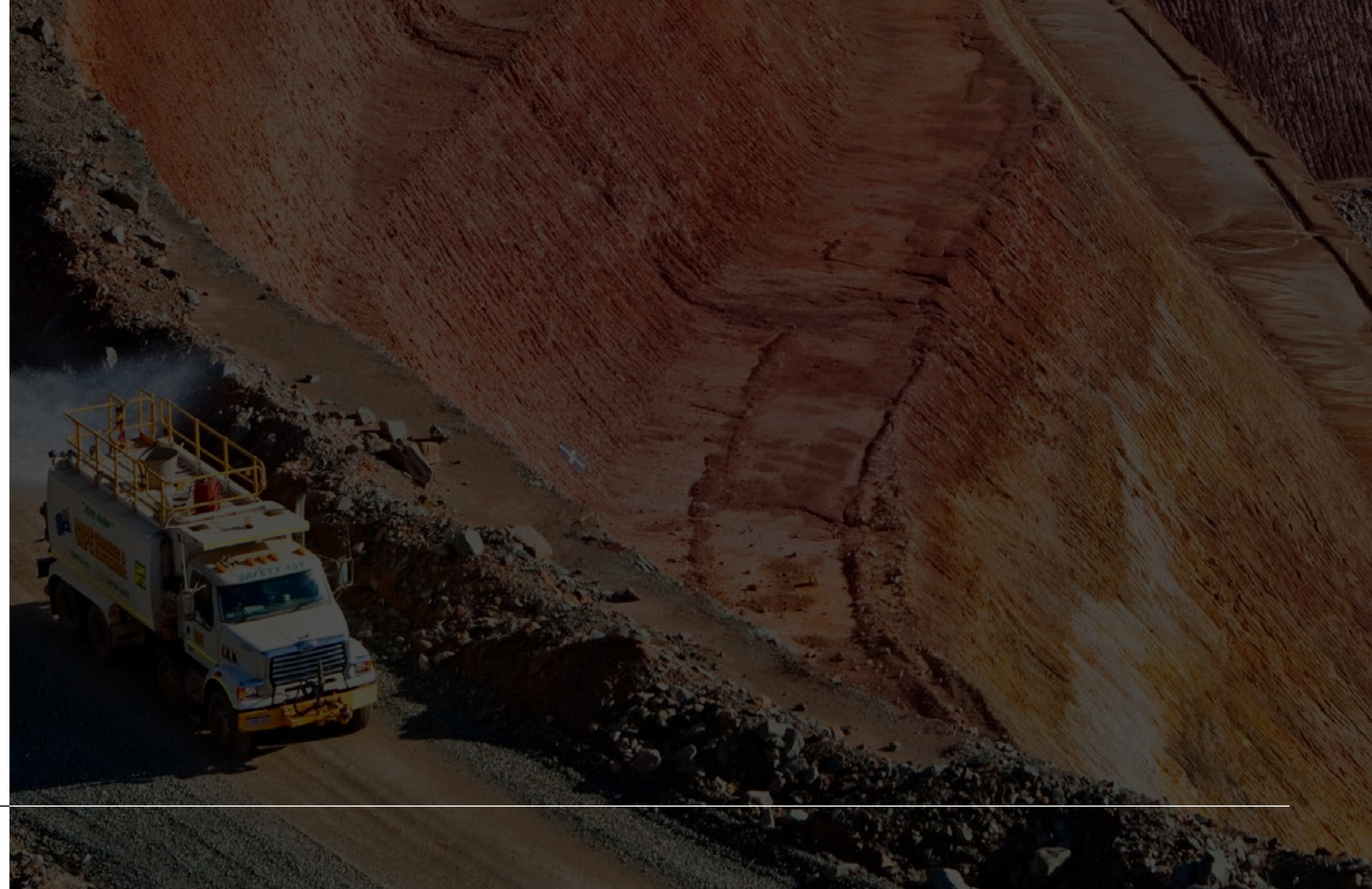
With promise comes peril

"As always, the risk of abundant opportunity is failing to make the most of it. Investors will be jostling to get their foot in the door and compete for in-demand assets, while keeping a close eye on the future of commodity prices, which remain uncertain."

There are other unique headaches the mining and metals industry is dealing with. For mid-cap companies, access to capital can be a tricky and time-consuming process.

Despite the chance to secure US funding, access to grants is indirect, complex and time-intensive, end to end. Project timelines are blowing out to as much as two decades, a leap from historical assets that were up and running in a few years.

Operational emissions are also under increasing scrutiny, challenging miners to decarbonise remote, fuel-powered sites connected by railroads stretching hundreds of kilometres. New mines need to clear countless traditional hurdles, namely those relating to regulation, environment and their underlying economics, and are now also faced with new and novel ones, such as establishing an environmentally friendly fleet powered by renewable energy.



Industry focus

Financial Services

Time to grow

This year, respondents in the Financial Services Industry (FSI) are somewhat more optimistic about economic conditions than the collective, with 74% stating conditions are supportive of M&A activity (66% survey wide). Unsurprisingly, the sector is also more bullish about financing with 55% highly confident about credit availability (37% survey wide).

But that optimism isn't necessarily flowing through to the outlook for M&A activity. Only 22% of FSI respondents expect their organisation to pursue more deals in the next 12 months, compared to 45% survey wide. In truth, the FSI market is in a state of flux relative to last year when early interest rate rises fuelled optimism among banks and insurers. As the big banks wind up most of the divestments prompted by the Royal Commission, the question remains: where will the next growth phase come from?

The landscape is changing amid business uncertainty, higher inflation and higher interest rates. We're seeing the gap between buyer and seller expectations start to narrow as they catch up to market conditions, but it's fair to say most deals now are smaller, adjacent transactions or potentially more distressed sellers who need to find a new shareholder. Deals have been harder to complete compared to the last two years, where the pandemic recovery drove once-in-a-generation boom periods. We're continuing to see consolidation in insurance and superannuation, where smaller targets can still be picked up by big players to grow market share. Large incumbents in the insurance sector are also expanding offshore and taking advantage of depressed asset prices in the European markets, where we have seen a number of the listed insurance brokers deploy capital in the last 12-18 months.

When it comes to ESG, respondents in the financial services industry are more likely to treat it as a way of satisfying stakeholder expectations (48% of respondents) than a source of value creation (22%). The survey-wide response was 37% and 35% respectively, likely explained by a less direct connection between many FSI companies and today's key ESG issues. This is becoming a bigger issue for the sector as they move towards net zero for their underlying portfolios, however ESG is seen as a gating item to determine whether the institution will pursue a transaction.

Digital transformation

Accelerating digital transformation continues to be in focus, with 57% of FSI respondents identifying it as an M&A priority (42% survey wide).

For some, it's much needed to ease the administrative and regulatory burden of legacy systems, such as general insurers that face penalties for missing multi-policy discounts due to outdated IT infrastructure and banks who cannot innovate and launch products quickly on their existing infrastructure.

Others are looking to technology as a means of better serving customers and gaining a competitive advantage. Traditional players are increasingly aware of how digital transformation can uplift their products and services, whether it's a mortgage provider automating application processing or a bank developing a new front-end interface for its customers. These companies are looking to either buy this technology, partner with innovative financial technology (fintech) players or build it themselves.

Fintech companies have a natural edge in this space from a technology infrastructure perspective, whereas the incumbents have a major funding advantage, but start-ups also have a competitive advantage by having fewer internal barriers to digital transformation. That said, they may need to work harder to build brand association and secure the funding needed to make it happen. Rising interest rates may cause a number of fintech companies to reassess their business models, and we have seen a number of those in the mortgage sector consolidate with incumbents.

Political and economic uncertainty

Political and economic uncertainty is affecting deals for 48% of survey-wide respondents, up from 38% in 2022.

The financial services industry has felt this more acutely: it impacted 52% of respondents this year, up from 17% in 2022. A change in government and its potential effect on wages and regulation made an impact, along with rising inflation and interest rates. The wealth sector has also been eagerly awaiting the Government's response to the Quality of Advice Review, which came through in mid-2023 and provided some guidance for players in this sector. There will be more to come on that front. It may be too early to tell of the new government's true impact, but the sentiment is there at the very least.

Competition heats up

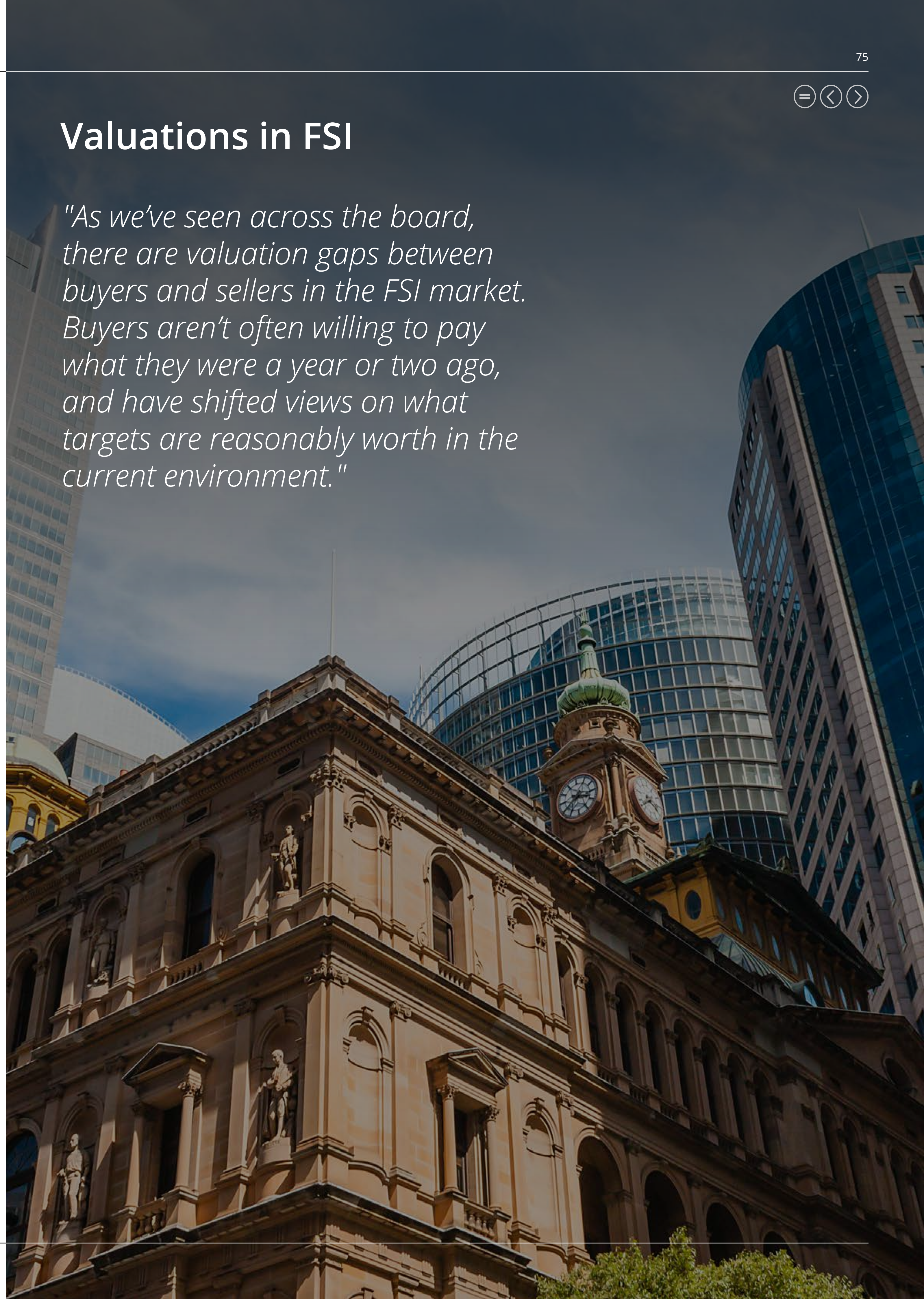
This year's survey shows a big jump in FSI respondents facing challenges with an increasingly competitive deal environment (74% – up from 50% in 2022). Multiple bidders often pursue the same target, and private equity is increasingly involved in the sector.

The majority of FSI respondents (67%) identified a need for acquisitions in their most recent portfolio review, with just 17% identifying a need for divestments and another 17% not seeing any impact on M&A activity. With CEOs chasing growth in short tenures, acquisitions appear to be the path of least resistance – particularly around new digital platforms and bolt-ons. This may also reflect the big banks moving away from their recent divestment programs to a new growth phase.

For more on the search for growth in a turbulent environment, check out our 2023 Banking Australian M&A Outlook

Valuations in FSI

"As we've seen across the board, there are valuation gaps between buyers and sellers in the FSI market. Buyers aren't often willing to pay what they were a year or two ago, and have shifted views on what targets are reasonably worth in the current environment."



Conclusion

The M&A outlook in Australia and New Zealand is proving resilient, but leaders will need to ask strategic questions about the future of their organisations.

As always, transactions remain ever important to growth and transformation, with the majority of surveyed respondents confirming they expect the number of deals they pursue to increase or remain stable in the year ahead. M&A leaders should be patient, but decisive when it counts. It will likely be the deal makers who have used the last few years well, by becoming comfortable and confident with uncertainty, who fare best during what's to come. The key will be in utilising the right mix of restraint and risk in a market that's sure to continue delivering challenges, opportunities, and other shocks and surprises.

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