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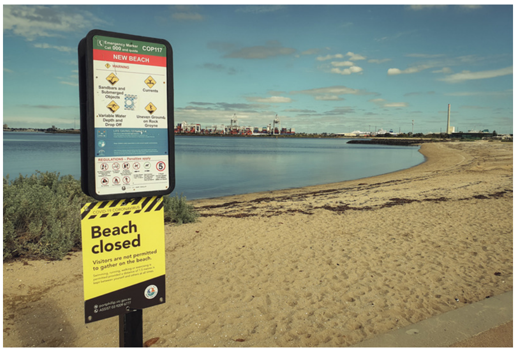
An Acuris company

29 September 2021



COVER STORY

AUSTRALIA PE: BRAVE NEW WORLD

As Australia contemplates finding a way to live with COVID-19, private equity probes an opportunity set in transition yet surprisingly stable.

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TALKING POINTS

AUSTRALIA IN SIX TRENDS

As an addendum to the post-COVID-19 issues highlighted in this week's cover story and to coincide with next week's AVCJ Australia & New Zealand Forum...

- **Competition at the top-end:** A half dozen buyouts of $500 million-plus account for 60-90% of investment across all strategies in Australia and New Zealand in any given year. CVC Capital Partners has joined the list of GPs chasing these deals, following its announcement of plans to open a Sydney office and the recruitment of Brett Sutton, formerly of Affinity Equity Partners, as country chair. EQT has also staffed up and is looking to pursue larger transactions.
- **Fundraising challenges:** The last couple of years have been difficult for Australia and New Zealand fundraising. Quadrant Private Equity remains one of the exceptions to the rule, closing its latest flagship fund at A$1.24 billion ($938 million) last December and then raising a A$530 million growth vehicle earlier this year. In 2020, Quadrant accounted for 34% of the $3.9 billion raised across both markets. In 2021 to date, its share (out of $921 million) is more than 40%.
- **The rise of Canva:** Australian design and collaboration platform Canva reached a valuation of $40 billion in September – up from $3.2 billion in 2019. Revenue has more than doubled in the past year and is on track to surpass $1 billion in annualized terms by the end of 2021. This is attributed to a shift toward enterprise-facing products at a time when organizations have been increasingly pressured to digitize their operations and manage decentralized teams.
- **B2B bonanza:** Canva is not the only B2B software success story as start-ups find traction with global product offerings. In the past 12 months, SafetyCulture ($1.7 billion), Culture Amp ($1.5 billion), and Go1 ($1 billion) have become unicorns, while Employment Hero ($800 million) is well on the way. There have also been a few bumper trade sales, with Ascender and New Zealand's Seequent sold to US strategics for $500 million and $1 billion, respectively.
- **Place your bets:** Reduced footfall at casinos and racetracks because of COVID-19 has created special situations opportunities, with The Blackstone Group targeting listed casino operator Crown Resorts and Apollo Management pursuing a carve-out of Tabcorp Holdings' wagering and media and gaming services businesses. These situations have revealed not only the commercial appeal of gambling, but also the accompanying legal and regulatory headaches.
- **Strong exits story:** Private equity exits in Australia and New Zealand have held up reasonably well, despite international travel restrictions. A total of $6.7 billion was transacted in 2020, driven by secondary sales. This should be surpassed in 2021, with $6.4 billon announced to date. The focus has shifted back to trade sales – in defensive sectors like software and education. The 2019 total was a mere $4.2 billion, but the average for the preceding four years was $8.5 billion.

GP PROFILE

ADVENT PARTNERS

Having spent the first half of the last decade undergoing a renewal in terms of leadership and strategy, Australia's Advent Partners believes it has emerged stronger, smarter, and more focused on the future.
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DEAL FOCUS

SOUTHEAST ASIA'S FOUR-TRICK CREDIT PONY

Advance Intelligence Group has used its core risk assessment technology to expand into lending and e-commerce transaction finance and services. A place in Southeast Asia's unicorn club is its reward.
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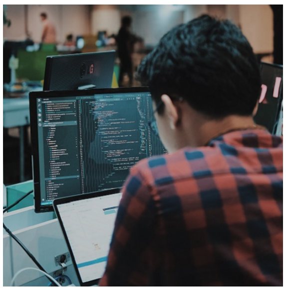
DEAL FOCUS

INVESTORS FLOCK TO SAAS SPECIALIST ONES



China's Ones aspires to become Atlassian rather than Slack, catering to software developers working on complicated projects. Effective localization is partly responsible for a surge in VC investment.
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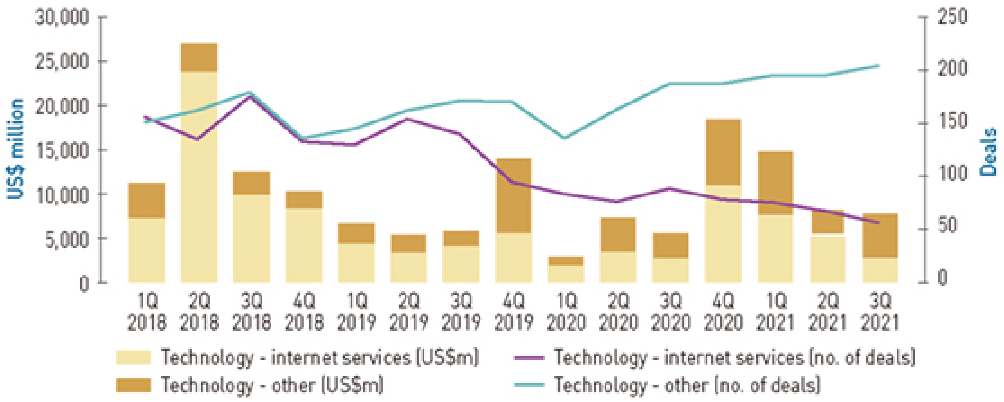
By the Numbers

AVCJ RESEARCH

DIVERGING FORTUNES

Black Sesame produces chips for autonomous vehicles; Nreal manufactures artificial reality glasses. Both have recently closed funding rounds; neither would be categorized as internet services - an area of China growth-stage technology investment that has lost its allure. It's a broad classification, but this segment is primarily consumer-facing and therefore in the regulatory eye. In 2018-2020, the split between internet services and other technology was 65-35. So far this year, it's 50-50. And for the third quarter, it's 35-65. In terms of deal count instead of, other technology pulled ahead of internet services in mid-2019 and hasn't looked back. This adds credence to claims that VCs – whose small-scale deals have less impact on headline investment numbers – turned to the likes of hard-tech and fintech some time ago.

China growth-stage tech investment - internet services vs the rest



Source: AVCJ Research

All of the trends featured here were sourced from AVCJ's proprietary database, AVCJ Research, featuring comprehensive information on private equity deals, fundraises and exits.

Read more on AVCJ Research

The rest of the week

DEALS

- FountainVest buys New Zealand pet food business
- Singapore's Ninja Van raises $578m Series E
- GM invests $300m in China autonomous driving player Momenta
- Lee Fixel's Addition backs India-based Delhivery
- China warehouse robot supplier secures $200m
- CDC joins $75m round for India medical B2B marketplace
- PAG backs China AI investment management start-up
- Australia's Liverpool Partners acquires coffee brand

LIQUIDITY EVENTS

- India's Freshworks flourishes on NASDAQ debut
- Evergrande EV unit cancels listing, suffers cash crunch
- Platinum sells Singapore's PCI for $306m
- Riverside exits Japan bicycle business to Daiwa
- True North exits India's RDC Concrete after 16-year hold
- China's Broncus raises $215m in IPO, struggles on HK debut

For your calendar

UPCOMING EVENTS

- **October 5-6 -** AVCJ Australia & New Zealand Forum
- **October 6 -** Australia M&A Forum
- **October 7 -** Infrastructure Investors Forum - Australia
- **October 13-14 -** AVCJ China Forum
- **October 26 -** Infrastructure Investors Forum - Japan
- **October 27-28 -** AVCJ Japan Forum
- **October 29 -** Japan M&A Forum
- **November 15** - AVCJ ESG Forum
- **November 16-18** - AVCJ Private Equity & Venture Forum

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