

PRIVATE EQUITY

Knowing the next move.

1 DEMYSTIFY

2 NAVIGATE

3 ACCELERATE

4 REALISE

IBDO

BDO – NAVIGATE

Many of the world's most successful companies rely on their founder's entrepreneurial spirit, ambition and investment. However, there may come a time when external capital is required to maximise the growth potential of the business.

Whether it be to fund further expansionary growth, execute a full or partial exit for owners, or optimise their capital structure, a business faces three major considerations when selecting an appropriate source of finance:

- What is the business looking to achieve with the investment capital?
- How much investment is required?
- Which external sources should it be raised from and in which form – debt or equity?

Many successful businesses looking to accelerate growth arrive at this crossroad and, whilst access to finance may not be a challenge, identifying the right partner to work with can be. That's why BDO has created this program to help ambitious businesses thrive under Private Equity ownership.

Following on from Demystify, Navigate offers a roadmap for this complex and time intensive investment process.

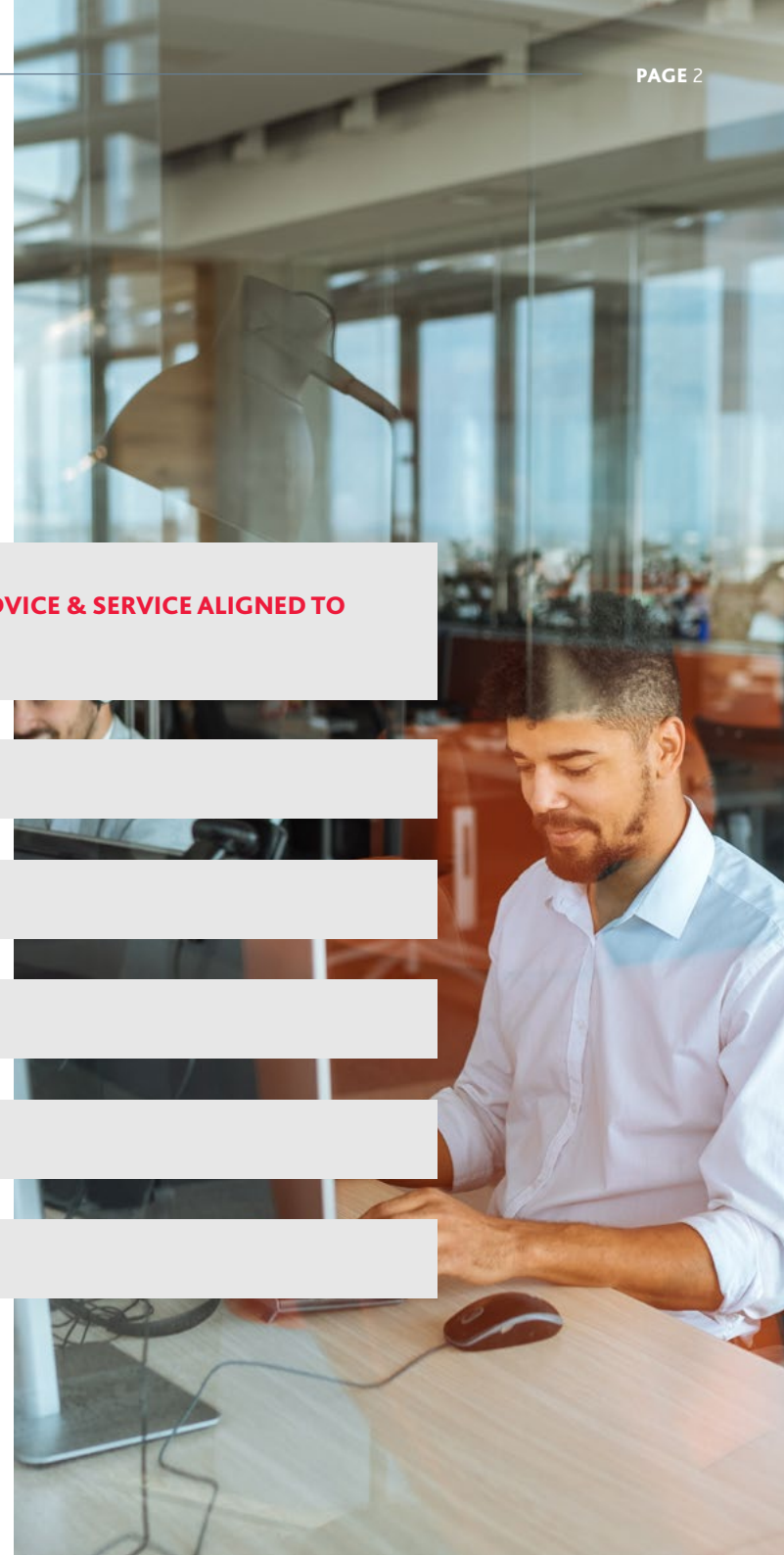
Nothing is more important to us than helping our clients succeed. We use our understanding and experience of the PE market and the power of collaboration from across our firm, to help businesses and their owners realise their full potential.

Thanks to our outstanding of intermediary relationships, we bring together the Private Equity houses and businesses and assist with negotiations through to deal completion. Our knowledge and experience extends far beyond the financial aspects to include operational and strategic support.

This document tells you more about how it works, and why our clients trust us to do it.

THE BDO DIFFERENCE INTEGRATED ADVICE & SERVICE ALIGNED TO YOUR NEEDS

- 1 Exit Readiness
- 2 Corporate Finance
- 3 Personal Taxation
- 4 Transaction Documentation Review
- 5 Vendor Due Diligence



THE PRIVATE EQUITY UNIVERSE

For private companies seeking to grow their business, the quandary of choice can make the first step of identifying potential investors complex. Our Private Equity team works closely with clients to understand their aspirations and help navigate them to the right investment house. We have a successful track record of identifying the right investor for you.

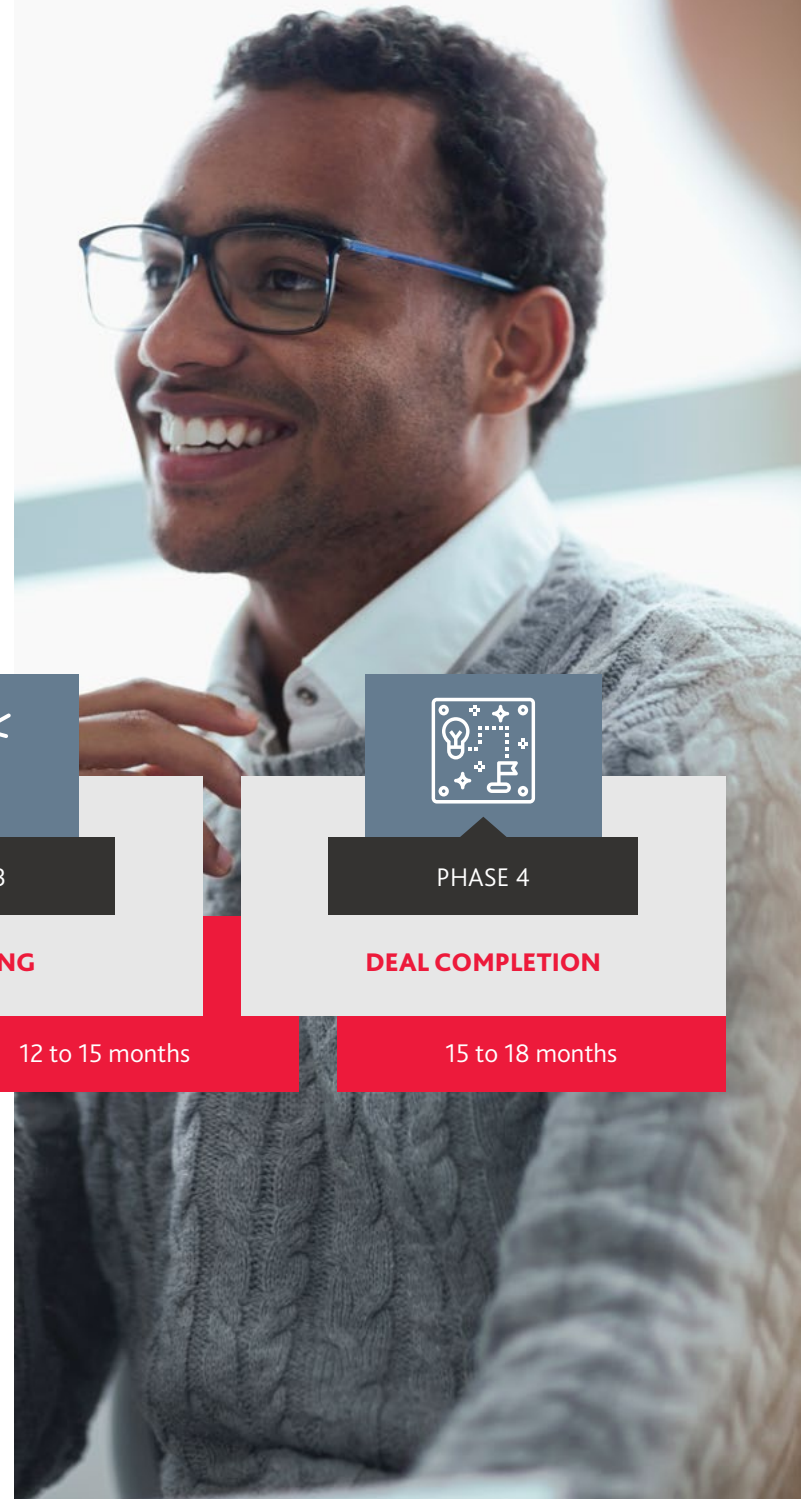
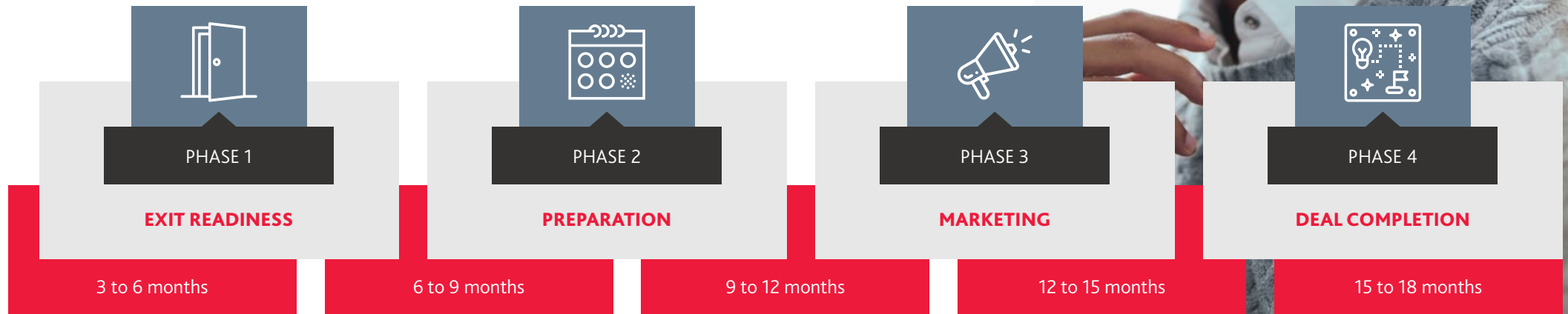
In the diagram opposite, we illustrate the universe of available Private Equity investors in Australia.

	PRIVATE EQUITY INVESTOR TYPE	INVESTOR DESCRIPTION	INVESTMENT STYLE
LOW	Venture capital	Seed or early stage, often seeks to sector specialise as investments are ordinarily pre-profitability, or even pre-revenue.	Minority investor, backing a management team and the development of valued Intellectual Property.
	Development capital	Later stage, growth investors. Includes regional governmental or pseudo-government agency investment.	Minority investor with certain key minority control rights. Passive investment style.
	Family office	Investment office of one or more High Net Worth individual(s) and associated family. Focus is on diversification and reinvestment of wealth into a range of asset classes, which frequently includes Private Equity-type investment.	Both active and passive investor via majority and minority stakes in multiple business that are typically held for a longer period than other institutional investors. Often focussed on investment in sectors and businesses familiar to the underlying family.
CONTROL	Sector specialists	Focus on key growth sectors as core investment hypothesis.	Use of activist sector experts to drive strategy and target specific acquisition targets.
	Regional specialists	Regionally originated houses focused on specific geographies and regional industries.	Local industrial knowledge and connections. Leverage local networks and relationships.
	'Mid-market' Growth Capital	Active core of houses seeking transactions with a broad range of Enterprise Values in the Australia. Focus on profitable, but still maturing businesses with significant scope of growth.	Focus on deploying target level of investment capital per deal in attractive businesses where existing owners need external capital and expertise to realise the company's full potential. Partnership style investment model.
	Buy and build	A subset of the mid-market, focusing on the acquisition of core "platform investments" upon which additional bolt-on acquisitions will follow.	Use of industry experts arbitraging combination synergies and knowledge of sectors.
	Buy-out	Typically large majority control investments with higher leverage.	Targeted at established/mature companies, with the intention of improving operational effectiveness and/or finances.
HIGH	Operational/transformational specialists	Seeking to transform suboptimal or underperforming businesses needing capital to address issues and unable to obtain from traditional sources.	Use of operating partners to deliver transformational change, often including enhancement of management teams as they seek to transform the business, which will typically be acquired at lower valuations..
	International inbound	Overseas investors seeking acquisitions in Australia.	Seeking complimentary investments or geographic foothold in Australian business environment.

PLOTTING THE INVESTMENT PROCESS

Entering into a Private Equity (PE) investment is an exciting but all-consuming experience. BDO's collaborative and dedicated Private Equity team runs an efficient deal process during all phases. We do the heavy lifting which means management can focus on running the business and building value, maintaining trading performance and not becoming distracted with the deal. Our people focus on the drivers of value for Private Equity, mitigating risks and bridging the gap between the entrepreneurial and institutional mindsets.

This illustrative guide provides a high-level overview into this process:





PHASE 1

EXIT READINESS**GOALS**

- Obtain stakeholder buy in
- Early preparation and identification of deal issues
- Assess all funding options.

PREPARATION OPTIMISES FUTURE VALUE

- Build and develop the 3-5 year business plan
- Assess incumbent management team ability and identify gaps
- Plan to optimise trading, working capital and cash performance
- Assess business systems and 'fitness' to deliver the right financial and operational information
- Consider existing financial structure, flexibility and implications of a deal
- Consider the impact of any judgmental accounting policies
- Early assessment and planning for tax implications of a deal for key stakeholders.

HOW WE HELP

- Coordinate the stakeholders
- Co-develop the investment thesis for potential PE
- Bring sector expertise and insight
- Benchmark performance
- Undertake pre-due diligence business review of information
- Identify appropriate PE investors for shortlisting.



PHASE 2

PREPARATION**GOALS**

- Agree deal approach and timetable
- Identify risks and plan mitigation
- Prepare the deal materials.

FOCUS ON VALUE DRIVERS AND ENSURE QUALITY OF INFORMATION

- Complete the business plan and supporting financial model that tells the investment and growth story
- Prepare the Information Memorandum (IM) and other supporting sales materials
- Compile and carefully assess supporting financial and operational information
- Securely catalogue and host data in a logical and accessible online data room format
- Formalise timetable and approach, draft process letter
- Consider benefits of a dual track PE/IPO approach
- Prepare shareholder consents and support to the timetable

- Complete statutory audits, health and safety, taxes and other core assessments
- Consider use of an independent Vendor Due Diligence (VDD) report to support the investment process.

HOW WE HELP

- Build and host a robust information platform that we have reviewed and challenged
- Prepare a compelling investment story through the IM
- Take early "soft soundings" and guidance from shortlisted potential PE suitors
- Track market activity; determining the optimal launch point
- Prepare an independent Vendor Due Diligence report
- Prepare modelling, management terms & working capital mechanism.



PHASE 3

MARKETING

GOALS

- Stimulate the PE audience
- Drive competitive tension
- Obtain offers.

LAUNCH THE SALES PROCESS, MARKET THE BUSINESS AND SECURE OFFERS

- Issue “teaser” and secure interest under a non-disclosure confidentiality agreement
- Active discussion and positioning of the investment opportunity with PE
- Measure and manage interest to deliver non-binding PE offers
- Shortlist parties and provide additional access to management and materials
- Coordinate and deliver management presentations to key potential buyer
- Respond to questions and queries arising from the Information Memorandum and other materials, including potential Vendor and Commercial due diligence
- Manage potential buyers advisors
- Secure funded offers from PE.

HOW WE HELP

- Lead the PE buyer and advisor interactions
- Build and rehearse the management presentations
- Understand and guide PE’s approach to valuation
- Guide PE to the provision of deliverable offers
- Support the consideration and assessment of offers to shortlist to final phase.



PHASE 4

DEAL COMPLETION

GOALS

- Close a deal with a preferred PE investor
- Manage interaction of legal, tax and financial aspects
- Achieve optimal deal structure and vendor protections.

FINAL OFFERS AND DEAL COMPLETION

- Determine preferable offers and complete final assessment with stakeholders
- Choose PE investor and manage underbidders
- Negotiate to completion of Sale and Purchase Agreement to match below and documentation, considering the following:
 - Price/consideration and timing
 - Terms
 - Warranties and indemnities/seller disclosures
 - Closing mechanism and any post-deal adjustments
- Complete equity deal and service contracts for “new” management
- Deal closing and any associated conditionality or clearances required
- Plan for the first 100 days under PE ownership.

HOW WE HELP

- Lead final negotiations and deal closing, in conjunction with the legal team
- Coordinate multiple stakeholders and advisors
- Ensure balance of risk and reward in the Sale and Purchase Agreement and closing mechanism
- Prepare the team for the next phase of the journey.

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NEW SOUTH WALES

NORTHERN TERRITORY

QUEENSLAND

SOUTH AUSTRALIA

TASMANIA

VICTORIA

WESTERN AUSTRALIA

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