

M&A MARKET SET TO REBOUND IN 2012

After a period of relative volatility, the M&A market is finally showing a clear positive trend. Supertrac's 2012 calendar has started with record values of transactions both already committed and in negotiation. Activity now exceeds the pre-GFC level of 2008, after which the value of active transactions dropped by over 70%.

Across most industries, 2009 featured a market imbalance, whereby sellers' trading histories and carry over work in progress created momentum to keep them in the market, while buyers had left the stadium en masse due to switching to defensive mode, difficulties obtaining funding and uncertain trading performance of the target businesses.

By 2010, buyers began returning, but target company profits were sagging and business owners realised they had less to sell and their super funds had depleted. As a result many withdrew from sale to manage their businesses in the new conditions.

Early in 2011, heavy rain and flooding waterlogged company profits across a significant number of industries, dampening momentum in the M&A market.

By late 2011, positive trading results were emerging and these have continued to be confirmed in the YTD Dec 11 trading results for many businesses. Positive trading results and growth forecasts are confirming that many businesses are well placed for the future, regardless of whether economic activity stabilises or improves further.

Whilst the general market is in recovery, some industries are still in the doldrums, while others were unaffected. However the mining services sector continues to be a standout performer, continuing to experience strong growth driven by the most basic of economic principles where insatiable demand far outstrips supply.

The majority of transactions of any size today involve structured payments to allow sellers to take advantage of the rising market, while also sharing the risk with buyers.

SUPERTRAC CONTINUES TO EXPAND

Supertrac has a broad and growing network of advisors across Australia. This is set to further increase substantially in 2012 as opportunities exist for new member firms to join the network across most parts of Australia and New Zealand.

PARETO PRINCIPLE IN ACTION

Vilfredo Pareto (1848 – 1923), was an Italian engineer, sociologist, economist, political scientist and philosopher. The Pareto principle was named after him and built on observations of his such as that 80% of the land in Italy was owned by 20% of the population.

Here are some examples of Pareto's Law as it applies to various situations. According to the Pareto Principle, it will generally be the case that within any given scenario or system or organisation:

- 80% of results come from 20% of efforts
- 80% of activity will require 20% of resources
- 80% of usage is by 20% of users
- 80% of the difficulty in achieving something lies in 20% of the challenge
- 80% of revenue comes from 20% of customers
- 80% of problems come from 20% of causes
- 80% of profit comes from 20% of the product range
- 80% of complaints come from 20% of customers

- 80% of sales will come from 20% of sales people
- 80% of corporate pollution comes from 20% of corporations
- 80% of work absence is due to 20% of staff
- 80% of road traffic accidents are caused by 20% of drivers
- 80% of a restaurant's turnover comes from 20% of its menu
- and so on.

So what? Well if you can identify which 20% in each instance and act intelligently on this information, you and your organisation should be more productive and effective!