PART 2/3

MAGNIFY

Investor Sentiment Study 2023

MinterEllison.

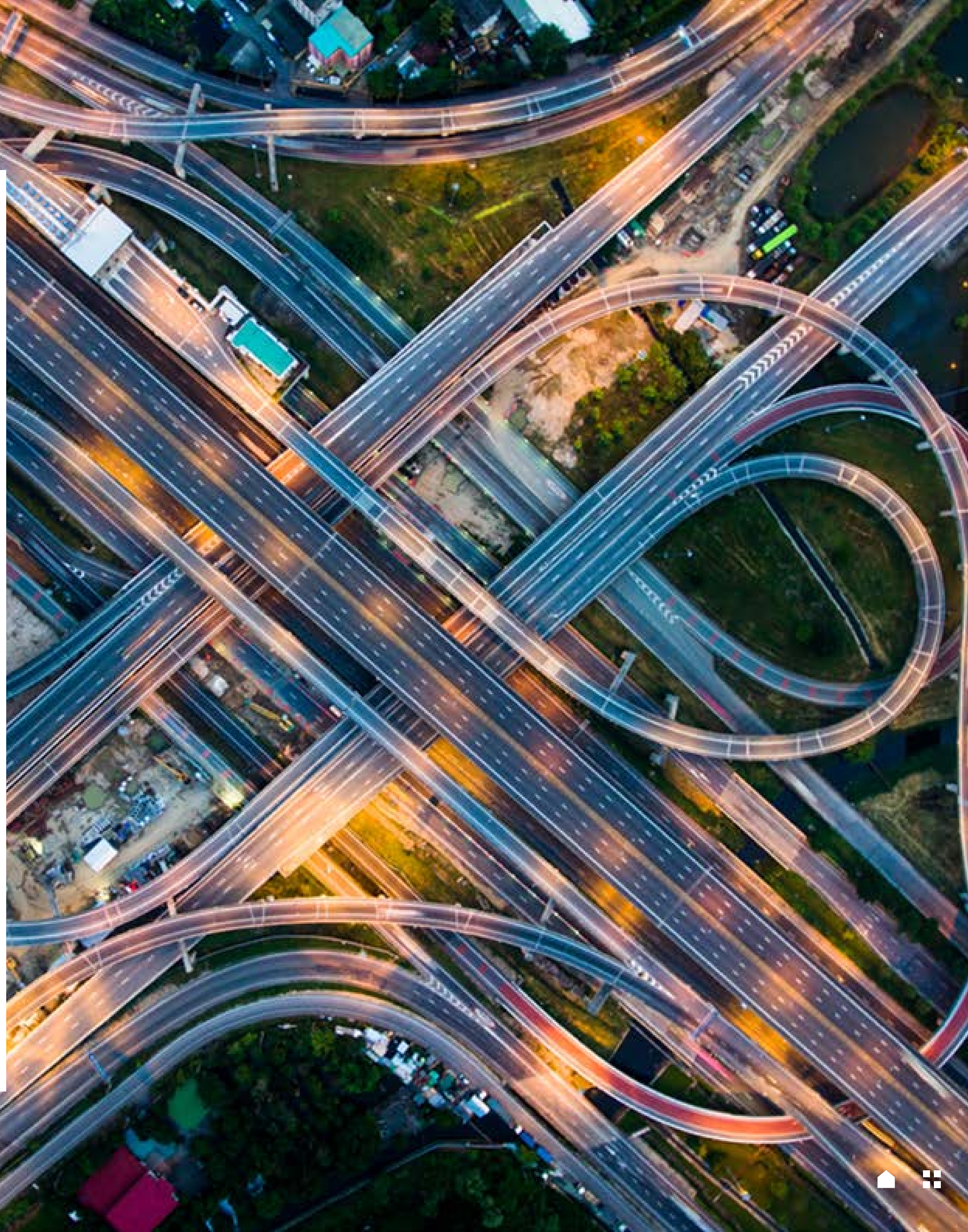
METHODOLOGY ›

MinterEllison conducted an independent survey study involving global decision makers considering investing in Australia. This study was conducted in partnership with Mergermarket. The study aimed to gather insights into the investment intentions and perceptions of the Australian market among 192 decision makers. These respondents were evenly distributed across North America, Asia Pacific, and Europe, with 85 percent representing corporations and industrial participants, while 15 percent were financial sponsors, funds, or private equity firms. The survey encompassed various primary industries, including TMT, energy and resources, financial services, financial buyers, real estate and construction, agribusiness, consumer, and healthcare. Over the past 12-24 months, 79 percent of respondents had completed at least one investment in Australia. The study is presented in a three-part series, with Part 1 released earlier this year offering an overview of investment trends in Australia, and Parts 2 and 3 focusing on sector-specific trends and overarching megatrends, along with success factors pertinent to the evolving global landscape. All responses were treated anonymously, and the results are presented in aggregate.

Investor Sentiment Study 2023

We trust you will enjoy reading this report which is Part 2 of the Foreign Investor Sentiment Series. Subscribe here for Part 3.

Produced in association with Mergermarket



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Brendan Clark
Managing Partner
International

Jeremy Blackshaw
Managing Partner
Corporate and Capital Markets

In this second part of our Investor Sentiment Report, we delve into the essential sectors that drive Australia's economy, exploring their roles as magnets for investment.

Click here to read Part 1 of our report released earlier this year.

Foreword
Magnets for investment ›

Australia is an inviting and prosperous nation, with a multitude of investment opportunities. The nation's location within the Asia-Pacific region, along with its political stability and well-defined legal framework, provides certainty and security. With our educated workforce, a robust financial system, and abundant natural resources, Australia is a major player in global trade and investment.

Australia's proximity to China, Japan, South Korea, Singapore and Indonesia has elevated it as a significant hub for trade and investment, and its cultural ties to Asia, coupled with its language proficiency and regional insights have established its position as a gateway to the continent.

Australia boasts a small yet affluent population, a high standard of living, and a well-developed consumer market, making it a sought-after destination for businesses looking to introduce their products and services.

Australia's business-friendly atmosphere, supportive governmental policies, and robust infrastructure make it an ideal choice for enterprises seeking a foothold in the Asia-Pacific region before venturing further afield.

"In our 3-part series, we reveal insights into the investment perceptions and intentions of the Australian market by international decision makers."

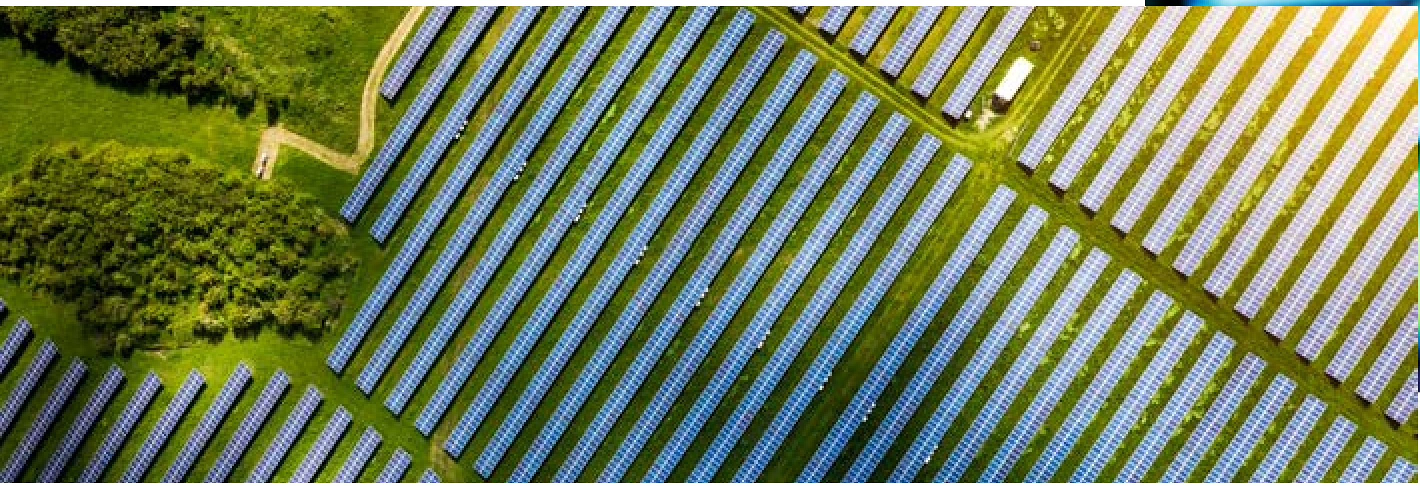
It is no surprise that numerous international businesses have chosen to expand their presence or establish themselves for the first time in Australia, recognising the opportunities this dynamic market affords.

In this second part of our Investor Sentiment Report, we delve into the sectors that drive Australia's economy, exploring their roles as magnets for investment. The Financial Services, Energy and Resources, Real Estate, Technology, Health, Infrastructure and Agriculture sectors play pivotal roles in attracting investment and offering promising incentives to foreign investors. We have looked at trends, and challenges in each of these sectors to provide insights to help investors navigate Australia's investment landscape.

Despite economic and geopolitical headwinds, foreign investors remain cautiously optimistic about Australia.

They continue to see Australia as a source of opportunity, where challenges are outweighed by attractive rewards. We anticipate a positive trajectory, underlining the nation's resilience and allure for investors in 2023 and beyond.

"
To read the introduction to this series, read Part 1 of our report **click here**."



PART 1 – EVALUATE
PART 2 – MAGNIFY
PART 3 – ACTIVATE

Part 2

Magnifying Industry Trends

Financial services

Message from our financial services team

The financial services industry has been under increased regulatory scrutiny over the last year, particularly concerning financial promotion, ESG, product suitability and, to a lesser extent, cryptocurrencies. A bullish approach to compliance from the Australian Securities and Investments Commission encouraged the industry to proactively manage regulatory and non-regulatory risk.

"The implementation of large-scale regulatory change across complex businesses is challenging. We are helping our clients to understand and act on the increased expectations of regulators and how to anticipate shifts in regulation."

Michael Lawson
Financial Services Industry Lead, MinterEllison

Interest and recent activity in Australia's financial services sector reflects a number of key trends. Globally, the sector's largest incumbents have been through a period of restructuring, divesting non-core businesses and raising capital, and are now looking for further growth opportunities in their chosen focus areas. For many of these incumbents, digital transformation is a crucial element of their growth strategy, which is driving investments that improve their technology and digital capabilities.

At the same time, the sector faces rising costs, particularly as the regulatory burden rises, including in relation to sustainability and environmental, social and governance (ESG) issues. Boosting scale is one obvious response to this challenge, with M&A offering a shortcut in this regard.

On the following pages we explore deal heat and investor sentiment, financial services M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Find out more about foreign bank activity and capital flow into Australia in our full report: **Foreign Bank Tracker 2023 ›**

Five reasons to consider Australian financial services investments

1 ›

Strong Financial Services Industry

The Australian financial services industry is well-developed. For example, the Australian banking system is known for its stability and strength, with the country's major banks consistently ranked among the safest in the world.

2 ›

Skilled Workforce

Australia has a highly skilled workforce, which is essential for the financial services industry. The country has a strong education system and offers many opportunities for training and development in the financial sector. This ensures that there is a steady supply of qualified professionals to support the growth of the industry.

3 ›

Innovation and Technology

Australia is a leader in innovation and technology, particularly in the financial services sector. The country has a strong focus on research and development, and many financial institutions are investing heavily in digital transformation and the development of new technologies to enhance their services. This presents significant opportunities for foreign investors looking to tap into the country's expertise in this area.

4 ›

Regional Hub for Asia-Pacific

Australia is strategically located in the Asia-Pacific region, making it an ideal hub for conducting business with countries in the region. The country has strong trade and investment ties with many countries in the region, making it an attractive destination for investors looking to expand their operations in the region.

5 ›

Strong Regulatory Framework

The Australian financial services industry is subject to strict regulation, with the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of Australia (RBA) overseeing the stability of the financial system. These regulatory bodies work to ensure that the industry operates in a safe and stable manner, which provides investors with confidence in the sector.

Deal heat and sentiment

- Ranked fourth on opportunities heat map with a score of 88.
- Ranked second amongst respondents with 61 percent suggesting financial services had the most opportunities in Australia.

Financial services investment trends

In our Foreign Bank Tracker 2023, published earlier this year, we touched on a number of themes including the numerous headwinds faced by global banks throughout 2022 which stemmed from macroeconomic and geopolitical factors. We examined the lingering effects of the pandemic, the impact of the war in Eastern Europe, mounting geopolitical tensions, ongoing supply chain disruptions and the rise of inflation levels being experienced by developed nations across the globe.

Investment activity in Australia's financial services sector held steady in 2022, with deal volume increasing slightly, although there appears to be some potential decline being exhibited in 2023 (still relatively healthy compared to historic figures). These elevated levels reflect significant interest in financial services assets. This resilience can be attributed to significant interest in financial services assets despite the deliberate shock to the Australian economy and banking sector, resulting from an aggregate rise in the RBA's target cash rate of 4.1 percent over twelve consecutive monthly rate decisions which commenced in May 2022.

Figure 1. Financial services M&A

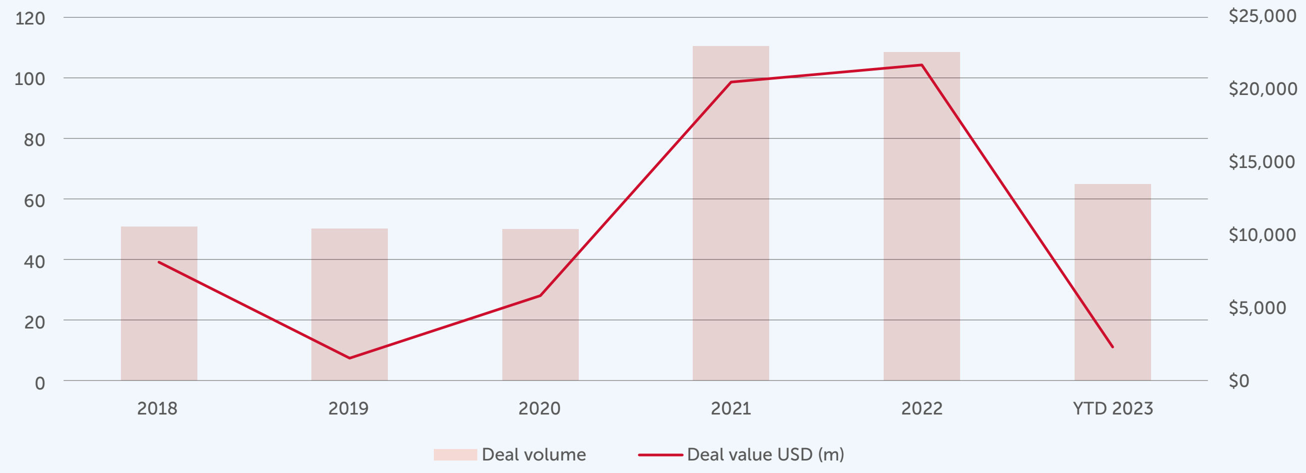
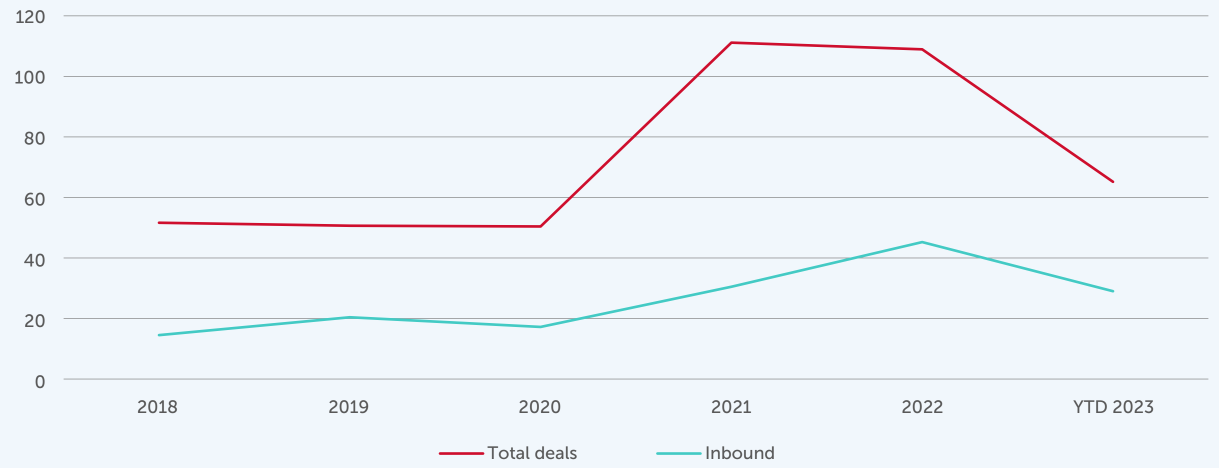


Figure 2. Financial services M&A total deals



PART 1 – EVALUATE
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Figure 3: Top inbound investors in Financial Services (2018-23)

Volume		Value $USD (m)	
USA	72	USA	$14,494
United Kingdom	20	Hong Kong (China)	$4,749
Japan	10	Japan	$4,174
Canada	9	Switzerland	$1,466
New Zealand	8	Canada	$1,443

Figure 4: Examples of top foreign inbound deals (2018-22)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
15/07/2021	Spark Infrastructure Group	KKR & Co Inc; Ontario Teachers' Pension Plan; Public Sector Pension Investment Board	USA	$4,637
21/09/2017	Colonial Limited; AIA New Zealand Ltd	AIA Group Ltd	Hong Kong (China)	$3,022
31/10/2018	First Sentier Investors (Australia) IM Ltd	Mitsubishi UFJ Trust and Banking Corporation	Japan	$2,926
25/10/2018	Resolution Life Australasia Ltd	Resolution Life, Inc.	USA	$2,123
09/12/2021	Dexus Australian Logistics Trust (49% Stake)	Blackstone Inc; Blackstone Real Estate Advisors	USA	$1,503
11/12/2017	OnePath Limited (life insurance businesses)	Zurich Insurance Group Ltd	Switzerland	$1,392
12/05/2020	Colonial First State Investment Limited (55% Stake)	KKR & Co Inc	USA	$1,238
24/09/2018	Scottish Pacific Group Limited	Affinity Equity Partners Ltd.	Hong Kong (China)	$1,232
18/03/2022	La Trobe Financial Services Pty Limited (100% Stake)	Brookfield Business Partners L.P.	Canada	$1,100
03/08/2022	MaxCap Group Pty Ltd	Apollo Global Management Inc	USA	$693

US industry acquirers have been a key investor group, accounting for several top deals since 2018, and have a growing role in the industry, especially in insurance. However, it is very clear from some of the recent deal examples that financial buyers and sponsors are driving recent investment trends. More than half of the largest transactions of the past five years have featured financial buyer bidders – and there is growing interest in collaborations with Australian pension funds.

Three key investment areas

› Insurance

Australia's general insurance sector continues to see divestments; private equity players are becoming increasingly interested in both the general and the life side of the industry. Insurtech companies are making it easier for customers to purchase and manage policies and create more personalised products.

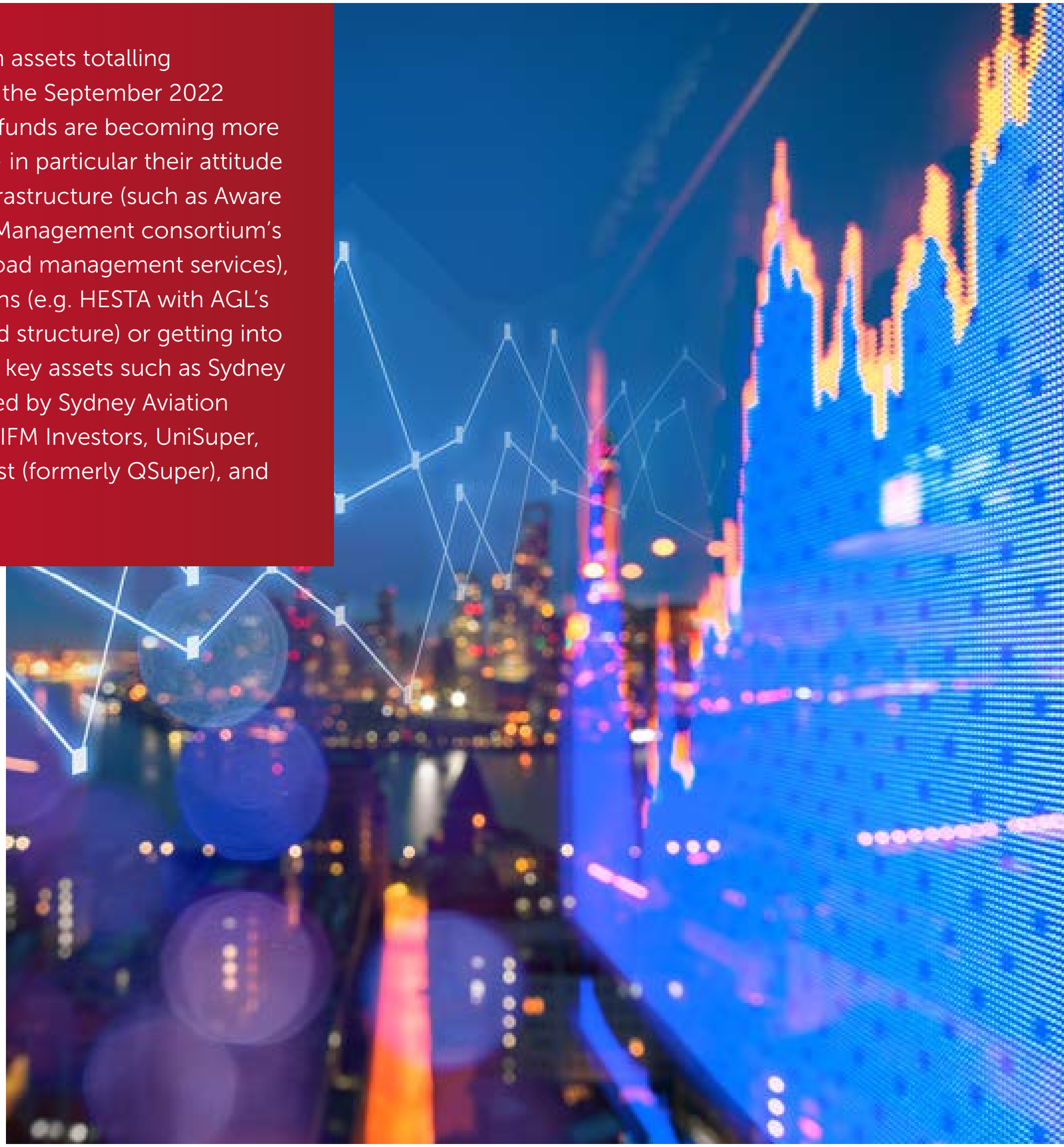
› Fintech

This rapidly growing trend continues to disrupt traditional financial services, providing innovative new offerings in banking and insurance and creating new products and services. Top among these are digital banking platforms, P2P lending, robo advisory platforms, and regulatory tech (regtech) companies.

› Superannuation funds

Australia's superannuation funds (pension funds) are becoming an increasingly important financial services player and financial sponsor in Australia.

With total superannuation assets totalling $3.3 trillion (at the end of the September 2022 quarter), superannuation funds are becoming more influential in the market – in particular their attitude to "taking risks" in soft infrastructure (such as Aware Super / Macquarie Asset Management consortium's acquisition of VicRoads road management services), influencing demerger plans (e.g. HESTA with AGL's demerger plans and board structure) or getting into public markets to acquire key assets such as Sydney Airport which was acquired by Sydney Aviation Alliance, a consortium of IFM Investors, UniSuper, Retirement Australian Trust (formerly QSuper), and AustralianSuper.



Opportunities from the current banking crisis?

Since March 2023, the financial markets across the globe have been impacted by the collapse of Silicon Valley Bank and Signature Bank in the US, as well as the takeover of Credit Suisse. However, Australian banks are well-prepared to handle this new source of volatility in the global economy. They are well-capitalised, well-regulated, and strategically positioned.

Getting the risk/reward equation right is paramount to performance, yet it is difficult to accurately predict the exposure to recent risks. Many clients work on the premise that, while there is current stress in the economy, the fundamentals of our financial system and economy are strong. They approach risk with a commercial mindset that accepts risk where they see long-term opportunities.

Opportunities may exist for foreign investors in relation to divestments and withdrawals from the market by more conservative players. We anticipate Japanese investors, as one example, to be looking closely at opportunities for bargains in the near future.

Challenges – Regulation and competition

The financial services sector is heavily regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) and there are strict rules governing the conduct of financial institutions and the products and services they can offer. This can make it difficult for foreign investors to understand the rules and comply with them.

The financial services market in Australia is dominated by a small number of large, well-established financial institutions, which can make it difficult for new entrants to gain a foothold. However, the sector faces increasing competition from fintech companies and digital platforms, which are making it easier for consumers to access financial products and services.

On the radar – Digital transformation

One of the more significant trends that will continue to impact the industry is the shift to the digital delivery of financial services. The impact of digital solutions, which can be marketed direct to clients rather than through the current intermediated financial model, is impacting the go-to-market strategy for financial services providers. This, coupled with a younger customer base that does not see a need for a financial adviser, has accelerated the digital transformation of how financial products and services are delivered. Data security and privacy are also part of this story.

It is no surprise that ESG – and not just the E – continues to be an area of focus of activity by the industry, which will be held to account by regulators, shareholders, customers and other stakeholders. The industry superannuation funds have an influence here.

Next:
Energy & Resources Industry ❯

Energy and Resources

Message from our Energy and Resources team

The Australian energy and resources (E&R) industry finds itself at a crossroads. The traditional fossil fuel-based model that has powered the country for decades is increasingly being called into question, as advances in technology and shifts in policy point towards a new, cleaner, and more sustainable future.

Background

As we reflect on the energy markets in 2023, we cannot overlook the ongoing impact of global geopolitical tensions and climate change concerns that continue to shape the industry. The demand for cleaner, more sustainable energy sources has grown significantly, driving a surge in investments in renewable energy, hydrogen, and other low-emission technologies. Australia, with its vast natural resources and favourable climate, has positioned itself as a key player in this global energy transition, embracing opportunities for innovation and growth.

The Australian energy and resources sector has demonstrated remarkable resilience amidst global economic challenges and shifting market dynamics. As the world seeks to reduce its dependence on fossil fuels, the demand for minerals and metals essential to renewable energy technologies has soared. Australia's rich deposits of lithium, cobalt, nickel, and rare earth elements, among others, have placed the nation at the forefront of the global energy transition, attracting investments from foreign investors, investment banks, and other stakeholders.

Australia's main exports, coal and iron ore, have long played a significant role in the nation's economic growth and stability. As global demand for these resources continues, the Australian mining industry remains a key player in the worldwide market. Together with a depreciating Australian dollar (AUD), this is creating a more competitive export market and increased interest from foreign investors and buyers is predicted.

In 2023, the Australian government and private sector have continued to strengthen their commitment to renewable energy and energy security initiatives. Australia's vast solar, wind, and hydropower resources have been harnessed to increase the nation's renewable energy capacity, while investments in energy storage technologies, such as batteries and pumped hydro, have accelerated. Already, global investors such as pension funds and specialised infrastructure funds are competing with trade buyers to invest in renewable power generation and storage, as well as technologies such as biofuels and hydrogen.

In the resources sector, there is a growing trend towards automation and digitalisation, including the use of automation technology and data analytics to optimise resource extraction. The mining industry also faces pressure to reduce its environmental impact, leading to increased focus on sustainable mining practices.

"

Pricing is the biggest challenge, and there is some uncertainty about forward commodity prices, which obviously has a big impact on Australian mining but overall, the outlook for energy and resources clients remains positive."

Simon Scott
Energy & Resources Industry Lead,
MinterEllison

Click here to find out more about how global demand for cleaner, more sustainable energy sources is driving a surge in investments in renewable energy, hydrogen, and other low-emission technologies in our recently published Renewables Report 2023.

On the following pages we explore deal heat and investor sentiment, resources sector M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Five reasons to consider Australian E&R investments

1 ›

Abundant natural resources

Australia is rich in natural resources, including coal, iron ore, gold, copper, natural gas and renewable energy, making it a significant player in the global energy and resources industry. Furthermore, Australia has one of the highest solar radiation levels in the world, with its northern and central regions receiving an average of more than 5 $kWh/m^2/day$. This makes it an ideal location for solar energy projects, with many large-scale solar farms already operating in the country. Australia also has some of the best wind resources in the world, particularly in coastal areas. The country has a vast coastline and high wind speeds, providing significant potential for wind energy projects. In fact, Australia's largest wind farm, the 453 MW Coopers Gap Wind Farm, was recently completed in Queensland.

2 ›

Robust mining industry

Australia has a highly regarded and globally safe mining industry, with many of the world's largest mining companies operating in the country. It has the expertise, processes and technology that is attractive for foreign investors looking to invest or partner in the mining sector.

3 ›

Cutting-edge services and technology adjacencies

Australia has a leading group of businesses focused on supporting the energy and resources sector. The country has a strong research and development sector, with many leading institutions and companies focused on developing new technologies to enhance energy production and improve the efficiency of resource extraction. This presents significant opportunities for foreign investors looking to invest in a market that is at the forefront of technological innovation.

4 ›

Funding and investment opportunities and return on investment

Australia's renewable energy sector, presents a compelling investment story with significant potential for funding and comparatively attractive returns on investment. As the country continues to transition away from traditional fossil fuels, the industry has experienced rapid growth and offers a favourable investment landscape. 76 percent of respondents in a recent MinterEllison / Mergermarket survey pointed to these as the top factors making Australia an attractive location for renewable energy investment.

5 ›

Strong infrastructure

Australia has a strong and well-developed infrastructure, including ports, rail networks, and pipelines, making it easier and more efficient to transport resources from production sites to markets. This infrastructure also provides investors with confidence in the sector, knowing that they can transport their products efficiently and reliably.

Deal heat and sentiment

- Ranked first on opportunities heat map with a score of 175.
- Ranked seventh amongst respondents with 25 percent suggesting energy and resources had the most opportunities in Australia.

Energy and resources investment trends

E&R dealmaking dropped back to its average deal volumes and values in 2022 (Figure 5). While there has been a slight decline in total deal volume in 2023, in-bound deals and deal values have held steady.

Figure 5. Energy and resources M&A

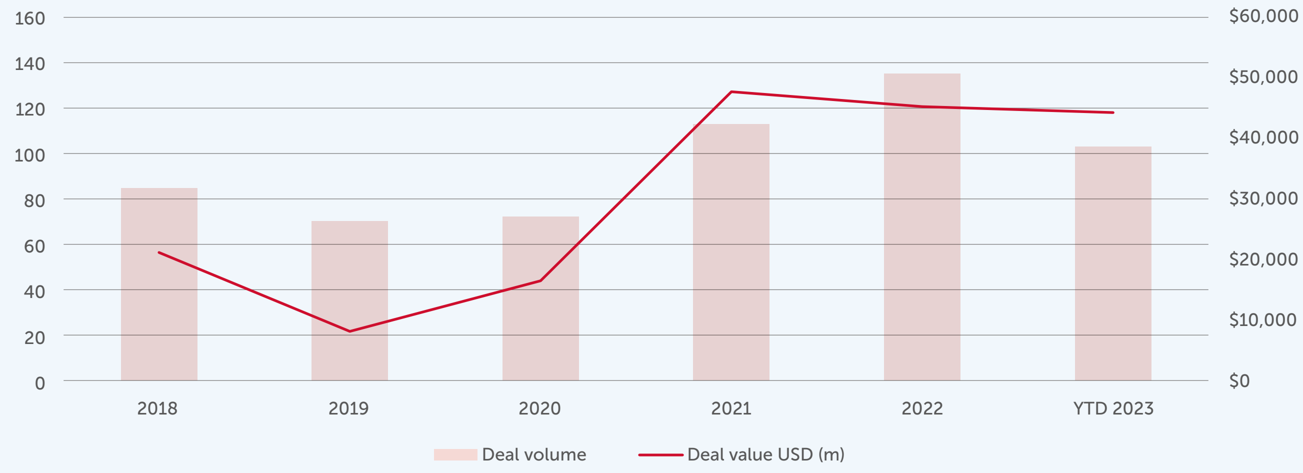


Figure 6. Energy and resources M&A total deals

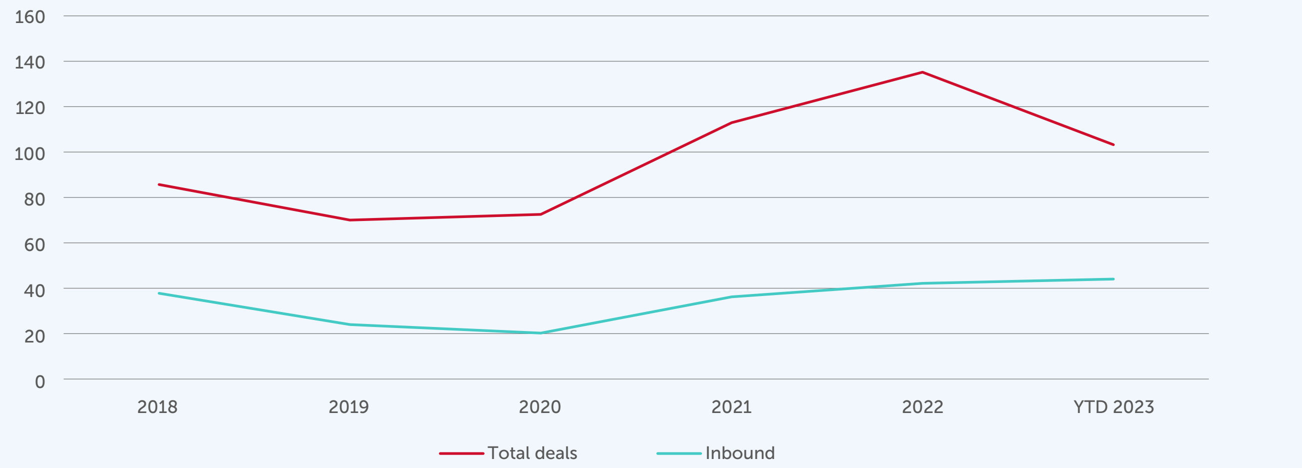


Figure 7: Top inbound investors in Energy and Resources (2018-23)

Volume		Value $USD (m)	
Canada	31	USA	$30,646
USA	29	Canada	$27,582
United Kingdom	25	United Kingdom	$14,031
China	22	Hong Kong (China)	$13,136
Japan	18	Switzerland	$4,452

The past six years have seen the sector dominated by North American acquirers. 2023 has seen a significant spike in North American interest in high value assets. The biggest deal in that time has been Newmont Corp's (United States) acquisition by binding Scheme Implementation Deed of Newcrest Mining Ltd for $30.5 billion (including net debt) (US$21.11 billion) in 2023. Other significant deals from North America include:

- Consortium led by Brookfield Asset Management (Canada) and EIG (United States) acquisition of Origin Energy Ltd for $18.7 billion.
- Consortium of Canadian private equity firms and pension funds acquisition of Ausnet Services for $13.3 billion.
- Albemarle Corp (United States) acquisition of 95.7 percent of Liontown Resources Ltd, the Australia based lithium mining company $6.33 billion (including new debt) (US$4.08 billion).

Figure 8: Examples of top foreign inbound deals (2018-23)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
05/02/2023	Newcrest Mining Limited (100% Stake)	Newmont Corp	USA	$21,106
20/09/2021	AusNet Services Ltd	Alberta Investment Management Corporation; Brookfield Capital Partners Ltd; Kinetic Superannuation Ltd; Investment Management Corporation of Ontario	Canada	$13,340
15/06/2022	Asian Renewable Energy Hub (40.5% Stake)	BP plc	United Kingdom	$12,150
10/11/2022	Origin Energy Ltd (100% Stake)	Temasek Holdings Pte. Ltd.; Brookfield Corp; GIC Pte Ltd; Brookfield Global Transition Fund; MidOcean Energy Holdings Pty Ltd	Canada	$11,615
16/01/2017	Duet Group	Consortium led by Cheung Kong Property	Hong Kong (China)	$9,818
04/09/2023	Liontown Resources Limited (95.7% Stake)	Albemarle Corporation	USA	$4,082
16/03/2017	Alinta Energy Pty Ltd	Chow Tai Fook Enterprises Limited	Hong Kong (China)	$3,074
27/03/2018	Kestrel Coal Resources Pty Ltd (80% Stake)	PT Adara Energy Indonesia Tbk; EMRCapital	Indonesia	$2,250
20/03/2018	Hail Creek Coal Pty Ltd (82% Stake); Valeria coal development project (71.2% Stake)	Glencore plc	Switzerland	$1,700
08/12/2021	Australia Pacific LNG Pty Limited (10% Stake)	ConocoPhillips	USA	$1,645

UK acquirers have also made significant plays in Australia's energy and resources sector. BP's purchase of a 40 per cent stake in the Asian Renewable Energy Hub of US$12.2 billion captured headlines, with the transaction completed in summer 2022.

Three key investment areas

› Renewables

Investment in solar and wind power projects has been growing in recent years, and this trend is expected to continue as the cost of renewable energy technology decreases and the need for cleaner energy sources becomes more pressing.

› Critical Minerals

Demand for critical minerals is skyrocketing given their use in key technologies such as electric vehicle batteries. China has traditionally been the go-to market for many of these resources, but as buyers look to diversify their supply chains, Australian businesses are stepping up, making them an attractive prospect for foreign investors.

› Energy Services Companies

As the energy and resources industry becomes more complex, companies that provide specialised services such as engineering, consulting, and project management present a good investment opportunity.

Lightsource bp (UK) is set to become Australia's largest solar developer and owner. The company has five projects in operation and under construction across New South Wales, Queensland and Victoria. These projects total over 1GWp of generating capacity. It has commenced building its 425 MWdc Wellington North Solar Farm in New South Wales, as well as the 90 MWdc Wunghnu Solar Farm in Victoria. Lightsource bp expects to complete both projects by 2024. The company has also recently entered into Power Purchase Agreements with ENGIE, Orica and Mars Australia.

- Brookfield (Canada / Bermuda) is undertaking a complex acquisition of Origin Energy's market business comprising Origin's energy retailing business, electricity generating assets, energy wholesale and trading business, development assets relating to energy production and storage, its investment in Octopus Energy and its LPG business and domestic gas trading business.
- ConocoPhillips (US) will acquire a 2.49% stake in Australia Pacific LNG Pty Limited from Origin Energy Limited for US$500 million. Conoco Phillips will own a 49.99% stake in Australia Pacific LNG Pty Limited upon closing of the transaction.
- Senex, a joint venture of Hancock Energy Corporation and POSCO International Corporation (Korea) is investing more than A$1 billion to expand its Atlas and Roma North natural gas developments in Queensland's Surat Basin. More than two-thirds of the capital will be invested in gas infrastructure and wells over the next 2 years. It will allow Senex to triple its natural gas production to 60 petajoules a year by 2025.

  Senex began supplying the east coast market 3 years ago and has signed around 90 PJ of term agreements and long-term Gas Sales Agreements. Customers include Visy, CSR, Orora, Adbri, Southern Oil Refining and CleanCo.

To find out more about how global demand for cleaner, more sustainable energy sources is driving a surge in investments in renewable energy, hydrogen, and other low-emission technologies, read our recently published **MinterEllison Renewables Report 2023 ›**

On the radar: Australian renewable energy

In 2022, construction commenced on more than 5,000MW of new large-scale wind and solar farms – the highest level on record. Likewise, investment in renewables projects and infrastructure (USD$33 billion) and M&A (USD$17.4 billion) in Australia, both soared to new records.

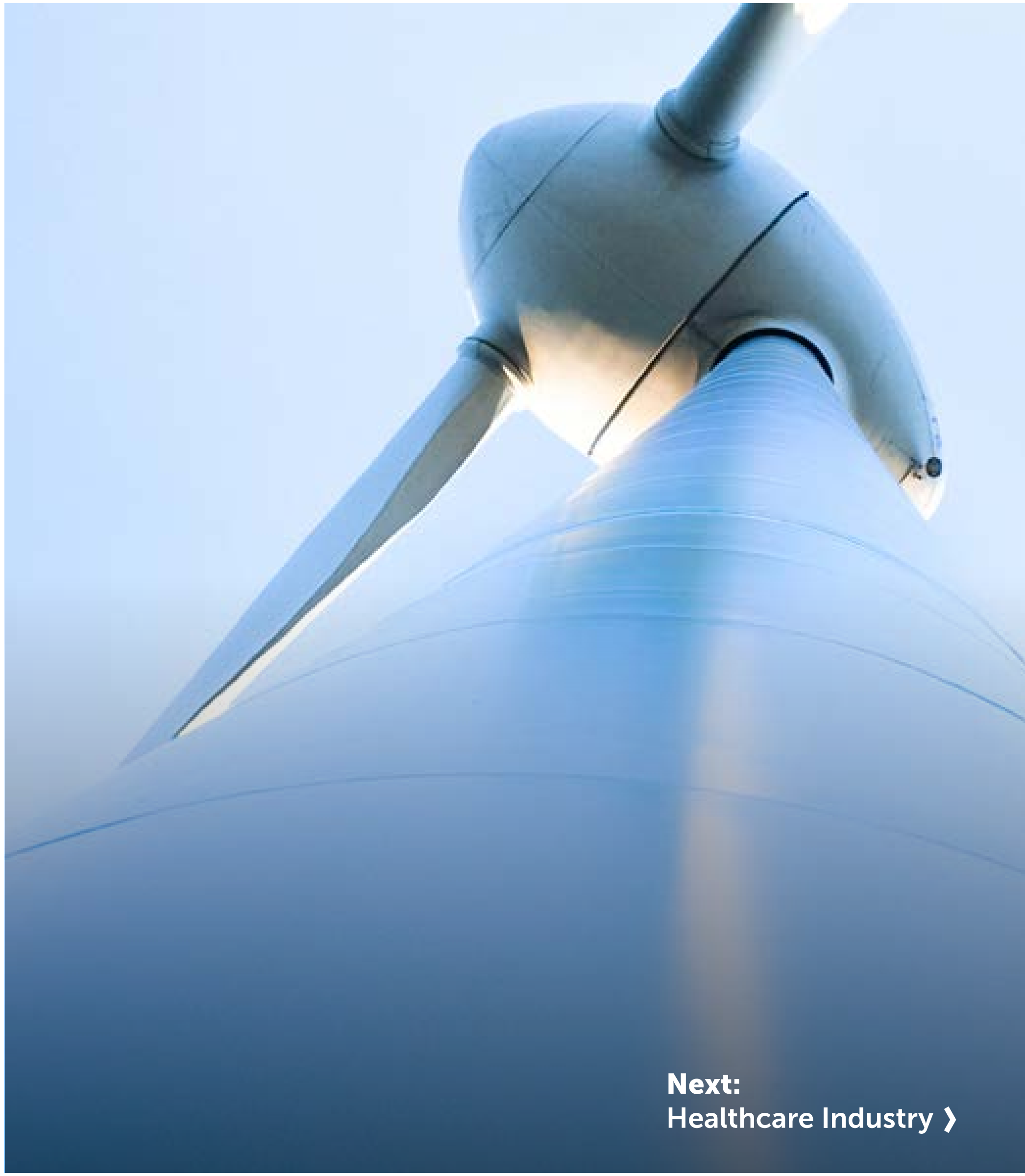
Our recently published MinterEllison Renewables Report 2023, based on a collaborative survey with Mergermarket of 100 active domestic and international renewable energy investors, highlights a number of key points relating to renewable investment opportunities in Australia:

1. Nearly three-quarters of respondents (74%) say they will increase investments in Australia through 2023 (a sharp uptick from 65% in 2021).
2. 65% of respondents say that achieving economies of scale is the key objective of future investments in Australian renewables.
3. 65% of respondents say their recent renewable energy investments in Australia yielded the intended value from the deal or met their business objectives.
4. 97% of respondents point to PV solar as offering the most opportunities, while 83% see biomass, biogas, and waste-to-energy projects as having the most opportunities – a noticeable jump from 59% in 2021.
5. 46% of respondents say hydrogen will catch up with expectations and/or reach industry maturity within the next 2 years.

Challenges – shifting policy winds and valuation concerns

Regulatory and policy uncertainty and government scrutiny are key considerations for foreign investors. The energy and resources sector in Australia is heavily regulated and is subject to frequent changes in policy. This can make it difficult for foreign investors to navigate and can create uncertainty around investment decisions.

Equally, the industry is dominated by large, well-established domestic companies, making it difficult for foreign investors to compete. New players, particularly in the renewable energy sector, are also emerging, further increasing the competition and potentially widening the gap on valuation as more buyers find themselves at the negotiating table.


Next:
Healthcare Industry ❯

Healthcare

Message from our Health Industry Team

The Australian healthcare industry is one of the most robust and well-regarded in the world. Strong in R&D and with rising demand for healthcare services, the industry is projected to grow at a CAGR of 4.5 per cent from 2021 to 2028.

"The future of health will feature rapid changes in care and service delivery models. We will still see traditional methods of delivery, but the way people access health and interact with the system will be transformed."

Shane Evans
Healthcare Industry Lead, MinterEllison

Background

Key drivers include increasing demand for medical, aged care and home care services in the face of an ageing population, placing a greater burden on the existing healthcare system. Additionally, the COVID-19 pandemic has had a significant impact by highlighting existing issues in the healthcare system, such as the need for improved digital infrastructure and telehealth capabilities.

While the Australian government has launched a number of initiatives to improve the healthcare system, there are still concerns about its sustainability in the long-term, particularly in light of rising healthcare costs. In addition, there is an ongoing debate on how to fund the healthcare system, with some advocating for a shift towards a more privatised system.

The pandemic challenged the health industry in Australia and left all sectors with severe workforce shortages. This has accelerated the imperative to transform care and service delivery models to use digital and data solutions.

On the following pages we explore deal heat and investor sentiment, health care sector M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Five reasons to consider Australian healthcare investments

1 ›

Favourable Demographics

Australia has an ageing population, which means that the demand for healthcare services is expected to increase significantly in the coming years. This presents significant opportunities for foreign investors looking to invest in the healthcare industry and capitalise on this trend.

2 ›

Strong Research and Development

Australia has a strong research and development (R&D) sector, with many leading healthcare research institutions and companies based in the country. This has led to many ground breaking discoveries and advancements in healthcare technology, making it an ideal destination for foreign investors looking to tap into a market that is at the forefront of healthcare innovation.

3 ›

Strong Regulatory Framework

The Australian healthcare industry is subject to strict regulation, which ensures that patients receive high-quality care and that healthcare providers operate in a safe and ethical manner. This regulatory framework provides investors with confidence in the sector, knowing that their investments are going towards a well-regulated and safe industry.

4 ›

Strong Public and Private Partnership

The Australian healthcare system has a strong partnership between the public and private sectors. This allows for a diverse range of healthcare services, including public hospitals, private hospitals, and primary care facilities. This partnership presents significant opportunities for foreign investors to invest in the sector, knowing that they can partner with both public and private entities to provide quality healthcare services to patients.

5 ›

Opportunities in Medical Tourism

Australia has become a popular destination for medical tourism, with many international patients travelling to the country for high-quality healthcare services. This presents significant opportunities for foreign investors looking to invest in the healthcare industry, knowing that they can tap into this growing market and provide quality healthcare services to international patients.

Deal heat and sentiment

- Ranked fifth on opportunities heat map with a score of 83.
- Ranked fourth amongst respondents with 36 percent suggesting healthcare had the most opportunities in Australia.

Healthcare investment trends

Australia's healthcare sector was one of the few industries where investment trended up in 2022 (Figure 9). However, it is normalising in 2023.

Figure 9. Healthcare M&A

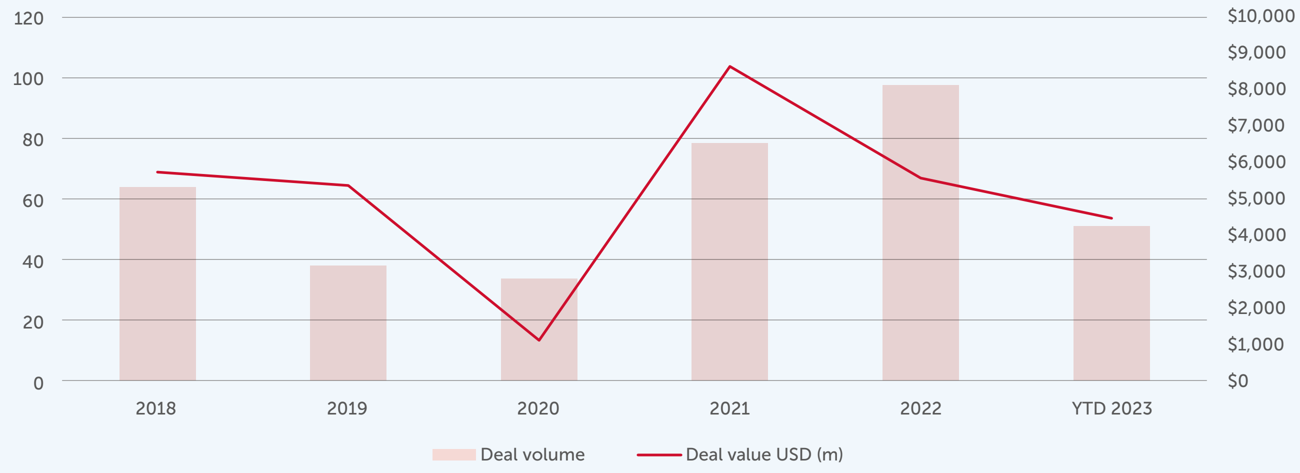


Figure 10. Healthcare M&A total deals

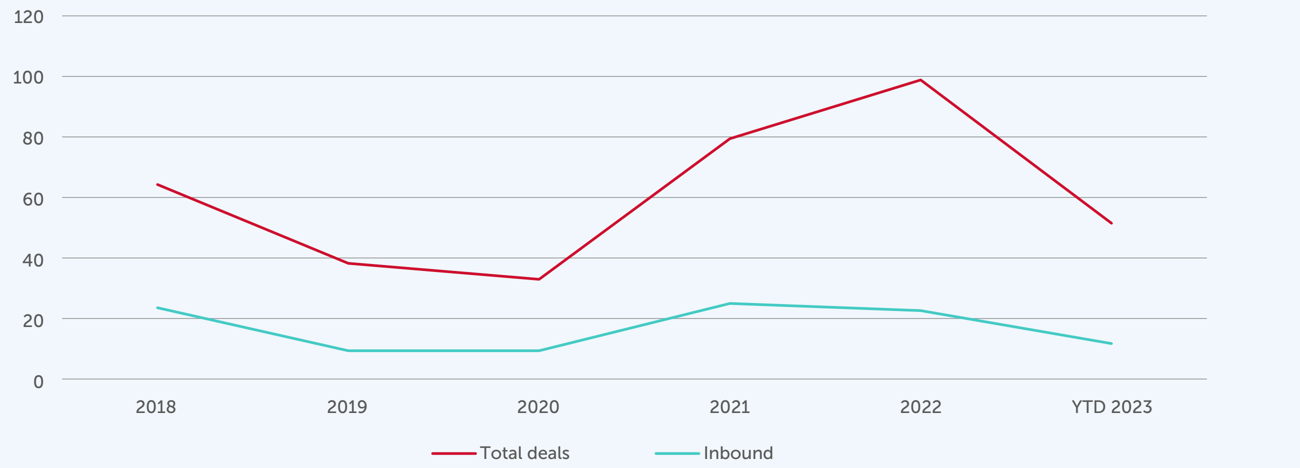


Figure 11: Top inbound investors in Healthcare (2018-23)

Volume		Value $USD (m)	
USA	51	USA	$7,266
United Kingdom	20	Canada	$4,445
New Zealand	10	Sweden	$2,453
Singapore	8	China	$2,218
China	8	United Kingdom	$1,497

Figure 12: Examples of top foreign inbound deals (2018-22)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
01/02/2019	Healthscope Ltd	Brookfield Corp	Canada	$4,445
19/11/2021	Icon Group (70% Stake)	EQT Partners AB; EQT Infrastructure Fund	Sweden	$1,741
26/07/2022	iNova Pharmaceuticals (Australia) Pty Ltd (100% Stake)	TPG Capital LP	USA	$1,390
22/05/2018	Sirtex Medical Pty Ltd	Consortium led by CDH Investments	China	$1,350
27/01/2018	I-MED Radiology Network Ltd	Permira Ltd	United Kingdom	$1,010
08/06/2017	Bausch & Lomb (Australia) Pty Ltd	Carlyle Group Inc; Pacific Equity Partners Pty Ltd.	USA	$938
09/12/2021	LifeHealthcare Group Limited (100% Stake)	Ebos Group Limited	New Zealand	$912
21/05/2017	Icon Group	A consortium of Goldman Sachs Principal Investment Area, QIC Limited and Pagoda Investments	USA	$744
22/02/2022	Stockland Retirement Living Pty Ltd (100% Stake)	EQT Infrastructure Fund; EQT AB	Sweden	$712
05/11/2018	Greencross Pty Ltd	TPG Capital LP	USA	$674

US buyers accounted for the largest number of investments since 2018, though acquirers in the UK, New Zealand and Singapore have also been busy.

By value, Canadian bidders account for the greatest share of the market, largely courtesy of Brookfield Asset Management's USD$4.4billion acquisition of Healthscope in 2019.

The next largest deals, the acquisitions of Icon Group and iNova Pharmaceuticals, worth USD$1.7billion and USD$1.4billion were some way behind – although, notably, all three of the deals featured private equity buyers. Indeed, the interest of private equity investors has been an important feature of the healthcare space. This looks likely to continue, with private equity investment capital still in plentiful supply and investors such as pension funds looking for new opportunities.

Three key investment areas

› Biotechnology and pharmaceuticals

Australia has a strong R&D sector, and several companies have made significant breakthroughs in the fields of cancer treatment, regenerative medicine and gene therapy. Equally, Australia has seen a series of transactions involving contract research organisations over the past 12 months, with market consolidation a possible future trend.

› Medical devices and equipment

Many companies are developing and manufacturing innovative products for the local and international market. The country has a well-established medical device manufacturing industry, as well as a reputation for producing high-quality products.

› Digital health

The COVID-19 pandemic has accelerated the adoption of new technologies, including more mainstream use of telehealth and ePrescriptions. This trend is expected to continue, as demand for digital health solutions and technology platforms continues to grow.

A $250 million Cumming Global Centre for Pandemic Therapeutics will be established within the University of Melbourne's Peter Doherty Institute for Infection and Immunity, located in Melbourne's biomedical precinct. The Centre will address the critical need to prepare for future pandemics. It will enable the rapid design and testing of new therapeutics, and their delivery to the community within months of a pandemic outbreak. To complement public health measures (in addition to vaccines), an effective pandemic response requires therapeutics for those who contract the disease. This is the largest philanthropic donation to medical research, and one of the largest gifts, in Australia's history.

On the radar: Digital delivery and data

Transforming care and service delivery models is imperative, and new models of connected care require digital delivery and smart use of data. While there will always be a place for traditional service delivery, digital transformation can remove mundane tasks while providing enhanced support for decision-making and service delivery. With home and community care, which now includes remote monitoring and other online services, digital enables equitable access and addresses gaps in the system, particularly for regional and remote areas and people of disadvantage.

Aligning digital transformation with better access to and use of data is an essential element in the transformed system, as well as managing the necessary organisational cultural change and workforce readiness for the new digital and data-enabled world of health.

Current providers must respond to rapid change or lose out to small, agile tech-focused start-ups or large multinationals who will move into the space and leverage their existing large customer base and digital offering.

Challenges – regulatory complexities and brand building

The Australian healthcare sector is a complex and highly regulated industry – which may be why close to half of respondents (42 percent) see the sector as too risky for investment. There are strict rules and regulations governing the development, production and marketing of healthcare products and services, and foreign investors may need to invest significant time and resources to comply with these regulations.

Likewise, the Australian healthcare sector is highly competitive, and foreign investors may face stiff competition from established players. Foreign investors may need to invest significant resources to build a strong brand and establish a foothold. Even then, many worry that in such an environment, valuations will be a challenge.

Next:
Infrastructure Industry ❯

Infrastructure

Message from our Infrastructure team

2022 was defined by the so-called 'profitless boom'. Infrastructure activity soared, but due to the high cost of construction labour and materials and supply chain uncertainty, profits did not reflect the amount of activity.

Background

Infrastructure investment plays a crucial role in driving economic growth and development in Australia. As such, strategic investments in infrastructure will be imperative to support long-term prosperity. This has become a key focus for the Australian government and investors in recent years, as the country looks to address its growing population and economic needs.

Public sector infrastructure programs are continuing to be a leading provider of greenfield and brownfield project opportunities. However, deal opportunities have been in relatively short supply in recent times. Investors have been casting the net more widely – in telecoms and healthcare infrastructure, for example. That is not to say more traditional assets have not been in play – there have been a number of significant investments in the transport sub-sector – but the infrastructure theme continues to broaden.

There has been a major shift in how infrastructure projects are assessed. Major linear projects, such as roads and rail infrastructure, are continuing at pace, albeit with cost pressures. We are also seeing contractors being more selective about the risk allocation and not taking on risks that traditionally they have been willing to absorb.

The infrastructure industry is also impacted by substantial growth in renewable and electricity projects. This will continue under the new federal government, bringing certainty about renewable policy and the renewable energy pathway to net zero.

The year also saw the increasing influence of superannuation funds in the market, notably their attitude to taking risks in soft infrastructure, influencing the demerger plans of one prominent energy company and acquiring key assets such as Sydney Airport.

"Infrastructure...has become a key focus for the Australian government and investors in recent years, as the country looks to address its growing population and economic needs."

"We are still at historic high levels of investment in infrastructure across the country. There are private funds available and those investors are attracted to stable and strong projects. Industry has weathered high inflation and there will be casualties but there is still a lot of money available to be deployed into infrastructure."

Owen Cooper
Infrastructure Industry Lead, MinterEllison

On the following pages we explore deal heat and investor sentiment, infrastructure sector M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Five reasons to consider Australian infrastructure investments

1 ›

Significant ongoing pipeline

Australia has a large pipeline of infrastructure projects in various stages of development, including roads, rail, ports, and airports. The Australian Government has made significant budgetary commitments towards transport, energy transition, water, and telecommunications. This presents significant opportunities for foreign investors looking to tap into a growing market with a range of investment options.

2 ›

Urbanisation of population with large tracks in regional Australia

Australia has a strong and growing population, with a high level of urbanisation. This presents significant opportunities for foreign investors looking to invest in infrastructure projects, such as transport and housing, that will support this growing population.

3 ›

High-quality assets

Australia has a well-developed and high-quality infrastructure system, with modern and efficient transport networks, energy systems, and telecommunications infrastructure. This provides investors with confidence in the sector, knowing that they are investing in a market that has strong and reliable infrastructure.

4 ›

Public-Private Partnership Opportunities

The Australian government actively encourages public-private partnerships (PPPs) to develop infrastructure projects. This provides opportunities for foreign investors to partner with the government and leverage their expertise and resources to deliver large-scale infrastructure projects.

5 ›

Natural hedging

Infrastructure assets such as toll roads, airports, and utilities often have contracts with long-term revenue streams that are tied to inflation, which can help protect against inflationary pressures.

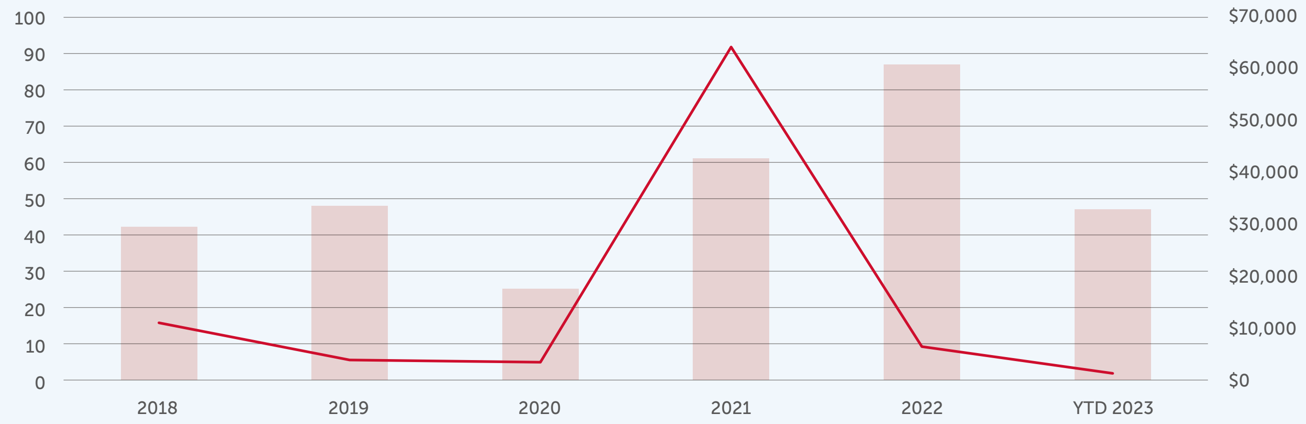
Deal heat and sentiment

- Ranked eleventh on opportunities heat map with a score of 24.
- Ranked twelfth amongst respondents with 3 percent suggesting infrastructure and construction had the most opportunities in Australia.

Infrastructure investment trends

Investment in infrastructure has remained steady, barring the dip in 2020 due to the pandemic (Figure 13). However, many of these transactions were relatively small – and by value, the market was down in 2022 significantly compared to 2021. Deal volume in 2023 appears to be declining in comparison to the strong deal volume in 2022.

Figure 13. Infrastructure M&A*



* includes construction and transport related deals

Figure 14. Infrastructure M&A total deals

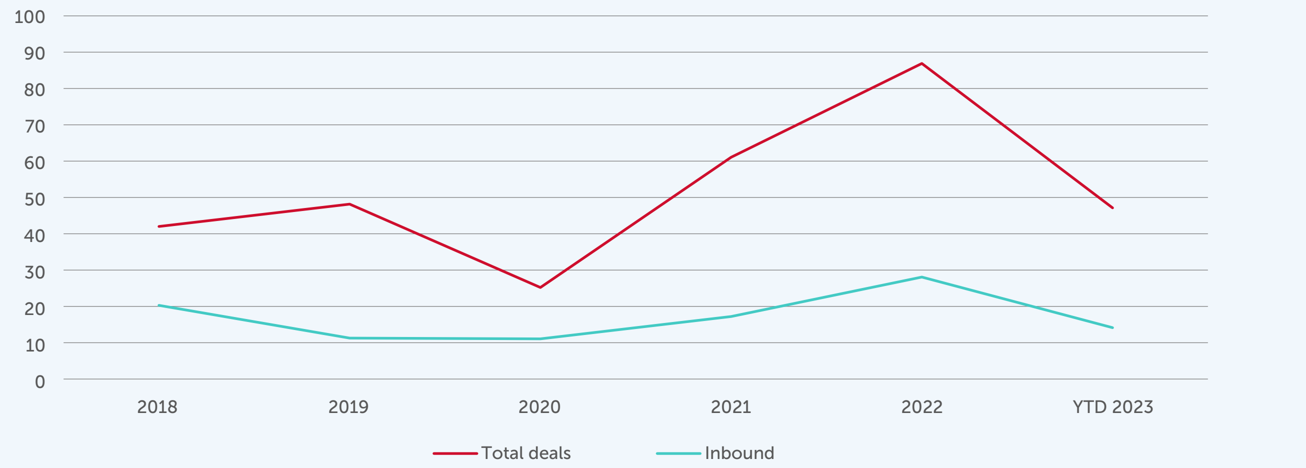


Figure 15: Top inbound investors in Infrastructure (2018-23)

Volume		Value $USD (m)	
USA	28	USA	$4,816
Canada	11	Germany	$1,397
Singapore	10	Qatar	$1,114
Germany	10	United Arab Emirates	$749
Japan	9	Netherlands	$743

Figure 16: Examples of top foreign inbound deals (2018-23)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
26/06/2020	Virgin Australia Holdings Ltd	Bain Capital LP; QIC Ltd	USA	$2,406
22/03/2022	Sydney Airport Ltd (7.15% Stake)	GIC Pte Ltd; Qatar Investment Authority	Qatar	$1,114
23/02/2022	CIMIC Group Ltd (21.42% Stake)	Hochtief AG; Hochtief Australia Holdings Limited	Germany	
22/01/2019	DP World Australia Ltd (75% Stake)	DP World Ltd	United Arab Emirates	$1,062
20/11/2022	GeelongPort Pty Limited (100% Stake)	Motor Trades Association of Australia Superannuation Fund; Stonepeak Infrastructure Partners	USA	$749
06/02/2018	Port of Newcastle Operations Pty Limited (50% Stake)	China Merchants Port Holdings Co ltd	Hong Kong (China)	$478
17/04/2023	Jeld-Wen Australia Pty Limited (100% Stake)	Platinum Equity LLC	USA	$461
12/01/2022	Experience Australia Group Pty Ltd (100% Stake)	Hornblower Group, Inc.	USA	$434
01/10/2019	Hobart International Airport Pty Ltd (70% Stake)	Royal Schiphol Group; QIC Ltd	Netherlands	$403
02/11/2021	Fort Knox Self Storage Ply Ltd (100% Stake)	Blackstone Real Estate Partners	USA	$400

The US has led the way over the past five years, though investors in Germany, Canada, Singapore and Japan have all shown significant interest in Australian infrastructure assets too. The largest transaction of recent times came in 2020, when Bain Capital and QIC teamed up to buy Virgin Australia for USD$2.4billion Last year saw two particularly significant deals, with GIC Partners and the Qatar Investment Authority acquiring a stake in Sydney Airport for USD$1.1billion and Germany's Hochtief paying USD$1.1billion for a stake in CIMIC Group.

On April 5, 2021, Sydney Airport announced that it had received a $22 billion takeover bid from a consortium of investors, including IFM Investors, QSuper, and Global Infrastructure Partners. Sydney Airport's shareholders accepted the consortium offer on 3 February 2022. The proposed acquisition represents one of the largest deals in Australian corporate history, and gives the consortium control over one of the country's most important transport hubs.The sale of Sydney Airport has generated significant interest among investors, with many speculating on the potential impact of the deal on the broader economy. Some experts have suggested that the sale could result in higher fees for airlines and passengers, while others have highlighted the potential benefits of increased investment in airport infrastructure and services.

The sale of Sydney Airport also sparked debate over the role of foreign investment in the Australian economy. While some have raised concerns over the potential for foreign ownership to impact national security and economic sovereignty, others have argued that foreign investment is a vital source of capital that can help drive economic growth and development.

Three key investment areas

› Green infrastructure

The need to build new infrastructure to support renewable energy networks and cleaner power is already creating opportunities for investors. Due diligence processes are now very focused on sustainability claims.

› Social infrastructure

This includes projects such as hospitals, schools, and affordable housing. The government has committed to investing in social infrastructure to address the needs of a growing population and improve the lives of citizens.

› "Soft" infrastructure

There has been a growing emphasis on the importance of "soft" infrastructure which includes digital platforms, government registries (such as land titles and motor vehicle registries), and databases. They are also contributing to the development of new business models and opportunities for local and foreign investors to leverage the tools to create new products and services.

On the radar: Contractors on the move

Traditional infrastructure contractors are moving into the energy transmission space seeking to meet the need to transform and grow Australia's power grid for a sustainable future. However, the challenge in realising the opportunities brought by responding to climate-driven infrastructure needs lies in the shortage of highly skilled talent, coupled with historic under-utilisation of the female workforce in the infrastructure industry and lack of focus on training and development.

Challenges – regulation and high costs

One of the main challenges that foreign investors face is navigating the complex regulatory environment. The Australian government has strict regulations in place for infrastructure projects. Investors need to be familiar with these regulations in order to successfully manage the investment process.

Another challenge for foreign investors is the high cost of infrastructure projects. These projects are typically large and capital-intensive, and investors need to be prepared to commit significant funds to participate. Additionally, the long-term nature of these investments can make it difficult for investors to realise a return on their investment in a timely manner.

Next:
Real Estate Industry ❯

Real Estate

Message from our Real Estate team

Real estate is the second-largest sector after private equity in Australia, real estate comprises 39 per cent of total private capital AUM. Fundraising rebounded in 2021 from the previous year, with 16 closed-end real estate funds raising $5.2billion, an increase of 76 per cent year on year and 44 per cent higher than in 2019. Funds are also closing at larger sizes. The size of the largest fund closed has increased from $205million in 2018, to $654million in 2019, and $1.0billion in 2020. Deals completed in 2021 reached $27billion in value, up from $16billion in 2020. Of these, industrial and logistics assets were the most coveted.

"Australia offers a unique blend of opportunities for investors looking to expand their portfolios and gain exposure to one of the most exciting real estate markets in the world."

Carla Deluca
Real Estate Industry Lead, MinterEllison

Global economic uncertainty post pandemic underpinned by multiple factors including, high interest rates, cost of living, cost of construction and geopolitical conflicts has changed the way real estate organisations and investors are transacting and managing key asset classes in Australia.

- **Office:** The pandemic accelerated the adoption of remote work and flexible working arrangements which led to reduced office occupancy by tenants. We are now seeing major tenants reducing their office space requirements, while seeking to upgrade the quality of their office space. Vacancy rates are rising faster outside of central CBD areas, such as CBD fringes and secondary business districts, and for older A and B grade properties, as tenants move to smaller, newer, premium and A grade properties with greater amenities.
- **Industrial:** Demand has outpaced above average completions, pushing vacancy rates to very low levels, underpinning a strong rental response. The weight of funds chasing industrial property drove yields down to historically low levels in FY22, supporting exceptional property price gains and returns for industrial property. It is expected that occupier demand for industrial property to remain strong as rising construction costs constrain supply of new development, creating opportunities for long-term existing asset holders as demand positively impacts on higher rents.
- **Retail:** Real Estate organisations are taking a more long-term approach to planning as the population faces a dramatic shift with the pivot to hybrid working. This is playing out with strategic investments in suburban retail assets that continue to perform well on account of increases in non-discretionary consumer spending habits.
- **Hotels and leisure:** Many assumed demand in hotel and leisure assets would decline in the wake of the pandemic, however there has been a shift in the other direction as owners take the opportunity to reduce debt and investors look to secure and reposition investment grade assets. Hotel trading conditions are much stronger than most had originally anticipated. Despite occupancy levels remaining challenged, trading recovery has largely been driven by the strong average daily rate premiums that are being achieved across the country.
- **Residential:** It is anticipated to maintain resilience due to sustained population growth in Australia being a long term driver for property investment despite current inflationary pressures and rising construction costs. Forecast demand for housing continues to significantly outweigh forecast supply. Capacity constraints, planning restrictions and tax changes will continue to impact supply driving innovative ways to re-purpose existing buildings including office. In addition to traditional residential assets, the emergence of build to rent and land lease models is becoming an increased focus for investors.

On the following pages we explore deal heat and investor sentiment, infrastructure sector M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Four reasons to consider Australian real estate investments

1 ›

Strong market

The Australian real estate market has performed well historically, with strong capital growth and rental yields. This presents significant opportunities for foreign investors looking to invest in a politically stable and growing market.

2 ›

High Demand for Real Estate

Australia has a high demand for real estate, driven by population growth, urbanisation, and a strong economy. This presents significant opportunities for foreign investors looking to invest in a market with strong demand and long-term growth potential.

3 ›

Diversification options

Australia has a diverse range of property types, including residential, commercial, industrial, retail, hospitality and other emerging asset classes such as build to rent, land lease, student accommodation and data centres. This provides investors with options to diversify their portfolio and invest in a range of properties that align with their investment strategies and risk profiles.

4 ›

Transparency

The REIT market, in particular the listed REIT market is one of the most transparent in the world with established and regular reporting across key metrics. The legal regime underpinning real estate investment in Australia is well understood.

Deal heat and sentiment

- Ranked tenth on opportunities heat map with a score of 25.
- Ranked sixth amongst respondents with 30 per cent suggesting real estate had the most opportunities in Australia.

Real estate investment trends

Investment activity dropped off in 2022, but only to levels in line with the activity of the previous three years (Figure 17). The declining trend appears to be continuing into 2023.

Figure 17. Real estate M&A

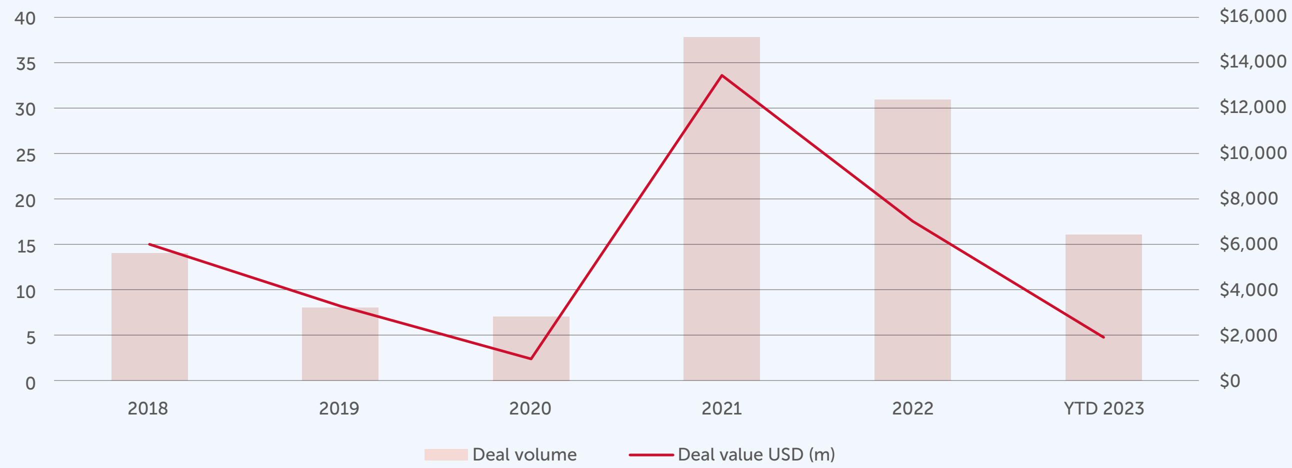


Figure 18. Real estate M&A total deals

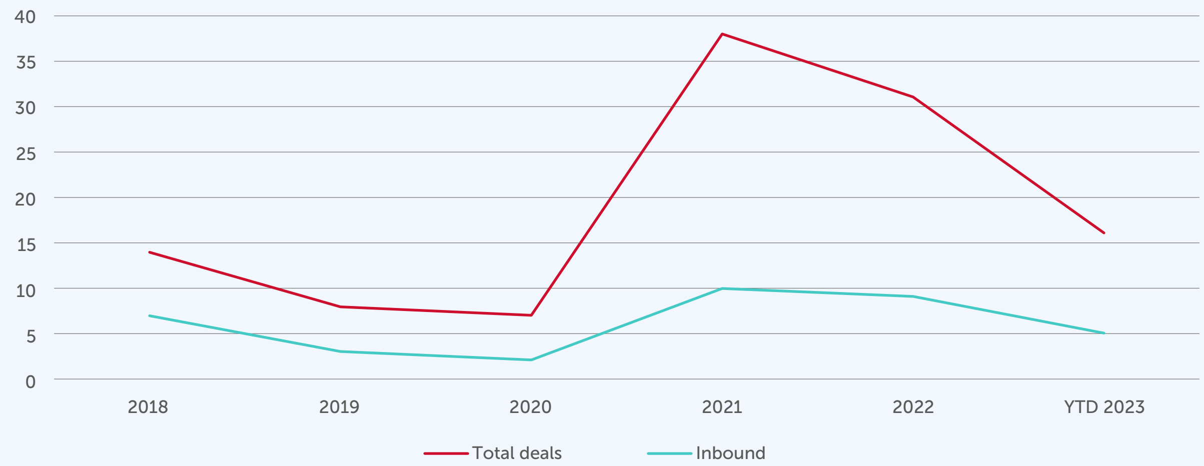


Figure 19: Top inbound investors in Real Estate (2018-23)

Volume		Value $USD (m)	
USA	12	Canada	$4,382
Singapore	10	Singapore	$4,324
Hong Kong (China)	5	USA	$2,871
United Kingdom	4	Hong Kong (China)	$1,439
Canada	4	United Kingdom	$612

Figure 20: Examples of top foreign inbound deals (2018-23)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
15/10/2018	Investa Office Fund	Oxford Properties Group Inc	Canada	$3,160
22/02/2021	Australian Unity Healthcare Property Trust (95.25% Stake)	NorthWest Healthcare Properties Real Estate Investment Trust; GIC Real Estate Pte Ltd	Singapore	$2,221
14/08/2019	Aveo Group Ltd	Brookfield Property Group	USA	$1,320
12/11/2018	Propertylink Group	ESR Group Ltd	Hong Kong (China)	$701
01/03/2022	M_Park Trust (49% Stake)	Ivanhoe Cambridge, Inc.	Canada	$552
02/07/2018	Gateway Lifestyle Group	Hometown America, LLC	USA	$532
31/01/2022	Sydney's Commonwealth Bank Place (Darling Quarter) (50% Stake)	Allianz SE; Allianz Real Estate Asia-Pacific	Germany	$445
30/07/2021	EY Centre in the Sydney CBD (50% Stake)	Mirvac Group; M&G Real Estate ltd	United Kingdom	$424
07/21/2020	Cromwell Property Group	ARA Asset Management Limited	Singapore	$374
03/07/2018	Cromwell Property Group	ARA Asset Management Limited	Singapore	$316

Foreign investors are an integral part of these trends – buyers based in North America, Singapore, the UK and China have all been active.

One question mark for the year ahead is the extent to which those investors will commit significant funds. Of the 10 biggest Australian real estate deals of the past five years involving foreign investors, not one took place in 2023 – and all but three took place prior to 2021.

Three key investment areas

› Build-to-rent

The build-to-rent market in Australia has gained increasing attention in recent years due to its potential to address the growing demand for affordable rental housing and offer a range of benefits for both renters and investors.

› Leisure and tourism properties

The build-up of demand to travel domestically has not abated and as international tourists begin returning to Australia following several years of travel restrictions, these assets have become increasingly popular. In particular, the trend of eco-tourism is also gaining traction, with more and more people looking for sustainable and environmentally friendly holiday options.

› Capital partnering

Australian real estate organisations are progressively turning to capital partnerships, joint ventures, and funding arrangements with both local and foreign investors. As portfolios are rebalanced, there are expanding opportunities in retail, office, industrial, residential and emerging asset classes, including build to rent, land lease, student accommodation and data centres.

Build-to-rent makes up 12% of the residential market in the US, 5% in the UK and only 0.2% in Australia. International capital is attracted to this sector and while Australia represents an opportunity for future institutional investment, the feasibility of Australian build-to-rent is still being worked through with tax reform driving higher returns to be consistent with other asset classes.

One of the main advantages of build-to-rent developments is that they are designed and operated specifically for rental purposes, rather than as a means of generating quick profits through property sales. This means that investors are incentivised to provide high-quality, well-maintained properties with attractive amenities and long-term leases, which can help improve the overall rental experience for tenants. Additionally, build-to-rent developments often provide additional services such as on-site management, communal spaces, and recreational facilities, which can help create a sense of community and improve social cohesion.

Another advantage of the build-to-rent market is its potential to increase the supply of rental housing, which can help alleviate the current housing affordability crisis in Australia. Build-to-rent developments often offer a mix of affordable and market-rate units, which can cater to a range of income levels and demographics. This can help provide more options for renters, particularly in areas where housing supply is limited, and can help reduce rental prices over time. Finally, the build-to-rent market can provide a stable, long-term investment opportunity for institutional investors, such as superannuation funds and pension funds, which are increasingly looking to diversify their portfolios and generate reliable, steady returns over time.

On the radar: Emerging asset classes for REITs

The Australian market is increasingly accepting of specialised REITs which offer investment exposure in alternate property asset classes to the more traditional office, retail and industrial sectors.

REITs have been formed to offer investment exposure to emerging asset classes such as, data centres, service stations, hospitals, self-storage, childcare and convenience retail. In the US, non-traditional REITs have included timber, prisons, billboards and mobile phone towers.

A number of REITs have expanded their investment mandate to include social infrastructure. Property investment managers often incubate assets on balance sheet using a mixture of equity and debt until achieving a track record and then being opened up for investment by third party capital.

Alternative assets which may be made available in appropriately structured securitised investment vehicles could include council swimming pools, caravan parks, solar farms, universities, power stations, hydro stations, and billboards which have fragmented ownership outside of larger players. The ownership and operation of such assets needs to be carefully considered from, amongst other things, an Australian taxation perspective in the structuring of the investment vehicle.

Challenges – Rebalancing property portfolios

In light of current economic conditions real estate organisations and investors are reviewing their portfolios with a long-term view on maximising capital returns. While industrial assets remain hot property due to the continued demand for distribution facilities, the market is swinging towards emerging asset classes. The inflationary environment has returned focus to finding the right kind of asset, with the right risk profile, with continued competition for big trophy assets.

While this trend of hybrid working continues, we will continue to see strategic investments and repurposing of assets to meet demand. Additionally, companies with large non-core property assets may reassess their investments, prompting a wave of divestments, sale and lease backs and negotiations.

Next:
Agribusiness, Food and Fibres ❯

Agribusiness, Food and Fibres

Message from our Agribusiness team

Agribusiness, food and fibres have undergone significant changes in recent years, driven by a shift to the decoupling of supply chains, changing consumer preferences, technological advancements, and a push to vertical integration and value-added products to suit the appetites of overseas consumers, especially the emerging middle class of Asia.

Background

Australia's agribusiness sector stands as a resilient pillar in the country's economy, fortified to weather crises like droughts, floods, bushfires, and pandemics. This robustness stems from its diverse range of commodities, advanced farming practices, and a commitment to producing high-quality food. The sector's global significance is underscored by its pivotal role in food security, especially in the Asia-Pacific region. Notably, exports of key products like wheat, beef, dairy, sugar, and wine have solidified Australia's position as a vital contributor to global food supply.

Australia's commitment to quality extends to its stringent standards for food safety, biosecurity, and labelling, reinforcing its reputation for 'clean and green' practices. The emphasis on sustainability is visible through various environmental initiatives adopted by Australian farmers, addressing concerns such as greenhouse gas emissions, water conservation, and soil health. This commitment not only ensures the country's eco-friendly image but also aligns with global demands for responsible food production.

Technological advancements have catalysed progress in the Australian agribusiness sector. Precision agriculture techniques, such as drone-based crop monitoring and data analytics-driven farming practices, enhance productivity, efficiency, and sustainability. Additionally, the sector responds to consumer preferences for organic and locally-produced food, reflecting a growing awareness of environmental and social impacts. These trends signify a sector poised for innovation and adaptability, positioning itself to meet evolving market demands.

Australia's unique position in global markets, its adept use of agtech solutions, and its commitment to sustainability bode well for the future prosperity of the agribusiness sector. The nation's role in global food security, coupled with its reputation for high-quality produce and eco-conscious practices, ensures a promising trajectory. However, as investor interest surges and competition intensifies, stakeholders must carefully navigate the evolving landscape to seize opportunities and extract maximum value, post-COVID-19.

On the following pages we explore deal heat and investor sentiment, agribusiness M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

"The agribusiness and food processing industries in Australia offer a unique opportunity for foreign investors to capitalise on a growing global demand for sustainable, high-quality food and beverage products. With a rich history of innovation and a commitment to excellence, Australian companies are leading the way in everything from precision agriculture and sustainable farming practices to cutting-edge food processing and distribution solutions. Whether you are a seasoned investor or a newcomer to the industry, the opportunities in Australian agribusiness and food processing are endless, and we are excited to partner with international investors to help drive growth and innovation in this dynamic and rapidly evolving sector."

Matthew Cunningham
Agribusiness Industry Lead, MinterEllison

For an even deeper look at Australia's agribusiness opportunities and challenges, read our **Ahead of the Harvest 2020-2022 report ›**

Five reasons to consider Australian agribusiness investments

1 ›

Rich natural resources

Australia has a vast and diverse range of natural resources, including arable land, abundant water, and favourable climate conditions. These resources provide a strong foundation for the agribusiness industry and present significant opportunities for foreign investors looking to invest in the sector.

2 ›

Strong agricultural tradition

Australia has a long and rich agricultural tradition, with a reputation for producing high-quality, safe, and sustainable food and fibre products. This presents significant opportunities for foreign investors looking to tap into trusted and established supply chains.

3 ›

Access to large growth markets

The Australian agribusiness industry has access to large and growing domestic and international markets, including Asia, which is experiencing significant demand for high-quality food and fibre products. This presents significant opportunities for foreign investors looking to invest in a growing and dynamic market.

4 ›

Innovative technologies

The Australian agribusiness industry is at the forefront of innovative technologies, including precision agriculture, plant genetics, and food processing. This presents significant opportunities for foreign investors looking to invest in a sector that is embracing new technologies and driving innovation.

5 ›

Strong environmental credentials

The Australian agribusiness industry has strong environmental credentials, with a focus on sustainability, conservation, and land stewardship. This presents significant opportunities for foreign investors looking to invest in a sector that is committed to sustainable practices and minimising its impact on the environment.

Deal heat and sentiment

- Ranked twelfth on opportunities heat map with a score of 23.
- Ranked tenth amongst respondents with 20 percent of suggesting agribusiness, food and fibres had the most opportunities in Australia.

Agribusiness investment trends

There is plenty of uncertainty, particularly about how supply chain disruption may play out. This may have been impacting investment levels as agribusiness M&A has declined since the start of the pandemic (Figure 21). Nevertheless, foreign investors continue to monitor the sector.

Figure 21. Agribusiness, food and fibres M&A

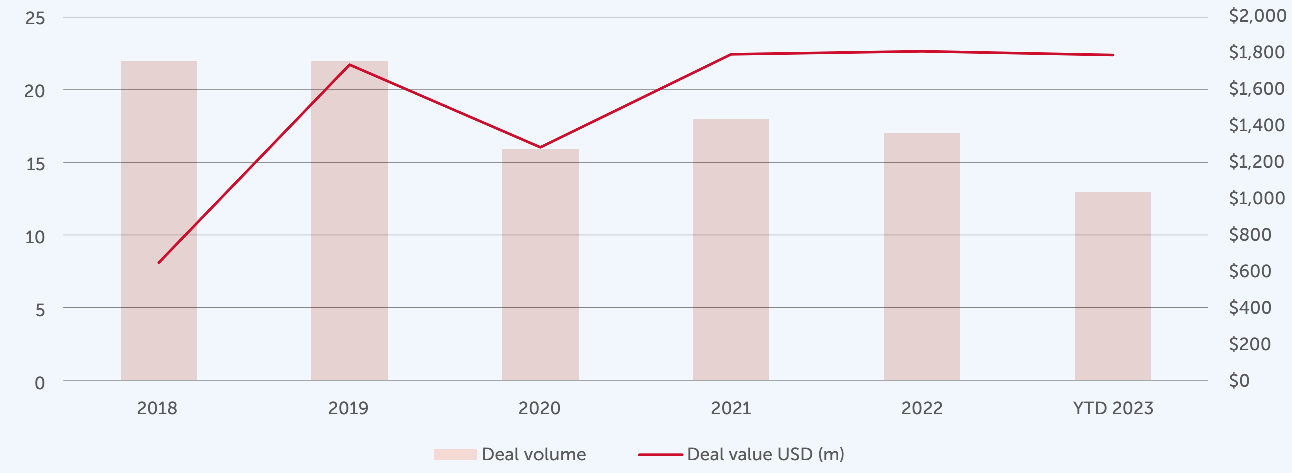


Figure 22. Agribusiness, food and fibres M&A total deals

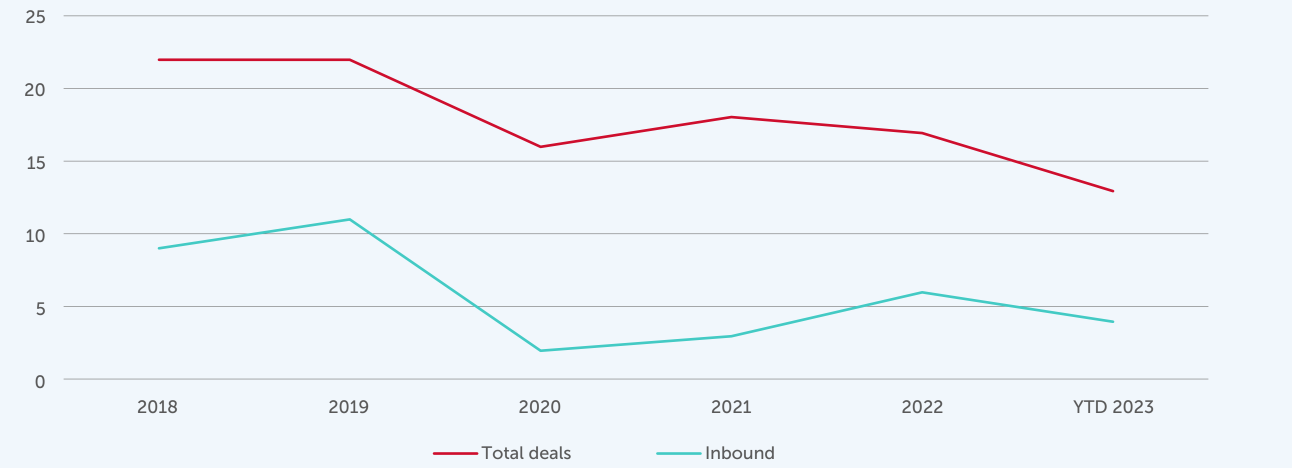


Figure 23: Top inbound investors in Agribusiness, food and fibres (2018-23)

Volume		Value $USD (m)	
Canada	12	Canada	$2,559
USA	9	USA	$1,824
New Zealand	2	France	$516
Singapore	2	Japan	$272
China	2	Brazil	$136

North American investors have led inbound trends, though interest has also come from Europe and South Africa too. Indeed, six of the 10 biggest deals of the past five years have been led by Canadian bidders – including the largest transaction of all, Cooke's US$1.1bn acquisition last year of Tassal Group, the seafood specialist.

Figure 24: Examples of top foreign inbound deals (2018-23)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
04/07/2023	Costa Group Holdings Ltd (86.24% Stake)	Paine Schwartz Partners LLC; British Columbia Investment Management Corporation; Drisoll's Inc	USA	$1,475
27/06/2022	Tassal Group Limited (94.63% Stake)	Cooke Inc.	Canada	$1,092
03/10/2019	Webster Limited	Public Sector Pension Investment Board	Canada	$552
26/07/2021	Global Forest Partners LP (Forestry assets and business)	AXA SA	France	$516
27/02/2019	Ruralco Holdings Limited	Nutrien Ltd	Canada	$417
20/05/2022	New Forests Ply Limited (67.02% Stake)	Mitsui & Co., Ltd.; Nomura Holdings, Inc.	Japan	$272
23/09/2019	Midkin Aggregation	AFF JV group	Canada	$203
07/12/2022	Australian Oilseeds Investments Pty Ltd (100% Stake)	Edoc Acquisition Corp.	USA	$190
08/06/2021	Rivalea Australia Ply Ltd; Oxdale Dairy Enterprise Pty Ltd; Diamond Valley Pork Pty Ltd (80% Stake)	JBS S.A.	Brazil	$136
17/08/2018	Webster Limited (19.15% Stake)	Public Sector Pension Investment Board	Canada	$101

Frucor Suntory (Japan) is investing A$400 million in a beverage manufacturing facility in Queensland to process, package, store and distribute initially up to 20 million cases of beverages a year. It is expected to create around 450 construction and installation jobs.

Three key investment areas

› Alternative proteins

Growing demand for non-meat alternatives and for different types of milk is driving change in consumer tastes.

› Renewable energy

The agribusiness industry has a significant carbon footprint and there is a growing focus on developing renewable energy sources. In addition to the usual opportunities for investment in solar, wind, and hydro energy, Australian agribusinesses are also focusing on waste to energy and bioenergy solutions.

› Agritech/Foodtech

Investors are looking for innovation in the way in which food is produced, particularly in a world struggling with the effects of climate change, population growth, labour shortages and challenges to global food security. Innovation will play a key role in driving future growth in helping agriculture continue its growth trajectory – with investors and startups taking advantage of opportunities within this vital economic sector.

On the radar: Climate change

Climate change poses a significant threat to agriculture in Australia, with extreme weather events, droughts, and changing rainfall patterns impacting crop yields and livestock productivity. Additionally, there is a growing trend in investor demands related to climate risk governance and disclosure, particularly emanating from overseas, notably Europe.

This mounting global pressure, coupled with the proactive pledges made by key players within the Australian financial and political landscape to achieve a net-zero emissions portfolio (or in the context of lenders, emissions financed), will exert significant pressure on investors, lenders, and borrowers in Australia. This pressure will necessitate a hastened integration of climate risk governance into their strategic decision-making and portfolio risk management processes.

Challenges – supply chain diversification?

There is a growing geopolitical shift where decoupling of supply chains and market diversification are required to overcome ongoing protectionism in key markets. This poses some challenges for Australian agribusinesses. The COVID-19 pandemic reinforced these risks, with disruptions to trade and transport causing significant challenges for businesses across the supply chain.

This also creates potential opportunities for investments and tie-ups for surety of food security in some markets.

Next:
Technology, Media and Telecommunications ›

Technology, Media and Telecommunications

Message from our Technology, Media and Telecommunications team

With new technologies such as generative AI, quantum computing, blockchain emerging at a rapid pace, coupled with global megatrends around digital transformation and cyber security, the Australian TMT industry is poised for significant growth and change.

Background

Digital transformation

Australia has more than its fair share of tech stars, with the likes of Canva, Airwallex and Culture Amp all having reached unicorn status. Indeed, Australia's vibrant start-up scene offers abundant opportunities and there has been a significant increase in investment in early-stage companies that is helping to drive innovation and growth in the sector and the overall economy.

In a more risk-averse climate, it is possible that investor interests will shift towards later-stage technology businesses with a proven business model and an established record of cash generation. There are also plenty of opportunities in Australia that meet this requirement – and plenty of buyers still in the market for transformative technology and intellectual property.

"

The sector offers a range of investment opportunities in areas such as artificial intelligence, cyber security, digital transformation and digital infrastructure."

Paul Kallenbach
TMT Industry Lead, MinterEllison

On the following pages we explore deal heat and investor sentiment,technology sector M&A activity, top in-bound deals, key investment areas, opportunities, challenges and trends on the horizon.

Five reasons to consider Australian technology investments

1 ›

Access to innovative start-ups

Australia has emerged as a hub for tech innovation, with a thriving start-up ecosystem. Foreign investors can tap into this ecosystem by investing in innovative companies with disruptive business models and technologies.

2 ›

Collaboration with research institutions

Australia has world-class research institutions across universities and research centres. They are actively engaged in cutting-edge research in areas such as artificial intelligence, machine learning, and quantum computing. Foreign investors can collaborate with these institutions to leverage their expertise and research.

3 ›

Government support for innovation

The Australian government is committed to supporting innovation and entrepreneurship through various initiatives, including tax incentives, grants, and funding programs. Foreign investors can take advantage of these initiatives to support their innovation and growth strategies in Australia.

4 ›

Access to the Asia-Pacific market

Australia's location in the Asia-Pacific region makes it an attractive destination for foreign investors looking to expand their presence. Australia has free trade agreements with major economies in the region, including China, Japan, and South Korea, providing access to a market of over 1.5 billion people.

5 ›

High-quality workforce

Australia has a highly skilled and educated workforce, with a strong talent pool in areas like engineering, computer science, and data analytics. Foreign investors can tap into this talent pool to support their growth and innovation strategies.

Deal heat and sentiment

- Ranked second for opportunities in the heat map with a score of 150.
- Ranked first amongst respondents with 78 percent suggesting TMT had the most opportunities in Australia.

Technology, media and telecommunications investment trends

The last 12 months have seen a significant increase in the sophistication and frequency of cyber attacks, in Australia and globally. As cyber threats become more sophisticated and prevalent, investors will place greater emphasis on the cybersecurity capabilities of TMT companies. While TMT investment slowed somewhat in 2022 it has still remained well ahead of totals registered before the pandemic (Figure 26), although there is some cooling off into 2023. The advancement in AI and technology is expected to have significant implications to the Australian TMT sector and it will likely become even more appealing to foreign investors, particularly in areas such as artificial intelligence, machine learning, data analytics, and cybersecurity. These cutting-edge technologies have the potential to drive growth, innovation, and productivity across various industries.

Figure 25. Technology, media and telecommunications M&A

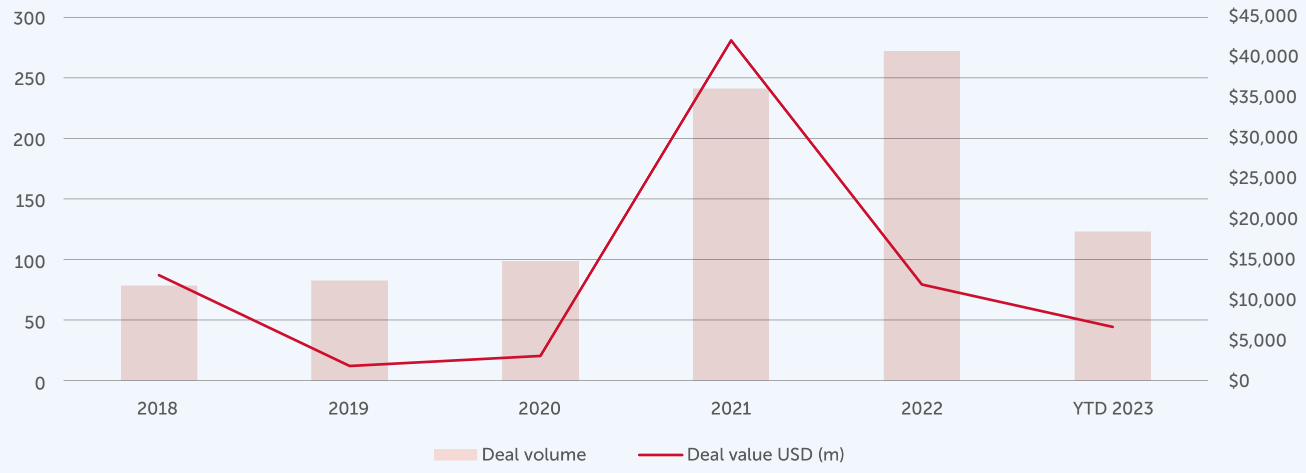


Figure 26. Technology, media and telecommunications M&A total deals

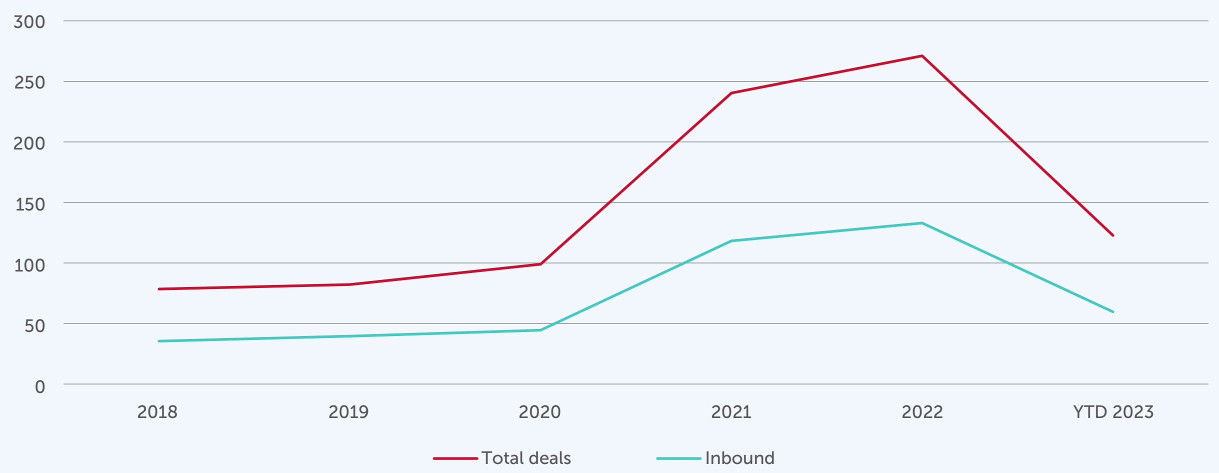


Figure 27: Top inbound investors in Technology, Media and Telecommunications (2018-23)

Volume		Value $USD (m)	
USA	243	USA	$37,888
United Kingdom	62	Sweden	$1,888
Canada	37	United Kingdom	$1,101
Japan	16	France	$1,097
France	14	Canada	$667

Value totals have been impacted by a number of mega deals, specifically, US-based Block's US$26.6bn acquisition of Afterpay in 2021.

US private equity and technology industry players have been, by far, the biggest share of the buyers, often competing with each other in some transactions.

Figure 28: Examples of top inbound deals (2017-23)

Announced date	Target company	Bidder company	Bidder Dominant Country/Territory	Deal Value $USD (m)
01/08/2021	Afterpay Ltd	Block Inc	USA	$26,649
24/12/2018	MYOB Group Pty Ltd (80.1% Stake)	KKH & Co Inc	USA	$1,416
09/06/2021	Message4U Pty Limited	SinchAB	Sweden	$1,305
18/12/2017	Aconex ltd	Oracle Corp	USA	$1,169
26/06/2018	APN Outdoor Group Limited	JCDecaux SE	France	$899
15/06/2023	New Quantum Holdings Pty Ltd (100% Stake)	Canna-Global Acquisition Corp	USA	$800
13/08/2020	SpeedCast International Limited	Centerbridge Partners, L.P.	USA	$500
01/02/2021	Ascender Group	Ceridian HCM Holding Inc.	USA	$500
07/04/2022	Instaclustr Pty Ltd. (100% Stake)	NetApp Inc	USA	$498
31/03/2021	Culture Kings	a.k.a. Brands Holding Corp.	USA	$456

The Afterpay transaction is comfortably the largest transaction not just in the sector but the broader Australian market in recent years.

DNEG (UK), one the world's leading visual effects and animation studios for feature films, television and multiplatform content, has opened a new studio in Sydney's Tech Central district. The Academy Award and BAFTA-winning company employs nearly 8,000 people across 4 continents. DNEG's projects include *Black Adam, Glass Onion: A Knives Out Mystery* and *Oppenheimer*. The investment is expected to create 472 direct and 554 indirect jobs by 2024.

Three key investment areas

› AI (including Generative AI)

Inbound investment in Australia is trending towards generative AI applications across a wide variety of sectors for more efficient and productive processes and solutions. Most notably these include Natural Language Processing (NLP) for chatbots and content generation, Computer Vision technologies for various industries including healthcare and security, Creative AI for autonomous content creation in entertainment and marketing, AI-driven solutions in healthcare technology for aging population needs, AI Ethics and Bias Mitigation tools, Automation and Optimisation solutions for businesses, Agricultural Technology (AgTech) utilizing generative AI for precision farming, and AI applications in the financial sector such as fraud detection and algorithmic trading.

› Quantum computing

Quantum computing is a growing field. Three stand out sectors where Australian investors are channelling their resources and expertise include quantum hardware development, quantum algorithms, and quantum software applications. Quantum hardware development encompasses investments in building advanced quantum processors and hardware components, a crucial area as quantum computers continue to evolve. Quantum algorithms, another focal point, attract investment for their potential to revolutionise fields like cryptography, optimisation, and machine learning. Additionally, investors are exploring quantum software applications, including quantum simulations and quantum machine learning, which have promising implications for various industries.

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› 5G technology and infrastructure

With the global roll-out of 5G networks, there are investment opportunities in companies that provide the infrastructure and equipment to support this technology, such as cell tower and base station providers.

The Australian subsidiary of Elbit Systems (Israel) recently opened a Centre of Excellence for Human-Machine Teaming and Artificial Intelligence in Melbourne to build further on its existing purpose-built engineering facility. The Centre will focus on researching, developing and commercialising defence and non-defence technologies.

The Centre has signed partnerships with RMIT University to undertake projects which focus on using drones to assist with mass evacuations during natural disasters and other emergencies, as well as commercialise discoveries relating to autonomous systems, machine vision, robotics, industrial internet of things networks, and augmented and virtual reality.

On the radar: Cyber security

Cyber threats have become front of mind in Australia over the last 18 months, with a number of high profile cyber attacks focused on corporate Australia. The rapid development and adoption of new technologies are profoundly affecting (and being affected by) the cyber landscape. Artificial intelligence and machine learning advancements see attackers and defenders leveraging transformative technologies. Combined with an ever-growing reliance on complex digital supply chains and interconnected systems, the rapid expansion of IoT and fast 5G networks, and the acceleration of remote work culture, the cyber attack surface has never been greater.

As cyber threats continue to increase, there are investment opportunities in companies that provide cyber security solutions, such as network security, data encryption, and threat intelligence. The Australian Government has a number of supporting cyber security strategies and frameworks to protect against and respond to cyber incidents. These strategies includes investments in cyber security education and training, research and development, and partnerships with industry and international partners.

For more info on Cyber Security,have a look at our latest **Perspectives on Cyber Risk 2023 ›**

In closing

Despite global economic headwinds, Australia's investment outlook continues to remain comparatively positive. In-bound investment remains strong in a number of industry sectors, led by technology being ranked as the most attractive with least risk, followed by financial services, real estate and energy and resources. The least attractive sector ranked was infrastructure.

In Part 3 (and the final chapter) of our study, we will examine the key considerations that decision makers should be mindful of when considering investing in the Australian market.

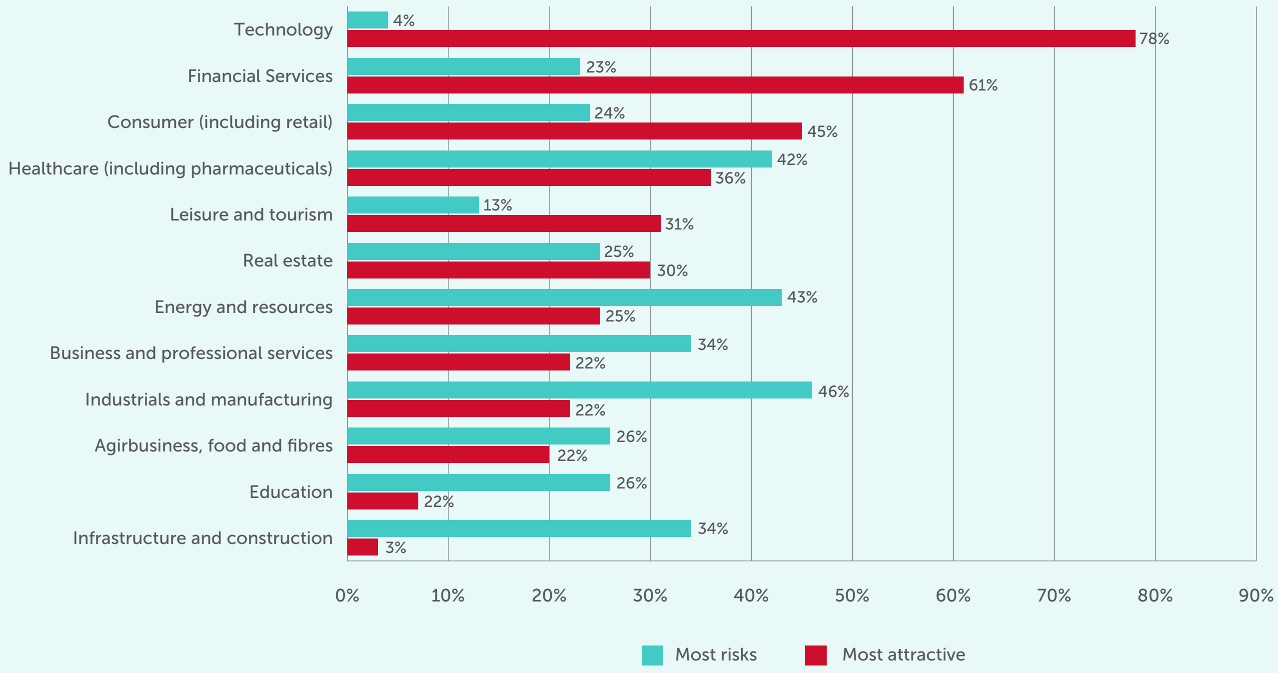
To obtain an advanced release of this upcoming report, please sign up here.

SIGN UP HERE

In the meantime, we invite you to browse our other insight pieces featured overleaf that might be of interest.

Find out more about our legal and consulting offering www.minterellison.com.

Figure 29. Which sectors are the most attractive



PART 1 – EVALUATE

PART 2 – MAGNIFY

PART 3 – ACTIVATE

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Asian M&A Report

Private Equity Report

Debt Restructuring

Cyber Risk

Renewables Report

EVALUATE

MAGNIFY

ACTIVATE

PART 2/3

Investor Sentiment Study 2023

We trust you have enjoyed reading Parts 1 and 2 of this Investor Sentiment Series. Part 3 will be released shortly.

To receive an advanced release of Part 3 direct to your inbox, follow the QR code to register your details.

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