

MAY 2020 DEAL OF THE MONTH &
PERSPECTIVES ON PUBLIC TO PRIVATE TRANSACTIONS

CLAIRFIELD
INTERNATIONAL

CLAIRFIELD ADVISES NATIONAL VETERINARY CARE ON SALE TO VETPARTNERS

AUSTRALIA



was acquired by

VetPartners

HOSPITALS AND CLINICS

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by Michael Kakanis

P2Ps - An integral feature in M&A

Public to private transactions are an ever-present feature in M&A. Weighing up advantages of private vs. public ownership is also on the agenda of any public company director. The takeover of a listed (public) company and taking private, either stand alone typically with the backing of a financial sponsor or being absorbed by a larger strategic buyer, occurs throughout the market cycle. P2Ps have become more topical now that we are seeing reduced asset values driven by the COVID pandemic. Public companies will likely see both wanted and unwanted takeover approaches in the next 12 months.

InterFinancial, Clairfield International's Australian partner, acted as lead financial advisors to National Veterinary Care ("NVC") in its AU\$ 325.5 million P2P closed in April 2020.

What kind of buyer ?

Using Australia as the example, over the last two years, 56 listed companies have been the subject of public to private (P2P) takeovers. Of the 56 P2Ps in the last two years:

- 19 have been from international strategic investors, e.g. DuluxGroup (Nippon Paint – Japan), GBST Holdings (FNZ Group – UK), Ruralco (Nutrien – Canada), Bellamys Australia (China Mengniu Dairy – China), ERM Power (Shell – Netherlands);
- 15 have been from International private equity investors, e.g. MYOB (KKR), Scottish Pacific (Affinity Equity Partners), Greencross Vets (TPG);
- 11 have been from Australian strategic investors, e.g. Fairfax Media (Nine Entertainment), Xenith IP (IPH), Chalmers (Qube Logistics); and
- 11 have been from Australian private equity investors, e.g. Navitas (BGH consortium), and Zenitas Healthcare (Adamantem).

What kind of premium ?

As part of the NVC transaction, we analyzed takeover premiums of public Australian companies over the last two years. Focusing on the takeover price compared to the 3-month VWAP (Volume Weighted Average Price), we found that:

- The average premium across all transactions was 41%.
- The average for strategic investors was 53%, compared to 33% for PE deals.
- The average for successful deals was 43%, compared to 23% for unsuccessful deals.
- Where a strategic investor was involved, the average premium paid by international investors was 57%, compared to 48% for local buyers.

These conclusions highlight that there can be a substantial difference in the price paid depending on the nature of the investor. Listed takeover targets cannot always control their public market position, but they can control process better by managing advance preparation. In addition to active strategic investor relations, management needs to have a defence manual ready and a plan for how to engage with bidders most likely to pay a strategic premium.

CLAIRFIELD COMPLETES AU\$325.5 M VETERINARY SERVICES P2P DEAL

Transaction summary

ASX-listed National Veterinary Care Ltd, the Australian and New Zealand veterinary services provider sold 100% of the issued share capital of NVC by way of scheme of arrangement to VetPartners, another provider of veterinary services.

VetPartners now holds all the shares on issue in NVC, and NVC has been delisted from the ASX. The scheme consideration of AU\$3.70 cash per NVC share represents a 59.5% premium to the 1-month VWAP of AU\$2.32. The transaction values National Veterinary Care at a fully diluted market capitalization of AU\$251.5 million and an enterprise valuation of approximately AU\$325.5 million.



Profile of the companies



National Veterinary Care is an ASX-listed company, engaged in providing veterinary services. The Gold Coast-based company owns over 100 veterinary services businesses across Australia and New Zealand, comprising veterinary clinics, training centers, and a managed service offering. The business listed on the ASX in August 2015 with 34 clinics and grew rapidly to become one of the major veterinary services aggregators in Australia and New Zealand.



Australian Veterinary Owner's League Pty Ltd, trading as VetPartners, is engaged in providing veterinary services, backed by US-based National Veterinary Associates (NVA) and Netherlands-based Luxembourg investment holding company JAB Holdings. Prior to the deal, VetPartners owned over 125 practices in Australia and New Zealand.

Transaction rationale

With the acquisition of NVC, VetPartners becomes the largest veterinary services provider in Australia and New Zealand.

The combined entity is focused on growing its networks of community veterinary practices while preserving the legacy, brand, and culture of each clinic in the group as they continue to build a best-in-class veterinary practice offering across Australia and New Zealand.

VetPartners and NVL have complementary networks. For instance, VetPartners' current support offices are in Sydney, Perth and Adelaide, presenting opportunities for the combined group to build a more national support office infrastructure leveraging the NVL support offices in the Gold Coast, Melbourne, and Auckland.

Clairfield role

InterFinancial, Clairfield International's Australian partner, acted as lead financial advisors to National Veterinary Care.

Clairfield's industry expertise was instrumental in assessing NVC's and VetPartners business plans and finding possible synergies. The understanding of sector dynamics and the local M&A market (both private equity and financial investors) also contributed to the determination of the seller's priorities and identification of genuine competitors in the process.

This was enhanced by the wider Clairfield International team through which InterFinancial was able to rapidly reach out across the globe and identify strategic and private equity buyers likely to be interested in NVC.

Deal team: Sharon Doyle, Brent Wall, Michael Kakanis



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