



The Deal Room Podcast

Episode 167 - Lessons learnt from doing deals in the time of COVID, and what the future looks like for mid-market M&A

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Transcript

Joanna: Hi, it's Joanna Oakey here and welcome back to The Deal Room Podcast, a podcast proudly brought to you by our commercial legal practice, Aspect Legal. Now today we have on the show, a guest that we've had before, which is absolutely fabulous. Michael McGrath from Oasis M&A. Now, you may or may not recall that Michael was last on the show almost a year ago now. So back in April 2020, when the world had gone into a bit of a crazy space, with COVID and Michael and I, then we're talking about the challenges that we saw at the time how the market was looking at the time and what our ideas were for how this would unfold, and for what the future really look like in the short term and in the long term.

And so we are back here again today to reflect on the last year that has been where we are in comparison to where we thought we might be, but also some of the challenges that have happened along the way. So in particular, Michael, and I discuss doing a deal in lockdown, what was it like to do a deal in lockdown? What were the challenges? How did we get over the challenges. And in fact, we highlight some interesting insights that

looks like for mid-market M&A will be revealed from the way in which we dealt with those challenges. And as Michael says, during our discussion, some of those issues that happen in deals that were amplified, because of the virtual way in which deals needed to move, we also talk a lot about what we're seeing in the market from both of our perspectives right now. And we're doing a little bit of crystal ball gazing once again, to give you our take on where we think the market is headed in the next 12 months.

And then lastly, Michael and I chat about what all of this means for businesses who are exiting or even acquiring. Right now we're looking at whether now is the right time to get back into the market, whether they're looking at an exit or looking at an acquisition. And look, Michael is very well placed to be my special guest in this discussion today all about the market trends, looking forwards and looking backwards because Mike has been in business since the age of 23, spending more than 25 years, that's a quarter of a decade people, starting building, buying and selling businesses. Michael established the Oasis M&A Sydney office in 2009. Oasis now advises shareholders of private companies around succession and exit strategies in the 3 million to 100 million enterprise value range. So buckle in here we go with our discussion with Michael.

Joanna: Mike, hello, welcome back to The Deal Room podcast. It's such a pleasure to have you on the podcast, once again.

Michael: Thanks, Joanna. It's great to be here.

Joanna: Okay, so we've got a few things that I want to talk about today, you've had an interesting discussion about the realities of you doing a daily lockdown. And I really want to talk about that, because I think it's really interesting to reflect on this very interesting period that we've been through. But then I would really like to chat to you about what we're both seeing in the market right now. Because I think that, you know, looking backwards is super interesting but also, you know, where do we feel it's moving and what can businesses do? moving forward? I guess.

So that's where I'd like to take it today. But before we do that, how about we move back a little bit. The last time we had a discussion, I think was when, you know, the world had just everything that had gone mental. I think it was around April last year, and you know, everything was in a really uncertain state. And at that point, you know, the things that we were talking about, were very different to what we'll be talking about today, which is fabulous. Very exciting. But let's talk about that reality.

So firstly, maybe just a little bit of how last year ended up for you guys and what you were seeing. When we spoke there were absolute brakes on any m&a deals. Everything was moving very, very slowly, if at all, at that particular April point, but how did they even play out for you in terms of deals?

Michael: Yeah, look, if you remember when we were talking in April, you know, the pandemic was looming large and there was a real concern economically. We were in lockdown mode shopping centers were closing. So, you know, there were significant levels of uncertainty and we were busy, I'm on the board of quite a few companies and we were busy and I was busy at that point. Doing a lot of crisis management, frankly.

Joanna: But that was crisis management that you were busy in, right?

Michael: Right. Until a day or so people were ringing us up saying, you know, we're parking this and we're parking that we had one particular client, and I'll come on to the deal later that was based in Victoria, and we'd sort of had a deal agreed with an overseas acquirer. At that point, you know, it was due to go into due diligence on the first of April, towards the end of March, they said, Look, we're going to park it, they wanted to spend a few months considering where they were, they're sort of billion dollar business with operations around the globe, they were making assessments, everyone was really assessing. Okay, how bad could this get? And what do we need to do? And so that deal got parts and they said, their finance lads said to me, Look, let's reconvene in June and consider things again in July. See if we can pick it up in July, we want to do it. We like the business, blah, blah, blah, but we need some time. And so nothing got done by us in that quarter transaction wise.

I mean, we just went in other directions, if you remember. If you remember, you were quite optimistic, you are cautiously optimistic. I was a little bit more of I don't see it like that. And it turns out that you were much nearer the mark than me. If you look at what's happened. I mean, our business did pretty okay. I mean, the quarter wasn't a great quarter, it was our quietest quarter ever, but we got busy on a lot of stuff. We did some rebranding work, we did a lot of advisory work. We upgraded our technology, we really sort of said, Okay, we've got to, let's get busy doing all the things that we don't normally get to do. As we got into June, the world started to feel a bit different again. Yeah. And, you know, people were coming out to play, there was no great, you know, buyers weren't dying to talk to us again, whereas they hadn't really been taking our call.

Joanna: And I felt at that time, actually, we started to see this emergence of now maybe is an opportunistic time. purchases. So I think we saw a lot of buyer interest at that around from that, you know, June to October points. That was a lot of the inquiry that we were getting at that point. I don't know if you were seeing.

Michael: Look, we have a lot of people talking to us, a lot of buyers talking to us saying what have you got, what have you got? We discourage some of that opportunistic stuff, because we find this very problematic, and most of the businesses that we're representing did have an enduring future. And so they didn't need to sell. So we try to stay away from that distressed situation. And thankfully, but yes, you're right. There was a pick up where people were starting to come out to play again, I think. The stock market low was on the 23rd of March, because that was my birthday. And the stock market had rallied by June, significantly, as it continued to do, frankly. And then on the property market, which there was great uncertainty about, I think, in April and May, has gone from strength to strength.

So, you know, we are seeing two of the biggest indicators, and, you know, we had GDP for the last quarter, over 3%. So, we're seeing the key indicators just shrugging off the pandemic, really. And by and large, if you look at the macro picture, we're in great shape in Australia. I mean, certainly compared to other countries like the UK and the US. And I think that all goes well for us because the worst you've got pockets of real pain, right? And I mean, I know unemployment not only doesn't help you if you've lost your job, or if you're if you look at the context on a swings and roundabouts basis, the you know, the hospitality industry, the airline industry, these perennial losers in this pandemic education, perhaps hay is being compensated for with technology and with resources.

Yeah, and with other parts of the economy. So you know, the macro picture is quite strong. It doesn't help you if you own a bloody restaurant, I'm afraid but the outlook is quite strong. If you look at the emerging market report on the mid market, outlook that trillion business buyers are saying that They're active. They all want to, you know, 65% of them want to do more transactions in this year, compared to last year. That's positive, I think and positive for the economy too.

Joanna: Yeah, absolutely. I mean, it's interesting, isn't it? This area is such a canary in the coal mine. But, you know, it's such an amplification of business confidence, this area of acquisitions, because it really, you know, when, when business confidence was at a really shaky point, everything just slows down. Once again, as I say, canary in the coal mine, we can see that the business confidence is amplified through this increasing buyer interest. And I think that's where it is, because, and, of course, this needs to be met with service as well. And I think many sellers have held back feeling that they are at a vulnerable period, and they are not going to sell while they're at a vulnerable point.

Michael: Yes we had some of that, Joanna. So we had clients with very good assets that parted with them, you know, we sort of mutually agreed to part with them in that quarter, April, May and June. They are when talking to some of those again, now, we signed up five or six new clients in the last half of last calendar year. So you know, who is saying, Look businesses, okay, you know, see what you can do? So, yeah, you need the vendors, like, there's no point having the buyers and their vendors, so, but we are seeing the vendors and re-enter the market. And I think we're gonna have a good year. I mean, you know, we could have a you never know this early, but we could, we could probably have our best year yet.

Joanna: Fingers crossed. Gosh, that I tell you what, that's a positive outlook from you Mike, I love it.

Michael: Yeah, look, I mean, we've got some really interesting things going transport, we've got things going on in food, we've got things going on in technology, and they're all doing pretty well. And to some extent, they've had a bit of a COVID boost. So I think that, you know, there are grounds to be positive and optimistic, and every transaction is difficult to do, as you know, they can fall over at any point, you got to do the work. But, um, but certainly, we're seeing willing vendors, I think, at sensible prices. And I think that there was a, perhaps a bit of a gap a few months ago at a sort of valuation gap. I think. I think that's, that's close. I mean, obviously, vendors want as much as they can get, and buyers want to pay as little as they can. But we're not seeing extraordinary issues there, which is, you know, what we can see at certain times, particularly in any sort of recession, but we're not seeing that at the moment.

Joanna: And so, picking up on some of the things you're talking about here, I guess, if we look, if we look at transactions that are on foot at the moment, I think many businesses will have seen some sort of volatility in their, you know, their revenue over the past 12 months. It's been a very unusual situation. So how is that being reflected in the practicalities of how valuations are being undertaken at the moment? How buyers are assessing, you know, past volatility in relation to what that means for the value for the future?

Michael: Yeah, look, I think that most assets, not all, but most assets, most businesses

struggled in April, May, June quarter. So most buyers expect to see a flat end to that year financially. And then what they're looking for, if they're looking for, Well, what happened? July, August, September? And was there a recovery? And are we getting back to a normal position that justifies and suggest the business has an enduring business model in case and I think you've got to be able to demonstrate that I think you can't be in a nosedive and saying, you know, it's, everything's all right, you know, don't panic, don't panic, right. So I think that you've got to have be able to show a bounce back and then be able to explain that, you know, using some kind of, you know, using your methodology, you know, whatever methodology, whether it's stats, you've got them, that indicate how things are going, those indicators have got to be pointing in a positive direction for a buyer to take the business seriously. So I think and you know, we're talking to people about that.

So when we don't take a client on unless we're comfortable that we can tell the story. And the story is going to make sense. Because otherwise, they're just wasting, you know, their money and our time, and both of which are putting us away. But we are seeing plenty of assets that are doing quite well. I mean, and one of the things we are doing is we're taking out the stimulus from performance, right, so there's no point having a load of stimulus and then adding it to your bottom line. expecting a multiple of seven? Yeah, no one's buying that. So you've got to make some sensible adjustments. And, you know, once you've done that, and if you've got yourself a business, then you've I think you've got yourself, you know, you've got to go and find a buyer, really.

So we don't see huge issues. Now, there are some exceptions. So, you know, if you've got businesses in, that aren't recovering yet, that are that are still trying to find a place and a market and have been affected by you know, continued lockdowns or, you know, other factors, you know, knowing coming, you know, we've got a business that we were talking to pre COVID that was in, you know, heavily dependent on the tourist market. That's all sorts of trouble. So businesses that are skewed to areas that are being affected, they need more time to reorganize, I think, Joanna.

Joanna: And I guess that's one thing that I've seen, whilst I was very optimistic about the recovery, and we would be future facing, I was a little bit concerned about this some Cliff at the end of job keeper, but I noticed a lot of apprehension of business as a whole in terms of what it would look like at the end of that, but as we had the second and third, you know, tranche of job keeper I've really seen that even businesses who are extremely heavily impacted, this extra, this tapering period, seems to have given them the opportunity to pivot to work out ways to, find other revenue sources, or to work through what it looks like, at least at the end of that period. And, you know, and I think that's had a positive impact on business confidence. But I personally also think that that's also had a really positive impact on our transactions as well, which is, as we said before, canary in the coal mine, it's linked to the business confidence. So I think it's really interesting to watch. Does this period unfold?

Michael: Look, I mean, our advisory work, you know, where I'm on the board of, on 11, or 12, private companies, they've all come through this remarkably well, some couple of them with retail exposure, that was looking a bit shaky at the beginning. But we've reorganized and come through that, we've got a couple of companies that I've been involved in for a long time in mining, and mining services, doing very, very well. Didn't really miss too much of a beat.

So you know, the picture, we call it dumb luck or judgment, but the picture we're seeing is a very strong picture to the point where we were on the buy side with a couple of those mandates looking for acquisitions at the moment, because we've reorganized and, as you said, we pivoted and we struck, you know, we've we've sort of re refocused our strategy. And now we think we know what we're looking for, and why. So, you know, that that's been a big surprise to me, I didn't think we'd be here, when we spoke in April. Thankfully, we don't have exposure in those particular areas that are in all sorts of pain. Call that dumb luck, that's all it is really, but the areas that we are in is doing very well. And what we are seeing is a big push in technology.

And by that I mean traditional businesses take health, safety and hygiene, I'm on the board of a company called gcg. I've been around for 10 or 11 years, the last two or three years, we'd set up a digital division. So we're moving traditional health, safety and hygiene in a tech direction. And we're future proofing. And we're taking tech and we're applying it through our specialized knowledge in a way that people are going to want to pay for it. I'm seeing that theme occurring all over the place rather than tech trying to solve tech, tech within sectors using the sector specific smarts. We're starting to see great things happen in those areas. And I think that's going to be a theme. I really do. I think that's gonna really split out the companies that are going to win in a sector versus the companies that are going to amble along.

Joanna: This just been this massive, I guess, fast tracking of innovation actually, in reality, you know, that's what we are seeing. I mean, certainly we've seen it in the way workplaces can work.

Michael: Look, I think businesses need some time now to catch up with the tech. Yeah, I think that the text up here, it was on zoom, and the kind of stuff we're doing that was all there. Yeah, but now everyone's using it. My mom's using it, my dad's used to using it. Right. And, you know, 12 or 18 months ago, it was you were all getting on planes. We're all flying everywhere, for meetings, some of which could have been done like this at a fraction of the cost into the money. So I think, but in other areas, we're seeing that businesses need to catch up with the tech and start deploying the tech that's available intelligently to reflect their sector, and the opportunities that are there in their sector to change the way the game is played. And we're very bullish around that as the next wave.

Joanna: I love it. I love it. Okay, well, I want to come back to two things because we did talk about doing this deal in lockdown. And whilst that is, you know, looking at the past, I think it's interesting, I'm interested to hear about as a story, but it's not necessarily all completely past, we could see ourselves in pockets of lockdown again for the next year. You know, potentially, yeah, until we hit this magic point of vaccinations and how the reality is we don't know, necessarily what exactly happened in 12 months time. So I think it's really interesting looking at how you made this transaction work. So maybe just take us briefly through the story of this deal. And where you found this.

Michael: you the beginning of the story, and I've mentioned in the last podcast, so we got a buyer in Dublin called Glen Dimplex. And we had a vendor in Melbourne, and you know, the deal got parked effectively, our clients called thermo film and the deal got parked, disappointingly, right, but we picked it up again. In the end of June, we had a conversation and we kind of started to move back into serious conversations in July. And then eventually we moved it into due diligence again, the middle of July firming up

the terms by and large, there was no great change of term. The question for us. And the question that we were, you know, the work we were doing with the client was really looking at the businesses performing in April, May and June in that quarter while everyone was off. And thankfully, our client that seems to the heating products was getting a boost, getting a COVID boost effectively or certainly not seeing any detracting because it was a lot of its products were going to Bunnings and the hardware sector and the hardware sector was flying, if you remember, because everyone was working from home and, you know, remodeling houses.

Joanna: Yes, queuing at Bunnings. I recall.

Michael: So we were able to go back to the client in July and go with the numbers. We haven't missed a beat, limb, you know, is it on? Or is it off. So that was the context now, if they'd fallen off their numbers, and the outlet was difficult, and that was going to be difficult, but in the circumstances, things looked Okay, so we got back into due diligence, which has all been done remotely. With Dublin odd times of the day and night, we're using a data room, obviously. And whilst this company was going Dimplex, had a local, some local operations. You know, we were dealing with Dublin, and we're dealing with Dublin in a lockdown. And then their financial controller resigned. And then we were dealing with a new deal champion, and then they started to get external. So the whole thing became, normally that kind of exercise might be three months for us, we gotta hustle everyone in three months, but generally we can get a deal done in three months with an overseas acquirer. In this case, you know, it is close to six months, I think it was the 21st of December. So there was an extra couple of months of agony. And I would say the remoteness of it all did not help. You know, there was misunderstandings that were miscommunications, you know, I, you know, we were kind of trying to rescue things regularly, my colleague, Eric and I, but, you know, not uncharacteristic of many deals, you know, they, they often try and fall over, and it's up to us, the advisors.

Michael: So what we need to do is appeal to common sense and appeal to the drivers for the transaction, the reasons why we were at this stage and we had to do that several times. Anyway, eventually they are done 1:30am on the 21st of December,

Joanna: well, right down to the line, I love it.

Michael: And I look at a good outcome for everyone, you know, client happy, I think the terms are fair and and certainly satisfactory, the buyers very happy. I think there'll be a good owner of this asset, the clients retain a percentage of the business and they're going to crack on for another couple of years. And with the help of the acquirer are going to expand the business and, you know, that's already taking place.

I mean, during due diligence, there were orders coming in from you know, there was a lot of goodwill flying. So in the end, I think it was a good outcome.

Joanna: So reflecting on that experience now, would you say that there's anything that you would take forward as something that can be looked at in this sort of situation? Well, I guess let's step back one step, let's say, so what were the main challenges that you think created the deal to slow down? Because everyone was in lockdown? What would those elements be?

Michael: Look, you've generally got a team of advisors on each side. So you've got the buyers and sellers of the company and the major shareholders, normally, you want to deal champion there somewhere. Yeah, good relationships, and the client, more to the point and good relationships at that level. And then you've got the clients advisors, internally, the finance, the CFO, and then you've got the external advisors that they bring it, right. Some of them are based in Dublin, in this case, some of them local. And then we've got our team. So there's us as the corporate advisors on the commercial side, then we've got we're dealing with the lawyers. Down in Melbourne, we're dealing with a client, and we were dealing with multiple shareholders, you know, three shareholders we're dealing with. So that is like herding cats.

Joanna: Yeah, well at the best of times.

Michael: Yeah. And so you run a very successful legal practice. And I'm sure you're a very good lawyer, but where it gets difficult for us is where the lawyers get a bit of overreach. So that means that they move from legal advice to commercial advice. And in that generally, everything starts going south when that happens. We were constantly working closely with the legal team, to get everyone aligned and under. So we're intervening where it's commercial, and we're going back to the vendor, and we're sorting something out. And so that that is a challenge. That's a feature of doing a deal. And so we put enormous effort into this with the lawyers and my colleague, he doesn't practice as a lawyer, but he's a practicing attorney. But you know, we're not lawyers.

Michael: I think we'd ever worked hard on a deal until we did this one in DD. Yeah, keep it on track. And it was complicated. And the lesson for us is that we're going to get more involved in that area, I think. And we're going to set it up and frame it from the beginning, both in terms of the advisors on the other side, because I had to intervene a few times and sort them out. Because they're doing the same thing. They're getting into overreach.

So the lesson for us is our relationship with the actual buyer, we then introduce the client to the buyer, make sure that relationship strong because it deals with people, so that when it gets off, we can go back to people do deals with people because you are going to get these issues where you know that, you know, one set of advisors thinks it's one thing and another set thinks it's another, and never the twain shall meet, and then people have got to take a view. And that's our job really is cajoling that, and then getting back to first principles. I don't know if that helps.

Joanna: And I think the challenges, you know, when we take that as the concept of one of the issues, and I certainly think that communication between all the parties can create a lot of issues. But in lockdown, I guess what we're saying is, it can be even more challenging during lockdown, because if you're having an all parties meeting on a zoom call, it's a lot harder than when we used to have it in a room together. I guess that's a reality, isn't it? Because, that in itself could be quite difficult. I mean, we continued with all parties meeting. I mean, in any event, you would have had difficulty doing that when you've got, you know, one party in Dublin and one in Australia anyway. But how did you navigate that challenge? So you're saying the first thing is you had detailed discussions with each of the legal teams?

Michael: In other ways. It was like every other deal, but perhaps on steroids in terms of what could go wrong. We have a set of principles here, right principles above

personalities is the saying here, we've always got to go past the personalities and the egos and say, right, what's going on here? Why is this a good idea? And we're continually appealing to principles, above personalities. And at times, we're saying, we're having to be pretty tough with the other side of me saying, I'm sorry, you're not going any further down this road because, you know, these guys hired one of the big four and they can be a complete pain in the ass at times. And you've just gotta say I'm sorry, you know, this is a small to medium sized enterprise, go back to your client and tell him to take a view. But we're not going to provide any further analysis in that area right now. Sometimes, you know, they come up with some good stuff, and you've got a copy because it's because they're right. But other times they're trying to make a name for themselves. And I think there was a little bit of that here. So we were having to decide what's the deal breaker and what isn't, you know what? And, you know, the client has to take a view at some point. And so so does the other side. You're not going to win on everything, no matter who you are. Yeah. So that's really our job is, you know, what are the principles? Let's put principles above personalities. And let's keep appealing because we're working for the client, what's in the clients best interest here? And, you know, let's have a conversation. And so part of that, for us is deciding when to escalate something. So what do we have to thrash out? And what do we escalate?

Joanna: Yep. Yeah, I think you're talking about universal issues. Absolutely at 100%. And I think it's really good to talk about these issues, because, you know, it keeps bringing light on the reality that, ultimately, we're all here to get good deals done. And to get them through if we can, and it's about how is it that we position the communication loop to ensure, you know, because I think in some some of these deals, you know, as you're talking about where ego of some of the transaction advisors comes into play, some times you got, you end up down rabbit holes that you don't need to go down. So perhaps when you say that the whole virtual nature of the all of the negotiations during this lockdown period is amplified? Perhaps it's also because, the advisors and their clients, the communication loop between them is a little bit more strained.

Michael: I think you're absolutely right, Joanna, that was what was going on, really. There was a breakdown often on our side, less so but nevertheless, we still have to up our game. They're certainly on the other side, there was a breakdown about when did they refer in different and at times they ran off by themselves? Yeah, yeah. We're reverting back. And we have to work extremely hard.

Probably never worked harder to keep the home side together. Some of the issues are really frustrating, you know, yeah. You think, you know, we had an issue with stock very late on at the stock take. And that was very unhelpful, very untimely. But you just got to kind of deal with it and be pragmatic. And, and thankfully, we're a, you know, the buyers are very good. They took a view I think we were accepting the situation and, you know, we did a lot of good work to quantify the situation. There's no easy deals. I mean, each one is its own triumph, as I said, over adversity.

Joanna: That's a quote, we must use that - Every deal is a triumph over adversity. I love it. That's brilliant. Mike. Yes. We completely agree. All right. Well, look, that's really interesting. Okay, but but good news deals done and it was all happy faces afterwards. I actually just one thing, just one last thought on that whole discussion, I think, what has become quite interesting, we talked about the role of technology and the changes in work environments and business focus. And a lot of this has been on the the ability for us to use technology rather than face to face but the one the one thing that I think

is super interesting in what we're talking about right now is actually there is a lot of power as well, in getting people together in the same room like actually getting all of the parties together often can create an energy that can help resolve some of these issues that come up. I guess that is the one thing that sometimes falls by the side, a bit with zoom that we've had in replacement for actual bodies within a room, you know, which is, something interesting.

Michael: You're right, Jonah. So you know an example of that as we do quite a lot of strategy work. And we kind of sort of, particularly when we're on the board, so we're looking at that annually, or perhaps even every six months, but certainly annually, we're doing a review. And that work is so difficult to do remotely, right. And we've done a lot of it remotely. And there's a lack of energy and a lack of creativity. I've got a client in Queensland that I've only been at once they open the blog. I've been up twice in the last 9 months. And it's just too difficult. There's too much going on there. Not to be amongst it. So that's been difficult. And I'm looking forward to getting up there a bit more often. And I mentioned GCG, the Green Consulting Group earlier, the health and hygiene guys. And, you know, the last pool meeting, say, let's see if we can get together as a group, no matter where it is, you know, may it may be March time or April time if it's COVID, permitting. So you're right, you know, technology's been really helpful to keep things going but it has its limitations. And I don't think we're going to be rushing back to bore, you know, monthly board meetings face to face every meeting, but I do think we are going to need to get together and find ways to get together.

Joanna: Having connections still has a role isn't that nice?

Michael: No doubt about it, particularly if you're trying to be creative, and you're trying to come up with silly ideas to get a good idea, you know, it's probably a little bit limiting online.

Joanna: And then back to the transaction space. It also, I think it has this strong value in helping create this environment of greater trust. Because ultimately, at the end of the day, when we have issues in the deal, I think mostly it comes down to a layer of trust as well, you know.

So, and that's where when the communication runs , we can see this different relationship of advisors, perhaps stepping a little bit too far, and then eroding, maybe this relationship of trust between the parties.

Michael: Yes. I mean, we've got a couple of deals in due diligence at the moment, one's Interstate, which has been a bit problematic with borders opening and closing. But we, you know, we finally got there. It's taking longer, I think, because of that. We've got another deal in due diligence, where we've got two Victorian businesses much more closer geographically, and there's been much more contact there. And I mean, we're in early DD, but I think that's going to be helpful in getting that keeping that on track. You know, time will tell, of course, I mean, we're still in the populating the data rooms phase, but already there's been lunch already, there's been contact, which is very, very helpful, because people do deal with people. Trust is built is hard to build. Yeah, trust any other way than spending a bit of time with someone.

Joanna: Yeah. Well, isn't this fascinating and and, you know, I think it's so fascinating looking back and seeing some of these positives that have come out. And also some of these things that we've really come to deep realization of in terms of the positive impact

of, you know, people actually being able to be in the same space as each other for some points of these negotiations. Okay. And so the last thing here that I wanted to come back to now, though, is what's the forward plan then for businesses, so businesses who were potentially looking at an exit prior to COVID, and then took a few steps back because they didn't want to be in the space of selling when they felt that you know, their financials may have been vulnerable to being, you know, attacked? Where now? Where are we at? Is it time that you know, can they start moving now? Can they put this back on their agenda for now? or should they be waiting a while?

Michael: Yeah, look, great question. Killer question. Here's my take on it. For what it's worth. I think that if your business is bouncing back and you've got an enduring business model, then I think the Australian market is well positioned for you to go and test that market. Right. Now, there's a couple of provisos. One is depending on your size, your business and whether it's going to be attractive to overseas acquirers. I think overseas acquisition. I think that's still problematic. So our conversations with overseas acquirers, especially if they're not already domiciled here and somewhere they're not already doing business here. Those conversations aren't going because they just can't get it and they're, you know, too hard for most. So that market isn't there. Now, the local market, I think is strong, relatively and emerging and reemerging.

I think some of the local listed players are going to start getting active locally. And I also think that private equity is extremely active at the moment. So, you know, we're dealing with that at the moment with one of the parties that I just mentioned, that we're in DD with, and we sold a business, you know, 12 months ago to private equity. So we were seeing that sector of the market, very active and looking for assets that tick their boxes. So now, does the reduction in overseas interest, is that going to affect you? I mean, I would say pre COVID that, you know, half of our deals had an overseas element to them, right? may have been a local onshore guy, but they were probably owned. So now, is that going to be picked up by the local market? additional interest? Because they can't list guys who can't go overseas? Are they going to get looking in their own backyard? I hope so. Is private equity going to mop up? There's unprecedented levels of private equity interests and money swimming around looking for a home? Right, zero interest rates, we're hoping that will compensate. So we would say to people considering it, if your business has got an enduring business model, what are you waiting for? Right? no reason not to test that market, as long as you do it intelligently. And smartly. That would be our take on it. We'd say get back on the horse. And it's not a five minute job anyway.

Joanna: And ain't that the truth Mike? I love it. I think we've traversed some very interesting topics here. I certainly am glad to see, you know, where we are now, in comparison to where we were in April, where we last spoke, as notwithstanding that I was optimistic. We're certainly in, you know, in a far better place, right now than we were back then. You know, not not us personally. But you know, the businesses. Yeah, you know, clients. And, and just, you know, because back in March, we had a number of deals that were still rolling along. And some of those, you know, did continue to complete completion, but many of them paused, and some fell away. Everything came back towards the end of the year, but we got really busy in redundancies, and we got really busy in that sort of area. And it's a sad place to be when that where business is at. But you know, I can say, right now, our clients are hiring. They're buying, you know, we have aggregators out there who are very active right now. So I'm seeing some fabulous things right now. And I'm super optimistic. And I'm just really glad to see you

are too because, you know, I think it means this is, you know, it's going to be a good year. And, and, of course, for the businesses that are in really challenged industries. I think, you know, there's a strong argument that they really need to work out some pivots quickly, because some of these businesses that are in distress in those industries, he will we may see longevity of issue there. And so it's just about finding new revenue sources. And we've got some clients who've done that incredibly successfully.

Michael: Yes. Look, I know, the swings and roundabouts concept is a good one. I mean, we can get back to interstate travel again. And you look at the fact that we're not going overseas for holidays, that money staying in Australia, and then going on here. So you know, we are seeing a lot of that kind of shifting, if you like, of focus and shifting and consumer behavior. We're seeing pretty good foot traffic back in the shopping centers, right and pretty good footfall. We're seeing year on year revenues up in the retail clients, I'm involved with, you know, 7 and 10 and 12%, up year on year. So, these are positive signs, I think and hopefully as few exceptions as possible, people are going to find a way to you know, prosper in this, you know, 2021 environment and hopefully, you know, we don't get these breakouts, they don't spread them, you know, we don't get further lockdowns because I think it does hit confidence when we get up, you know, a lockdown or we get a border closed. You know, and hopefully as we mature through this this year, we can get a bit of stability around the interstate movement again for all kinds of social reasons, as well as just for business.

Joanna: Yeah, yeah. But my feeling is with the lockdowns, every time we go through a lockdown, we seem to be able to deal with it better. Because I think as a whole, we're all learning how to deal with some of those challenges that first time around back in April and March, it was all completely new, you know, but we now getting a bit of a path for how to deal with it. And just as we were talking about some of the challenges for doing this deal in lockdown, and some of the learnings that came out of it. Also, you know, if you had to do the next one again, in lockdown, well, there's a lot that you learn from it, isn't it? So a lot that you can apply the next time around. So fingers crossed, it's not needed very often. But I guess it's the learnings that are extremely useful in terms of us all innovating.

Michael: I think so and I think communication is key, however we do it. We've got to keep communicating. You know, when we're trying to get something difficult done, we've got to keep communicating with the stakeholders at each stage. And, you know, we've got to be logical and, and principled in our approach, because, you know, if we let the egos run, that's the biggest way to kill a deal that I know is is to get you got to check your ego, I think, particularly as advisors because we like to be right. And there's an old saying in MMA that says, do you want to be right? Or do you want to be rich?

Joanna: Good one, I'm gonna take that too. I love it. I love it. Mike, look, it's been an absolute pleasure. You obviously work with businesses in preparing them for exit and then guiding them through that exit process. how can listeners contact you if they're interested in maybe, as you say, throwing their hat in the ring and giving it a go?

Michael: You can jump on our website anytime www.oasispartners.com.au and you know, you can contact us through the website. I'm sure you'll put our contact details in the shownotes.

Joanna: Absolutely.

Michael: Me and the team will be delighted to hear from anyone that wants to have a bit of a chat about if they're considering their options. Always good to try and be of service.

Joanna: Love it. Well, look, you've been of great service today, Mike, this has been a fabulous discussion, it has been really insightful. We'll have to get you back in another nine months time. And let's say we're all sitting then.

Michael: Yeah, and then we'll see how wrong we were again.

Joanna: Oh no! I hope we're right this time. Fingers crossed. I'm crossing my fingers and toes, Mark crossing my fingers and toes

Michael: Thanks, Joanna. Take care!

Joanna: Fabulous. Thanks Mike!

Joanna: Fabulous. Well, that's it for our discussion with Mike McGrath from Oasis M&A. What a great discussion that's been I think it's really interesting to look back on what has been particularly when we are looking back over such a tumultuous period, but also such a period of innovation trigger, you know, and it's really given us a lot of insight into, I guess some of the things that can work really well moving forward, but also some of the challenges that many of us here in the M&A space face. And so hopefully it's given you lots of things to think about. Certainly it has for me and look, if you are one of these people who just want more information on all of this, well then just head over to our website at thedealroompodcast.com.

Joanna: There you'll be able to link straight through to mark if you are readying your business for exit or you're working with businesses that are readying for exit and on that website, you'll also be able to download a transcript of this podcast episode if you're one of those people who just like to read along in great detail a bit of a warning, letting you know the transcripts on our website is auto transcribed.

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