Year of the micro M&A deal

ALEXANDRA ECONOMOU

AUSTRALIAN merger and acquisition activity is increasing, but many firms are targeting businesses with gross earnings as low as $1 million.

Accounting and advisory firm William Buck said it was very different M&A activity compared with that five to 10 years ago.

"While there is still some activity in the $5 million EBIT (earnings before interest and tax) range – the traditional scope for acquisition – we're beginning to see companies go as low as $1 million EBIT," said William Buck corporate advisory director Tony Hood.

"In the past, no one would be interested in firms with $1 million to $3 million EBIT (because) it would have to be around $5 million EBIT before they even looked at it. Now they're going down the chain and looking for EBIT, gross revenue or customer acquisition at a much lower level."

He said that while it was promising to see the amount of M&A activity increasing, much of it was being stimulated out of necessity.

"Many companies have spent recent years focused on reducing expenses and driving organic growth," he said. "We are beginning to see an increased rate of acquisition among listed companies because organic growth is proving so challenging and they are not growing at a rate where the market is going to reward them."

Mr Hood said companies were lowering their M&A sights with the mindset of being able to quickly boost the earnings of the acquisition and be rewarded for it.

"The thinking is that if there are synergies with the acquisition target, they may be able to buy a company's that's posting $1 million EBIT and turn it into $3 million EBIT through efficiencies and reducing expenses," he said.

"The big wildcard is the markets. Uncertainty isn't a good thing in the M&A space and we're still seeing a lot of uncertainty, particularly in Asian markets.

"Coupled with a growing budget deficit and talk of state-based credit rating risks, there's a level of caution in M&A activity that we are seeing."

William Buck is an association of independent firms with offices in Australia and New Zealand.

Law firm focuses on staff growth

ALEXANDRA ECONOMOU

ANDERSONS Solicitors has grown its staff numbers by 15 per cent in the past two years as some other Adelaide law firms have been forced to downsize.

Chief executive Nick Spyrou said changes to compulsory third party insurance (CTP) which came into effect in June, 2014, had had a significant impact on its personal injury business.

"The impact the changes had on the industry meant it wiped out 80 per cent of claims and that is why the industry has suffered and hurt so much," said Mr Spyrou.

"We had to supplement that income otherwise a lot of people wouldn't be here and we worked really hard to build other areas of (of the practice)."

These areas included family law, wills and estate planning and workplace injury.

Andersons had also focused on acquisitions, and last year merged with Andrew Rogers Lawyers.

Three of its staff now operated from Andersons' Morphett Vale office.

Mr Spyrou said Andersons had grown to employ 68 staff across its four Adelaide branches. "There has been a 15 per cent increase in staff numbers in the past couple of years," Mr Spyrou said,

"To me, growth is what it's all about.

"Even in tough times, there's an ability to grow your business." In 2014, Andersons moved its head office from Victoria Square to Franklin Street, with $1 million spent on renovating the site.

"We are constantly looking out for more and more opportunities to help fuel our growth, not just organically but through merging with others," added Mr Spyrou.

He said Andersons had also focused on technology and social media to connect with people. "We have 20,000 visitors a month to our website," he said.

"We proactively do a lot of work through our social media channels and post two blogs a week."

EXPANSION: Andersons chief executive Nick Spyrou with senior associate Suzanne Pinyon. Picture: MIKE BURTON

Business rebranded

SOUTH Australian accounting firm Edwards Marshall has rebranded as Nexia Edwards Marshall to better reflect its global affiliations.

Managing partner Jamie Dreckow said the new name aligned the business with the global Nexia network, which it had been part of since 2011.

"Nexia International is a leading worldwide network of independent accounting and consulting firms and provides us with access to additional experts around Australia, as well as access to global resources," he said. "The name strengthens our international relationships especially throughout the Asia Pacific region.

KeyInvest's new chief

KEYINVEST has named a new chief operating officer as it looks to boost growth in its main areas of lending, investment and retirement living.

KeyInvest managing director Ian Campbell said the new COO Steve Aspinall had extensive experience in funds management, finance broking and property investment.

"He is particularly versed in the financial services and property sectors and is skilled in dealing with numerous distribution channels," Mr Campbell said.

Mr Aspinall's 30-year career has covered a number of fields relevant to KeyInvest.