HD Real E&R deal activity may protect bidders from bad deals

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Perth 1 July 2014: Bidders competing for energy and resources (E&R) assets during 2014 are likely to take a stricter approach to deal protections than in the past as M&A activity and competition heats up. This is one of the predictions of THE REAL DEAL 2014 The E&R Supplement (THE REAL DEAL E&R 2014) on M&A activity and trends in Australia's mining and oil and gas sectors.

THE REAL DEAL E&R 2014 follows the launch in March of THE REAL DEAL 2014, an in-depth analysis by Clayton Utz' Corporate / M&A team of public M&A activity in 2013 above $50 million.

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THE REAL DEAL E&R 2014 confirms that 2013 was a very quiet year for M&A activity in the E&R sector, with aggregate deal value declining from $9.5 billion in 2012 to a low of $1.5 billion in 2013. Only 21 E&R deals were announced in 2013 with a value above $10 million. Large E&R deals (above $50 million in value) accounted for only 9% of all >$50 million value M&A deals in 2013 compared to 45% in 2012. China remained the biggest investor in Australian E&R, although levels of activity were lower in 2013.

Coal and gold were the most popular sectors for deals in 2013, while oil and gas continued to contribute only a handful of deals. While M&A activity in the gold sector declined in 2013 - down to 24% from 33% of all E&R deals in 2012 - it was likely to remain attractive to investors. "Ongoing price volatility in 2014 will continue to test the resolve of deal makers in the gold sector but low or falling prices have been demonstrated not to be fatal to deal flow," said Perth-based Clayton Utz corporate partner Heath Lewis, co-author of the report.

Added colleague and report co-author Brett Cohen: "Bidders with strong balance sheets but high production costs may well seek to place expensive ounces with cheaper ounces. Also, targets without the means to develop attractive gold projects from a lack of access to capital, could result in boards of beleaguered juniors and mid-caps accepting acquisition as the only viable way of delivering value to shareholders."

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