

Corporate finance

SPECIAL REPORT



Corporate finance



UP THERE: Rob Hamilton's Ashanti Capital completed three capital raisings during the quarter. **Photo:** Attila Csaszar

Gold revival boosts deal flow

WA companies participated in 175 corporate finance transactions worth \$7.6 billion in the September quarter.



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EVERY corporate finance transaction has interesting twists and unique challenges, but one deal that has surpassed most for complexity and ingenuity was the \$75 million recapitalisation of Eastern Goldfields.

Announced in late September, the deal looks like being a company saver for the struggling gold miner, which has endured multiple operational and financial setbacks.

The deal brings together a new board and management,

a refined strategy and fresh money.

If it all works as planned, Eastern Goldfields will join the ranks of successful mid-tier miners under the new name of Eris Gold.

It would join the likes of Dacian Gold, Gascoyne Resources and Metals X, which were among many other mining stocks to complete capital raisings during the quarter.

The Eastern Goldfields recapitalisation had its genesis when the company's current underground mining contractor, Pit N Portal, approached mining services firm Adaman Resources to discuss a potential deal.

Adamant was established last year by three existing mining services firms – Mitchell Group, SMS Mining Services and Rivet Group – all of which are expected to have a role in the revival of Eastern Goldfields.

Adamant managing director Craig Bradshaw, who played a key role in the revival of ASX-listed Saracen Mineral Holdings,

then brought in experienced corporate adviser Darren Martin from Longreach Capital.

After doing some initial work, Mr Martin widened the advisory team.

He approached Rob Hamilton at Ashanti Capital, which early this year had recruited Tom Betlehem from Morgans Financial.

As Western Australian research analyst at Morgans, Mr Betlehem had been involved in capital raisings for Eastern Goldfields and built a deep knowledge of the company.

Over a period of about six weeks, this group of advisers pulled together multiple strands of the recapitalisation.

Mr Hamilton said there was clear value in Eastern Goldfields' assets, including its refurbished Davyhurst mill, but a successful deal needed a lot more.

"If we were going to do this, we knew they needed to have good new people, a new strategy and most importantly a balance

27%
EUROZ REVENUE
INCREASE PAST
FINANCIAL YEAR

sheet to execute the strategy," Mr Hamilton told *Business News*.

The new people included Mr Bradshaw coming on as managing director of Eastern Goldfields, replacing former boss Michael Fotios.

The company also has new directors with experience and credibility.

Joining chairman Peter Mansell around the boardroom table will be Silver Lake Resources chairman David Quinlivan, former Deloitte boss Keith Jones, and GR Engineering executive Tony Patrizi.

Ironically, GR has recently been in the courts fighting Eastern Goldfields over a contract dispute.

Mr Martin said the deal involved extensive discussions with multiple creditors and shareholders.

"There were some pretty challenging decisions," he said.

"There were lots of moving parts and managing expectations."

The recapitalisation includes a placement and entitlement offer pitched at 5 cents a share, which have attracted support from both existing and new investors.

"From our point of view, we had to get institutions, not just to get the deal done but to support the company going forward," Mr Hamilton told *Business News*.

M&A deals

The Eastern Goldfields recapitalisation is one of 175 September quarter corporate finance transactions added to the BNiQ Search Engine.

The largest transaction for the quarter was the \$2.99 billion takeover of Perth-based oil and gas producer Quadrant Energy.

“ We knew they needed to have good new people, a new strategy and most importantly a balance sheet to execute the strategy - Rob Hamilton

an African joint venture and common shareholders in Ron Sayers and Peter Bartlett.

Ausdrill was advised by Deutsche Bank, which is led in Perth by experienced dealmaker Wayne Zekulich.

Deutsche was also joint lead manager (with UBS) on a \$250 million entitlement offer launched at the same time as the takeover.

Law firm Johnson Winter & Slattery worked on both Ausdrill transactions, substantially boosting its deal flow.

JWS partner Paul Vinci has a long relationship with Ausdrill and its recently retired chief executive Ron Sayers, and in addition worked with current Ausdrill chairman Ian Cochrane at law firm Clifford Chance.

The BNiQ database includes announced M&A deals, including some that failed to complete.

Notable examples include Black Mountain Minerals' proposed takeover of Poseidon Nickel, which was trumped when Poseidon pursued its own \$74 million capital raising to reopen its Black Swan nickel project.

Another example was Regis Resources' indicative takeover proposal for Capricorn Metals, which was abandoned when Capricorn's largest shareholder failed to support the deal.

That shareholder is US investment group Hawke's Point, which is also a major backer of Eastern Goldfields.

The most active adviser on M&A deals was law firm Gilbert + Tobin, which worked on nine transactions.

Its clients included Ausdrill, APM, and BCI Minerals (BCI is seeking to sell its Pilbara iron ore assets).

Capital raisings

Ausdrill's \$250 million entitlement offer was the largest capital raising announced during the quarter, followed by a \$175 million placement by Northern Star Resources to support its acquisition of the Pogo gold mine in Alaska.

The deal will make Adelaide-based Santos, which had several joint ventures with Quadrant, a much bigger player in the WA gas market.

It was the kind of deal that delivered a tidy boost for multiple corporate advisers and lawyers across the country.

Advisers to work on the deal included Goldman Sachs, Citi and Macquarie Capital (which was also an investor in Quadrant), while UBS advised Santos.

Law firm Clayton Utz was the lead legal adviser to Quadrant shareholders Brookfield and Macquarie, while Herbert Smith Freehills advised Santos.

Also during the quarter, Perth-based Wesfarmers continued to sell assets, with its Bengalla coal joint venture and its Kmart Tyre and Auto Service both changing hands.

In addition, Wesfarmers is continuing to work on the sale of its Coles business.

Gresham Advisory Partners, which is part-owned by Wesfarmers, advised on the Bengalla sale.

It also advised on the largest WA-focused transaction for the quarter – Ausdrill's \$271 million takeover of mining contractor Barminco.

This was considered a logical in-market merger, especially with both companies having

Macquarie Capital was lead manager on the Northern Star deal, and joint lead manager with Citi on a \$50 million Metals X raising.

Those two deals were enough to put Macquarie atop the league table for lead managers.

Next up was Hartleys, which was lead manager on 12 transactions for the likes of Decmil Group, Gascoyne Resources, Goldfields Money and recently listed Stealth Global Holdings.

Its 12 deals were collectively worth \$129 million, putting it just ahead of Euroz, which was lead manager on four transactions worth \$123 million.

Among the law firms, Johnson Winter & Slattery was number one with four deals worth \$265 million.

The most active law firms continued to be Steinepreis Paganin, which worked on 15 capital raisings, and West Perth-based Bellanhouse Lawyers, which worked on nine deals.

Brokers' profits

There were also revenue and profit increases for the major Perth-based broking firms during the past financial year.

Euroz achieved a 27 per cent increase in revenue to \$78 million, putting it ahead of competitors Patersons Securities and Hartleys.

More notably, Euroz continued to be far more profitable than its rivals, with its net profit for the year jumping by 63 per cent to \$29.3 million.

Patersons lifted revenue a modest 3.5 per cent to \$76 million, while its net profit was \$3.2 million.

Hartleys increased revenue by 21 per cent to \$65.4 million, with a big driver being fees from deal making, while its net profit was up 31 per cent to \$12.8 million.

All three firms have moved to diversify their income streams and build recurring revenues from funds management activities.

At Euroz, for instance, income from brokerage was little

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MERGERS & ACQUISITIONS

59 deals worth \$6.23bn

ADVISERS	Value	Deals
Macquarie Capital	\$3,071,111,111	2
Gresham Advisory Partners	\$1,131,500,000	2
Pitt Capital Partners	\$860,000,000	1
BMO Capital Markets	\$347,000,000	1
Miro Capital	\$271,900,000	1
LAWYERS		
Herbert Smith Freehills	\$4,056,984,811	4
Gilbert + Tobin	\$3,530,810,959	9
Allens	\$3,212,111,111	2
Clayton Utz	\$3,167,057,604	4
Allen & Overy	\$311,550,000	3
Johnson Winter & Slattery	\$292,500,000	3

EQUITY CAPITAL MARKETS

116 deals worth \$1.44bn

LEAD MANAGERS	Value	Deals
Macquarie Capital	\$224,999,992	2
Hartleys	\$129,080,172	12
Euroz Securities	\$123,100,646	4
Bell Potter	\$85,616,049	4
Argonaut	\$85,034,194	3
Ashanti Capital	\$84,850,000	3
LAWYERS		
Johnson Winter & Slattery	\$265,166,803	4
Ashurst	\$174,999,993	1
Steinepreis Paganin	\$143,185,215	15
Clayton Utz	\$134,819,016	2
Gilbert + Tobin	\$99,794,896	4
Bellanhouse Lawyers	\$80,260,182	9

changed at \$16.4 million while underwriting and placement fees, which are transaction driven, almost halved to \$10.7 million.

The big growth areas were performance and management fees from its listed investment companies, which nearly quadrupled to \$20.3 million, and corporate retainers, which nearly tripled to \$9.3 million.

Euroz's group funds under management totalled \$1.46 billion at the end of June.

Most of these funds are in Westoz Investment Company and Ozgrowth, which reported investment performance of 39.1 per cent and 30.7 per cent respectively.

These results triggered substantial end-of-year performance fees.

BNiQ SEARCH Eastern Goldfields

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Mining, energy take IPO reins

A significant uptick in the number of resources stock floats in WA mirrors a national trend driven by improved investor sentiment and rising commodity prices.

Taylor Neale

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IN the 12 months to September, 60 per cent of Western Australia's 50 initial public offerings were for mining or energy companies, according to data compiled by *Business News*.

In comparison, the resources sector accounted for less than half (18) of the previous year's 37 ASX listings in WA.

Nationally, data from HLB Mann Judd shows that materials listings comprised 29 out of 110 stock floats in 2017, while half of the 58 IPOs completed this year (calendar 2018 to August) are from the resources sector.

And mining or energy companies make up 13 of the 28 upcoming floats in the ASX pipeline.

HLB partner Marcus Ohm told *Business News* mining IPOs had been gaining momentum since 2016, when technology companies were predominating.

"The trend is generally driven by two things – improved investor

sentiment and increased commodity prices, or at least expectations of increased prices," Mr Ohm said.

"The improved sentiment in resources IPOs has developed off the back of some excellent returns on share prices throughout last year, especially from the traditional mining states of WA and Queensland.

"The upswing in confidence has also been supported by better subscription rates in 2017-18.

"The commodity price outlook is a little mixed. However, the general outlook appears to be that prices will be supported with demand increasing going forward."

Mr Ohm said the trend appeared to be a return to more normalised activity since the difficult conditions for juniors in the capital markets several years ago.

The largest local mining float so far in 2018 was manganese miner Jupiter Mines' \$240 million IPO in April.

That marked the biggest resources IPO since BHP Billiton spun-out South32 in 2015.



LAUNCH: Marcus Ohm says mining IPOs have been on the rise since 2016. **Photo:** Gabriel Oliveira

A number of gold explorers have listed on the ASX recently, including Neil Warburton-led Coolgardie Minerals, Leonora-focused Kingwest Resources, and Osborne Park-based Cygnus Gold.

Two of the larger IPOs in the last few months have come from established businesses with steady cash flow, with engineering company Primero Group raising \$25 million and Perth company Stealth Global Holdings tapping investors for \$12.5 million.

“ The upswing in confidence has also been supported by better subscription rates in 2017-18 – Marcus Ohm

Primero's earnings for the year to June 2018 exceeded its prospectus forecasts, with revenue of \$85.2 million and a net profit of \$5.2 million. Stealth recently began trading on the ASX, with most of the proceeds used to acquire local firm Heatleys Safety and Industrial

for \$9 million.

Stealth was established in 2014 as a supplier of safety, industrial, and workplace consumables.

The merged group is expected to have pro-forma revenue of \$65.9 million in the year to June 2018 and \$76.7 million in FY19.

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EQUITY CAPITAL MARKETS - September quarter – completed deals

Company	Transaction Type	Amount (\$m)	Lead managers	Lawyer	Public Relations
Ausdrill	Entitlement offer	250.0	Deutsche Bank, UBS	Johnson Winter & Slattery	FTI Consulting
Northern Star Resources	Placement	175.0	Macquarie Capital	Ashurst, Herbert Smith Freehills (for Macquarie)	
Eastern Goldfields	Convertible notes + placement	75.2	Longreach Capital, Ashanti Capital	Squire Patton Boggs	
Poseidon Nickel	Placement + entitlement offer	74.8	Petra Capital	Steinepreis Paganin, Clayton Utz (for Squadron)	
Fleetwood Corporation	Placement + entitlement offer	60.0	Euroz Securities	Clayton Utz, Gilbert + Tobin	FTI Consulting
Decmil Group	Placement	50.0	Hartleys		PPR
Metals X	Placement	50.0	Citigroup, Macquarie Capital		
Dacian Gold	Placement + share purchase plan	48.3	Argonaut, Canaccord Genuity, RBC Capital Markets	Corrs Chambers Westgarth	Read Corporate
Aeris Resources	Placement + entitlement offer	35.1	Euroz Securities, Bell Potter	Gilbert + Tobin	
AusCann Group Holdings	Placement	33.4	Canaccord Genuity	Bellanhouse Lawyers	
Primero Group	Initial public offer	25.0	Canaccord Genuity	DLA Piper	
Calima Energy	Placement	25.0	Morgans Financial, Euroz Securities		Chapter One
Gascoyne Resources	Placement + share purchase plan	24.2	Hartleys, Argonaut		
Orca Gold	Placement	21.8	Arlington Group Asset Management	Price Sierakowski Corporate	
Otto Energy	Placement + entitlement offer	20.0	Morgans Financial	Allens, Bellanhouse Lawyers	Citadel-MAGNUS
Goldfields Money	Placement	20.0	Hartleys	Lavan	Cannings Purple
Altech Chemicals	Placement + share purchase plan	19.7	Petra Capital		
Aspire Mining	Placement	15.4	Patersons Securities		
Pantoro	Placement	13.0	Bell Potter Securities		
Stealth Global Holdings	Initial public offer	12.5	Argonaut, Hartleys	Steinepreis Paganin	
The Agency Group Australia	Placement	12.4			Chapter One
Beadell Resources	Placement	11.8	CIBC, Cormack Securities		

MERGERS & ACQUISITIONS – September quarter – announced deals

Bidder	Target	Value (\$m)	Bidder adviser	Bidder lawyer	Target adviser	Target lawyer
Santos	Quadrant Energy	2,986.1	UBS, J.B. North & Co	Herbert Smith Freehills	Goldman Sachs, Citi, Macquarie	Clayton Utz, King & Wood Mallesons, Allens, Gilbert + Tobin
New Hope Corporation	Wesfarmers' Bengal JV	860.0	Pitt Capital Partners	McCullough Robertson	Gresham Advisory Partners	Herbert Smith Freehills
Continental	Wesfarmers' subsidiary Kmart Tyre and Auto Service	350.0				
Northern Star Resources	Pogo underground gold mine in Alaska	347.0	BMO Capital Markets			
Jadestone Energy	PTTEP Australasia's Montara oil project	271.9			Miro Capital	Allen & Overy
Ausdrill	Barminco	271.5	Deutsche Bank	Johnson Winter & Slattery	Gresham Advisory Partners	Baker McKenzie, Gilbert + Tobin
PT Bayan	Kangaroo Resources	226.0		Allens	Deloitte	HopgoodGanim Lawyers
Great Panther Silver	Beadell Resources	144.0	Scotia Capital, GMP Securities	Gilbert + Tobin	CIBC	Herbert Smith Freehills
EagleView Technologies	Spookfish	136.8		King & Wood Mallesons	Euroz Securities	Clayton Utz
ComfortDelGro Corporation	Forest Coach Lines	110.0		Lander & Rogers		Ashurst, MinterEllison
Regis Resources	Capricorn Metals	85.0			Macquarie Capital	
Black Mountain Metals	Poseidon Nickel	66.9		Herbert Smith Freehills		Steinepreis Paganin
Ramelius Resources	Explaurum	59.2	Adelaide Equity Partners	Allion Partners	Ironstone Capital Partners	
Fleetwood Corporation	Modular Building Systems	34.1		Clayton Utz	Mergers & Acquisitions	Baker McKenzie
Intrepid Mines	AIC Resources	25.8		McCullough Robertson	Fivemark Partners	Allen & Overy
APM	ORS Group	20.0		Gilbert + Tobin		Lavan
Black Mountain Metals	Panoramic Resources' Lanfranchi nickel project	15.1			Hartleys	
OreCorp	Nyanzaga Gold Project in Tanzania	13.9		Allen & Overy		
Ramelius Resources	Black Oak Minerals' Marda gold project	13.0		Allion Partners	KordaMentha	Johnson Winter & Slattery
DRA	G&S Engineering Services	n/a	Azure Capital	K&L Gates		
Mercer International	Santanol	n/a			Grant Samuel	Gilbert + Tobin
n/a	BCI Minerals	n/a			PCF Capital	Gilbert + Tobin

Corporate finance

SPECIAL REPORT

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20 Sep 2018 by Mark Beyer

what I love," he said. UBS has been a major player in the WA corporate finance market and, unlike some ...

BDO buys corporate advisory firm

12 Jan 2018 by Mark Beyer

The six partners in BDO's corporate finance team are Adam Myers (left), chairman Sherif Andrawes, ... the lack of competition given the dominance of corporates, the lack of consumer awareness around what ... (corporates) have such marketing power, so the main thing is promoting what the advantages are in using ...

Babylon to join ASX after \$4.5m raising

09 Jan 2018 by Tayler Neale

The legal advisor to the listing while BDO Corporate Finance was the investigating accountant. ...

Goldsworthy, Skira to Power board

08 Jan 2018 by Matt Mckenzie

former Water Corporation chair Eva Skira have been appointed directors of Western Power, replacing Sharon ... She served as chair of Water Corporation for four years to 2016, and was also deputy chancellor of ... included as a governing councillor at Edith Cowan University, a director of the Export Finance

Corporate finance deals July 17 to July 21 2017

24 Jul 2017 by Edited announcement

Titanium Sands has raised \$300,000 by way of a sophisticated investor placement of 42,857,142 fully paid ordinary shares at \$0.007 per Share. ...

Corporate finance deals July 10 to July 14 2017

17 Jul 2017 by Edited announcement

Pancontinental Oil & Gas NL has successfully completed the acquisition of 100% of the shares of Bombora Natural Energy Pty Ltd. ...

Corporate finance deals Feb 13 to Feb 17 2017

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Cape Lambert Resources Limited has sold its royalty on the Mayoko iron ore project for \$1 million cash subject to the formality of the new owners signing off on the transaction. ...

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19 Jan 2015 by Mark Beyer

Cyclical nature of business in Western Australia – and right now the corporate finance sector is struggling ... can spot opportunities in a difficult situation. For the second year running, corporate finance ... the corporate finance sector, because buried in the 604-page document was a table specifying the fees ...

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16 Jan 2013 by Mark Beyer, Mark Pownall

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