

Transaction Services

Australia as an investment destination

PwC Australia

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and confidential
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pwc

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Australia as an investment destination - a comparison to 15 selected countries

Note:

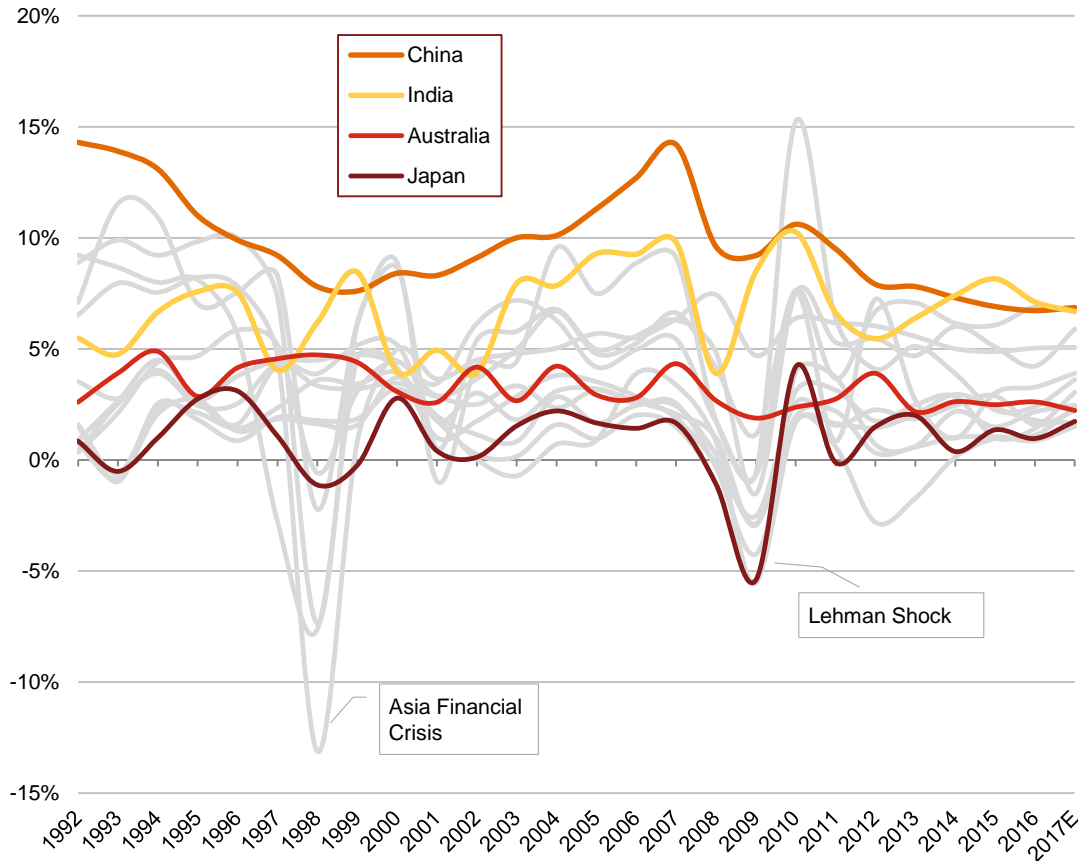
*1: Selected Countries include Australia, China, India, ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore and Thailand) and G7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States).

*2: ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore and Thailand

*3: Advanced economies include Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Republic of, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan, United Kingdom and United States

Australia has undergone 26 consecutive years of growth. The trend is lower than China, India and the ASEAN-5 but higher than the average of other Advanced Economies

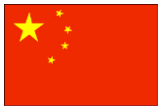
GDP Growth rate



Australia has experienced continuous growth over 26 years



China's GDP growth appears to be slowing over the past three years



India's GDP growth rate appears unstable and is hindered by the poor quality of infrastructure.



The ASEAN region has been growing but key risks in the region include political instability and an irregular government finance base.



Source: IMF World Economic Outlook

Australia was ranked 5th in the Ease of Doing Business rankings in 2019 scoring highly in the ‘Starting a business’, ‘Dealing with construction permits’, ‘Getting credit’, and ‘Enforcing contracts’ categories

Ease of doing business ranking 2019 of Selected Countries*¹

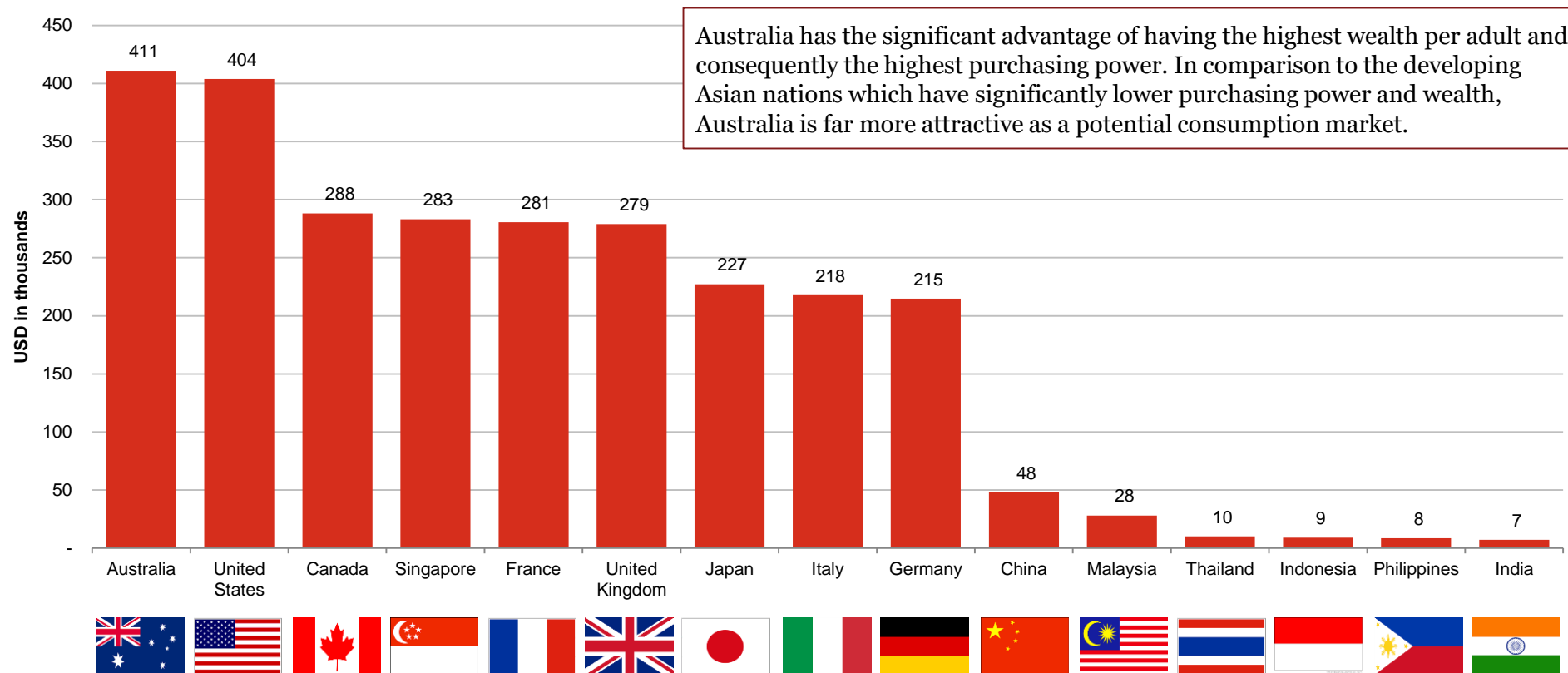
World ranking												
No.	Country	Ease of doing business rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
1	Singapore	2	3	8	16	21	32	7	8	45	1	27
2	United States	8	53	26	54	38	3	50	37	36	16	3
3	United Kingdom	9	19	17	7	42	32	15	23	30	32	14
4	Malaysia	15	122	3	4	29	32	2	72	48	33	41
5	Australia	18	7	9	52	50	8	64	26	103	5	20
6	Canada	22	3	63	121	34	12	11	19	50	96	13
7	Germany	24	114	24	5	78	44	72	43	40	26	4
8	Thailand	27	39	67	6	66	44	15	59	59	35	24
9	France	32	30	19	14	96	99	38	55	1	12	28
10	Japan	39	93	44	22	48	85	64	97	56	52	1
11	China	46	28	121	14	27	73	64	114	65	6	61
12	Italy	51	67	104	37	23	112	72	118	1	111	22
13	Indonesia	73	134	112	33	100	44	51	112	116	146	36
14	India	77	137	52	24	166	22	7	121	80	163	108
15	Philippines	124	166	94	29	116	184	132	94	104	151	63

Source: World Bank Group Doing Business 2019

- **Of the Selected countries*¹**, Australia is considered to be 5th best in ease of doing business following Singapore, United Kingdom and United States. This is due to the ease of starting business, dealing with construction permits, getting credit and of enforcing contracts.
- All of the Asian developing countries were ranked lower than the Advanced Economies only except Malaysia. Australia has the optimal environment for operating a business with advantages including easier access to credit and greater contract protection.

Australia's average wealth per adult is ranked 1st globally whereas Japan is in 7th position

Average Wealth* per adult of Selected Countries

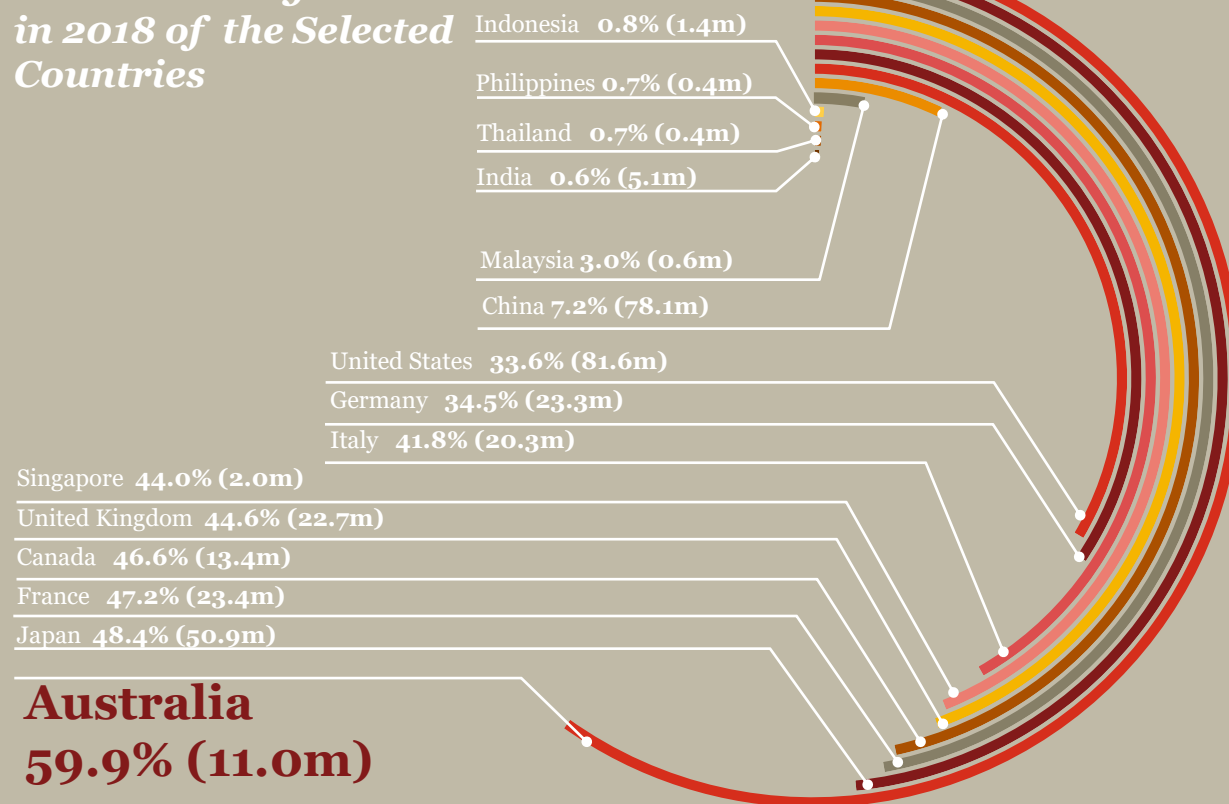


*1: Wealth is defined as the marketable value of financial assets plus non-financial assets (principally housing and land) less debts. Note that no country in the world has a single comprehensive source of information on personal wealth, and many low and middle income countries have little direct evidence of any kind.

Source: Credit Suisse Global Wealth Databook 2018

Australia has the largest proportion of the upper middle class* amongst the G7, ASEAN-5, China, India and Australia. Australia's proportion of the middle class is 59.9%.

*Upper Middle Class*1
Share Ranking
in 2018 of the Selected
Countries*



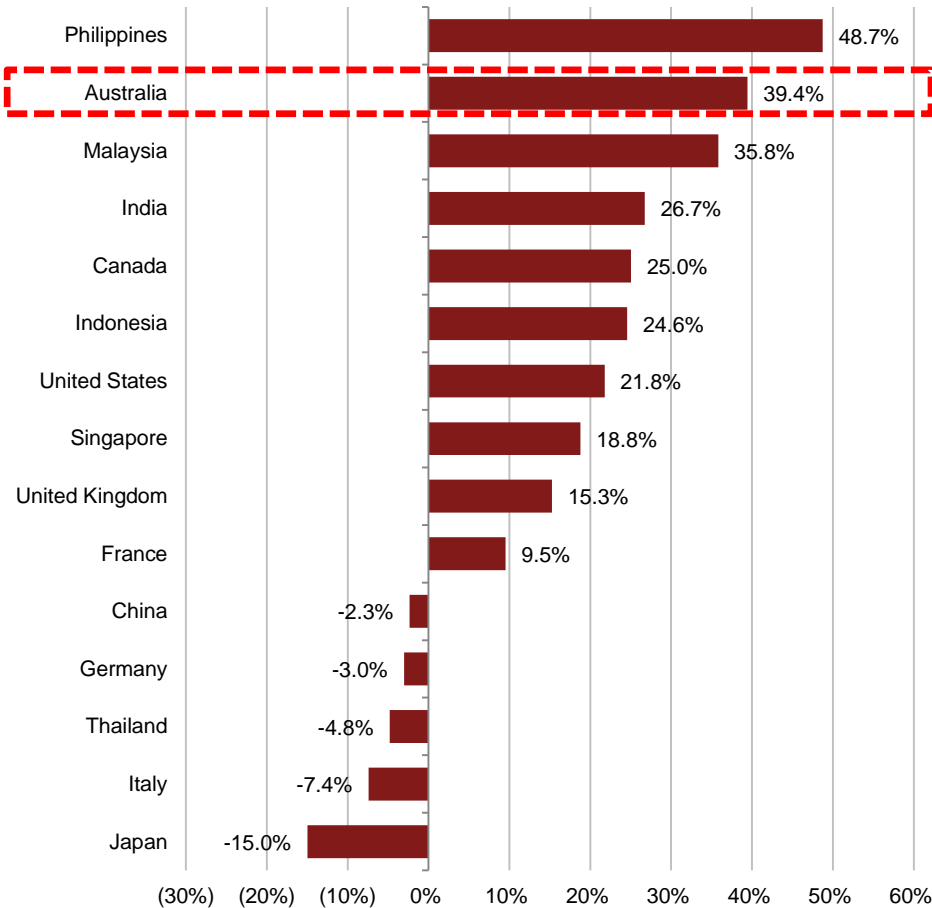
Australia has the unique advantage of having a very high proportion of their population considered as upper middle class*. This provides potential investors in Australia with the pool of **11.0 million** people, making Australia an attractive market for consumer goods.

ASEAN countries such as Singapore, Indonesia, Malaysia, Philippines, and Thailand have **2.0m, 1.4m, 0.6m, 0.4m** and **0.4m** people respectively.

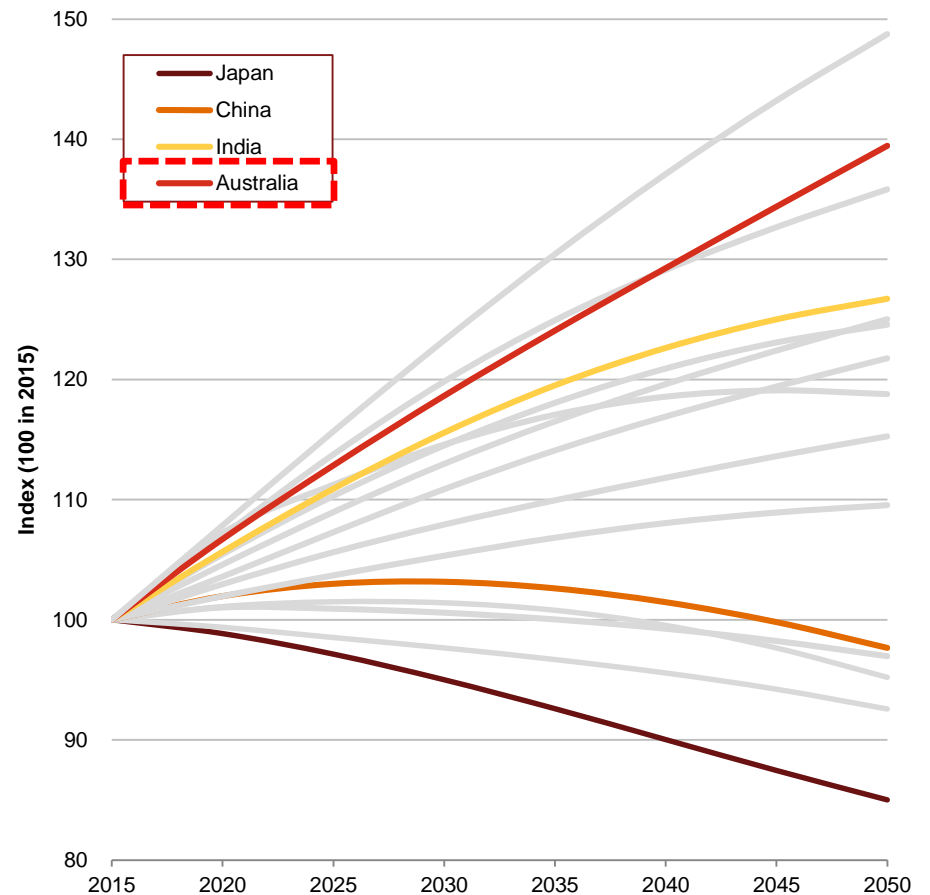
* Distribution % of adults whose wealth is USD 100k~1,000k
Source: Credit Suisse Global Wealth Databook 2018

The Australian population is expected to experience growth of approximately 39.4% to 2050 (2nd amongst the G7, ASEAN-5, China, India and Australia), while Japanese population growth is expected to be -15.0%

Population growth (%) from 2015 to 2050 *



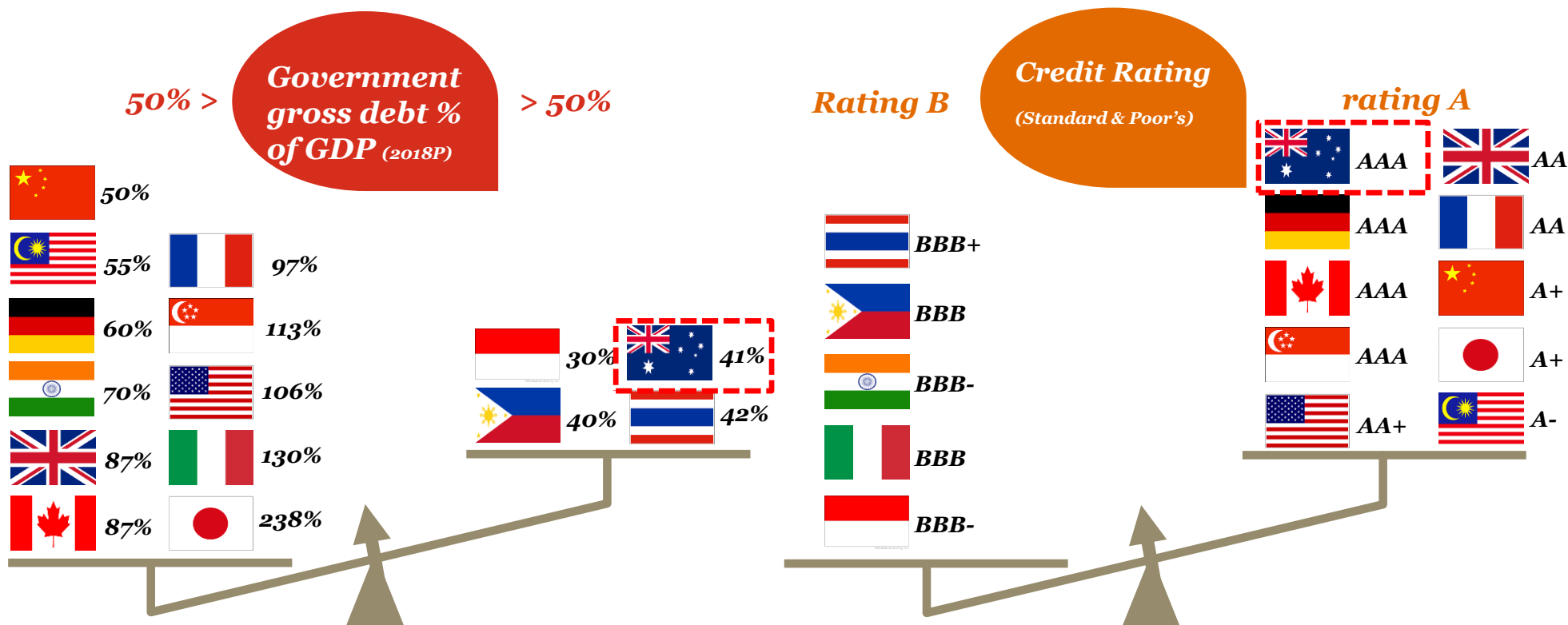
Population growth trend



* Total population (both sexes combined), Medium fertility variance, 2015-2100

Source: United Nations Probabilistic Population Projections based on the World Population Prospects: The 2017 Revision

Australia has the lowest government gross debt as a percentage of GDP (41%) compared to all the other Advances Economies and the majority of the developing Asian economies



Australia is in an advantageous position due to its low government debt level in comparison to other advanced and developing nations. The government is in a healthier position to invest in infrastructure.

Having solid fiscal management tends to lead to higher levels of consumer confidence making Australia an attractive destination to invest in.

Note : Calculation includes only gross government debt as divided by the GDP for that year.

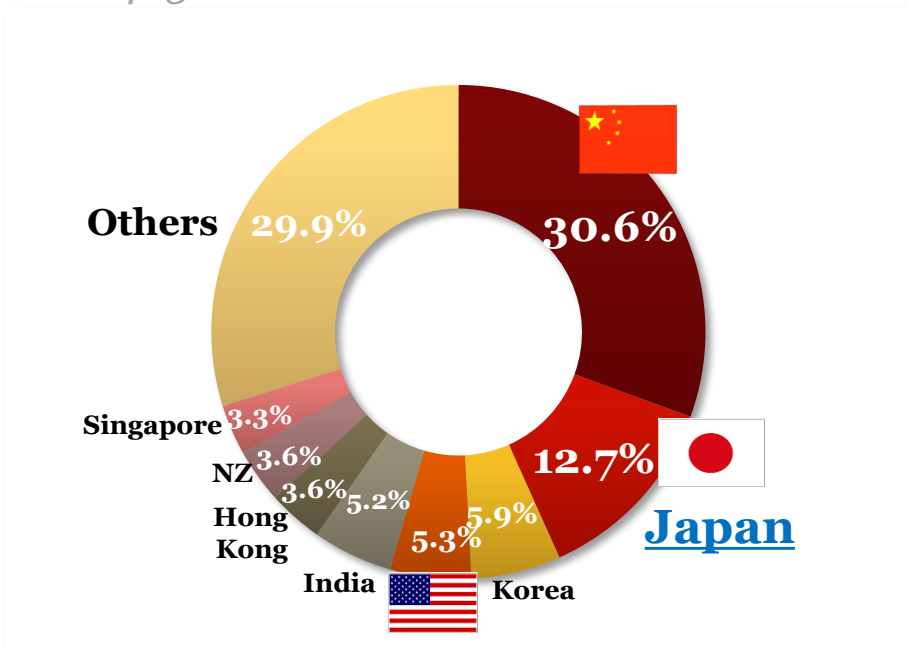
Source: IMF World Economic Outlook database, Standard & Poor's

Economic relationship between Japan and Australia

Japan was Australia's 2nd largest export market and 4th largest import source in 2017/2018*

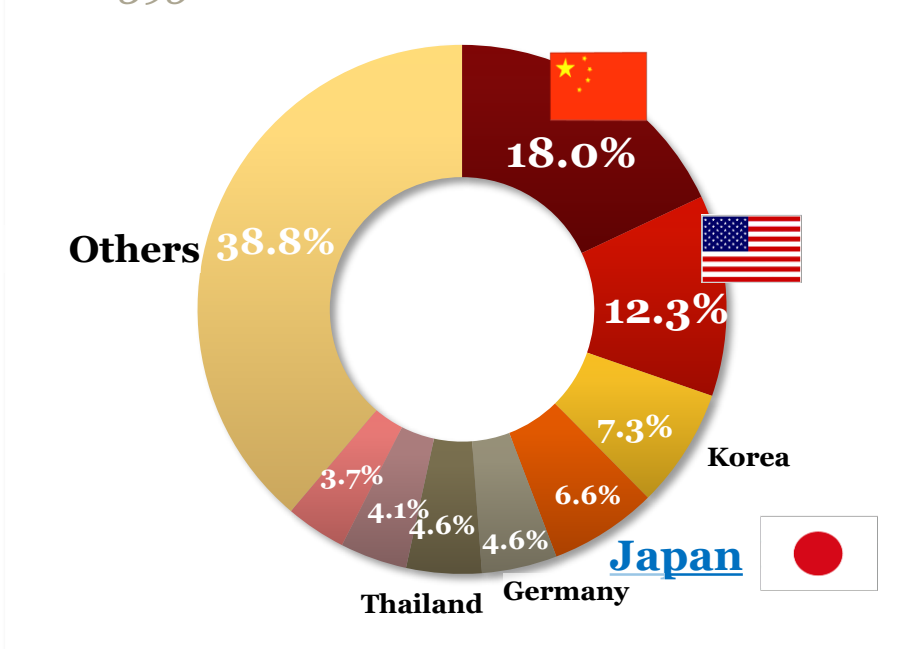
Exports from Australia

AUD 403 billion



Imports to Australia

AUD 395 billion



01

Japan was Australia's second-largest export market

03

Japan and Australian have enjoyed a strong history of economic cooperation together

02

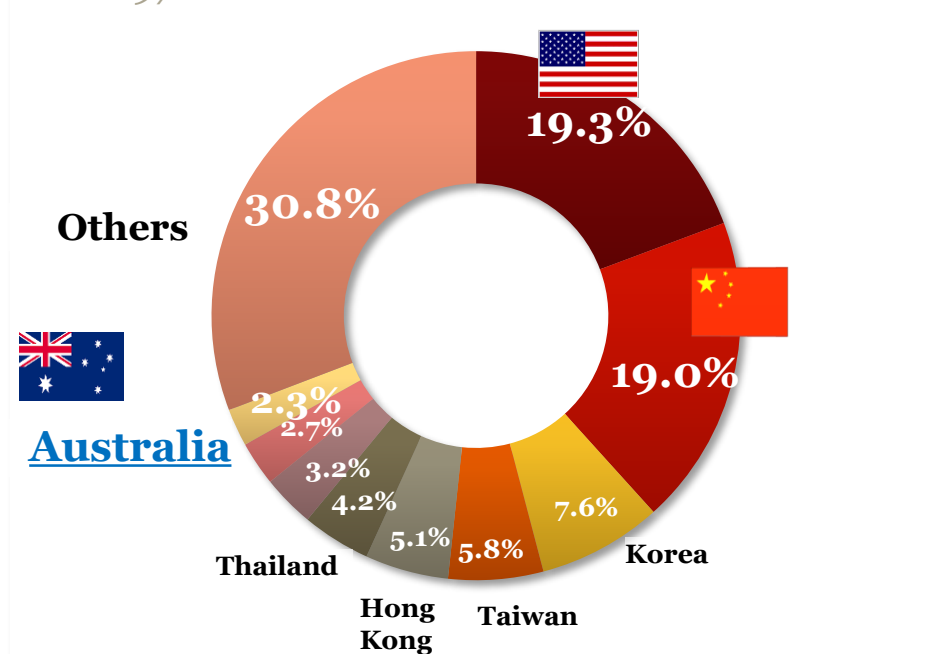
Japan was Australia's 4th largest source of imports

* as at ABS BOP Sept Qtr 2018
Source: JETRO, Australian Government Department of Foreign Affairs and Trade

Australia was Japan's 3rd largest import partner and 9th largest exporting partner in 2017

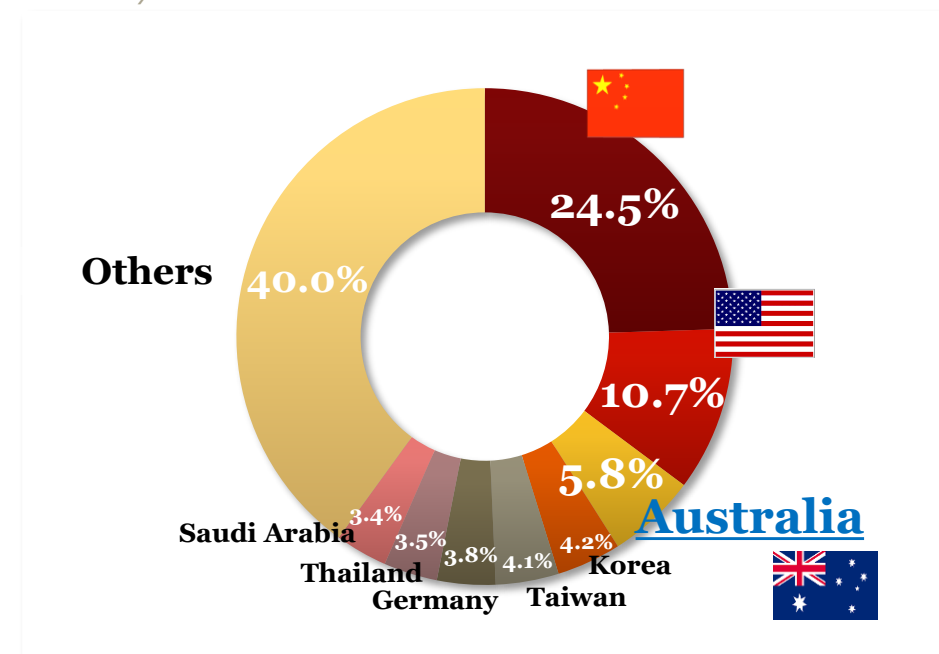
Exports from Japan in 2017

USD 697 billion



Imports to Japan in 2017

USD 671 billion



01 Australia was an export market for a number of Japanese manufactured goods

02 Australia was a significant trading partner with Japan accounting for 6% of all imports to Japan

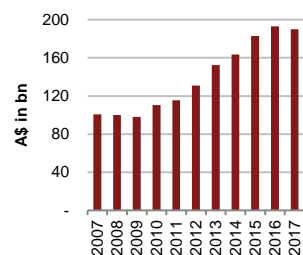
03 Two-way goods and services trade between the two countries was valued at AUD 78 billion in 2017-18

* as at ABS BOP Sept Qtr 2018
Source: JETRO, Australian Government Department of Foreign Affairs and Trade

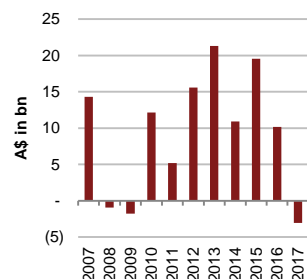
Foreign Direct Investment in Australia (1 of 2) – Top 5 source countries consist of 54% of total Foreign Direct Investment stock in 2017 – Japan is 2nd largest investor from 2015

! USA

Direct Investment balance - US

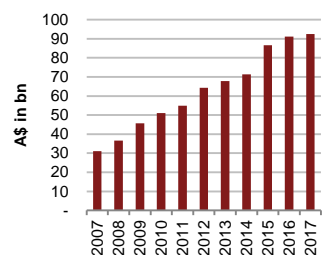


Direct Investment (Net movement) - US

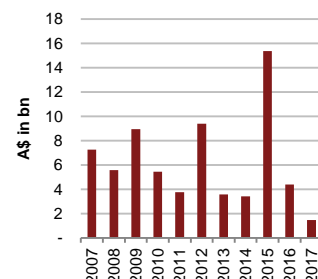


@Japan

Direct Investment balance - Japan

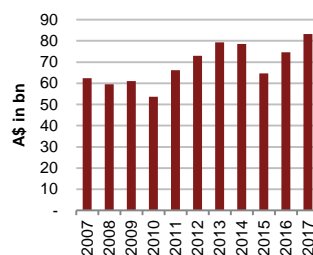


Direct Investment (Net movement) - Japan

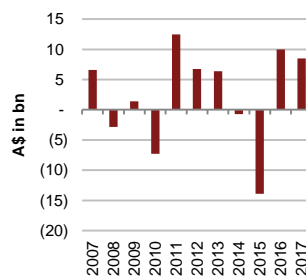


#UK

Direct Investment balance - UK

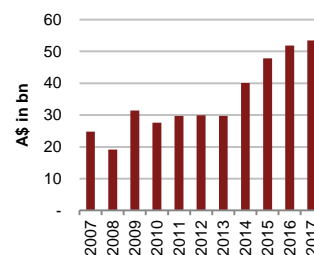


Direct Investment (Net movement) - UK

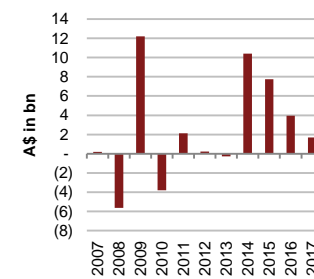


\$Netherlands

Direct Investment balance - Netherlands

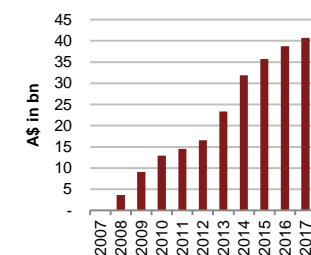


Direct Investment (Net movement) - Netherlands

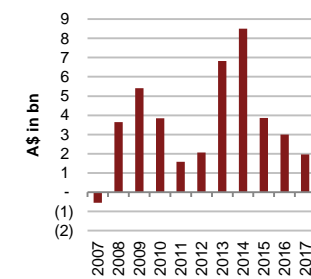


%China*

Direct Investment balance - China*



Direct Investment (Net movement) - China*



Japan is the 2nd largest Foreign Direct Investment source in 2017 due to its long-term relationship with Australia which goes back to the Agreement of Commerce in 1957. Since 2007, the balance has increased by 198% as Japanese companies have kept investing in Australia's growing economy as well as the rich natural resources. The 2014 Japan-Australia Economic Partnership Agreement has also contributed to this trend. Japan's share in total FDI has significantly increased from 7% in 2007 to 11% in 2017 driven by Japan's increased FDI, whilst UK has lost its share from 14% to 10% over the same period.

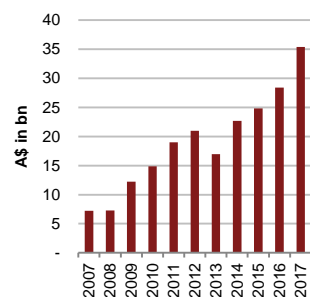
* Excludes SARs and Taiwan

Source: ABS 5352.0 – International Investment Position, Australia (2017)

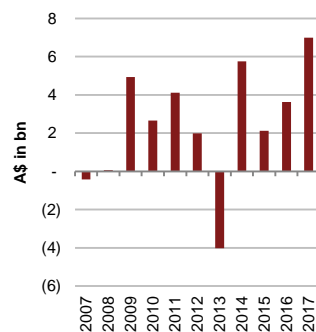
Foreign Direct Investment in Australia (2 of 2) – Investment from Hong Kong significantly increased in 2017 – China and Hong Kong combined would make the 4th largest investor (c. A\$67bn)

^Canada

Direct Investment balance - Canada

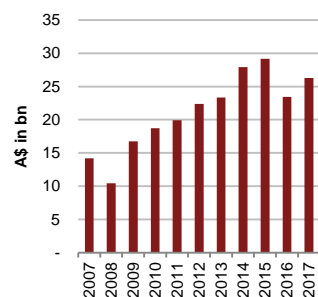


Direct Investment (Net movement) - Canada

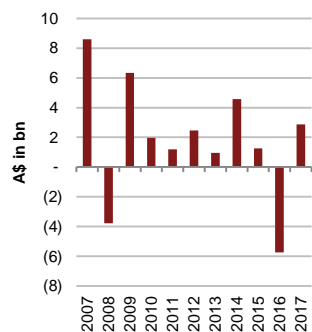


&Singapore

Direct Investment balance - Singapore

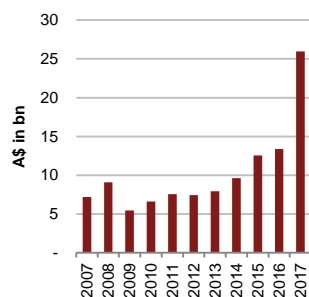


Direct Investment (Net movement) - Singapore

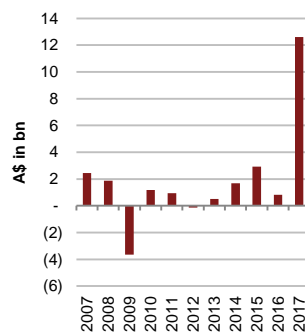


*Hong Kong

Direct Investment balance - Hong Kong

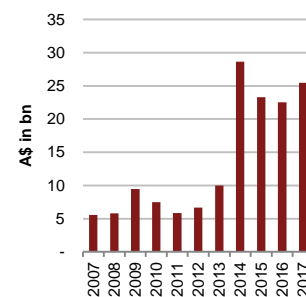


Direct Investment (Net movement) - HK

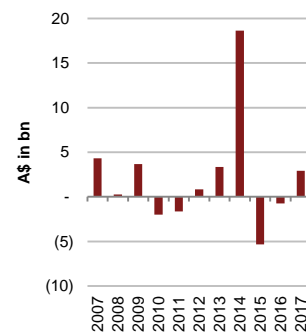


(Bermuda

Direct Investment balance - Bermuda

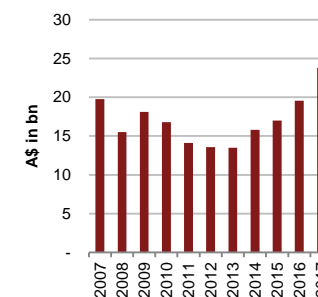


Direct Investment (Net movement) - Bermuda

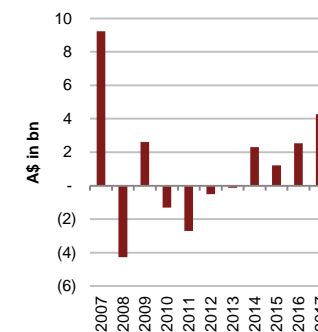


)Germany

Direct Investment balance - Germany



Direct Investment (Net movement) - Germany



While the Foreign Direct Net Investment balances of the Top 6~10 countries have also increased, they are still much smaller than Japan. In addition, the growth of balance in those countries from 2007 to 2017 was 154% which was much less than Japan's growth (198%) over the period.

Source: ABS 5352.0 – International Investment Position, Australia (2017)

Deals in Australia with Japanese parties (including asset transactions both in development stage and operational stage) in 2018

Date Announced	Target	Industry	Acquirer / (Seller)	Value \$US million
Dec-2018	Bengalla Mining Project	Coal Mining	Mitsui & Co (Seller)	156
Nov-2018	Homecorp Constructions Pty Ltd	Construction & Engineering	Misawa Homes Australia Pty Ltd	Not Disclosed
Nov-2018	Colonial First State Global AM	Asset Management	Mitsubishi UFJ Trust & Banking	2,934
Oct-2018	AudioXtra Pty Ltd	Automotive Retailing	Autobacs Seven Co Ltd	Not Disclosed
Oct-2018	Refresh Group Ltd	Food and Beverage	Eneco Investment Pte Ltd	6
Oct-2018	Andrews & Wallis Motor Group Pty Ltd	Automotive Retailing	IDOM Automotive Essendon Pty Ltd	51
Oct-2018	Waldorf Stadium Apartment Hotel	Hotels and Lodging	Daiwa House Industry (Seller)	42
Sep-2018	Quay Appointments Pty Ltd	Employment Services	Ethos Beathchapman (WILL GROUP)	5
Aug-2018	Amicus Digital Ventures Pty Ltd	Professional Services	Dentsu Aegis Network Ltd	Not Disclosed
Aug-2018	275 George St. construction project	Construction	Daibiru Holdings Australia Pty Ltd	174
Aug-2018	Hawsons Iron Project	Metal Mining	Mitsui & Co	63

Source: International Mergers (IMA), Mergermarket, Capital IQ, Thomson Reuters Eikon

Deals in Australia with Japanese parties (including asset transactions both in development stage and operational stage) in 2018

Date Announced	Target	Industry	Acquirer / (Seller)	Value \$US million
Aug-2018	Suncorp Life	Insurance	TAL Dai-ichi Life Australia Pty Ltd	538
Aug-2018	Project Management Partners Pty Ltd	Research and Consulting Services	OUTSOURCING Inc.	30
Aug-2018	Osmoflo Pty Ltd	Water Utilities	Marubeni Corporation (Seller)	Not Disclosed
Aug-2018	English Language Company Australia Pty Ltd	Education Services	Kyoshin Co., Ltd.	Not Disclosed
Jul-2018	Fukuoka-based real estate property	REIT	United Urban Investment Corporation	27
Jul-2018	Tailor Made Pty Ltd	Travel Agencies	NIPPON TRAVEL AGENCY Co.,LTD.	Not Disclosed
Jul-2018	Industrial Food Service Pty. Ltd.	Packaged Foods and Meats	Fuji Oil Holdings Inc.	Not Disclosed
Jun-2018	Integrity Group Holdings Ltd	Insurance	Daido Life Insurance Co	10
May-2018	Gregory Crinum Mine	Coal and Consumable Fuels	BHP Billiton Mitsubishi Alliance Pty Limited (Seller)	72
May-2018	Seafarms Group Ltd	Food and Kindred Products	Nippon Suisan Kaisha Ltd	18
May-2018	Mitula Group Limited	Internet / ecommerce	LIFULL Co., Ltd.	129

Source: International Mergers (IMA), Mergermarket, Capital IQ, Thomson Reuters Eikon

Deals in Australia with Japanese parties (including asset transactions both in development stage and operational stage) in 2018

Date Announced	Target	Industry	Acquirer / (Seller)	Value \$US million
May-2018	Trinity Petroleum Services Pty Ltd	Utilities	Idemitsu Kosan Co., Ltd.	Not Disclosed
May-2018	Minerva Gas Plant	Energy	Mitsui & Co., Ltd.; Cooper Energy Limited; AWE Limited	Not Disclosed
Feb-2018	Steel-Line Garage Doors Australia Pty Ltd.	Building Products	Bunka Shutter Co., Ltd.	Not Disclosed
Feb-2018	ArcPac Garage Doors Pty Ltd	Building Products	Bunka Shutter Co., Ltd.	44
Feb-2018	Madman Entertainment Pty. Ltd	Media	Aniplex Inc.	8
Feb-2018	Jigsaw Talent Management	Research and Consulting Services	OUTSOURCING Inc.	Not Disclosed
Jan-2018	AWE Limited	Oil and Gas Exploration and Production	Mitsui & Co., Ltd.	417
Jan-2018	Orocobre Limited	Mining (Lithium)	Toyota Tsusho Corporation	202

Source: International Mergers (IMA), Mergermarket, Capital IQ, Thomson Reuters Eikon



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