



OCTOBER 2019

Tylee+Co welcome you to another edition of our newsletter in which we cover:

- Assignments we have recently completed,
- Our recent conference presentation entitled Buying & Selling ISPs,
- A 25-year milestone,
- The Southern Cross NEXT project we've been working on, and
- Our recent seminar collaboration entitled Exiting a Business.

As always, we look forward to your feedback.

Regards, Dougal Tylee

RECENT ASSIGNMENTS

Corporate Finance Transactions



Confidential

Advisor to an apparel company on an acquisition



Confidential

Advisor to a training and



Confidential

Advisor to a not-for-profit

development business on a potential sale

charitable trust on a potential acquisition

Tylee+Co has also undertaken 'introductory roles' for other advisory firms' corporate finance transactions. These have included introducing potential purchasers or investors for sale or capital raising processes involving an:

- Established IT support services company focused on Reverse Logistics Operations (RLO)
- Early expansion stage company having developed a bovine mastitis diagnostic product

Strategic & Financial Advisory Services



Pike Plastics
Consultant providing indicative valuation advice for internal purposes

Kelly Glass & Mirror Ltd

Kelly Glass & Mirror
Consultant providing indicative valuation advice for internal purposes



Resource Development Consultants
Consultant providing project viability assessment services



Godfreys
Consultant providing indicative valuation advice for the sale of shares under an ESOP



Agrecovery Foundation
Consultant providing business case support for a proposed plastics recycling plant



M.B.Brown
Consultant providing indicative valuation advice for internal purposes

We have also recently undertaken valuation assignments for a variety of businesses operating in the following sectors:

- Hospitality
- Electricity network contracting
- On-line retail
- Marine services

In addition, Tylee+Co acted as an umpire for a share valuation dispute involving a minority shareholding in an established and growing electrical company.

Buying & Selling ISPs

Dougal Tylee delivered a presentation to the Internet Services Providers Association New Zealand (ISPANZ) 2019 Conference entitled Buying & Selling ISPs. The conference was held in Wellington in May.



The key take-outs from Dougal's presentation are:

Active M&A market for ISPs

- Numerous transactions of varying sizes have been completed.
 - Market dynamics are driving M&A activity.
 - The market is large and fragmented – in 2018 there were 92 ISPs with six large players (Spark, Vodafone, Vocus, Trustpower, 2degrees and MyRepublic) and 86 small players (all below 10,000 connections).
 - The fibre market is growing (number of connections) with the UFB rollout.
 - Retail pricing pressure continues as retailers compete aggressively to retain or gain market share.
 - Barriers to entry (including investment requirements) are much lower after structural separation.
 - New ISPs continue to enter the market.
-

Range of industry players representing potential acquirers

- Horizontal telcos e.g. Spark, Vodafone
 - Streamlined providers e.g. MyRepublic, Stuff Fibre
 - IT providers e.g. Datacom
 - Energy providers e.g. Trustpower, Vocus
 - Over the top players, media and new entrants (potential new entrants: Netflix and Sky)
 - Local/regional players e.g. Inspire.net, Now NZ
-

Key considerations when selling an ISP

- Make sure 'the house is in order' before starting a sales process.
 - Understand what you are selling.
 - Understand the likely buyers and dive deep into what they are looking for so you can best position your business for sale.
-

Using an advisor to enhance vendor outcomes

- Provides strategic advice on different exit options.
- Helps you maintain business focus and avoid sales process distraction.
- Assists you with preparation e.g. providing valuation and deal structure advice.
- Helps run an efficient process to maintain transaction focus and momentum.
- Accesses networks and introduces purchasers not known to the vendor.
- Enhances vendor credibility in the eyes of the purchaser and other stakeholders.
- Extracts a higher price by creating competitive tension.

Key considerations when buying an ISP

- Is M&A the best strategy? What other options are there?
- Don't rush the process. Get to know your target first and ensure cultural alignment.
- Is the acquisition a good strategic fit? Ensure it is within your core competency.
- Don't pay too much!
- Is it best to integrate, or not?

Please contact us if you would like a copy of our presentation.

25-Year Milestone

Dougal Tylee, Tylee+Co's principal, recently achieved 25 years as a member of Chartered Accountants Australia and New Zealand (CAANZ), including membership of the New Zealand Institute of Chartered Accountants. This milestone was celebrated along with other CAANZ members at a gala event and awards ceremony.



Southern Cross NEXT

Dougal has been a core member of the Southern Cross Cable Network (SCCN) project team working on Southern Cross NEXT.



SCCN is a leading Australasian supplier of international capacity to Carriers and Internet Service Providers (ISPs) in Australia and New Zealand. SCCN owns and operates a Trans-Pacific submarine cable network (almost 30,500 km in length) connecting Australia, New Zealand, Fiji and Hawaii to the internet backbone on the United States West Coast. SCCN is based in Bermuda and also has offices in Wellington, Auckland and Sydney.

Southern Cross NEXT is a USD300 million project to construct a new 16,148 km high-

capacity cable system providing data-centre connectivity between Sydney, Auckland, and Los Angeles. Southern Cross NEXT is an extension of the existing SCCN system.

Over the last two years, Dougal has supported SCCN's Finance Director and worked along-side other advisors on Southern Cross NEXT and SCCN business-as-usual activities. These included financial modelling and analysis, due diligence, equity and bank financing arrangements, cash flow forecasting, board reporting, and accounting and tax matters.

The recent press release outlined below provides more background on Southern Cross NEXT.

Press Release: Southern Cross NEXT construction to proceed

3 October 2019, press release

Southern Cross Cable Network (SCCN) announces agreements executed and regulatory approvals received for: Southern Cross NEXT cable to move into build phase with Contract in Force (CIF), expected to be ready for service by January 2022; and Telstra to acquire a 25% equity interest in SCCN, joining existing shareholders Singtel, Spark and Verizon.



Southern Cross Cable Network (SCCN) is pleased to announce that conditional agreements have been executed and regulatory approvals have been obtained to enable construction of the Southern Cross NEXT subsea cable to commence.

Southern Cross' President and CEO Mr Laurie Miller said: "This achievement is a testament to the hard work of everyone in the Southern Cross team over many months on the project, along with the critical efforts of the sponsor organisations in finalising the equity and financing arrangements. Pioneer Consulting have been crucial in augmenting Southern Cross expertise in supporting key technical design and commercial decisions as part of the Southern Cross team."

Laurie adds, "The addition of the new Southern Cross NEXT route to our ecosystem will provide existing and future Southern Cross NEXT customers with further resiliency and connectivity options between Australia, New Zealand and the United States. We can now firmly focus on the implementation and deployment of the NEXT system which is designed to bring greater resiliency, redundancy and capacity to our extensive network, along with the ongoing development of product enhancements to meet the evolving requirements of our customers."

The announcement follows an agreement for Telstra to become a 25% shareholder in

SCCN, joining existing shareholders Spark, Singtel/Optus and Verizon. The shareholders have agreed to commit the necessary equity funding to enable Southern Cross NEXT to proceed with additional funding raised from debt and SCCN cash reserves. Although the transaction is still subject to some conditions, these are procedural in nature and are expected to be satisfied within the next few days.

Alcatel Submarine Networks (ASN) had previously been granted the Open Cable build contract (subject to financing) to develop the new route, which - once complete - will be the lowest latency path from Sydney and Auckland to Los Angeles, based on the cable's design and path.

Southern Cross NEXT will provide data connectivity between Sydney, Auckland and Los Angeles and is scheduled for completion by January 2022. The new route will also provide critical international cable connectivity to the Pacific Islands of Fiji, Tokelau and Kiribati.

The new 13,483 km (main trunk length) cable system (16,148km including all branches) has been developed as an extension of the existing Southern Cross two-cable ecosystem. It will allow customers to leverage the Southern Cross extensive point-of-presence network and access infrastructure already in place. It will also allow Southern Cross NEXT customers to flexibly assign new and existing capacity across the three trans-Pacific routes, connecting Australia, New Zealand, Fiji and the United States, maximising diversity and resiliency.

Southern Cross NEXT represents a network investment of around USD300 million by Southern Cross. It is designed to carry 72 terabits per second of traffic across its 4-fibre pair design using C-band technology, ensuring Southern Cross can cater for its customers' growing data requirements well into the future. Services offered on the new system will be an extension and integration of the services offered across the current Southern Cross ecosystem.

With significant work already completed, including pre-sales, marine survey, landing arrangements, Pacific Island agreements, detail design and the cable RFT, the Southern Cross NEXT project is well positioned to meet its target completion date of January 2022.

Exiting a Business Seminar

Dougal was a panel member at a successful seminar held in the Wairarapa last month entitled Exiting a Business – What are the Options? The event was hosted by Business Wairarapa (Wairarapa Chamber of Commerce) and sponsored by the BNZ.



Following a Q&A format, the forum delved into a range of matters relating to business

exits. These encompassed the exit process, valuation, preparing for sale, marketing your business, due diligence, funding, legal aspects and trends.

Other panelists included local business advisors:

- Johan Otto - BNZ
- Brett Gould - Gibson Sheat Lawyers
- Dan Lovett - Wairarapa Property Consultants
- Lawrence Cheetham - Gollins Commercial Real Estate
- Becks Sayer - Southey Sayer Accountants

Best Wishes

On behalf of Tylee+Co, I wish you all the best for the remainder of 2019. In the meantime, we look forward to hearing from you with your corporate finance queries and assisting your business in achieving its objectives.

Dougal Tylee

Director

Our Services

CORPORATE FINANCE TRANSACTIONS



MERGERS AND
ACQUISITIONS



SALE OF BUSINESS
AND SHARES



CAPITAL RAISINGS

STRATEGIC & FINANCIAL ADVISORY SERVICES



VALUATION



FINANCIAL
MODELLING AND
ANALYSIS



DEAL
STRUCTURING



STRATEGY &
PLANNING



LITIGATION SUPPORT



ADVISORY BOARD
SERVICES

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