



September 2014

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

- Updates on a range of recently completed assignments;
- Some great news about one of our clients, Nexus Developments;
- An opportunity to invest in the NZ AgriTech sector;
- Details about a business we work with who is seeking acquisition and investment opportunities; and
- An overview of the veterinary sector in New Zealand.

As always, we look forward to your feedback.

Regards, Dougal Tylee

Recent Assignments

Corporate Finance Transactions



Quantum Education Group / Learntree

Tylee+Co acted as financial advisor to Quantum Education Group and Learntree on the **divestment** of these businesses to Intueri Education Group (a subsidiary of ASX listed Arowana International Limited).

Totally Vets

Tylee+Co provided advice to Totally Vets on a potential **acquisition** operating in a closely aligned veterinary sector.

Totally Vets also provided this great feedback:

Totally Vets and Tylee+Co have worked together over a number of years on mergers & acquisitions and business strategy.

As our business has grown the need for independent commercial advice has become essential both at a governance and management level. Dougal Tylee's experience in this field and his work across a range of business sectors brings a perspective which would otherwise be lacking and has assisted Totally Vets to maintain business discipline as the Company grows.

Dougal's depth of understanding of our sector is a big advantage, as is his network. We are looking forward to an on-going relationship with Tylee+Co and I'm happy to endorse Dougal's services.

Chris Carter, Chief Executive, Totally Vets Ltd

Strategic & Financial Advisory Services



Baptist Savings & Development Society Inc.

Tylee+Co provided indicative **valuation** advice.



Sush Mobile

Tylee+Co provided indicative **valuation** advice.

Tylee+Co also:

- Peer reviewed the valuation of a FMCG business;
- Provided financial analysis assistance to an angel investment group;
- Provided financial modelling assistance to an established business in the energy efficiency sector;
- Provided advice to a large corporate on options to 'spin-out' one or more of its divisions;
- Provided advice on a management buy-in opportunity up to the term sheet stage; and
- Assisted a potential investor analyse an investment opportunity in the agriculture processing sector.

Nexus Developments Product of the Year

One of our clients that has achieved a competitive edge is Nexus Developments Limited which recently received a "Product of the Year" award for its unique "FlagTrax®" flag installation system at a major trade exhibition in Florida.

The system enables easy raising and lowering of flags on lamp posts with a patented PushPull technology that reduces costs by as much as 90% as bucket trucks, trained technicians, traffic management plans and street closures are no longer needed in the process.

The next time you see flags displayed in the streets of your towns chances are they will be flying from Nexus products. Even better news for New Zealand is that Nexus is pursuing the export dollar with FlagTrax® distributors in Australia, USA and Canada so far, plus Europe, the Middle East and more to follow. See

www.nexusdevelopments.com.



Investment Opportunity – NZ AgriTech

An opportunity exists to invest in an established NZ AgriTech company seeking capital to fund offshore growth.

The company has a solid NZ base and market share and has identified an opportunity to expand into offshore markets. It has already established dealerships and initial pilot scale sales of its unique product offering in Australia and California. Documented feedback from customers shows very high satisfaction levels and a clear value proposition. Presently there are no competing products providing the same operational savings in the market segments they are targeting. The company achieved revenues of \$4m in FY14.

The company is seeking to raise capital through an issue of shares to fund market expansion and so they can capture first mover advantage. They will consider parcels from \$50k to \$3m.

This opportunity is only available to 'eligible persons' (as defined in the New Zealand Securities Act 1978). Please contact me if you have interest in learning more about this opportunity and / or to request further information.

Established Business Wanted

An established and profitable business is looking to acquire 100% or a controlling stake in an established manufacturing and/or import/distribution business that sells product into the following types of distribution channels:

- Retail specifically hardware, rural, gardening and/or supermarkets
- Industrial to meat/fishing companies and corporate distributors

Companies with turnover of less than \$10m and an enterprise value of around NZ\$2 to \$4m will be considered.

This opportunity may suit owners looking to sell down over time as part of succession planning. A directorship(s) will be sought and it is envisaged existing management will remain with the business.

To discuss this opportunity further please contact me.

The NZ Veterinary Industry

Tylee+Co periodically undertake business development projects to research industries which may benefit from consolidation through merger and acquisition activity. Most recently we looked at the New Zealand veterinary industry. We carried out some high-level desk top analysis and met with some industry participants.

A high level summary of the industry is as follows:

Market size and growth	<p>There were 608 enterprises operating in the NZ veterinary services sector in 2013 employing 4,700 people. Enterprise numbers have grown slowly since 2000 at a CAGR of 1.7%. Numbers peaked at 622 in 2010 and have since fallen. Employee numbers have experienced stronger growth at a CAGR of 4.4% since 2000.</p> <p>There were 2,521 practicing vets in 2012 working in vet practices, laboratories, education, research, epidemiology and the regulatory sector. Numbers have grown at a CAGR of 3.2% since 2002.</p>
Industry structure	<p>The industry is fragmented with a large number of small players. By number of vets, we estimate the largest two players have around 4.5% of the total market.</p> <p>There are an estimated 57 vets per 100,000 head of population, and 8 vets per 100,000 livestock units.</p>
Company size and spread	<p>Veterinary enterprises are typically small private entities (employing an average of 8 staff) servicing a limited geographic area. NZ's largest practice employs 180 staff, 60 vets and has 25 clinics nationwide.</p>
Industry trends	<ul style="list-style-type: none"> ▪ A shortage of vets to work in rural areas ▪ Rural vet practices have a high number of ageing practitioners ▪ The demands for veterinary services are becoming more sophisticated - vets are expected to provide services that are whole-farm based rather than merely dealing with the individual animal ▪ There is an increasing willingness to spend on pets ▪ Ongoing merger and acquisition activity is occurring – drivers include combatting increasing costs and succession issues, and as a strategy to retain and attract key staff. Offshore significant M&A activity is occurring with large listed offshore veterinary companies buying up companion animal practices and hospitals.
Types of Vet Practices	<p>There are three main types of vet practices:</p> <ul style="list-style-type: none"> ▪ Companion - small pet animal practices mainly based in cities and larger towns ▪ Production (e.g. dairy, sheep & beef) - large animal practices mainly based in smaller rural towns ▪ Mixed –practices with a mixed source of income from companion, production and equine, and often rural and provincial based.

Tylee+Co provide investment banking and corporate advisory services

Strategic & Financial Advisory Services	<ul style="list-style-type: none"> • Advisory board services • Strategic & business planning • Financial modeling & analysis • Business & share valuations • Litigation support including expert witness services
Corporate Finance Transactions	<ul style="list-style-type: none"> • Business sales • Mergers & acquisitions • Management buy outs • Equity capital raising

For a confidential discussion, please contact Dougal Tylee: m: 027 326 3965 dougal@tylee.co.nz www.tylee.co.nz

