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Auto Pacific deal the first of many as PEP puts pedal to the metal on sales

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Pacific Equity Partners' sale of Auto Pacific Group is set to follow a flurry of other divestments in the weeks ahead as it looks to make returns to investors within its fifth fund.

The \$1bn-plus Australian-listed GUD announced on Tuesday it had purchased Auto Pacific Group from PEP for \$744.6m, which will partly be funded through a \$405m equity raising.

GUD was advised by Macquarie Group while PEP is advised by Jefferies.

By the end of the year, it is likely that the Australian-listed buyout fund will have announced deals to sell three other companies as it looks to tie up loose ends in Fund V, collectively reaping PEP and its investors well over \$2bn in proceeds.

PEP has about \$7.3bn of assets under management and raised \$2.1bn for its fifth fund in 2015.

The PEP Fund VI closed in July last year with \$2.5bn through the door.

Within PEP's Fund V is Four'n Twenty Pies owner Patties Foods, which is up for sale through Goldman Sachs for about \$700m.

Sources believe a sale to a group is close to being finalised, with sources pointing to Nestle as the buyer.

Also on the home stretch is the sales process of PEP's Evolution Healthcare business which owns private hospitals in New Zealand.

A sale to QIC's business Nexus was recently thought to be imminent, although the sale process is understood to have faced some minor delays and two other competitors are now thought to be still in the mix.

The other suitors are believed to be Morrison & Co and Macquarie Infrastructure and Real Assets and the understanding is that both are giving competition favourite QIC a run for its money.

The situation is one playing out in a similar way to the sale of the country's largest cancer care provider Icon Group, where Morrison & Co was said to be in the final negotiations to buy the business before it pulled away in the competition and Icon was instead sold to rival EQT in a deal that valued the operation at more than \$2.4bn.

Other businesses for sale by PEP are Intellihub, with an outcome due imminently.

Competing to buy a \$1.5bn half share in the smart metering business in the final stages of the competition has been Stonepeak Infrastructure Partners, Morrison & Co and BlackRock.

Among the other businesses yet to be sold in PEP's stable are LifeHealthcare, which is expected to be placed on the market next year, and iNova Pharmaceuticals, which is understood to have been impacted by the Covid-19 pandemic.

There are also companies The Citadel Group, Zenith Energy, WINconnect, Modern Star and UP Education.

Auto Pacific Group operates is a leader in the four wheel drive and trailer market in Australia and New Zealand and is behind brands such as Hayman Reece tow bar and bull bars and CruiseMaster caravan and trailer products.

It generates \$85m in earnings before interest and tax.

GUD's acquisition of the business was said to be right on strategy for the Australian listed automotive aftermarket parts and water-related products provider.

The deal has been struck at 8.4 times earnings before interest tax and amortisation after synergies.

It takes it in the direction of listed rival ARB operating in the four wheel drive area.

While GUD has traditionally provided products like fuel filters and other replacement parts, the before sale vehicle parts market is seen as lucrative.

The trend towards SUVs and pick ups is growing where they now account for about 70 per cent of new vehicle sales in Australia compared to about 40 per cent in 2013.

Auto Pacific has manufacturing facilities in Thailand and the acquisition comes after GUD earlier purchased Brown and Watson in 2015, which operates in the automotive electrical and portable power management spaces.

This deal is also part of trend towards industry consolidation.

GUD launched a \$405m equity raising by way of an institutional placement and entitlement offer to help pay for the acquisition, offering shares at \$10.40 each, a 13.5 per cent discount to their last closing price of \$12.03 on Monday.