

TAKEOVER WHITEPAPER

3 ASX COMPANIES ON OUR WATCHLIST



**Are you ready to uncover the
next takeover target?**

MARCH 2025

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Introduction

In recent years, our Australian equity portfolios have thrived by targeting companies that not only offer strong intrinsic value but also present an imminent catalyst for stock price re-ratings. One of the most powerful catalysts we've identified is the potential for a company to become a takeover target. Companies with strategic appeal, which can unlock greater value under new ownership, offer compelling opportunities for investors. This approach has consistently delivered strong returns, as takeovers typically come with substantial premiums.

Investing in potential takeover targets can be a highly lucrative strategy. The financial markets often react positively to takeover announcements, with share prices surging as the acquiring company typically offers a premium on the stock price to gain control. This creates opportunities for significant short-term gains for investors who have identified these targets early on.

The ASX has witnessed a wave of M&A activity over the past year, with several companies from TAMIM's portfolios actively involved. In this update, we delve into our methodology for identifying potential takeover candidates, explore key indicators to watch for, and highlight three Australian stocks we believe are prime acquisition targets.

36+

Portfolio companies receiving takeover offers in the last 5 years.



Identifying a Potential Target

Below is a set of key indicators we carefully examine when evaluating potential takeover targets. While this list is not comprehensive, it provides important insights. A company may not exhibit all of these characteristics, but astute investors will often spot several of these signals.

KEY INDICATORS: HOW TO IDENTIFY A POTENTIAL TARGET



STRATEGIC
VALUE



NOTEWORTHY
STAKEHOLDERS



ENHANCING
SALEABILITY



M&A-EXPERIENCED
DIRECTORS



STRATEGIC REVIEW
ANNOUNCEMENTS



INFRASTRUCTURE
INVESTMENTS



NOTEWORTHY STAKEHOLDERS

Our search for potential takeover targets begins with a close examination of the top twenty shareholders. A significant shareholder, defined as owning more than 5% of a company's shares, is required by law to disclose their stake to the market, including any increases of 1% or more. If a shareholder, particularly one from the same industry or who stands to benefit from an acquisition, is steadily accumulating shares, it can be a strong indicator. This accumulation by major shareholders may signal an upcoming takeover attempt. It is also crucial to monitor entities that control a large portion of the company's shares (e.g., more than 30%), as these stakeholders often face challenges in selling their positions through traditional market channels, making a takeover their most viable exit strategy. Additionally, keeping an eye on fund managers and other groups with a track record in M&A activity as they increase their holdings is equally important.



STRATEGIC VALUE

In the context of takeovers, the term "synergies" is often used to describe the benefits a combined entity can achieve after the transaction is completed. Common synergies include opportunities for cross-selling and reducing costs by eliminating redundant operations. These synergies are a key factor in determining the strategic value of a company as an acquisition target. A prime example of this is the notable takeover of Silk Laser Australia (ASX: SLA), a leading player in the Australian skincare and aesthetics industry. Silk Laser brought valuable assets to the table, including an extensive network of clinics, a loyal customer base, and a broad range of services such as laser hair removal, cosmetic injectables, skin treatments, body contouring, and skincare products.

The company's strategic appeal lay in its potential to provide the acquirer with significant synergistic advantages. These synergies took shape in various ways, including cross-selling opportunities and operational cost savings. By incorporating Silk Laser's offerings into its own portfolio, the acquiring company gained access to a wider customer base and diversified revenue streams. Furthermore, the elimination of duplicate operations resulted in increased operational efficiency, making the acquisition a financially sound move.



M&A-EXPERIENCED DIRECTORS

M&A transactions are complex and often come with challenges, making the involvement of experienced professionals essential. We closely monitor recent director or board appointments with M&A expertise, as these appointments are often made in preparation for upcoming transactions. For example, Paragon Care (ASX: PGC) appointed a non-executive director with substantial M&A experience just before entering a merger agreement with Quantum Health Group (ASX: QTM) in September 2021. This highlights how accessible information can offer clues about potential takeovers, underscoring the importance of thorough research.

The value of having seasoned professionals with a proven track record in mergers and acquisitions cannot be overstated. These individuals bring the expertise and insight needed to navigate the complexities of M&A, ensuring successful outcomes. A relevant case within our own portfolio is Healthia (ASX: HLA). Its board consisted of directors with significant experience in managing mergers, acquisitions, and eventual exits to private equity. Their collective expertise was crucial in guiding Healthia from being a publicly traded company to a private equity acquisition.

Under their leadership, Healthia went through a process that resulted in a buyout by a private equity firm at an impressive 85% premium to its current share price. This outcome highlights the critical role of a board enriched with individuals who understand the intricacies of M&A.



ENHANCING SALEABILITY, I.E. SPINNING OFF DIVISIONS, RETIRING DEBT ETC.

Companies aiming to become more attractive to potential acquirers often take steps such as divesting non-core divisions or reducing debt. Firms with strong balance sheets, free from debt and holding a net cash position, tend to be more appealing as takeover targets. In the growing landscape of sustainable investing and ESG considerations, companies may also choose to spin off controversial divisions to improve their public image. A prime example of this is Woolworths' demerger of its alcohol and hospitality subsidiary, Endeavour (ASX: EDV). While not a takeover target itself, this strategic move highlights the value of divesting business segments that may raise ethical concerns.



STRATEGIC REVIEW ANNOUNCEMENTS

When companies announce strategic reviews, it often signals an intent to enhance shareholder value. While not a guarantee, such reviews can result from unsolicited offers or efforts to sell key assets. Typically, firms bring in advisors to help navigate these decisions. The announcement of a strategic review can be an indicator of a potential takeover or other significant corporate actions, warranting close attention. In the following case studies, we will explore two companies that have successfully repositioned their operations to deliver greater value to shareholders. These examples highlight the evolving nature of corporate strategies and the potential for substantial shareholder gains when companies undergo strategic reviews.



INFRASTRUCTURE INVESTMENTS

A notable trend that has emerged recently is super funds increasingly targeting infrastructure assets. Faced with managing large volumes of assets, these funds are seeking higher returns by investing in stable, income-generating infrastructure. For example, Telstra (ASX: TLS) sold half of its mobile towers at 28x EBITDA, and Sydney Airport (ASX: SYD) received a bid from QSuper in November 2021, highlighting the appeal of these assets. This trend extends to a range of infrastructure businesses with secure revenue streams, including fibre networks, airports, utility infrastructure, and entities with government contracts.

Post-Takeover Offer Considerations

Once a takeover offer is made, both companies and investors must carefully assess the offer's structure, which often includes more than just cash. Takeover deals can come in various forms, such as a simple cash offer or a combination of cash and shares in the acquiring company, known as a cash + scrip deal. In rarer cases, other securities like warrants or convertible bonds may also be part of the package. Sometimes, a company's core assets are sold off, and the remaining entity is liquidated, potentially leaving investors with valuable assets like franking credits.

When a takeover offer is announced, it usually pulls the share price closer to the offer price. At this stage, several important factors must be considered. One critical factor is the financial capacity of the acquiring company to follow through on the offer. There have been cases where deals fell apart due to insufficient financing, highlighting the importance of this evaluation.

Market sentiment also plays a key role in how closely the share price aligns with the offer price. If investors believe the deal is likely to be accepted by shareholders and that the acquirer is committed, the gap between the trading price and the offer price tends to narrow. On the other hand, doubts about the deal's success can widen this gap.

In cases where the offer is seen as undervaluing the company, the share price may even trade higher than the offer, driven by expectations of a better offer or a bidding war. Understanding the intrinsic value of the business from the perspective of potential acquirers is crucial. Recognising the potential for competitive bids, as seen recently with Sydney Airport, can create profitable opportunities for investors. These dynamics demonstrate the careful considerations needed once a takeover offer is in play.



“Identifying the potential for a competitive bidding scenario can present lucrative opportunities for investors.”

THE TAMIM TAKEAWAY

Identifying potential takeover targets on the ASX is both a skill and a science. It demands a sharp eye for key indicators, a thorough grasp of market dynamics, and the ability to interpret corporate actions. By honing these abilities, investors can discover opportunities with the potential for significant returns.

In the world of investing, knowledge is your most powerful tool. Keep learning, stay curious, and continue building your wealth. Read on to explore three TAMIM case studies that will deepen your understanding of this fascinating investment strategy.

INSIGNIA FINANCIAL (ASX: IFL)



THE BUSINESS

Insignia Financial Ltd (ASX: IFL) is one of Australia's largest wealth management firms, offering financial advice, superannuation, wrap platforms, and asset management services. With origins dating back to 1846, the company has evolved into a major player in Australia's financial services sector, managing a significant pool of client assets.

The business operates across four core divisions: Advice, Wrap, Master Trust, and Asset Management. These segments collectively contribute to Insignia's extensive client base, which includes individual investors, financial advisers, and corporate employers. As of 31 December 2024, the company reported \$326.8 billion in Funds Under Management and Administration (FUMA), demonstrating its scale and market presence.

A key milestone in Insignia's transformation was the successful IT separation of MLC from NAB, marking one of the largest wealth management separations in Australian history. This move has strengthened the company's operational independence, allowing it to accelerate growth initiatives, optimise costs, and enhance service capabilities. The company's Vision2030 strategy, unveiled at its November 2024 Investor Day, outlines its plan to become Australia's most efficient wealth management firm by 2030, with a targeted \$200 million reduction in base operating expenses by FY30.

With a clear focus on cost efficiency, digital transformation, and enhancing its wealth platform offerings, Insignia is positioning itself for long-term growth in an evolving industry landscape.

RECENT RESULTS

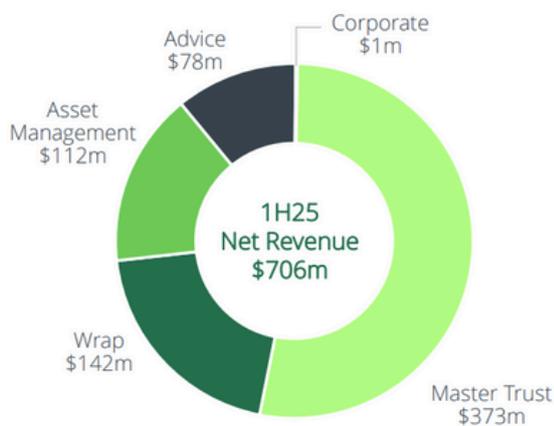
Insignia Financial delivered a strong 1H25 performance, with total FUMA rising to \$320 billion, reflecting a \$25 billion increase from 1H24. Net inflows totaled \$1.2 billion, a \$3.1 billion improvement from 1H24, driven by institutional mandates and stronger managed account flows.

The Wrap platform grew to \$99.1 billion, with \$600 million in net inflows, supported by increased adviser adoption and enhancements following the MLC Wrap migration. Master Trust assets reached \$132.3 billion, with net outflows of \$1.4 billion, mainly due to corporate plan transfers, while workplace super contributions helped offset losses. Asset Management funds climbed to \$95.4 billion, benefiting from \$2.1 billion in net inflows, bolstered by multi-asset and fixed-income strategies.

Insignia’s Vision2030 strategy remains on track, focusing on cost reduction, platform efficiency, and investment expansion. The Master Trust pricing update is expected to enhance retention, while the SMA offering expanded by 56 investment options, pushing SMA assets past \$11 billion. The launch of the MLC Reinsurance Investment Fund also marks a key step in offering alternative investments externally.

Financially, underlying NPAT grew 30% to \$124 million, and EBITDA rose 26% to \$224 million, with the cost-to-income ratio improving to 68%. Insignia achieved \$36 million in net cost reductions, with full-year savings expected to reach \$60-\$65 million, reinforcing its focus on efficiency, profitability, and long-term growth.

1H25 Financial Overview



Notes: (1) Net Revenue margin ongoing (excludes Rhombus Advisory and Advice divestment net revenue)

UNPAT

\$124m
▲ 1H24 \$96m | +30%

NPAT

(\$17m)
▲ 1H24 (\$50m) | +66%

EBITDA

\$224m
▲ 1H24 \$178m | +26%

Opex

\$482m
▼ 1H24 \$518m | -7%

Net Revenue Margin¹

44.0bps
▼ 1H24 45.4bps | -1.4bps

FUMA Net flows

\$1.2b
▲ 1H24 (\$1.9b) | +\$3.1b

Average FUMA

\$320b
▲ 1H24 \$295b | +\$25b

Cost to Income

68%
▼ 1H24 74% | -6% pts

Insignia Financial 1H25 | 4



TAKEOVER POTENTIAL

Insignia Financial has emerged as an attractive takeover target, reflecting the ongoing consolidation within Australia's wealth management sector.

In early 2025, the company received multiple non-binding indicative takeover proposals, highlighting strong interest from global private equity firms. Bain Capital, CC Capital Partners, and Brookfield Capital Partners each submitted offers of A\$4.60 per share, representing a significant premium to Insignia's recent trading levels. These bids signal the strategic appeal of Insignia's platform, substantial FUMA, and strong recurring revenue model.

Several key factors underpin Insignia's takeover appeal. First, its market position and scale, with over \$326.8 billion in FUMA, makes it a compelling acquisition target for both private equity investors and strategic buyers seeking an established foothold in Australia's financial services industry. Second, Insignia benefits from a high-quality recurring revenue base, offering stable cash flows that are attractive to long-term investors. Third, its ongoing cost transformation initiatives, including the targeted \$200 million reduction in base operating expenses by FY30, enhance its profitability and long-term value proposition.

Recent technology investments, particularly in MLC Expand and Managed Accounts, further strengthen Insignia's competitive positioning in the wealth platform space. With multiple bidders now in due diligence, the potential for a competitive bidding war could drive additional valuation upside for shareholders. If an acquisition occurs at a multiple of 6-8x operating earnings, shareholders could see a 30-50% premium to Insignia's current valuation.

Given the strong private equity interest and the strategic attractiveness of its platform, Insignia Financial is increasingly likely to be acquired or restructured in the near term. Whether through a premium buyout or continued execution of its Vision2030 strategy, the company remains well-positioned to deliver significant value for shareholders.

SELFWEALTH (ASX: SWF)



THE BUSINESS

SelfWealth Ltd (ASX: SWF) is a leading Australian fixed-fee, low-cost brokerage platform, offering self-directed trading in Australian and international markets. Launched with a mission to provide transparent, affordable investment solutions, the company has grown to become a key competitor to traditional and emerging brokerage firms.

The platform supports trading across ASX, NYSE, Nasdaq, and HKEX, catering to retail investors with its straightforward pricing structure. In addition to trading services, SelfWealth provides portfolio tracking, performance benchmarking, and market insights, appealing to both casual and active traders.

As of 31 December 2024, SelfWealth had \$11.6 billion in Funds Under Administration (FUA), representing 15% year-over-year growth. The company maintains a steady user base of 128,900 active traders, with a growing share of trading revenue from higher brokerage activity.

SelfWealth has undergone a strategic transformation from a technology-driven business to a customer-led growth model, emphasising customer service enhancements, platform efficiency, and product expansion. With its fixed-fee model, the company remains well-positioned in Australia's highly competitive online trading space.

RECENT RESULTS

SelfWealth delivered strong financial performance in H1 FY25, driven by revenue growth, higher trading volumes, and increased platform adoption. Operating revenue increased to \$14.1 million (+4.3% YoY), while gross profit rose to \$10.2 million (+4.5% YoY). Funds under administration expanded to \$11.6 billion (+15% YoY), reflecting continued user engagement and portfolio growth. Trading activity remained robust, with 406,000 trades executed (+9.3% YoY), contributing to a 27.5% increase in trading revenue, which reached \$4.4 million.

While revenue growth remained steady, underlying EBITDA declined by 63% to \$1.3 million, and net profit after tax (NPAT) fell 75% to \$0.4 million. The decline in earnings was primarily driven by higher investments in technology, compliance, and platform enhancements, as the company continues its strategic transformation to improve operational efficiency and expand its service offerings. Despite these increased costs, SelfWealth maintained a strong cash position, with \$10.1 million in cash and no debt. In response to multiple acquisition proposals, the company also paused its on-market share buyback program, signaling a focus on capital preservation and potential strategic opportunities.

SelfWealth Limited Statement of profit or loss and other comprehensive income For the half-year ended 31 December 2024			
	Note	31 December 2024 \$	31 December 2023 \$
Revenue			
Revenue from contracts with customers	4	4,656,047	3,701,969
Interest income	5	9,487,599	9,862,400
		<u>14,143,646</u>	<u>13,564,369</u>
Cost of providing services	6	(3,951,715)	(3,809,495)
Gross profit		<u>10,191,931</u>	<u>9,754,874</u>
Earnings per share for profit from continuing operations			
Basic earnings per share	19	0.18	0.69
Diluted earnings per share	19	0.18	0.69

Source: Selfwealth, Interim Financial Report December 2024

TAKEOVER POTENTIAL

SelfWealth has emerged as a prime takeover target amid increasing consolidation in Australia's financial services and online trading sector. The company's fixed-fee brokerage model, expanding user base, and strong growth in funds under administration make it a strategic asset for firms looking to strengthen their position in the retail wealth management space.

In late 2024, Bell Financial Group (ASX: BFG) made an offer to acquire SelfWealth for \$0.25 per share in cash, with an alternative scrip consideration of 0.1831 Bell shares per SelfWealth share. More recently, Svava Pte Ltd, a Singapore-based wealth management platform, submitted a competing non-binding indicative proposal at \$0.28 per share, representing a 133% premium to SelfWealth's share price before Bell's initial bid. Svava has already built an 18.8% stake in SelfWealth, signaling strong interest in securing a deal.

The attractiveness of SelfWealth as an acquisition target is underscored by several factors. The platform has a steady and engaged user base, with 128,900 active traders and trading volumes up 9% year-over-year, contributing to a 27% increase in trading revenue. Furthermore, funds under administration have grown 15% to \$11.6 billion, demonstrating the platform's increasing market penetration and ability to capture retail investor flows. These strong fundamentals make SelfWealth a valuable asset for a larger financial institution seeking to expand its online trading capabilities or leverage its technology for operational efficiencies.

Both Bell Financial and Svava see strategic value in SelfWealth's proprietary trading platform, which could enhance their existing product offerings while providing cost synergies. With multiple bidders now in play, there is potential for an improved offer or a competitive bidding process, which could drive a higher valuation for shareholders.



RAIZ INVEST LIMITED

(ASX: RZI)



THE BUSINESS

Raiz Invest Limited (ASX: RZI) is a leading micro-investing and fintech platform in Australia, offering automated savings and investment solutions for retail investors. Established in 2016, Raiz pioneered the "Round-Up" concept, allowing users to round up their everyday purchases and invest the spare change into diversified portfolios. Since its launch, the company has expanded its product suite to include Raiz Kids, Raiz Invest Super, Bitcoin investment options, and the Raiz Residential Property Fund, making it a comprehensive wealth-building platform for all life stages.

The platform supports investment in 99 ASX-listed stocks, 51 ETFs, Bitcoin, and property funds, catering to both first-time investors and more experienced users. With a focus on accessible, technology-driven investing, Raiz remains the #1 investment app in Australia. The company has continued to expand its customer base, growing its active users to over 322,000, and has built a reputation for strong customer engagement and retention.

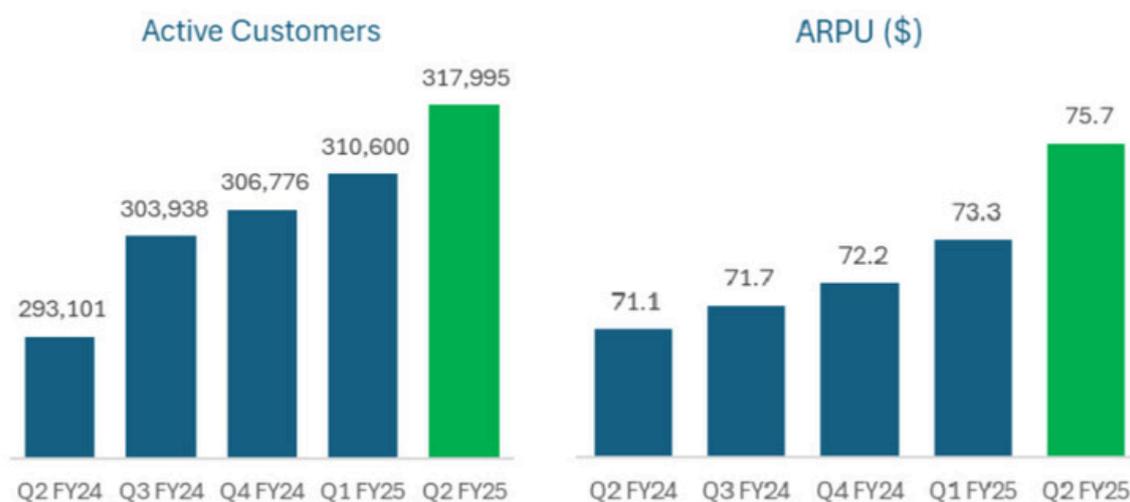
Strategically, Raiz is focused on customer acquisition, product innovation, and increasing revenue per user. The company's recent Board appointments of Juliana Nguyen and Paul Rogan reflect its commitment to strengthening leadership and driving long-term growth. Raiz's scalable fintech model, strong brand recognition, and digital-first approach position it as a key player in the evolving wealth management and financial technology space.

RECENT RESULTS

Raiz delivered a strong Q2 FY25 performance, driven by customer growth, increased revenue per user, and strong fund inflows.

Revenue for the quarter reached \$5.95 million, up 13.5% year-over-year (+5.1% QoQ), reflecting both higher active customer numbers and improved product mix. The company's Annualised Revenue Per User (ARPU) increased 6.4% YoY to \$75.68, supported by strong adoption of Raiz Plus and Raiz Super products. Active customers grew 8.5% year-over-year to 317,995, and continued increasing post-quarter to 322,219 as of 25 January 2025.

Strong growth in core revenue drivers



Source: Raiz, Q2 FY25 Quarterly Business Update

Funds Under Management (FUM) surged 32.4% year-over-year to \$1.61 billion, with net inflows of \$183 million in CY24, significantly higher than the \$57 million recorded in CY23. Raiz Super FUM grew 33.0% YoY to \$331.1 million, while Raiz Plus portfolios increased by 48.9%. The Kids investment portfolios segment also saw substantial growth, rising 41.8% YoY, positioning Raiz as a long-term partner for young investors. The company's average account balance increased 22.1% YoY to \$5,054, highlighting a shift from short-term savings to long-term wealth creation.

Raiz maintained a strong cash position, with \$12 million in cash and positive operating cash flow of \$700,000. The company has focused on enhancing customer engagement, introducing automated Raiz Rewards and launching Raiz Jars, a new feature allowing users to create multiple investment goals within a single account. With over 18,000 active Jar portfolios created since launch, the product has demonstrated strong early adoption and retention benefits.



TAKEOVER POTENTIAL

Raiz Invest has positioned itself as an attractive takeover target, given its rapid customer growth, strong recurring revenue model, and leadership in the micro-investing sector. The company's subscription-based fee structure and growing FUM base provide a highly scalable revenue stream, making it an appealing acquisition for larger wealth management firms, traditional banks, fintech companies, or private equity investors looking to expand in the digital investment space.

With 322,000+ active users and \$1.67 billion in FUM, Raiz offers a highly engaged customer base, a key differentiator in the fintech sector. The company's focus on product expansion, including superannuation and diversified investment offerings, enhances its long-term growth potential. Additionally, Raiz's recurring revenue (ARR) model, built on subscription fees and management fees from invested funds, creates a predictable cash flow structure, which is particularly attractive for potential acquirers. Raiz currently trades on approximately 3x its ARR of \$24 million.

The fintech sector has seen increased M&A activity, with traditional financial institutions and challenger banks seeking digital-native investment platforms to capture millennial and Gen Z investors. Given its leading position in micro-investing and embedded finance, Raiz could attract interest from major players in wealth management, neobanking, or global fintech firms looking to enter or expand in the Australian market.

With a strong balance sheet, increasing customer engagement, and product innovation, Raiz is well-positioned for a potential to command a valuation premium based on its strong growth trajectory and scalable business model.

THE RECENT TAKEOVERS

DROPSUITE LIMITED

(ASX: DSE)



In January 2025, NinjaOne announced its intention to acquire Dropsuite Limited (ASX: DSE), a leading Australian provider of cloud backup and data protection solutions, in a deal valued at approximately AUD 420 million. The all-cash offer of AUD 5.90 per share represents a 34.1% premium to Dropsuite's last closing price.

The Dropsuite board has unanimously recommended that shareholders approve the takeover, citing the offer as an attractive opportunity to realise value at a significant premium. If completed, the acquisition will strengthen NinjaOne's automated IT management platform by integrating Dropsuite's enterprise-grade SaaS data protection solutions, expanding its security offering across endpoints and cloud applications.

Financially, Dropsuite has delivered strong growth, reporting a 37% year-on-year increase in annual recurring revenue (ARR) to AUD 76 million for the December 2024 quarter. The company's total paid user base stands at 1.5 million, while maintaining a 70% product gross margin and a cash balance of AUD 42 million with no debt.

The transaction remains subject to shareholder approval, an independent expert assessment, and Australian Foreign Investment Review Board (FIRB) clearance. A break fee of AUD 4.2 million applies if the deal does not proceed. The acquisition is expected to be finalised in the first half of 2025.

DISCLAIMER

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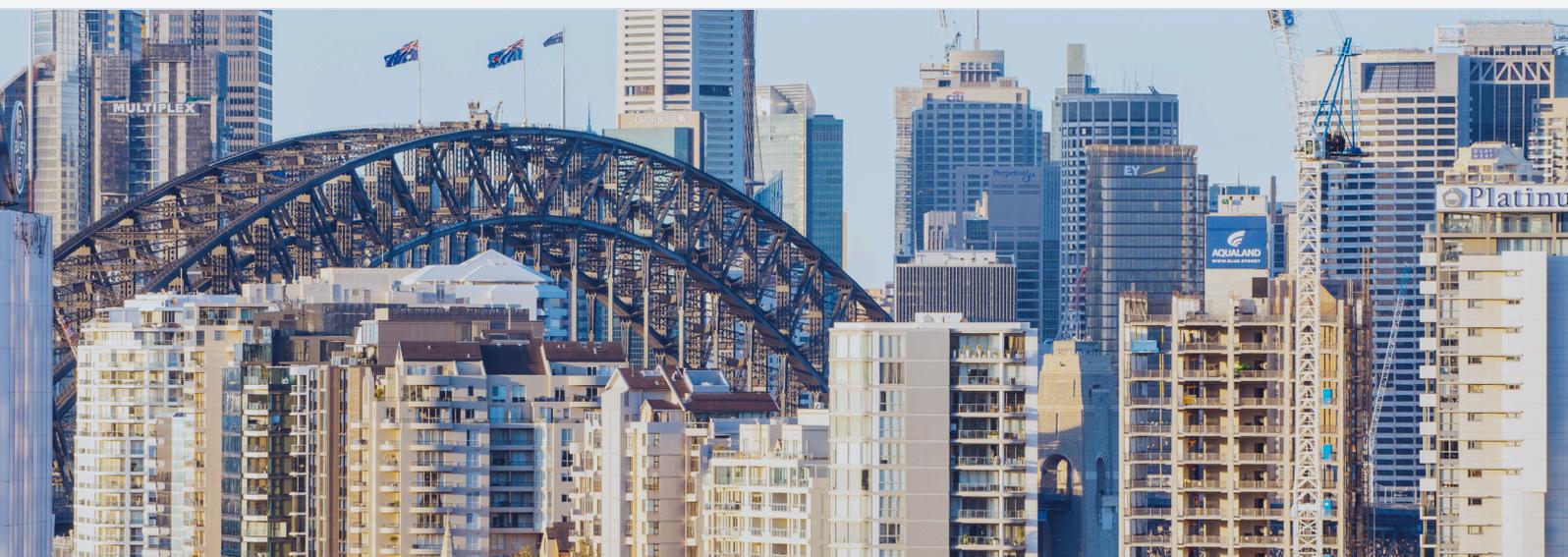
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