

## Media Release

### Private equity opportunities exist despite skittish times

- **Be picky and patient, says Federation**



June 20, 2023: It's a good time to be a Private Equity (PE) investor in Australia despite higher interest rates, inflation and fears about an impending recession, according to Federation Asset Management, a leading alternative investment manager.

Cameron Brownjohn, chief executive officer, Federation says: "Whilst the last six months point to some challenges, including June's rate rise, we believe opportunities are around for astute investors. At Federation we have been actively assessing multiple opportunities and are positive about the deal flow outlook for rest of 2023."

Brownjohn says patience and a clear business plan continue to be key attributes in deciding when and where to invest.

"All of our underwriting points to being careful and cautious in an environment of higher interest rates and an uncertain growth profile. Federation is not a high leverage buyout PE player - we have no, or very conservative gearing levels in our portfolio companies, and same for the pipeline deals in diligence. Prudence feels the relevant setting.

"Federation can afford to be picky and patient – we have done less than 1% of the opportunities presented which is indicative of the due diligence we apply in assessing opportunities and our patience.

"We are also very clear in terms of the sectors we wish to operate in. The flexibility of private markets allows firms such as Federation to be constructive with portfolio companies to the benefit of investors," Brownjohn adds.

History supports Federation's view in current investment conditions, he says.

"Good PE firms in such conditions are patient, conscious of the present but not to the myopic extent that it affects their medium-long term thinking. When these firms have invested in similar economic environments in the past, those investments have been amongst the higher performing vintages for those firms. So we are cautiously optimistic about the opportunity set at the moment."

At Federation this thinking is manifested through pragmatically managing portfolio businesses. For example, setting inflation linked revenue contracts where relevant, and pro-active control of cost base whilst taking a long-term view.

Brownjohn says: "Vendors are realistic on price and we can be constructive in the way we both protect capital on entry but also in the ways we seek to maximise returns.



“One area we are examining closely are businesses that seek to solve the asset-rich/cash-poor conundrum of older Australians. Healthcare, a prime area of interest for Federation, is a sector that has largely weathered valuation downturn – indeed many companies in this space have seen multiples expand.

“This has been beneficial to Federation investors as we are in the process of selling George Clinical, the CRO division of portfolio company George Health. We will maintain exposure to their internal medicines business which is progressing well. Additionally, we are conducting due diligence on a number of other businesses as we remain favourably disposed to the sector, noting price may inhibit some deal progression in the near term,” says Brownjohn.

“We will continue to examine opportunities in the energy transition space. Among Federation investments in this sector is Windlab, the pre-eminent developer of wind generation assets in Australia. Windlab, is a windfarm developer, in excess of 20GW in its pipeline, giving investors both exposure to its current assets but also its future earnings profile from developing out the pipeline.

“Storage is a critical piece in progressing our energy transition and Federation is looking to expand our existing portfolio of the Riverina and Darlington Point Battery Systems as well as the capacity peaker, Merredin Energy in WA. Opportunities in battery and pumped hydro are of particular interest to the team,” Brownjohn notes.

Investors can participate in these opportunities via the Federation Alternative Investments II Fund (F2).

Ends

### **About Federation**

Federation invests in businesses that meet economic and social needs. We aim to become Asia-Pacific’s leading investor in renewable energy, health and education real estate and operating companies with strong growth potential. Our team has a strong track record of working together over a number of years and offers unrivalled investment experience across these sectors.

The firm manages capital commitments of A\$1.4 billion for clients across the Asia Pacific region, including in Australia. Federation is a signatory to the United Nations Principles for Responsible Investing (UNPRI) and is certified by the Responsible Investment Association of Australasia(RIAA).

For more information please visit: <https://www.federationam.com/>

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