



# Nexia PPA Benchmarking Study

2019-2023



# Executive Summary

## Introduction

As a major step after the completion of an M&A transaction, purchase price allocation (PPA) is one of the most scrutinised focus areas by auditors and ASIC, which is a reminder to the preparers of financial reports and auditors about the importance of accurate business combination accounting. Whilst every business acquisition is unique and has different underlying value drivers, PPA outcomes in the same industry can shed some light on the common themes for the valuation of intangible assets and the resulting value allocated to goodwill that can provide a benchmark and guideline to the subject PPA.

## PPA benchmarking study

In this report, we share our findings from the PPA data of 4 industries, namely technology, professional services, retail trading and education industries, for acquisitions completed over the period 2019-2023. The report will also highlight trends in the allocation of purchase price among different intangible assets, identifying those of significant value in each industry. These insights can assist management and auditors in determining which intangible assets should be considered in business acquisitions and ensuring the allocation of purchase price to intangible assets is consistent with industry precedents.

## Key findings of the study

The table below summarises the most common intangible asset reported within each industry, which intangible asset represented the largest median portion of purchase price in each industry and the median resulting goodwill as a percentage of purchase price.

Industry	Intangible asset reported the most	Intangible asset accounts for most value in the transaction	IA value as a percentage of transaction purchase price (Median)	Goodwill as a percentage of transaction purchase price (Median)
Technology, media and communications	Technology	Customer assets and technology	0.22	0.74
Professional Services	Customer assets	Customer assets	0.31	0.68
Retail Trading	Customer assets	Brand	0.18	0.63
Education	Customer assets and technology	Technology	0.15	0.74

# Research Methodology

This study analyses the PPAs of completed transactions by ASX-listed companies between 2019–2023 in the following industries:

- Technology, media and telecommunications
- Professional Services
- Retail trading
- Education

The listing of transactions used in our research was sourced from S&P Capital IQ, and the transaction financial data was sourced from the financial reports of the ASX listed companies.

The below summarises how many transactions were completed in each financial year<sup>1</sup>, along with the number of transactions that were used in our research.

Industry	Number of transactions	Number of transactions observed	% observed
Technology	293	242	83%
Professional Services	118	91	77%
Retail Trading	60	48	80%
Education	15	8	53%

Transactions that were excluded in our analysis were those where:

- No information on the business acquisition was disclosed in the annual report of the buyer, or information was disclosed in aggregate with other acquisitions made by the buyer during the year;
- The business acquisition was either a reverse acquisition or resulted in a bargain purchase for the buyer.

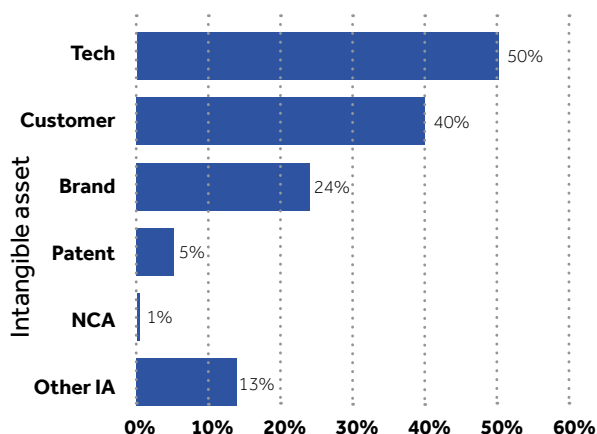


<sup>1</sup> Transactions completed between the period July 2022 – December 2023 are reported on a provisional basis. These results may change upon release of our next report once final figures are presented in company financial statements.

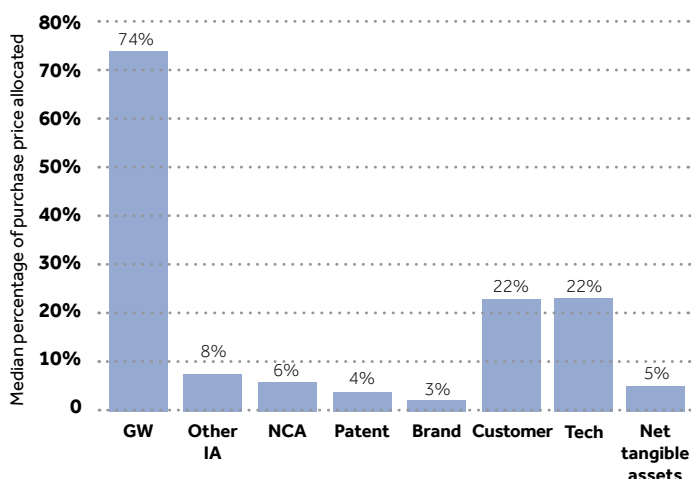
# Technology, media and communications

Acquired businesses represented in the technology, media and communications industry are engaged in the provision of application software, IT consulting, internet services and infrastructure, interactive media and services, electronic equipment and instruments, systems software and advertising services, amongst other services.

Percentage of total transactions where intangible asset was reported



Median percentage of purchase price allocated to each asset class



## Key observations

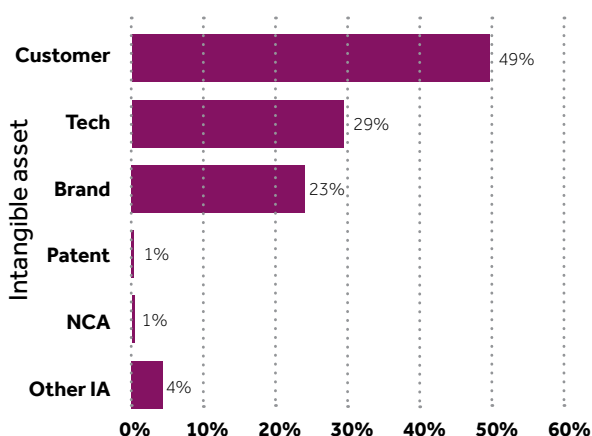
- The median percentage of purchase price allocated to **goodwill** within 242 observed transactions over 2019-2023 was **74%**, representing the largest portion of purchase price.
- Excluding goodwill, intangible **technology assets** were reported in **50%** of the 242 transactions observed, making them the most reported intangible asset in the technology, media and communications sector. The median purchase price allocated to technology assets equalled **22%**.
- **Customer-related** intangible assets were the second most reported intangible asset, with the median percentage of purchase price allocated to customer assets also equating to **22%**.
- **Brand** was reported as an intangible asset in **24%** of total transactions observed over the 5-year period, with a median of **3%** of purchase price allocated to the intangible asset.
- **Patents** were only reported in **5%** of the 242 transactions observed, with median purchase price allocation of **4%**.
- The least commonly reported intangible asset in the technology, media and communications sector was **non-compete agreements**, only reported in **1%** of total transactions. Amongst these transactions, the median portion of purchase price allocated to non-compete agreements was **6%**.



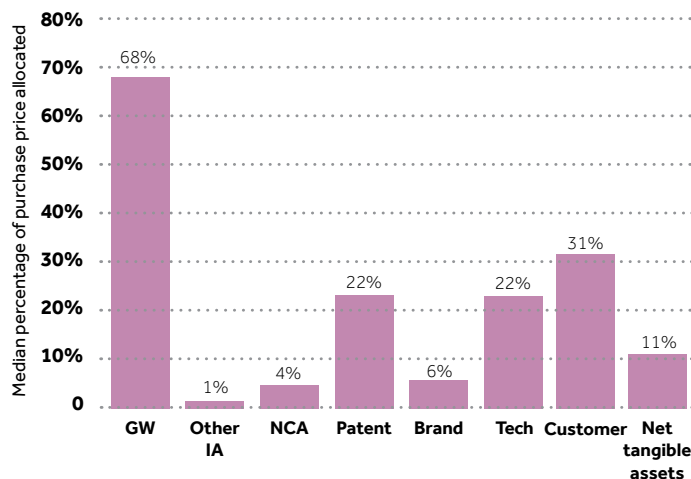
# Professional services

Acquired businesses in the professional services industry include those engaged in human resource and employment services, research and consulting services, data processing and outsourced services, specialised consumer services, IT consulting and advertising services.

Percentage of total transactions where intangible asset was reported



Median percentage of purchase price allocated to each asset class



## Key observations

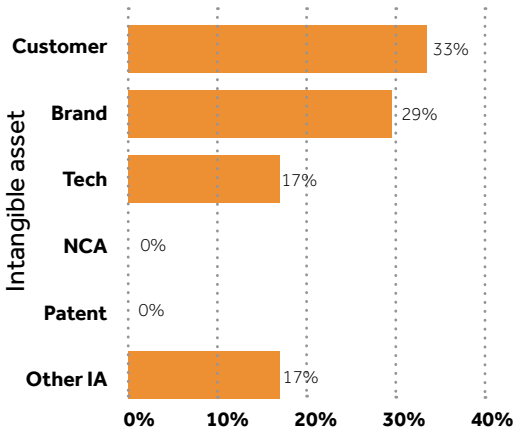
- The median percentage of purchase price allocated to **goodwill** within 91 observed transactions over 2019-2023 was **68%**.
- **Customer-related** intangible assets were the largest reported identifiable intangible asset during the review period, reported in **49%** of all professional services transactions. The median percentage of purchase price allocated to customer-related assets was **31%**.
- The second largest reported intangible asset over the review period was **technology**, which was reported in **29%** of observed transactions. The median portion of purchase price allocated to technology was **15%**.
- **Brand** was reported as an intangible asset in **23%** of observed transactions, with a median allocation of **6%** of total purchase consideration.
- **Patents** were only reported in 1 transaction over the review period, which was allocated **22%** of the total purchase price.
- Similarly, **non-compete agreements** were only reported in 1 transaction, whereby **4%** of the total purchase price was allocated to this agreement.



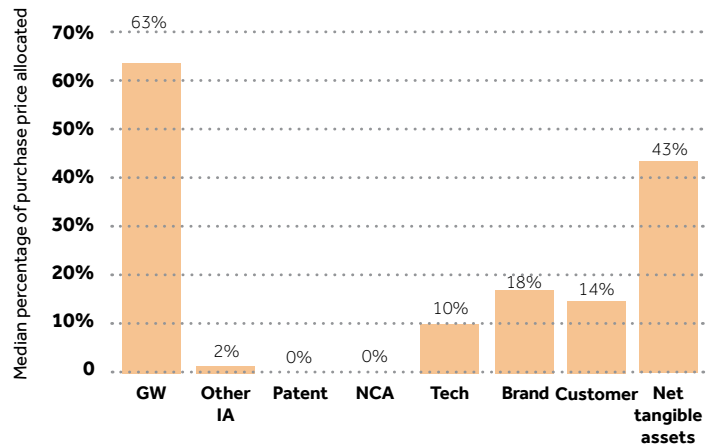
# Retail trading

Businesses that were acquired in the retail trading industry operate in the procurement and sale of goods. Such goods include automotive, computer and electronics, home furnishing, food, apparel and other specialty retail.

Percentage of total transactions where intangible asset was reported



Median percentage of purchase price allocated to each asset class



## Key observations

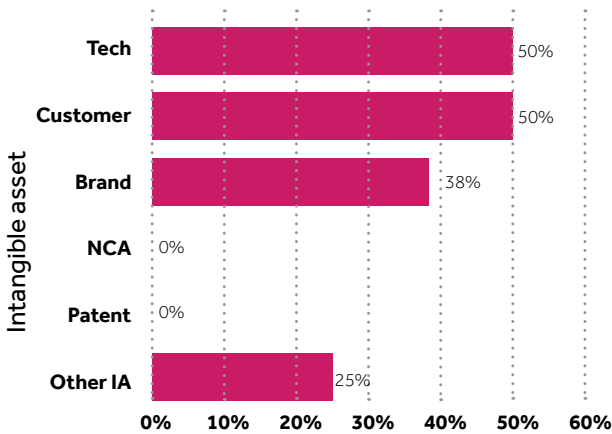
- The median percentage of purchase price allocated to **goodwill** for retail trading transactions over 2019-2023 was **63%**.
- The most-commonly reported intangible asset within the retail trading industry was **customer-related** assets which were reported in **33%** of the 48 transactions observed. The median percentage of purchase price allocated to customer assets was **14%**.
- Although the second-largest reported intangible reported in the retail trading sector, reported in **29%** of transactions, the median purchase price percentage allocation to **brand** was **18%** - a larger median than customer-related assets.
- Intangible **technology** assets were reported in **17%** of total transactions observed, with a median purchase price allocation of **10%**.
- Within the retail trading industry, there were no instances of **non-compete agreements** or **patents** being identified as intangible assets within financial statements throughout 2019-2023.



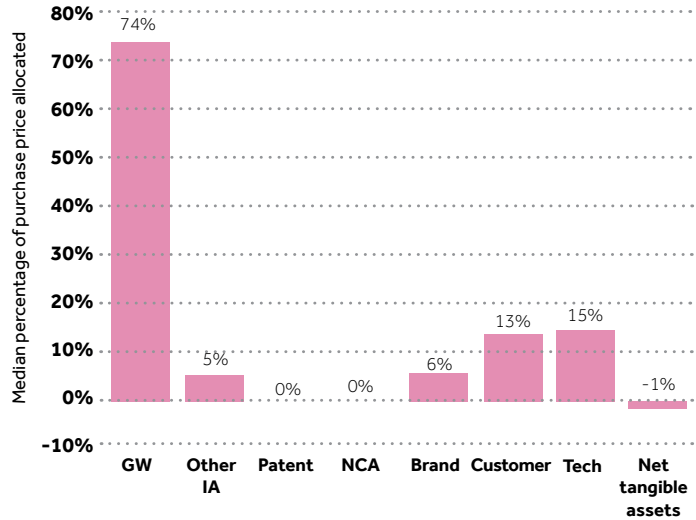
# Education

Acquired businesses included in the education industry are those businesses providing education services to consumers, such as in-person and/or online educational and assessment platforms, and online textbook and digital resource access.

Percentage of total transactions where intangible asset was reported



Median percentage of purchase price allocated to each asset class



## Key observations

- The median percentage of purchase price allocated to **goodwill** over the 2019-2023 in the education industry was **74%**.
- The two most-reported intangible assets in the education sector were **technology** and **customer-related** assets, which were both reported in **50%** of observed transactions. The median purchase price allocations to each asset respectively, were **15%** and **13%**.
- Brand was reported in **38%** of observed transactions, with the median percentage of purchase price allocated to intangible brand assets being **6%**.
- **Non-compete agreements** and **patents** were not reported in any observed transactions in the education industry over the review period.



# Who is Nexia

Nexia Sydney's Corporate Advisory team specialises in offering strategic guidance on mergers, acquisitions, corporate restructuring, valuations, due diligence, and financial analysis, helping businesses achieve their growth and restructuring goals effectively. Our team is committed to meticulously conducting valuations that meet stringent regulatory guidelines, ensuring our clients navigate complex financial landscapes with confidence and clarity.

## We provide valuations on:

- Intangible assets
- Financial instruments
- Businesses



## The purpose of such valuations is to assist with:

- **Decision Making** – Valuations provide a basis for making informed decisions regarding investments, mergers, acquisitions, and divestitures.
- **Financial Reporting** – Valuations are necessary for accurate financial reporting, including balance sheets, income statements, and disclosures.
- **Regulatory Compliance** – Valuations ensure compliance with regulatory requirements and accounting standards (e.g., AIFRS, GAAP).
- **Tax Purposes** – Valuations determine the market value of assets for tax calculations, such as property taxes or capital gains taxes.
- **Litigation and Disputes** – They serve as evidence in legal proceedings, such as shareholder disputes, divorce settlements, or insurance claims.
- **Strategic Planning** – Valuations help in strategic planning by assessing the value of potential investments or evaluating business performance.





## Who we are

At Nexia Australia, we're here to help you achieve your goals and plan for future success with bespoke solutions and personalised, practical advice. Equipped with unparalleled experience and expertise in advisory, tax, audit, business strategy, personal wealth services, and strategic thinking, we're the team you can trust to empower you to achieve your objectives and reach new heights.

We specialise in several key industries and cater to a wide range of clients, from small to medium-sized businesses to large private company groups, not-for-profit entities, subsidiaries of international companies, publicly listed companies, and high-net-worth individuals. We've had the privilege of working with market leaders in many sectors of Australian and New Zealand business, and we're here and ready to help you too.

We take pride in being responsive, progressive, and proactive in identifying and implementing the solution to your success.

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Learn how Nexia Australia can help set you and your organisation up for success. Contact your Nexia Advisor below to get started.



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Brent has worked as a specialist in corporate finance for over 20 years. Brent gained his experience as a Corporate Finance Partner in one of the world's largest accounting firms where he spent 10 years in the London office before returning to their Sydney office. Brent has also worked on the client side, working in the corporate development and strategy team in an ASX 20 company. Brent works on a range of corporate finance transactions including valuations and expert reports, M&A buy and sell side, IPOs, valuations, private fundraising and due diligence for corporate, private equity and bank pre-lending.

Brent is a Fellow of Chartered Accountants in Australia & New Zealand, a Business Valuation Specialist of Chartered Accountants in Australia & New Zealand, a Fellow of the Financial Services Institute of Australasia, an AFSL Authorised Representative and a Graduate of the Institute of Company Directors.



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Stephen is a highly experienced Corporate Advisory specialist with more than 30 years of M&A and commercial expertise developed in both professional and financial services. This has provided Stephen with insights as to the importance of both organic and inorganic growth options and how these can be combined to fulfil the growth agenda of the organisation whilst appropriately managing all significant risk aspects.

Stephen spent more than 25 years with one of the largest professional services firms in the world focusing on strategy & business plan assessment, understanding the competitive landscape, target identification, due diligence, negotiation, valuation, assessment of synergies and risks, project management and execution and is an acknowledged expert in the fields of corporate valuation & IERs, due diligence, IPOs and financial modelling.



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Lydia joined the Nexia Sydney Corporate Advisory team in 2019 and has over 15 years of experience in corporate advisory, and professional accounting experience gained in both medium tier and big fours.

Lydia works on a range of corporate advisory transactions including valuations and Independent Expert Reports, Due Diligence, Investigating Accountants Report, M&A buy and sell side advisories within the healthcare, education, technology, manufacture, retail, real estate property and agriculture sectors.

Lydia is a member of Chartered Accountants in Australia & New Zealand, a Business Valuation Specialist of Chartered Accountants in Australia & New Zealand and she holds a Master Degree of Applied Finance from the Macquarie University.

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