Industrial property players on a roll

BEN WILMOT

The industrial property market is locking in its status as one of the most active in Australia, with heavyweight Lendlease expanding its holdings and a tie-up involving Canada's Brookfield separately acquiring properties.

Industrial property has been the hottest area for large and small players in property even as traditional sectors have been under pressure.

Big industrial portfolios have been marketed and some are now being targeted as purchasers bet that dramatic rent rises for once-unloved sheds offset the impact of higher interest rates.

In one of the latest plays, Lendlease's Australian Prime Property Fund Industrial has just expanded its empire with the purchase of a complex in Sydney's industrial heartland, paying Arrow Capital about $47.05m for a Smithfield asset.

'This market is strongly supported by multiple drivers'

PAUL FORD
CENTENNIAL CEO, I&L

The building, 15 Britton St, is in a core logistics area in Sydney's west, and is one of the many complexes now benefiting from the boom in last mile deliveries.

The 12,979sq m warehouse and office is on a short-term lease to a prominent snack food manufacturer and sits on a 3.2ha site.

Buying the asset is part of the fund's strategy to provide warehousing and logistics solutions that meet the demand for more last mile distribution facilities.

Rivals HMC Capital and Hale Capital are also active in the area.

The fund plans to unlock more value from the site, which is adjacent to one of its existing holdings. It plans to redevelop both sites into a multi-level logistics facility using Lendlease's development expertise.

Big companies including Stockland, Charter Hall and Goodman are also pursuing multi-level warehousing, which big customers are chasing.

Gavin Bishop and Sean Thomson from Colliers and Chris O'Brien and Jason Edge from CBRE handled the sale.

APPF Industrial fund manager Tim Simpson said that on a global scale, Australia was "under-catering for high quality and thoughtfully designed infill logistics properties to meet the accelerating shifts in consumer habits where tenants require fast and efficient supply chains".

Others are also capitalising on the trend.

A new $700m last mile industrial and logistics venture launched by fund manager Centennial has closed oversubscribed after drawing wealthy and wholesale investors vying for equity in a $45m slice of the vehicle, alongside Brookfield Real Estate Secondaries and the local manager.

The Enhanced Value Partnership, which is Centennial's first with Brookfield's Real Estate Solutions business, will recapitalise existing assets owned by the local group and give it firepower to buy, reposition and develop niche, mid-space industrial and logistics assets in tightly held urban areas.

Centennial's executive director of private wealth and COO, Lyle Hammerschlag, attributed the fast take-up to the firm's strong track record in the mid-space industrial sector, where it plans to turn buildings into institutional-grade assets.

Targeting core-plus to value-add estates and buildings, Mr Hammerschlag said the fund's primary focus would remain on assets offering 1000sq m to 10,000sq m tenancies or estates between $10m to $75m.

Four fully leased seed assets in some of Brisbane's and Melbourne's prime inner ring industrial areas, valued at $100m, were added to the fund, with a pipeline of another $90m of sites under review across the eastern seaboard.

Centennial CEO, I&L Paul Ford said the group saw opportunities in the mid-space, last mile and infill sectors. "This market is strongly supported by multiple demand and sector drivers but is often overlooked by institutional investors due to initial scale requirements and management intensity," he said.

"While the industrial sector is still performing strongly, we do anticipate some further cap rate softening and believe we are very well placed to seize opportunities and act quickly."

Thales' Tesserent bid gets nod

Shareholders of Australia's largest listed cyber-security outfit Tesserent have voted in favour of a takeover bid by French defence company Thales, in a scheme of arrangement worth $176m.

At a shareholder meeting on Monday, 95 per cent of the shareholders present voted in favour of the resolution, which will be heard at an approval hearing by the Federal Court on Friday. The offer was made at 13c a share, which was close to triple its price at the time of 4.9c.

The Paris-listed Thales employs about 3800 staff locally. On completion it will offer Tesserent solutions as Cyber Solutions by Thales and will market them as the lead cyber-security offer of Thales Australia and New Zealand. Tesserent will de-list after seven years on the ASX.

The company's shares fell 3.9 per cent to 12c.

Backing up data crucial: Cyber Summit

JOSEPH LAM

BRITTA CAMPION

ASIC chair Joseph Longo: 'If you're not evaluating your third party risk, you're deceiving yourself'

Australian companies only consider paying ransom demands after cybersecurity breaches when they've failed to restore their own data, said Deloitte risk advisory partner David Owen.

"I will go as far to say, in most cases, you will only contemplate the idea of 'should we pay a ransom' if you had tried to do a back-up restoration ... and that process has failed," Mr Owen told a Cyber Summit on Monday.

That view was formed after having witnessed a number of attacks and having worked with companies who have suffered Australia's largest breaches, including Medibank and Optus.

Speaking to The Australian after the summit, Mr Owen said data restoration and increased focus on third-party suppliers should be front of mind for most organisations.

Deloitte was increasingly advising its customers and running tests of back-up and restoration services, with many unaware they were sometimes not prepared or their contracts for restoration providers were outdated, he said.

Most Australian companies had contingency plans in place which saw their system back up and online in 24 to 48 hours following a major cyber incident.

"If you think about what turns one of these incidents into a crisis, as opposed to an event, it's usually the amount of time that they're offline for," he said.

"Our advice to organisations would be if you pay a ransom to try and get your data returned, I think it's a bit like the toothpaste has already left the tube in terms of whether you're ever going to get said data back and whether you can get confidence that (the hacker is) going to subsequently release it."

One increasingly important area on the subject of cyber ransoms was the pressure that secondary organisations played, especially when it came to business involved in critical supply chains, Mr Owen said.

Australian Securities and Investments Commission chair Joseph Longo, who also held a keynote at the summit, was adamant most organisations had not properly assessed the risk of third-party suppliers.

Mr Longo, quoting some early findings of ASIC's cyber pulse survey, said most respondents had no ability to protect data handled by third-party suppliers.

"Although the results will be published later this year, initial findings make it clear that one of the weakest links in cyber preparedness is third party suppliers, vendors and managed service providers," he said.

About 44 per cent of respondents "indicated that they did not manage third party or supply chain risk and more than half had limited or no capability to protect confidential information adequately", he said.

Mr Longo also told the summit that ASIC would increasingly be targeting directors who had not done enough to protect themselves from cyber incidents.

"The days are long gone where directors of any company or any business can say, 'well, I don't really understand that technology'," he said. "That's just simply not acceptable. I think if you're a director of a company, then you've got to understand the company's business."

Directors in 2023 who failed to understand the technology systems of their companies were likely not complying with their duties. "That means understanding the systems process technology providers and the data management," Mr Long said. "All of that is fundamental to the viability of most businesses so if you can't demonstrate that, then you're probably getting close to not complying with your director's duties.

Mr Longo added: "If you're not evaluating your third party risk, you're deceiving yourself."

Mighty Kingdom calls in lawyers

CAMERON ENGLAND

Game developer Mighty Kingdom has appointed specialist dispute resolution lawyers in its bid to extract $2.1m in capital raising payments it says it is owed by a company controlled by former chief executive Shane Yeend.

Mr Yeend's resignation from the top role at the Adelaide-based game development company was announced to the ASX on September 1, a day after he told The Australian he had quit.

Since that time non-executive director Melanie Fletcher from London-based global entertainment group Done and Dusted has also resigned from the company, which is chaired by former ABC managing director Michelle Guthrie.

Mighty Kingdom's annual results, released on August 31, made no reference to Mr Yeend at all but a note to the financial statements indicated a $2.3m debt was owed by his company Gamestar Studios.

The money owed by Mr Yeend's company relates to a capital raising announced more than a year ago, when Mighty Kingdom told the ASX it had received commitments for a $7m placement, allowing the company to restructure following heavy losses since listing in April, 2021.

Mr Yeend's Gamestar Interactive Inc was brought onto the share register as part of the raising, with Mighty Kingdom telling the ASX at the time that Gamestar had "closed its first seed round at a $57.2m valuation in November, 2021".

Mr Yeend told The Australian that Gamestar has so far paid $2m towards its expected contribution to the capital raising.

However $2.1m remains outstanding, Mighty Kingdom says, despite all necessary conditions for payment having been met.

'They are in breach of nearly all the clauses'

SHANE YEEND
FORMER MIGHTY KINGDOM CHIEF EXECUTIVE

"As a significant portion of these funds have not been forthcoming despite efforts to resolve the delays, Mighty Kingdom have appointed LK Law, specialist dispute resolution advisors, in conjunction with its existing financial and legal advisors to pursue and expedite an outcome that maximises value for the company's shareholders," Mighty Kingdom told the ASX on Monday.

"Noting the company's ASX release of August 25, 2023, where it announced an R&D prepayment facility with Radium Capital for circa $1.2m, Mighty Kingdom is in a position to finance its ongoing business operations without immediate recourse to the Gamestar settlement moneys."

After Mr Yeend's Gamestar participated in the capital raising in August last year, he was appointed chief executive in May, with a nominal "consulting fee" of $1 to be paid, and subject to shareholder approval, 12 million share options with a strike price of 8c and a two-year expiry term.

"I believe Mighty Kingdom is the perfect vehicle to grow a global gaming business," he said at the time.

On Monday Mr Yeend said it was Mighty Kingdom that was in beach of the conditions surrounding the capital raising.

"They are in breach of nearly all the clauses.

"Our monies were conditional with heavy conditions.

"Our position is entirely justified, based on an agreement with the investment bankers and chair that took our money, based on a break-even 22/23 year (hence the tranches) and they lost another more than $9m."

Mighty Kingdom shares last traded at 1.3c. The company floated at an issue price of 30c in 2021 after raising $18m.

Tabcorp, hotels charged over underage gambling

TANSY HARCOURT

Tabcorp and several venues owned by Australian Liquor & Hospitality, a unit of Endeavor Group, have been charged by the Victorian Gambling and Casino Control Commission with allowing a minor to gamble.

The minor is alleged to have gambled 27 times between September and November last year at eight separate venues, including three ALH-owned pubs, and one TAB outlet.

A total of five venue operators have been charged with allowing a minor to gamble, allowing a minor within a gaming machine area and failure to ensure gambling vending machines were reasonably supervised at all times. Tabcorp has been charged with allowing a minor to gamble and failing to ensure reasonable supervision of its electronic betting terminals.

VGCCC chief executive Annette Kimmitt said a tip off from a member of the public was what triggered the investigation and now the venues face combined fines of up to $1m and Tabcorp faces a fine of up to $698,997.

"One of the most serious harms is allowing minors to gamble. All gambling venues must ensure they do not accept a bet from a minor," said Ms Kimmitt.

Last year, Tabcorp received a $1m fine – the largest fine the VGCCC has dished out – for failing to comply with two directions issued after a major system outage in the 2020 Spring Racing Carnival.

Back in 2017 the wagering giant received the biggest civil penalty ever issued by Austrac at the time, of $45m, for breaching anti-money laundering laws.

"This is a matter Tabcorp is taking very seriously," said a spokesman. "We're focused on managing the unique challenges of cash betting and continue to invest in this area to protect minors by stopping our equipment from being used in this way."

The charges are a continuation of an investigation announced in May by the VGCCC, which said at the time that the minor was 16 years old. In the May charges, Tabcorp and one Victorian pub were charged. That venue was the Preston Hotel while in the latest charges, the venues are the Olympic Hotel, the Brunswick Club, the Edwardes Lake Hotel, the Parkview Hotel, the Albion Charles Hotel, the Doncaster Hotel, the Rose Shamrock & Thistle Hotel.

Fujitsu buys tech security adviser

JOSEPH LAM

Canberra-based tech consulting agency MF & Associates has been acquired by Japanese multinational Fujitsu.

The 52-person firm, which offers cybersecurity, technology and management consulting, is the sixth acquisition Fujitsu has made in the Asia-Pacific across the past three years, most in Australia. Other acquisitions included oobe, a Microsoft and Azure-focused tech company, in February last year and data analytics consultancy Versor, which was acquired in April in 2021.

Fujitsu's Australia APAC chief executive Graeme Beardsell told The Australian MF & Associates was unique in the current market, with nearly 80 per cent of its staff having cybersecurity skills.

"What attracted us to MF was essentially two things. One is their great capacity in the business transformation, consulting and cyber consulting space. They've got 52 professionals and about 40 plus have got cyber skills," he said.

Fujitsu wouldn't disclose the value of the acquisition but Mr Beardsell said MF & Associates had increased its revenue to $10m in under four years.

While MF & Associates will continue to operate as a stand alone company – it will be rebranded to MF&A, a Fujitsu company – it likely would be absorbed eventually into Fujitsu's broader team, Mr Beardsell said.

'We're ... talking about what integration looks like'

GRAEME BEARDSELL
FUJITSU AUSTRALIA APAC CEO

Fujitsu typically kept companies stand-alone for about two years before making plans on their absorption, he said.

New Zealand cybersecurity business InPhySec, which Fujitsu acquired in September 2021, already had been absorbed into oobe.

"We're in the throes of talking about what integration looks like. The security company (InPhySec), which we bought in New Zealand, is being folded into the oobe business, as will MF & Associates," Mr Beardsell said.

"MF & Associates might be a faster integration because of the fact that they're really well lined up with our security and cloud consulting practices."

Australia increasingly was producing mature firms that were proving their own on a global stage, Mr Beardsell said. "And I don't just say that because I'm Australian."

MF & Associates managing director Mat Franklin said the firm would benefit from the use of Fujitsu's own technology.

"Like Fujitsu, we pride ourselves on having a strong purpose-led approach to the way we do business and we're thrilled with the synergies this will create for our existing and future clients on their digital transformation journeys," he said.

Fujitsu's latest acquisition forms part of an ambitious goal to reach a consulting capability with 10,000 staff by fiscal 2025.