

Global Sector Overview

Consumer

Trend Report



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Q1-Q4 2017

Data analysis

Consumer sector M&A activity remained strong in 2017, accounting for a 12.1% share in overall global M&A by value. The sector's total deal value rose 68.4% to US\$ 381.1bn globally over 2,093 transactions from 2016 (US\$ 226.3bn over 2,208 deals), marking the third-highest total on *Mergermarket* record (since 2001).

These figures reflect an ongoing increase in deal sizes worldwide, with the Consumer sector recording six megadeals in 2017. These transactions alone were worth a combined US\$ 149.8bn and comprised 39.3% of the Consumer sector's global market share by value.

The US, once again, ranked first in 2017, leading global Consumer activity by capturing 44% of the market share by value with 507 deals worth US\$ 167.8bn as well as recording three out of the top five transactions for the period globally. The largest deal of the year went to UK-based British American Tobacco's US\$ 60.6bn takeover for the remaining 57.8% stake in US-based Reynolds American it did not own. The US also reached its highest yearly total on *Mergermarket* record, with a 91% surge in value compared with 2016.

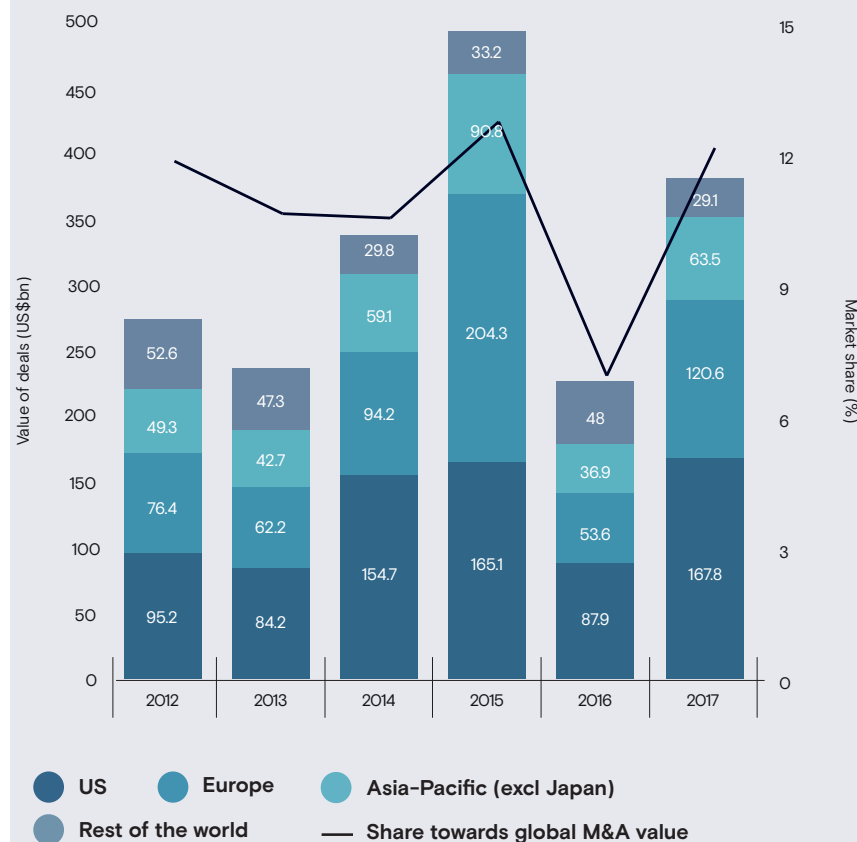
One new driver for possible increased investment and M&A in the US is the recreational marijuana legalization in California, according to *Mergermarket* intelligence. Companies manufacturing cannabis-related consumer packaged goods, beverages, pharmaceutical products, and hemp oil as well as dispensaries are among potential areas of interest.

Europe, on the other hand, was the most attractive target region in terms of deal count. There were 935 deals valued at US\$ 120.6bn, with deal values increasing by 2.3x compared with 2016 (US\$ 53.6bn, 998 deals). By value, Europe grabbed a 31.6% market share with luxury brand deals leading the way. Such deals included Italy-based premium eyewear company Luxottica Group's US\$ 25.4bn acquisition of France-based Essilor International and LVMH's US\$ 13.2bn takeover of fashion couture designer Christian Dior.

Chinese investment in European consumer targets saw a 9.9% yearly increase by value despite the slowdown in China outbound activities due to the restriction of capital invested offshore. Notable deals in 2017 included the Chinese conglomerate HNA Group's US\$ 1.4bn acquisition of a 16.2% stake in Switzerland-based airport retail outlets firm Dufry. HNA later increased the stake to 20.92%.

Meanwhile, Asia-Pacific (excl. Japan) dealmaking activity stood at US\$ 63.5bn across 388 transactions in 2017, which was the most active in terms of volume and the second-highest deal value on *Mergermarket* record. The region saw a 72.4% increase by deal value with 26 more deals compared with 2016. The top deal over the last 12 months was the US\$ 6.5bn consolidation of Philippines-based conglomerate San Miguel Corporation's beverage businesses into consumer food arm San Miguel Pure Foods.

**Regional Breakdown Trend
2012—2017**



Data analysis continued

The Food subsector was in the spotlight in the last quarter of 2017 with the top three Consumer deals falling into this category. In 2017, the Food subsector saw an 81.7% increase in value to US\$ 98.4bn over 657 deals compared with the previous year (US\$ 54.2bn, 622 deals). Kohlberg Kravis Roberts' US\$ 8bn buyout of Anglo-Dutch Unilever's spreads and dressing division – the top deal in Q4 2017 – and the US\$ 17.8bn mega-acquisition of baby formula manufacturer Mead Johnson by UK-based Reckitt Benckiser Group together boosted the subsector's total.

On the Retail front, the subsector recorded 701 deals valued at US\$ 116.8bn in 2017, accounting for a 25.8% market share of the global total. The most high-profile deal in this space was Amazon's US\$ 13.4bn acquisition of natural food supermarket chain Whole Foods Market as well as Tesco's US\$ 4.5bn merger with Booker, a food wholesaler. Similar consolidation deals such as UK-based consumer co-operative The Co-operative Group Limited's US\$ 320m takeover of UK-based independent retailer brand and buying group Nisa Retail Limited followed.

Meanwhile, the "Other" subsector, which includes all categories other than food and retail, was the highest-valued subsector during the period with 735 transactions worth US\$ 165.8bn, up an impressive 92.2% compared with 2016 (US\$ 86.3bn, 755 deals). The top deal of 2017 – the aforementioned UK-based British American Tobacco's US\$ 60.6bn takeover contributed more than one-third of the "Other" subsector. In the last quarter of the year, China's Fosun closed its US\$ 846m

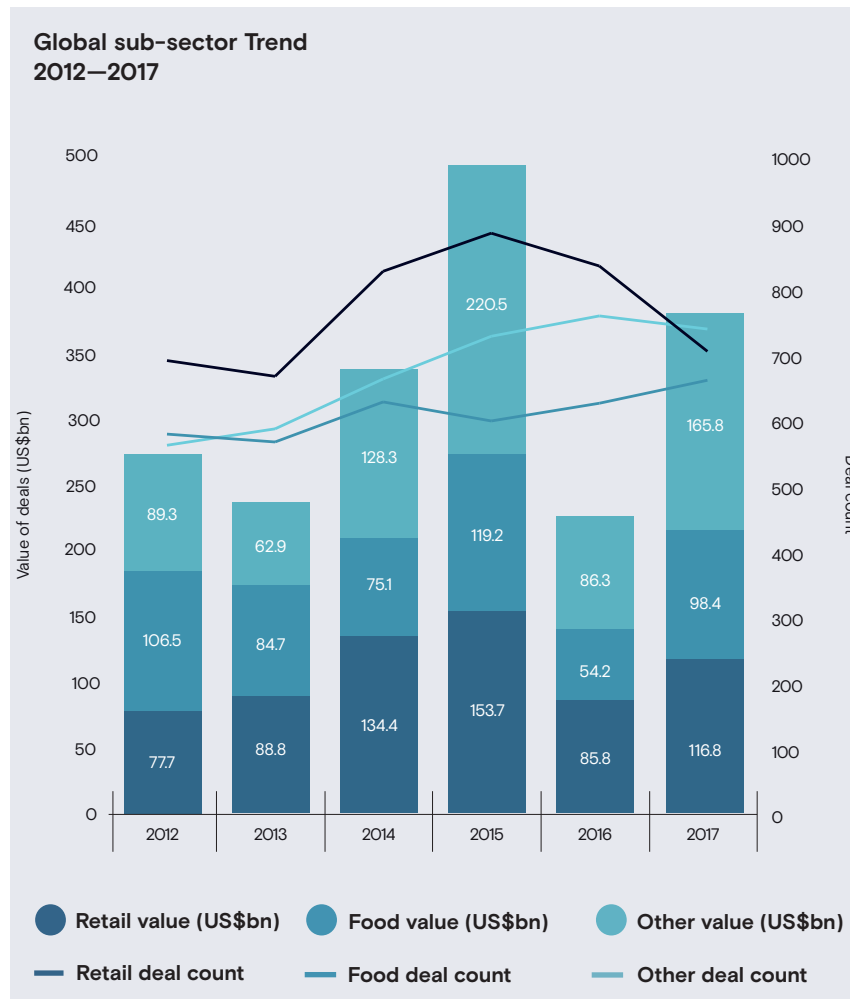
buyout of Asahi's stake in Tsingtao Brewery.

Niche and innovative skincare producers are also attractive targets for large cosmetics players. While skincare product sales have slowed over the last few years, brands addressing consumers' expectations for more natural ingredients are likely to experience sustained growth. For instance, New York-based innovative organic beauty products manufacturer Grande Cosmetics is receptive to minority investors and welcomes approaches from sector players and private equity firms, according to *Mergermarket* intelligence.

While Private equity exits generally remained quiet, buyout activities in the sector outperformed the market in 2017. Fund investments targeting firms in the Consumer sector have now surpassed all annual values and deal counts since 2007, with 517 deals worth a total US\$ 65.2bn. The value in 2017 represents an 84.2% increase compared with the 513 deals worth US\$ 35.4bn in 2016.

Buyouts accounted for 17.1% of the total global Consumer M&A value in 2017, the highest such percentage since 2007's 29.3%.

Overall, the Consumer sector showed an active and buoyant dealmaking market for 2017. With the momentum continuing in 2018, deal prospects remain strong.



Top deals

Deal Details				Advisor details			
Value (US\$m)	Announcement date	Target	Bidder	FA to sell-side	LA to sell-side	FA to buy-side	LA to buy-side
60,567	17-Jan-17	Reynolds American Inc (57.83% stake) (USA)	British American Tobacco Plc (UK)	Goldman Sachs; JPMorgan; Lazard	Jones Day; Moore & Van Allen; Simpson Thacher & Bartlett; Weil Gotshal & Manges; <i>Advising FA:</i> Kirkland & Ellis; Skadden Arps Slate Meagher & Flom	Centerview Partners; Deutsche Bank; UBS Investment Bank	Cravath, Swaine & Moore; Herbert Smith Freehills; <i>Advising FA:</i> Allen & Overy; Davis Polk & Wardwell
25,423	16-Jan-17	Luxottica Group SpA (Italy)	Essilor International SA (France)	Mediobanca	BonelliErede; Chiomenti ; Cravath, Swaine & Moore	BNP Paribas; Citi; Rothschild	Blake, Cassels & Graydon; Bredin Prat; Cleary Gottlieb Steen & Hamilton ; CMS; Jones Day
19,310	23-Feb-17	Essity Aktiebolag (publ) (Sweden)	Svenska Cellulosa Aktiebolaget SCA (Shareholders) (Sweden)	Bank of America Merrill Lynch; Handelsbanken Capital Markets	Mannheimer Swartling; Vinge		
17,835	10-Feb-17	Mead Johnson & Company (USA)	Reckitt Benckiser Group Plc (UK)	Goldman Sachs; Morgan Stanley	Kirkland & Ellis; <i>Advising FA:</i> Cleary Gottlieb Steen & Hamilton	Bank of America Merrill Lynch; Deutsche Bank; HSBC; Robey Warshaw	Davis Polk & Wardwell; Linklaters; <i>Advising FA:</i> Clifford Chance; Freshfields Bruckhaus Deringer; Shearman & Sterling
13,464	16-Jun-17	Whole Foods Market Inc (USA)	Amazon.com Inc (USA)	Evercore	Wachtell, Lipton, Rosen & Katz; <i>Advising FA:</i> Latham & Watkins	Goldman Sachs	Blake, Cassels & Graydon; Sullivan & Cromwell; <i>Advising FA:</i> Paul Hastings; Weil Gotshal & Manges

Drivers & Heat chart

based on potential companies for sale

Carve-outs are expected in 2018 for the US and Europe market in particular, according to *Mergermarket* intelligence. Consumer carve-outs in the pipeline include Nestle's potential sale of its US confectionery business to Italian chocolate maker Ferrero Group, and French luxury goods company Kering's strategic review of its German sportswear brand Puma, according to media reports.

Globally, consolidation is likely to heat up going into 2018, driven by favorable valuations, strong balance sheets, and support from investors to carry out strategically sound initiatives. Consolidation of independent convenience store suppliers and brick-and-mortar retailers bolstering their omnichannel offerings via the acquisition of e-commerce specialists is expected to be among trends in 2018.

Mirroring what is occurring with organic food, a shift in consumer preferences towards beauty products that use natural, organic and vegan ingredients is expected to drive an increase in M&A globally. Emerging independent brands that focus on natural materials for their products are drawing interest from both strategics and financial investors. Brands that have innovative formulas and particularly clean ingredient profiles are attractive as well as those building their brands through digital channels, according to *Mergermarket* intelligence.

Digital marketing platforms in the cosmetics space is another popular trend. Independent brands with a strong focus on digital marketing are becoming more attractive among traditional players, with beauty giants looking for existing brands with proven and scalable digital platforms that enable direct access to customers. One such example is US beauty group Coty's US\$ 600m purchase of a 60% stake in online peer-to-peer social beauty products selling platform Younique, which sells its own branded cosmetics products.

Heat chart based on potential companies for sale

Sector	TMT	Industrials & Chemicals	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Construction
North America	562	513	362	263	245	301	121	56	19
North Asia	260	286	144	118	85	95	100	56	50
Western Europe	248	170	148	120	80	91	121	48	41
South East Asia	84	70	61	35	53	23	49	33	23
CEE/CIS	87	93	103	40	56	34	44	26	24
Australasia	96	43	85	50	56	37	44	26	16
Southern Europe	60	75	101	26	31	23	39	26	17
South America	36	32	83	43	49	23	19	9	10
South Asia	31	49	59	18	27	27	34	8	14
Nordics	47	35	23	23	16	17	12	4	11
Japan	43	29	34	22	2	41	9	2	2
Africa	12	18	12	10	29	7	14	1	8
Middle East	41	11	13	10	10	18	6	4	0
Central America	3	17	9	1	12	1	5	1	2

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as "Companies for sale" in the last six months.

League tables

Financial advisor league table by value

Ranking			2017		2016	
2017	2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	1	Goldman Sachs & Co	133,784	29	52,586	154.4%
2	7	Deutsche Bank	95,352	12	24,746	285.3%
3	3	JPMorgan	91,819	26	38,378	139.2%
4	8	UBS Investment Bank	75,854	23	22,008	244.7%
5	5	Lazard	73,799	30	34,784	112.2%
6	6	Bank of America Merrill Lynch	67,797	19	33,088	104.9%
7	20	Centerview Partners	64,266	9	6,480	891.8%
8	2	Rothschild	60,073	43	47,189	27.3%
9	4	Morgan Stanley	55,587	24	38,051	46.1%
10	12	Citi	47,711	11	9,736	390.0%

Financial advisor league table by deal count

Ranking			2017		2016	
2017	2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	3	KPMG	3,031	64	57	7
2	6	EY	5,791	63	34	29
3	1	PwC	5,466	59	59	0
4	2	Deloitte	1,814	59	59	0
5	4	Rothschild	60,073	43	43	0
6	11	Houlihan Lokey	3,430	32	22	10
7	5	Lazard	73,799	30	37	-7
8	7	Goldman Sachs & Co	133,784	29	30	-1
9	18	Oaklins	950	27	18	9
10	8	JPMorgan	91,819	26	22	4

Legal advisor league table by value

Ranking			2017		2016	
2017	2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	5	Davis Polk & Wardwell	113,028	22	19,829	470.0%
2	30	Kirkland & Ellis	101,277	57	7,347	1278.5%
3	13	Jones Day	95,851	41	12,633	658.7%
4	8	Cravath, Swaine & Moore	95,313	7	17,124	456.6%
5	3	Skadden Arps Slate Meagher & Flom	93,697	23	22,542	315.7%
6	33	Weil Gotshal & Manges	85,487	30	7,031	1115.9%
7	28	Simpson Thacher & Bartlett	81,627	14	7,532	983.7%
8	15	Cleary Gottlieb Steen & Hamilton	71,815	14	10,905	558.6%
9	50	Herbert Smith Freehills	65,263	19	3,617	1704.3%
10	183	Moore & Van Allen	60,567	1	355	16961.1%

Legal advisor league table by deal count

Ranking			2017		2016	
2017	2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	8	Kirkland & Ellis	101,277	57	30	27
2	1	DLA Piper	6,772	52	52	0
3	4	Jones Day	95,851	41	37	4
4	2	Baker McKenzie	5,428	41	44	-3
5	5	Latham & Watkins	23,743	32	32	0
6	12	Weil Gotshal & Manges	85,487	30	26	4
7	3	Allen & Overy	6,379	29	43	-14
8	9	Linklaters	32,339	28	28	0
9	6	White & Case	16,049	28	32	-4
10	42	Goodwin Procter	2,266	28	13	15

Criteria

All data is based on transactions over US\$ 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds US\$10m. Deals where the stake acquired is less than 30% will only be included if the value is greater than US\$100m.

Click [here](#) for the full deal criteria.

M&A trend: Based on the dominant sector of the target company being Consumer. The dominant geography of the target company is based on global activity or the region stated. Excludes lapsed and withdrawn bids.

Cross-border M&A: Based on a transaction involving at least two different countries between target and bidder.

Top deals: Based on the dominant sector of the target company being Consumer. The dominant geography of the target company is based on global activity. FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

League tables: Based on the dominant sector of the target company being Consumer and the geography of the target, bidder or seller being global. The financial advisor tables exclude lapsed and withdrawn bids. The legal advisor tables include lapsed and withdrawn bids.

All values are in US\$

Data correct as of 02-Jan-18

League Tables correct as of 02-Jan-18

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