

# MERGERMARKET

## Consumer Trend Report

### H1 2016

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## Data analysis

Continuing the trend that began in the first quarter of 2016, the Consumer sector did not see significant improvement in the second quarter of the year: 482 deals valued at US\$ 49.9bn in Q2 2016 represented a 24.4% decline in deal value from the comparable quarter last year, despite a 9.6% increase from Q1 2016.

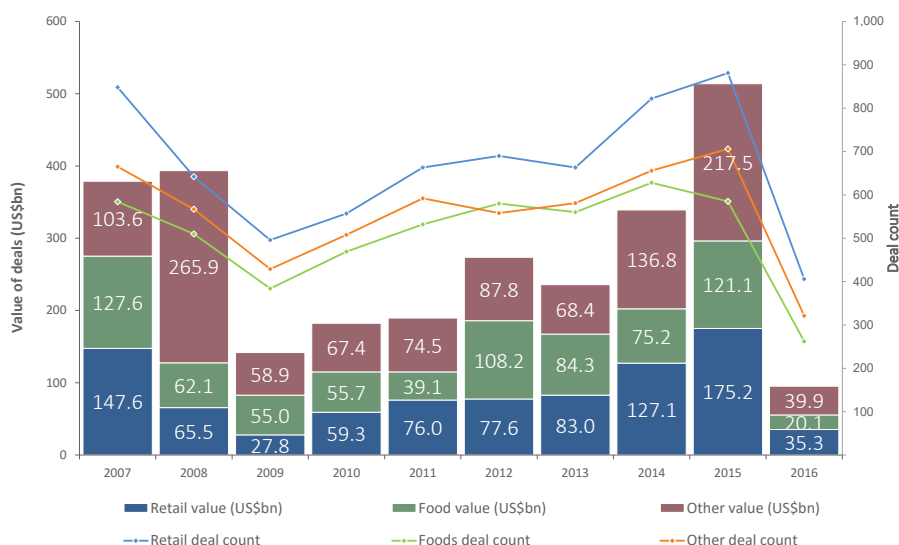
The year's sluggish start resulted in a poor first-half performance for Consumer, manifested by a 51.4% drop in value between H1 2015 (US\$ 196.2bn) and H1 2016 (US\$ 95.4bn). Though global M&A seems to be rebalancing after record highs in 2015, with Consumer as no exception, the latter's drop by more than half from last year represents a stark difference from the 25.4% overall decline in deal value for global M&A. It was the largest decrease across all other sectors, followed by Energy, Mining & Utilities with a 44.3% drop and TMT at 40.3%.

Consumer mega-deals – the staple of the first half of last year, which had seen three deals over US\$ 10bn – have yet to occur in 2016. The largest deal in Consumer this year remains the US\$ 6.2bn acquisition of Big C Supercenter by Berli Jucker, announced in February.

The highlight of H1 2016, on the other hand, was the Consumer-Other sub-sector (the manufacture of non-food consumer products). While the Retail and Foods sub-sectors dropped 64.5% and 75.3% by deal value, respectively, compared to H1 2015, Consumer-Other more than doubled from US\$ 15.3bn last year to US\$ 39.9bn in H1 2016. The sub-sector was fueled by Qingdao Haier's January acquisition of GE Appliances, a manufacturer of home appliances, for US\$ 5.6bn, and Henkel's June acquisition of the Sun Production Corporation, a manufacturer of household cleaning agents, valued at US\$ 3.6bn.

Consumer was hit the most in the US, recording 237 deals worth US\$ 26.7bn in H1 2016, a 64.4% drop in deal value and a 14.1% decrease in deal count from H1 2015 (US\$ 74.9bn, 276 deals). The US was the target of last year's

## Global sub-sector trend



largest transaction in the sector, the US\$ 54.5bn merger between Kraft Foods and H.J. Heinz, which partly explains the significant decrease in deal value this year. However, it was Europe that was the center of attention in Q2 2016, with the United Kingdom announcing its withdrawal from the European Union following a popular referendum. According to Mergermarket intelligence, the implications are deep for all of Europe. M&A is all about confidence, and that has just been eroded, according to a UK-based banker.

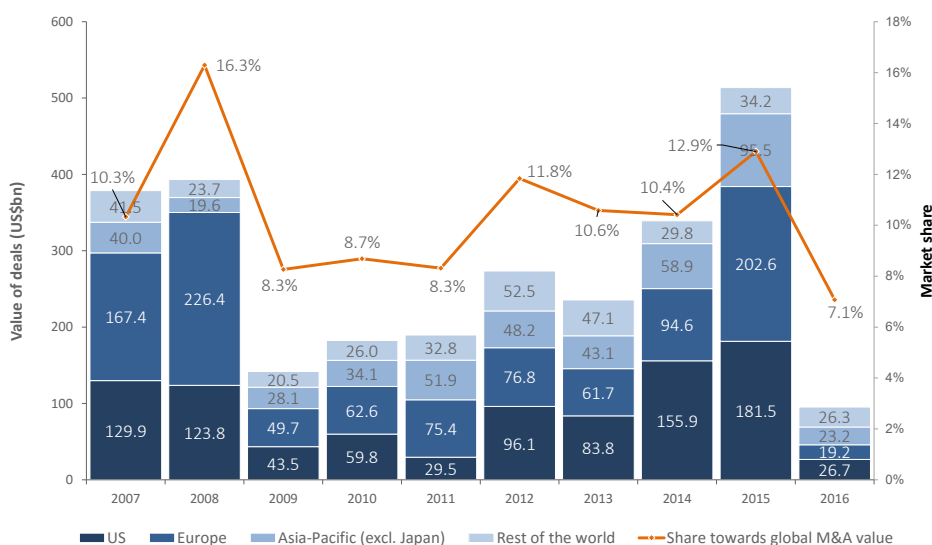
Data-wise, in Q2 2016, Consumer M&A targeting Europe amounted to 222 deals worth US\$ 13bn, the lowest second-quarter performance by deal value since Q2 2010 (US\$ 12.6bn) and the least active by count since Q2 2012 (216 deals). UK second-quarter deal value stood at US\$ 2.1bn, an almost four-fold decrease from Q2 2015 (US\$ 9.3bn) and the lowest second-quarter activity since Q2 2009 (US\$ 429m). Overall, in H1 2016, Consumer M&A targeting the country registered 82 deals worth US\$ 5bn, or 5.3% of global Consumer M&A, and 26.1% of European activity in the sector by deal value. Of the US\$ 5bn, 42.1% of sector activity in the country (US\$ 2.1bn) was inbound, with the annual average standing at 53.8%.

It will be interesting to observe activity between the UK and continental Europe in the months to come. In the first half of the year, UK Consumer companies attracted seven deals worth US\$ 120m from other European

countries, the lowest deal value and count on record since H1 2009. Meanwhile, the UK spent US\$ 2.4bn on 12 continental European Consumer firms, which constituted 32.2% of inbound sector investments for the region by deal value and 24.1% by count.

The largest Consumer deal involving the UK was the US\$ 1.4bn domestic takeover of Home Retail Group by J Sainsbury. Still pending completion, it is unlikely to be impacted by Brexit, according to Mergermarket intelligence. Transactions already announced might not be affected as much as deals still in the pipeline. With uncertainty surrounding the situation in Europe and the upcoming US presidential elections, it remains unclear which way the pendulum will swing next quarter. Expect the unexpected might be the best guidance for the rest of 2016 at this point.

## Regional breakdown



## Top deals

Value (US\$m)	Deal details	Advisory details
6,155	<p><b>Announcement date:</b> 08-Feb-2015</p> <p><b>Target:</b> Big C Supercenter PCL (Thailand)</p> <p><b>Bidder:</b> Berli Jucker Public Co Ltd (Thailand)</p> <p><b>Seller:</b> Casino Guichard Perrachon SA (France)</p>	<p><b>FA to sell-side:</b> Bank of America Merrill Lynch; BNP Paribas; Credit Agricole; Credit Suisse; Goldman Sachs; HSBC; JPMorgan; Natixis; Rothschild; Societe Generale; The Quant Group</p> <p><b>LA to sell-side:</b> Linklaters; Darrois Villey Maillot Brochier</p> <p><b>FA to buy-side:</b> JayDee Partners; Maybank Investment Bank; Morgan Stanley</p> <p><b>LA to buy-side:</b> Weerawong, Chinnavat &amp; Peangpanor; <i>Advising Debt Providers:</i> Clifford Chance</p>
5,793	<p><b>Announcement date:</b> 14-Apr-2016</p> <p><b>Target:</b> Bid Corporation Limited (South Africa)</p> <p><b>Bidder:</b> Bidvest Group Limited (Shareholders) (South Africa)</p> <p><b>Seller:</b> Bidvest Group Limited (South Africa)</p>	<p><b>FA to sell-side:</b> Standard Bank Group</p> <p><b>LA to sell-side:</b> Cliffe Dekker Hofmeyr; ENSafrica</p> <p><b>FA to buy-side:</b> -</p> <p><b>LA to buy-side:</b> -</p>
5,600	<p><b>Announcement date:</b> 15-Jan-2016</p> <p><b>Target:</b> GE Appliances (USA)</p> <p><b>Bidder:</b> Qingdao Haier Co Ltd (China)</p> <p><b>Seller:</b> General Electric Company (USA)</p>	<p><b>FA to sell-side:</b> Goldman Sachs</p> <p><b>LA to sell-side:</b> Sidley Austin</p> <p><b>FA to buy-side:</b> Bank of America Merrill Lynch; China International Capital; PwC; UBS Investment Bank</p> <p><b>LA to buy-side:</b> King &amp; Wood Mallesons; White &amp; Case</p>
3,600	<p><b>Announcement date:</b> 24-Jun-2016</p> <p><b>Target:</b> The Sun Products Corporation (USA)</p> <p><b>Bidder:</b> Henkel AG &amp; Co KGaA (Germany)</p> <p><b>Seller:</b> Vestar Capital Partners Inc (USA)</p>	<p><b>FA to sell-side:</b> Morgan Stanley</p> <p><b>LA to sell-side:</b> Kirkland &amp; Ellis</p> <p><b>FA to buy-side:</b> Credit Suisse; Perella Weinberg Partners</p> <p><b>LA to buy-side:</b> Cleary Gottlieb Steen &amp; Hamilton</p>
3,300	<p><b>Announcement date:</b> 02-Jun-2016</p> <p><b>Target:</b> Vogue International Inc (USA)</p> <p><b>Bidder:</b> Johnson &amp; Johnson (USA)</p> <p><b>Seller:</b> The Carlyle Group; and Todd Christopher (Private investor) (USA)</p>	<p><b>FA to sell-side:</b> Goldman Sachs</p> <p><b>LA to sell-side:</b> Jones Day; King &amp; Spalding; Latham &amp; Watkins</p> <p><b>FA to buy-side:</b> -</p> <p><b>LA to buy-side:</b> -</p>

## Heat chart based on potential companies for sale

	Pharma, Medical, Biotech	TMT	Industrials and Chemicals	Consumer	Energy, Mining, Utilities	Business Services	Financial Services	Other
North America	633	508	309	282	444	313	177	239
Europe	212	439	521	619	315	226	296	527
North Asia	149	323	543	214	116	116	154	372
Australasia	51	101	42	80	90	63	72	128
South Asia	54	121	92	59	57	63	117	106
South East Asia	21	61	53	62	76	28	75	164
C&S America	21	64	60	89	102	54	20	79
Japan	42	73	49	39	14	17	12	43
Central Asia	0	2	6	5	17	1	2	5
Africa	8	13	35	20	56	12	20	49

## Drivers

It is still very much a sellers' market for profitable, privately-held companies active in such sectors as Consumer. Valuations are high, and there is a good appetite for M&A. In Europe, and particularly in Sweden, though banks have become more humble in terms of the valuations companies can be listed at, businesses with a long-term growth story are still handsomely valued. Retail concepts and strong consumer brands are highly in demand. M&A activity is expected to continue to rise and the pipeline looks better than 12 months ago, though PE firms must be creative and proactive in their sourcing. One-on-one discussions between seller and buyer continue to be a theme, as auction processes become too expensive.

The continued depreciation of Central and South America's strongest currencies will likely keep fueling inbound M&A in the second half of the year. Amidst such uncertainties, investors will likely concentrate on sectors that traditionally have been less hit by volatility, such as Consumer and Pharmaceutical. Moreover, political uncertainties in Brazil are expected to give risk-averse investors some pause, while more aggressive bidders, such as private equity firms and Chinese investors, will likely take the opportunity to make cheap acquisitions. In Mexico, expectations about the US increasing its interest rate may lead the local government to follow suit, which could encourage investors to prioritize investments in more resilient sectors, again including Consumer. Meanwhile, in Colombia, a much-expected fiscal reform may help spur M&A activity in the country.

South Korea-based Consumer firms are looking for buys in the rest of Asia, most notably in China, where, for example, dairy products makers are seeking further expansion amid a slow-down in domestic market growth and favorable policy changes. The South Korean dairy market had been getting saturated in recent years due to oversupply of raw milk following a birth rate drop and an aging population, forcing leading players to turn to its rapid growing neighboring market – China. The latter's processed food import rate has significantly increased in the past decade, especially with regard to dairy products, powder milk for infants, coffee/tea drinks, bakery and canned foods. Further, South Korean catering service companies are looking at further expansion in Asia and the Middle East as they grapple with a weak catering market at home. South Korean catering companies are expected to embark on more joint ventures and acquisitions in China, Southeast Asia and Middle East regions.

In the beverage industry, craft beer executives expect breweries to continue to consolidate through both strategic and private equity deals as a means to grow and protect market share amid worries that the industry is headed for a down cycle. Consolidation in the Consumer sector must "ramp up" to defragment the industry, which has begun to lose a share of alcoholic consumption to wine, spirits and mainstream beer companies after years of rapid growth. Strategics are expected to continue a rapid pace of roll-ups and about 400 craft breweries will be targeted for buys by private equity in the coming years. With relatively low barriers to entry in the industry, there appears to be no shortage of new brands, leaving craft brewers struggling to maintain relevancy with both consumers and distributors.

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as potential targets in the last six months.

## Financial advisor league table by value

Ranking			H1 2016		H1 2015	
H1 2016	H1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	1	Goldman Sachs	21,365	11	76,312	-72.0%
2	11	Morgan Stanley	16,891	12	11,409	48.0%
3	9	Bank of America Merrill Lynch	15,019	10	20,540	-26.9%
4	17	Rothschild	13,823	18	5,982	131.1%
5	13	UBS Investment Bank	11,918	10	7,035	69.4%
6	8	JPMorgan	9,606	8	26,412	-63.6%
7	10	Credit Suisse	8,786	7	13,897	-36.8%
8	4	HSBC	7,933	6	41,425	-80.8%
9	24	Credit Agricole	7,641	9	3,896	96.1%
10	2	Lazard	7,591	14	75,736	-90.0%

## Financial advisor league table by deal count

Ranking			H1 2016		H1 2015	
H1 2016	H1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	Count change
1	4	PwC	6,451	21	21	0
2	1	KPMG	446	20	31	-11
3	6	Deloitte	411	19	16	3
4	2	Rothschild	13,823	18	27	-9
5	5	Lazard	7,591	14	16	-2
6	14	Lincoln International	453	14	9	5
7	16	Morgan Stanley	16,891	12	8	4
8	3	Goldman Sachs	21,365	11	25	-14
9	8	M&A International	290	11	14	-3
10	23	Bank of America Merrill Lynch	15,019	10	6	4

## Legal advisor league table by value

Ranking			H1 2016		H1 2015	
H1 2016	H1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	186	Darros Villey Maillot Brochier	8,019	4	0	7,325.0%
2	20	Allen & Overy	7,761	18	14	-45.1%
3	6	Linklaters	7,614	8	57	-86.5%
4	57	White & Case	7,429	15	2	240.9%
5	8	Freshfields Bruckhaus Deringer	7,101	11	49	-85.5%
6	55	King & Wood Mallesons	6,420	10	2	171.0%
7	47	Cliffe Dekker Hofmeyr	6,001	4	3	101.2%
8	29	Sidley Austin	5,937	8	6	-4.9%
9	16	Clifford Chance	5,933	13	20	-70.9%
10	-	Cleary Gottlieb Steen & Hamilton	5,900	7	-	-

## Legal advisor league table by deal count

Ranking			H1 2016		H1 2015	
H1 2016	H1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	Count change
1	1	Jones Day	3,881	19	24	-5
2	4	Allen & Overy	7,761	18	19	-1
3	2	Baker & McKenzie	4,456	18	23	-5
4	3	DLA Piper	510	17	21	-4
5	7	White & Case	7,429	15	17	-2
6	5	Clifford Chance	5,933	13	18	-5
7	10	Latham & Watkins	4,064	12	14	-2
8	12	Freshfields Bruckhaus Deringer	7,101	11	12	-1
9	11	King & Wood Mallesons	6,420	10	13	-3
10	78	Dentons	3,020	10	4	6

## Mergermarket criteria

All data is based on transactions over US\$ 5m and is based on Mergermarket's M&A deals database. Deals with undisclosed values are included where target's turnover exceeds US\$ 10m.

Deals where stake acquired is less than 30% will only be included if deal value is greater than US\$ 100m. Click [here](#) for full deal criteria.

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

**Top deals:** Based on dominant sector of target company being Consumer. FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

**League tables:** Based on dominant sector of target company being Consumer and geography of 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 30-Jun-2016.

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## About Mergermarket

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This wealth of intelligence, together with a series of deal databases, individual and house league tables, profiles and editorial have proven time and time again that this product can and does generate real revenues for clients. This is apparent when you see that Mergermarket is used by over 1500 of the world's foremost advisory firms to assist in their origination process.

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