

MERGERMARKET

Consumer Trend Report

Q1-Q4 2015

Data analysis

The Consumer sector broke its previous M&A record in 2015 with US\$ 516.5bn-worth of deals announced, 54.7% higher than 2014. Last year saw a splattering of high profile deals that were transformational for some companies, such as the tie-up between SAB Miller and Anheuser-Busch Inbev (AbInBev).

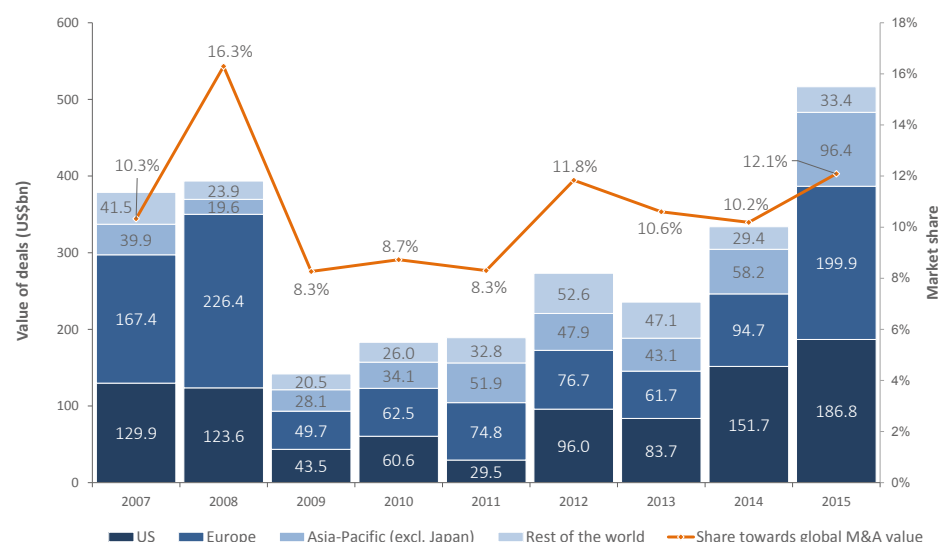
Domestic M&A in the US was the major driving force for Consumer dealmaking, with three of the top five deals between US firms. All three sub-sectors (Food, Retail, Other which includes beverages, luxury, tobacco etc) registered growth.

In the Consumer 'Other' sector (which consists of deals involving firms such as those in the beverages, personal care and household goods areas), rocketed 65% higher than 2014 with US\$ 216.8bn-worth of deals, the second highest annual tally. Craft beer has been a hot topic of the year, underlined by the banner US\$ 120.3bn acquisition by Belgium-based Anheuser-Busch InBev of fellow brewer SABMiller, the main reason for the boost in activity. Craft beer M&A is sending shockwaves through the industry as breweries are losing their sense of locality that helped build the brands, to large-scale companies.

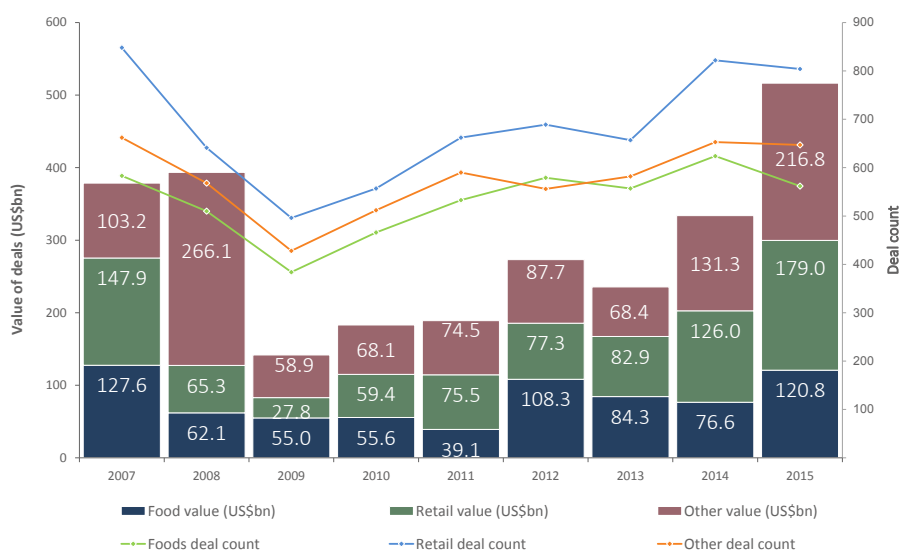
Companies building on consumer flavor for specialty, healthy and protein products and large firms reshuffling such as the Kraft Heinz Company and Kraft Food Groups US\$ 54.5bn merge, are just the beginning drivers for the Food segment to have jumped 57.8% by value to US\$ 120.8bn, up from US\$ 76.6bn in 2014, and the second highest annual total on record.

In the Retail sector, transactions worth US\$ 179bn during 2015 increased 42% from the previous year. In the US (222 deals, US\$ 47.7bn) and Asia-Pacific (excl. Japan) (121 deals, US\$ 76.5bn), both regions saw an uptick by value and deals count. Asia overtook US deal activity with all three of its largest consumer deals targeting firms in this sub-sector, the largest was the January acquisition of a 50.3% stake in Hutchison Whampoa by Cheung Kong for US\$ 40.3bn.

Regional breakdown



Global sub-sector trend



Asia-Pacific's overall Consumer M&A also reached a new peak in 2015, with values jumping 65.7% to US\$ 96.4bn from the previous year. Intra-regional M&A saw values grow 1.4 times to US\$ 92.2bn compared to 2014. The vast majority of Asian deals targeted China and Hong Kong, who together announced US\$ 74.4bn-worth of deals, taking a 77.2% share. Internal restructuring was the main theme for Chinese conglomerate, such as the Hutchison Whampoa and Cheung Kong transaction. Meanwhile, cross-border activity for the region lagged, with outbound and inbound transaction values were both down 36.9% and 78.9%, respectively, to US\$ 5.3bn and US\$ 4.2bn.

Europe was the largest contributor to Consumer M&A in 2015, surpassing the US, which was historically the dominant in the area post-2008. Europe registered 903 deals totaling US\$ 199.9bn, representing a 38.7% global share in 2015. This is a post-crisis high for Europe's Consumer activity, and the second highest valued on record, as a result of the AB Inbev/SAB Miller deal. Within Europe, the effects of Russia's sanctions are being felt on the sector with investment targeting the country slumping 64.9% to only US\$ 658m.

As companies continue to adapt to changes in their individual sub-sectors at the same time growing their businesses, Consumer activity is expected to be just as strong during 2016. As companies start to diversify into niche sectors, there could be fewer mega-deals but more smaller transactions in the future.

Top deals

| Value (US\$m) | Deal details | Advisory details |
|---------------|--|--|
| 120,334 | <p>Announcement date: 11-Nov-2015</p> <p>Target: SABMiller Plc</p> <p>Bidder: Anheuser-Busch InBev NV</p> | <p>FA to target: Credit Suisse; Goldman Sachs; JPMorgan Cazenove; Morgan Stanley; Perella Weinberg Partners; Robey Warshaw</p> <p>LA to target: Bowman Gilfillan Africa Group; Cleary Gottlieb Steen & Hamilton; Herbert Smith Freehills; Hogan Lovells International; Linklaters; Loyens & Loeff; Macfarlanes; McDermott Will & Emery; Simpson Thacher & Bartlett; Wachtell, Lipton, Rosen & Katz</p> <p>FA to bidder: Bank of America Merrill Lynch; Barclays; BNP Paribas; Deutsche Bank; Lazard; Standard Bank Group</p> <p>LA to bidder: Clifford Chance; Cravath, Swaine & Moore; Freshfields Bruckhaus Deringer; Stibbe; Sullivan & Cromwell; Webber Wentzel; <i>Advising FA:</i> Davis Polk & Warewell</p> |
| 54,518 | <p>Announcement date: 25-Mar-2015</p> <p>Target: Kraft Foods Group Inc</p> <p>Bidder: HJ Heinz Company</p> | <p>FA to target: Centerview Partners</p> <p>LA to target: Sullivan & Cromwell; McCarthy Tetrault; <i>Advising FA:</i> Davis Polk & Wardwel;</p> <p>FA to bidder: Lazard</p> <p>LA to bidder: Cravath, Swaine & Moore; Kirkland & Ellis; Davies Ward Phillips & Vineberg; Paul Weiss Rifkind Wharton & Garrison</p> |
| 40,298 | <p>Announcement date: 09-Jan-2015</p> <p>Target: Hutchison Whampoa Limited (50.03% Stake)</p> <p>Bidder: Cheung Kong (Holdings) Limited</p> | <p>FA to target: Goldman Sachs; Somerley Limited</p> <p>LA to target: Freshfields Bruckhaus Deringer ; Stikeman Elliott; Commerce and Finance Law Offices; Guantao Law Firm</p> <p>FA to bidder: HSBC; The Anglo Chinese Group</p> <p>LA to bidder: Woo Kwan Lee & Lo; Skadden Arps Slate Meagher & Flom; <i>Advising FA:</i> Linklaters</p> |
| 17,929 | <p>Announcement date: 14-Dec-2015</p> <p>Target: Jarden Corporation</p> <p>Bidder: Newell Rubbermaid Inc</p> | <p>FA to target: Barclays; UBS Investment Bank</p> <p>LA to target: Greenberg Traurig; Kane Kessler; <i>Advising FA:</i> Cleary Gottlieb Steen & Hamilton</p> <p>FA to bidder: Centerview Partners</p> <p>LA to bidder: Jones Day; Simpson Thacher & Barlett</p> |
| 16,708 | <p>Announcement date: 27- Oct-2015</p> <p>Target: Rite Aid Corporation</p> <p>Bidder: Walgreens Boots Alliance Inc</p> | <p>FA to target: Citi</p> <p>LA to target: Jones Day; Skadden Arps Slate Meagher & Flom; <i>Advising FA:</i> White & Case</p> <p>FA to bidder: UBS Investment Bank</p> <p>LA to bidder: Simpson Thacher & Bartlett; Weil Gotshal & Manges; <i>Advising FA:</i> Gibson Dunn & Crutcher</p> |

Heat chart based on potential companies for sale

| | Industrials, Chemicals | TMT | Pharma, Medical, Biotech | Energy, Mining, Utilities | Consumer | Financial Services | Business Services | Leisure | Real Estate | Transport | Agriculture | Construction | Defence | Other |
|-----------------|------------------------|-----|--------------------------|---------------------------|----------|--------------------|-------------------|---------|-------------|-----------|-------------|--------------|---------|-------|
| North Asia | 680 | 414 | 226 | 174 | 205 | 198 | 134 | 128 | 157 | 58 | 28 | 104 | 3 | 14 |
| North America | 310 | 610 | 511 | 502 | 261 | 307 | 332 | 94 | 82 | 78 | 29 | 37 | 21 | 3 |
| Europe | 515 | 488 | 227 | 322 | 533 | 338 | 250 | 194 | 92 | 143 | 54 | 104 | 10 | 8 |
| Australasia | 44 | 122 | 93 | 130 | 140 | 74 | 92 | 33 | 27 | 28 | 37 | 19 | 0 | 10 |
| C&S America | 75 | 66 | 28 | 97 | 90 | 46 | 69 | 26 | 8 | 29 | 7 | 27 | 1 | 4 |
| South Asia | 95 | 138 | 85 | 62 | 56 | 115 | 81 | 26 | 22 | 41 | 3 | 28 | 2 | 1 |
| South East Asia | 79 | 69 | 36 | 103 | 66 | 94 | 48 | 35 | 65 | 42 | 28 | 28 | 0 | 9 |
| Japan | 42 | 49 | 21 | 4 | 49 | 20 | 29 | 15 | 11 | 6 | 0 | 7 | 0 | 1 |
| Africa | 41 | 13 | 3 | 79 | 16 | 21 | 16 | 7 | 10 | 17 | 8 | 16 | 0 | 1 |
| Central Asia | 7 | 0 | 0 | 12 | 3 | 2 | 5 | 0 | 0 | 1 | 4 | 3 | 0 | 1 |
| GCC | 9 | 24 | 8 | 6 | 7 | 10 | 7 | 5 | 5 | 4 | 0 | 2 | 0 | 1 |
| Middle East | 9 | 22 | 12 | 7 | 9 | 4 | 6 | 0 | 0 | 2 | 1 | 2 | 0 | 0 |

Drivers

Global companies will be looking for smaller firms offering something unique to their legacy brands. Companies in food and beverage will continue to be acquisitive, albeit on a smaller scale, and divestitures of non-core portfolios will continue as companies consolidate to keep abreast of changing consumer needs.

Shareholder activism in the US and Europe will continue to be a strong theme for 2016 as activists push companies to maximize returns for shareholders via spin-offs. Deals could be seen in the fitness space – including gyms, thermodynamic clothes, fitness gadgets embedded in sportswear, and new line of sports shoes.

In 2016, the year of the big deal may taper off as buyers wait to see the impact of the US Federal Reserve rate hike and to fully assess the instability of China's volatile market. In Asia-Pacific, the only region to witness a rise by both value and volume, increasingly health-focused consumers will force companies to acquire or establish brands that promote well-being. Asian consumers showing more interest in healthy food and dairy product options, more interest from Asian private equity investors in New Zealand food assets can be expected, particularly where targets provide an opportunity to expand overseas. Japanese companies, which did many overseas deals last year, could continue to seek growth abroad.

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 | | | 2015 | | 2014 | |
|---------|------|-------------------------------|----------------|------------|----------------|----------------|
| 2015 | 2014 | Company Name | Value (US\$bn) | Deal count | Value (US\$bn) | % Value change |
| 1 | 2 | Goldman Sachs | 263.0 | 53 | 86.4 | 204.4% |
| 2 | 1 | Lazard | 225.0 | 30 | 91.2 | 146.7% |
| 3 | 10 | Barclays | 194.3 | 21 | 49.7 | 291.3% |
| 4 | 4 | JPMorgan | 189.5 | 31 | 84.6 | 124.0% |
| 5 | 6 | Bank of America Merrill Lynch | 183.2 | 23 | 57.9 | 216.7% |
| 6 | 9 | Morgan Stanley | 177.4 | 28 | 51.0 | 247.7% |
| 7 | 7 | Deutsche Bank | 173.7 | 23 | 57.8 | 200.6% |
| 8 | 48 | Standard Bank Group | 123.7 | 7 | 2.2 | 5,492.6% |
| 9 | 13 | BNP Paribas | 123.4 | 12 | 29.8 | 314.1% |
| 10 | - | Robey Warshaw | 120.3 | 1 | - | - |

Financial advisor league table by deal count

| Ranking | | | 2015 | | 2014 | |
|---------|------|-------------------|----------------|------------|------------|--------------|
| 2015 | 2014 | Company Name | Value (US\$bn) | Deal count | Deal count | Count change |
| 1 | 2 | KPMG | 5.7 | 61 | 60 | 1 |
| 2 | 4 | Goldman Sachs | 263.0 | 53 | 36 | 17 |
| 3 | 3 | Rothschild | 26.4 | 51 | 55 | -4 |
| 4 | 1 | PwC | 5.9 | 46 | 62 | -16 |
| 5 | 5 | Deloitte | 10.5 | 40 | 34 | 6 |
| 6 | 7 | JPMorgan | 189.5 | 31 | 32 | -1 |
| 7 | 6 | Lazard | 225.0 | 30 | 33 | -3 |
| 8 | 10 | Morgan Stanley | 177.4 | 28 | 26 | 2 |
| 9 | 12 | M&A International | 0.4 | 28 | 25 | 3 |
| 10 | 14 | Houlihan Lokey | 3.5 | 25 | 24 | 1 |

Legal advisor league table by value

| Ranking | | | 2015 | | 2014 | |
|---------|------|----------------------------------|----------------|------------|----------------|----------------|
| 2015 | 2014 | Company Name | Value (US\$bn) | Deal count | Value (US\$bn) | % Value change |
| 1 | 20 | Cravath, Swaine & Moore | 219.5 | 14 | 23.8 | 823.7% |
| 2 | 11 | Freshfields Bruckhaus Deringer | 206.7 | 25 | 35.2 | 487.8% |
| 3 | 7 | Sullivan & Cromwell | 206.3 | 14 | 49.3 | 318.8% |
| 4 | 2 | Davis Polk & Wardwell | 196.5 | 10 | 72.1 | 172.7% |
| 5 | 12 | Linklaters | 186.8 | 27 | 33.0 | 466.1% |
| 6 | 5 | Cleary Gottlieb Steen & Hamilton | 167.5 | 8 | 54.7 | 206.0% |
| 7 | 21 | Clifford Chance | 152.4 | 30 | 21.9 | 594.6% |
| 8 | 40 | Hogan Lovells International | 123.7 | 17 | 8.3 | 1,391.4% |
| 9 | 60 | Webber Wentzel | 120.6 | 11 | 5.0 | 2,300.3% |
| 10 | 561 | Bowman Gilfillan Africa Group | 120.3 | 3 | - | - |

Legal advisor league table by deal count

| Ranking | | | 2015 | | 2014 | |
|---------|------|-----------------------------------|----------------|------------|------------|--------------|
| 2015 | 2014 | Company Name | Value (US\$bn) | Deal count | Deal count | Count change |
| 1 | 8 | Jones Day | 62.7 | 46 | 37 | 9 |
| 2 | 6 | Kirkland & Ellis | 83.5 | 43 | 40 | 3 |
| 3 | 1 | DLA Piper | 1.8 | 43 | 57 | -14 |
| 4 | 5 | Baker & McKenzie | 6.5 | 42 | 41 | 1 |
| 5 | 3 | White & Case | 55.7 | 39 | 43 | -4 |
| 6 | 7 | Allen & Overy | 25.9 | 36 | 39 | -3 |
| 7 | 10 | Skadden Arps Slate Meagher & Flom | 92.0 | 33 | 36 | -3 |
| 8 | 4 | Clifford Chance | 152.4 | 30 | 43 | -13 |
| 9 | 2 | Latham & Watkins | 20.5 | 29 | 46 | -17 |
| 10 | 9 | Linklaters | 186.8 | 27 | 37 | -10 |

Mergermarket 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

Top deals: Based on the dominant sector of the target company being Consumer.

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 05-Jan-2016.

Contacts

PR

EMEA: [Luella Atabaki](#)
T: +44 20 3741 1127

Americas: [Chrissy Carney](#)
T: +1 646 378 3118

Asia: [Eloise Chu](#)
T: +852 2158 9710

Research

Analyst:
[Jeffrey Chung](#)
T: +852 2158 9796
Global research editor:
[Kirsty Wilson](#)
T: +44 20 3741 1281

Deal submissions

EMEA Financial: [Andrea Putaturo](#)
T: +44 20 3741 1274

EMEA Legal: [Zaynab Dost](#)
T: +44 20 3741 1294

North America: [Jason Loria](#)
T: +1 646 378 3122

C&S America: [Lissa Campos](#)
T: +1 212 686 6521

Asia-Pacific: [John Capulong](#)
T: +852 2158 9723

China: [Rachel Shao](#)
T: +852 2158 9794

South Korea: [Jade Lee](#)
T: +822 772 8410

Japan: [Yibei Xu](#)
T: +852 2158 9621

India: [Marina Zhao](#)
T: +852 2158 9606

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Part of The Mergermarket Group

www.mergermarket.com

80 Strand
London, WC2R 0RL
United Kingdom

T: +44 207 010 6100
sales@mergermarket.com

330 Hudson St.
4th Floor
New York
NY 10013. USA

T: +1 212 500 7537
sales.us@mergermarket.com

Suite 1602-6
Grand Millennium Plaza
181 Queen's Road, Central
Hong Kong

T: + 852 2158 9764
sales.asia@mergermarket.com