

MERGERMARKET

Consumer Trend Report

Q1 2016

Data analysis

Mirroring the overall global trend, Consumer M&A started 2016 on a lower note compared to last year. In Q1 the sector registered 449 deals valued at only US\$ 45.9bn, versus 523 deals worth US\$ 137bn in Q1 2015.

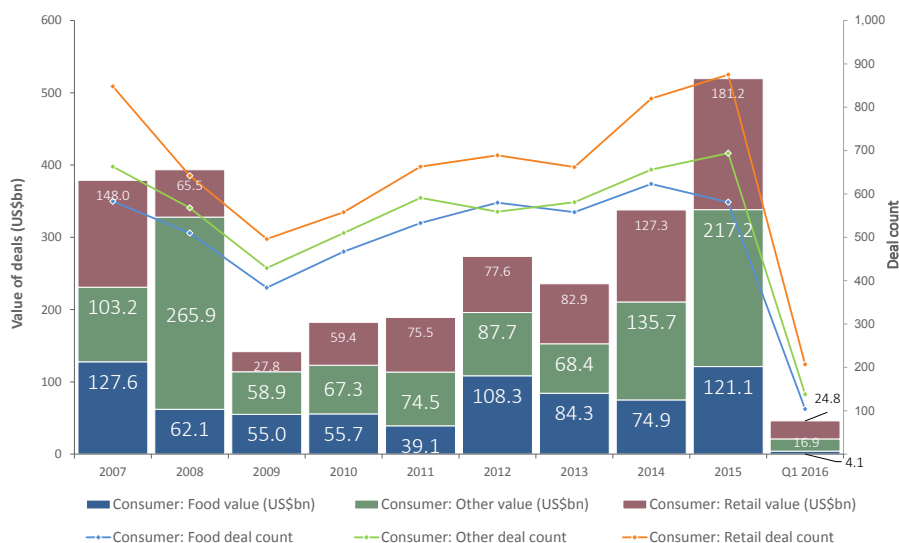
However, whereas overall global M&A was down 21.9% by deal value compared to Q1 last year, Consumer activity dropped by 66.5%, the largest such decrease across all sectors aside from Defense (70%). As a result, Consumer market share by deal value declined from 17.4% at the beginning of 2015 to just 7.5% this year, which made Consumer the sixth most active sector globally, a stark change from its second place last year when it ranked only behind TMT.

The US saw the most extensive decline in Consumer activity by deal value, with 110 deals worth US\$ 12.8bn in Q1 2016, an 82.3% drop from the comparable quarter last year and an 84.1% drop from Q4 2015. Due to this decline in activity, the US almost lost its dominant target position for Consumer deals – the country claimed 27.9% of the market in Q1 2016, with Asia-Pacific (excluding Japan) claiming a close 27.6%.

The general downward trend in the sector, nonetheless, is a reflection of the overall global situation: the mega-deal frenzy, which drove M&A in 2015, is no longer the defining trend in the market. For example, in Q1 2015 there were two mega-deals (over US\$ 10bn) worth a combined US\$ 94.8bn announced in the Consumer sector; this year saw no mega-deals. In fact, the largest deal on the books in Q1 2016 was the US\$ 6.2bn acquisition of Big C Supercenter, a Thailand-based operator of supermarkets and discount stores.

The top deal in the US, at the same time, was the acquisition of GE Appliances by China-based Qingdao Haier for US\$ 5.4bn. This deal reflects another global trend that has taken hold this year – increased outbound M&A activity coming from China. Specifically, outbound Chinese acquisitions in the Consumer sector reached 12 deals worth US\$ 6.8bn in Q1 2016, the

Global sub-sector trend



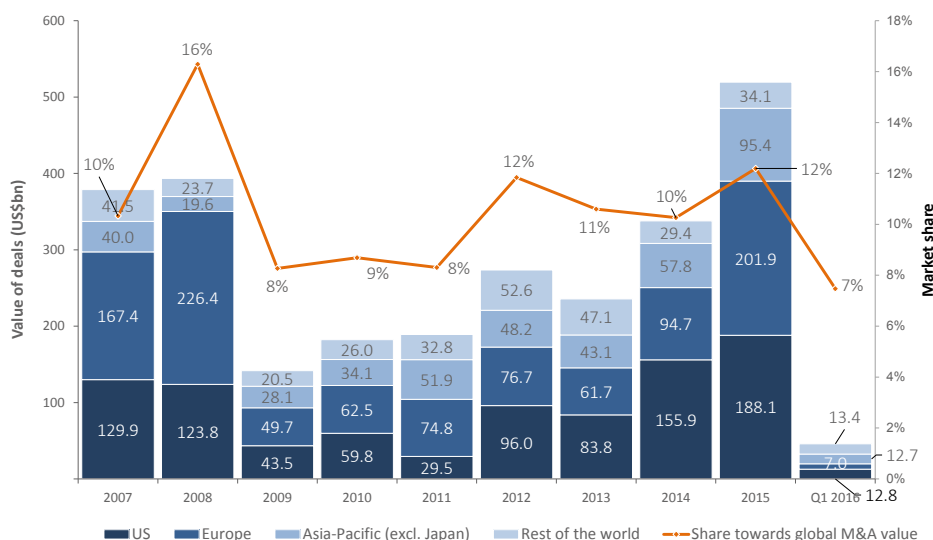
second-largest deal value on record following US\$ 8.3bn-worth of such deals in Q2 2013 and a 15x increase from Q1 2015 (US\$ 466m).

The GE Appliances deal constituted 32% of the Consumer: Other sub-sector globally, the only sub-sector to see an increase in activity from last year: US\$ 16.9bn in deals in Q1 2016 vs. US\$ 4.2 in Q1 2015, a four-fold increase. At the same time, Consumer: Food was down 93.9% from the first three months of last year, amounting to only US\$ 4.1bn-worth of deals in Q1 2016, the lowest value for the sub-sector since Q1 2009 (US\$ 3.7bn). Consumer: Retail lost 61.7% of its value, accounting for 207 deals worth US\$ 24.8bn in Q1 2016.

The bulk of the global loss in Consumer, however, was attributable to strategic transactions, which comprised US\$ 41bn in Q1 2016, a 69.1% decrease from US\$ 132.6bn-worth of strategic deals in Q1 2015. Private equity deals, on the other hand, saw an increase of 11.1% compared to last year, and reached US\$ 4.8bn in Q1 2016. The acquisition of Fresh Market, a US-based operator of specialty grocery stores, by Apollo Global Management for US\$ 1.3bn was the largest Consumer private equity deal this year.

According to Mergermarket intelligence, in 2016 overall deal values in the Consumer sector are expected to come in lower due to the impact of being

Regional breakdown



compared to last year's numerous mega-deals involving strategics. Among such deals were the US\$ 54.5bn Kraft Foods – Heinz merger and the US\$ 17.9bn acquisition of Jarden by Newell Rubbermaid. Given the conditions so far in 2016, the question remains whether companies that have made transformational deals in the past year will look to other larger buys while they are still in digestion mode.

Top deals

Value (US\$m)	Deal details	Advisory details
6,155	<p>Announcement date: 08-Feb-2015</p> <p>Target: Big C Supercenter PCL (Thailand)</p> <p>Bidder: Berli Jucker Public Co Ltd (Thailand)</p> <p>Seller: Casino Guichard Perrachon SA (France)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; BNP Paribas; Credit Agricole; Goldman Sachs; Credit Suisse; HSBC; JPMorgan; Natixis; Rothschild</p> <p>LA to sell-side: Linklaters</p> <p>FA to buy-side: JayDee Partners; Maybank Investment Bank; Morgan Stanley</p> <p>LA to buy-side: Weerawong, Chinnavat & Peangpanor</p>
5,400	<p>Announcement date: 15-Jan-2016</p> <p>Target: GE Appliances (USA)</p> <p>Bidder: Qingdao Haier Co Ltd (China)</p> <p>Seller: General Electric Company (USA)</p>	<p>FA to sell-side: Goldman Sachs</p> <p>LA to sell-side: Sidley Austin</p> <p>FA to buy-side: Bank of America Merrill Lynch; China International Capital; PwC</p> <p>LA to buy-side: King & Wood Mallesons; White & Case</p>
2,542	<p>Announcement date: 30-Mar-2016</p> <p>Target: Sharp Corporation (66% Stake) (Japan)</p> <p>Bidder: Hon Hai Precision Industry Co Ltd (Taiwan); Foxconn Technology Pte Ltd (China); SIO International Holdings Limited (Taiwan)</p> <p>Seller: -</p>	<p>FA to sell-side: Morgan Stanley</p> <p>LA to sell-side: -</p> <p>FA to buy-side: JPMorgan</p> <p>LA to buy-side: Baker & McKenzie</p>
2,232	<p>Announcement date: 03-Feb-2016</p> <p>Target: Rona Inc (Canada)</p> <p>Bidder: Lowe's Companies Inc (USA)</p> <p>Seller: -</p>	<p>FA to sell-side: Scotiabank</p> <p>LA to sell-side: Norton Rose Fulbright</p> <p>FA to buy-side: CIBC World Markets; RBC Capital Markets</p> <p>LA to buy-side: Hunton & Williams; Stikeman Elliott</p>
2,216	<p>Announcement date: 02-Mar-2016</p> <p>Target: Rexall Health (Canada)</p> <p>Bidder: McKesson Corporation (USA)</p> <p>Seller: Katz Group (Canada)</p>	<p>FA to sell-side: -</p> <p>LA to sell-side: Dentons</p> <p>FA to buy-side: Goldman Sachs</p> <p>LA to buy-side: Davies Ward Phillips & Vineberg</p>

Heat chart based on potential companies for sale

	Industrials & Chemicals	Consumer	Energy, Mining, Utilities	Pharma, Medical, Biotech	TMT	Financial Services	Business Services	Real Estate	Leisure	Transport	Construction	Other
North Asia	566	186	136	171	326	164	96	115	112	57	82	32
Europe	490	548	290	191	419	296	198	76	190	104	109	63
North America	306	200	505	482	443	208	264	62	73	51	24	28
South Asia	72	60	50	67	115	96	66	15	22	36	22	6
Australasia	33	75	87	55	104	60	78	13	23	18	22	33
South East Asia	54	58	63	17	52	71	36	44	30	34	31	34
C&S America	51	75	80	15	62	26	57	4	15	17	24	7
Japan	46	33	11	33	46	12	18	13	8	8	6	1
Africa	38	19	60	6	14	22	13	10	8	11	13	6
Central Asia	6	4	16	0	1	0	2	0	0	0	2	5

Drivers

A fickle equity capital markets environment continues to prove challenging for Consumer companies. In the US, the sector failed to register a single initial public offering for the third consecutive month, while the first quarter of last year was similarly quiet. Several sector businesses are expected to break this cold spell and list in the near term, including grocery giant Albertsons.

In Europe, private equity exits in the fashion industry could be a space to watch. Whereas 2015 saw five exits valued at EUR 858m (USD 936m) in 2015, Mergermarket intelligence has identified a number of fashion companies based in Western Europe that have been held by sponsors for between 36 to 72 months and which are likely to be exited in the near future, including Netherlands-based Scotch & Soda, which was bought by Sun Capital Partners via its portfolio company Kellwood Company for an undisclosed consideration in July 2011. In May 2013, Kellwood and Sun Capital briefly explored the possibility of a sale of Scotch & Soda, and the IPO of a minority stake was among the possible options.

Following the successful consolidation of SABMiller/AB InBev, beer giants such as Carlsberg could face some tough challenges. The scale of the new mega group could create hurdles in terms of pressing prices and winning contracts for sporting events. Further, Carlsberg has not been in a position to snap up any of its divestment. The recently announced divestments of Chinese CR Snow, Italian Peroni and Dutch Grolsch could all have been good value assets that would have fit well into the Carlsberg portfolio, but they all fell into competitors' pockets. Asahi recently entered into exclusive negotiations to acquire Grolsch and Peroni from SABMiller, while China Resources agreed to acquire SABMiller's 49% sale of CR Snow for a USD 1.6bn price tag. Any focus on M&A would mainly be in Western China.

In Central & South America, M&A activity has not lived up to expectations over the last several years, especially in Mexico, considering the attractiveness of the country and the amount of cash that is waiting there, due to uncertainty. Some sectors will continue to be "hotter" than others in 2016, with companies in the Consumer space constituting regular targets given the country's demographics, said Martin Plettner, an investment banker with Pablo Ri3n. Mexico is generally perceived as a country where demand for products and services will remain strong given the high percentage of young people in the population.

Devaluation of the Mexican peso, however, could have a negative impact on M&A activity, as some CEOs rethink the timing of a sale, Plettner said. Valuations are typically made in US dollars in Mexico, and companies who wanted to sell a few months back are now worth around 40% less due to the recent devaluation, he explained. A weak peso also hurts some producers' margins as some of their raw materials are priced in dollars, another banker added. Conversely, the strong dollar could convince some international buyers to finally come to Mexico to take advantage of low prices, Plettner said. "We are hearing that international players are interested in coming to Mexico, similar to what we heard two or three years ago," a third banker noted. Some of the players are the same, some are new, but the interest is there, this banker said.

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			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	7	Morgan Stanley	13,894	8	9,253	50.2%
2	14	Bank of America Merrill Lynch	13,522	7	5,046	168.0%
3	3	Goldman Sachs	13,323	5	47,539	-72.0%
4	19	JPMorgan	8,864	5	2,497	255.0%
5	5	HSBC	6,780	4	40,298	-83.2%
6	17	Rothschild	6,295	4	3,433	83.4%
7=	-	JayDee Partners	6,155	1	-	-
7=	-	Maybank Investment Bank	6,155	1	-	-
9	24	PwC	6,046	13	751	705.1%
10	-	China International Capital	5,590	2	-	-

Financial advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$bn)	Deal count	Deal count	Count change
1	5	PwC	6,046	13	9	4
2	1	KPMG	160	11	14	-3
3	8	Morgan Stanley	13,894	8	5	3
4	34	Bank of America Merrill Lynch	13,522	7	2	5
5	6	Deloitte	299	7	8	-1
6	3	Goldman Sachs	13,323	5	10	-5
7	23	JPMorgan	8,864	5	3	2
8	16	UBS Investment Bank	4,518	5	4	1
9	72	BNP Paribas	3,884	5	1	4
10	4	Lazard	3,276	5	9	-4

Legal advisor league table by value

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	48	King & Wood Mallesons	5,822	3	658	784.8%
2	9	Linklaters	5,798	3	41,108	-85.9%
3	44	White & Case	5,400	4	844	539.8%
4	23	Sidley Austin	5,400	2	5,621	-3.9%
5	2	Davies Ward Phillips & Vineberg	3,483	2	61,198	-94.3%
6	10	Freshfields Bruckhaus Deringer	3,308	4	40,973	-91.9%
7	5	Cravath, Swaine & Moore	3,044	2	54,518	-94.4%
8	35	Baker & McKenzie	2,947	6	1,364	116.1%
9	6	Sullivan & Cromwell	2,936	2	54,518	-94.6%
10	-	Dentons	2,476	4	-	-

Legal advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$bn)	Deal count	Deal count	Count change
1	11	Clifford Chance	2,183	9	6	3
2	3	DLA Piper	30	8	10	-2
3	2	Baker & McKenzie	2,947	6	11	-5
4	1	Jones Day	-	6	14	-8
5	47	Morgan Lewis & Bockius	1,688	5	3	2
6	5	Allen & Overy	555	5	9	-4
7	12	White & Case	5,400	4	6	-2
8	15	Freshfields Bruckhaus Deringer	3,308	4	5	-1
9	-	Dentons	2,476	4	-	-
10	36	Dechert	48	4	3	1

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 04-Apr-2016.

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