

# MERGERMARKET

## Consumer Trend Report

### Q1-Q4 2016

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## Data analysis

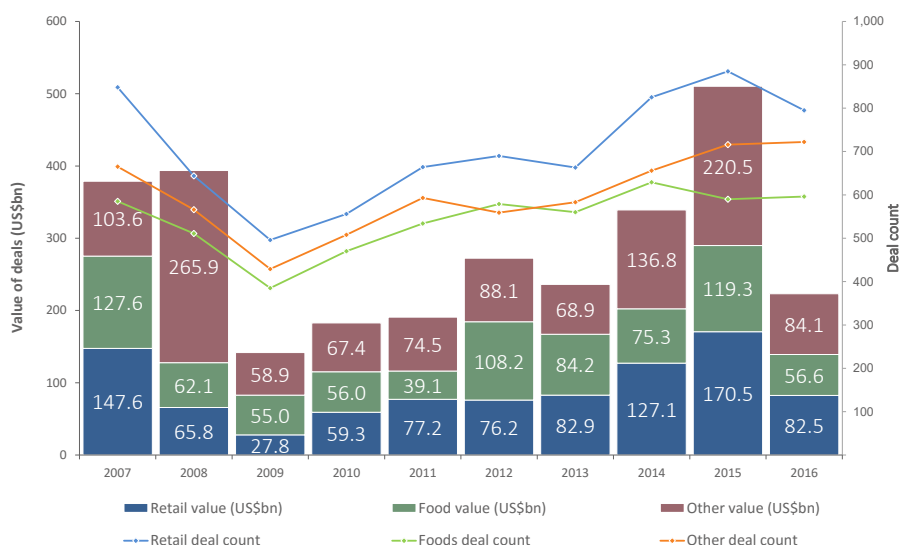
This past year was a lackluster one for Consumer M&A. In 2016, the sector saw 2,113 deals for a combined US\$ 223.1bn, down 56.3% in value compared to 2015 (US\$ 510.4bn, 2,191 deals). The year also saw its lowest Consumer value since 2011, when the sector recorded 1,791 deals worth US\$ 190.8bn. Further, Q4 2016 only saw 502 deals worth US\$ 62bn, a 73.6% drop in value from Q4 2015 (US\$ 234.6bn, 576 deals), which was the highest-valued quarter for Consumer M&A in Mergermarket history (since 2001). For 2016, Consumer M&A only contributed 6.8% to global M&A value, the lowest global market share for the sector on record.

A decline in Consumer megadeals (defined by Mergermarket as transactions valued above US\$ 10bn) this year was the main culprit in the sector's decline. In 2015, there were nine megadeals worth a combined US\$ 302.9bn, which, on their own, accounted for 59.3% of total Consumer M&A in 2015. This year, there was only one such deal, France-based Danone SA's US\$ 12.1bn acquisition of US-based The WhiteWave Foods Company, which accounted for only 5.4% of the sector's total value.

The US led the way in Consumer M&A by a wide margin with 505 deals worth US\$ 86.3bn, accounting for 38.7% of global M&A for the sector. Despite being the top region for Consumer M&A, the US was down 52.6% by value compared to 2015 (US\$ 181.8bn, 556 deals). Europe was a distant second with 960 deals worth US\$ 45.5bn, accounting for 20.4% of the sector's total value and down 77.7% by value compared to the year prior (US\$ 204bn, 981 deals). The fall in value could be attributed to the lack of megadeals in the region, as mentioned previously. While Europe only recorded two megadeals last year, the two transactions were valued at a total of US\$ 134.7bn, though 91.2% of this was due to Anheuser-Busch's US\$ 122.8bn acquisition of SABMiller.

The US was also the top region for all three Consumer sub-sectors in 2016. Despite being down across the board compared to 2015, the US saw 187

## Global sub-sector trend



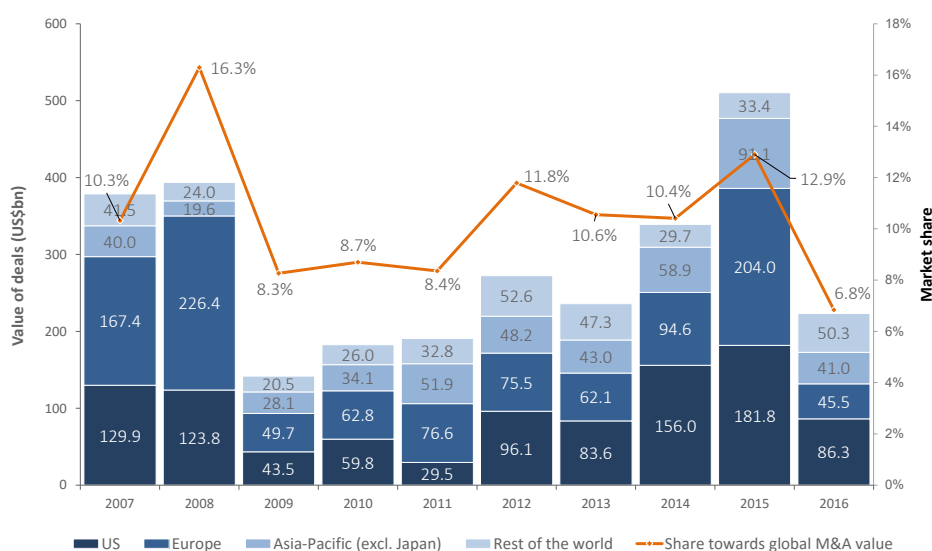
deals worth US\$ 26bn in Consumer Retail M&A, 108 deals worth US\$ 26.5bn in Consumer Foods M&A, and 210 deals worth US\$ 33.8bn in Consumer: Other M&A. The latter led the way for overall Consumer M&A with 182 deals worth US\$ 29.6bn in Q4 2016, which was down 82.1% compared to Q4 2015 (US\$ 165.2bn, 199 deals). Subsequently, the Consumer: Other sub-sector was the highest-valued sub-sector of the year with 722 deals worth US\$ 84.1bn, but was down 61.9% compared to 2015. Retail M&A was the busiest in terms of volume with 795 deals worth US\$ 82.5bn in 2016. Although Retail saw the most deals, it still had 90 fewer deals than the previous year and was down 51.6% by value (US\$ 170.5bn, 885 deals).

There were far more domestic Consumer deals by volume this year with 1,439 deals compared to only 674 cross-border deals. Despite having 765 fewer deals, cross-border Consumer M&A recorded US\$ 119.8bn worth of transactions while domestic deals totaled US\$ 103.3bn. The larger valuations for cross-border deals were due to two of the top five global Consumer deals being cross-border, including the aforementioned Danone/WhiteWave transaction.

As large consumer brands face slow organic growth, M&A has been replacing Research & Development (R&D). Since the financial crisis there has been a shift in consumer preferences toward craft products, a trend which has

caught the attention of corporates. The rise of craft beverages, particularly in the beer industry, athleisure, and wearable tech will have larger name brand firms with cash on hand looking to capitalize on opportunities. Further, the rise of start-ups using non-traditional media for funding such as Kickstarter will also provide incentives for private equity firms to pay attention to areas in the Consumer sector that previously may have been ignored due to being too niche. Consumer M&A could rebound in 2017 in more ways than one.

## Regional breakdown



## Top deals

| Value (US\$m) | Deal details   | Advisory details   |
|---------------|--|--|
| 12,056        | <p><b>Announcement date:</b> 07-Jul-2016</p> <p><b>Target:</b> The WhiteWave Foods Company (USA)</p> <p><b>Bidder:</b> Danone SA (France)</p> <p><b>Seller:</b> -</p>  | <p><b>FA to sell-side:</b> Goldman Sachs; Morgan Stanley; Rothschild</p> <p><b>LA to sell-side:</b> Dechert; Skadden Arps Slate Meagher &amp; Flom; <i>Advising FA:</i> Cravath Swaine &amp; Moore</p> <p><b>FA to buy-side:</b> Lazard</p> <p><b>LA to buy-side:</b> Bredin Prat; Wachtell Lipton Rosen &amp; Katz</p>  |
| 7,759         | <p><b>Announcement date:</b> 13-Dec-2016</p> <p><b>Target:</b> Anheuser-Busch InBev NV (Central and East European Beer Business) (Czech Republic)</p> <p><b>Bidder:</b> Asahi Group Holdings Ltd (Japan)</p> <p><b>Seller:</b> Anheuser-Busch InBev NV (Belgium)</p> | <p><b>FA to sell-side:</b> Deutsche Bank; Lazard</p> <p><b>LA to sell-side:</b> Freshfields Bruckhaus Deringer; Hogan Lovells International</p> <p><b>FA to buy-side:</b> Barclays; Rothschild</p> <p><b>LA to buy-side:</b> Allen &amp; Overy</p>   |
| 6,155         | <p><b>Announcement date:</b> 08-Feb-2016</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> The Quant Group; Bank of America Merrill Lynch; BNP Paribas; Credit Agricole; Credit Suisse; Goldman Sachs; HSBC; JPMorgan; Natixis; Rothschild; Societe Generale</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 Berhad; Morgan Stanley</p> <p><b>LA to buy-side:</b> Weerawong, Chinnavat &amp; Peangpanor; <i>Advising Debt Providers:</i> Clifford Chance</p> |
| 6,050         | <p><b>Announcement date:</b> 03-Oct-2016</p> <p><b>Target:</b> Cabela's Inc (USA)</p> <p><b>Bidder:</b> Bass Pro Group (USA)</p>   | <p><b>FA to sell-side:</b> Guggenheim Partners</p> <p><b>LA to sell-side:</b> Koley Jessen; Sidley Austin; <i>Advising FA:</i> White &amp; Case</p> <p><b>FA to buy-side:</b> Goldman Sachs; JPMorgan</p> <p><b>LA to buy-side:</b> Blake, Cassels &amp; Graydon; Latham &amp; Watkins; O'Melveny &amp; Myers; <i>Advising FA:</i> Davis Polk &amp; Wardwell; <i>Advising Debt Providers:</i> Paul Hastings</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>   |

## Heat chart based on potential companies for sale

|                 | TMT | Industrials and Chemicals | Consumer | Pharma, Medical & Biotech | Energy, Mining & Utilities | Financial Services | Other |
|-----------------|-----|---------------------------|----------|---------------------------|----------------------------|--------------------|-------|
| North America   | 267 | 100                       | 117      | 149                       | 105                        | 65                 | 220   |
| Europe          | 242 | 201                       | 212      | 84                        | 102                        | 96                 | 285   |
| North Asia      | 91  | 148                       | 60       | 25                        | 42                         | 54                 | 162   |
| Australasia     | 38  | 13                        | 45       | 19                        | 31                         | 27                 | 72    |
| South Asia      | 25  | 33                        | 19       | 22                        | 19                         | 19                 | 53    |
| South East Asia | 37  | 32                        | 34       | 17                        | 31                         | 19                 | 89    |
| C & S America   | 37  | 32                        | 38       | 10                        | 29                         | 16                 | 40    |
| Japan           | 14  | 18                        | 21       | 19                        | 7                          | 6                  | 26    |
| Middle East     | 18  | 8                         | 6        | 8                         | 5                          | 5                  | 11    |
| Africa          | 8   | 10                        | 10       | 2                         | 21                         | 9                  | 31    |

## Drivers

M&A interest in consumer products businesses utilizing a subscription model at their core is on track to continue into 2017, with both strategics and financial sponsors expected to be active acquirers in the space. Some of the attractive intrinsic characteristics of a company with a successful subscription element include recurring revenue streams and the possibility for personalization of products or services based on consumer data.

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. Professionals understand the need for increased consolidation in order to defragment an industry that is losing a share of alcohol consumption to wine. Experts foresee a rapid pace of roll-ups and about 400 craft breweries that will be targeted for buys by private equity in the coming years.

With a glut of private equity capital available, competition between sponsors has made deals more expensive in consumer categories, while strategic consolidation continues to drive the retail space. That has led midcap sponsors and strategics to compete by pursuing smaller targets. Stiff competition for targets has driven up multiples and sponsors that generally consider deals above middle market thresholds have come further downstream and have been more willing to buy minority stakes in smaller family-owned businesses.

Increased demand for healthier foods has also made targeting smaller businesses more effective. Packaged food companies in the better-for-you segment that used to be a niche market opportunity are now becoming more competitive. Personal care, consumer packaged goods, and food and beverage continue to be the hottest segments.

A poor market for retail IPOs has helped push many targets, and notably family-owned businesses, toward selling, with the competitive market for sponsors positioning strategics to take advantage and maintain an edge over sponsors. Retail businesses have still not caught up with online market disruptors, leading some of them to seek consolidations in an effort to increase market share to compete.

*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 |      |                               | 2016          |            | 2015           |                |
|---------|------|-------------------------------|---------------|------------|----------------|----------------|
| 2016    | 2015 | Company Name                  | Value (US\$m) | Deal count | Value (US\$bn) | % Value change |
| 1       | 1    | Goldman Sachs                 | 53,411        | 30         | 265,627        | -79.9%         |
| 2       | 19   | Rothschild                    | 40,369        | 44         | 28,202         | 43.1%          |
| 3       | 7    | Morgan Stanley                | 38,051        | 18         | 180,989        | -79.0%         |
| 4       | 2    | Lazard                        | 35,206        | 35         | 228,021        | -84.6%         |
| 5       | 4    | JPMorgan                      | 32,675        | 22         | 192,794        | -83.1%         |
| 6       | 6    | Bank of America Merrill Lynch | 28,049        | 21         | 185,687        | -84.9%         |
| 7       | 5    | Barclays                      | 20,439        | 18         | 190,293        | -89.3%         |
| 8       | 8    | Deutsche Bank                 | 17,379        | 12         | 176,591        | -90.2%         |
| 9       | 12   | Credit Suisse                 | 15,817        | 17         | 78,402         | -79.8%         |
| 10      | 13   | UBS Investment Bank           | 14,514        | 21         | 60,880         | -76.2%         |

## Financial advisor league table by deal count

| Ranking |      |                               | 2016          |            | 2015       |              |
|---------|------|-------------------------------|---------------|------------|------------|--------------|
| 2016    | 2015 | Company Name                  | Value (US\$m) | Deal count | Deal count | Count change |
| 1       | 5    | PwC                           | 7,222         | 55         | 48         | 7            |
| 2       | 4    | Deloitte                      | 3,402         | 50         | 48         | 2            |
| 3       | 1    | KPMG                          | 1,754         | 49         | 74         | -25          |
| 4       | 2    | Rothschild                    | 40,369        | 44         | 54         | -10          |
| 5       | 7    | Lazard                        | 35,206        | 35         | 31         | 4            |
| 6       | 12   | EY                            | 1,513         | 31         | 25         | 6            |
| 7       | 3    | Goldman Sachs                 | 53,411        | 30         | 53         | -23          |
| 8       | 6    | JPMorgan                      | 32,675        | 22         | 34         | -12          |
| 9       | 10   | Houlihan Lokey                | 2,509         | 22         | 26         | -4           |
| 10      | 13   | Bank of America Merrill Lynch | 28,049        | 21         | 24         | -3           |

## Legal advisor league table by value

| Ranking |      |                                   | 2016          |            | 2015           |                |
|---------|------|-----------------------------------|---------------|------------|----------------|----------------|
| 2016    | 2015 | Company Name                      | Value (US\$m) | Deal count | Value (US\$bn) | % Value change |
| 1       | 12   | Skadden Arps Slate Meagher & Flom | 23,446        | 21         | 91,887         | -74.5%         |
| 2       | 20   | Wachtell, Lipton, Rosen & Katz    | 21,684        | 7          | 52,059         | -58.3%         |
| 3       | 4    | Davis Polk & Wardwell             | 18,746        | 14         | 198,973        | -90.6%         |
| 4       | 3    | Freshfields Bruckhaus Deringer    | 18,366        | 23         | 209,234        | -91.2%         |
| 5       | 30   | Latham & Watkins                  | 18,279        | 32         | 29,466         | -38.0%         |
| 6       | 32   | Allen & Overy                     | 17,514        | 35         | 27,178         | -35.6%         |
| 7       | 1    | Cravath, Swaine & Moore           | 17,124        | 7          | 221,998        | -92.3%         |
| 8       | 5    | Linklaters                        | 16,302        | 27         | 188,090        | -91.3%         |
| 9       | 35   | Sidley Austin                     | 15,004        | 17         | 24,081         | -37.7%         |
| 10      | 19   | White & Case                      | 14,430        | 30         | 54,100         | -73.3%         |

## Legal advisor league table by deal count

| Ranking |      |                       | 2016          |            | 2015       |              |
|---------|------|-----------------------|---------------|------------|------------|--------------|
| 2016    | 2015 | Company Name          | Value (US\$m) | Deal count | Deal count | Count change |
| 1       | 1    | DLA Piper             | 2,510         | 42         | 48         | -6           |
| 2       | 4    | Baker & McKenzie      | 3,602         | 39         | 44         | -5           |
| 3       | 6    | Allen & Overy         | 17,514        | 35         | 41         | -6           |
| 4       | 2    | Jones Day             | 11,383        | 35         | 47         | -12          |
| 5       | 9    | Latham & Watkins      | 18,279        | 32         | 32         | 0            |
| 6       | 5    | White & Case          | 14,430        | 30         | 41         | -11          |
| 7       | 3    | Kirkland & Ellis      | 7,398         | 30         | 46         | -16          |
| 8       | 7    | Clifford Chance       | 8,094         | 29         | 33         | -4           |
| 9       | 11   | Linklaters            | 16,302        | 27         | 29         | -2           |
| 10      | 13   | Weil Gotshal & Manges | 6,888         | 24         | 26         | -2           |

## 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 03-Jan-2017.

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## About Mergermarket

Mergermarket is a mergers & acquisitions (M&A) intelligence service.

Mergermarket is part of The Mergermarket Group which has nearly 1,000 employees worldwide and regional head offices in New York, London and Hong Kong.

In any market, the life blood of advisors is deal flow. Mergermarket is unique in the provision of origination intelligence to the investment banking, legal, private equity, acquisition finance, public relations (PR) and corporate markets.

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