

## **Harnessing growth potential**

Consumer Products M&A Insights

January 2019

# Contents

Foreword	03
Economic backdrop – UK	05
Consumer M&A trends analysis	06
Consumer Products M&A Market trend analysis	08
M&A Market – by sector	
Food sector	12
Beverage sector	14
Personal, Household, Apparel and Other (“PHAO”) sectors	16
Tobacco sector	18
Agriculture and Livestock sector	20
Our Consumer Products M&A specialists	22
Notes	25



# Foreword



For many businesses, a mixed economic environment, unease over tariff introductions and Brexit uncertainty may be rightfully viewed as causes for concern. However, bigger ticket European merger and acquisition (M&A) volumes appear to be holding up remarkably well.

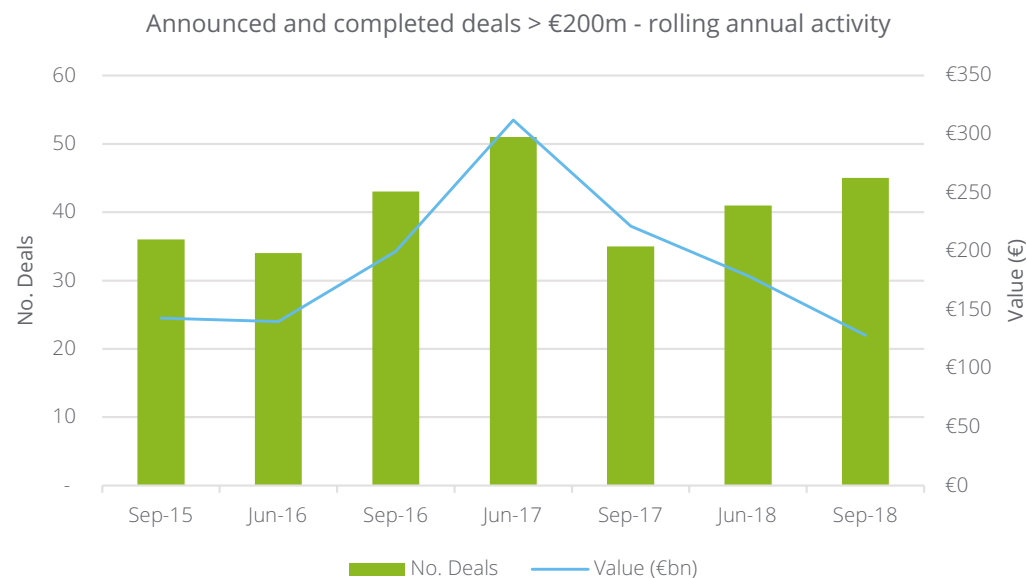
In this, our 13<sup>th</sup> Consumer Products M&A Insights report, we highlight several fresh trends driving the largest activity, which remains strong in spite of a backdrop of total annual deal volumes falling by over 10% from their September 2015 high of 1,500 to now around 1,100 on a rolling four quarter basis.

Over the year to September 2018, there were 45 deals above the €200 million mark (announced and/or completed), and 20 topped €1 billion in size, highlighting the continued appetite of major players to do deals despite the overall downward trend.

The desire to harness M&A as a long term earnings growth strategy remains high, with several sectors being particularly active, most noticeably in the personal, household products and apparel sector. This potentially reflects a greater focus of dealmakers in an area that taps into the health and wellness spending trends of consumers. Elsewhere, the agriculture sector saw a megadeal in Bayer's purchase of Monsanto, as well as some bold portfolio realignment in the food and beverage space. There were thirteen megadeals (deal size over €2 billion) with a deal value totaling over €107 billion, in the year to September 2018:

- Bayer's merger with Monsanto (€56.5 billion)
- Glaxo SmithKline's buyout of the Novartis share of their consumer health product joint venture (€10.5 billion)
- KKR's purchase of Unilever's spreads business (€7.1 billion)
- International Flavors and Fragrance's acquisition of Frutarom (€5.9 billion)
- Anta Sports/FountainVest's acquisition of Amer Sports (€4.6 billion)
- Barcardi's acquisition of Patron (€4.2 billion)
- Procter & Gamble's acquisition of the Merck consumer health business (€3.4 billion)
- Coca Cola's acquisition of Coca Cola Beverage Africa (€3.0 billion)

- PepsiCo's acquisition of SodaStream (€2.7 billion)
- Heineken's acquisition of a 40% stake in China Resources (€2.7 billion)
- Ferrero's purchase of Nestle's North American confectionery business (€2.5 billion)
- Sunshine Investments' (PAI Partners/bcIMC) buyout of Refresco soft drinks (€2.5 billion)
- Unilever's acquisition of Carver Korea (€2.2 billion)



## Key drivers

This year, across the spectrum of deal sizes, M&A has been driven by a number of factors. Clearly amongst the most pressing has been a growing desire to drive economies of scale or to capture control of leading brands to generate earnings growth.

A strong focus on consolidation remains in evidence among firms in multiple subsectors, not least in the agriculture space, where Bayer undertook the year's largest acquisition with its €56 billion purchase of Monsanto to create a seed and chemicals giant. Similarly, IFF's acquisition of Fruitarom looked to secure its leading position in the taste, scent and nutrition space, and Pepsi's acquisition of SodaStream gives it a significant presence in the home drinks market.

Elsewhere, Bacardi's €4.2 billion move on Patron grows the spirits giant's presence further in the premium drinks sector. Unilever's €2.2 billion purchase of Carver emphasises its significant expansion ambitions in the Asian skin care market.

Companies also remain under pressure to jettison less well performing assets, with activist shareholders taking a growing role in pushing for divestments that refine corporate focus, add to acquisition firepower or unlock further dividends.

In the last 12 months alone, across a range of industry sectors, over 40 large cap companies have been targeted by activists, which have nearly \$80 billion of funds deployed, according to Deloitte analysis of Activist Insight data.

As a result, many large companies have also actively sought to divest low growth or non-core assets, providing notable opportunities for buyers. Novartis sold its share of a consumer healthcare joint venture back to GSK, recouping around €11 billion in the process. Meanwhile, Unilever trimmed its own product portfolio with the divestment of its spreads business to KKR for approximately €7 billion.

Whilst the number of large deals is in part testament to the strong cash reserves on corporate balance sheets, the big deal landscape is also shaped in part by private equity, where dry powder was at a record \$1.1 trillion in September, according to Preqin. Private Equity firms have been active on a number of major deals, including KKR's Unilever spreads business acquisition, and the PAI Partners-bcIMC consortium's €2.2 billion purchase of bottler Refresco.

High interest levels among buyers based in Japan and China have contributed strongly to rising deal volumes. Those buyers have made notable moves in luxury assets and food markets, as with the shoemaker Bally, the French margarine producer St Hubert and the UK-based crisp company Seabrook Crisps. Meanwhile, US capital continues to flow into Europe, with multibillion deals including the Merck deal, and acquisitions of Versace and Neovia Group.

Nevertheless, dealmakers undoubtedly still face some substantial hurdles in the current climate. Several sizeable deals have run almost the full course of their process but have failed to complete. This perhaps reflects the significant competition for attractive

assets once they come to market, as well as elevated vendor pricing expectations. This may have led potential acquirers to push hard on initial valuations, factoring in future target performance improvement, but ultimately becoming less sure they would fully realise such benefits.

At a broader level, macroeconomic challenges have dampened confidence among some companies, but we do not necessarily expect this to slow major acquisitions or divestments. Debt, the fuel for a large number of acquisitions, remains relatively accessible, though there are long term access risks linked to any potential major disruption to the economic cycle and a growing central bank wariness with levels of leveraged loans.

## Looking ahead

Despite continued uncertainty, we believe that 2019 will see the number and value of deals sustained. M&A is inherently a long term strategy, and we are witnessing a strong desire among companies to harness that potential in order to pursue growth, enter new markets, or to shore up their competitive position. The large cash reserves of many corporates and the record levels of private equity funds to be deployed will also motivate activity.

The Brexit outcome and impact remains a continued 'known unknown'. For many global operators it is one of a large number of factors to be considered when plotting their path to sustainable earnings growth. For more domestically-focused companies, a potential Brexit outcome that feeds into weaker sterling may well spur overseas acquirers to take a closer look at affordable opportunities to buy in

the UK. As such, we continue to expect several 'deal corridors' to grow further, including those between Europe, Asia and North America.

We also expect that divestment activity will increase, driven by mounting pressure from activists. There is equally a desire by corporates to reallocate capital for higher growth opportunities, such as with Diageo's sale of 19 brands to Sazerac, Unilever's sale of its spreads business and Mondelez's recent divestment of its cheese business to Arla.

Whilst the outlook for the broader economic environment remains mixed, many organisations continue to view M&A as being among their best tools for driving the implementation of longer term visions and strategies. We expect to see a continuing healthy pipeline of M&A activity in the consumer products sector.

Kind regards,



**Conor Cahill**

Partner, Financial Advisory



# Economic backdrop – UK

The picture for the UK economy is mixed, with Brexit looming large and sharply contrasting forces at play for potential acquirers and sellers of consumer products businesses.

Whilst bad news has tended to grab a greater share of the headlines, several positive signs remain for the UK economy:

- GDP recovery continued throughout the year, reaching 0.6% in the third quarter, showing underlying strength in the economy, albeit with 0.1% assumed for the final quarter of 2018 and up to 1.6% forecast for 2019 (dependent on a Brexit deal being passed in parliament).
- UK consumer spending, whilst remaining subdued, continues to be supported by historically low unemployment rates at around 4% and recent wage growth exceeding inflation.
- The potentially positive impact of recent 'giveaways' in the UK Budget delivering disposable income to consumers.

- A recovery in the broader Eurozone economy following a decline in growth from 0.7% a year ago to 0.2% in the third quarter, providing a positive potential backdrop to continental consumers.
- The US, whilst buffeted by recent midterm elections, continues to generate positive jobs data and economic expansion. Its solid growth, combined with tax breaks, has provided significant firepower for businesses looking to acquire in the UK and Europe.

Balanced against these factors are also a number of significant challenges:

- Brexit uncertainty as a whole remains the most obvious single concern currently faced by anyone invested in the UK. If a deal is passed, its impact will take time to play out and be absorbed by business, though the government's official forecast has already predicted that over 15 years the UK will have lower economic growth than if it had remained in the bloc
- While consumer confidence increased over the summer, it has remained in negative territory, with economic uncertainty and the autumnal weather impacting it further. According to GfK, the consumer confidence index has oscillated from a low of -13 in December to peaks of -7 in March, May and August. In October, the consumer confidence index slipped back to -10 as a result of increased Brexit uncertainty.

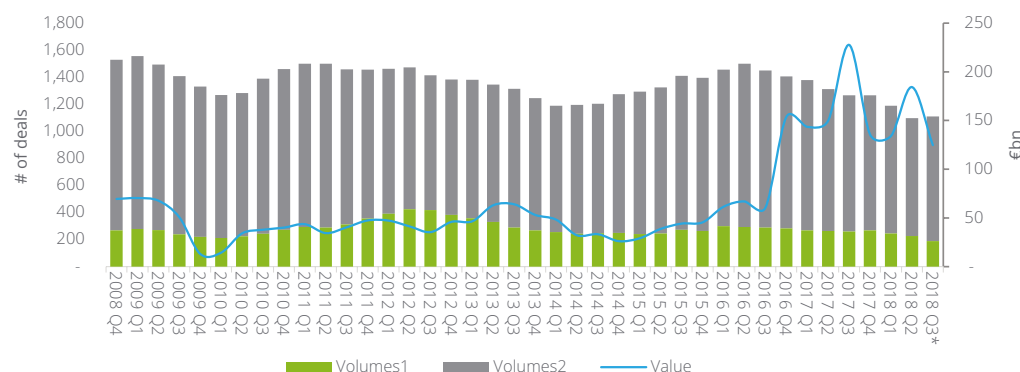
- Lower confidence is also likely to have played through to falling consumer credit levels, which sunk to a three-year low in September 2018. Loans and advances more than halved year-on-year to £300 million, and the Bank of England has warned that tightened lending conditions could slow the supply of consumer credit heading into 2019.
- UK inflation has started to converge on the Bank of England's 2% target. While in some regards it is a marker of growth, rising prices may continue to erode consumer appetite to spend as the ratio of debt to disposable incomes worsens.

Many of these factors are likely to remain in 2019. However, as seen by some of the larger transaction activity in the last year, major players continue to cut through this economic turbulence and are deploying some of the significant war chests that they have accumulated



# Consumer M&A trend analysis

## Consumer Products completed deals – rolling last four quarters

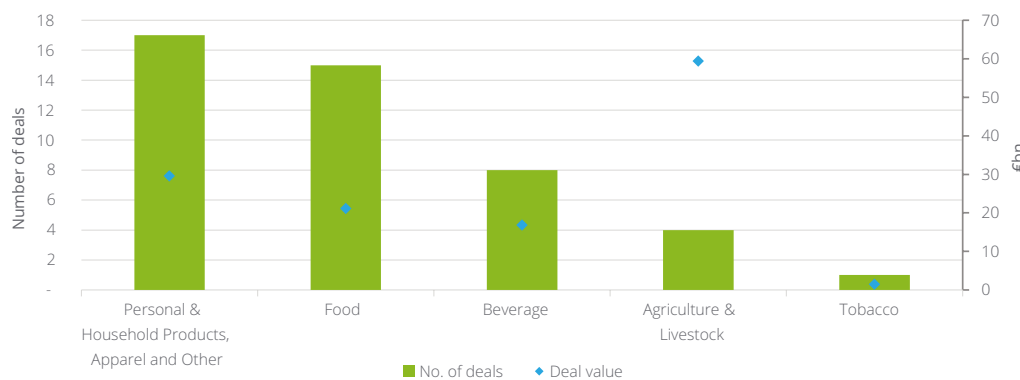


Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed

\* adjusted to include an estimate of late recorded deals

Source: Thomson Reuters, Deloitte Analysis

## Announced & completed deals > €200m in the 12 months to September 2018



Source: Thomson Reuters

Large deal (+€200 million) volumes have held up well in the 12 months to September 2018. In spite of some fluctuation between quarters, total deal values remained in the well-above normal territory seen since late 2016, with each rolling quarter recording comfortably over €120 billion of deals. Values were boosted by the +€50 billion size Bayer- Monsanto tie-up which completed in June 2018.

On a broader level, however, a decline in overall annualised quarterly deal volumes is evident. This continues a pattern witnessed in the same period a year earlier, even allowing for the fact that more recent deal numbers lag real announcement and completion because of a delay in reporting.

For larger deals, the personal/household products and apparel (PHAO) sector accounted for 38% of deal activity by volume, followed by food with 33% and beverage with 18%.

There were 45 announced and/or completed European deals of over €200 million in individual value in the last 12 months, with a combined deal value of €128 billion. This was below the €175 billion in value in the preceding same period, but up on 35 deals in that period in terms of volume. Of the 45 deals, 20 deals were over €1 billion and 29 deals were over €500 million (deal value €123 billion).

The 17 deals (worth €30 billion) in the PHAO sector comprised 7 personal care (€18 billion); 7 apparel (€9 billion) and 3 household products (€1 billion).

The personal care divestments included the €10.5 billion sale of Novartis' over-the-counter consumer health business to GSK, and Merck's €3.4 billion sale of its consumer health business to Procter & Gamble.

In apparel, Finland's Amer Sports, whose brands include Salomon, Wilson and Atomic (amongst others) was on the receiving end of a €4.6 billion bid from China's Anta Sports and private equity house FountainVest. In addition, the luxury end also remained active, with different units of Michael Kors spending a combined €2.8 billion buying Versace and Jimmy Choo.

Large deal activity in the food sector (15 deals over €200m) was characterised by major divestments by corporates of non-core assets namely Unilever's €7.1 billion sale of its spreads business to KKR and Nestle's €2.5 billion sale of its North American confectionery business to Ferrero.

They included several large scale plays, such as International Flavors and Fragrances' €5.9 billion move on Frutarom to create a flavour giant, just after Givaudan's successful €508 million bid for specialist ingredient business Naturex. Elsewhere Bunge looked to consolidate its position in the edible oils space with a €791 million purchase of Loders Croklaan and ABF's €312 million acquisition of balsamic vinegar maker Acetum. Chinese business Fosun International made a notable €613 million move on French margarine maker St Hubert as it looks to introduce new products into the Chinese market.

The European beverage sector recorded 8 deals over €200m. It was most marked by Barcardi's €4.2 billion swoop for super-premium tequila maker Patro. Soft drinks firms Coca Cola and Pepsi also made significant investments, the former regaining control of its South African bottling business and the later via its SodaStream acquisition. Heineken sought to greatly build its Chinese presence by taking a €2.7 billion stake in CRH.

Agriculture and livestock recorded four deals over €200m, led by Bayer's €56 billion mega-acquisition of Monsanto, which aims to create a one-stop shop for seeds, crop chemicals and computerised farming services. US farm business Archer Daniels expanded in animal feeds with the €1.5 billion acquisition of Neovia and crop chemicals firm Syngenta grew its seeds business with the €1.1 billion Nidera Sementes acquisition.

Tobacco recorded only one deal over €200m, namely Japan Tobacco's €1.4 billion acquisition of Donskoy Tabac, expanding its presence in Russia which is the world's third largest tobacco market.

Looking at investment corridors, from a geographic perspective by key home territories of the acquirer, identified that the United States remained by far the most active buyer with involvement in nine of the largest deals followed by China with five deals.

Conversely, looking by country at where the target company was located, there was a much broader distribution with the largest being the United Kingdom and United States both with five deals each, followed by Switzerland, Italy and France each with four each.

In terms of valuation trends, there is an inherent uncertainty over inferring too much implicitly over the deal multiples paid given the paucity of disclosed information and which base year has been applied. However, it is noticeable that of the ten largest deal multiples in excess of 20 times EBITDA, five of the ten were paid by Unites States based acquirers. This does potentially indicate that overseas buyers are continually willing to pay significant multiples when flagship assets come to market.



# Consumer Products M&A

## Market trend analysis

### Announced and completed deals over €200m from 1 October 2017 to 30 September 2018

Announced date	Effective date	Target Name	Target Nation	Acquirer Name	Acquirer Nation	Enterprise (€m)	Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
Sep 16	Jun 18	Monsanto Company	United States	Bayer AG	Germany	56,454	56,454	12,095	2,779	4.7	20.3	Consolidation of leading players to create a global supplier to farmers
Mar 18	Jun 18	Novartis AG	Switzerland	GlaxoSmithKline Plc	United Kingdom	n/a	10,499	7,886	n/a	n/a	n/a	Takes back control of previous joint venture and Sensodyne, Panadol, Voltaren and Nicotinell brands
Dec 17	Jul 18	Unilever Spreads business	United Kingdom	KKR	United States	7,075	7,075	3,032	680	2.3	10.4	Strategic decision to divest non-core spreads business
May 18	Sep 18	Frutarom Industries Ltd	Israel	International Flavors & Fragrances Inc.	United States	5,896	5,896	1,135	215	5.2	27.4	Increased exposure to fast-growing section of the flavours and fine ingredients market
Sep 18	n/a	Amer Sports Oyj	Finland	Anta Sports/ FountainVest	China	5,429	4,609	n/a	n/a	n/a	n/a	Extends portfolio of overseas businesses and brands by adding Wilson, Salomon, Atomic amongst others
Jan 18	Apr 18	Patron Spirits International AG	Switzerland	Bacardi Limited	Bermuda	4,166	4,166	n/a	163	n/a	25.5	Extends presence in the high growth premium spirits sector
Apr 18	Apr 18	Merck KGaA (Consumer Health Business)	Germany	Procter & Gamble Company	United States	3,400	3,400	911	n/a	3.7	n/a	Strengthens consumer health-care portfolio and access to Latin American and Asian markets
Dec 16	Oct 17	Coca-Cola Beverages Africa (54.5% stake)	South Africa	The Coca-Cola Company	United States	n/a	3,025	n/a	n/a	n/a	n/a	Initial move to take back bottling business prior to re-franchising
Aug 18	Aug 18	SodaStream International Ltd	Israel	PepsiCo Inc.	United States	2,774	2,774	453	86	6.1	32.3	Strengthens position in fast growing health-conscious drinks market
Aug 18	n/a	CRH (Beer) Ltd	Hong Kong	Heineken NV	Netherlands	6,696	2,678	n/a	n/a	n/a	n/a	Major stake in leading China beer company to gain greater access to Chinese market



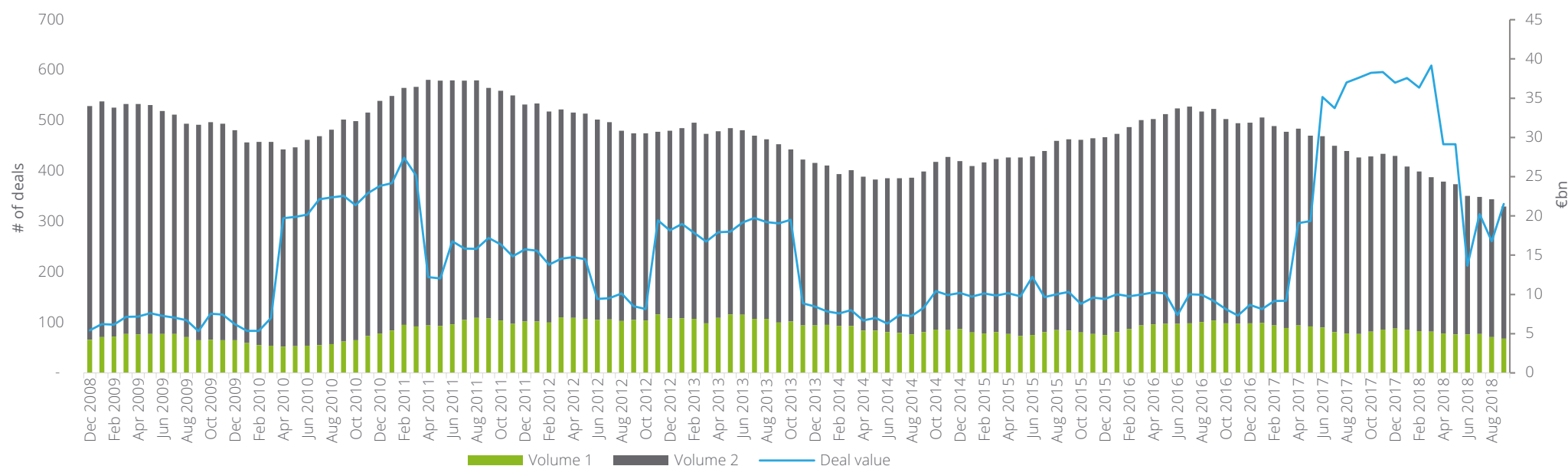
Announced date	Effective date	Target Name	Target Nation	Acquirer Name	Acquirer Nation	Enterprise (€m)	Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
Jan 18	Mar 18	Nestle SA-US Confectionery Business	United States	Ferrero SpA	Italy	n/a	2,511	707	106	n/a	n/a	Ferrero strengthens position in the US confectionary market as Nestle offloads non-core brands
Oct 17	Apr 18	Refresco Group NV	Netherlands	Sunshine Investments BV	Netherlands	2,220	2,244	2,107	216	1.1	10.3	Private equity take private of previously listed beverage business with a view to further sector consolidation
Sep 17	Nov 17	Carver Korea Co. Ltd	South Korea	Unilever Plc	United Kingdom	2,237	2,127	338	144	6.6	15.5	Aids ambition to build a global premium beauty business with strong North Asia presence in the beauty category
Dec 17	Mar 18	Atrium Innovations Inc.	Canada	Nestle SA	Switzerland	1,942	1,942	n/a	118	n/a	16.4	Acquisition of Canadian vitamin maker to increase presence in consumer healthcare market
Sep 18	Sep 18	Gianni Versace SpA	Italy	Michael Kors Holdings Limited	United States	1,830	1,830	668	n/a	2.7	40.7	Addition of luxury brands to position Group as a competitor to other luxury goods conglomerates
Jul 18	Jul 18	Neovia Group	France	Archer Daniels Midland Company	United States	1,535	1,535	n/a	110	n/a	14.0	Extends global presence in fast growing animal nutrition sector
Mar 18	Aug 18	Donskoy Tabak JSC	Russia	Japan Tobacco Inc.	Japan	1,421	1,421	229	n/a	6.2	n/a	Strengthens leading position in the world's third-largest tobacco market.
Nov 17	Feb 18	Nidera Semillas Ltda	Brazil	Syngenta AG	Switzerland	n/a	1,138	n/a	n/a	n/a	n/a	Portfolio expansion in line with ambition to become third-biggest player in global seed industry
Jul 17	Jan 18	Cott Corp-Traditional Beverage	Canada	Refresco Group NV	Netherlands	n/a	1,074	1,614	130	n/a	n/a	Creates largest independent bottler in Europe and North America
Jul 17	Nov 17	Jimmy Choo Plc	United Kingdom	Michael Kors Holdings Limited	United Kingdom	1,158	1,003	425	69	2.7	16.8	Addition of global luxury shoe brand with a view to drive international growth
May 18	Jul 18	Helly Hansen AS	Norway	Canadian Tire Corp Ltd	Canada	642	873	295	26	2.2	24.8	Acquisition of major outdoor brand wear company, that was previously a supplier

Announced date	Effective date	Target Name	Target Nation	Acquirer Name	Acquirer Nation	Enterprise (€m)	Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
Sep 17	Mar 18	Loders Croklaan Group BV	Netherlands	Bunge Limited	United States	1,116	791	1,519	n/a	0.7	13.0	Establishes position as a global leader in edible oils
Sep 17	Jul 18	Unilever South Africa Holdings (Pty) Ltd	South Africa	Unilever South Africa Holdings	United Kingdom	748	748	n/a	56	n/a	13.4	Disposal as part of strategic decision to divest spreads business
Sep 18	n/a	Aspen Pharmacare-Nutritionals	Mexico	Groupe Lactalis SA	France	740	743	194	n/a	3.8	n/a	Lactalis looks to rebuild scale in its infant nutrition business outside of France
Sep 18	n/a	Candy S.p.A	Italy	Qingdao Haier	China	629	629	1,148	76	0.5	8.3	Aims to expand and improve brand presence in European home appliances market.
Aug 17	Jan 18	St Hubert	France	Beijing Sanyuan Foods/Fosun Group	China	625	625	129	n/a	4.8	n/a	Looks to introduce new food brands to the Chinese market
Feb 18	n/a	Bally International AG	Switzerland	Shandong Ruyi Investment Holdco	China	571	571	n/a	n/a	n/a	n/a	Chinese textile maker looks to add luxury shoe and accessories business to its brand stable
Mar 18	Jul 18	Freixenet	Spain	Henkell & Co. Sektkellerei KG	Germany	750	536	535	n/a	1.4	n/a	Builds scale and creates the world's largest sparkling wine group
Mar 18	Jun 18	Naturex SA	France	Givaudan SA	Switzerland	1,456	508	405	50	3.6	29.2	Establishes a market leader in natural extracts and ingredients sector
May 18	Jun 18	Nanda Co Ltd	South Korea	L'Oreal SA	France	466	466	127	n/a	3.7	n/a	Reinforces presence in innovative South Korean make-up market
Sep 17	Oct 17	Acetum s.r.l	Italy	Associated British Foods Plc	United Kingdom	312	312	88	24	3.6	12.9	Acquires leading balsamic vinegar brand
Jan 18	Apr 18	Hugli Holding AG	Switzerland	Bell Food Group AG	Switzerland	436	436	359	40	1.2	10.9	Strengthens position in European convenience food market
Oct 17	Dec 17	Zotos International Inc.	United States	Henkel AG & Co KGaA	Germany	425	416	221	n/a	1.9	n/a	Grows presence in North American professional hair care market

Announced date	Effective date	Target Name	Target Nation	Acquirer Name	Acquirer Nation	Enterprise (€m)	Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
May 18	May 18	Mademoiselle Desserts	France	IK VIII Fund	United Kingdom	n/a	330	n/a	n/a	n/a	n/a	Private equity acquisition of French frozen bakery business
Nov 17	Dec 17	Tazo LLC	United States	Unilever Plc	United Kingdom	337	329	99	n/a	3.4	n/a	Strengthens portfolio in the fast growing US speciality tea market
Jun 18	Aug 18	Forno d'Asolo S.p.A	Italy	BC Partners Limited	United Kingdom	300	275	133	25	2.3	12.0	Private equity acquisition of Italian frozen food business
Jul 17	Oct 17	Pegas Nonwovens SA	Czech Republic	R2G Rohan Czech sro	Czech Republic	289	264	206	47	1.4	6.2	Supports strategic international expansion in textiles business
Aug 18	n/a	PGG Wrightson Seeds Ltd	New Zealand	DLF Seeds A/S	Denmark	385	256	274	33	1.4	11.7	Creation of a global seeds company with increased scale and innovation capabilities
Apr 18	Jun 18	Peak Performance AB	Sweden	Amer Sports Oyj	Finland	255	255	139	16	1.8	15.9	Acquires leading Danish premium sports brand
Dec 17	Jan 18	Muuto A/S	Denmark	Knoll Inc	United States	271	255	n/a	10	n/a	26.6	Expands global capability as provider of home and office furniture and lighting
Feb 18	Jul 18	Dole Food Company Inc.	United States	Total Produce Plc	Ireland	1,497	241	3,804	119	0.4	12.6	Portfolio expansion in line with strategy to become pioneer in the fruit & vegetables market.
Jun 18	Jul 18	Aunt Bessies Ltd	United Kingdom	Nomad Foods Europe Ltd	United Kingdom	234	240	123	23	1.9	10.2	Expands product offering in frozen food market
Jan 18	Apr 18	Green Isle Foods Ltd ("Goodfella's Pizza")	Ireland-Rep	Nomad Foods Europe Ltd	United Kingdom	225	225	150	22	1.5	10.2	Adds frozen pizza sector offering to its brand portfolio
Apr 16	Dec 17	Mayborn Group Plc	United Kingdom	Shanghai Jahwa United Co Ltd	China	211	211	146	28	1.4	7.5	Chinese cosmetics company acquires baby products producer
Jun 18	n/a	Probiotics International Ltd	United Kingdom	Archer Daniels Midland Company	United States	209	209	37	10	5.6	20.9	Strengthens position in health and wellness market

# M&A Market – Food sector

## Food completed deals – rolling last four quarters



Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed

Source: Thomson Reuters, Deloitte Analysis

## At a glance

Rolling LTM deal volumes in the Food sector have shown an ongoing rate of decline since their last significant peak in Jul-16. Deal value trends were heavily influenced by the Danone/WhiteWave (€10.9 billion) acquisition in April 2017 and Reckitt Benckiser/Mead Johnson acquisition (€16.6 billion) in Jun-17, which have now washed out of the rolling numbers.

M&A activity in the next 12 months in the food sector is likely to be driven by:

- Further consolidation given ongoing pressure to drive out cost base efficiencies;
- Strategic diversification of non-core business units, potentially driven by activist stakeholders, to ensure business focus and to allow for reinvestment into higher growth earnings categories; and
- Continued interest in speciality ingredients and smaller disruptive businesses, providing a way into high growth categories (such as better-for-you or plant-based) so as to meet consumer requirements for healthier and/or more natural products.

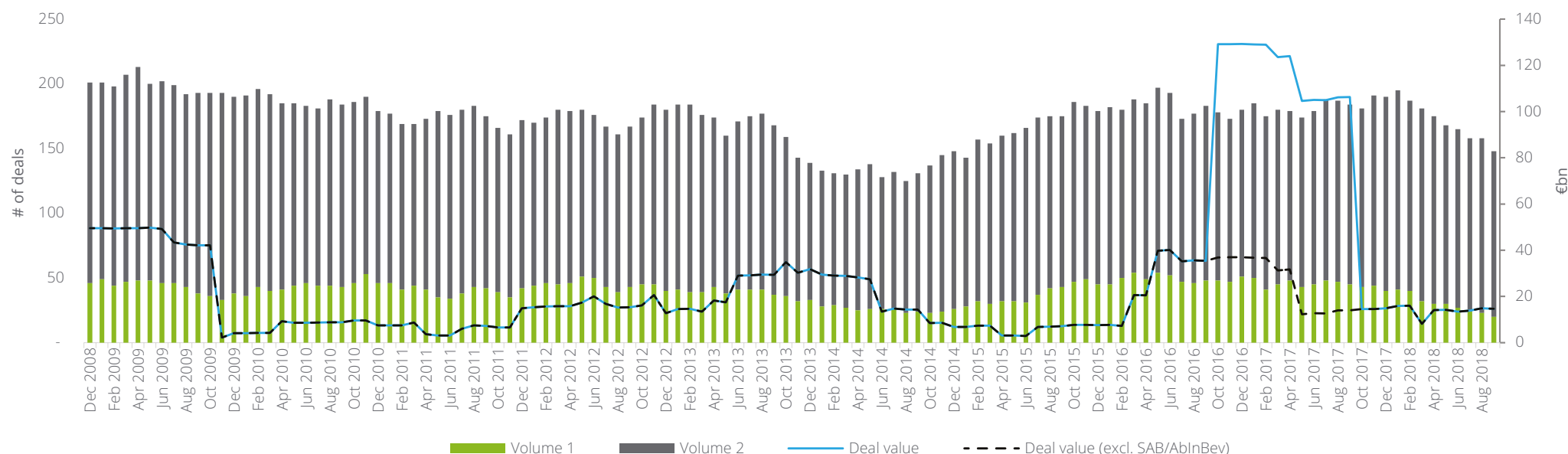


### Top 10 Food deals in 15 months to September 2018

Date	Target	Target Nation	Value (€m)	Acquirer	Acquirer Nation	Deal rationale
Jul 18	Unilever	United Kingdom	7,075	KKR	United States	Strategic decision to divest non-core spreads business
Sep 18	Frutarom Industries Ltd	Israel	5,896	International Flavors & Fragrances Inc.	United States	Increased exposure to fast-growing section of the flavours and fine ingredients market
Aug 17	Reckitt Benckiser – Foods business (French's and Frank's Hot Sauce)	United Kingdom	3,638	McCormick & Company Inc.	United States	Strengthens leadership in the condiments category
Mar 18	Nestle SA-US Confectionery Business	United States	2,511	Ferrero SpA	Italy	Strengthens position in the US confectionary market
Jul 17	Weetabix Ltd	United Kingdom	1,652	Post Holdings Inc.	United States	Ongoing planned consolidation of the cereals and snacks market, as well as access to European market for Post's products
Sep 17	Moy Park Ltd	United Kingdom	1,100	Pilgrim's Pride Corporation	United States	Extend presence in European poultry market
Mar 18	Loders Croklaan Group BV	Netherlands	791	Koninklijke Bunge BV	Netherlands	Establishes position as global leader in edible oils
Sep 18	Aspen Pharmacare-Nutritionals	Mexico	743	Groupe Lactalis SA	China	Lactalis looks to rebuild scale in its infant nutrition business outside of France
Jan 18	St Hubert (Brassica Topco SA & PPN Management SAS)	France	625	Beijing Sanyuan Foods Co Ltd & Fosun Group	China	Aim to introduce new brands to the Chinese market
Jun 18	Naturex SA	France	508	Givaudan SA	Switzerland	Acquisition of French listed business to establish market leader in natural extracts and ingredients
Total value			24,539			

# M&A Market – Beverage sector

## Beverage completed deals – rolling last four quarters



Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed

Source: Thomson Reuters, Deloitte Analysis

### At a glance

Deal value activity trends were significantly influenced by the milestone ABInBev/SABMiller for c. €106 billion transaction in Oct-16 which also precipitated a number of disposals, namely the sales of: Miller Coors (€11.2 billion); Peroni Grolsch (€2.6 billion); and China Resources Snow (€1.1 billion) all in Oct-16, as well as the divestment of SABMiller's Central and Eastern European business (€7.3 billion) in Mar-17.

Ongoing M&A activity in the next 12 months in the beverage sector is likely to be driven by:

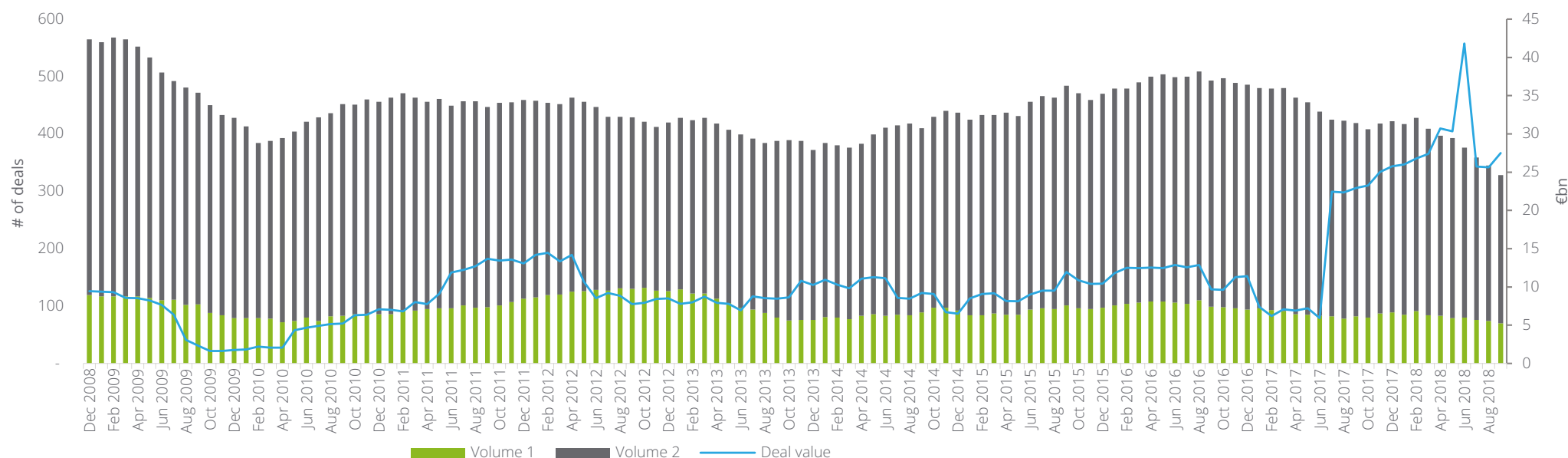
- Interest in healthier and innovative/niche drink categories;
- Consolidation of the fragmented flavoured drink market; and
- Continuing attractiveness of the craft and premium product sectors

Top 10 Beverage deals in 15 months to September 2018

Date	Target	Target Nation	Value (€m)	Acquirer	Acquirer Nation	Deal rationale
Apr 18	Patron Spirits International AG	Switzerland	4,166	Bacardi Limited	Bermuda	Extends presence in the high growth premium spirits sector
Oct 17	Coca-Cola Beverages Africa	Africa	3,025	The Coca-Cola Company	United States	Initial move to take back bottling business prior to re-franchising
n/a	SodaStream International Ltd	Israel	2,774	PepsiCo Inc.	United States	Strengthens position in fast growing health-conscious drinks market
n/a	CRH (Beer) Ltd	Hong Kong	2,678	Heineken NV	Netherlands	Major stake in leading China beer company to gain greater access to Chinese market
Apr 18	Refresco Group NV	Netherlands	2,244	Sunshine Investments BV	Netherlands	Private equity take private of previously listed beverage business with a view to further sector consolidation
Jan 18	Cott Corp-Traditional Beverage	Canada	1,074	Refresco Group NV	Netherlands	Creates largest independent bottler in Europe and North America
Aug 17	Casamigos Spirits Co	United States	895	Diageo Plc	United Kingdom	Extend presence in the high growth premium tequila sector
Aug 17	Stonyfield Farm Inc.	United States	768	Groupe Lactalis SA	France	Regulatory driven divestment after acquisition of WhiteWave, Lactalis gains organic yogurt business
Jul 18	Freixenet	Spain	536	Henkell & Co. Sektkellerei KG	Germany	Builds scale and creates the world's largest sparkling wine group
Dec 17	Tazo LLC	United States	329	Unilever Plc	United Kingdom	Strengthens portfolio in the fast growing US speciality tea market
Total value			18,489			

# M&A Market – Personal, Household, Apparel and Other (“PHAO”) sectors

## Personal & Household Products, Apparel and Other completed deals – rolling last four quarters



Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed

Source: Thomson Reuters, Deloitte Analysis

### At a glance

There has been a noticeable step-up in deal values in the PHAO space despite a falling rate of deal volumes. The significant lift in Jul-17 was primarily driven by the realignment of the Christian Dior ownership structure, whilst the spike in Jul-18 largely reflects the €10.5 billion take back, by GSK, of its partners stake in a joint venture, allowing GSK full control of a number of consumer health brands,

M&A activity in the next 12 months in the sector is likely to be driven by:

- Ongoing interest in the skincare sector particularly given Nestle’s announcement of the sale of its skin health business;
- Access to innovative and premium products for subsequent launch into existing or new markets to capture high growth areas; and
- Geographic expansion to grow revenues and allow realisation of greater operational synergies.

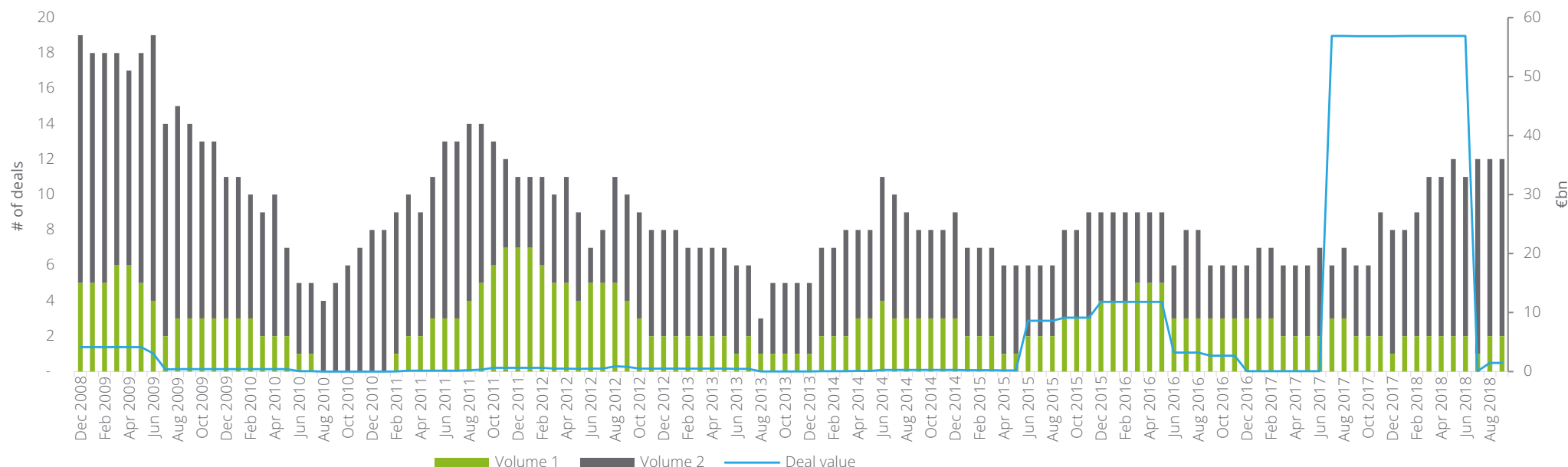


Top 10 Personal, Household, Apparel & Other deals in 15 months to September 2018

Date	Target	Target Nation	Value (€m)	Acquirer	Acquirer Nation	Deal rationale
Jun 18	Novartis AG	Switzerland	10,499	GlaxoSmithKline Plc	United Kingdom	Takes back control of previous joint venture and Sensodyne, Panadol, Voltaren and Nicotinell brands
Jul 17	Christian Dior SE	France	9,500	Semyrhamis SA	France	Increases ownership stake to 94.22% at acquirer group level
Jul 17	Christian Dior Couture SA	France	6,500	Louis Vuitton Moet Hennessy	France	Consolidates control over existing holding in Christian Dior, reuniting Couture and Parfums businesses
n/a	Amer Sports Oyj	Finland	4,609	Investor Group	China	Extends portfolio of overseas businesses and brands by adding Wilson, Salomon, Atomic amongst others
n/a	Merck KGaA (Consumer Health Business)	Germany	3,400	Procter & Gamble Company	United States	Strengthens consumer health-care portfolio and access to Latin American and Asian markets
Nov 17	Carver Korea Co. Ltd	South Korea	2,127	Unilever Plc	United Kingdom	Aids ambition to build a global premium beauty business with strong North Asia presence in the beauty category
Mar 18	Atrium Innovations Inc.	Canada	1,942	Nestle SA	Switzerland	Acquisition of Canadian vitamin maker to increase presence in consumer healthcare market
Dec 18	Gianni Versace SpA	Italy	1,830	Michael Kors Holdings Limited	United States	Addition of luxury brands to position Group as a competitor to other luxury goods conglomerates
Nov 17	Jimmy Choo Plc	United Kingdom	1,003	Jag Acquisitions (UK) Ltd	United Kingdom	Addition of global luxury shoe brand with a view to drive international growth
Jul 18	Helly Hansen AS	Norway	873	Canadian Tire Corp Ltd	Canada	Acquisition of major outdoor brand wear company, that was previously a supplier
Total value			42,283			

# M&A Market – Tobacco sector

## Tobacco completed deals – rolling last four quarters



Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed.

Source: Thomson Reuters, Deloitte Analysis

### At a glance

M&A activity in the Tobacco sector has, given its already largely consolidated base in developed markets, tended to be infrequent but large when it does occur. BAT's acquisition of the remaining 54% stake in Reynolds American Inc in Jul-17 was the last major transaction before Japan Tobacco's acquisition of Russia's Donskoy Tabak.

Over the next 12 months activity in the Tobacco sector is likely to be driven by:

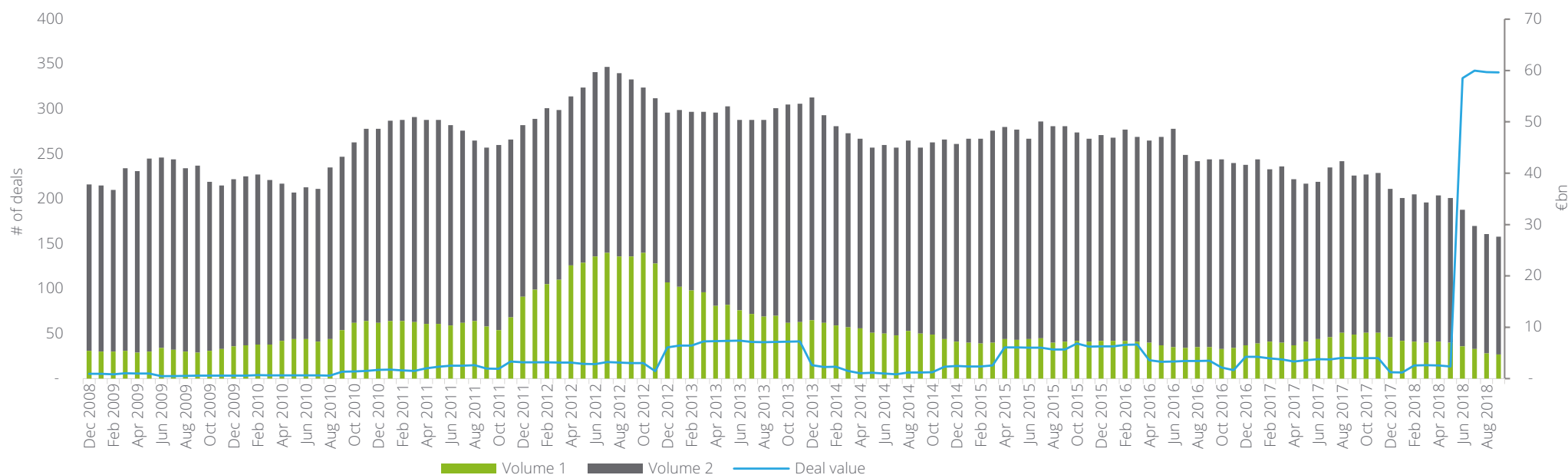
- an ongoing focus on potential targets in developing markets, along with established players rationalising their brand portfolios;
- continuing search for next-generation vapour and tobacco-heating products to offset declining cigarette volumes in developed markets, as well as migration of existing tobacco customers onto new products; and
- the search for nicotine based alternatives aimed at non-smoker category

### Top Tobacco deals in 15 months to September 2018

Date	Target	Target Nation	Value (€m)	Acquirer	Acquirer Nation	Deal rationale
Jul 17	Reynolds American Inc.	United States	56,822	British American Tobacco PLC	United Kingdom	Access to the US market to create a global tobacco business
Aug 18	Donskoy Tabak JSC	Russia	1,421	Japan Tobacco Inc	Japan	Strengthens leading position in the world's third-largest tobacco market
Jan 18	Thompson & Co Of Tampa Inc.	United States	50	Scandinavian Tobacco Group A/S	Denmark	Acquisiition of US online cigar retailer
Jul 17	Must Have Ltd-Certain Assets	United Kingdom	13	Nicoventures Trading Ltd	United Kingdom	Financially troubled e-cigarette business bought out by vaping investment company
<b>Total</b>			<b>58,306</b>			

# M&A Market – Agriculture and Livestock sector

## Agriculture & Livestock completed deals – rolling last four quarters



Note: Volumes (1) denotes volumes of deals where value is disclosed. Volumes (2) denotes volumes where deal values are not disclosed.

Source: Thomson Reuters, Deloitte Analysis

### At a glance

The Bayer/Monsanto €56 billion transaction in Jun-18 marked a major milestone in the sector creating a truly global player.

The following factors are likely to fuel M&A activity in the agriculture & livestock sector in the next 12 months:

- Food producers and or distributors looking to exert greater control over their supply chain and greater security of supply;
- Consolidation to drive cost efficiency by synergy realisation and also deliver R&D economies of scale; and
- Alternative and more sustainable sources of protein to meet changing consumer demand.



### Top 10 Agriculture and Livestock deals in 15 months to September 2018

Date	Target	Target Nation	Value (€m)	Acquirer	Acquirer Nation	Deal rationale
Jun 18	Monsanto Company	United States	56,454	Bayer AG	Germany	Consolidation of leading players to create a global supplier to farmers
Jul 18	Neovia Group	France	1,535	Archer Daniels Midland Company	United States	Extend global presence in fast growing animal nutrition sector
Feb 18	Nidera Semillas Ltda	Brazil	1,138	Syngenta AG	Switzerland	Portfolio expansion in line with ambition to become third-biggest player in global seed industry
n/a	PGG Wrightson Seeds Ltd	New Zealand	256	DLF Seeds A/S	Denmark	Creation of a global seeds company with increased scale and innovation capabilities
Aug 17	The Scotts Miracle-Gro Company (European and Australian operations)	United States	230	Exponent Private Equity LLP	United Kingdom	Private equity investment in market leading garden care brands
Feb 18	Nutriad	Netherlands	164	Drakkar Grp Sa	Belgium	Accelerates aspiration to become a worldwide leader in speciality additives in animal nutrition
n/a	Greenyard NV-Horticulture	Belgium	120	Straco NV	Belgium	Greenyard makes divestment of non-core horticulture unit to deleverage its business
Feb 18	Fmc Corp- European Herbicide	United Kingdom	73	Nufarm Ltd	Australia	Strengthens position in the cereal crop market and the European market
Apr 18	Hyundai Mikhailovka Agro	Russian Fed	65	Lotte International Co Ltd	South Korea	Lotte expands agricultural business with acquisition from Hyundai
n/a	Produce Investments PLC	United Kingdom	59	April 1983 Bidco Ltd	Jersey	Promethean private equity acquire leading potato and daffodil operator
Total value			60,095			

# Our Consumer Products M&A specialists

Our team of M&A experts across the firm have extensive experience in providing innovative industry specific solutions to the Consumer Products industry. If you would like to discuss any of the findings in this survey or find out more about our services to the Consumer Products industry, please contact one of the specialists listed below:

## Authors



**Conor Cahill**  
**Partner, Financial Advisory**  
+44 20 7007 4379  
conorcahill@deloitte.co.uk

Conor is a UK Partner based in our Transaction Services practice with over 18 years of transaction experience with both corporate and private equity clients. Conor specialises in the Consumer Products industry and has extensive experience in delivering complex cross border acquisitions and disposals for many of the FTSE 100 and 250 companies across the food and beverage sector.



**Sandeep Gill**  
**Partner, Financial Advisory**  
+44 20 7303 3325  
sandeepgill@deloitte.co.uk

Sandeep is a UK Partner who specialises in the Consumer Products industry and has extensive experience leading cross-border transactions for both corporate and private equity investors in India, Africa, Europe, Asia, Central & South America and the United States. Sandeep also has extensive experience in advising clients on growth market strategy and M&A execution.



**Phillip Lane**  
**Partner, Financial Advisory**  
+44 117 984 2931  
plane@deloitte.co.uk

Phil is a UK Partner based in our M&A Advisory business specialising in the Consumer Business sector, with a particular focus on FMCG including the Food & Beverage space. He has 20 years of M&A experience, and leads our relationships with a number of major listed and private consumer businesses.



**Luis Oroval**  
**Director, Financial Advisory**  
+44 20 7007 1352  
loroval@deloitte.co.uk

Luis is a Director based in our London Transaction Services group with extensive transaction experience with corporate and private equity clients, and working in both buy-side and sell-side roles. He is on the Consumer Business sector and is our UK M&A leader for cross-border transactions with LatAm.



**Nitika Mehra**  
**Director, Financial Advisory**  
+44 20 7007 0146  
nitmehra@deloitte.co.uk

Nitika is a Director based in our London Transaction Services team, with significant experience across buy-side, sell-side and capital markets transactions with corporate and private equity clients. She focusses primarily on Consumer Products and Retail clients in the Consumer Business sector.



**Elizabeth Angwin**  
**Director, Financial Advisory**  
+44 20 7303 3904  
eangwin@deloitte.co.uk

Lizzie is a director in our London M&A Transaction Services practice. She is focused on retail and consumer products transactions and has over 10 years of experience in this industry. Her transaction experience includes corporate and private equity buy and sell side, as well as transaction assist engagements and capital markets projects, including working with several of the large consumer business groups listed on the London main market.



**Ruairi Ó Dochartaigh**  
**Director, Financial Advisory**  
+44 117 984 2934  
rodochartaigh@deloitte.co.uk

Ruairi is a Director within our M&A Advisory team, specialising in the Food & Beverage sector. He has over 15 years of corporate finance experience within the sector, having advised numerous clients on acquisitions, disposals and restructurings. Ruairi has worked with companies across the Food & Beverage spectrum, including listed and private corporates, private equity and co-operative businesses.

**Leadership Contributors**

**Conor Cahill**

**UK M&A Consumer Products Leader**

+44 20 7007 4379

conorcahill@deloitte.co.uk

**Sandeep Gill**

**North West Europe Consumer  
Products Leader**

+44 20 7303 3325

sandeepgill@deloitte.co.uk

**Ben Perkins**

**UK Head of Insight for Consumer and  
Industrial Products**

+44 20 7007 2207

beperkins@deloitte.co.uk

**Dominic Graham**

**Consumer - Managing Partner**

+44 20 7007 2043

dograham@deloitte.co.uk



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