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Foreword

Welcome to our new Consumer Products M&A Insights review, that looks to capture both the latest macro-economic and Consumer Products M&A trends, alongside our perspectives of the M&A environment and the key factors driving deals within the sector.

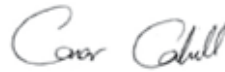
Last Summer, in our Consumer Products M&A survey (“The return of the feel good factor?”), there were clear signs that consumer confidence was on the up and that there had been a strong shift in the sentiment of business leaders towards more positive expansionary strategies.

So it may, initially at least, come as a surprise to some that completed deal activity in the period since that time does not, at first glance, seem to present such a favourable picture. Barring a few major deals, the apparent trend in completed deal activity over the twelve months to June 2014 appears to be broadly downward.

However, as has been highlighted previously in our reviews of completed deal activity in the sector, completed deals tend to lag general economic activity – given that deal processes tend to take anywhere between six to nine months to complete. In addition, from our analysis, there can be delays of anything up to six months before such deals are registered, effectively suppressing deal activity in the most recent quarters. So it is only in the next few quarters that we will really see the extent to which the economic upturn in much of Europe has translated into deals.

With that in mind, this review looks to address some of the key drivers for future deal activity, namely: the improving economic outlook for the UK, the broader sentiment of CFOs across the UK, the factors behind the growing US appetite for investment into Europe; and finally some recent deal announcements that reinforce the view that doing deals is back in vogue.

Kind regards



Conor Cahill

Partner, Corporate Finance



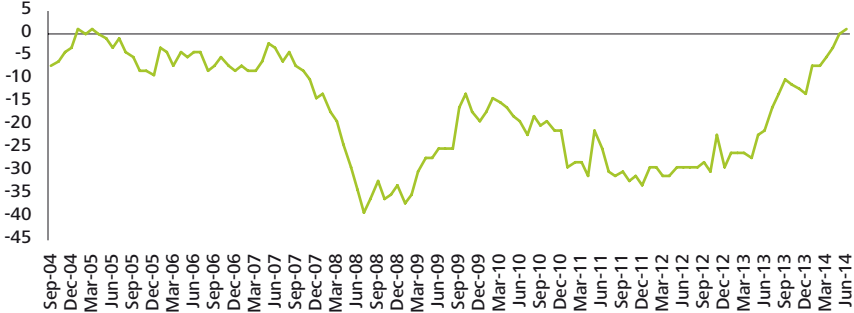
Economic outlook – UK

- The UK economy made major strides at the start of 2014 growing at 0.8% in the first three months and matching pre-recession growth rates. Annual GDP growth of 3% in March 2014 also surpassed pre-recession growth of 2.8% (March 2007), with the UK expected to emerge as the fastest growing economy among the developed nations.
- Consumer appetite for major purchases showed consistent improvement with the 'UK GfK Major Purchases Index' increasing for the fifth consecutive month in June 2014, reaching -2 points from -11 points in February 2014, and staging the longest improvement since 2008. With the 'Major Purchases Index' edging towards positive territory, consumer confidence seems to be getting closer to the pre-recession level.
- Whilst Consumer Price inflation fell to 1.5% in May 2014 (the lowest since October 2009), the unexpected climb to 1.9% in June 2014 is still below the Bank of England target of 2%. Whilst this has eased the pressure on real income and shopping budgets, the spectre of a future interest rate increase may stretch household finances further. Declines in global commodity prices and the strengthening of sterling in the first half of 2014, along with pricing competition amongst UK retailers, offers some check to future inflation rate growth.
- However, an improvement in consumer confidence is yet to translate into significant growth in consumer expenditure, which slowed down from 2.4% in Q3 2013 to 2.1% in Q1 2014. The prospect of an interest rate hike remains a potential impediment to consumer expenditure growth, which could significantly impact the UK recovery story in 2014. Such concerns appear to have been flagged in the slight fall in consumer confidence reported for July 2014, the first decline for six months.
- The disparity between consumer confidence and spending sets the scene for an ongoing battle in the UK retail sector as retailers compete to woo reluctant consumers. Food & non-alcoholic beverages and clothing & footwear categories saw the largest decline in prices during May 2013 to May 2014, as supermarkets and discount retailers focus on competitive pricing to attract consumers.
- The unemployment rate in the UK declined further to 6.6% in the three months to April 2014 from 6.8% in the previous period, comparable to Germany's unemployment rate of 6.5%, although perhaps not subsequently buoyed as much by the national team's performance in the World Cup. However, real income growth remains stubbornly subdued, impacting living standards and putting a significant squeeze on consumer budgets, thus widening the disparity between consumer confidence and spending.

- The corporate sector remains optimistic about the UK economy, with 51% of CFOs rating the level of financial and economic uncertainty facing their business as normal or below normal – the most favourable level for four years, as highlighted in the latest Deloitte CFO Survey (Q2 2014). The decline in economic and financial uncertainty coincides with a surge in corporate risk appetite, with 65% of CFOs saying that ‘now is a good time to take greater risk onto their balance sheets’, according to the survey.
- As corporates become more optimistic about their profitability, CFO expectations of a rise in revenues and operating margins have hit four-year highs, albeit optimism about financial prospects for their respective companies continues to be tempered by several economic and political uncertainties; however, it remains well above the long-term average.
- More CFOs are reporting that the cost of credit has fallen and credit availability has increased in the second quarter of 2014. This coincides with the first increase in bank lending to corporates for five years. Accordingly, the Bank of England’s Credit Conditions Survey reveals that mergers and acquisitions, investment into commercial real estate and capital expenditure have been major drivers of corporate demand for loans.
- The top priority for UK CFOs is introducing new products and services or expanding into new markets, thus reflecting the corporate optimism about the UK economy. The proportion of corporates following defensive strategies, namely reducing costs and tightly managing cash flow, hit a four-year low in the second quarter of 2014. Expansionary strategies are now rated higher than defensive strategies for the fourth consecutive quarter, with companies focusing on increasing capital expenditure and inorganic growth.

Economic outlook – UK

Chart 1. GfK Consumer Confidence



Consumer sentiment has recovered significantly since the depths it reached in June 2008. It recorded its first positive reading for the first time in nearly ten years in June 2014, with evidence that the appetite for major purchases by consumers is also returning to pre-recession levels.

Chart 2. Climate for major purchases – Is this the right time?



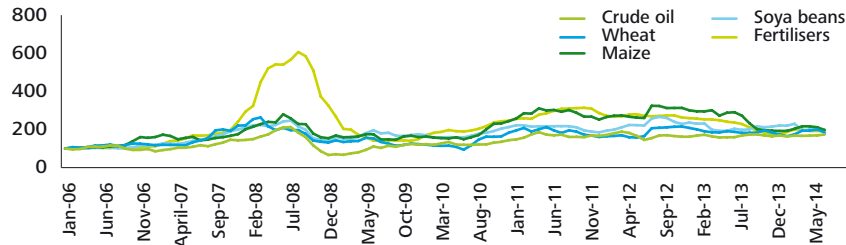
Source: GfK

Chart 3. Real earnings adjusted for tax and inflation



Source: Gfk

Chart 4. Selected commodities



Source: FAO/World Bank – Indexed (Jan 2006 = 100)

Real earnings levels have continued their modest recovery since their nadir of mid 2010 and commodity prices have stabilised. Consumer price inflation levels of 1.9% in June 2014 are now lying slightly below the Bank of England target of 2%, providing some respite for family finances. However, April 2014 marked the first time in six years that average weekly earnings finally caught up with inflation.

Corporate risk appetite

The Deloitte CFO Survey is the only survey of major corporate users of capital that gauges attitudes to valuations, risk and financing. The following charts are from the Q2 2014 survey.

Chart 5. Uncertainty

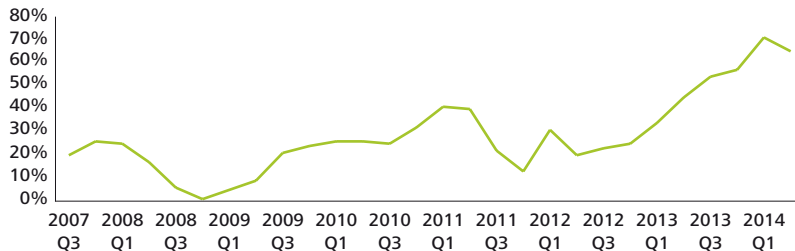
% of CFOs who rate the level of external financial and economic uncertainty facing their business as above normal, high or very high



Source: Deloitte CFO Survey, Q2 2014

Chart 6. Risk appetite

% of CFOs who think this is a good time to take greater risk onto their balance sheets



Source: Deloitte CFO Survey, Q2 2014

CFO perceptions of economic uncertainty have continued to fall.

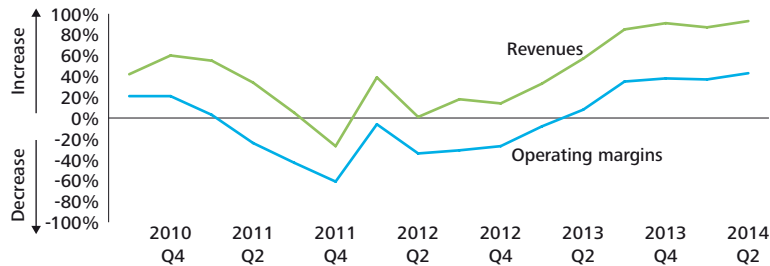
49% of CFOs now rate the level of financial and economic uncertainty facing their business as above normal, high or very high – the lowest reading in four years.

The decline in economic and financial uncertainty has coincided with a surge in corporate appetite for risk.

65% of CFOs say that now is a good time to take risk, down only slightly from the record reading of 71% in the first quarter.

Chart 7. Outlook for corporate revenues and margins

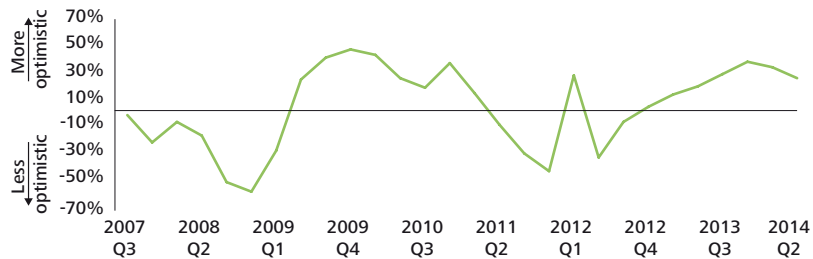
Net % of CFOs who expect UK corporates' revenues and margins to increase over the next 12 months



Source: Deloitte CFO Survey, Q2 2014

Chart 8. Business confidence

Net % of CFOs who are more optimistic about financial prospects for their company now than three months ago



Source: Deloitte CFO Survey, Q2 2014

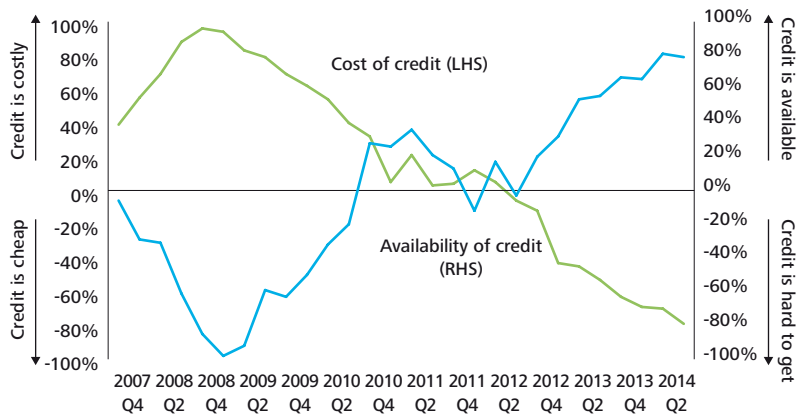
Corporates are also more optimistic about their profitability.

CFO expectations of a rise in revenues and operating margins have hit four-year highs.

CFO optimism has eased slightly in the second quarter but continues to run well above its long-term average.

Chart 9. Cost and availability of credit

Net % of CFOs reporting credit is costly and credit is easily available

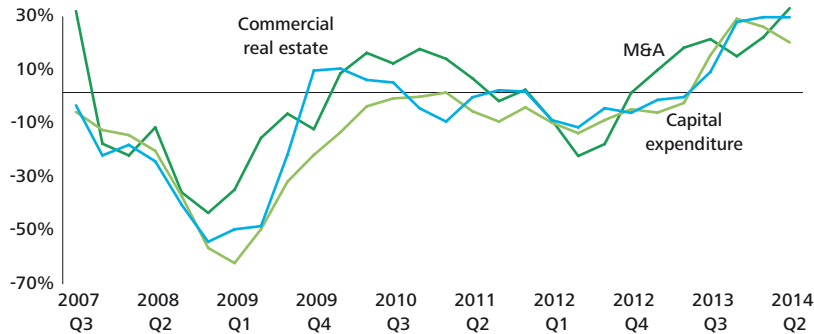


Source: Deloitte CFO Survey, Q2 2014

Financing conditions remain benign for the large corporates on our survey panel.

CFOs report that the cost of credit has fallen to a seven-year low in the second quarter, while credit availability is close to the highest level in seven years.

Chart 10. Factors supporting demand for loans from corporates
 Net % of banks reporting each of the following factors as a contributor to changes in corporate demand for lending over the past three months (2Q moving average)



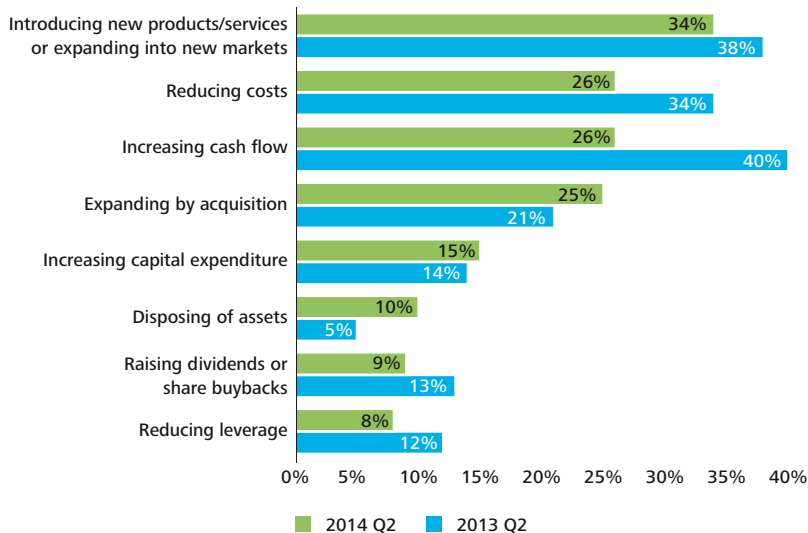
Source: Bank of England's Credit Conditions Survey

Bank lending to corporates rose by 1% in the year to May 2014, the first increase in five years.

The Bank of England's Credit Conditions Survey reveals that mergers and acquisitions, investment into commercial real estate and capital expenditure have been major drivers of corporate demand for loans.

Chart 11. Corporate priorities in the next 12 months

% of CFOs who rated each of the following as a strong priority for their business in the next 12 months



Source: Deloitte CFO Survey, Q2 2014

The top priority for UK CFOs is introducing new products and services or expanding into new markets.

Compared to a year ago, there has been a marked softening of their focus on defensive strategies, such as reducing costs and increasing cash flow.

CFOs are placing greater emphasis on expansionary strategies such as increasing capital expenditure and expanding by acquisition.

Chart 12. CFO priorities: Expansionary vs. defensive strategies



Arithmetic average of the % of CFOs who rated expansionary and defensive strategies as a strong priority for their business in the next 12 months.

Expansionary strategies are introducing new products/services or expanding into new markets, expanding by acquisition and increasing capital expenditure.

Defensive strategies are reducing costs, reducing leverage and increasing cash flow.

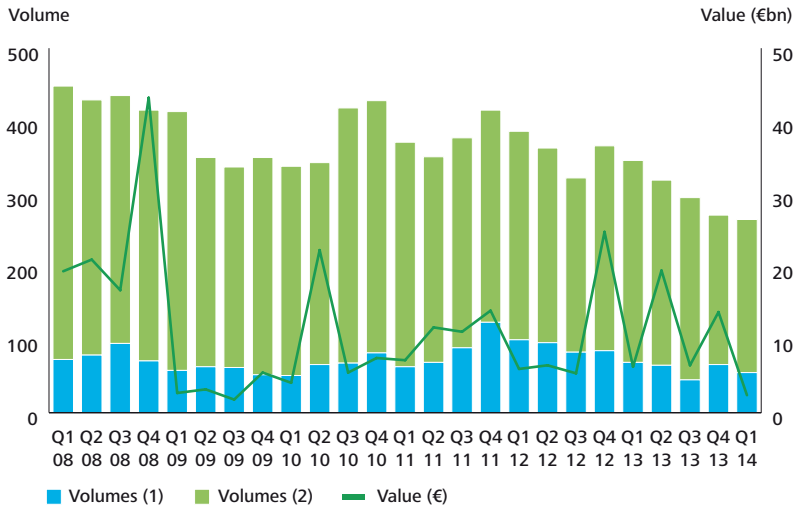
Source: Deloitte CFO Survey, Q2 2014

Corporate defensiveness hit a four-year low in the second quarter of 2014.

CFOs have rated expansionary balance-sheet strategies as a higher priority than defensive ones for the fourth consecutive quarter.

Consumer Products M&A Market trend analysis

Chart 13. Consumer Products completed European deals by quarter

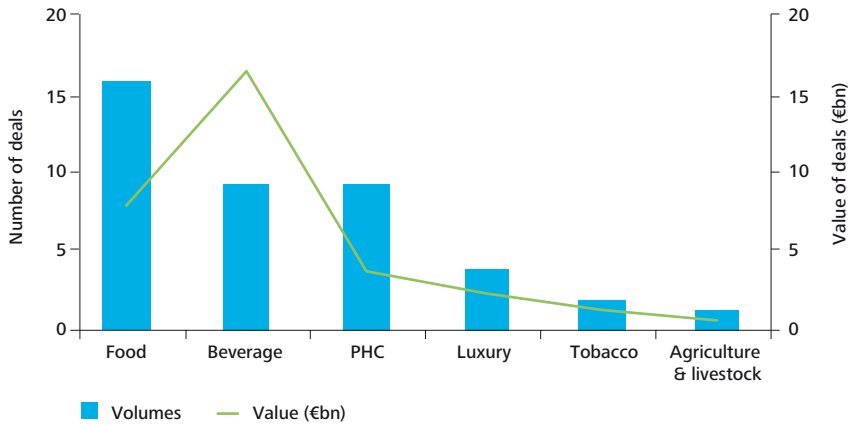


Source: Thomson Reuters, Deloitte analysis

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

There were 40 completed European deals with enterprises of over €200m in the 12 months to June 2014, with a combined deal value of €35.2bn (12 months to 30 June 2013 – 31 deals, €41.3bn). Of the 40, 7 deals were over €1bn (deal value €20.1bn) and 16 over €500m (deal value €26.8bn).

Chart 14. Announced and completed deals over €200m in the last 12 months



Source: Thomson Reuters, Deloitte analysis

In terms of sector split, three quarters of the announced or completed deals over €200m were either in the Food (16) or Beverage (9) sectors.

Consumer Products M&A Market trend analysis

- Food deals include six private equity investments across a wide range of categories from bakery, ice cream, olive oil to biscuits and ready meals. This perhaps reflects some of the resilient properties core staples have demonstrated during the downturn and the potential for upside as consumer finances recover.
- In terms of examples of investment into growth markets and Asian buyers looking to buy flagship assets, AB InBev's major investment in Oriental Breweries in South Korea and the Philippines based Emperador's investment in Whyte & Mackay are prime examples. The appetite of major Asian beverage players for major brands has also been underlined by Suntory's knock-out bid for Lucozade/Ribena and further afield with their investment in Beam. The seriousness of Asian investors' interest in European flagship brands is also apparent in the valuation achieved on the Whyte & Mackay and Lucozade/Ribena businesses, both of which were at the upper end of expectations for the sector. Further afield, the potential buy-out of San Miguel's majority stake in the San Miguel Brewery may well spark another round of portfolio assessment and potential further consolidation.
- The hot beverage sector has also seen some significant strategic consolidation with DE Master Blenders building a global coffee and tea player with its merger with Mondelez's coffee business to form Jacobs Douwe Egberts.
- A noticeable feature of completed food transactions in the last 12 months to June 2014 is that US buyers accounted for three of the top ten. This is before taking into account Archer Daniels Midland's acquisition of Wild Flavors, a Swiss headquartered food ingredient business providing flavouring ingredients for drinks such as Capri-Sun and Monster. Activity by US buyers is also a global theme we have identified later in this report.

- The personal and home care sector has also seen marked activity with entry into the Chinese market and acquisitions of established cosmetic brands being primary drivers of much of the activity. Henkel's announced acquisition of Spotless also highlights that established brands located in developed markets remain attractive for major consumer product companies with funds to invest.
- The Luxury and Apparel sector has continued to see investment activity with LVMH's investment in Loro Piana's cashmere business being by far the largest, but also with well known brands R Griggs (Dr Martens), Abasic (Desigual) and Gianni Versace (minority stake investment) all the subject of transactions.
- In terms of large deals, the Tobacco sector has stirred into life with Philip Morris and Japan Tobacco's joint acquisition of a major stake in Megapolis, Russian's largest cigarette distributor, followed by the announcement of a tie-up between Reynolds (in which BAT has a 42% stake) and Lorillard which in turn offers Imperial Tobacco the opportunity to pick up brands as a result of competition concerns. The tie-up between the number 2 and 3 players in the US market (behind Altria the leader) reflects a major push to increase scale and cut costs. On a separate front, there has been significant activity in the e-cigarette market with the consolidation of suppliers as evidenced most recently by Japan Tobacco's acquisition of Zandera (E-Lites brand).

Consumer Products M&A Market trend analysis

Announced and completed European deals over €200m in 12 months to June 2014

Announced date	Effective date	Target name	Target nation	Acquirer name	Acquirer nation	Enterprise value (€m)
Mar-13	Oct-13	DE Master Blenders 1753 BV	Netherlands	Oak Leaf BV	Netherlands	7,694
Jan-14	Apr-14	Oriental Brewery Co Ltd	South Korea	Anheuser-Busch Inbev	Belgium	4,276
May-14	TBC	Mondelez-Coffee Business	Netherlands	DE Master Blenders	Netherlands	7,047
Jul-13	Nov-13	Loro Piana SpA	Italy	LVMH Moet Hennessy Louis Vuitton SA	France	2,500
Sep-13	Dec-13	GSK-Luozade and Ribena	United Kingdom	Suntory Beverage & Food Ltd	Japan	1,601
Apr-14	TBC	Diana Ingredients SAS	France	Symrise AG	Germany	1,300
Sep-13	Nov-13	Vinda International Hldg Ltd	Hong Kong	SCA Group Holdings BV	Netherlands	1,278
Jun-14	TBC	Spotless Group SAS	France	Henkel AG & Co KGaA	Germany	940
Apr-13	Jul-13	R&R Ice Cream PLC	United Kingdom	PAI Partners SAS	France	850
Mar-13	Jul-13	CSM NV-Bakery Supplies	Netherlands	Rhone Capital LLC	United States	1,044
Nov-12	Jun-13	United Spirits Ltd	India	Diageo PLC	United Kingdom	3,879
Dec-12	Jun-13	Petra Foods-Cocoa Ingredients	Singapore	Barry Callebaut AG	Switzerland	732
Nov-13	TBC	Campofrio Food Group SA	Spain	Investor Group	China	1,172
Aug-13	Apr-14	Magic Holdings Intl Ltd	China	L'Oreal SA	France	513
Dec-13	TBC	Megapolis Distribution BV	Russian Fed	Philip Morris International Inc & Japan Tobacco Inc.	United States	3,127

Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
6,317	2,842	481	2.7	16.0	Continued development of global portfolio in hot beverage sector
4,276	n/a	369	n/a	11.6	Regain of foothold in South Korean brewing market and strengthen position in South East Asia
3,594	2,900	n/a	2.4	n/a	Merger to create one of the largest global coffee and tea business
2,000	700	n/a	3.6	n/a	Acquisition of luxury Italian cashmere business
1,601	592	118	2.7	13.6	Major acquisition to bolster existing European drinks position
1,300	425	89	3.1	14.6	Creation of integrated flavour company with strong focus on emerging markets
1,043	594	95	2.2	13.5	Acquisition of third largest Chinese tissues company
940	280	78	3.4	12.1	Strategic investment to obtain attractive country category positions in mature markets
850	600	n/a	1.4	n/a	Ice cream producer enhances existing portfolio of well known consumer brands
845	2,562	107	0.4	9.8	Divesture of bakery supply business to focus on bio-based ingredients
825	1,434	202	2.7	19.2	Access to India's growing spirits market
732	949	49	0.8	14.8	Leading cocoa production position and greater security of supply to grow Asian and LatAm markets
705	1,918	151	0.6	7.8	Recovery play investment in Spanish meat processing market
635	166	28	3.1	18.3	Expansion in the high growth Chinese cosmetics market
625	n/a	n/a	n/a	n/a	Acquisition of a 40% stake in a Russian tobacco distributor

Announced and completed European deals over €200m in 12 months to June 2014 (continued)

Announced date	Effective date	Target name	Target nation	Acquirer name	Acquirer nation	Enterprise value (€m)
May-14	TBC	Whyte & Mackay Ltd	United Kingdom	Emperador Inc	Philippines	513
Aug-13	Oct-13	The Colomer Grp Participations	Spain	Revlon Consumer Products Corp	United States	497
Aug-12	Apr-13	Tortuga Cia Zootechnica Agraria	Brazil	Koninklijke DSM NV	Netherlands	495
Mar-14	Mar-14	Cloverhill Pastry-Vend LLC	United States	Aryzta AG	Switzerland	485
Sep-13	TBC	Arab Investor-TA	Algeria	Philip Morris International Int'l	Switzerland	959
Apr-14	TBC	Ginsber Draft Beer Co Ltd	China	Anheuser-Busch Inbev	Belgium	450
Dec-13	TBC	Shanghai Golden Monkey Food	China	Hershey Netherlands BV	Netherlands	518
Nov-13	Nov-13	Burtons Biscuit Co	United Kingdom	Ontario Teacher's Pension Fund	Canada	413
Oct-13	Oct-13	Campbell Food-Simple meals	Belgium	CVC Capital Partners Ltd	United Kingdom	400
Dec-12	Jul-13	OC Oerlikon-Natural Textiles	Switzerland	Jiangsu Jinsheng Industry Co Ltd	China	n/a
Nov-13	TBC	Campofrio Food Group SA	Spain	Sigma	Mexico	1,178
Jul-13	Aug-13	Oy Hartwall Ab	Finland	Royal Unibrew A/S	Denmark	442
Mar-14	TBC	Fyffes PLC	Ireland-Rep	Chiquita Brands International Inc	United States	356
Oct-13	TBC	R Griggs Group Ltd	United Kingdom	Permira Advisers LLP	United Kingdom	353
Dec-13	TBC	Deoleo SA	Spain	CVC Capital Partners Ltd	United Kingdom	878

Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
526	316	27	1.6	19.3	Important product portfolio addition to allow access to growing whisky market
497	n/a	n/a	n/a	n/a	Broadens product offering geographically and enhances access to beauty salons channel
495	270	70	1.8	7.1	Provides a foothold in Latin American animal nutrition market and extends move into higher margin products
485	n/a	n/a	n/a	n/a	Enlarges US bakery North American footprint
470	n/a	n/a	n/a	n/a	Access to major future growth market
450	n/a	n/a	n/a	n/a	Strengthens position as third largest brewery in the Chinese market
427	169	n/a	3.1	n/a	Expansion of candy business into China
413	401	47	1.0	8.8	Acquisition of iconic biscuit brands
400	400	n/a	1.0	n/a	Acquisition of iconic European food brands business
389	n/a	n/a	n/a	n/a	Asian investor enhances textile capability
386	1,918	151	0.6	7.8	Recovery play investment in Spanish meat processing market
375	309	50	1.4	8.8	Expansion of brand portfolio in Nordic and Baltic regions
364	n/a	n/a	n/a	n/a	Creation of global banana brand
353	192	29	1.8	12.2	Acquisition of iconic Dr Martens boot brand
307	n/a	92	n/a	9.5	Minority stake in global spanish olive oil business

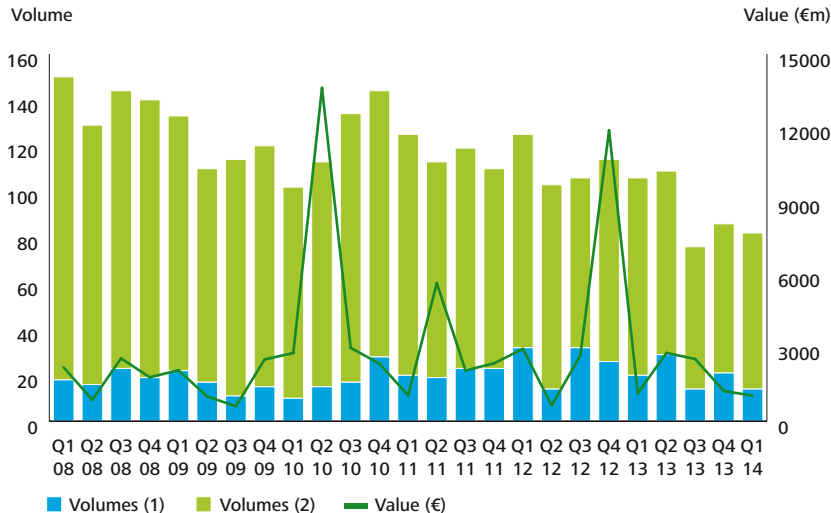
Announced and completed European deals over €200m in 12 months to June 2014 (continued)

Announced date	Effective date	Target name	Target nation	Acquirer name	Acquirer nation	Enterprise value (€m)
Feb-14	TBC	Abasic SL	Spain	Eurazeo SA	France	2,850
Mar-14	TBC	Klemme AG	Germany	Aryzta AG	Switzerland	280
Nov-13	Jan-14	Laboratorios Indas SAU	Spain	Domtar Corp	Canada	425
Jun-13	TBC	Sichuan Chengdu Quanxing Group	China	Diageo PLC	United Kingdom	576
Jul-13	Jul-13	Epax Nutra Holding III AS	Norway	FMC Corp	United States	261
Jan-14	TBC	Tilda Ltd	United Kingdom	Hain Celestial Group Inc	United States	261
Mar-14	TBC	Pineridge Bakery Inc	Canada	Aryzta AG	Switzerland	245
Feb-14	TBC	Poltrona Frau SpA	Italy	Haworth Inc	United States	489
Oct-13	TBC	Shiseido's Decleor and Carita brands	France	L'Oreal SA	France	230
Aug-13	Nov-13	Fiberweb plc	United Kingdom	PGI Acquisition	United Kingdom	193
Total						51,700

Deal size (€m)	Revenue (€m)	EBITDA (€m)	Revenue multiple	EBITDA multiple	Deal rationale
285	n/a	n/a	n/a	n/a	Investment in Spanish Desigual fashion brand which has ambitions to grow in LatAm and Japan
280	229	n/a	1.2	n/a	Capture of frozen bakery growth and access to large retailers
275	190	46	2.2	9.2	Expands its personal care business in Europe
271	n/a	n/a	n/a	n/a	Acquisition of a leading international Baiju white spirits brand
261	n/a	n/a	n/a	n/a	Omega 3 producer enhances FMC's nutrition and health offerings
261	142	n/a	1.8	n/a	Addition of UK's largest rice brand to portfolio of organic food brands
245	n/a	n/a	n/a	n/a	Enlarges US bakery North American footprint
243	n/a	19	n/a	13.0	US acquisition of Italian luxury furniture brand
230	100	n/a	2.3	n/a	Acquisition of strong brands with promising international growth prospects
211	360	36	1.9	5.4	Enhances scale in global non-woven market
35,189					

M&A Market – Food sector

Chart 15. Food sector



Source: Thomson Reuters, Deloitte analysis

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

Food transactions in the past year were dominated by the food ingredients sector and transactions driven by restructuring and banks exiting equity holdings that were acquired through debt to equity swaps.

Burtens Biscuits and Tyrells were acquired by OTPP and Investcorp respectively, in transactions aiming to further satisfy their international growth ambitions.

CSM's Bakery supplies business and Campbell Foods European Assets were acquired by private equity as a result of a restructuring of the parent businesses. In an innovative transaction in the same vein, Premier Foods moved its long underperforming bread business into a joint venture with Gores Group. Other divestments in the market include Unilever's sale of Ragu and Slim-Fast in the US indicating that some corporates will continue to prune the portfolio of low growth brands when better value is available through divestments. We think that this trend indicates that as growth returns to mature markets, bigger food groups will concentrate on core businesses and sell underperforming assets that do not meet their core growth criteria.

The growth of the IPO markets have not been reflected in the Food sector listings. However at the time of writing, press reports indicate that the owners of both United Biscuits and Iglo Foods are considering stock market listings.

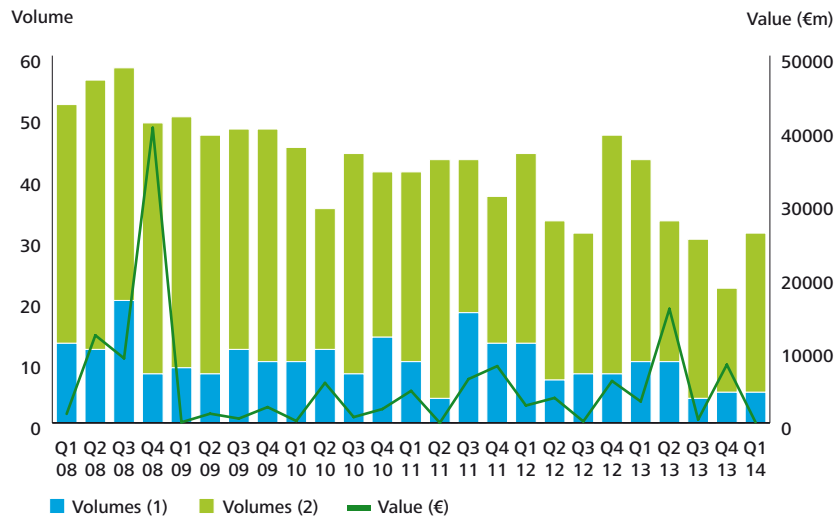
Overall, we believe that transactions in this sector will continue to grow mainly through the sale of a number of Private Equity owned assets (United Biscuits, Iglo Foods) coming to market after the summer. We also think that the pruning of the portfolio by the big food groups will continue. This will allow both Asian investors and Private Equity buyers to focus on value creation and growth opportunities in new markets with these brands.

Completed food transactions over €100 million in 12 months to June 2014

Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Jul-13	CSM NV-Bakery Supplies	Netherlands	1,050	Rhone Capital LLC	United States	Divesture of bakery supply business to focus on bio-based ingredients
Jul-13	R&R Ice Cream PLC	United Kingdom	926	PAI Partners SAS	France	Ice cream producer enhances existing portfolio of well known consumer brands
Mar-14	Cloverhill Pastry-Vend LLC	United States	485	Aryzta AG	Switzerland	Acquisition of US-based bakery group to enhance portfolio in North America
Nov-13	Burtons Biscuit Co	United Kingdom	413	Ontario Teacher Pension Fund	Canada	Acquisition of iconic UK biscuit brands to fund international growth
Oct-13	Campbell Food-Certain Assets	Belgium	400	CVC Capital Partners Ltd	United Kingdom	Acquisition of iconic European food brands business
Jul-13	Epax Nutra Holding III AS	Norway	261	FMC Corp	United States	Omega 3 producer enhances FMC's nutrition and health offerings
Jan-14	Tilda Ltd	United Kingdom	261	Hain Celestial Group Inc	United States	Acquisition of UK's 2nd largest rice brand with international growth appeal
Apr-14	Pineridge Bakery Inc	Canada	245	Aryzta AG	Switzerland	Acquisition of Canada-based bakery group to enhance portfolio in North America
Dec-13	Snacks International SAS	France	190	Apax Partners SA	France	Entry into European savoury snack market
Jan-14	DeMet's Candy Co	United States	161	Yildiz Holding AS	Turkey	Further expansion into US chocolate market by Turkish premium chocolate manufacturer
Aug-13	Tyrrells Potato Chips Ltd	United Kingdom	114	Investcorp International Ltd	United Kingdom	Acquisition of premium brand with international growth ambitions
		Total value	4,506			

M&A Market – Beverage sector

Chart 16. Beverage sector



Source: Thomson Reuters, Deloitte analysis

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

The beverage sector saw the consummation of two major strategic transactions.

The take private of DE Masterblenders by Joh A Benckiser investment vehicle Oak Leaf was a complementary investment to its existing holdings in Peet's Coffee & Tea Inc and Caribou Coffee, but also marked a pre-cursor to its subsequent tie-up with Mondelez's coffee division to create a truly global hot beverage business.

AB Inbev's buy back of the business they previously sold to KKR in 2009, highlights the renewed growth potential seen in the Asian market.

The acquisition of attractive brands to in-fill existing drink portfolios remains a recurring theme with Campari and Altia both completing deals in the last twelve months. Emperador, the Filipino brandy producer, followed up its Spanish acquisition with its ambitious takeover offer for Whyte & Mackay looking to both expand its core product range into Whisky but also looking to leverage Whyte & Mackay's major distribution network.

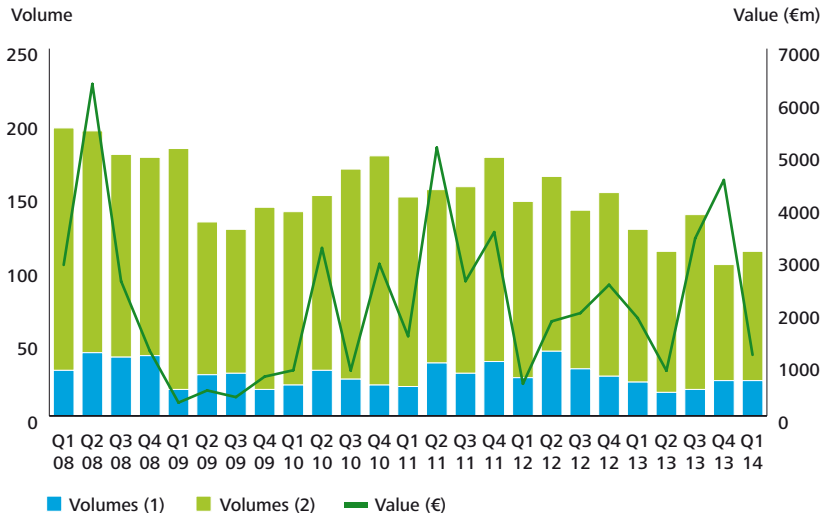
We would expect to see ongoing interest in the acquisition of flagship brands, with Suntory's acquisition of Jim Beam in the US highlighting the ongoing Asian interest in prominent brands.

Completed beverage transactions in 12 months to June 2014

Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Oct-13	DE Master Blenders 1753 BV	Netherlands	6,317	Oak Leaf BV	Netherlands	Continued development of global portfolio in hot beverage sector
Apr-14	Oriental Brewery Co Ltd	South Korea	4,276	Anheuser-Busch Inbev w	Belgium	Regaining control of Asian nation's biggest brewer from KKR
Dec-13	GlaxoSmithKline PLC-Luozade	United Kingdom	1,601	Suntory Beverage & Food Ltd	Japan	Acquisition of iconic UK drinks brands to reduce reliance on Japanese domestic market
Aug-13	Oy Hartwall Ab	Finland	376	Royal Unibrew A/S	Finland	Expansion of brand portfolio in Nordic and Baltic regions
Jun-14	Fratelli Averna SpA	Italy	104	Davide Campari-Milano SpA	Italy	Adds further to its existing portfolio of premium brands
Feb-14	Bodega Las Copas SL	Spain	61	Grupo Emperador Spain SL	Spain	Strategic focus on establishing a large scale footprint in the global brandy market
May-14	Aimia Foods Group-Subsidiaries	United Kingdom	59	Cott Corp	Canada	Acceleration of diversification strategy on both hot and cold beverage platforms and food service relationships
Aug-13	Larsen "Le Cognac des Vikings"	France	53	Altia Oyj	Finland	Acquisition of Cognac brand to strengthen position in Nordic market
Feb-14	TNB(Pty)Ltd	South Africa	13	Vasari Global	United Kingdom	Strategic intent to build a strong FMGC portfolio across Africa and Asia
Dec-13	Vinedos del Contino SA	Spain	11	Cvne Excellars SLU	Spain	Acquisition by wine producer of vineyards
		Total value	12,870			

M&A Market – Personal & household products, apparel and other sectors

Chart 17. Personal & household products, apparel and other



Source: Thomson Reuters, Deloitte analysis

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

There are a number of significant themes behind the major deal activity in this broad sector group.

Transactions in the personal care segment continue to reflect the intent of large groups to fill gaps in categories and gain distribution in growth markets.

The household products sector continues to remain relatively subdued but we expect some level of consolidation in the future.

Apparel and textiles continues the trend of consolidation and interest in the luxury segment with LVMH remaining active and private equity buying into the segment through the Versace and Moncler transactions.

Completed personal and household products transactions over €50m in 12 months to June 2014

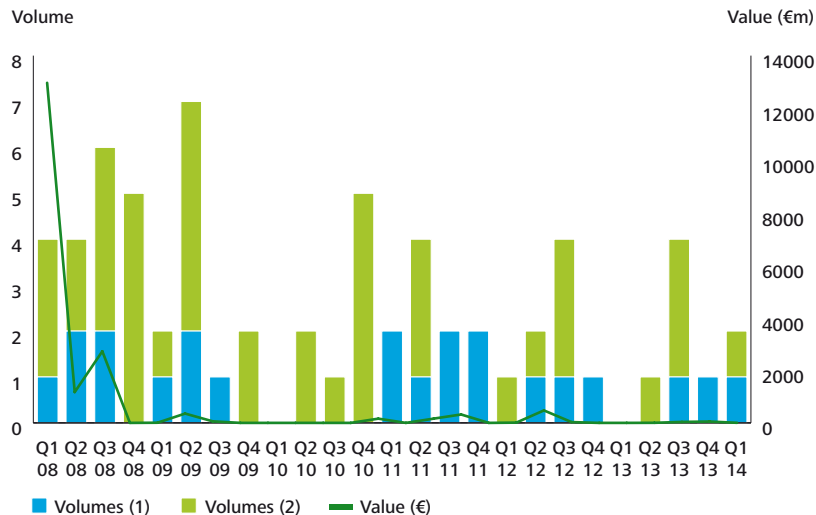
Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Nov-13	Vinda International Hldg Ltd	Hong Kong	2,000	SCA Group	Netherlands	Promotes expansion into the Chinese tissue market and expands production capacity
Apr-14	Magic Holdings Intl Ltd	China	632	L'Oreal SA	France	Expansion in the high growth Chinese cosmetics market
Oct-13	The Colomer Group	Spain	498	Revlon Consumer Products Corp	United States	Broadens product offering geographically and enhances access to beauty salons channel
Jan-14	Laboratorios Indas SAU	Spain	425	Domtar Corp	Canada	Expands its personal care business in Europe
Apr-14	Shiseido's Decleor and Carita brands	France	230	L'Oreal SA	France	Acquisition of strong brands with promising international growth prospects
Total value			3,784			

Completed textiles and apparel transactions over €50m in 12 months to June 2014

Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Nov-13	Loro Piana SpA	Italy	2,000	LVMH	France	Acquisition of luxury Italian cashmere business
Jul-13	OC Oerlikon-Natural Textiles	Switzerland	389	Jiangsu Jinsheng Industry Co Ltd	China	Asian investor enhances textile capability
Nov-13	Fiberweb PLC	United Kingdom	211	PGI Acquisition Ltd	United Kingdom	Enhances scale in global non-woven market
Aug-13	Ruffini Partecipazioni Srl	Italy	103	Clubsette Srl	Italy	Investment in company owning a significant stake in the Moncler brand
Jan-14	Beaconsfield Footwear Ltd	United Kingdom	103	Electra Private Equity PLC	United Kingdom	Private equity investment in Hotter Shoes footwear brand
May-14	Speculative Design Products	United States	62	Samsonite International SA	Belgium	Entry into smartphone case market
Apr-14	Gianni Versace SpA	Italy	60	Blackstone Group LP	United States	Investment stake to support growth in global fashion company
Total value			2,928			

M&A Market – Tobacco sector

Chart 18. Tobacco sector



Source: Thomson Reuters, Deloitte analysis

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

The US tobacco landscape has been reshaped with the announcement in July 2014 of the acquisition of Lorillard by Reynolds American for \$27.4bn (currently number 2 and number 3 in the US market, respectively). However, the new combined company will still be behind the market leader, Altria.

To manage competition concerns, Imperial Tobacco has agreed to buy a portfolio of brands from the merged group for \$7.1bn including the market leading e-cigarette, Blu. Imperial will become the new number 3 player in the US market.

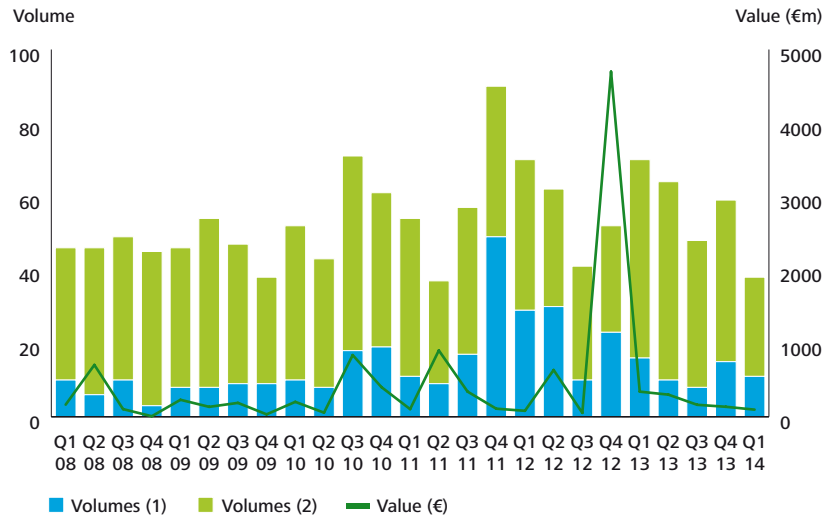
Finally, British American Tobacco will invest an additional \$4.7bn into the new combined Reynolds-Lorillard company to maintain its existing 42% stake in Reynolds.

Completed tobacco transactions in 12 months to June 2014

Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Sep-13	Dragonite E-Cigarette	China	57	Imperial Tobacco	United Kingdom	Building of position in e-cigarette market
Jan-14	The Vapestick Group	United Kingdom	51	Victory Electronic Cigarettes Corp	United States	Consolidation of e-cigarette market
Apr-14	VIP Electronic Cigarette Ltd	United Kingdom	36	Victory Electronic Cigarettes Corp	United States	Consolidation of e-cigarette market
Oct-13	Skycig	United Kingdom	36	Lorillard	United States	Building of position in e-cigarette market
Jul-13	Greek Coop	Greece	3	OAO "Donskoy Tabak"	Russian Fed	Entry into MENA tobacco market via Greek tobacco market
Total value			184			

M&A Market – Agriculture and livestock sector

Chart 19. Agriculture & livestock sector



Source: Thomson Reuters, Deloitte analysis

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

There has been a limited volume and value of transactions over the last 12 months in the agriculture and livestock sector, but long term interest persists on the back of population trend growth and, more importantly, the rapid growth of the global affluent middle class. Investment opportunities of scale in primary production remain limited, the most notable current one being The Co-operative Group's sale of its 16,000 hectare farming business to The Wellcome Trust for £249m in July 2014.

The notable absence of any extreme weather events in 2013/14 has led to very good global harvests, with the consequent easing back of agricultural commodity prices. These could ease further with the removal of EU production quotas on both milk and sugar beet. We therefore expect food price inflation to track below CPI, with Fonterra's (NZ) recent announcement to cut its milk price forecasts supporting this outlook. With falling prices, it is going to be a potentially challenging 12 to 24 months for farmers and this is likely to drive consolidation at the production end of the supply chain. Processors should benefit from cheaper raw materials, but how much of this margin will be retained in a very competitive and changing UK retail environment remains to be seen.

That said, the long term strategic importance of agricultural land and food production remains strong. We expect renewed interest in funds for investment in primary production and production innovation.

Completed agriculture transactions in 12 months to June 2014

Date	Target	Target Nation	Value (€m)	Acquiror	Acquiror Nation	Deal Rational
Oct-13	EWOS AS	Norway	829	Altar/Bain Capital	Sweden/UK	Acquisition of world leading fish feed company
May-13	Sovgavan'ryba	Russian Fed	146	OOO "Russkoye more – Dobycha"	Russian Fed	Consolidation of fishing market
Nov-13	Grieg Seafood ASA	Norway	77	Marine Harvest ASA	Norway	Building of stake in salmon farmer
Oct-13	Genetiporc Inc	Canada	30	Genus PLC	United Kingdom	Strengthening position in genetic livestock herd farmer
May-13	Agromillora Iberia SL	Spain	20	Nazca Capital SGEGR SA	Spain	Investment in agricultural propagator
Mar-13	Bisco Bio Sciences Pvt Ltd	India	20	Vilmorin & Cie SA	France	Establishment of footprint in Indian corn market
Dec-13	Agroscope Ukraine	Ukraine	13	Origin Enterprises PLC	Ireland-Rep	Acquisition of agronomy services business
Dec-13	Tat Tohumculuk AS	Turkey	9	Kagome Co Ltd	Japan	Acquisition of Turkish seed and seedling affiliate
Dec-13	SC Feeds Ltd	United Kingdom	8	NWF Group PLC	United Kingdom	Consolidation of UK ruminant feeds market
		Total value	1,151			

Global M&A drivers

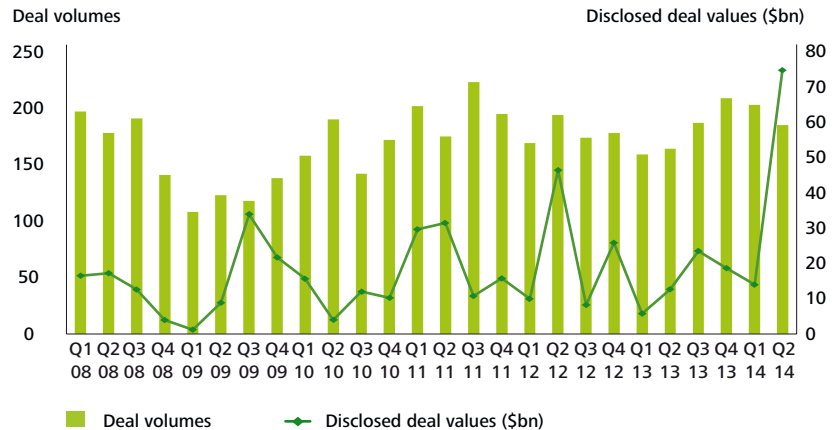
- Whilst the recovery has taken hold across a number of European territories, the mixed rate of recovery, up until recently, has given potential investors cause to pause for thought. However, relatively lower valuations, perceived reductions in risk profile and improved and developed market growth prospects (compared to Japan for instance) has increased the attractiveness of European targets to global competitors.
- For both the US corporates and financial investors, the European market is increasingly offering the opportunity to invest accumulated overseas cash reserves via acquisitions, rather than repatriating such funds to the US which would incur significant taxation. The acquisition of overseas assets in certain European territories also addresses the need to invest for growth and drive shareholder value with the benefit of assuming the tax jurisdictions of the acquired company (also known as “inversions”) which offer a more favourable tax regime. Across all industry sectors, the level of US deals in Europe alone is expected to be in excess of \$150 billion in 2014.

US companies target Europe

After years of tepid growth, European companies appear sub-scale compared to their peers and may now be attractive M&A targets for global competitors. US companies are particularly acquisitive; in Q2 2014 they recorded the highest deal values into Europe since Q2 2012. Much of this increased deal activity can be attributed to the large cash reserves that US companies are holding overseas and, with high tax levies imposed on repatriating cash back to the US, they have started spending it more aggressively in Europe. Many European countries have lower corporate tax rates than in the US, making the prospect of tax inversion particularly attractive.

Year-to-date, US companies have spent \$89 billion on European companies and we expect them to spend in excess of \$150 billion on European deals this year.

Chart 20. US acquisitions into Europe (Q1 2008 – Q2 2014)



Source: Deloitte M&A Index, Q3 2014

Deloitte view

Going forward we expect levels of deal activity to increase as companies and investors react to M&A undertaken by major competitors pursuing increasingly expansionary strategies. This is happening against a backdrop of an improving economic environment and relatively plentiful and available institutional credit.

In particular, at a macro-level we expect three significant themes to play out:

- Asian buyers especially from Japan, China and South East Asia will continue to acquire brands to distribute in their home markets or acquire manufacturing and distribution assets in developed markets to enable them to manufacture and distribute their own products.
- US based businesses will look to use their considerable scale and cash reserves to acquire scale assets in Europe.
- Large strategic players will continue to monitor and divest low growth and non-core assets as deal valuations increase and exceed internal return on capital benchmarks.

The food sector continues to look to address general issues around wellbeing and provenance of goods, which in turn may drive focused investments that play to healthy living themes and the potential divestment of brands that do not align to this strategy.

The beverage sector continues to see the realignment of brand portfolios, with the allocation of capital to high growth markets at the expense of less favoured markets. This in turn may lead to the divestment of brands that do not occupy top two positions in their existing developed markets.

The luxury brands and personal care market is likely to remain focused on harnessing the growth in buying power in the rising affluent classes in a number of high growth markets, namely South East Asia, China and Latin America.

Our Consumer Business 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:

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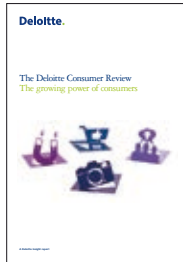
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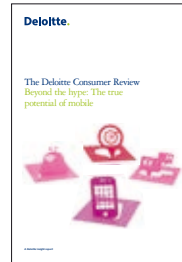
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of consumers



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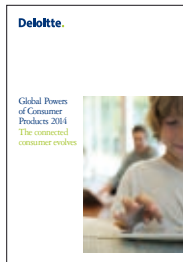


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Notes

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Designed and produced by The Creative Studio at Deloitte, London. 37551A