



# Consumer Markets M&A Flash Report for 2nd Quarter 2016

Deal Advisory

July 2016

# Executive Summary

## Consumer Markets Deal Activity at a Glance



US deal value from  
Q2 2015 to Q2 2016

↓ **70%**

US deal value from  
Q1 2016 to Q2 2016

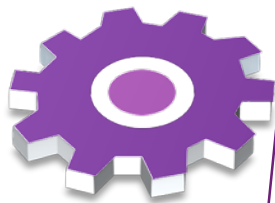
↓ **45%**

US deal activity from  
Q2 2015 to Q2 2016

↓ **28%**

US deal activity from  
Q1 2016 to Q2 2016

↓ **8%**

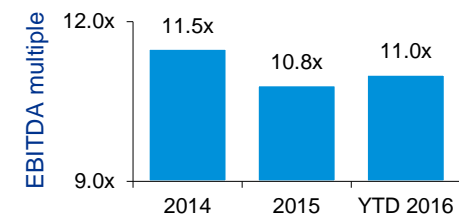


### Largest US Transaction Closed in the Quarter

HanesBrands, Inc.  
purchased Pacific  
Brands Ltd. for \$817  
million



### US Valuation

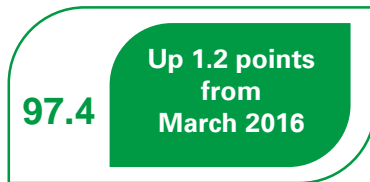


# Executive Summary

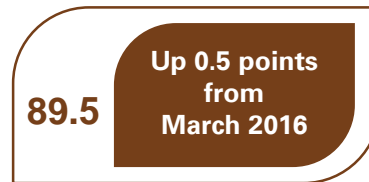
## M&A Outlook



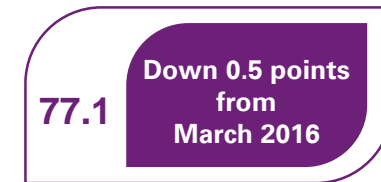
### US Consumer Confidence<sup>1</sup>



### US Consumer Sentiment<sup>2</sup>



### US Index of Consumer Expectations<sup>2</sup>



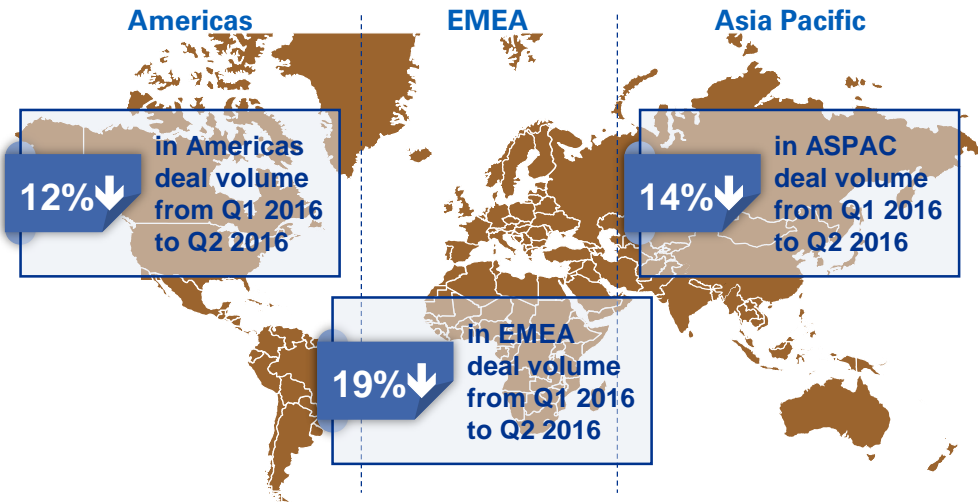
- The US economy has been generally healthy with moderate GNP growth, an uptick in the markets, and good M&A fundamentals. As such, consumer confidence and consumer sentiment has increased as consumer spending was a bit stronger for the quarter with increased on-line purchases and restaurant spend.
- Our economic growth, though, remains slow, much like the rest of the larger economies globally as world-wide turmoil continues to exist, commodity prices continue to weaken, and infrastructure issues remain.
- Europe continues its slow but resilient growth and better economic conditions are on the horizon, but that horizon may be lengthening.

- Economic slow down in the Far East and South America continues, with political issues taking headlines as well as negative growth, high inflation, and market volatility.
- With that said, consumer expectations in the US have stumbled a bit as the forward outlook for the second half of 2016 remains sluggish.
- M&A fundamentals are still around – favorable interest rate environment, need for revenue growth, and lots of cash on the balance sheet. However, these fundamentals are currently challenged.
- ***Therefore, expect some stable to slightly downward expectations for M&A in the Consumer Markets industry in the US and Globally in the second half of the year.***

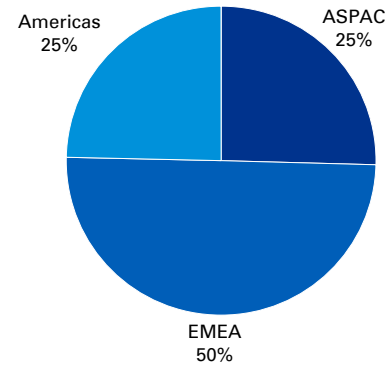
Sources: 1 – The Conference Board (July 2016); 2 – Univ. of Michigan Surveys of Consumers (July 2016)

# Consumer Markets: Deal Overview

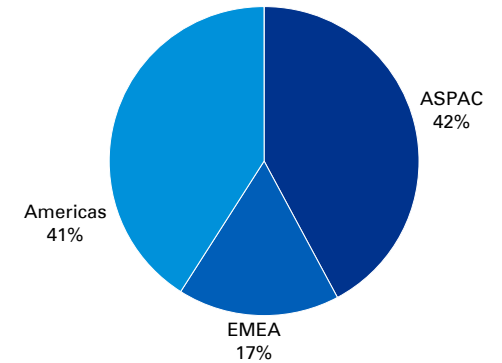
## Deal Mix by Region (2008-2Q 2016)



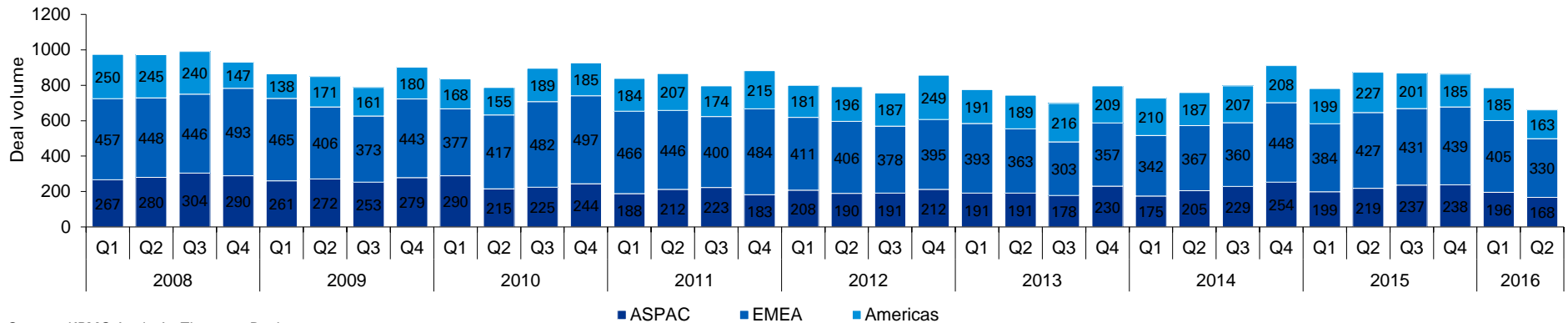
Volume of deals by region (2Q 2016)



Value of deals by region (2Q 2016)



Volume of deals by region – 2008 to 2Q 2016



Source: KPMG Analysis, Thomson Deals

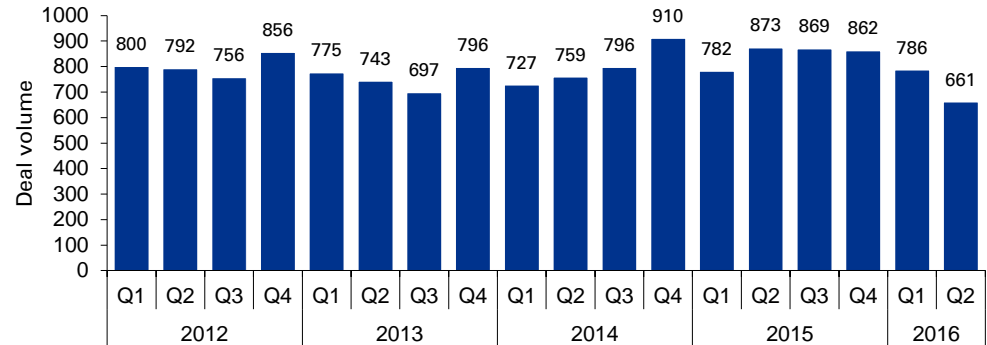
# Consumer Markets: Deal Overview

## Global deals as of 2Q 2016 (completed deals)

### Volume of deals - Global



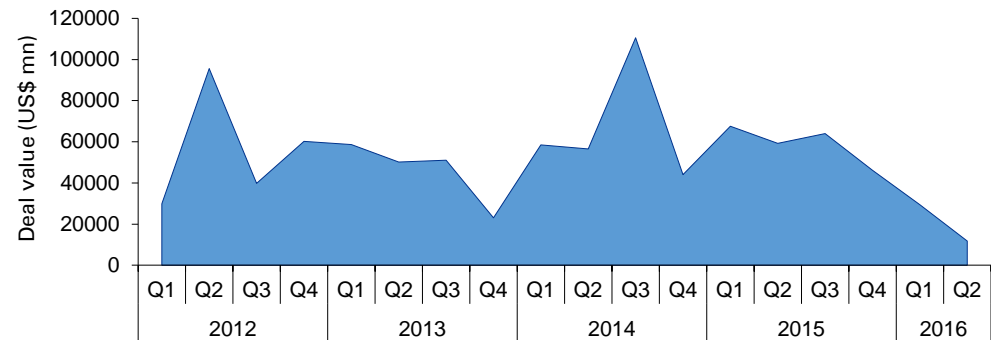
24% ↓ over 2Q 2015  
16% ↓ over 1Q 2016



### Value of deals - Global



80% ↓ over 2Q 2015  
60% ↓ over 1Q 2016

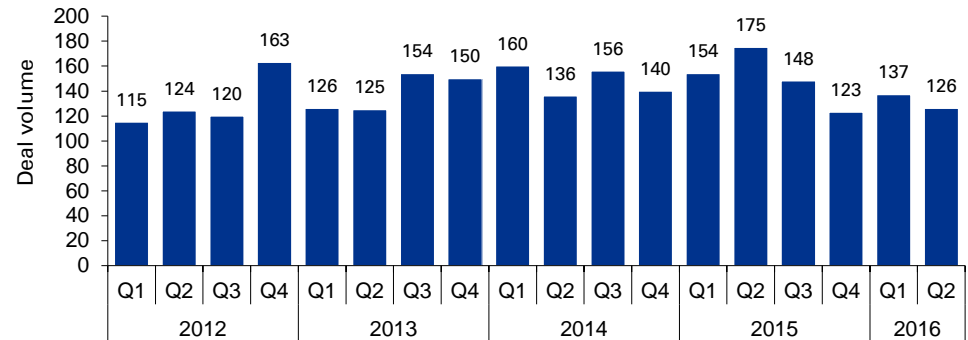
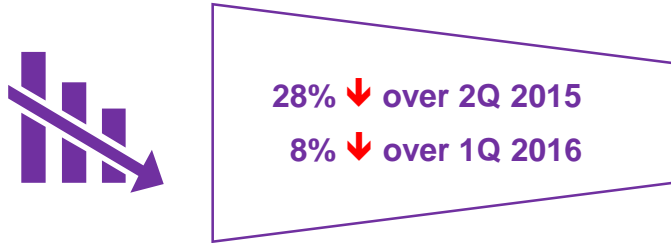


Source: KPMG Analysis, Thomson Deals

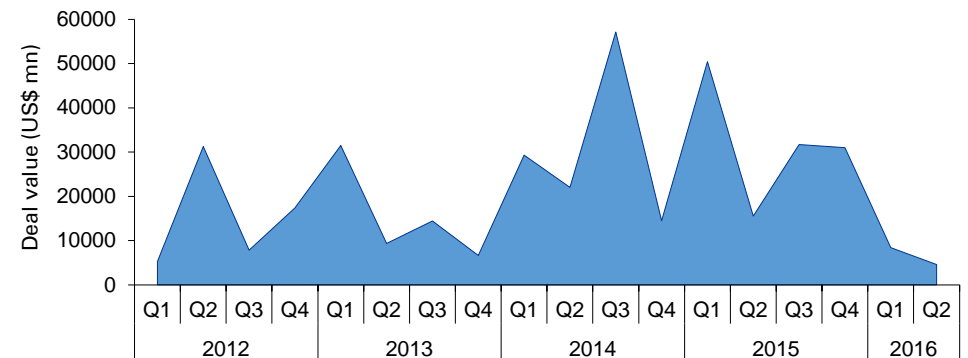
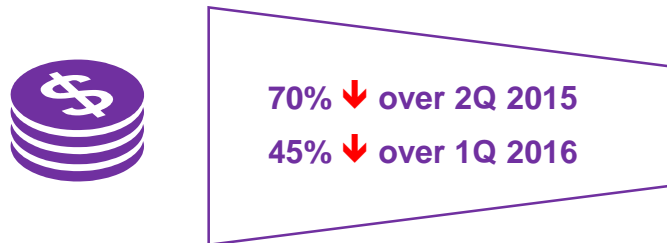
# Consumer Markets: Deal Overview

## US deals as of 2Q 2016 (completed deals)

### Volume of deals - US



### Value of deals - US



Source: KPMG Analysis, Thomson Deals

# Consumer Markets: Deal Overview

## Global deals by sub-sector as of 2Q 2016 (completed deals)



— Food & Drinks M&A activity was the strongest sub-sector this quarter with a large number of middle market deals throughout the world.

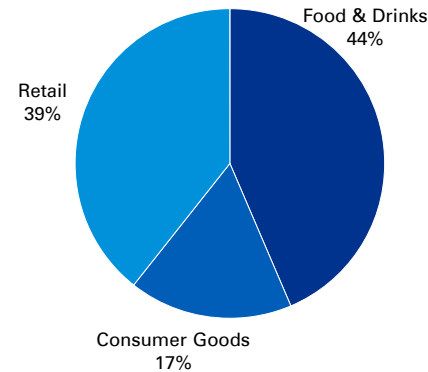


— Retail M&A activity remained strong as a sub sector with one of the larger deals being Michael Kors (Netherlands) purchasing its Hong Kong retailer for \$500m.

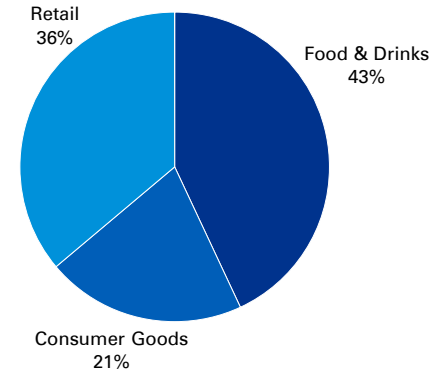


— Consumer goods saw the biggest deal in 2Q with HanesBrands (US) purchasing Pacific Brands (AUS) for \$817m.

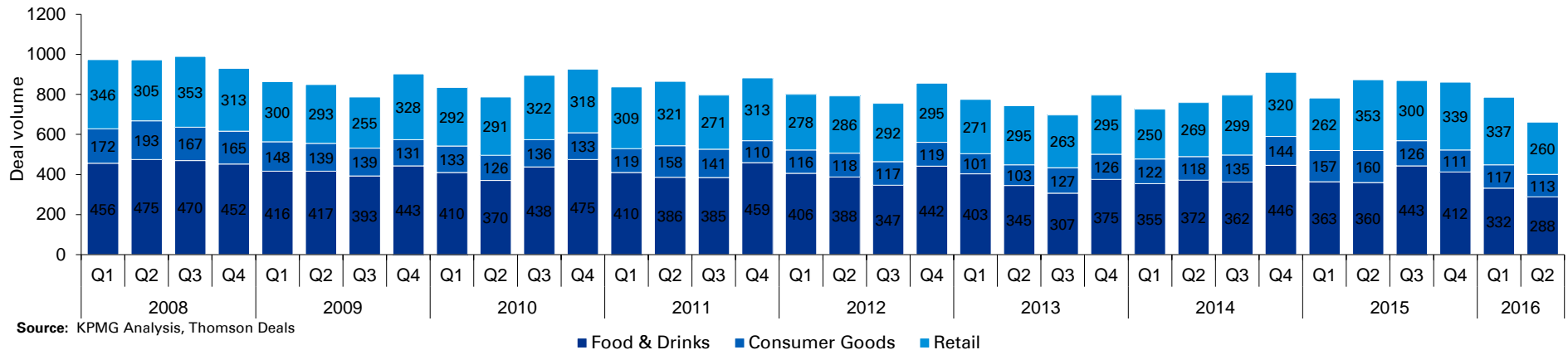
Volume of deals by sub-sector (2Q 2016) - Global



Value of deals by sub-sector (2Q 2016) - Global



Volume of deals by sub-sector - Global



Source: KPMG Analysis, Thomson Deals

# Consumer Markets: Deal Overview

## US deals by sub-sector as of 2Q 2016 (completed deals)



— Food & drinks M&A value was strong this quarter, which was lead by Brown-Forman's (US) acquisition of BenRiach Distillery (UK) for \$415m.

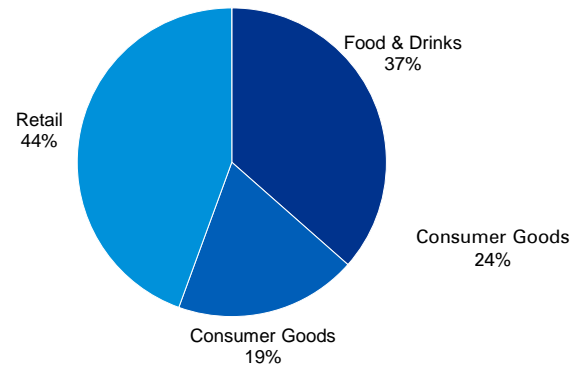


— Retail deal volume was strong but the value of these deals was impacted by lots of lower middle market deals.

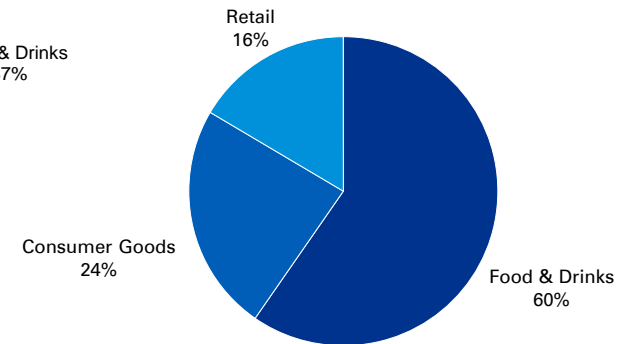


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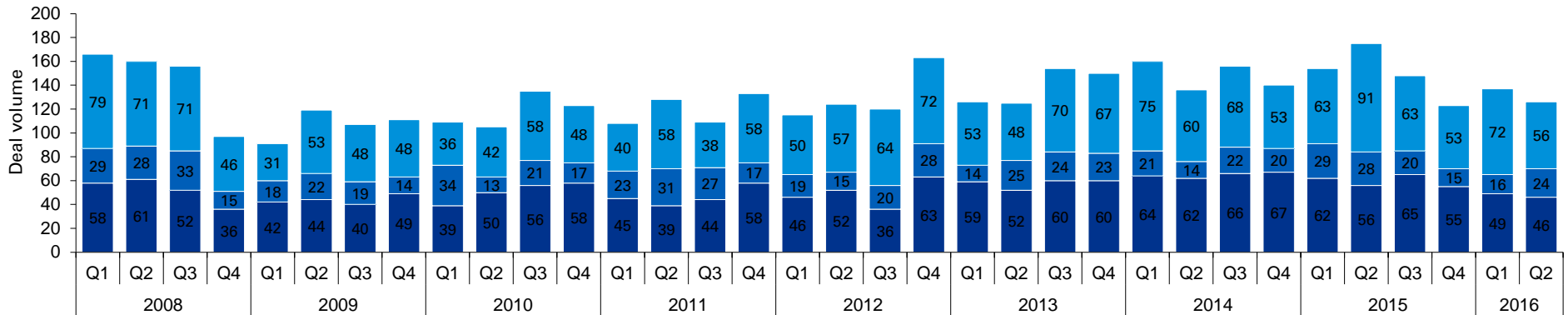
**Volume of deals by sub-sector (2Q 2016) - US**



**Value of deals by sub-sector (2Q 2016) - US**



**Volume of deals by sub-sector - US**



Source: KPMG Analysis, Thomson Deals

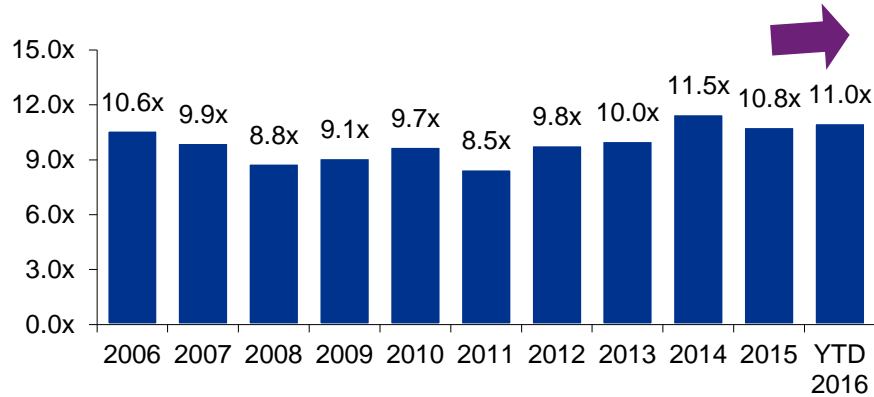
■ Food & Drinks ■ Consumer Goods ■ Retail



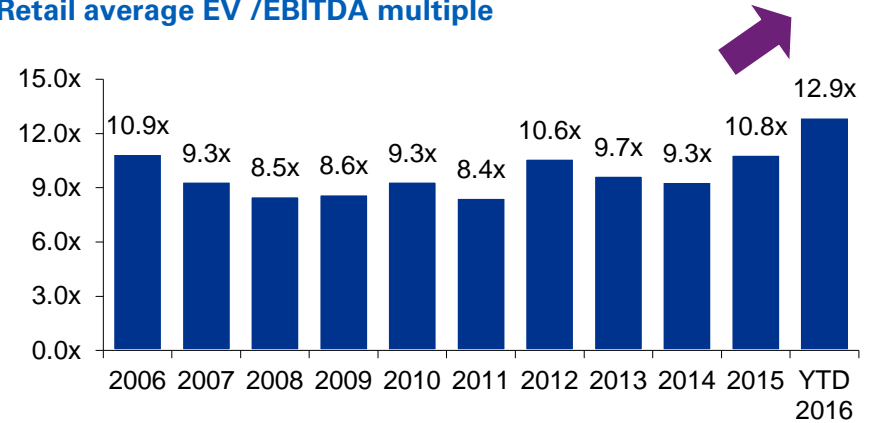
# Consumer Markets: Deal Overview

## Ten-year US deal multiples

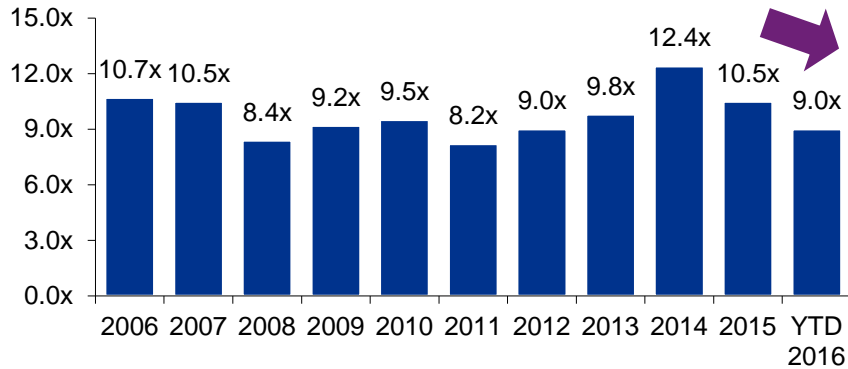
Consumer markets average EV /EBITDA multiple



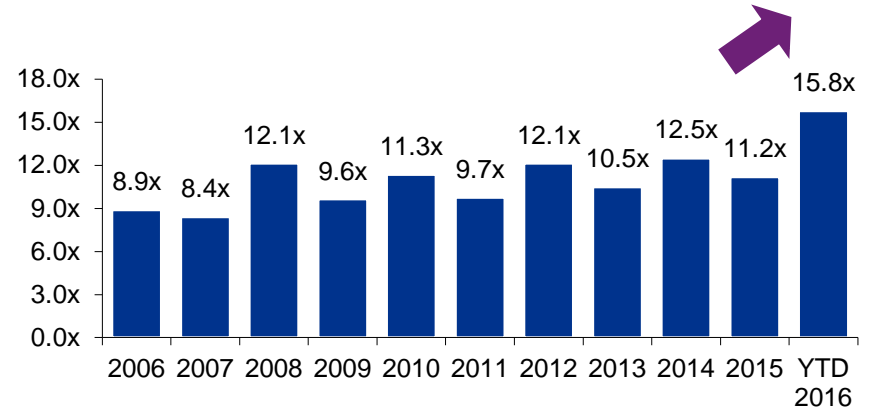
Retail average EV /EBITDA multiple



Consumer goods average EV /EBITDA multiple



Food and beverages average EV /EBITDA multiple



Source: Thomson Reuters

# Consumer Markets: Deal Overview

## Top CM Deals for 2Q 2016 in the US (announced deals)

### Key Announced Deals during 2Q 2016

Date	Acquirer	Target	Deal Value (US\$ m)	Sub Sector	EV:EBITDA	EV:EBIT	EV:Sales
Jun-16	Mondelez International Inc	Hershey Co	23,038.1	Food and drinks	15.6x	18.3x	3.5x
Jun-16	Henkel Consumer Goods Inc	Sun Products Corporation	3,649.6	Consumer goods	na	na	na
Jun-16	Johnson & Johnson Consumer Products	Vogue International	3,300.0	Consumer goods	na	na	na
May-16	JAB Beech Inc	Krispy Kreme Doughnuts Inc	1,350.0	Retail	17.8x	22.9x	2.5x
May-16	HC2 Holdings Inc	The Andersons Inc	1,043.5	Food and drinks	8.8x	15.3x	0.4x
Jun-16	Revlon Inc	Elizabeth Arden Inc.	801.0	Consumer goods	10.8x	24.1x	1.0x
Apr-16	GP Investments Acquisition Corp	World Kitchen LLC	566.0	Consumer goods	na	na	0.4x
May-16	Givaudan SA	ConAgra Foods - Spicetec Flavors	340.0	Food and drinks	na	na	na
May-16	MTY Food Group Inc	Kahala Brands Ltd	301.4	Retail	na	na	na
May-16	Grupo LALA SAB de CV	Laguna Dairy S de RL de CV (US branded business)	246.0	Food and drinks	na	na	na

Source: KPMG Analysis, Thomson Deals



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