

# Food Deals Drive U.S. Q1 M&A Activity

PRNewswire

NEW YORK /PRNewswire/ -- U.S. retail and consumer [merger & acquisition \(M&A\)](#) [1] activity during the first quarter of 2014 was primarily driven by five multibillion dollar transactions, with more than half aligned to the food and beverage sector, confirming a positive deals outlook for the year, according to PwC's [U.S. retail and consumer deals insights](#) [2] Q1 2014 report.

For the three month period ending March 31, 2014, there were a total of 34 deals in the retail and consumer sector with disclosed values greater than \$50 million, accounting for \$39.3 billion in total deal value. Deal volume for the quarter was consistent with the first quarter of 2013, while deal value was down 14 percent from the prior year. However, excluding the purchase of HJ Heinz by Berkshire Hathaway Inc. and 3G Capital Partners Ltd (a total value of \$28 billion) in Q1 2013, total deal value for the first quarter of 2014 was up 119 percent year-over-year.

"Deal activity showed strength in the first quarter of 2014, dominated by multibillion dollar deals in the food and beverage sectors, and confirms our positive outlook for the remainder of the year," said Leanne Sardiga, partner and PwC's U.S. retail & consumer deals leader. "According to our [Global CEO Survey](#) [3], retail and consumer goods CEOs are seeing a need to change their strategies around M&A, joint ventures and strategic alliances to capitalize on global trends they believe will most transform their business. But with very few retail CEOs saying a change program is underway or completed, we believe this suggests further M&A is on the horizon - and we're currently helping many companies with these strategic overhauls."

Cross border activity increased during the quarter, on a year-over-year and sequential basis, representing 59 percent of total deal volume during the first quarter of 2014 - higher than the average, 51 percent, over the last eight quarters. This rise in cross border transactions is expected to continue through 2014 as retail and consumer companies increasingly look to expand into faster-growing international markets to bolster stagnant organic growth in their home market, as well as to drive growth from an expanding middle class internationally. Accordingly, PwC's Global CEO Survey found that 18 percent of retail and consumer CEOs plan to initiate or complete a cross border deal in the coming twelve months.

PwC's analysis notes that private equity (PE) activity remained strong in Q1 2014, led by the proposed \$8.5 billion acquisition of Safeway Inc. PE deal volume represented 24 percent of total retail and consumer deal volume, down from 28 percent in Q4 2013, and down from 37 percent in the first quarter of 2013. PE deal value was 30 percent in the quarter, up from 12 percent in Q4 2013, but down from 77 percent during the first quarter of 2013 (which can be directly attributed to the HJ Heinz mega deal).

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Spin-offs and divestitures remained a key strategy in the quarter for retail and consumer companies looking to refocus their core businesses, and those in the food and beverage sectors have been the most active over the last five years. Divestitures were up slightly to 33 percent during Q1 2014 compared to 31 percent in Q4 2013 – consistent with the average for the last eight quarters. According to the report, spin-offs also remain quite prominent in the sector, with eight transactions in the pipeline as well as a continued level of overall shareholder activism.

The overall IPO market was punctuated by a strong start and finish to the quarter, with a lull in activity from mid-February to early March, emphasizing the importance of "IPO windows" providing companies the opportunity to approach the equity markets at the right time. Total retail and consumer industry IPO activity showed an increase year-over-year both in volume and value in the first quarter, as Q1 2014 saw six offerings price for total proceeds of \$1.5 billion, compared to \$1.3 billion from four offerings in Q1 2013. Activity is expected to increase in the remaining quarters of 2014 as the retail and consumer IPO pipeline is the strongest the sector has seen since April 2012, with 16 companies on file expecting to raise \$4.7 billion, contingent upon volatility in the market affecting these potential transactions.

"A number of key deals this quarter were consistent with several of the themes we've been seeing over the past year, including PE investment in retail and continued activity in non-store retailing. In fact, the trend of blurring the lines of retail and technology companies continues to drive deal activity as retailers look at acquisition opportunities to quickly transform their businesses and capabilities to adapt to and better meet evolving consumer expectations, and as shoppers increasingly look to digital and mobile channels," Sardiga said.

[PwC's U.S. retail and consumer deals insights](#) [2] is a quarterly analysis based on data for transactions with a disclosed deal value greater than \$50 million, as provided by Thomson Reuters through March 31, 2014, and supplemented by additional independent research. Information related to previous periods is updated periodically based on new data collected by Thomson Reuters for deals closed during previous periods but not reflected in previous data sets.

[PwC's Deals](#) [4] practitioners help corporate and private equity executives navigate transactions to increase value and returns. In today's increasingly daunting economic and regulatory environment, our experienced M&A professionals assist clients on a range of transactions from smaller and mid-sized deals to the most complex transactions, including domestic and cross-border acquisitions, divestitures and spin-offs, capital events such as IPOs and debt offerings, and bankruptcies and other business reorganizations. We help clients with strategic planning around their growth and investment agendas and advise on business-wide risks and value drivers in their transactions for more empowered negotiations, decision-making and execution. We help clients expedite their deals, reduce their risks, capture and deliver value to their stakeholders and quickly return to business as usual. Our local and global deal strength is derived from our deal professionals in 35 cities in the U.S. and across a global network of firms in 75 countries. In

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