

BDO's quarterly Retail M&A Highlights provides a snapshot of mergers and acquisitions in Australasia, with a specific focus on Australia.

M&A TRANSACTIONS

Deal activity

Deal activity in the retail sector reached a three year high with disclosed deal value increasing 772% to \$19.9bn in Q2 2019. The increase in disclosed deal value and average deal size was driven by a number of big ticket deals including the spin-off of Coles Group Limited by Wesfarmers Limited (valued at \$16.6bn) and the sale of 540 fuel convenience sites by Woolworths Group Limited for \$1.7bn.

While deal value reached a three year high, deal volume declined 19% to 21 deals announced in Q2 2019. This decline is largely driven by a struggling retail environment as a result of muted consumer spending stemming from weak wage growth and falling house prices. Consumer sentiment and spending patterns in the retail sector as a result of the above has resulted in growth forecasts in the sector being below par. Financial market volatility has also contributed to poor trading conditions within the sector.

Largest deal announcement

Wesfarmers Limited, a listed Australia-based conglomerate, spun-off its grocery and household product retailer Coles Group Limited into a separate listed entity in November 2018.

Coles Group Limited now maintains a portfolio of supermarket, financial services, liquor and fuel/convenience store brands. The demerger will allow Wesfarmers Limited to focus on its core businesses with higher future earnings growth prospects.

Disclosed deal value

\$19.9bn

across Australasia



Value vs. Q2 2018

Deal volume

19%

Volume vs. Q2 2018

21 DEALS

announced in Q2 2019

Average deal size

\$1.5bn

for disclosed transactions



Average deal size vs. Q2 2018

Median EV/EBITDA multiple for listed retailers



Q2 2019 multiple*

DECREASED

from 10.4x in Q2 2018

TOP 5 SECTORS BASED ON DISCLOSED DEAL VALUE

Disclosed deal value ranged across FMCG – Food and Dairy and Other sectors which recorded a total of eight disclosed deals representing c.\$17.8bn in value. Other sector classification primarily relates to the sale of 540 fuel convenience sites from Woolworths Group Limited. Notable undisclosed deals not included in the below, is the acquisition of Australia-based 2XU Pty Ltd by Lazard Australia Private Equity Pty Ltd, and the acquisition of Australia-based soft beverage producers, Made Pty Ltd by Coca-Cola Amatil Ltd.

6 deals

Avg. deal size: \$2967m



FMCG – Food & Dairy \$17,803m

2 deal

Avg. deal size: \$870m



Other \$1,740m

2 deal

Avg. deal size: \$115m



Health and Lifestyle \$230m

1 deals

Avg. deal size: \$61m



Automotive \$61m

2 deals

Avg. deal size: \$16m



FMCG - Beverages \$32m

TOP 5 DEAL ANNOUNCEMENTS

Sector: FMCG – Food and Dairy

Coles Limited Group, an Australia-based grocery and household products retailer demerged from Australia-based conglomerate and former parent company, Wesfarmers Limited.

\$ 16.6bn

Sector: Health and Lifestyle

Solaris Paper Pty Ltd, an Australia-based toilet and tissue paper distributor to acquire listed Australia-based personal care distributor and supplier Asaleo Care Limited.

\$ 180m

OCTOBER

NOVEMBER

DECEMBER

Sector: Other

EG Group, a UK-based retail petrol station management company to acquire 540 fuel convenience sites from Australia-based retail conglomerate, Woolworths Group Limited.

\$ 1.73bn

Sector: FMCG – Food and Dairy

Finaccess Capital, a Mexico-based investment management company to acquire a 75% stake in Restaurant Brands New Zealand Limited, a food restaurants chain in the Australasian region.

\$ 955m

Sector: FMCG – Food and Dairy

Danone SA, a France-based producer of dairy related offerings to acquire a 49% stake in Yashili New Zealand Dairy, a New Zealand-based producer and seller of dairy products.

\$ 149m

Sources: Mergermarket, S&P Capital IQ and BDO Analysis

*Note: Companies without comparable multiple data have been excluded (e.g. those with negative earnings in one quarter)



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