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Quarter Outpaces 2012 Levels

Isaac M. O'Bannon • Aug. 08, 2013

Although there was a slowdown mergers and acquisitions (M&A) during the second quarter of 2013 in the retail and consumer markets, a report shows that consumer sentiment and retail sales trends remain positive, along with strong corporate balance sheets and availability of private equity “dry powder.”

[PwC's U.S. retail and consumer deals insights](#) suggests this should help trigger M&A activity during the second half of 2013.

In the second quarter of 2013, there were a total of 21 deals worth \$50 million or more in the retail and consumer sector, accounting for \$5.4 billion in deal value, a 49 percent decrease in volume and 90 percent decrease in value from the 41 deals worth \$40.5 billion during the second quarter of 2012. The decrease in deal activity is primarily a result of the lack of large deals in Q2 of 2013 compared to the prior year, during which time there were several large deals.

There was only one mega deal (worth more than \$1 billion) in the second quarter, as opposed to a trend of four successive quarters with five or more mega deals. Sequentially, deal activity in the retail and consumer sector declined, with the middle market also seeing declines, partially due to the lingering effect of the abnormally higher deal volume during Q4 of 2012 due to the impending fiscal cliff, along with the several mega deals seen in the first quarter of 2013, according to PwC.

“Coming off the heels of one of the largest retail and consumer deals in history in the first quarter of 2013, the declines we saw in the second quarter will likely be temporary as the pipeline for deals resets from the flurry of activity we've seen in the last few quarters,” said Leanne Sardiga, partner and PwC's US retail & consumer

deals leader. “The second half of 2013 looks promising for M&A activity in the

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seen over the last five years.

The trend towards omnichannel retailing continues to contribute to deal activity in the sector as retailers look at opportunities to transform their business and capabilities, focusing on innovation. Key activity in the omnichannel space in the second quarter included several acquisitions of ecommerce retail service companies. PwC expects to see increased activity in this area as investors see opportunity to gain a competitive advantage through technology for data analytics.

Retail and consumer IPO activity continues the momentum seen in the first quarter, far outpacing levels seen in 2012. Total proceeds in the second quarter of 2013 were \$2.1 billion, up 161 percent from the second quarter of 2012 (proceeds of \$795 million) and up 18 percent from the first quarter of 2013 (proceeds of \$1.8 billion). Average deal size continued to increase in the second quarter as well, with an average deal size of \$345 million for the six IPOs completed in the quarter, compared to \$292 million for the six in the first quarter of 2013. According to PwC, in the overall IPO markets, R&C had the largest one-day average returns of any sector.

“While second quarter activity was relatively slow compared to the activity we’ve been seeing, the deals announced remain consistent with themes PwC has highlighted previously, including private equity investment in retail and activity in non-store retailing. Regionally, we expect to see continued cross-border retail activity as companies try to access certain demographics in the global marketplace,” added Sardiga.

PwC’s U.S. retail and consumer deals insights is a quarterly analysis based on data for transactions with a disclosed deal value greater than \$50 million, as provided by Thomson Reuters through June 30, 2013, 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

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