WARWICK M&A GROUP

Consumer

Sector Report



Oct 2022
Issue #7

Kroger acquires Albertsons for $24.6bn

Frasers Group's acquisition of Hugo Boss

C&R M&A on the rise

Defined by uncertainty, C&R sector dealmaking slightly revitalised in October...

October in numbers

$48.2bn	75	$1.0bn
Total deal value (Jan 2022)	No of deals closed	Average deal value
+125.2% (MoM)	*+9 (MoM)*	*+78.6% (MoM)*

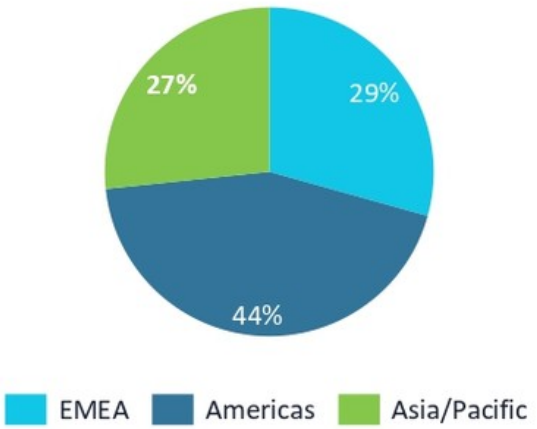
Average TEV/Revenue:	4.5x	**Average Day Prior Premium:**	21.67%
Average TEV/EBITDA:	16.16x	**Average Week Prior Premium:**	22.93%
Average TEV/EBITDA:	16.16x	**Average Month Prior Premium:**	32.07%



Sectoral insight

- The key themes driving the merger and acquisitions in the retail industry were **supply chain & logistics, and ecommerce.**
- Uncertainty on future cash flows, disruption due to high inflation costs (including extremely high utility costs in most European countries), higher financing costs and the lower appetite of financers **have impacted the number and size of deals.**
- **The number of deals in EMEA has increased** compared with last month's activity, **but deal value decreased** by around €6.6bn month over month; however, deal value along these 12 months increased by around 34% when compared to September 2021.

Deal count by region



Kroger acquires Albertsons for $24.6bn

Acquirer: The Kroger Co.

Kroger is an American retail company specialising in the production and distribution of food through supermarkets and multi-department stores. It was founded in 1883 and operates 2,750 grocery stores across the US.

Market Cap:	$34.4bn
EV:	$53.7bn
LTM Revenue:	$144.2bn
EV / LTM EBITDA:	0.4x
Employees:	420,000

Target: Albertsons Companies, Inc.

Albertsons is an American grocery company founded in 1860, operates 2,276 supermarkets across 34 states under names like Albertsons, Safeway and Vons.

Market Cap:	$10.9bn
EV:	$22.1bn
LTM Revenue:	$75.3bn
EV / LTM EBITDA:	0.3x
Employees:	195,750

Transaction Summary

- Kroger will acquire all outstanding shares of Albertsons stock for $34.10 per share in cash.
- Albertsons will pay $4bn in special cash dividend to its shareholders.
- Kroger intends to fund the transaction using a combination of cash on hand and proceeds from new debt financing.
- Kroger has $17.4bn of fully committed bridge financing in place from Citi and Wells Fargo.
- The transaction is expected to close in early 2024.

Albertsons Companies Share Price (NYSE:ACI)



Announcement date:	14/10/2022
Offer per share:	$34.1
Transaction value:	$24.6bn
Expected closing date:	2024
Acquirer adviser(s):	Citigroup, Wells Fargo Securities
Target adviser(s):	Goldman Sachs, Credit Suisse

The acquisition will expand Kroger's scale and market power...

Rationale and Outlook

Kroger has a market share of approximately 8% in the US domestic market and the acquisition of Albertsons will give Kroger a further 5% market share. It would allow the company compete directly with the largest grocery shop, Walmart, which currently holds 25% of the US grocery market.

Inflation remains the main factor driving the market. The merger would bring the combined operator a range of benefits from more economies of scale, such as significant save $1bn annual cost savings, lower prices for shoppers, more workforce and omnichannel investment.

The acquisition of Albertsons is a milestone in Kroger's growth in the grocery sector. Such scale and bargaining power will help them offering lower. This, in turn, will allow them to compete with larger chains such as Walmart and Costco.

However, there are some risks associated with the deal...

Given the size of the merger, it will experience a lengthy antitrust review and intense scrutiny. Kroger will need to pay Albertsons $600 million if the deal falls apart due to antitrust concerns.

It is estimated that 350-450 overlapping store divestitures (7-10% of the total) will take place to ease antitrust regulators' concerns.

A merger of these two supermarkets would reduce competition among U.S. grocery chains and put pressure on smaller operators, causing workers to lose their jobs.

Expand geographic reach in the US market



Expanded Portfolio will offer 34,000 own-brand products at different price points.

Frasers Group's acquisition of Hugo Boss

Acquirer: Frasers Group

Frasers Group (LSE: FRAS) is a United Kingdom-based sporting goods retailer. It is a subsidiary of MASH Holdings Limited.

Formerly called Sports Direct, the company operates through five segments: UK Sports Retail, Premium Lifestyle, European Retail, Rest of World Retail, and Wholesale & Licensing.

Market Cap:	£3.7bn
Net Debt:	£1.2bn
EV:	£4.9bn
LTM Revenue:	£4.8bn
EV / LTM EBITDA:	7.9x

Target: Hugo Boss AG

Hugo Boss AG (NASDAQ: ATVI) is a Germany-based developer and marketer of men's and women's clothing and accessories for the international fashion market. The fashion house employs around 13,800 people and has 5,000+ points of sales in over 55 countries.

Market Cap:	£2.8bn
Net Debt:	£0.7bn
EV:	£3.5bn
LTM Revenue:	£2.9bn
EV / LTM EBITDA:	5.8x

Transaction Summary

- On November 4th 2022, Hugo Boss AG announced a private placement from returning investor Frasers Group plc.
- Post the closing, Hugo Boss will hold 3,025,000 shares of common stock (representing 4.3% of company's total share capital) and 20,089,000 shares of common stock via the sale of put options (representing 28.5% of Hugo Boss's total share capital).

The next step in building Frasers empire?

- The investment in Hugo Boss marks another milestone in Frasers ambition to become a leader in omnichannel e-commerce.
- Since the beginning of the year, Frasers has acquired companies like Missguided, ISawItFirst, and Studio Retail.

MISSGUIDED · tymit · SNEAKERBOY · asos · SPORTMASTER · MYSALE GROUP · studio RETAIL LTD · I SAW IT FIRST

Frasers' M&A/private placement targets (LTM).

Announcement date:	4/11/2022
Offer per share:	$95.00
Transaction value:	£840m
Closing date:	4/11/2022
Acquirer adviser(s):	N/D
Target adviser(s):	N/D

The acquisition will strengthen Frasers Group brand proposition...

FRASERS GROUP HUGO BOSS

Rationale and Outlook

The investment in Hugo Boss allows Frasers Group to strengthen the group's brand proposition and become the fourth-biggest shareholder in ASOS, owning 5.1% of the online fashion website as it seeks to build a partnership.

Frasers Group will benefit from developing relationships and partnerships with other retailers, suppliers and brands, including by way of acquisitions of shares, options, contracts for difference and other financial instruments.

As a strategic investment, Frasers Group will be able to build stronger connection with customers while expanding its customer reach, especially within the premium market where it was aiming to increase its presence.

Exploring the potential for further expansion has always been part of Frasers Group's business ambitions. The investment will allow the group grow the business inside and outside of the UK.

Frasers Group declared the investment allows support the long-term future of the existing retail businesses, and the many thousands of jobs they sustain.

Hugo Boss global increase in revenues...

EMEA
+17%
vs Q3 2021

ASIA/PACIFIC
+43%
vs Q3 2021

AMERICAS
+37%
vs Q3 2021

Increase global reach
+
Benefit from existing supplier and retailers relationships

We selected 4 deals with the potentially biggest impact on the industry…

November 7th, 2022 **$16bn**

PHILIP MORRIS INTERNATIONAL

Accepted to acquire 83% of shares of:

Swedish Match

Stage of the deal: ○●●●○ **Chances of success:** High

Comment: PMI has announced its acquisition of all tendered Swedish Match shares. PMI, due to not being able to meet the threshold of 90% shareholder acceptance by November 4th has extended the deadline by 3 weeks to November 25th.

Company will contribute to PMI's transition to a "smoke-free future", and further diversification into the promising cigarette-alternatives market.

Financial Advisors: Goldman Sachs (Swedish Match); BofA Securities, Citigroup (PMI)

November 11th, 2022 **$2.8bn**

ESTĒE LAUDER COMPANIES

Reportedly close to acquire:

TOM FORD

Stage of the deal: ○○○○○ **Chances of success:** Moderate

Comment: Cosmetics company Estée Lauder is close to acquire the fashion brand Tom Ford for $2.8 billion, according to the Financial Times. It has been competing with Gucci-owner, Kering, for the acquisition of the fashion designer for several months already.

The acquisition would lead to a further consolidation of the luxury fashion market.

Financial Advisors: Undisclosed

October 31st, 2022 **$420mn**

GRUPPO CAMPARI

Reached an agreement on the take-private of:

Stage of the deal: ○●●●○ **Chances of success:** High

Comment: The Italian liquor group, known for apéritifs such as Aperol, has agreed to acquire a 70% stake in the Kentucky-based whiskey distillery, with the option of buying the remaining 30% in 2031.

Thanks to this acquisition, Campari Group hopes to expand its bourbon offering, expecting it to become the group's second-largest business after its apéritif portfolio.

Financial Advisors: William Blair & Co. (Wilderness Trail Distillery)

November 7th, 2022 **$7.3bn**

RITCHIE BROS. Auctioneers

Reached an agreement on the take-private of:

IAA

Stage of the deal: ○●●●○ **Chances of success:** High

Comment: Ritchie Brothers Auctioneers is the world's largest auctioneer of heavy equipment and trucks

With the acquisition of the global digital marketplace for automobile (IAA), Ritchie seeks to enter the growing vehicle sector, and to create a leading global marketplace for both commercial assets and vehicles, as well as to increase its customer reach.

Financial Advisors: RBC; Goldman Sachs, Guggenheim, Evercore. IAA; J.P. Morgan

The Team



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