

Global M&A Intelligence Report

2022 – Forget change, the only constant is volatility

The Consumer Goods, Food & Retail (“**CGF&R**”) sector started 2022 with resilience and confidence on the back of a buoyant M&A market in 2021. But this confidence needed a period of prolonged stability. Instead, having only just recovered from navigating a global pandemic, the sector faced further volatility. The highest inflation rates for a generation, geopolitical unrest, the threat of global recession and the usual pressures of ongoing supply chain disruption.

M&A activity was much more understated in 2022 compared to 2021. But the key thematic indicators for success were becoming clear. Winning businesses needed to operate more sustainably¹. They had to transact with operational agility. They had to redefine the “core” and apply increased operational focus on core asset portfolios. And they had to invest in new high-growth markets to mitigate trading and supply-side risk from traditional markets.

Though 2022 further widened the boundaries between stability and volatility, it also cemented some trends that had taken hold during the pandemic.

Strategics and investors were focusing their M&A and investment appetites on optimal asset categories. They focused on consumer health and the wider wellness and “better for you” categories. And they also concentrated on sales channels that had been enabled and become dominant during the pandemic, particularly direct-to-consumer channels.



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Noel Haywood
Partner, UK

Ongoing volatility creates activity in both opportunistic and distressed M&A settings. The M&A category drivers in 2022 were, unsurprisingly, the ones that tended to be most resilient in down-cycles, including:

- **Grocery retail** – An often under-loved and maligned category pre-pandemic. It reached commercial prominence during and following the pandemic. Opportunities arose for strategics to grow, to get access to key product categories and to secure the supply and pricing of key product categories. They did this through vertical integration of mission-critical elements of the supply chain. The pandemic also offered the potential for genuine differentiation as the discounters took on the more traditional players in the market.
- **Health and wellness / better for you** – There was continued and robust M&A and investment activity (following on from a peak year in 2021) in health and wellness assets. Big pharma focused more on their consumer units. And investors recognised that personalisation in wellness products was driving activity. This was especially clear in the wider VMS space and particularly in the supplemented food, nutrient and drink space, where many product lines are now competing both in traditional retail and digital commerce channels. The drive for sustainable, natural and “cleaner” products looks primed to continue. And it will also penetrate additional and adjacent sub-sector verticals – from cosmetics and beauty to fabrics to homecare to food and drink.
- **Pet and pet care** – Pet and related sales accelerated dramatically during the pandemic. Huge numbers of people were working from home and spending more in these categories. The trend has survived the pandemic and is still a market segment that’s driving M&A and investment activity. Premiumisation (especially food categories and also personalised segments), humanisation (bedding, clothing and grooming categories) and the pet health and wellness categories (pet nutrition, supplements, treatments) are especially popular.

1. For further detail read DLA Piper’s CGF&R sector publication – “*Committing to measurable ESG Initiatives in the Food and Beverage Sector: Doing well by Doing Good*,” released on July 5, 2022.



Deal highlights for the Consumer Goods, Food and Retail sector:

- **Heineken** on the acquisition of the remaining 51% of **Beavertown**
- The founder shareholders of **Greencoat Limited** ("Greencoat"), an equine and pet supplement business, on the sale of **Greencoat** to **AB Agri**
- **DIY Blinds** on a proposed AUD100 million investment by the **Australian Business Growth Fund**
- **Philip Morris International** on its recommended public offer to the shareholders of **Swedish Match**, a public limited company with shares listed on **Nasdaq Stockholm**. The offer valued **Swedish Match** at approximately USD16 billion
- **Refresco Group** on its share acquisition of one of Australia's leading manufacturers of non-alcoholic beverages, **Tru Blu Beverages**
- **Lactalis Group** on its acquisition of the **Jalna Dairy** business, comprising **Jalna Dairy Foods**, **Jalplas**, parcels of real estate in Victoria and other business assets
- **Asahi** on the acquisition of 100% of the issued shares and options from the founders of **StrangeLove Beverage Company** and **StrangeLove IP Licensing**
- **Marks & Spencer PLC** on the acquisition of **The Sports Edit**, a branded activewear ecommerce platform
- **Superdry PLC** on the sale of intellectual property assets in a number of countries across the Asia Pacific region to **Cowell Fashion Company Ltd**
- **BlueGem Capital Partners** on the sale of the entire shareholding of **Enotria Wine Group** to **Next Frontier Brands**

