

Retail & Consumer Deals Digest

to June 2018



Retail & Consumer Deals Digest provides a consolidated view of sector trends, deal activity and relevant news headlines in the retail & consumer sector.

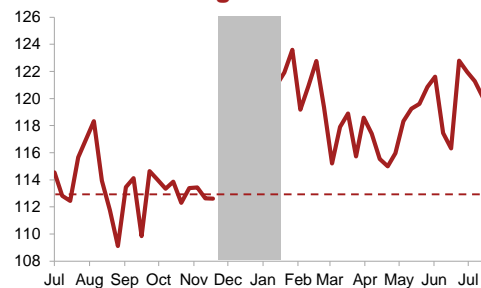
Consumer confidence continues to pick up

The month of April sparked a steady recovery in consumer sentiment reaching a high of 119.2 (compared to 111.2 at the same time last year). Expectations of personal tax cuts in the weeks leading up to the Budget were likely to have played a role.

Despite introducing a stroke of turbulence, the month of May extended this recovery period reaching a high of 121.6 in mid-to-late May before steering into a decline. This is backed by events such as de-escalation of geopolitical tensions between North Korea and South Korea.

The recent drop in unemployment rate has strengthened both job growth and household spending, prompting sentiment to peak at 123.0 in early June which is an all-time high since January.

ANZ/Roy Morgan weekly consumer confidence rating



Source: ANZ/Roy Morgan Weekly Consumer Confidence Index

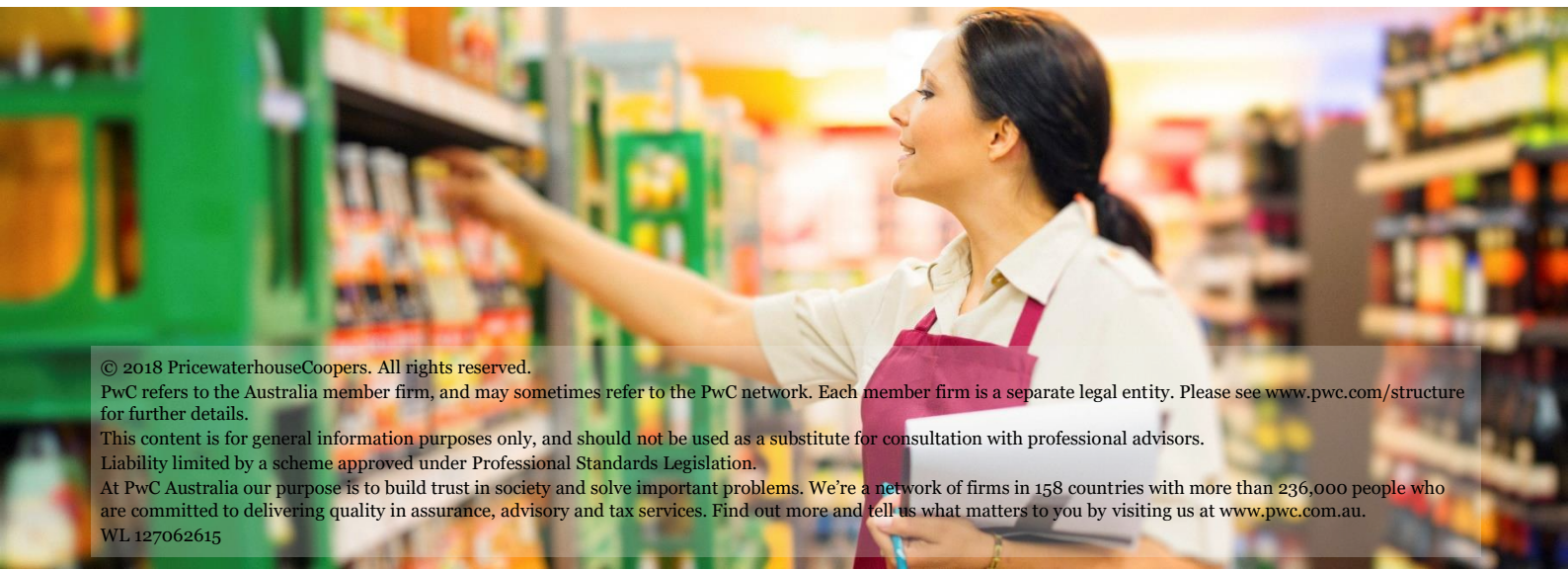
Latest Australian ABS trade results

The latest Australian Bureau of Statistics (ABS) Retail Trade figures show that Australian retail turnover increased by 0.4% in April 2018 (seasonally adjusted), which follows an unchanged result (0.0%) in March 2018 and a rise of 0.6% in February 2018.

The following industries rose in trend terms in April 2018: Food retailing (+0.4%), Household goods retailing (+0.4%), Other retailing (+0.2%), and Cafes, restaurants and takeaway food services (+0.1%). Clothing, footwear and personal accessory retailing (-0.2%) and Department stores (-0.1%) fell in trend terms in April 2018.

The following states and territories rose in trend terms in April 2018: New South Wales (+0.4%), Victoria (+0.4%), Queensland (+0.1%), the Australian Capital Territory (+0.6%), the Northern Territory (+0.7%), and Tasmania (+0.2%). Western Australia (0.0%) remained unchanged and South Australia (-0.1%) fell in trend terms in April 2018.

Sources: Australian Bureau of Statistics data, Reserve Bank of Australia



Announced deals in FY2018 (to June) and LTM

According to Mergermarket, announced retail deal activity for FY2018 financial year to 1 June decreased, on both value and volume basis, comparing to the prior comparable period. 117 deals totalling a deal value of AUD9.9bn were announced in the FY2018 (to 1 June) period versus 129 announced deals in the prior comparable period, valued at AUD10.8bn.

Over the last twelve months, deal volume and value has decreased compared to the prior comparable period, from 140 announced deals (AUD11.2bn) to 130 (AUD10.8bn).

Australia & New Zealand Announced R&C Deals FY2018TD and LTM vs. Prior Year Comparable Period

Deal value (in A\$m)	FY2018TD		PCP		LTM		PCP	
	# of deals	Deal value	# of deals	Deal value	# of deals	Deal value	# of deals	Deal value
\$0 to \$5M	0	0	0	0	0	0	0	0
\$6 to \$10M	13	106	12	102	14	114	12	102
\$11 to \$20M	15	229	16	238	17	253	17	258
\$21 to \$30M	11	272	7	176	12	301	8	200
\$31 to \$50M	5	188	7	300	5	188	8	350
\$51 to \$100M	10	764	11	877	12	927	12	954
\$101 to \$300M	8	1,359	8	1,451	9	1,469	8	1,451
\$301 to \$500M	4	1,688	8	2,919	4	1,688	9	3,223
>\$500M	7	5,295	5	4,688	8	5,845	5	4,688
Subtotal	73	9,901	74	10,751	81	10,785	79	11,226
Undisclosed	44	n/a	55	n/a	49	n/a	61	n/a
Total Announced	117	9,901	129	10,751	130	10,785	140	11,226
Total Completed	68	2,704	126	8,681	81	3,588	137	9,156

Source: Mergermarket; based on announced and completed transactions as at 1 June 2018

Notes: 1 FY2018TD refers to the period 1 July 2017 to 1 June 2018, reflecting the latest available Mergermarket data
2 PCP refers to prior comparable period

Recently completed/announced deals

- 14 May 2018** – Noni B Limited, the listed Australia-based retailer of women's apparel and accessories, has agreed to acquire Specialty Fashion Group Limited, the listed Australia-based women's clothing retail chain, for a consideration of AUD31m (USD23m). Proceeds from the sale will be used to further strengthen the balance sheet. Following the acquisition, Specialty Fashion will retain City Chic's business and will focus its efforts on its growth strategy. Specialty Fashion will remain listed and retain its current corporate leaders and management team. The divested businesses reported revenue of AUD642m (USD501m) in 2017.
- 26 April 2018** – Qingdao Haier Co., Ltd., the China-based SHSE-listed manufacturer of household electrical appliances, has agreed to acquire Fisher & Paykel Appliances Holdings Limited, the New Zealand-based designer, manufacturer and distributor of household appliances, from Haier Group Corporation, a China-based company, for a total cash consideration of USD303m. The transaction will enable Qingdao Haier to improve its smart kitchen electricity business and benefit from synergies with Fisher & Paykel. The acquisition is in line with Qingdao Haier's strategy to improve business, financial structure and profitability, and enhance its anti-risk ability and sustainable development capacity.
- 25 April 2018** – Petpal Pet Nutrition Technology Co., Ltd., the China-based SZSE-listed producer and retailer of pet food, has agreed to acquire Alpine Export NZ Limited, a New Zealand-based pet food producer, from Judge Trust, a New Zealand-based family trust, for a total consideration of NZD23m (USD16m). Petpal Pet Nutrition Technology raised funds via a private placement to finance the cash consideration portion of the transaction. The transaction is in line with Petpal Pet Nutrition Technology's strategy to expand its pet food production business and enhance competitiveness in the market.
- 13 April 2018** – Blackstone Group, the US-based Private Equity firm, has agreed to acquire the post-demerger AMA Group, the ASX listed company engaged in automotive aftercare. The transaction will be conducted via a cash scheme after the completion of the demerger of the Automotive Component, Accessory and Procurement business. The offer values the entire share capital at AUD452m (USD350m). It represents a discount of 18.1% to the latest share price closing of AUD1.05 on 11 April 2018 prior to suspension of trading. Approval from shareholders at the scheme meeting and approval from the Federal Court of Australia will be required.
- 5 April 2018** – The Carlyle Group, a listed US-based Private Equity firm, has agreed to acquire Accolade Wines Australia Limited, an Australia-based producer and retailer of wines and drinks, from both CHAMP Private Equity Pty. Ltd, an Australia-based Private Equity firm, and Constellation Brands, Inc., the listed US-based beer and wine company. Estimated consideration is AUD1bn (USD768m). Under the terms of agreement, Carlyle will acquire an 80% stake in Accolade from CHAMP and the remaining 20% from Constellation.
- 8 March 2018** – Munro Footwear Group, an Australia-based wholesaler and retailer of footwear, has acquired 22 shoe stores from Betts Group, an Australia-based shoe retailer, for an undisclosed consideration. The acquisition of stores will enable Munro Footwear to gain market share in new locations and bring the popular Midas brand to the west coast of Australia. The sale is in line with Betts' strategy to focus on its flagship store sites and its online business. The acquisition of 22 shoe stores follows the addition of 195 stores as part of the acquisition of Fusion Retail Brands by Munro Footwear in June 2017.

Source: Mergermarket

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Also recently in the news

- **Alibaba** has begun plans to execute their New Retail strategy of integrating online shopping and offline commerce, embodying the essence of the future fashion retail experience. Through their recent partnership with global fashion retailer **Guess** on a new Hong Kong concept store, Alibaba shows how their artificial intelligence (AI) will fuel client-tailored shopping.
- **Amazon** has recently announced the date for another of their many crafty incentives, Prime Day shopping event. Although an event to be recognised globally, Australia will kick off with the first launch on 16 July 2018. The event will enable Australian Prime members to begin enjoying the unparalleled membership benefits including free delivery and greater access to Amazon US products.
- **Pandora** has just signed a contract to open a new five-storey flagship store, heading four existing stores in Melbourne. This decision was driven by the Australia and New Zealand managing director with the hope for Australian sales figures to take off in line with that of Copenhagen's (12% sales increase in most recent quarter).
- Australia's market-leading swimwear brand **Seafolly** looks to expand internationally to China, launching its new e-commerce platform Tmall Global. This strategic move taps into the growing market of Chinese consumers who have a taste for the Australian unique beach lifestyle. Australia's recent influx of Chinese tourists has pushed the beach wear market growth towards an average of 9.6% annually from 2013 to 2017, which positions Seafolly very fittingly.
- Closely following the blocked sale of **Woolworths'** petrol stations to BP worth AUD1.8 million, Woolworths has agreed to a 15-year fuel supply with Caltex Australia. With plans to also start a wholesale food supply to over 700 Caltex sites, newly appointed Chief Executive James Goth believes customers and shareholders will benefit from a 'compelling outcome'.
- Belgian café chain **Oliver Brown** fell into voluntary administration in early June after an ATO dispute, owing more than AUD29 million to creditors. However, the majority of creditors voted for control to be put back in the café's current management team, led by director Eric Song. A priority has now been placed on improving end customer experience.
- Following the downfall of US based Toys 'R' Us Inc., Australia's **Toys 'R' Us** and sister brand **Babies 'R' Us** have fallen into voluntary administration. As no buyers came forward, McGrathNicol partners as the appointed administrators will be executing a shut down of its 44 Australian Toys 'R' Us stores along with its related Babies 'R' Us stores.
- **Baby Buntings** cuts its full year EBITDA forecast from \$23 million to the \$18-\$20 million range. This move has been influenced by increased levels of clearance discounting based on recent administration concerns of their largest competitors, Baby Bounce and Baby Savings. However in the wake of these appointments, the business is rolling in plans for greater market capitalisation with the first move of opening a Chatswood store.
- General Pants owned women's fashion retailer **Metalicus** has fallen into administration with an appointed administrator from PKF Australia. The company's 12 retail stores, 15 Myer concessions and online stores are currently in the process of liquidating all stock to wind down. This appointment is seen to be led by competitive pressure as well as a case of high wages and rent compared with sales figures.
- Outdoor apparel **Kathmandu** has reported an increase of 7.7% in sales on last year whilst a 2.4% increase in gross profit margin on last year. This is attributable to higher average selling prices. This has also led to the announcement of Kathmandu's purchase of US-based footwear wholesaler Oboz for USD75 million with the aim to accelerate international growth, diversify product mix and available channels to market.
- **Ralph Lauren** reports another consecutive decline in net sales with a decrease of 2.3% in their fourth quarter. However, this could have been deliberately engineered based on the desire to reduce wholesale channels believed to affect their brand image.

Source: Inside Retail



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Retail sector trends

As reported by the ABS, the trend for Australian retail turnover for April 2018 (compared to April 2017) increased by 2.6%:

- **Food retailing:** The seasonally adjusted estimate rose by 0.3% in April 2018. By industry subgroup, the trend estimate rose for Supermarket and grocery stores (+0.3%), Liquor retailing (+0.5%), and Other specialised food retailing (+0.4%).
- **Household goods retailing:** The seasonally adjusted estimate rose by 0.7% in April 2018. By industry subgroup, the trend estimate rose for Hardware, building and garden supplies retailing (+0.6%), and Furniture, floor coverings, houseware and textile goods retailing (+0.6%), and fell for Electrical and electronic goods retailing (-0.1%).
- **Clothing, footwear and personal accessory retailing:** The seasonally adjusted estimate fell by 0.8% in April 2018. By industry subgroup, the trend estimate fell for Clothing retailing (-0.3%), and remained unchanged for Footwear and other personal accessory retailing (0.0%).
- **Department stores:** The seasonally adjusted estimate fell by 0.9% for April 2018.
- **Cafes, restaurants and take-away food services:** The seasonally adjusted estimate rose by 1.3% in April 2018. By industry subgroup, the trend estimate rose for Takeaway food services (+0.1%), and remained unchanged for Cafes, restaurants and catering services (0.0%).
- **Other retailing:** The seasonally adjusted estimate rose by 0.9% in April 2018. By industry subgroup, the trend estimate rose for Other retailing n.e.c. (+0.5%), and Pharmaceutical, cosmetic and toiletry goods retailing (+0.1%), and fell for Other recreational goods retailing (-0.5%) and Newspaper and book retailing (-0.6%).

Source: Australian Bureau of Statistics data

Contact us

If you would like to discuss any of the information in this newsletter, please contact one of our Deals Retail and Consumer specialists:



Sam Marsden
Partner, Sydney

Tel: +61 (2) 8266 0380
Email: sam.a.marsden@pwc.com



Elizabeth Fritts
Director, Sydney

Tel: +61 (2) 8266 2643
Email: elizabeth.fritts@pwc.com