

UK FOOD & BEVERAGE

M&A ACTIVITY AND VALUATIONS FOR H1 2019

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SECTOR SNAPSHOT

UK FOOD & BEVERAGE M&A ACTIVITY AND VALUATIONS FOR H1 2019



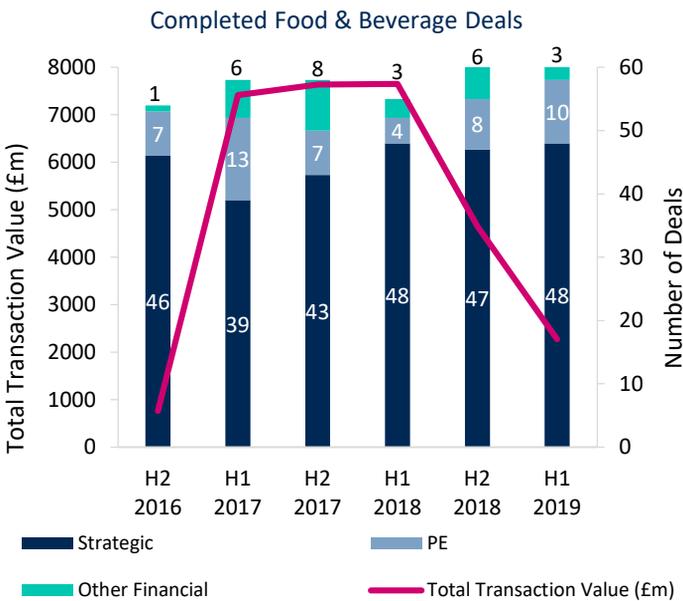
CLAIRFIELD
INTERNATIONAL

Deal volumes up with an overall decline in disclosed transaction values

M&A activity in the food and beverage sector has remained in-line with H2 2018, with 61 deals completed involving UK target companies. Total transaction values reached £2.3bn, with this largely attributable to the £1.2bn. acquisition of Dairy Crest Plc by Saputo Inc. Overall, total transaction values have been in decline since the start of 2018 with M&A activity largely focussed on the acquisition of SMEs with a complementary product offering or market position. The reduction in total transaction values is also likely due to the uncertainty of Brexit and the reluctance to commit significant capital whilst a number of economic and market unknowns remain.

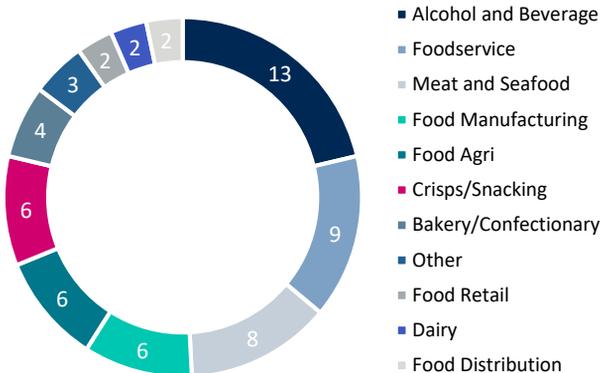
H1 has continued to demonstrate the attractiveness of UK companies to overseas acquirers and private equity with 15 international deals and 10 PE deals completed. UK brands in particular remain attractive targets as both domestic and overseas acquirers seek to capitalise on brand loyalty and opportunities for further brand roll-out in new markets.

Food & Beverage M&A Activity



Other financial primarily relates to debt funded deals with no disclosed equity investor.

No. of Food & Beverage Deals by Sub-Sector – H1 2019



Strong Demand for UK Retail Brands

H1 saw the theme of 'change' continue within the UK retail market as M&S brought its ready meals to online shoppers, investing £750m for a 50% share of a new Ocado.com joint venture. We are continuing to see demand for established retail brands as acquirers seek to take advantage of established brand loyalty and opportunities for brand roll-out across different markets and geographies.

 Have acquired For undisclosed value	 Have acquired For undisclosed value	 Have acquired For undisclosed value
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The trend of healthy eating is a continued theme in the retail brand space and was evident across a number of deals. Q1 saw Unilever's acquisition of Nature Delivered, owner of the healthy snacking brand Graze, for an undisclosed fee. The acquisition will enable Unilever to leverage the Graze Teams tech and e-commerce expertise, as well as their presence in the health sector.

Growing popularity of protein-based snacks was notable in the acquisition of the Bounce Energy Ball brand by Bridge's backed Wholebake for an undisclosed fee. The acquisition will support Wholebake's branded snack strategy and the growth of the Bounce brand outside of the UK retail market.

Popularity in veganism was evident in Samworth Brothers' acquisition of a minority stake in premium pie manufacturer Higgidy, for an undisclosed fee. This will strengthen Samworth's offering in the vegan space and enable them to assist Higgidy with further brand development.

A Boost in Private Equity Deals

Private equity activity continues to account for a significant number of food & beverage deals, with 10 PE transactions completed in H1. This is an improvement on H2 2018 with both UK and overseas PE pursuing standalone and bolt-on acquisitions.

The most notable PE deal saw the secondary buy-out of hospitality caterer CH & Co by European PE house Equistone (terms undisclosed). Equistone's investment aims to aid CH & Co in diversifying their customer base in addition to supporting further add-on acquisitions to complement their existing portfolio.

Further activity in the catering market saw US PE house Clayton, Dubilier & Rice acquire a majority stake in WSH Investments, a catering operator based in the UK, for an estimated £780m. Despite the uncertainty of Brexit, WSH, behind the brands of Benugo and Searcys London, has seen turnover grow to over £800m.

June saw Canadian PE Ardenton Capital make their fifth investment in the UK taking a majority stake in Food Innovations Baking Group, a provider of edible and non-edible products to the home bakery industry. The partnership will support the ongoing growth of Food Innovations as well as enabling them to pursue additional acquisitions.

EQUISTONE

Have acquired



For undisclosed value

CLAYTON
DUBILIER
& RICE

Have acquired

wsh

For undisclosed value

Y
FOODS.2
YOUR GO TO

Have acquired

THE PROTEIN WORKS™
EXERCISE YOUR TASTE BUDS

For undisclosed value

Food to Go/Foodservice Activity

The UK's food to go sector continues to grow and is forecast to account for almost a quarter of total eating out spending within the next 3 years.

With a market value of c. £21bn, the food-to-go market has benefitted from the growing time pressures of people's lifestyles in addition to widening accessibility and choice. It continues to remain a very competitive landscape as food-to-go operators vie for market share and deal with rising rents, rates and wages.

Amidst this competitive environment, May saw PE backed premium sandwich chain PRET acquire struggling rival EAT for £12m. PRET plans to convert a number of EAT's shops to PRET stores serving vegetarian food in response to a growing consumer demand for more vegan and vegetarian options on the high street.

In a similar vein, H1 saw sandwich chain Philpotts (part of Patisserie Valerie Group) acquired out of administration by AF Blakemore as the wholesaler seeks to advance its food-to-go offering. As well as this, Philpott's online ordering service will provide an insight into the click and collect functionality within a store environment. Like EAT, Philpotts had struggled to cope with difficult trading conditions and the dominant position of PRET in the UK sandwich market.

★ **PRET** ★

Have acquired

EAT.

For GBP 12m

a.f. **blakemore**
& son ltd

Have acquired



For GBP 25m

CAUSEWAY
CAPITAL PARTNERS

Have acquired

PÂTISSERIE VALERIE
Est. 1926

For undisclosed value

Alcohol & Beverage

The alcohol & beverage sector continues to be a hotbed for M&A activity with 10 deals completed during H1. The most notable deal in this sub-sector saw Asahi Limited acquire The Fuller's Beer Company - owner of the London Pride brand - for £250m. This deal comes amidst continued consolidation in the beer market, with some concern that this could lead to a reduction in choice, value and quality for consumers.

The continued growth in the coffee market was in further evidence during H1 as Caffè Nero acquired a majority stake in Coffee#1. The acquisition of Coffee#1's 92 stores will further enhance Café Nero's coffee offering following their acquisition of Harris and Hoole in 2016.

Asahi

Have acquired



For a value of GBP 250m

CAFFÈ NERO

Have acquired



For undisclosed value



Have acquired

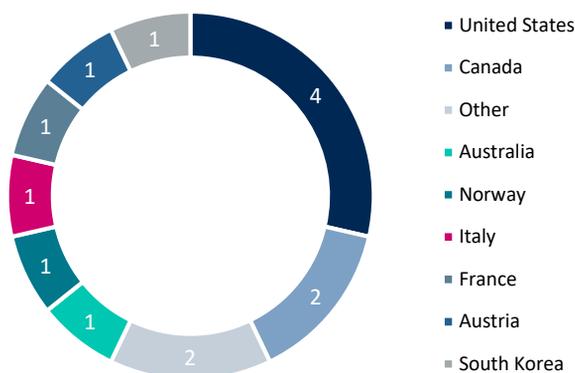
Stone Beach

For undisclosed value

H1 Overseas Summary

Overseas PE and corporates have shown a continued interest in UK food and beverage companies with 15 overseas deals completed during H1. The US were the most active overseas buyers completing 4 deals during H1.

The largest overseas deal of H1 saw Canadian dairy company Saputo Inc. acquire Dairy Crest Limited for an estimated £1.2bn. The devaluation of the sterling and the overall quality of UK food & beverage companies is likely to see overseas interest continue during H2.



Bakery & Confectionary

Despite the general move towards healthier eating in recent years, the consumer sweet tooth remains. The last few years has seen consumer buying habits moving towards higher quality treats with an increasing preference for products that are more engaging and perceived to have a more artisan heritage.

Against this backdrop we have seen increased M&A activity in this space including the acquisition/investment in premium chocolate brands Green & Blacks and Montezuma during 2018. H1 saw further activity in the chocolate sector, with artisan chocolate brand Prestat acquired by luxury Italian group Illy.

H1 also saw the acquisition of Livingbridge backed premium sweet and savoury biscuit manufacturer Thomas Fudge by Burton's Biscuits. This acquisition recognises the high growth nature of the premium biscuit sector and will enable Burton's to increase its presence in the high-quality end of the market.

Elsewhere in the bakery and confectionary market, Samworth owned Blueberry foods has been acquired by Bakkavor. This will help build on Bakkavor's position in the desserts category following their acquisition of Hayden's Bakery in 2018.



Have acquired



For undisclosed value



Have acquired



For undisclosed value



Have acquired



For undisclosed value

Other Selected M&A Deals

Business Overview

Wellocks supply a range of high-quality food ingredients to a premium customer base, ranging from Michelin star restaurants to 5* hotels and premier league football clubs. The business employs around 470 people nationwide, operates from four strategically placed business units and makes over 6,000 nationwide deliveries a week via its own fleet of temperature-controlled vehicles.



Was sold to



For undisclosed value

Our Role

Orbis advised the shareholders of Wellocks during a two-year period on potential exit strategies, resulting in William Jackson Food Group acquiring the company in June 2018. We utilised our strong knowledge of the sector to identify strategic buyers for the business. William Jackson were selected as a result of their strategic valuation and their focus on a family-run ethos. William Jackson aims to uphold the premium brand image of Wellocks and translate this into further organic growth for the overall group.



Other Selected H1 Deals



Have acquired



For GBP 8.5m



Have acquired



For undisclosed value



Have acquired



For undisclosed value



Have acquired



For undisclosed value



Have acquired

HFR Food Solutions Limited

For GBP 3.3m



Have acquired



For undisclosed value

About Us

Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering the food & consumer sector in addition to industrials, technology, media & telecoms, and healthcare. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Gary or Steve.

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Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

Orbis Partners : Services

A complete range of M&A services providing a wealth of experience to our clients

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|-----------------------------|--|
| Company Sales | <ul style="list-style-type: none"> Extensive mid market M&A expertise and experience across the team. International reach – over 20 countries and growing. Over 90% of all sale mandates involve an overseas party. |
| Acquisition Support | <ul style="list-style-type: none"> Research and origination - internal research team and tools. Strategic and financial assessment. Deal management. |
| Due Diligence | <ul style="list-style-type: none"> Experienced and informed advice. Extensive experience within the UK and of international transactions. Partner Led |
| Management Buy Out | <ul style="list-style-type: none"> Deal leadership and fund raising. Align interests with management team. Co-investors on 15 deals. |
| Capital Raising | <ul style="list-style-type: none"> Supporting existing business to fund development. Supportive investor bringing focus on value creation. Co-investors on 3 deals. |
| Business Improvement | <ul style="list-style-type: none"> Independent advice and planning strategy led by sector insights. Turnaround and profit improvement credentials. Leading the team through uncertainty whilst developing a game plan. |

Orbis Partners : Food & Beverage Credentials

 <p>Was sold to</p>  <p>For undisclosed value</p> 	<p>FineFranceUK</p> <p>Was sold to</p>  <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For undisclosed value</p> 	 <p>Was sold to</p>  <p>For undisclosed value</p> 
<p>Godtlevert</p> <p>Have merged with</p>  <p>For undisclosed value</p> 	 <p>Was sold to</p> <p>A Group Of Investors</p> <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For EUR 20.5</p> 	 <p>Sold a production subsidiary to</p>  <p>For undisclosed value</p> 

Clairfield International was founded in 2004 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

22

COUNTRY TEAMS
AROUND THE WORLD

130+

DEALS CLOSED
ANNUALLY

EUR 20 billion

CUMULATIVE DEAL
VALUE LAST 5 YEARS



Leading independent
M&A advisor for
midmarket deals