



FOOD & BEVERAGE Q1 2019 INSIGHTS

Allyum's industry expert, Martin DELÉPINE, gives his Q1 2019 insights on the F&B industry



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During the first quarter of 2019, there was a moderation in the M&A flow of the food & beverage industry especially due to a slowdown of M&A in the food segment. In line with previous quarters, deals are mainly realized by private strategic buyers willing to expand their product portfolio or geographical reach. However, the beverage segment was in a good mood compared to previous quarters.

The deal volume increase in the beverage segment for the Benelux and France is in line with the trends on a global level. Also, a robust evolution of sales multiples for the brewing and non-alcoholic beverage segment is observable. Following market research, both segments will increase by respectively 6.2% and 4.7% p.a. to attain a global market size in 2023 of c. USD 750bn and 1,150bn. Main drivers behind this growth will be the premium/craft beers and the natural (healthy) non-alcoholic beverages such as tonics (e.g. Fever Tree), iced teas and flavored water. At this stage, these booming beverage markets are still relatively fragmented markets. Therefore, in the following years, the wave of consolidation supported by the willingness of key beverage players to enter these markets should continue. Next to this, there were also several notable transactions in the (non-)frozen bakery & pastry market. As the expected growth of this market is limited in Europe, bakery players try to increase their growth potential through an expansion of their product portfolio. Examples of this type of investment rationale are the acquisition of Ingapan by Europastry or Les Délices du Chef by Naturellement Gourmand, a PE-backed buy-and-build platform for food companies in France.

- WHY CONSIDER M&A? -

The F&B sector remains one of the largest global industries. Our analysis of Q1 2019 on the F&B industry shows that strategic acquisitions allow companies to diversify by entering quickly and efficiently into a market where the company is not yet active. As F&B companies aim to maintain their market share in a very competitive market, many look to M&A as the most efficient manner to proceed. Understanding the industry's long term trends, the mindset of its end customers and the changes to the way products and services are being delivered, is a key step in the development of an M&A strategy.

Prominent F&B transactions of the last 90 days



Naturellement Gourmand, a France-based company specializing in industrial pastry, and a portfolio company of two France-based private equity firms Abenex Capital SA through its SME-fund, Abenex Croissance, and Arkea Capital has acquired **Les Délices du Chef**, a France-based blinis, pancakes and cakes producer for an undisclosed consideration.

Saputo Inc., a Canada based dairy company, and **Dairy Crest Group** reached an agreement on the terms of a recommended cash offer to acquire Dairy Crest. The offer price values Dairy Crest equity at GBP 986m based on 58m fully diluted shares.

Europastry, SA, a Spain-based producer and distributor of frozen pastry and baked goods, has acquired 40% stake in **Grupo Ingapan**, a Spain-based company that produces (non-)frozen bread and pastry products, from Chousa family, a Spain-based family, for an undisclosed consideration.

Antico Forno della Romagna S.u.r.l. (Fratelli Bassini), an Italy-based frozen bakery producer along with **Unigrains**, France-based private equity firm through its fund Fondo Agroalimentare Italiano, has acquired **Glaxi Pane Srl**, an Italy-based company engaged in producing bakery products, from group of investors, for an undisclosed consideration.

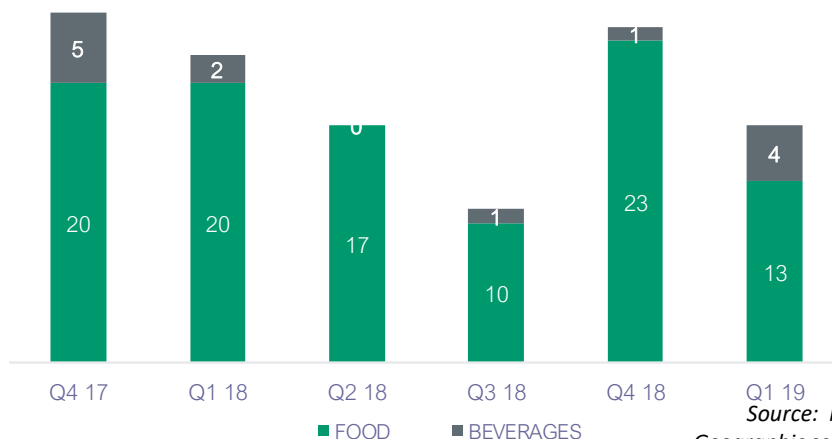
La Martiniquaise, a France based spirits producer and distributor has acquired the 75% remaining stake in **Kidibul**, the Belgium based soft drink producer for an undisclosed consideration.

Asahi Europe Limited is the UK-based beer company, a subsidiary of Asahi Group Holdings, Ltd has agreed to acquire of **Fuller, Smith & Turner Plc.**, the listed UK-based brewer and pub operator, headquartered at London. The deal value of the transaction amounts to EUR 289M.

Stock Spirits Group Plc, the listed UK-based producers of alcoholic drinks, has agreed to acquire **Distillerie Franciacorta Spa**, an Italy-based company producing wine and spirits for EUR 27M.

Source: Merger Market

Evolution of M&A transactions for Benelux & France



During the first quarter of 2019, deal volume within the food and beverage industry amounts to 17 deals. The slowdown compared to Q4 2018 is mainly due to the food segment while the beverage transactions show a significant and unusual proportion (23%). Note that historically the last quarter of a year is always a strong period for M&A transactions in F&B. As a result, the natural slowdown in Q1 may not be seen as a trend for the next quarters.

Most of the acquisition were done by private strategic buyers. Therefore, we can affirm that the F&B sector maintains its focus on external growth and consolidation.

At the same time, after a slowdown in 2018, the beverage industry knew a revival in M&A flow with a same number of deals during Q1-2019 as for the whole year 2018.

- HOW TO VALUE YOUR COMPANY ? -

Sales multiples based on the last twelve months performances of major quoted groups.



Source: Capital IQ, Allyum (January, 2019)

The observed sales multiples from major European F&B companies are quite high and derive from the attraction and the sustainability of this market. Again, we can note again that the sales multiples for the Beverage segment are significantly higher than those observed on the Food segment. We notice major gaps between F&B market segments from agricultural products valued at 0.6x to Wine & Spirits presenting a multiple of 2.9x, with a global average around 1.4x. All these multiples come from major quoted groups and don't include any illiquidity/size discounts to be applied when valuing small & mid-cap companies.