



FOOD & BEVERAGE Q4 2018 INSIGHTS



ALLYUM

Allyum's industry expert, Martin DELÉPINE, gives his Q4 2018 insights on the F&B industry



Martin Delépine

After a continuous slow down during the last 15 months (from Q3 2017 until Q3 2018 included), the M&A flow of the food & beverage industry rebounded showing that despite its low growth it remains unabated. Most of the M&A activities were dominated, during the last quarter, by private strategic buyers such as for example Friesland Campina taking over Millan Vicente (Spain-based cheese co-packer and distributor). Nonetheless, it will be interesting to follow up the trend in the future and see if Q4 2018 was a spot increase or if there is a consistent resurgence in local F&B M&A activity. Next to that, a recent study announced that 82% of American households purchased organic goods over the last year which reflects the rising attention that consumers give to the origin of the products. In the same way, the increasing percentage of vegetarian consumers pushes multinational companies such as Unilever to enter this segment of the industry by acquiring a producer of vegetable protein-based meat (The Vegetarian Butcher). Indeed, the change in consumer habits & consciousness is impacting F&B major players strategies. The impressive growth of Vegan trend and the development of vegetable protein-based meat is entering F&B markets and each major retailer begins to have full Vegan meat shelves, with own and/or private label products. This trend is going to be long term and increasing so that food manufacturers will have to enter this segment of the market and early adopters for now may represent a huge potential in the future. In this revolution, for sure, M&A strategy will have a key role to be played and deals such as the one between Unilever and The Vegetarian Butcher will probably be multiplied over the coming years.

- WHY CONSIDER M&A? -

The F&B sector remains one of the largest global industries. Our analysis of Q4 2018 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



Orkla Foods Danmark A/S, a Denmark-based producer and supplier of infant milk formulas, porridge and baby food has agreed to acquire a 90% stake in **Easyfood A/S** from Mr. Flemming Paasch and Mr. Hemming Van. The consideration for the transaction is DKK 330m (EUR 44.1967m).

Unilever NV, a listed Netherlands-based company engaged in the production and sale of fast moving consumer goods, has agreed to acquire The **Vegetarian Butcher**, the Netherlands-based manufacturer of meat substitute products, for an undisclosed consideration.

Royal FrieslandCampina N.V., the Netherlands-based company engaged in providing dairy products, fruit drinks and ingredients, has acquired **Millan Vicente S.L.**, the Spain-based cheese co-packer and distributor, from Mr. Antonio Millan, the Spain-based private investor, for an undisclosed consideration.

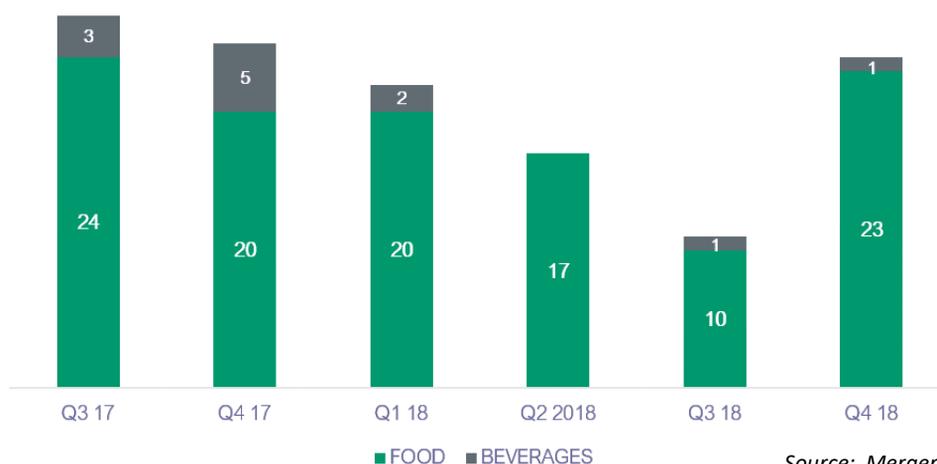
Barilla G. e R. Fratelli S.p.A, an Italy-based manufacturer of pasta and bakery goods, has agreed to acquire Muggia plant of **Pasta Zara S.p.A.**, an Italy-based pasta company, for an undisclosed consideration.

Hilton Food Group Plc, the listed UK-based independent meat packing supplier, has agreed to acquire a 50% stake in, **Dalco Food B.V.**, the Netherlands-based company engaged in the production of meat-based and vegetarian food products, for an undisclosed consideration.

Mast-Jaegermeister SE, the Germany-based company that produces and sells herbal liqueur, has agreed to acquire **Remy Cointreau Czech Republic s.r.o.**, the Czech Republic-based and Remy Cointreau Slovakia s.r.o., the Slovakia-based alcoholic beverage distributor from The Remy Cointreau Group, a listed France-based company that produces and distributes brandy, liquors, spirits and champagne, for an undisclosed consideration.

Source: Merger Market

Evolution of M&A transactions for Benelux & France



Source: MergerMarket, Allyum
Geographic scope: Benelux & France

Deal volume within the food and beverage industry rises up to 24 during the fourth quarter of 2018. It is the highest volume of transactions for the FY 2018 and a great ascent after a deceiving third quarter. With approximately the same number of transactions than Q4 last year, we can affirm that the F&B sector maintains a focus on external growth and consolidation.

- 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 higher than those observed on the Food segment. We notice significant 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 1.3x. 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.

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