



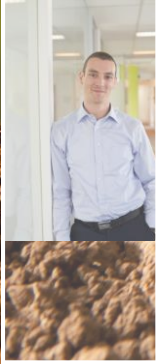
FOOD & BEVERAGE Q3 2018 INSIGHTS

Allyum's industry expert, Martin DELÉPINE, gives his Q3 2018 insights on the F&B industry

The deal flow observed on Q3 2018 is clearly lower than in the previous quarters. We have to be careful when interpreting these data and before making a more global statement based only on one quarter. It would be interesting to keep on watching the trend over time and a maintained decrease in the future may transmit a signal to the local market (Benelux & France) that F&B segment is becoming more and more consolidated. If this assumption verifies itself in the future, it can be important for growing companies to anticipate that potential fact and to seize the opportunity to grab remaining key players which doesn't yet belong to other major actors.

Another interesting fact may be the impact on this on the price paid to acquire F&B companies and we already observed over past years an increase which may keep on growing.

Next to that, Q3 transactions are very good examples that M&A can be fully integrated in different development strategies from "specialization" with reinforcing its presence in a core market (ex: Coca-Cola acquiring another well-known soda brand "Tropico") to "diversification" with capturing a new "product-market" couple (ex: Lotus acquiring Kiddylicious allowing it to offer new products to a new younger customer segment).



- WHY CONSIDER M&A? -

The F&B sector remains one of the largest global industries. Our analysis of Q3 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



Lotus Bakeries N.V., the listed Belgium-based manufacturer of biscuits and cakes, has acquired **Kiddylicious**, the UK-based snacking company bakes snacks for growing babies, toddlers and preschoolers, for a consideration of approximately GBP 42m.

Coca-Cola Services France, the France-based subsidiary of The Coca-Cola Company, the listed US-based soft beverages group making soft drinks, juices, sports drinks, bottled water, coffee and tea, has agreed to acquire **Tropico SAS**, the France-based provider of powdered drinks and fruit juice concentrates, from Cafes Folliet SA, the France-based coffee maker, for an undisclosed consideration.

Royal FrieslandCampina N.V., the Netherlands-based company engaged in providing dairy products, fruit drinks and ingredients, has agreed to acquire **Best Cheese Holland B.V.**, the Netherlands-based cheese manufacturer, for an undisclosed consideration.

Eclor S.A., a France-based cider producer and a subsidiary of Agrial S.A., the France-based agricultural and food-processing cooperative group engaged in producing and processing vegetables, cider apples, milk, poultry, and meat products, has acquired **Aston Manor Limited**, the UK-based family, for an undisclosed consideration

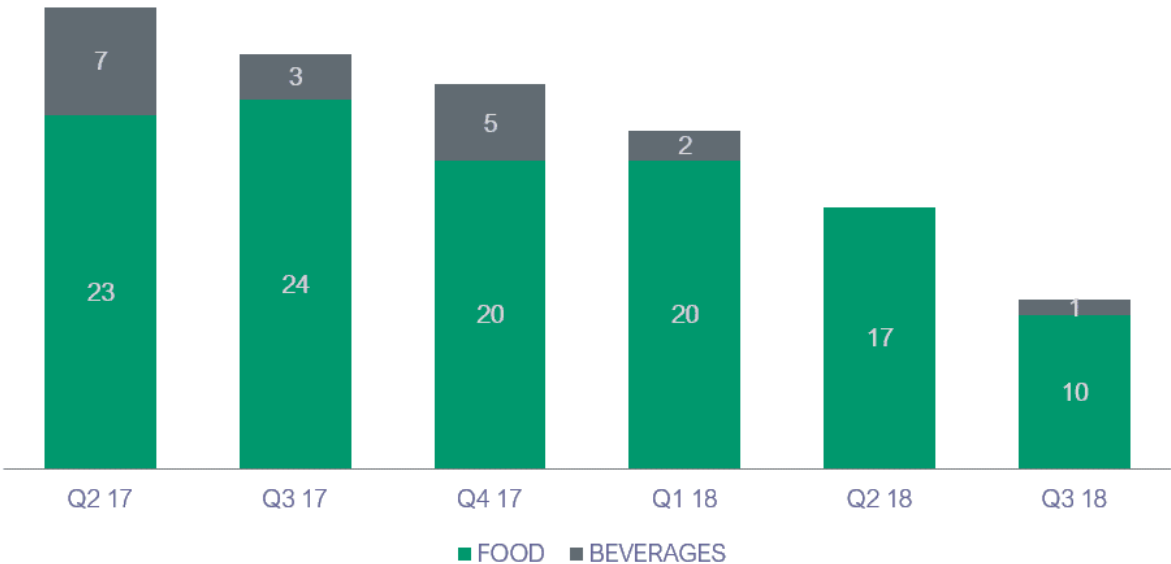
Mademoiselle Desserts SAS, the France-based manufacturer and supplier of frozen bakery products and a portfolio company of IK Investment Partners Limited, the UK-based private equity firm has acquired Patisserie Michel Kremer, the France-based manufacturer and supplier of frozen bakery products, for an undisclosed consideration.

Udea, a Netherlands-based wholesaler in organic foods, has agreed to acquire **Natudis Nederland B.V.**, a Netherlands-based company that operates as a wholesaler of branded organic food, **SA Hagor N.V.**, a Belgium-based organic food distributor and kroon Biologische, a Netherlands-based engaged in offering food distribution services to retail outlets, from Vroegop Ruhe & Co B.V., a Netherlands-based wholesaler and importer of potatoes, vegetables, fruit and exotic products, for an undisclosed consideration.

Royal Unibrew A/S, a listed Denmark-based producer of beer, malt and soft drinks, has acquired Etablissements Geyer Freres (dba Lorina), a France-based company that offers carbonated soft drinks, from Jean Pierre Barjon, a Denmark-based private investor, for a consideration of DKK 660m (EUR 88.55m) on a debt-free basis.

Source: Merger Market

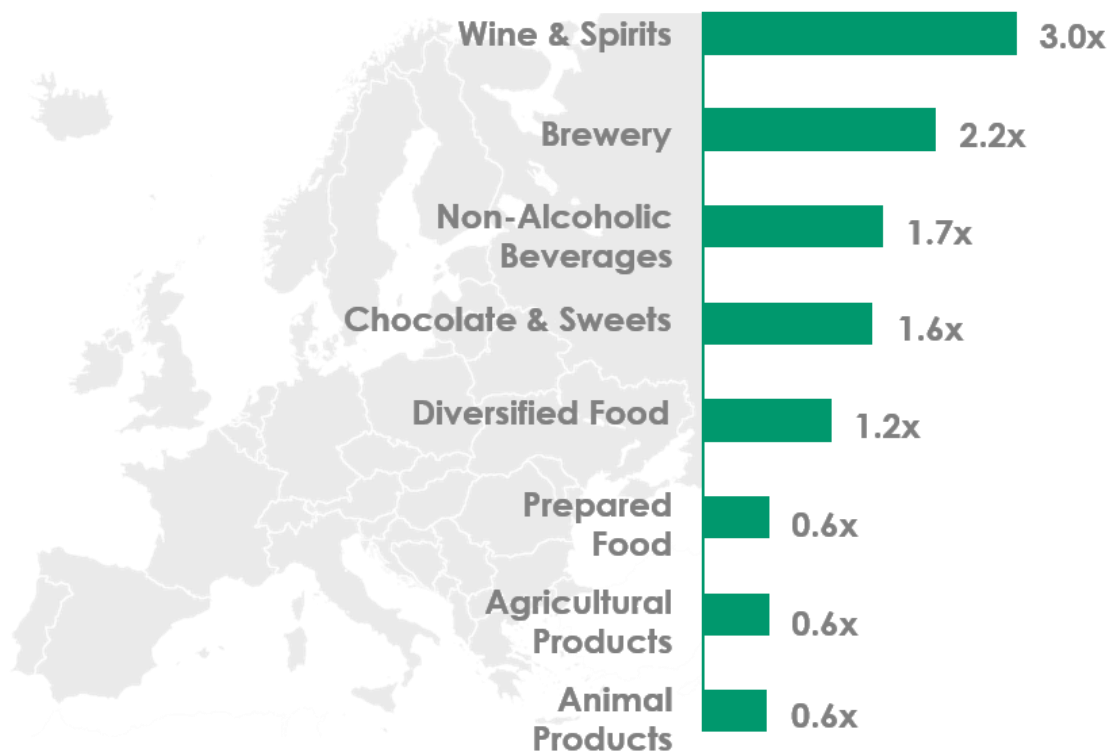
Evolution of M&A transactions for Benelux & France



Source: Merger Market, Allyum
Geographic scope: Benelux & France

The Food & Beverage market in Benelux and France is characterized by strong and permanent M&A activities. Deal volume within the F&B industry rises up to **11 deals during the third quarter of 2018**, which is slightly lower than historical quarterly trends. With around 25 transactions per quarter over the last year, the active trend of making acquisitions remains sustainable over time, showing the F&B sector maintains a focus on external growth and consolidation.

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



Source: Capital IQ, Allyum (October, 2018)

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 much higher than those observed on the Food segment. We notice significant gaps between F&B market segments from animal products valued at 0.6x to Wine & Spirits presenting a multiple of 3.0x, 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.

**All multiples come from major quoted groups and don't include any illiquidity/size discounts.*