



FOOD & BEVERAGE Q2 2019 INSIGHTS



ALLYUM

Allyum's industry expert, Martin DELÉPINE, gives his Q2 2019 insights on the F&B industry



Martin Delépine

During the second quarter of 2019, there was a revival in M&A flow of the food & beverage industry. In line with previous quarters, deals are mainly realized by private strategic buyers willing to expand their product portfolio, geographical reach or integrate vertically. A notable transaction is the investment of Ocado, a British online grocery store, in Jones Food Company, a British vertical farming company specialized in herbs (e.g. basilica). The agricultural sector is known for its strong volatility both in price and in volume which impact directly the gross margin of the F&B industry. (In)direct investments in agricultural innovation offers F&B companies an excellent way to contain and stabilize raw material costs. One caveat, it requires high initial investments. A recent Belgian example of vertical integration which dated from December 2018 is the vertical farming project of Colruyt to deliver herbs to BioPlanet that should be operational as of the autumn 2019. In line with several initiatives of large F&B players to support agricultural innovation, F&B companies should tend to more and more invest downside the value chain in order to secure access to key or specific raw materials.

Another observation is the focus of investment funds in booming F&B segments. PAI invested in Wessanen, a Dutch leading organic food producer, and Victus in Anur, a Dutch company specialised in the production of halal food. The global organic and halal food market are expected to reach respectively c. USD 320 billion and USD 1.600 billion in 2025. In terms of growth, the organic food market has a CAGR of 13% between 2019-2025 and 6% for the halal market. It will not be a surprise, if the M&A flow for these markets will increase in the following years.

- WHY CONSIDER M&A? -

The F&B sector remains one of the largest global industries. Our analysis of Q2 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. Next to this, private equity funds are more and more focusing themselves on promising niche food segments, such as halal or organic food.

Prominent F&B transactions over the last 90 days



Victus Participations B.V., the Netherland-based private equity firm specialized in agri-food, has acquired an undisclosed majority stake in, **Anur Halal Food BV**, the Netherlands-based manufacturer and distributor of halal food, from Zwanenberg Food Group B.V.

Ocado Group Plc, the listed UK-based company engaged in the online retail and distribution of groceries, has acquired a 58% stake in **Jones Food Company Ltd**, the UK-based vertical farming company, for an undisclosed consideration.

Roger & Roger SA, a Belgium-based manufacturer of potato and corn snacks, has acquired **Greenyard Frozen Hungary**, a Hungary-based frozen food plant, from Greenyard NV, a listed Belgium-based frozen vegetable processing company.

THE GB FOODS, S.A., a Spain-based manufacturer of meal solutions including soups, ready dishes and fish, has agreed to acquire, **Continental Foods**, a Belgium-based manufacturer of instant food products, including instant soups, snacks, sauces, frozen desserts, puddings, etc., from CVC Capital Partners, the UK-based private equity firm, for an estimated consideration of EUR 900m.

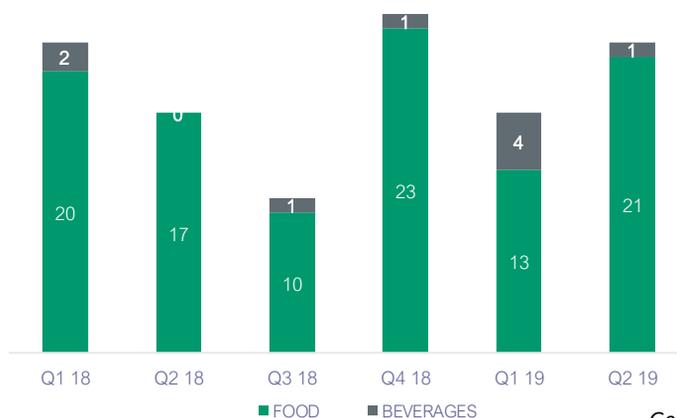
Danone SA, the listed France-based producer of fresh dairy products, beverages, baby food and clinical nutrition products has acquired a 55% stake and owns nowadays 95% in **Michel et Augustin S.A.**, a France-based company engaged in producing biscuits and cookies.

An investor group (incl. MCH Private Equity, Unigrains SA and Ardian) along with the management of **Grupo Empresarial Palacios Alimentacion, S.A.**, a Spain-based food company that produces chorizos, cold meat products, fresh and frozen pizzas, has acquired the company, from The Carlyle Group for an estimated consideration of EUR 300m.

Koninklijke Wessanen N.V., a Netherland based and listed food company with focus on organic, vegetarian, fair trade and natural ingredients, agreed to be acquired by a consortium **PAI Partners SAS** and **Charles Jobson**, Wessanen's main shareholder.

Vrumona BV, the Netherlands-based manufacturer and distributor of soft drinks has acquired 51% stake in **Ranja BV**, the Netherlands-based manufacturer and distributors of syrup from Netherlands MerkGoed BV, the Netherlands-based investment company and Burg Groep BV, the Netherlands-based manufacturer of vinegars, edible oils and syrup

Evolution of M&A transactions for Benelux & France

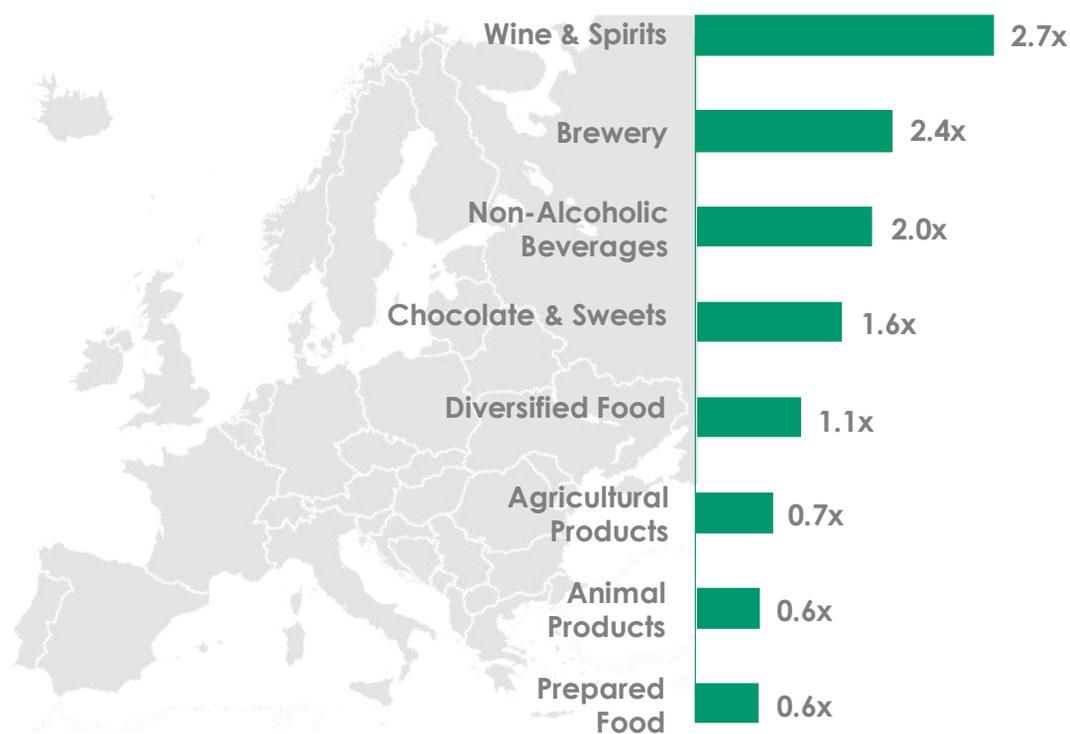


Source: MergerMarket, Allyum
Geographic scope: Benelux & France

During the second quarter of 2019, deal volume within the food and beverage industry increased significantly to 22 deals. The increase is driven by a strong pipeline in the food segment. Most of the acquisitions 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, the beverage industry was less active than the food industry which is in line with historical tendencies.

- HOW TO VALUE YOUR COMPANY ? -

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



Source: Capital IQ, Allyum (August, 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 animal products valued at 0.6x to Wine & Spirits presenting a multiple of 2.7x, with a global average around 1.5x.

**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.*