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# SECTOR SNAPSHOT



## UK FOOD & BEVERAGE M&A ACTIVITY AND VALUATIONS FOR H2 2016

### Deal activity resilient in H2, particularly in sub £50m deal space

M&A activity in the UK food & beverage sector looks set to remain healthy in H2 of 2016 with 75 deals completed involving UK and Irish companies (targets and acquirers) in YTD December. Whilst year-end deal activity has declined on H1, it's too early to assess whether this relates to Brexit on the basis the majority of these transactions would have been in process pre-EU referendum.

Whilst a number of large trade deals have been completed in H2 YTD (e.g. the £300m acquisition of luxury crisp brand Tyrells by US based Amplify Snacks), deal activity continues to remain strongest in the sub £50m deal space, with large and mid-sized players seeking to add new/complimentary offerings to their portfolio. Overseas interest in the UK F&B sector, particularly from Asia and the US, remains strong with 22 acquisitions completed in H2 YTD.

### Strong Deal Activity In 'Healthy' UK Snacking Market

Six deals were completed in the UK snacking market during H2 with premium popcorn the flavour of the month amongst investors. In general, the importance of building 'brand value' remains clear, with both trade and PE acquirers keen to add branded snack offerings to their portfolio.

**Amplify**  
SNACK BRANDS

Have acquired

**Tyrells**

For GBP 300m

**EUROPE**  
**Snacks**

Have acquired

**KOLAK**

For undisclosed value

**PIPER**  
PRIVATE EQUITY

Have acquired

**PROPER CORN**  
*Done Property*

For GBP 7m

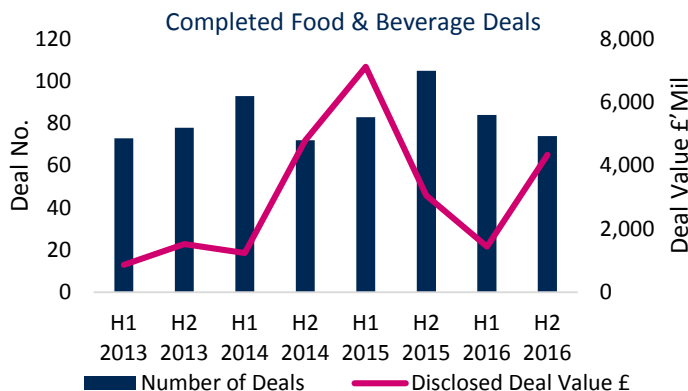
With sales of £87.4m, up by 45% over the last 2 years, popcorn is the fastest growing snack food in the UK with consumers seeking out 'lighter' and healthier snacking options. This has seen increased interest from investors keen to take a bite out of this high-growth, on trend market.

Propercorn, the UK's fastest growing popcorn brand, secured a £7m investment from Piper PE and JamJar, the investment vehicle for the founders of Innocent Smoothies. This is the fledgling company's first major injection of funds and will support the brands UK and international growth. H2 also saw competing popcorn brand Metcalfe sell the remaining 74% of its business to US owned Kettle Foods.

The trend for healthier snacking alternatives was evident in the purchase of Stream Foods, the UK producer of children's snacking brand Fruit Bowl, by South African giant Pioneer Foods (£7.5m deal value). This acquisition will bolster Pioneer's own label portfolio in the UK with a range of branded offerings.

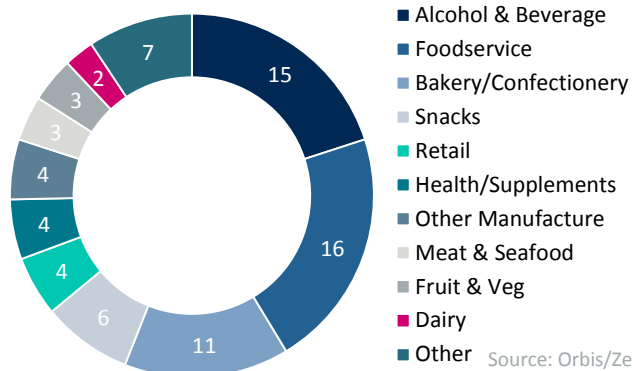
Whilst the overall UK crisp market continues to decline amidst the growth of alternative snacking options, demand for value-added, traditional gourmet crisps remains high. This was evident in the £300m sale of PE backed luxury crisp brand Tyrells to US based Amplify Snacks.

### Food & Beverage M&A Activity



Note: Disclosed deal value for H2 2016 does not include £100.67 billion acquisition of SABMiller Plc

### No. of Food & Beverage Deals by Sub-Sector – H2 2016



Source: Orbis/Zephyr

## Foodservice Sales Increase by 4% in 12 Months to November 16

Consumer spending on eating and drinking out continues to remain resilient post-Brexit with total sales up by 4% for the 12 month period to November and with like for like sales up by 1.1% against November 2015.

In three of the four months following the EU referendum the UK foodservice sector has recorded positive growth suggesting consumer confidence remains up-beat.

The casual dining market continues to perform well supported by new branded concepts and new site openings. The attractiveness of this sector is reflected by high levels of M&A activity amongst both operators and those supplying into the market.

The most notable transaction within the casual dining sector saw Africa's largest branded foodservice franchisor Famous Brands acquire GBK for £120m. This represents the largest transaction to date for the owner of brands such as Wimpy and PAUL in a move that will expand the company's presence in the UK casual dining market. H2 also saw food giant 2 Sisters expand its casual dining portfolio with the acquisition of Ed's Easy Diner restaurants out of administration, the company's 3rd acquisition in the space (following Cinnamon Collection and Giraffe Concepts) in 2016.

PE interest in the sector continued in H2 with Kings Park Capital acquiring a significant minority stake in US style diner 7Bone Burger. With sites currently in Southampton and Bournemouth, this funding will enable additional roll-out of the restaurants concept across the UK.

M&A activity in the foodservice supply chain was also evident in H2 with the UK arm of Thai business CP foods acquiring a 60% stake in Foodfellas, a supplier to the branded casual dining market. In addition, Flagship Europe, the European arm of US based Flagship Foods, expanded its portfolio of foodservice businesses with the acquisition of "food-to-go" manufacturer Calder Foods. This is Flagships second acquisition in 12 months following its purchase of Oliver James Pies in Q2 of 2015.



Have acquired



For GBP 120m



Have acquired



For GBP 15m



Have acquired



For undisclosed value



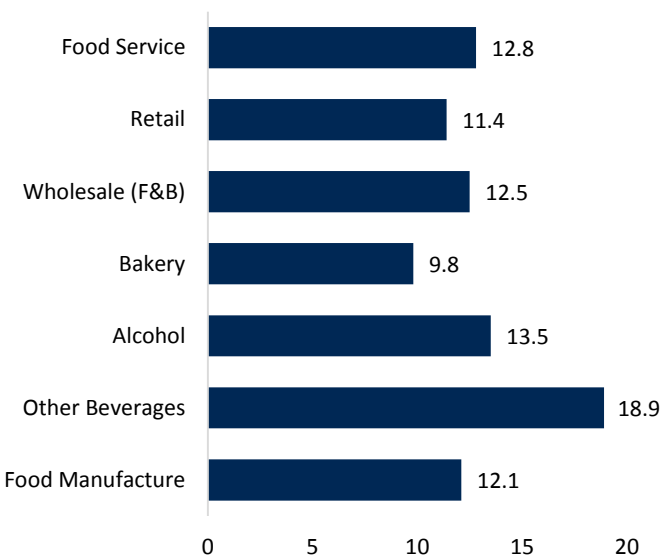
Have acquired 60% of



For GBP 12.3m

## Quoted Multiples

Food & Beverage EV/EBITDA Multiples L12M (as at Nov 16)




The average EV/EBITDA multiples remained encouraging in H2 2016 with an average of 13.0x for the sector as a whole. Within the individual sub-sectors, multiples ranged from 9.8x in Bakery to 18.9x in Other Beverage, with the latter boosted by a c. 46X trading multiple for Fever-Tree Drinks.

## Catering Attracts Interest From Europe



Have acquired



For GBP 52m

H2 of 2016 saw a series of transactions completed in the UK catering sector. One of the most notable transactions saw the sale of LDC backed Waterfall, a catering provider to education and industry to French catering giant Elior (£52m). The deal represents a c. 3x return for LDC and demonstrates the continued appetite of European businesses to invest in the UK post-Brexit.

French FM and catering giant Sodexo was also active in the UK with the pre-pack acquisition of Peyton & Byrnes public contracts and the acquisition of on-line food procurement specialist PSL.

Consolidation continued in the mid-market with a merger between education caterer Brookwood Partnership (£32m t/o) and its largest competitor CH&Co Group. The deal will add specialist education brands to the expanding CH&Co Group and comes on the back of the company's merger with HCM Group in 2015.

## Alcohol & Beverage Activity Remains High



Have acquired



For GBP 118m



SAZERAC

Have acquired



THE LAST DROP DISTILLERS LIMITED

For undisclosed value

Total disclosed deal values rocketed in H2 2016 due to Anheuser-Busch InBev NV's acquisition of British competitor SABMiller Plc for £100.67 billion. The deal strengthens Anheuser-Busch's position as a brewing powerhouse, with an estimated 46% of global beer profits, and makes the company twice the size of its nearest rival Heineken NV.

Private equity buyers were yet again a common presence within the sector as Caledonia Investments completed the acquisition of Jersey based brewery The Liberation Group for £118m. Caledonia will provide an additional £40 million of funding for investment in its existing estate and further acquisitions. H2 also saw Irish owned Prime Active Capital acquire British consumer drinks maker C7 brands for an undisclosed fee. It is believed that an enlarged Prime Active Group will be used as an investment vehicle to acquire brand assets within the beverage sector.

A further notable deal saw America's largest distilling business, The Sazerac Company, expand its distribution footprint in Europe through the acquisition of exclusive spirits company, The Last Drop Distillers Limited. Dutch brewing giant Heineken also appear to have won the bidding war for pub company Punch Taverns after agreeing a deal which values Punch at £402.7m.

## Clairfield & Orbis Transactions

**FineFranceUK**

Has been sold to



Orbis advised

FineFrance UK Limited



Has been sold to



Clairfield International

advised Klements

## Other Selected M&A Deals

A number of other disclosed deals were completed across a wide range of F&B sectors during H2. Some of the more notable of these saw Greencore's acquisition of Cranswick's 'food to go' sandwich business and the sale of PE backed Krispy Kreme UK to its US parent for £212m.

In December, Japanese food manufacturer Nagatanien acquired the Chaucer Food Group for £102m which will expand the Hull-based company's site and create more jobs for people in the area. In addition to this deal the agriculture and food engineering group announced the disposal of its food division, Carr's Flour Mills to Whitworths for £36m.



Have acquired the U.K. business from



For GBP 212m



Have acquired



For GBP 102m

**Whitworth Bros. Ltd.**  
FLOUR MILLERS

Have acquired



For GBP 36m



Have acquired the food to go sandwich business of



For GBP 15m

## About Orbis & Clairfield

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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