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SECTOR SNAPSHOT



UK FOOD & BEVERAGE M&A ACTIVITY AND VALUATIONS FOR H1 2017

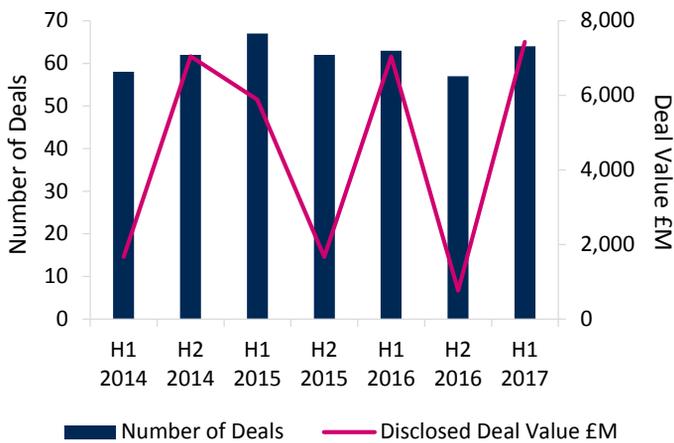
Strong deal activity in the food & beverage sector

M&A activity in the UK food & beverage sector showed signs of growth in H1 2017, with **67** deals completed involving UK target companies. This number exceeds the **57** deals completed in H2 2016 and the **63** deals finalised in H1 of last year. Trading multiples remained encouraging across the sector as a whole and disclosed deal values also showed growth. The period saw a number of significant transactions closed, including Tesco's £3.7bn acquisition of wholesaler Booker and the acquisition of cereal brand Weetabix by American corporate Post Holdings for £1.4bn.

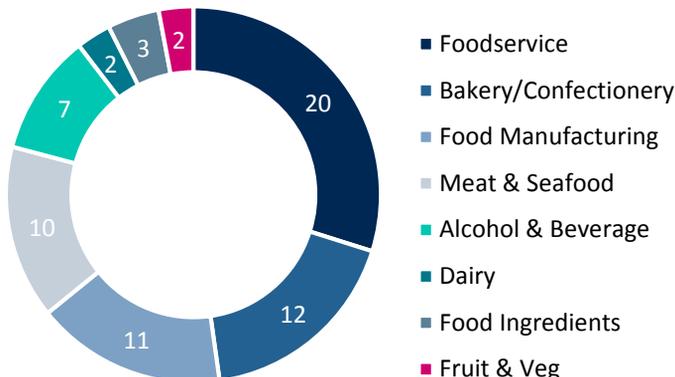
Businesses operating in the food service sub-sector (operators and supply chain) continue to attract interest from both at home and abroad, with 20 deals completed in this space. This activity has been assisted by a resilient eating out market with both visits and sales up in the past year. Private equity activity in the food and beverage sector as a whole continues to remain rife, with 12 deals completed in H1 2017.

Food & Beverage M&A Activity

Completed Food & Beverage Deals



No. of Food & Beverage Deals by Sub-Sector – H1 2017



Bakery & Confectionery Activity Rises

H1 2017 saw high levels of M&A activity in the £3.6 billion UK bakery market with 12 deals completed.

 Have acquired For undisclosed value	 Have acquired For undisclosed value	 Have acquired For undisclosed value
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The most notable transaction saw Mademoiselle Desserts acquire Ministry of Cake, a leading producer of cakes, puddings and desserts to the UK foodservice market. The deal provides an exit for LDC having previously backed an MBO of the business from Greencore Group in May 2014.

M&A activity within the bakery supply chain was also present in H1 2017 as Nordic consumer conglomerate Orkla acquired an 85% stake in confections and decoration manufacturer Orchard Valley Foods. The acquisition complements Orkla's current position in the UK and offers potential for increased synergy with their present operations.

Samworth Brothers added to their bakery portfolio of recognised brands through the acquisition of the West Cornwall Pasty Company. With the food-to-go space being viewed as an area of real opportunity, the acquisition provides Samworth with a platform to develop their offering in this space. The transaction provides an exit for Endless LLP who had bought the company out of administration in 2014.

Challenges in the Casual Dining Sector

The foodservice sub-sector (supply chain and restaurant operators) continues to dominate M&A activity, with 20 transactions closed in H1 2017. Whilst the resilient eating out market continues to grow - restaurant visits are up 4.7% for the year-end March 2017 - rising wages, business rates and food costs continue to create cost pressures for the supply chain and restaurant operators.

In addition, the casual dining market is becoming increasingly crowded with new entrants requiring differentiated concepts and menus to be successful. The difficulties experienced by The Restaurant Group (45 site closures) and the collapse of The Handmade Burger Co have also shown the need for established operators to keep their brands fresh and relevant rather than merely focussing on roll-out strategies.

spice
PRIVATE EQUITY

Have acquired a minority stake in

LEON
NATURALLY FAST FOOD

For GBP 25m

PIPER
PRIVATE EQUITY

Have acquired a minority stake in

FLAT IRON

For GBP 10m

EG
EuroGarages

Have acquired

LITTLE CHEF

For undisclosed value

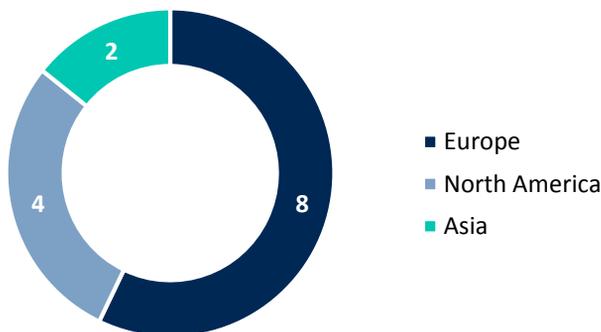
Piper's £10m minority stake investment in Flat Iron Steak is evidence of the need to be 'different' with the restaurant challenging traditional steak perceptions, offering customers a no fuss, high-quality steak for £10. The investment will aid further site roll-out and adds to Piper's casual dining portfolio which includes Turtle Bay and Hickory's Smokehouse.

The largest transaction in the casual dining space in H1 2017 saw Spice Private Equity acquire a minority stake in upmarket fast food chain Leon Restaurants. Leon currently operates 40 sites in London and 2 in the Netherlands. The £25m investment will help fuel international growth ambitions.

In the quick service market, Euro Garages extended their portfolio of roadside offerings through the acquisition of the Little Chef roadside restaurants.

Overseas Acquirers

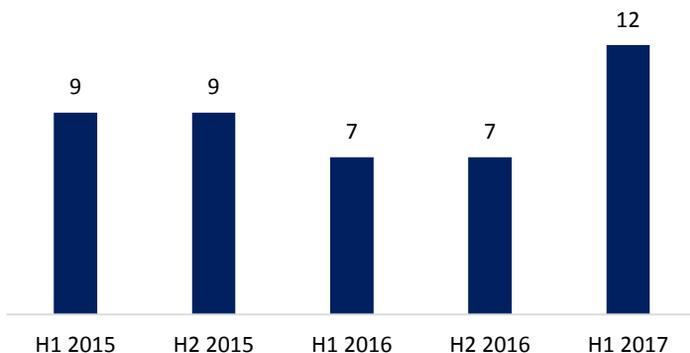
No. of Overseas Acquirers – H1 2017



Overseas interest in the sector remained encouraging with 21% of all transactions involving an international buyer.

Private Equity Interest Continues

PE Transactions Involving UK Targets – H1 2017



Private Equity activity within the food and beverage sector continued to remain buoyant in H1 2017 with 12 deals completed. The largest deal saw L1 Capital acquire Holland and Barrett for £1.8bn from US PE powerhouse Carlyle. The chain, which has 1,150 stores worldwide, marks L1's first acquisition since being launched in 2016.

LETTER ONE

Have acquired

HOLLAND & BARRETT

For GBP 1.8bn

TSG CONSUMER PARTNERS

Have acquired

BREWDOG

For GBP 10m

LDC

Have acquired

Hill BISCUITS

For undisclosed value

LDC

Have acquired

Addo food group

For undisclosed value

ICG

Have acquired

adelie a fresher way

For undisclosed value

CAPVEST

Have acquired

KARRO FOOD GROUP

For undisclosed value

The growing demand for craft beer in the UK has resulted in a surge in the number of profitable breweries with many now being targeted for acquisition. BrewDog, which has been at the forefront of the UK's craft beer revolution, sold a 23% stake to US based TSG Consumer Partners for £213m.

The private equity arm of Lloyds Banking Group, LDC, added to their growing food & beverage portfolio backing the MBO of white label biscuit manufacturer, Hill Biscuits and the secondary buyout of premium pastry product manufacturer, Addo Food Group.

March 2017 saw Piper, the specialist consumer PE house, invest £5m in Pet Food UK. This is the firm's second investment in the premium pet food space following the 2015 acquisition of natural wet food business Forthglade. The natural pet food market is worth an estimated £250m and is expected to grow as consumers pay closer attention to what they are feeding their pets.

Sports Nutrition Flexes Its Muscles

The UK sports nutrition market has experienced double digit growth in the past 10 years fuelled by the increased consumption of high protein products and number of consumers opting for healthy lifestyles. As a result, large corporates and private equity firms are increasingly seeking out investment opportunities in this lucrative market.

In H1 2017, Associated British Foods acquired energy gel producer High 5 and protein product manufacturer Reflex Nutrition. The two businesses will compliment ABF's wider portfolio of healthier food brands.

Further activity within the sports nutrition and supplement space saw Lion Capital acquire a majority stake in Grenade, a manufacturer of protein bars and pre-workout drinks. Having launched in 2010, Grenade now sell into more than 100 countries and has a large following ranging from professional athletes and fitness enthusiasts to military personnel.

Associated British Foods plc
Have acquired
HIGH5
SPORTS NUTRITION
For GBP 60m

LION CAPITAL
Have acquired
GRENADÉ
For GBP 72m

Associated British Foods plc
Have acquired
R
REFLEX
For undisclosed value

Other Selected M&A Deals

In other selected M&A deals, the largest transaction of H1 saw Tesco acquire wholesaler Booker for £3.7bn to create the UK's leading food business. The deal is subject to approval from the Competition Markets Authority.

As noted, overseas interest in the UK remains strong, aided by the continued fall in the value of the pound. H1 saw two notable transactions from US acquirers including Post Holdings' £1.4 billion acquisition of Weetabix and Hain Celestials acquisition of premium soup brand, Yorkshire Provender. Hain's acquisition will compliment the Company's New Covent Garden Soup Co. and Cully and Sully brands.

Thai based CP Foods continued on the acquisition trail with the purchase of meat supplier Westbridge Food Group for £60m. The transaction follows CP Foods' acquisition of foodservice supplier The FoodFellas last year as they look to expand their distribution network for retailers, foodservice businesses and food manufacturers in the UK.

Post
Have acquired
Weetabix
For GBP 1.4bn

CPF
Have acquired
Westbridge
FOOD GROUP LIMITED
For GBP 60m

TESCO
Have acquired
BOOKER
For GBP £3.7bn

Recent Orbis/Clairfield Transactions

FineFranceUK
Has been sold to
Vestey Foods Group
ORBIS **CLAIRFIELD INTERNATIONAL**

Bidcorp
Have acquired
PIER 7
FOODS AROUND THE WORLD
ORBIS **CLAIRFIELD INTERNATIONAL**

1885
Has been sold to
FRUTAROM
FOUNDED 1933
ORBIS **CLAIRFIELD INTERNATIONAL**

INSULA
Have acquired the seafood business of
Apetit
ORBIS **CLAIRFIELD INTERNATIONAL**

About Us

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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