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SECTOR SNAPSHOT



UK FOOD & BEVERAGE M&A ACTIVITY AND VALUATIONS FOR H2 2017

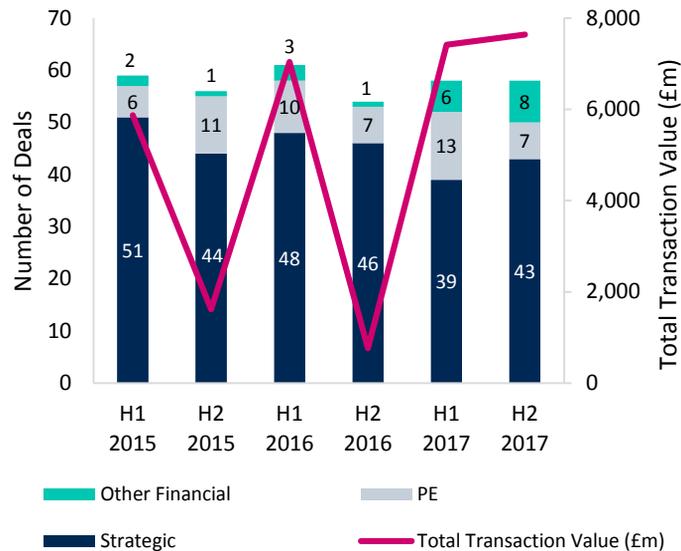
Continued consolidation in the UK F&B market

With a further 58 deals involving UK target companies completed in H2 2017, there is reason for confidence in the food & beverage market as the UK prepares to leave the EU. Multiples remained encouraging across the sector averaging out at 9x EV/EBITDA, as well as disclosed deal values for the second half of the year hitting a 3 year high of £7.6bn (largely attributable to KKR & Co's £6bn takeover of Unilever's spreads division).

The second half of 2017 demonstrated the attractiveness of UK companies with a strong brand to overseas acquirers with 11 international deals completed. We believe acquirers have been attracted by the customer loyalty traditionally associated with strong brands and the ability to expand these brands into new geographies. The importance of health and wellness for consumers has also continued to be evident with a number of acquisitions taking place in this space.

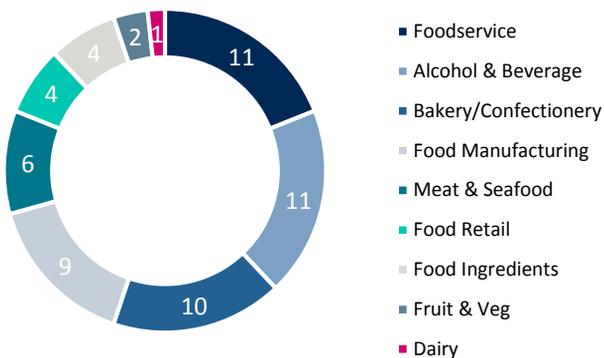
Food & Beverage M&A Activity

Completed Food & Beverage Deals



Other financial primarily relates to debt funded deals with no disclosed equity investor.

No. of Food & Beverage Deals by Sub-Sector – H2 2017



Continued Consolidation in the UK Snack Market

H2 2017 saw 7 notable deals in the confectionery snacks market with the largest coming in December as Valeo Foods, the owners of leading brands such as Jacob's and Rowse Honey, acquired the confectionery division of Raisio.

 Have acquired For 89m GBP	 Have acquired For undisclosed value	 Have acquired For undisclosed value
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The £89m deal sees Raisio's six confectionery production plants in the UK and Czech Republic transferred to Valeo, with the transaction expanding Valeo's portfolio of food brands and enabling Raisio to focus on the health and wellness food market.

The UK popcorn market grew by 10% last year as a result of the snack being seen as a healthier alternative to other confectionery and savoury snack options. This growth has attracted a number of large players in the snack market as they look to move into/consolidate their position in the popcorn space.

Within this sub-sector, KP Snacks acquired leading popcorn brand Butterkist from private equity backed Tangerine Confectionery for an undisclosed fee. In addition, leading snack firm Kettle Foods acquired Cornpoppers, a West Midlands based popcorn producer and supplier to retailers. This will compliment Kettle's Metcalfe's Skinny Popcorn brand which they bought in 2016.

UK Brands Attractive to Overseas Acquirers

Overseas buyers continued to take advantage of the depreciating sterling, with a noticeable trend of foreign companies investing in UK food brands.

A proposed cut in corporation tax in the US was announced in September 2017. This, along with a general improvement in business confidence, may have been influential in the number of deals involving US buyers. The most significant of these deals saw the UK's largest producer of poultry, Moy Park, acquired by US-based Pilgrim's Pride in a deal worth £1bn. The transaction enhances Pilgrim's foothold in Europe and broadens their portfolio of prepared foods.

Ter Beke NV, a Belgium Food Group, have boosted their presence in the UK ready meal market (the largest in Europe) as they acquired a 90% equity stake in KK Fine Foods. The target had been growing year-on-year at an impressive pace before the takeover, posting a revenue figure of £36m in 2016.

Attractive natural sweetener brand Clarks has been snapped up by the UK arm of US-giant, The Hain Celestial Group. Clarks offer a range of syrups and honey with the acquisition enhancing Hain's portfolio of health and wellness brands, and further developing their natural sweeteners offering.

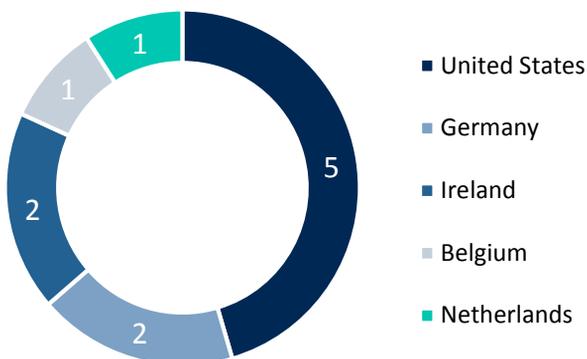
pilgrim's
Have acquired
Moy park
For GBP 1bn

terbeke
driven by the zeal for your everyday meal
Have acquired a 90% stake in
KK
For undisclosed value

THE HAIN CELESTIAL GROUP
Have acquired
CLARKS
THE NATURAL SWEETENERS
For undisclosed value

Elsewhere, the UK arm of Netherlands-based Izico Food Group acquired the Goodlife Foods brand as the company strengthened their position in the UK market. Goodlife Foods, a producer of vegetarian products for foodservice and retail markets, will compliment Izico's current meat-free product offering. This is a growing space in the UK as consumers are becoming more informed on the issues of animal ethics, the effects of animal agriculture on the environment and the potential health benefits of a meat-free diet.

No. of Deals by Overseas Acquirers



Private Equity Deals Slow Following Strong H1

Private Equity activity within the food and beverage sector has decreased from H1 2017 with 7 deals being completed, however it was responsible for the largest financial transaction of the year as private equity outfit KKR & Co acquired the spreads business of Unilever for £6.03bn.

The auction for the spreads division of Unilever brought fierce competition from some of the largest private equity houses including Apollo Global Management and CVC Capital Partners.

The appeal of UK brands to private equity was further evident as US-based Profile Capital Management acquired Little Dish, a leading supplier of healthy baby food, in a deal worth £17m. Profile Capital Management have invested with the vision of expanding the brand in the UK and US.

KKR
Have acquired
Spreads Division of Unilever
For GBP 6.03bn

Profile Capital Management
Have acquired
little dish
PROPER FOOD FOR KIDS
For GBP 17m

BAUPOST GROUP
Have acquired a 24.8% stake in
BAKKAVÖR
For undisclosed value

Large Convenience Store Chains Fight Back

Following Tesco's acquisitions of Booker for £3.7bn in January 2017, there has been concern over how convenience stores would survive against the intensifying price competition from the powerful leading supermarket chains.

However, this has not deterred M&A activity in the convenience store market. The biggest deal of H2 in this space involved The Co-Operative's acquisition of Nisa Retail for approximately £243m. Nisa is expected to remain as a standalone business and brand, but with the enhancement of The Co-Op's convenience expertise, buying capabilities and cost-saving strategies.

The co-operative
Have acquired
Nisa
For GBP 243m

b&m
Have acquired
Heron Foods
For GBP 152m

Bargain Booze
Select Convenience
Have acquired
Central
For GBP 25m

Further M&A activity included B&M Bargains' £152m acquisition of Heron Foods, with B&M planning to create a "discount convenience grocery brand" as a result of the discount and convenience markets being two of the fastest growing spaces in the retail market.

Elsewhere, Conviviality PLC's 'Bargain Booze' has completed a deal to buy the assets of WS Retail, a surviving subsidiary of Palmer & Harvey who entered administration in November 2017.

Alcohol & Beverage Market

The alcohol & beverage sector has continued to be a strong area for M&A in the UK with 9 deals being completed in H2 2017. The trend of multinationals acquiring craft breweries continued as Carlsberg UK completed its takeover of London Fields Brewery, who produce a range of IPA's and speciality beers.

BI Wines & Spirits have acquired a 25% stake in Westmorland Spirits, the creator of dry gin brand Giplin's. Statistically, gin is the UK's favourite spirit with approximately 47 million bottles bought in 2017. The deal will allow Westmorland Spirits to use BI's global distribution centre based in London which is expected to increase both Giplin's domestic sales & exports.

In the wine sub-sector, Copestick Murray acquired French wine specialist Free Run Wines following up their 40% acquisition of online wine retailer The Slurp Wine Company in November 2017.



Have acquired



For undisclosed value



Have acquired a 25% stake in



For undisclosed value



Have acquired



For undisclosed value

Other Selected M&A Deals

Further deals of significance in H2 included Hilton Food Group's acquisition of Icelandic Seachill, the owner of 'The Saucy Fish Co' brand and supplier of seafood into UK retail firms. The acquisition, with a deal value of £80.8m, diversifies Hilton Food Group's product offering into the processing and supply of fish, alongside its current meat packaging business.

Prepared fresh salad brand Florette have acquired MyFresh Wigan as it continues to expand in the convenience and foodservice markets. The move for the Wigan arm of MyFresh, formally owned by William Jackson Food Group, supports the vision of Florette to become the leading player in the fresh produce market space.

Lastly, Unilever (owner of PG Tips and Liptons) has increased its presence in the hot beverage market with the acquisition of Pukka Herbs as demand in the UK for herbal tea grows with increasing evidence of the health benefits they can provide.



Have acquired



For GBP 81m



Have acquired



For undisclosed value



Have acquired



For undisclosed value

Recent Orbis/Clairfield Transactions



Has been sold to



ORBIS CLAIRFIELD INTERNATIONAL



Have acquired



ORBIS CLAIRFIELD INTERNATIONAL



Has been sold to



ORBIS CLAIRFIELD INTERNATIONAL



Have acquired the seafood business of



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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Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

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 - Over 90% of all sale mandates involve an overseas party.

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 - Strategic and financial assessment.
 - Deal management.

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 - Partner led.

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- Deal leadership and fund raising.
 - Align interests with management team.
 - Co-investors on 15 deals.

- Capital Raising**
- Supporting existing business to fund development.
 - Supportive investor bringing focus on value creation.
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- Independent advice and planning strategy led by sector insights.
 - Turnaround and profit improvement credentials.
 - Leading the team through uncertainty whilst developing a game plan.
 - Co-investors and principal.

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Business Services

Industrial

Healthcare

Technology, Media
and Telecoms

FineFranceUK



BROMFORD
INDUSTRIES

progress

M4 systems
your trusted technology partner

Harris

RPS

STUART
TURNER
ENGINEERED TO EXCEL

NEW REFLEXIONS
Where every child matters

wavenet
business communications