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SECTOR SNAPSHOT



UK FOOD & BEVERAGE M&A ACTIVITY AND VALUATIONS H2 2020 & Q1 2021

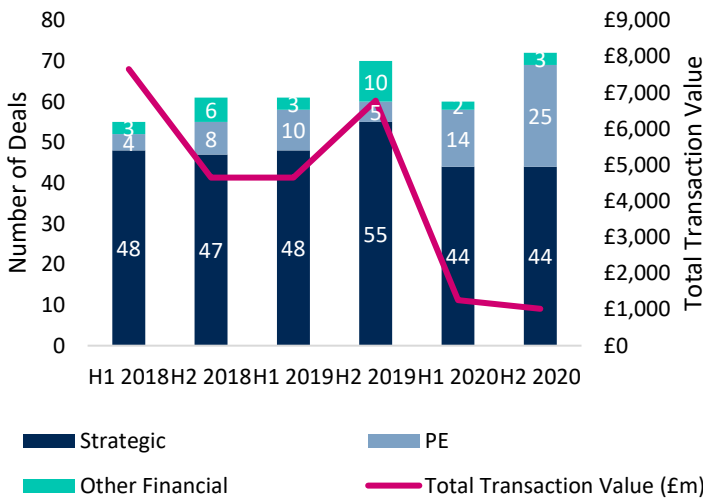
High levels of private equity interest supports growth in deal volumes

M&A activity in the food and beverage sector has increased in comparison to H1 2020, with 72 deals completed involving UK target companies. Total disclosed transaction values fell to c. £1bn although this does not include the reported £6.8bn acquisition of the UK's 3rd largest retailer Asda by TDR Capital. As expected, H2 has seen a number of distressed M&A transactions, particularly in the overcrowded and over leveraged UK casual dining market with the likes of Casual Dining Group (Las Iguanas, Bella Italia) and Cote being acquired out of administration.

H2 has seen the highest level of private equity transactions for a number of years, with turnaround specialists capitalising on the opportunity to acquired distressed businesses with good fundamentals and traditional PE competing for businesses which are well positioned for growth in a post-Covid world. We expect M&A activity to continue over the next 12 months with large corporates in particular keen to diversify their customer base and routes to market.

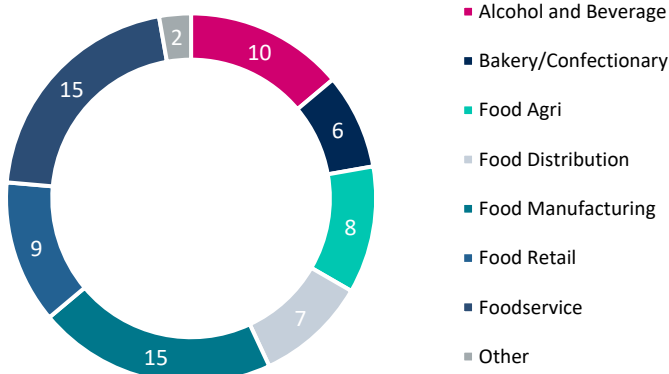
Food & Beverage M&A Activity

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 2020



Direct to Consumer

Whilst D2C sales were expected to continue their upward trajectory in 2020, Covid 19 has fast-tracked this growth with a new wave of shoppers discovering the simplicity, convenience and choice of online shopping. This rapid growth has resulted in a surge in M&A activity as large corporates, banking on the permanency of this shift, seek to enter the D2C market or add to their existing offering.

 Nestle Have acquired Simply COOK For undisclosed value	 Nestle Have acquired Mindful Chef For undisclosed value	 Virgin Wines Initial Public Offering £110,000,000 AIM Float
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Global food giant Nestle has been active in expanding its e-commerce presence, acquiring meal kit business Mindful Chef in November 20, and flavour pots company SimplyCook, in January 21. Both businesses have seen significant increases in their subscription customer base during lockdown.

In a similar transaction, fresh pasta meal kit business Pasta Evangelist was acquired for an est. £40m by Italian pasta maker Barilla, their first foray into the D2C market. Founded in 2016, Pasta Evangelist has previously been through several rounds of Venture Capital funding.

March 21 also saw the IPO of D2C wine business Virgin Wines at a valuation of £110m, providing an exit for private equity backers Mobeus and Connection Capital.

Pet Food

The pet food market has undergone a premiumisation shift in the last few years with an increased focus on pet health and the use of natural, high-quality ingredients. The growth in the pet food market is likely to be further aided by Covid-19 with the rise in homeworking leading to an increase in the number of pet owners going into 2021 and beyond.

The last nine months has seen significant M&A activity within the market particularly amongst private equity acquirors. Consumer focussed PE house L Catterton has sold its majority stake in Inspired Pet Nutrition (IPN), a leading producer of dry and wet dog food to CapVest Partners LLP for £341m.

Other private equity deals include 3i Group plc investing c. £125m for a majority stake in premium, natural pet food brand MPM, and IK Investment acquiring a majority stake in Forthglade, seeing existing investor Piper exit the business. We expect further M&A activity and consolidation within this sector over the next 12-18 months.



Have acquired



For £341 million



Have acquired



For £125 million



Have acquired



For estimated c. £50 million

Other Food Transactions

H2/Q1 saw a number of other high-profile food transactions with private equity activity prevalent.

November saw French PE house PAI Partners acquire savoury pastry business Addo and chilled food supplier Winterbotham Darby, with the aim of merging the two to create a significant force in chilled foods. In retail, Endless PE acquired Hovis from US investor Gores, representing a new start for the iconic UK bakery brand.

Following their recent stock exchange listing, The Hut Group continued to implement a vertical integration strategy by acquiring Claremont Ingredients, a producer of powder flavourings for sports nutrition products and fruit ingredient supplier David Berryman for a combined £59.5m.




Have acquired



For undisclosed value




Have acquired



For undisclosed value



Have acquired




For £59.5 million

Snacking


A key trend in the food industry that has continued in 2020 is the rise of snacking. With more people working from home as a result of Covid-19, snacking has increased as consumers increasingly reach for their food cupboards throughout the day.

The shift towards healthier snacking has been evident in recent M&A transactions with this trend continuing in H2 and Q1. December 20 saw Italian confectionery giant Ferrero acquire branded cereal bar manufacturer Eat Natural as they seek to expand their footprint in the healthy snacking market. In a similar transaction, US PE house Peak Rock Capital acquired Welsh cereal bar manufacturer Halo Foods including the rapidly growing 'Skinny' brand.

The continued shift towards premiumisation in the crisp market was also evident with Irish based Valeo Foods acquiring premium tortilla snacks, It's All Good, as it aims to expand its international portfolio of snack businesses including Kettle Chips, and Big Bear Confectionery.



Have acquired




For undisclosed value




Have acquired



For undisclosed value



Have acquired



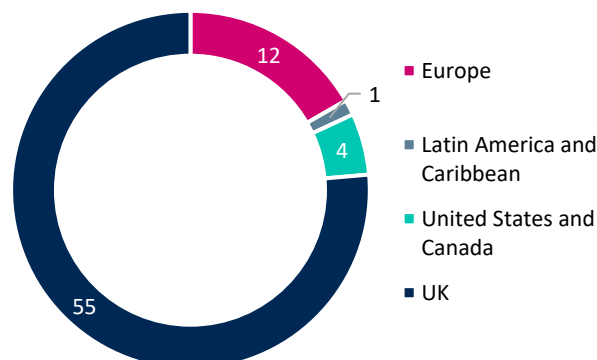
For undisclosed value

Buyer Geography

The UK food & beverage market has continued to attract significant interest from overseas buyers despite the backdrop of Brexit and Covid-19.

H2 saw 17 deals completed with overseas buyers, the same as H2 of the previous year. The most active buyer geography was Europe with the likes of Belgian based CTH (backed by Ferrero) acquiring Fox's Biscuits branded and private label biscuit businesses for £246m. US buyers also remained active, with notable deals including TowerBrook Capital Partners acquiring the Azurri Group (ASK, Zizzi) out of administration for £109.5m.

H2 Food & Beverage Deals by Buyer Geography



Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance including company sales, management buy-outs/buy-ins, acquisition support, capital raising and business improvement.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

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.

Orbis Partners : Food & Beverage Case Study

Orbis Advises the Unsworth Family on Major Investment in Geary's Bakeries

Business Overview

Geary's was established in 1906 and has remained family-run throughout four generations. The business received £15m of investment in 2018 to support the development of a new, purpose-built factory in Leicester to keep pace with the exponential growth demand of its biggest customer, Aldi. Geary's introduced the now-famous bloomer to the category and now supply a range of award-winning loaves and sourdough breads to supermarket retailers as well as food manufacturers.

Orbis was retained as the exclusive corporate finance advisors to the Unsworth Family over an 18-month period, helping to originate and invest in high-quality food manufacturing businesses. Geary's was identified as a superior investment opportunity due to the Company's reputation supplying award-winning artisan breads and its unique market position. The Orbis team, led by Partner Gary Ecob and Director Steve Nock, acted as lead advisors on the deal.

THE
UNSWORTH
FAMILY

Have acquired

est. 1906

GEARY'S

craft bakers

For undisclosed value

Orbis Partners : Food & Beverage Credentials

 <p>Was sold to</p>  <p>For undisclosed value</p> 	<p>FineFranceUK</p> <p>Was sold to</p>  <p>For undisclosed value</p> 	 <p>Have acquired</p> <p>PIER 7</p> <p>FOODS AROUND THE WORLD</p> <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For undisclosed value</p> 	 <p>Was sold to</p> <p>FRUTAROM</p> <p>FOUNDED 1953</p> <p>For undisclosed value</p> 
<p>Godtlevort</p> <p>Have merged with</p>  <p>For undisclosed value</p> 	 <p>Was sold to</p> <p>A Group Of Investors</p> <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For undisclosed value</p> 	 <p>Have acquired</p>  <p>For EUR 20.5</p> 	 <p>Sold a production subsidiary to</p> <p>POLMLEK</p> <p>For undisclosed value</p> 

If you would like a confidential discussion on the valuation of your business or your strategic options, please contact either Gary or Steve.



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