



CORPORATE FINANCE

CONSUMER & RETAIL M&A INSIGHTS SERIES: FOOD & BEVERAGE

November 2024

UK Food & Beverage sector M&A – a post Covid-19 synopsis



A look back, as we move forward

M&A in the UK food & beverage sector, a reliable 'defensive stock', has seen the ups and downs of the economic rollercoaster ride but has continued to provide a significant degree of activity across the supply chain and different categories. Focusing on the period between January 2022 to September 2024 – the post Covid-19 deal-doing environment, we have analysed the value drivers and transaction catalysts through a lens focused on:

- The types of buyers investing in the sector since the pandemic.
- The particular categories subject to M&A activity.

A challenging market environment

Over this period, the market experienced various challenges, not least:

- Global macro issues impacting supply chains and driving significant price inflation which had a multiplier effect for much of the time, whilst more recently we are seeing deflation in the supply chain featuring on our clients' C-suite priority agenda.
- Rapid interest rate increases from historical lows to tame the inflationary fires augmented the squeeze on consumers' budgets, as well as impacting companies' funding structures and available cash flows.
- Consumers' behaviour, consumption and spending habits evolving and responding to the post-Covid environment.



Consumers' behaviour, consumption and spending habits evolving and responding to the post-Covid environment

Consistent deal activity and investments amid challenging market conditions

Notwithstanding the many challenges, the UK food and beverage sector has continued to attract significant levels of investment across categories and the supply chain, demonstrating an

underlying resilience and attractiveness to investors given the existence of strong underlying market fundamentals.

Transaction activity levels picked up in the latter part of the period, as investor confidence improved. In what remains a very large and fragmented industry, continued evolving consumer demand and product developments provide significant opportunity for market growth, improved nutrition, and returns for businesses which demonstrate strong products, propositions and appeal.

Key themes and transaction drivers

Notable M&A themes over the period have included:

- A wide array of buyer types (from the UK and abroad), ranging from high-net-worth individuals (HNWI), financial institutions, listed and private trade players as the industry continues to offer opportunities across the spectrum of size, supply chain and categories.
- Divestments of non-core divisions by larger players as they reposition their brand and product portfolios.
- Listed food and drink businesses being taken private as purchasers (strategics and private equity) have sought to drive value through integration and acquisition outside of the public glare. The perceived relative UK 'discount' vs. global indices has been capitalised on, in particular by overseas investors taking advantage of favourable buying conditions.
- Private equity activity remains an important aspect of the market. While volume of primary deals has been lower than previous periods, notable investments have been made in private and listed businesses, with significant activity also seen in bolt-on acquisitions as houses seek to boost existing investment portfolios and drive synergies and growth.
- Inevitably, a degree of financial underperformance and distress, particularly resulting from weakened capital structures for many following Covid-19 compounded by inflationary pressures on margins, has led to transactions being required to secure business' futures, either ahead of or through restructuring processes.



Who has been investing?



75%

Most deals featured trade acquirers

210

by private corporates

45

deals made by PLCs



7%

**of the transactions were acquired
by either private individuals or
family offices**



69%

**UK-based acquirers accounted
for 234 (69%) of the deals**

31%

**of these acquisitions were executed by
overseas or overseas-owned parties**

Buyer population split (by type):

- Most deals (75%) featured trade acquirers - 210 deals by private corporates, and 45 being made by PLCs.
- PLCs making acquisitions ranged from small bolt-on additions by UK corporates (e.g. Bakkavor's acquisition of c.£2m revenue humus brand Moorish), through to notable take private deals by overseas listed businesses like Carlsberg's recent recommended £3.3bn offer for Britvic.
- AIM listed Kitwave Group was particularly active in the period with four deals in the wholesale arena; with Cranswick and AG Barr each making three acquisitions.
- Financial buyers (including, for this purpose, private equity backed trade buyers) accounted for 18% of the transactions. LDC were the most active house with three primary transactions in the sector (Bramble, Shaken Udder and Cakesmiths; the latter also subsequently successfully exited in the period).
- Continuing a theme in this fragmented market, financial owners of food and drink businesses are seeking to drive increased returns through buy-and-build strategies, with examples including two acquisitions by Waterland-backed Boncolac (Onore), and PAI-backed Compleat Food Group's acquisitions including Zorba, SK and Palace Culture.
- Finally, 7% of the transactions were acquired by either private individuals or family offices.

Buyer population split (by location):

- UK-based acquirers accounted for 234 (69%) of the deals, with 31% of the acquisitions being executed by overseas or overseas-owned parties.
- This demonstrates the continued appeal of the UK food supply chain and market for international investors.

Buyer population of listed businesses:

- One notable feature (also prevalent in other industries recently) has been the sale and delisting of UK public companies. During the period, acquisitions of six listed businesses: Finsbury Food Group, Devro, Lakes Distillery, Hambledon Vineyard, Hotel Chocolat and Britvic were announced, reducing the population of UK-listed food and drinks businesses as acquirers have sought to take advantage of share price conditions and drive value through consolidation off market.
- Of these six transactions – totaling £4.6bn of market capitalisation at the time of takeover, most of the value (£4.4bn/ 95%) related to three businesses which were all acquired by overseas buyers; privately-owned Mars and Saria in the cases of Hotel Chocolat and Devro respectively, and Danish listed Carlsberg in relation to Britvic.



What areas are being invested in?



Split of categories, and example acquired businesses:



Top three active categories

The three largest categories combined accounted for approaching half (44%) of deals by volume in the period.

- 1. Alcoholic drinks (17% of deals):** Deals ranged from larger corporates refining their portfolios with selected disposals (e.g. Diageo's divestments of selected brands), consolidation within the brewing space (with a notable driver being financial stress amongst smaller independent brewers), through to the growing no-&-low alcohol space.
- 2. Wholesale and distribution (14% of deals):** This critical element of the fragmented supply chain continued to attract attention and investor interest. Deals included various regional acquisitions by major player such as Kitwave, and specialist product suppliers, for example within the bakery and drinks sub sectors.

- 3. Protein (13% of deals):** This included operators across the red meat, poultry, seafood and meat-alternative categories, as well as direct to consumer operators. Following significant growth in both D2C and meat-alternative markets in recent years, a few deals seen in these two areas (e.g. Farmison and Meatless Farm) resulted from financial challenges within those markets as buying habits altered post Covid-19, and competition increased.

Forward looking deal activity

Whilst headwinds remain, we anticipate an increasing level of deal activity into winter 2024 and 2025, given the uptick in both investor confidence generally as well as the pre-deal preparation activity being undertaken by corporate, private equity and private owners of food and drink businesses we work with.



Alvarez & Marsal is a global consultancy who, for more than four decades, has set the standard for helping organisations tackle complex business issues, boost operating performance and maximise stakeholder value.

We bring operating and management expertise combined with top-tier consulting and specialised industry experience to meet the changing needs of companies and investors.

KEY CONTACTS: CONSUMER & RETAIL M&A



Rinesh Dookhee
Managing Director,
Head of Consumer & Retail M&A
+44 7717 587 305
rdookhee@alvarezandmarsal.com



Erin Brookes
Managing Director,
European Head of Consumer & Retail
+44 7823 533 676
ebrookes@alvarezandmarsal.com



André Medeiros
Managing Director,
European Head of Consumer & Retail
+44 7341 655 323
amedeiros@alvarezandmarsal.com



Ruairi O'Dochartaigh
Director
+44 7818 428 268
rodochartaigh@alvarezandmarsal.com



Sarah Bannister
Director
+44 7468 369 547
sbannister@alvarezandmarsal.com



Chloe Fletcher
Associate Director
+44 7501 932 836
cfletcher@alvarezandmarsal.com



Jessica Smart
Associate Director
+44 7510 308 859
jsmart@alvarezandmarsal.com



Nathaniel Abery
Associate
+44 7896 419 263
nabery@alvarezandmarsal.com

Disclaimer

The information contained in this document is of a general nature and has been obtained from publicly available information plus market insights. The information is not intended to address the specific circumstances of an individual or institution. There is no guarantee that the information is accurate at the date received by the recipient or that it will be accurate in the future. All parties should seek appropriate professional advice to analyse their particular situation before acting on any of the information contained herein.



Follow A&M on:

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 10,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

To learn more, visit: [AlvarezandMarsal.com](https://www.alvarezandmarsal.com)