

Trends driving sector M&A

Food & Beverage



TRADE AND SPONSORS COMPETING FOR HIGHLY STRATEGIC AND HIGH-GROWTH BUSINESSES

GET FRESH



The EC finally gave approval to the fresh produce megadeal of Total Produce's acquisition of Dole, on condition of Saba Fresh Cab's divestment. This closely followed Baywa's joint venture with South African group Afrupro Exporters. Both show that global consolidation forces are strong, and in the wake of the Asda and Sainsburys merger, the trend is felt both worldwide and domestically.

SNACK ATTACK



Last year saw a flurry of deal activity in bagged snacking with 11 deals completed, all of which were made by trade buyers – unprecedented in the UK snacking industry. The momentum continues with the recent acquisition of healthy snack brand Graze, by Unilever. Brands are acknowledging the consumer demand for high-quality ingredients while accommodating time-poor lifestyles. Pressure on large corporates has made for a thriving M&A scene – acquisitions are a popular shortcut to accelerate growth, gain product and channel diversification, or access new technical capabilities.

Intersnack recently added to its portfolio, acquiring Popchips, whose products have considerably lower fat content than other bagged snacks. This deal was hot on the heels of the opportunistic acquisition of Tyrrells, which was deemed non-core by Hershey's, which had acquired the brand through the 2017 purchase of Amplify Snacks. Tayto also made its third acquisition in the last 12 months, and snacking giants Pepsico and Calbee acquired niche crisp businesses, Pipers and Seabrook.

DIRECT-TO-CONSUMER



The rise of smartphone ownership has helped fuel the explosion of challenger direct-to-consumer (D2C) brands. D2C characteristics – the direct ownership of the consumer relationship, enhanced margins by cutting out the retailer, and access to large banks of consumer behavioural data, thereby enabling personalisation – appeal to private equity and trade alike.

The most interesting D2C disrupters are commanding eye-watering valuations. Highland Europe's £20m investment in Huel and Octopus Venture's £7m investment in AllPlants, demonstrate that private equity believe there is long-term value in D2C.

Consumers are extending their health-conscious purchasing to their pets. Nestlé's acquisition of tailor-made dog nutrition business Tails.com, marks the first acquisition by a major player of a D2C pet food producer. We expect to see more activity in this space keeping up with the humanisation of pets trend.



"The last 24 months has been a strong period for the larger corporates to pick-up fast-growing brands. We still view the underlying fundamentals of the food and beverage M&A market as very positive, in the face of wider geo-economic uncertainty."

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COFFEE MEGADEALS



COSTA



Soft drinks giant, Coca-Cola, entered the hot drinks market acquiring Costa for \$3.7bn. With the energy drinks ban and sugar tax, Coca-Cola aims to be less dependent on its sugary drinks, after seeing a decline in its fizzy drinks' brands (Dr Pepper, Sprite, Fanta). It will also use the vast coffee shop estate to market other products in its portfolio.

Nestlé spent \$7bn acquiring the global Starbucks brand licenses in retail and food services. In doing so it has significantly strengthened its global leadership in the coffee category, adding to the NESCAFÉ and Nespresso brands, proving a much-needed boost in its battle against the second largest player JAB.

An interesting consumer trend is the increasing purchases from non-specialist coffee retailers. Amazon's coffee sales have soared over the last two years, with over half of all drinks sales being branded coffee. With this rise in sales, the retailer added 30 own-label coffee lines to the UK site.



“Consumer’s perception of healthier products is changing, and there is strong emphasis on the social and environmental impact of product production.”

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Italy Food & Beverage Leadership

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“When fast-growing single-brand companies are looking for better distribution, large multi-national groups can take them to the next level.”

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“Overseas acquirers are attracted by the size of the US market, and are looking for platform acquisitions where they can overlay capabilities or products that are new to US consumers.”

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SPIRITS RESHUFFLE

BULLDOG
LONDON DRY GIN

CAMPARI



The great spirits 'reshuffle' has really got underway. The last 24 months has been a strong period for the larger corporates to pick-up fast-growing gins (BULLDOG to Campari, Casamigos to Diageo), branded whiskey (John Distilleries to Sazerac) and many more. However, late in 2018 we saw Diageo agree to sell 19 brands to Sazerac for over £340m. This is a bold strategic move by Diageo to create a clear focus on premium brands in its portfolio.



SALE TO



SALE TO



MBO

Private individual



Inverleith LLP



ACQUIRED



SALE

BULLDOG
LONDON DRY GIN

SALE TO

HÄNS KISSEL
WELCOME HOME



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