

THE SHAW REPORT:

Food & Drink

INTERIM REPORT JULY 2021 TO FEBRUARY 2022

Prepared by:

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Date:

March 2022

FOREWORD

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Welcome to our interim ‘Shaw Report’ into the Food & Drink (F&D) industry which provides SME business leaders with a powerful benchmarking tool to aid their decision making.

In this report we summarise the M&A deals that have occurred since the inaugural [Annual Report](#). This report will provide you with valuable insight regarding your relative attractiveness from a M&A point of view.

We hope you find this a useful tool. If there are any emerging themes that resonate with you, please feel free to get in touch.

Alexei Garan
Director, Shaw & Co



AT A GLANCE

Data Sources

- Companies House.
- Mark-to-Market.

Data Points

- 1 July 2021 to 28 February 2022

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PERFECT STORM?

Rapid inflation in food commodities, fertiliser, fuel, labour, logistics and shipping are converging with geopolitical chaos, cost of living pressure and rising taxation.



M&A RAMPING UP

Relatively healthy M&A activity and interest in the industry could provide exit opportunities for any business owner looking to bank the value they have created thus far.



FUNDING OPPORTUNITIES

Benign finance market conditions mean that lenders can accommodate most solid growth funding plans for businesses wishing to outgrow inflation and other current headwinds.



DON'T DO NOTHING

F&D companies have a simple choice: to exit or to persevere and go for growth. Doing nothing is not an option as standing still is simply the equivalent of going backwards in this fast-paced industry.

M&A ACTIVITY - ARE BUSINESSES LIKE MINE IN DEMAND?

HOW MANY M&A DEALS HAVE COMPLETED IN MY INDUSTRY?

How attractive is my industry to buyers?

The Food & Drink sector was one of the sectors hardest hit by the Covid pandemic. Swathes of businesses have found this period extremely challenging and this has had a direct impact on M&A activity. The hardest hit of the sub-sector was Bars and Restaurants, unsurprising given that the pandemic forced many businesses to shut their doors. Nevertheless, the industry is showing signs of a recovery as the country opens back up. As such, the sector is likely to be a lot more attractive for M&A activity in the future.

How does this compare to other industries?

M&A activity within the Food & Drink industry has been slightly lower than other industries given the challenges forged by the pandemic. However, M&A activity in other industries has remained fairly buoyant and there is enough evidence in the recent Food & Drink trading activity that it will be able to do the same.

What should I be thinking?

During the pandemic, the main focus for businesses in the Food & Drink industry was survival. Since then, rapid food price inflation, the rocketing price of inputs such as fuel and fertilizer, geopolitical uncertainty and continuing pressure on labour and logistics have all added up to a significant near-term headwinds for the industry.

In light of this, continuing reasonable levels of M&A activity point to a good opportunity for F&D business owners wishing to seize the initiative and exit. For SMEs staying the course, adding scale through organic growth or acquisitions, especially if funded with fixed rate borrowing, could shield them from the headwinds. Inaction or stagnancy in the current environment seem like the least prudent strategies.

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M&A DEALS

WHEN ARE THE M&A DEALS HAPPENING?

What is the data showing?

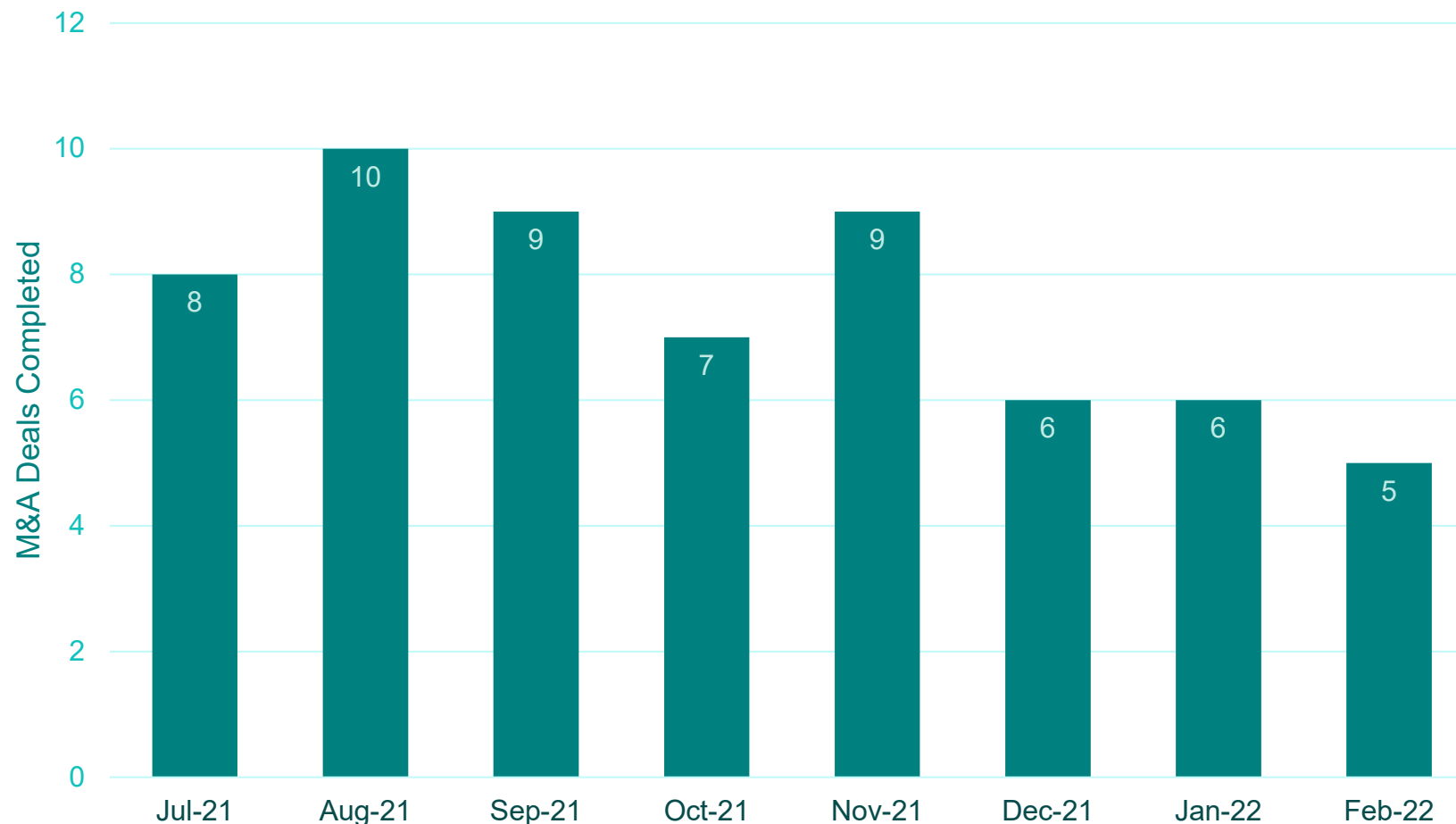
Deal flow appears to be fairly constant over the summer and autumn months. However, there is an unsurprising slowdown over the winter months as companies in this industry are forced to concentrate on the Christmas trading period - their busiest time of the year. The distraction of December then has a knock-on effect on deal activity into January and February,

What does this mean for me?

A sale process can typically be divided into three phases – preparation, marketing and execution. Each phase can take 2-3 months and in planning the process, it is important to avoid the execution phase landing in the Christmas period.

What are my options?

If you are planning to exit, launching the planning process early is key. The window for completing a deal in 2022 is already closing at the time of writing (March 2022). For the remaining businesses, if you haven't already reviewed your business/growth plan, this cannot wait any longer. The funding markets are currently accommodating to well-structured growth plans, but this benign environment may not persist.



WHERE ARE THE BUYERS LOCATED?

What is the data showing?

UK buyers – or at least companies with an existing UK presence – make the most acquisitions of UK privately-owned companies in this industry. This is particularly true for smaller deals. Aside from UK companies, US and European buyers are the most prominent, particularly with regards to the biggest deals.

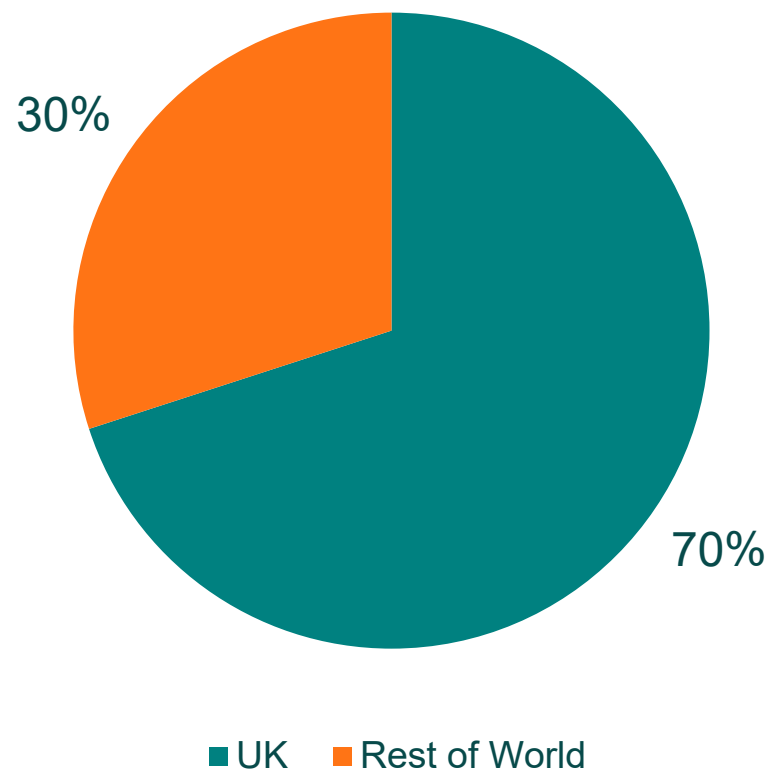
What does this mean for me?

In many cases you will already know the companies that are most likely to acquire your business as they will already be key players in the UK market.

What are my options?

Starting to prepare early and engaging with a corporate finance adviser will allow you to identify potential buyers both in the UK and internationally. If not already on their radar, it is often advisable to direct your PR and marketing efforts to raise your profile with potential buyers.

Location of Buyers



COMPANIES ACQUIRED BY LOCATION

Where are the M&A deals happening?

M&A activity is mostly concentrated within the South East of England. The South East is home to a wide variety of businesses within this sector so it is perhaps unsurprising that the deals are concentrated in this region.

What are the M&A trends in my sector?

The majority of activity within this sector relates to the manufacture of food and beverages. This has been helped by the lockdowns and increased demand for consumptions at home. The Bars and Restaurants sub-sector has seen low activity since trading over 2021 has been low due to the pandemic.

What does this mean for me?

If your firm operates within food and beverage manufacturing and is seeing good volume-driven growth, then you are likely to be of interest to bigger players within this space. Firms within the Bar and Restaurants sub-sector are likely to see lower levels of demand for M&A activity.



EXAMPLES OF M&A DEALS IN THIS INDUSTRY

What companies are making the acquisitions?

There have been a large number of private equity funds purchasing companies in this sector, especially those in the food and beverage manufacturing sub sector. Of note is the fact that the biggest deals in this sector were mostly completed by companies based overseas.

What price is being paid?

There was a fairly even spread of prices being paid for businesses in this sector. Disclosed deal values varied between £4m - £767m while the average disclosed deal value was £93m. This is a size which moves the dial for a buyer, whilst also remaining affordable.

What's the typical Ebitda multiple?

The average Ebitda multiple for this sector was 14.6. We have excluded the deal to purchase Leon Restaurants since the Ebitda multiple for this deal was 276 and is clearly an outlier that is not representative of the other activity in this sector.

ACQUIROR	TARGET NAME	BUSINESS	DEAL TYPE	DEAL VALUE £m	TARGET Ebitda £m
Sunray Investments	Stock Spirits Group PLC	Spirits and liquids manufacturer	Acquisition 100%	767	58.4
Cth Invest	Burton's Biscuits Ltd	Biscuit and sugar confectionary manufacturer	Acquisition 100%	300	n/a
AT Brady Bidco	Hawthorn Leisure Reit Ltd	Pub operator	Acquisition 100%	222	n/a
Exponent Private Equity	Noble Desserts Holdings Limited	Desserts manufacturer	Institutional buyout 100%	150	1.8
Humble Group	Solent Global Ltd	Healthy foods manufacturer	Acquisition 100%	114	6.1
EG Group	Leon Restaurants Ltd	Healthy natural foods restaurant operator	Acquisition 100%	100	0.4

(This table provides a hand-picked selection of the deals that took place during the reported period.)

M&A SUMMARY

KEY POINTS & PREDICTIONS

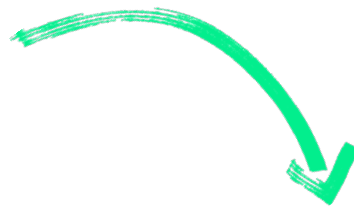
- Whilst deal activity has been relatively lower within the Food & Drink industry it is still healthy and is expected to begin to pick up in the near future as the country further emerges from the Covid pandemic.
- A number of headwinds – rising inflation and the worsening geopolitical situation – do threaten to de-rail this optimism. Confidence is key to dealmaking, and uncertain economic conditions could cause buyers to pull the plug.
- If an exit is desired and your business is performing well, we recommend giving consideration to launching a sale process this year rather than waiting until 2023 before current events flow through to the wider economy.



OUR CREDENTIALS.



OUR SECTOR EXPERTS



Alexei is a funding specialist and leads Shaw & Co's Business Funding team. He provides funding advice to UK SME clients across a range of sectors including energy & natural resources, food & drink, professional services and public sector.

His typical mandates include all types of growth funding, acquisition, MBI or MBO financing with facilities ranging from £1m to £100m.

ALEXEI GARAN

Director

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Myles is a mergers and acquisitions specialist in our M&A team and is a Member of the Chartered Institute for Securities and Investment.

At Shaw & Co Myles' corporate finance advisory and transactional support includes business valuations, exit planning, buying or selling a business, mergers, MBIs and MBOs. His clients typically come from a range of sectors including professional services, public sector, food & drink and energy & natural resources.

MYLES HAMILTON

Director

[Click for bio & contact details](#)

SOME OF OUR DEALS IN THIS SECTOR



PUKKA HERBS

Food & Beverages

£ **UNDISCLOSED**

Selling a business

UNILEVER PLC

Buyer

The rapid growth and popularity of Pukka Herbs' products meant there was an opportunity to go global. Its owners came to us to help find a new owner to take the brand to the next level.

"FOR PURPOSE-LED BUSINESSES SEEKING TO GROW I RECOMMEND SHAW & CO."

Tim Westwell

Co-founder & CEO, Pukka Herbs



[Read success story](#)



NEPTUNE RUM

Food & Beverages

£ **UNDISCLOSED**

Selling a business

KRE CORPORATE RECOVERY

Vendor

Neptune Rum was the world's most awarded rum of 2018/19, winning 'Best British Rum Brand' and 'Best Barbados Rum'. But when it went into administration, a former client asked us to help him save the business.

"THEY WORK REALLY WELL WITH LAWYERS, SAVE COST BY HELPING TO SUPPORT THE DEAL AND GET GREAT RESULTS."

James Strickland

Owner, Neptune Rum



[Read success story](#)

NATIONAL REACH

FIVE UK LOCATIONS

We help the business leaders of UK privately-owned SMEs to achieve their greatest ambitions. Whether it's funding growth, buying or selling a business you've grown, we make it happen.

We have easily accessible locations to support clients from across the UK. You can find us in these cities:

- **BIRMINGHAM** 20 Colmore Circus, Birmingham B4 6AT **0121 314 9410**
- **BRISTOL** 22-24 Queen Square, Bristol BS1 4ND **0117 325 8510**
- **GLASGOW** 9 George Square, Glasgow G2 1QQ **0141 280 0410**
- **LONDON** 33 St James' Square, London SW1Y 4JS **0207 183 5010**
- **MANCHESTER** 3 Hardman Square, Manchester M3 3EB **0161 505 2010**



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Make it happen

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