

SHAW REPORT

Wholesale & Retail Trade

SHAW & CO'S INTERIM MARKET ANALYSIS OF THE WHOLESALE & RETAIL TRADE INDUSTRY WHICH HIGHLIGHTS KEY M&A DEALS.

Prepared by:

Oliver Roper, Executive at Shaw & Co

Date:

December 2022

FOREWORD.

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Welcome to our interim ‘Shaw Report’ into the Wholesale & Retail Trade (WRT) 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 between 1 June 2022 to 30 November 2022. It will provide you with valuable insight regarding your relative attractiveness from a M&A point of view.

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

Oliver Roper
Executive, Shaw & Co



AT A GLANCE.

Data Sources

- Companies House.
- Zephyr.

Data Points

- 1 June 2022 to 30 November 2022

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55 M&A DEALS

Deal activity during this period has been in line with other industries we are tracking.



65% OF BUYERS FROM UK

The majority of buyers are based in the UK or have a significant presence in the country. However the UK still remains popular for foreign investment.



42% OF DEALS IN THE SOUTH-EAST

The South-East proved popular for deal activity as well as the North of England.



60% DEALS IN WHOLESALE

Wholesale proved to be the most popular subsector for deals, a change from the previous period when the retail subsector provided the most deals. This is likely due to the current squeeze on consumer spending.

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?

Deal activity within the W&RT industry has been fairly strong with deal volume in the previous five months up on the corresponding prior calendar period. The well published challenges within the wholesale market - shortages in labour and goods - have increased the demand for transactions and consolidation within this sector. Buyers appear to be eager to broaden their strategic capabilities and are taking advantage of the trading efficiencies associated with a major transaction.

W&RT is a strong industry in the UK economy and once a business reaches sufficient scale to make a difference to the bigger players in this space, it is likely to come onto the radar as a potential acquisition target.

How does this compare to other industries?

M&A activity in general has been buoyant with similar levels of deals to those seen across the other industries we are tracking.

What should I be thinking?

Although the market is currently buoyant, headwinds such as rising inflation and the cost of living crisis are starting to show signs of squeezing the consumer economy which is likely to affect activity in this sector over the coming months. If an exit is on your agenda and your business is trading well, now might be a good time to seize the initiative and begin the preparations to take your business to market. Before these headwinds fully take hold.

However, if your business is performing well and you have a plan to take this forward, now is also a good time to be considering an acquisition. Growth by acquisition is a good way to help consolidate your market and help protect against any oncoming headwinds. This can be combined with, or an alternative to, inorganic growth, depending on your business needs.

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M&A DEALS

WHEN ARE THE M&A DEALS HAPPENING?

What is the data showing?

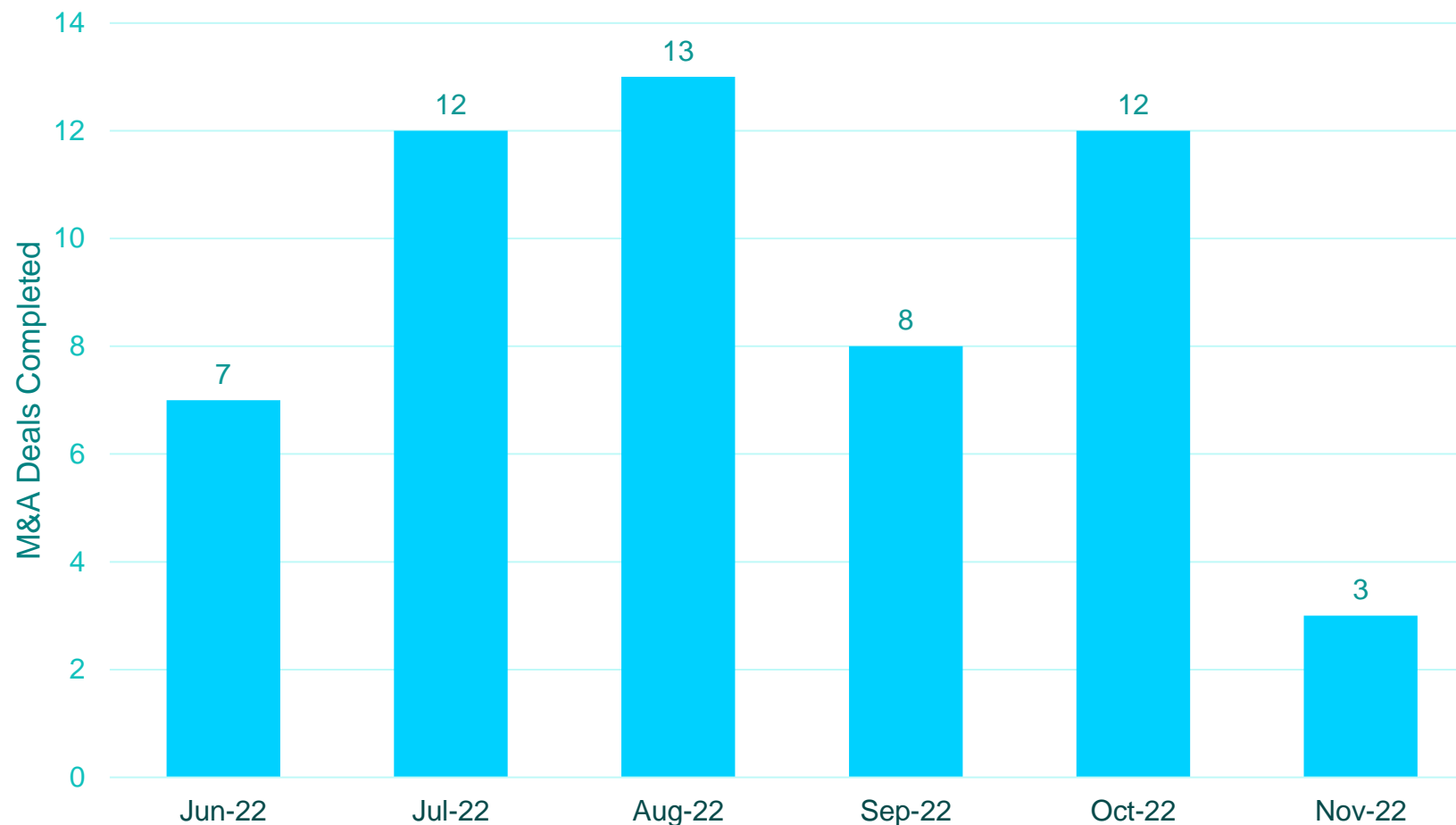
The data shows deal activity remaining buoyant throughout the majority of the year. This is perhaps unsurprising as businesses tend to prefer completing deals within the summer months to avoid the busy Christmas periods, which are especially important for the W&RT industry. The low level of November activity is likely to be due to time lags in published data and companies shifting their focus towards planning for the busy Christmas period.

What does this mean for me?

The data shows that despite the challenges faced within the wider geopolitical climate, appetite for M&A remains fairly strong. Therefore, high performing businesses are still likely to be in demand from acquirors.

What are my options?

Whether you decide that an exit or an acquisition is the right strategic route, diligent planning is key. A sale processes typically take between 6-9 months, so it is important to factor this into any near-term business plans. Given that summer is a good time for business sales and the time period required, now is a good time to begin planning an exit.



WHERE ARE THE BUYERS LOCATED?

What is the data showing?

UK buyers – or at least companies with an existing UK presence – made up 65% of the transactions in this review period. This is slightly lower than the average across the industries we cover and reflects the international nature of this industry.

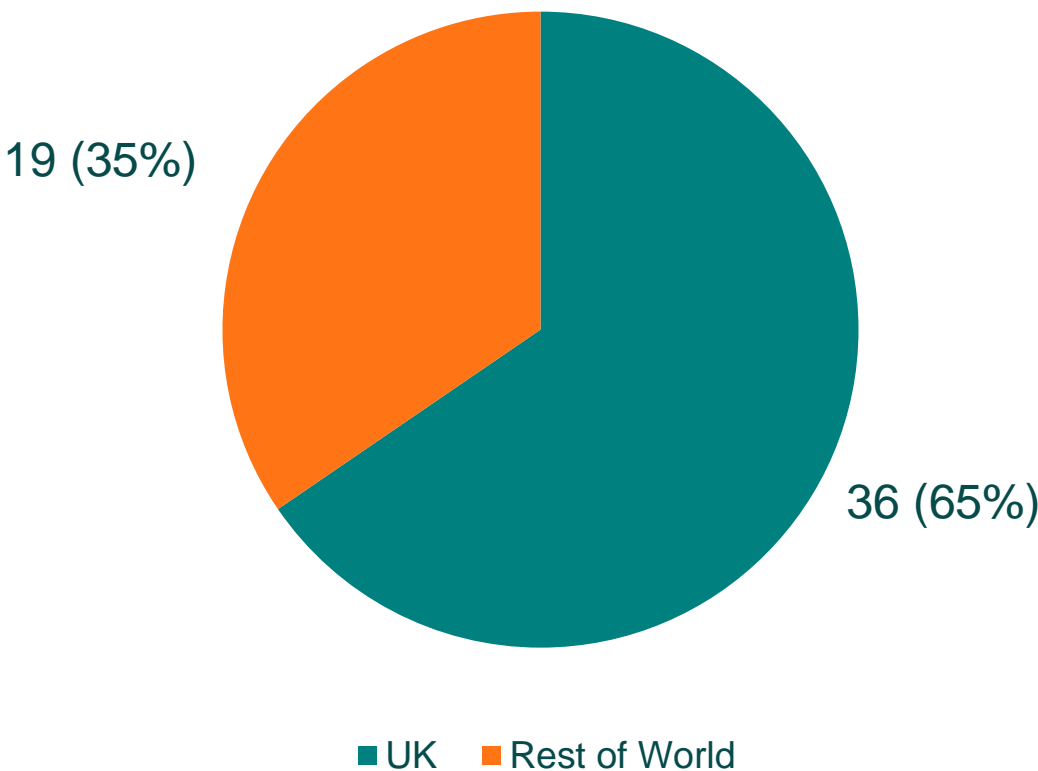
What does this mean for me?

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. On the sell side, efforts should be focused on your main competitors within the UK as this is the most likely source of a buyer.

Location of Buyers



COMPANIES ACQUIRED BY LOCATION.

Where are the M&A deals happening?

42% of deals were conducted in the South East of England making this the most active region. This is unsurprising as the South East is a logistical hub for W&RT companies with many having their HQs in and around London. The North of England also had a high volume of deals, with 27%. The lowest activity was within Scotland.

What are the M&A trends in my industry?

The majority of deals were completed within the wholesale subsector, comprising 60% of all deals. Companies which proved popular in this subsector were those engaged in the wholesale of manufacturing equipment and chemical supplies.

In the previous period the retail subsector had proved the most popular source of deals. However, this subsector's proportion fell to 36%, reflecting the continued decline of the UK high street.

What does this mean for me?

If your firm is in the wholesale sub-sector and has seen a boost in activity, then it is likely to be of interest to bigger players in the space.



EXAMPLES OF M&A DEALS IN THIS INDUSTRY.

What companies are making the acquisitions?

Majority ownership deals involving a trade buyer were much more prevalent than those with a private equity investor during this period. This suggests buyers are more focused on the strategic benefits of a transaction. Private equity firms still showed an interest in this industry but favoured taking minority interests. The exception being Aurelius Equity's buyout of Foot Asylum.

What price is being paid?

The average disclosed deal value for transactions in this sector was £20.5m, adjusted to remove the £4bn acquisition of Selfridges which is abnormally large compared to other deals in this period. Disclosed values ranged between £37.5m and £3.8m.

What is the typical EBITDA multiple?

Only three Ebitda multiples were disclosed during this period which ranged from 47x to 8x. The lack of available data and the spread above means that we are unable to draw any conclusions as to what multiples are actually being paid in the market.

ACQUIROR	TARGET NAME	BUSINESS DESCRIPTION	DEAL TYPE	DEAL VALUE £m	TARGET Ebitda £m
Sigma Holding	Selfridges & Co Ltd	Department store retailer	Acquisition 100%	4,000,000	n/a
Aurelius Equity	Foot Asylum Ltd	Sportswear retailer	Institutional buy-out 100%	38	(1.6)
Alcadon Group	Networks Centre Holding Company Ltd	Network infrastructure wholesaler	Acquisition 100%	37	1.8
New Wave Group	BTC Activewear Ltd	Clothing wholesaler	Acquisition 100%	33	4.3
Frasers Group	Missguided Ltd	Women's clothing retailer	Acquisition 100%	20	5.4
H&T Group	Swiss Time Services	Water repairs services	Acquisition 100%	4	n/a

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

M&A SUMMARY.

KEY POINTS & PREDICTIONS

- Deal activity has been buoyant in the W&RT industry in the past five months as larger companies look to scale their operations to take advantage of the strategic benefits of an acquisition.
- A number of headwinds – rising inflation and the worsening geopolitical situation – mean that the level of M&A activity seen over this period may not continue. Confidence is key to dealmaking, and uncertain economic conditions can cause buyers to ‘pull the plug’.
- The recent weakening of the pound is likely to make UK businesses more affordable to foreign buyers. Therefore, in the next period we would expect to see the ratio of UK to overseas buyers become slightly more equal.
- If an exit is desired and your business is performing well, we recommend giving consideration to launching the preparation for a sale process as soon as possible, before current events flow through to the wider economy.
- Alternatively, you may consider the opportunity to grow by acquiring a competitor or an organisation that complements and strengthens your existing value proposition.



OUR CREDENTIALS.

The background of the slide is a photograph of a clothing store interior, featuring several white shirts hanging on black hangers from a metal bar. The entire image is covered with a semi-transparent teal overlay. The title 'OUR CREDENTIALS.' is positioned in the top left corner in a large, bold, white sans-serif font. Below the title, there are two horizontal teal brushstroke-like lines.

SUCCESS STORY – NEPTUNE RUM.

HELPING A FORMER CLIENT SAVE AN AWARD WINNING BRAND FROM ADMINISTRATION

SITUATION

Neptune Rum was recognised as the worlds' 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.

CHALLENGE

Incorporated in 2016 with a registered office in Cheltenham, Gloucestershire, Neptune Rum has won more than 65 global awards since 2018. The brand had ambitious growth plans for the future, with the aim of securing world-wide travel retail distribution. But, as with many other businesses, the COVID-19 crisis jeopardised these projects. The pandemic had a huge economic impact on the business and as a consequence, Neptune Rum went into administration. A former client came to us to help save the brand.

RESULT

With our support, two of our former clients and long term business partners purchased Neptune Rum and its assets from the administrator, KRE Corporate Recovery. Its new owners have ambitious plans with the objective to enable Neptune Rum to recover from the devastating effects of the pandemic and to resume its growth plans.



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Jim and his team worked tirelessly to help complete the deal. He was superb again on buying a business as well as when he sold our last company. Outstanding from start to finish, what you get from Shaw & Co is a passionate, honest and totally professional team. They work really well with lawyers, save cost by helping to support the deal and get great results.

James Strickland
Owner, Neptune Rum



SUCCESS STORY – PUKKA HERBS.

A PUKKA TRADE SALE OF UK HERBAL TEA BRAND TO UNILEVER

SITUATION

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.

CHALLENGE

Pukka Herbs started life in the year 2001 as a simple idea: connect people with the incredible power of plants. This manifested itself in a highly successful range of herbal teas and supplements, growing to a £26m turnover with sales in 45 countries. It became the clear number two fruit and herbal tea brand in the UK with sales in 45 other countries, but it was time to become truly global.

Its owners Tim and Sebastian wanted to explore options for taking the business to the next level. Mapping their ambitions for the brand made it clear that a finding trade partner with global distribution and aligned ethical standards was required.

RESULT

Through our advisory, Pukka Herbs was successfully acquired by Unilever. Unilever was chosen as the right new owner due to its Sustainable Living Plan and its clear intention to adhere to the standards it set itself. In Unilever, Tim and Sebastian saw an opportunity to partner with a business to make a real difference on a global scale.



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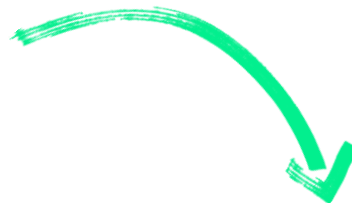
At every step of the journey, through the build up to our sale, and in the subsequent acquisition by Unilever, Shaw & Co worked with us to protect and champion Pukka’s values and mission. They have helped us find the right home in Unilever, and to create an exciting future for Pukka Herbs.

Tim Westwell

Co-Founder & Chief Executive Officer, Pukka Herbs



OUR INDUSTRY EXPERTS.



OLIVER ROPER

Executive

Ollie is an executive and supports M&A and business funding transactions. He joined Shaw & Co in September 2021 having trained and qualified as an ACA chartered accountant with Smith & Williamson. Ollie brings 4-years' experience of advising and auditing SME clients across a range of sectors.

At Shaw & Co Ollie's M&A support focuses on buying and selling businesses and helps with the preparation of investment papers, reviewing and building accompanying financial models and conducting market research to identify buyers, sellers and comparable transactions. Ollie's business funding support includes preparing funding proposals and financial modelling.



RICK MARTIGNETTI

Manager

Rick is a funding specialist within Shaw & Co's Business Funding team. He provides funding advice to UK SME clients across a range of sectors including property and construction, wholesale & retail trade , financial services and healthcare.

Rick's typical corporate transactions include MBIs, MBOs and growth funding with facilities ranging from £2m to £100m.

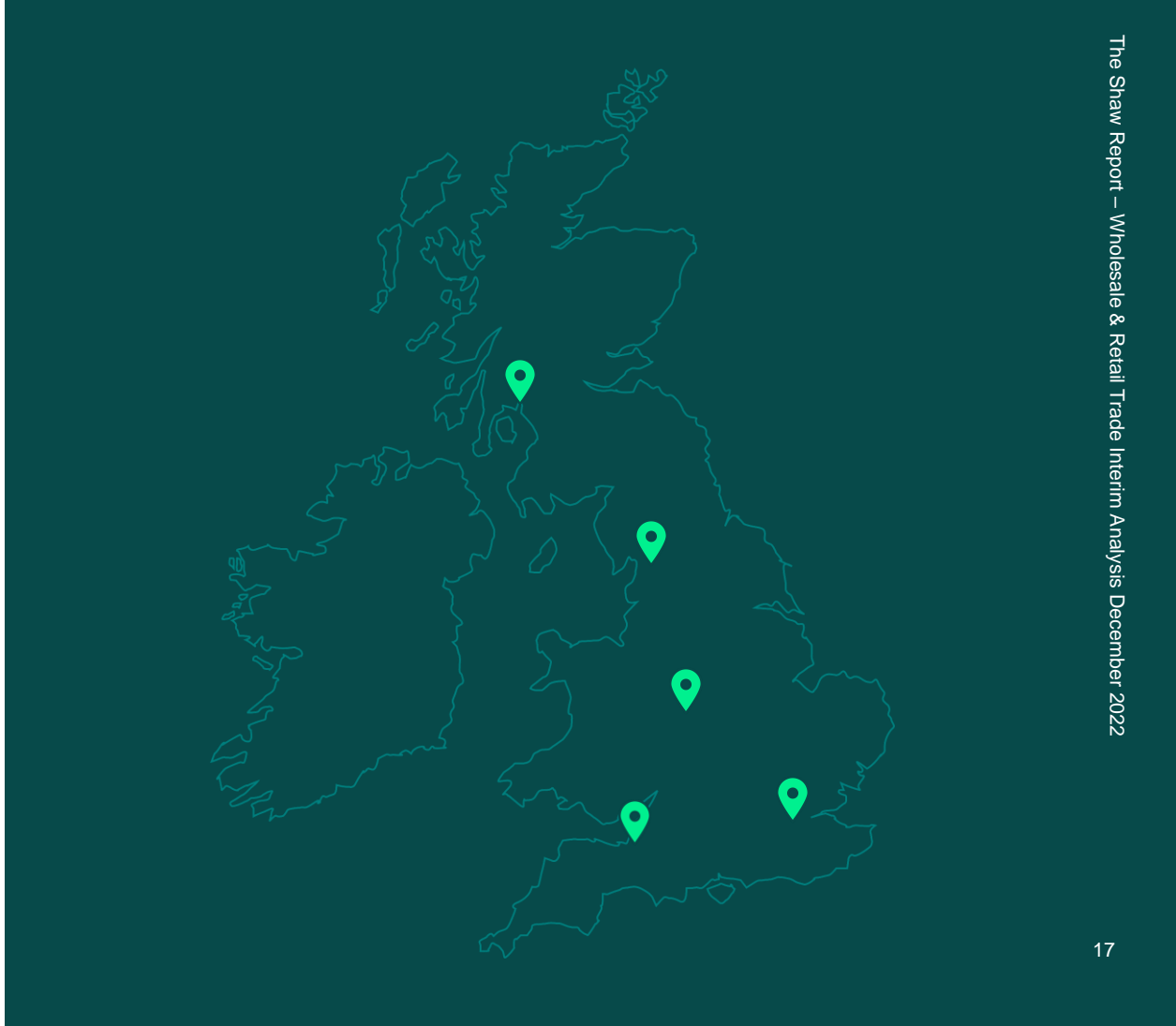
ACCESSIBLE NATIONAL REACH.

FIVE CITY LOCATIONS

We help the business leaders of UK privately-owned SMEs to achieve their greatest ambitions.

We are easily accessible to support clients from across the UK and you can find us in these locations:

- **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



CONTACT

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