

## Food & Beverage Update

### Fourth quarter 2013



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# Industry Trends

## Euro-zone General Economic Trends <sup>(1)</sup>

Euro area real GDP increased by 0.1% in the 3Q13, following an increase of 0.3% in the 2Q13. Following a modest performance in October 2013, developments in survey-based confidence indicators up to November 2013 are consistent with a positive growth rate in 4Q13.

Looking ahead to 2014 and 2015, output is expected to recover at a slow pace, in particular owing to some improvement in domestic demand supported by the accommodative monetary policy. Euro area economic activity should, in addition, benefit from a gradual strengthening of demand for exports. The risks surrounding the economic outlook for the euro area are assessed to be on the downside. Developments in global money and financial market conditions and related uncertainties may have the potential to negatively affect economic conditions. Other downside risks include higher commodity prices, weaker than expected domestic demand and export growth, and slow or insufficient implementation of structural reforms in euro area countries.

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 5 December 2013 to keep the key ECB interest rates of the main refinancing operations, on the marginal lending facility and the deposit facility at 0.25%, 0.75% and 0.00% respectively. The Governing Council confirms that it expects the key ECB interest rates to remain at present or lower levels for an extended period of time meaning that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.5%, 1% and 0.00% respectively. According to Eurostat's flash estimate, euro area annual HICP inflation was at 0.8% in December 2013 compared to 1.1% in September 2013, mainly due to lower service price inflation. Over the medium term underlying price pressures in the euro area are expected to remain under control. At the same time, inflation expectations for the euro area over the medium to long term continue to be in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2%.

## European price index trends <sup>(2)</sup>

The FAO Food Price Index averaged 206.7 points in December 2013, almost 0.3 points below its revised value for November, and nearly 7.4 points lower than in December 2012. This decrease is caused by a large drop in cereal and sugar prices.

All other food prices rose a bit, but all together weren't as large as the drop in cereal and sugar prices. Latest estimates suggest international sugar prices dropped over 11 points in December 2013 compared to September 2013.

## European and Belgian M&A trends – on a quarterly basis <sup>(3)</sup>

European M&A activity (all industries) in the fourth quarter of 2013, (being 1,218) showed to be higher compared to the third quarter of 2013 when 1,090 deals were reported but are still lower than in the first quarter of 2013. Year on year, the announced transaction volume is also lower (decrease by 2.6%).

In Belgium (all industries), 33 transactions were announced in the fourth quarter of 2013, being lower by 3 deals compared to the third quarter. Compared with Q4'12 (being 59), the number of announced transactions decreased by 44%.

Transaction volume in the European Food and Beverage industry in Q4'13 (being 77) decreased by 2.5% compared with the 79 reported deals in the third quarter of 2013. Looking at the announced deal volume in the fourth quarter of 2012 (being 82), the deal volume decreased by 6.1%.

## European F&B M&A trends – on a yearly basis <sup>(3)</sup>

Looking at the yearly deal volume in the European Food and Beverage industry, the number of announced transactions in 2013 amounted to 303 which is almost at the same level as the annual deal volume of the full year 2012 (309 deals).

Most of the European transactions were closed with target companies in France, the UK, the Netherlands and Spain.

75% of the transactions in the European Food and Beverage industry were corporate transactions, whereas 25% involved a financial sponsor/private equity player. Over all industries, on average, corporate transactions represented c. 70% of total deal volume.

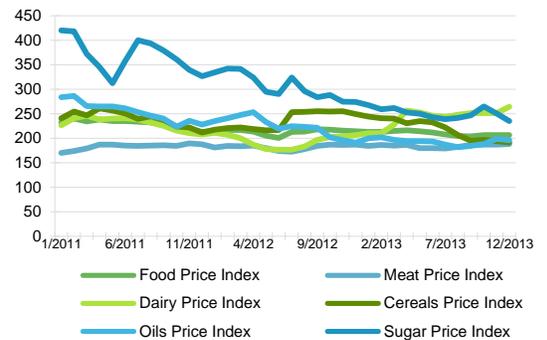
The median deal size amounted to EUR 41m in 2013. This is a decrease compared to the median deal size of 2012 (EUR 50m).

## Belgian F&B M&A trends – on a yearly basis <sup>(3)</sup>

In Belgium, 26 deals were announced in the Food and Beverage industry, or c. 20% of the total announced deals over all industries in Belgium in 2013 (being 150).

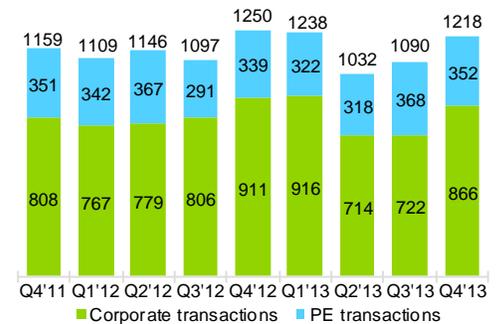
A vast majority (79%) of the transactions in the Belgian Food and Beverage industry in 2013 were corporate transactions.

## Food commodities price indices



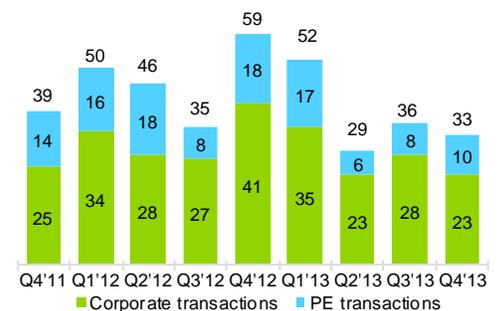
Source: Food and Agriculture organization of the United Nations

## Quarterly transaction volume European M&A, All industries



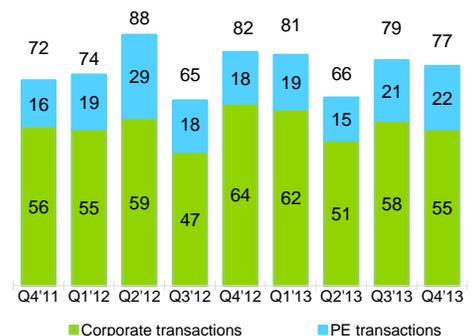
Source: Mergermarket

## Quarterly transaction volume Belgian M&A, All industries



Source: Mergermarket

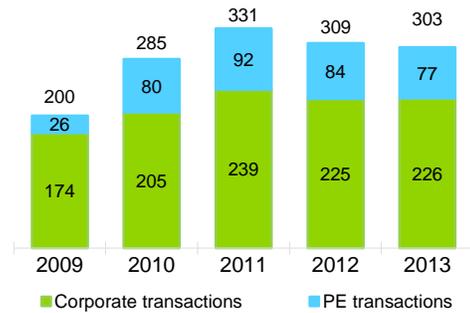
## Quarterly transaction volume EU M&A, Food & Beverage



Source: Mergermarket

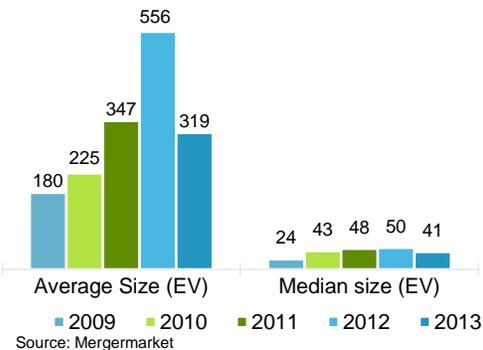
# Highlighted Transactions

## Yearly transaction volume EU M&A, Food & Beverage



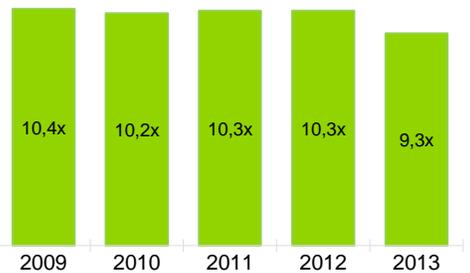
Source: Mergermarket

## Average and median size (€m) EU M&A, Food & Beverage



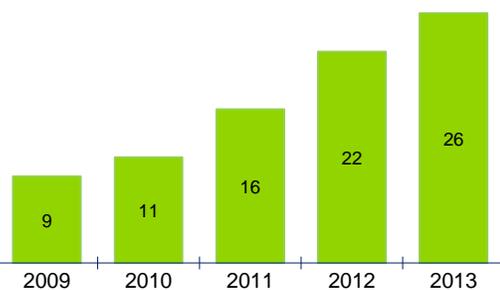
Source: Mergermarket

## Average EV/EBITDA multiples EU M&A, Food & Beverage



Source: Mergermarket

## Transaction volume Belgian M&A, Food & Beverage



Source: Mergermarket

## Selected deals announced in Q4'13 involving a European company

- October 2013 – **CVC Capital Partners Limited**, the UK based private equity firm, has agreed to acquire the European simple meals business of **Campbell Soup Company**, a manufacturer of convenience foods, including soups, biscuits and confectionery for a consideration of **EUR 400m**. With this acquisition, Campbell intends to reshape its portfolio in order to change its future growth trajectory.
- October 2013 – **Darling International Inc.** (Darling), the listed US based company, has won the auction to acquire **VION Ingredients Nederland B.V.**, the Netherlands based company engaged in manufacturing and marketing of proteins, fats, plasmas and gelatins, from **VION N.V.** Darling will pay a cash consideration of **EUR 1.6bn** (representing an EV/EBITDA multiple of 10,9x). The transaction is in line with Darling's strategy to convert the edible and non-edible bio-nutrients into specialty products and thereby serve the food, fuel, fertilizer and pharmaceutical industries. The acquisition will enable Darling to diversify its product line, revenues and EBITDA geographically.
- November 2013 – **Sigma Alimentos**, Mexico based producer of refrigerated and frozen foods, acquired Spain based **Campofrio Food Group**, food and nutrition group producing meat products including canned, frozen and cured meats, for EUR 6.80 per share equivalent to EUR 675m equity value and **EUR 1.1bn** enterprise value (representing an EV/EBITDA multiple of 8,3x).
- November 2013 – **Teachers Private Capital**, the Canada based private equity firm owned by Ontario Teachers' Pension Plan, has agreed to acquire **Burton's Foods Limited**, the UK based producer and distributor of biscuits from Canadian Imperial Bank of Commerce and Apollo Global Management for an estimated value of **EUR 417m**.
- December 2013 – **Apax Partners MidMarket SAS**, the France based fund of Apax Partners, has signed a definitive agreement to acquire **Europe Snacks**, from **IK2007 Fund**, the UK based fund of IK Investment Partners Limited. The transaction is in line with ES's strategy to develop its product portfolio. Also it enables ES to expand its footprint in the French and European markets thereby enhancing its workforce to increase by 20%. The deal is estimated to be valued at **EUR 190m**.

## Selected deals announced in Q4'13 involving a Belgian company

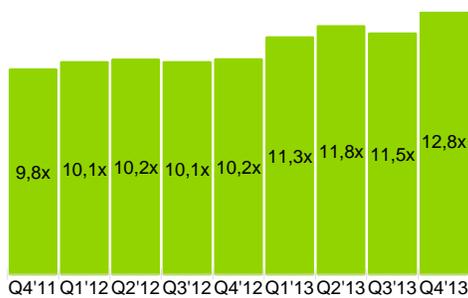
- October 2013 – **Duvel Moortgat**, the Belgian beer group, is taking over **Boulevard Brewing**, the American brewer known for speciality beers. The takeover allows Duvel, the brewer behind such beers as Duvel, De Koninck, Liefmans and Vedett, to strengthen its position in the US and double its profits on the American market to USD 80m. Duvel may also ensure 40% of the company's US profit. Duvel reported turnover of USD 187m last year. The Boulevard turnover last year stood at USD 40m. No information was released on the price paid for the takeover.
- December 2013 – **BelOrta**, the Belgium based co-operative auction engaged in cultivation of fruits and vegetables, has agreed to acquire **Veiling Borgloon**, the Belgium based cooperative auction engaged in the cultivation of fruits, for an undisclosed consideration. The acquisition will help BelOrta be a "one stop shop" and provide its customers with better service and range of products. It will also help them to expand beyond Belgium in the future. Post acquisition, the combined company will operate as "BelOrta" and will have a combined turnover of EUR 370m and will have combined workforce of 370 employees.
- December 2013 – The Belgian family Descheemaeker has sold a 50% stake in **Natural Granen**, a leading company in the field of pigeon feeders, to **AVEVE**. The sale will allow Natural Granen to boost growth in the Middle East and Asia. Natural Granen is a leading and innovative family-owned firm specializing in the production of high quality pigeon and bird feeders. Natural Granen will continue to work autonomously, The AVEVE Group will be the main supplier to agriculture and horticulture in Belgium. AVEVE employs around 1,750 people and made a profit of EUR 1.3bn in 2012.

# Market Snapshot

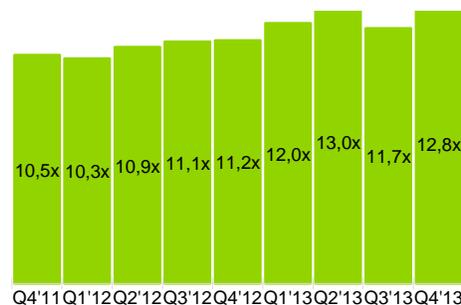
In millions	Rep. ccy	Rep. date	Market cap.	Enterprise Value (EV)	EV to: Sales	EBITDA	EBITDA Margin	Rep. P/E	Stock perf. Quarter
<b>Food Producers</b>									
DANONE	EUR	12/2012	32 820	41 216	1,9x	11,5x	16,7%	19,6x	(6,1)%
NESTLE SA-REG	CHF	12/2012	223 156	247 029	2,7x	14,1x	18,8%	20,6x	3,2%
ASSOCIATED BRITISH FOODS PLC	GBP	08/2013	22 080	23 248	1,8x	14,5x	12,1%	28,8x	31,7%
UNILEVER NV-CVA	EUR	12/2013	90 794	99 721	2,0x	12,1x	16,5%	20,4x	1,4%
SUEDZUCKER AG	EUR	02/2013	4 190	5 875	0,8x	4,7x	15,9%	7,3x	(10,0)%
ARYZTA AG	EUR	07/2013	6 835	6 510	1,5x	11,4x	12,9%	21,7x	13,2%
LINDT & SPRUENGLI AG-REG	CHF	12/2012	10 502	9 874	3,4x	19,3x	17,9%	34,4x	11,9%
KERRY GROUP PLC-A	EUR	12/2012	9 104	10 361	1,8x	14,4x	12,4%	20,4x	11,1%
BARRY CALLEBAUT AG-REG	CHF	08/2013	6 098	7 627	1,5x	17,7x	8,7%	26,7x	23,1%
PARMALAT SPA	EUR	12/2012	4 489	3 629	0,7x	8,2x	8,2%	20,0x	0,0%
<b>Average</b>					<b>1,8x</b>	<b>12,8x</b>	<b>14,0%</b>	<b>22,0x</b>	<b>7,9%</b>
<b>Median</b>					<b>1,8x</b>	<b>13,1x</b>			
<b>Beverage Producers</b>									
ANHEUSER-BUSCH INBEV NV	USD	12/2012	124 013	215 770	5,0x	12,7x	39,2%	15,7x	4,4%
PERNOD RICARD SA	EUR	06/2013	22 229	31 080	3,6x	12,7x	28,3%	17,4x	(9,3)%
HEINEKEN NV	EUR	12/2012	27 631	41 267	2,1x	9,8x	21,7%	17,3x	(6,9)%
SABMILLER PLC	USD	03/2013	49 248	98 629	4,2x	16,3x	25,6%	12,9x	(2,4)%
DIAGEO PLC	GBP	06/2013	49 882	59 272	5,2x	15,1x	34,5%	19,3x	1,1%
CARLSBERG AS-B	DKK	12/2012	91 782	128 318	1,9x	9,4x	20,5%	15,9x	5,6%
REMY COINTREAU	EUR	03/2013	2 882	3 187	2,7x	11,7x	22,6%	18,1x	(22,7)%
DAVIDE CAMPARI-MILANO SPA	EUR	12/2012	3 604	4 548	3,0x	13,5x	22,0%	22,8x	(5,1)%
DAMM SA	EUR	12/2012	1 265	1 404	n/a	n/a	n/a	n/A	1,6%
COCA-COLA CO/THE	USD	12/2012	173 281	189 362	4,0x	14,1x	28,5%	n/a	8,5%
<b>Average</b>					<b>3,5x</b>	<b>12,8x</b>	<b>27,0%</b>	<b>17,6x</b>	<b>(2,5)%</b>
<b>Median</b>					<b>3,6x</b>	<b>12,7x</b>			
<b>Food &amp; beverage retailers</b>									
TESCO PLC	GBP	02/2013	26 687	34 983	0,53x	7,20x	7,4%	11,1x	(6,3)%
CARREFOUR SA	EUR	12/2012	19 855	26 924	0,36x	7,24x	4,9%	18,7x	12,7%
CASINO GUICHARD PERRACHON	EUR	12/2012	9 407	25 611	0,52x	7,62x	6,9%	16,1x	10,6%
KONINKLIJKE AHOLD NV	EUR	12/2012	13 198	12 797	0,39x	5,89x	6,6%	10,5x	2,3%
SAINSBURY (J) PLC	GBP	03/2013	6 996	9 229	0,40x	6,90x	5,7%	12,3x	(5,2)%
WM MORRISON SUPERMARKETS	GBP	01/2013	5 893	8 436	0,47x	6,36x	7,4%	8,9x	(5,8)%
DELHAIZE GROUP	EUR	12/2012	4 736	6 473	0,30x	4,81x	6,3%	11,5x	(7,5)%
COLRUYT SA	EUR	03/2013	6 660	6 078	0,73x	8,89x	8,2%	19,1x	(0,6)%
AXFOOD AB	SEK	12/2012	17 545	17 928	0,48x	9,18x	5,2%	17,8x	2,8%
SLIGRO FOOD GROUP NV	EUR	12/2012	1 285	1 405	0,56x	9,43x	5,9%	17,3x	(7,3)%
<b>Average</b>					<b>0,47x</b>	<b>7,35x</b>	<b>6,5%</b>	<b>14,3x</b>	<b>(0,4)%</b>
<b>Median</b>					<b>0,47x</b>	<b>7,22x</b>			

Source: Bloomberg, January, 2014

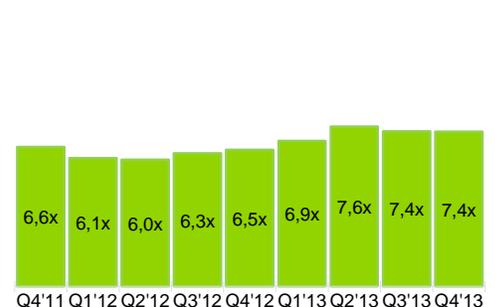
**Food producers**  
Average EV/EBITDA multiples



**Beverage producers**  
Average EV/EBITDA multiples



**Food & Beverage retailers**  
Average EV/EBITDA multiples



Source: Bloomberg, Deloitte analysis

# Global Powers of Consumer Products 2013

## Engaging the connected customer

The opportunity for consumer products companies to manage their brands online, engage with consumers at an individual level, and drive sales through digital channels is significant. The question is how to do it well.

In 2013, Deloitte Touche Tohmatsu Limited (DTTL) presented the 6th annual Global Powers of Consumer Products. This report identifies the 250 largest consumer products companies around the world based on publicly available data for the fiscal year 2011 (encompassing companies' fiscal years ended through June 2012). Deloitte published the first Global Powers report for the consumer products industry six years ago, which covered the 2006 fiscal period.

This year's report, in addition to analyzing the industry's performance in 2011, will look back over the intervening years at the changing landscape of the consumer products industry and the history behind some of its largest companies. The report also provides an outlook for the global economy, an analysis of market capitalization in the industry, and an assessment of the increasing impact that digitally empowered consumers are having on the industry.

## Top 10 a relatively stable group

In 2011, the 10 largest consumer products companies accounted for a slightly smaller share of Top 250 net sales than they did in 2010. The top 10 reported combined sales of \$846 billion, a 4.8% increase over their 2010 total but well below the 7.0% growth rate for the Top 250 overall. As a result, the top 10 accounted for 27.1% of total Top 250 sales in 2011, down from 27.8% in 2010. The result can be attributed, at least in part, to the impact of the earthquake on the two top 10 companies based in Japan: Panasonic and Sony.

South Korea's Samsung remained the world's largest consumer products company in 2011, a position it has held since 2007. In fiscal 2006, the period covered by the first Global Powers of Consumer Products report, Altria Group was the top-ranked company. Altria spun off Kraft Foods in 2007 and Philip Morris International in 2008, dropping the company well out of the top 10. In 2011, Kraft Foods, Inc. ranked as number nine. But since the 2011 ranking was compiled, it too has fallen out of the top 10, having split into two independent public companies. On October 1, 2012, the company's North American grocery business was spun off as Kraft Foods Group. Concurrent with the spinoff, Kraft Foods, Inc. changed its name to Mondelēz International, which comprises the company's global snacking and food brands.

Another noteworthy change among the top 10 in recent years is the rise of Apple. The tech giant became the second-largest consumer products company in 2011, climbing from sixth place in 2010 and 23rd place in 2006. How long the company will maintain its second-place ranking among the Top 250 remains to be seen. Although its 2012 sales remained robust overall, growth has slowed considerably since the second quarter of 2012. Nevertheless, relatively modest growth for Apple will likely outpace that of the other industry leaders for some time.

Nestlé, the world's biggest food company, fell from second place to fourth in 2011. This was mostly due to an accounting change, where certain allowances and discounts concerning trade and consumer promotions, selling, distribution, and advertising are now disclosed as a deduction of the company's sales. Panasonic (known as Matsushita until 2008), P&G, Sony, PepsiCo, Unilever, and Nokia—perennial top 10 companies—complete the leader board. Along with Altria, LG Electronics has the distinction of being the only other former top 10 company since the list was first created in 2006. LG dropped to 11th place in 2010, where it remained in 2011, following back-to-back sales declines attributed to slumping handset and television sales.

## Powers of the Consumer Products in Europe

Among Europe's top 10 consumer product companies, Nestlé maintained its first place ranking in 2011 despite a drop in sales due to an accounting change. The company has been the top-ranked European consumer products manufacturer since well before Deloitte began tracking the industry's Top 250 Global Powers in 2006. The most significant change in the region's top 10 ranking in 2011 was the removal of Philips Electronics from the Top 250. Philips was removed because it no longer derives the majority of its revenue from the sale of consumer products, focusing instead on the health care industry. Its departure left room at the bottom for Heineken to join Europe's top 10 for first time in 2011.

Other changes in Europe's leader board involve changes in the ranking order: Michelin surpassed L'Oreal in 2011, and Danone, which joined the region's top 10 in 2009, rose from tenth place to seventh. SABMiller, among the top 10 in 2006 and 2007, was knocked off the list by AB InBev in 2008, following InBev's acquisition of Anheuser-Busch. The other companies on the 2011 list - Unilever, Nokia, BAT, and Imperial Tobacco - have been among Europe's top 10 consumer products companies since at least 2006, when the first Global Powers report was published.

## Industry product sector analysis

For analytical purposes, the Top 250 companies have been organized into eight major product sectors. In this section, we have focused on the main outcomes for the food, drink, and tobacco sector.

For the second year in a row, the food, drink, and tobacco sector saw its share of the Top 250 decline. While still by far the largest product group, the number of companies dropped to 137 in 2011 from 140 in 2010 and 143 in 2009, with a corresponding drop in its share of Top 250 sales. Nevertheless, the group turned in a solid performance, posting 8.6% composite sales growth and an 8.3% composite net profit margin.

Within the food, drink, and tobacco sector, tobacco companies saw a modest pick-up in sales growth to 4.9% from 2010's slow 3.3% pace. However, this subsector suffered declining sales over the 2006-2011 period. With a CAGR of -1.9%, tobacco companies were the only product group to experience negative growth over the five-year period.

Yet, the industry continues to be highly profitable. Over the years, industry consolidation has resulted in tobacco companies becoming very large in size, second only to consumer electronics manufacturers. The nine Top 250 companies in the tobacco subsector averaged \$16.8 billion in 2011 sales volume, one-third larger than the average Top 250 company.

The beverage subsector performed much better on the top line in 2011 compared with the prior year, more than doubling its pace of growth to 10.9% from 4.7% in 2010. Profitability remained strong—the makers of alcoholic and nonalcoholic drinks generated a composite net profit margin of 12.9%. Sales advanced solidly for the food processing companies again in 2011, but the subsector's unusually strong bottom line in 2010 was not sustained. The composite net profit margin dropped to 4.8% in 2011 from 8.7% the prior year.

## Related Content

In addition to information regarding the Food & Beverage industry being provided by Deloitte, you may be interested in additional events and informational sources available through Deloitte.

### Global consumer business insights

[Global Powers of Consumer Products – Issue 2013](#)

#### **Engaging the connected customer**

The 6th annual Global Powers of Consumer Products. This report identifies the 250 largest consumer products companies around the world based on publicly available data for the fiscal year 2011.

[Click here](#) to explore the issue.

### General Economic Trends

[Deloitte University Global Economic Outlook – 4th Quarter 2013](#)

#### **Eurozone: A bit of recovery**

The fourth quarter edition of the Global Economic Outlook of Alexander Börsch sees that a long recession may be coming to a close in the Eurozone, but growth remains less than spectacular. A slowdown in emerging markets, continuing troubles in Europe's credit markets, and persistently high unemployment still pose risks to economic growth in the Eurozone.

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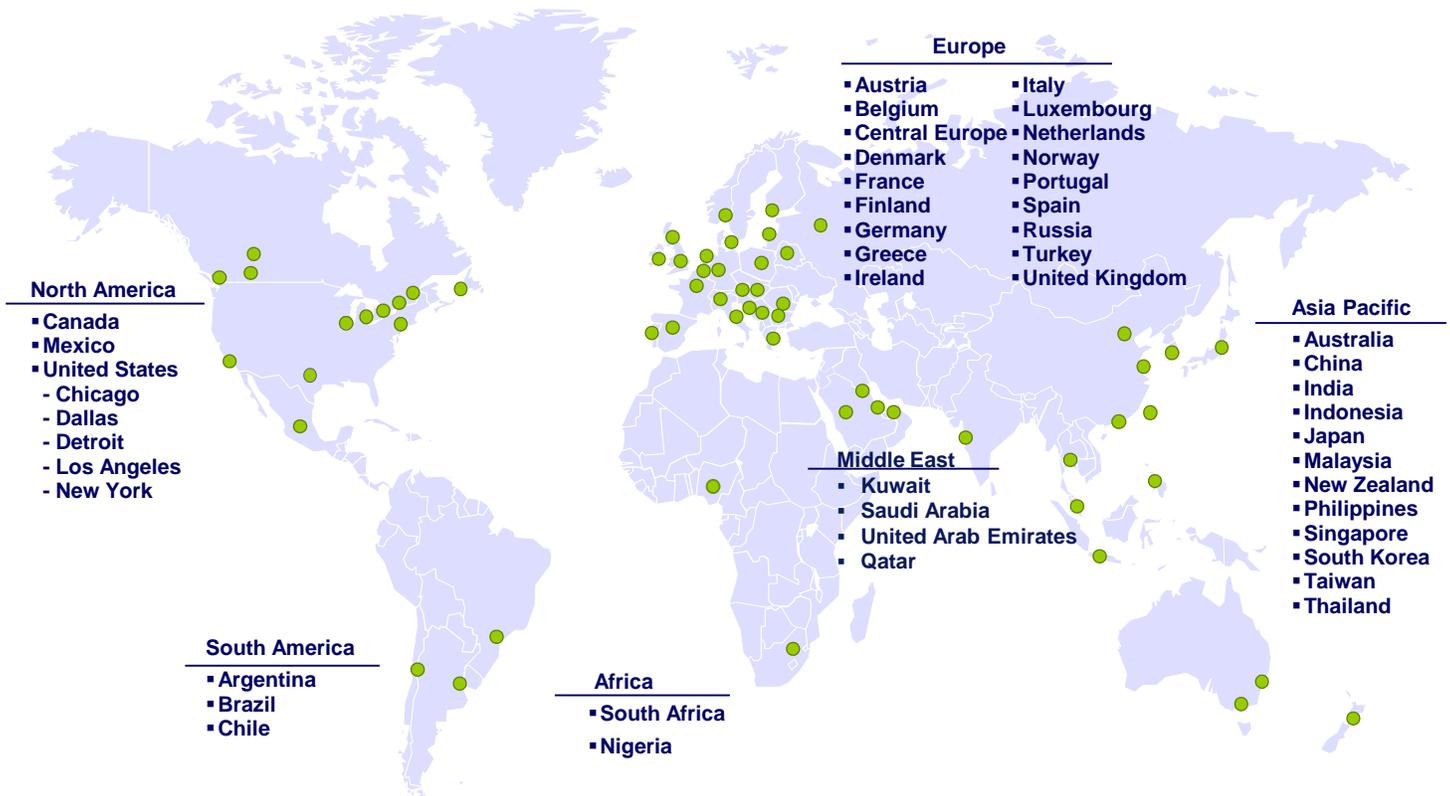
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