

Food & Beverage Sector M&A Snapshot 2020 UK Private Equity Investment Review

In the first of our series of Food & Beverage Sector M&A Snapshots, we briefly examine the highlights of 2020 from the perspective of mid-market private equity related investment activity in the UK market.

2020 was an unprecedented year for all, and the Food and Beverage M&A market was no exception. Deal volumes were significantly impacted in the early months of the COVID-19 pandemic, as both trade and private equity investors largely focused on managing their own businesses and portfolios ahead of considering inorganic growth opportunities.

However, in the latter part of 2020, deal activity experienced an uptick, and the private equity deals which took place highlighted a number of interesting trends in terms of the key attributes and categories which are attracting investor appetite.

UK Food & Beverage mid-market private equity 2020 investments in numbers



1. Category trends

The three largest categories of deal activity for PE investments were Pet Food, Chilled Foods & Snacks.



Pet Food

Continuing a pre COVID-19 trend, and accelerated by the significant increase in pet ownership in the UK during the pandemic, the pet food sector continues to be an active market for both PE and corporate acquirers, with a strong focus on personalised and in particular natural pet food brands.

Three of the pet food investments in the year were secondary purchases, representing exits for their previous PE owners:

- MPM Products was acquired by 3i Group from ECI Partners for a consideration of £125m
- Inspired Pet Nutrition, the producer of Harringtons and Waggs brands was sold by L Catterton to CapVest Partners
- Forthglade was acquired by IK Investment Partners for a reported £50m, representing an exit for Piper
- Harwood Private Equity backed Assisi Pet Care acquired natural dog treat business Hollings



Chilled Food

There were four deals in the chilled food category in 2020:

- Dukeshill Ham Company, the producer of cured meats was acquired by GC Investment Partners in a Management Buy-In
- French firm PAI Partners acquired chilled savoury pastry products producer Addo Food Group as well as Winterbotham Darby, the producer of chilled Mediterranean and plant-based foods, with the plan to consolidate them under one platform
- CapVest-backed Eight-Fifty Group acquired bacon producer M&M Walshe, headquartered in Ireland with significant UK operations



Snacks

There were three deals in the ambient snacks category in 2020, with both branded and private label products attracting the interest of PE:

- Exponent-backed Vibrant Foods acquired Indian and healthy snacks business Cofresh, having established the platform investment late in 2019 through the combination TRS and East End Foods
- It's All Good, the producer of premium tortilla chips brand Manomasa was acquired by CapVest-backed Valeo Foods, from NVM Private Equity
- Private label cereal bar manufacturer Halo Foods was acquired by US firm Peak Rock Capital, representing an exit for Nimbus and also highlighting a wider trend of overseas investment into the UK food space

2. Private Equity as consolidator

Over half (10) of the deals were bolt-on transactions to existing PE-backed food platforms, representing further examples of PE acting as consolidators in the food space. In addition, with three deals being secondary buy outs, the minority of deals were primary buy outs in nature.

3. Proposition – it's not just about brands

A small majority (10) of the transactions related to primarily or entirely brand-led product propositions. Three acquired businesses focused largely on private label products, underlying the importance of this often under looked aspect of UK food and drink market.

In terms of routes to market and position in the supply chain, Direct-to-Consumer and Ingredients (Business-to-Business) propositions were also notable in the investments during the year, continuing the wider recent trends for businesses operating in these areas.

4. UK is an attractive market

UK food and drink businesses continued to attract interest from overseas financial (as well as trade) buyers, with six of the private equity related investments in 2020 being funded by overseas firms.

5. Exit trends

Whilst not a core focus of this Snapshot, in addition to the exits already highlighted via secondary or bolt on PE-backed investments, a number of PE portfolio exits in the year reflected the wider attractiveness of direct to consumer models as well as the pet food market, including for example:

- Nestlé's acquisition of Lily's Kitchen from L Catterton to boost its exposure to premium and natural pet food products
- Continuing the pet food as well as overseas investment trends, Rutland Partners exited Armitage Pet Care with its sale to US-based Spectrum Brands
- Nestlé also delivered an exit for Piper with its acquisition of direct to consumer meal kit business Mindful Chef

Sources: Mergermarket, Pitchbook, press reports & Deloitte analysis

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