New research reveals strong start to food and beverage deal volumes in 2014 driven by overseas buyers

Latest research from leading business and financial advisory firm Grant Thornton UK LLP reveals that deal volumes rose significantly across the food and beverage (F&B) sector in Q1 2014, signalling a convincing start and an increasingly positive outlook for the year ahead. Underpinned by the attractiveness of UK assets to foreign buyers, deal volumes increased by a third compared to the fourth and first quarters last year.

The number of deals featuring an overseas buyer jumped by 71% in Q1 2014 compared with the previous quarter and by 100% on the same three month period last year. Notable deals included US-based firm Gores Group paying £30 million for a 51% stake in Premier Foods’ bakery business – which includes the Hovis brand – and fellow US business Chiquita Brands International acquiring Dublin-based fresh produce wholesaler Fyffes.

Claire Elcock, director at Grant Thornton in Leeds, commented: “This rise in M&A deal volumes builds on the uptick we reported in Q4 2013 and points to a positive start to the year as a whole. Despite the tough market conditions faced by many food and drinks manufacturers – especially with the intensifying
competition between the UK’s grocery retailers, deals have been buoyed by significant interest from overseas buyers keen to acquire UK assets. As a result, we are optimistic about the outlook for further deals across the sector.”

Mirroring this renewed optimism, the research also shows a notable rise in private equity (PE) activity across the sector with deal volumes jumping 50% compared with Q4 2013 and recording a six-fold increase from the first quarter of last year. The nature of the deals also highlight PE firms’ active as both buyers and sellers. For example, a minority stake in It’s All Good, the UK-based tortilla chips manufacturer, was acquired for £3.5 million by NVM Private Equity and Key Capital Partners sold TSC Foods, the owner of the Glorious! soup brand, to Liverpool food manufacturers, The Billington Group.

Claire Elcock added: “As economic growth has picked up and unemployment has fallen, the likelihood that the Bank of England will start to raise interest rates in the next year has increased. Not only are interest rates at a cyclical low but debt is also in some cases available on pre-crash terms. Potential acquirers may want to lock in low rates and favourable terms while they are still available – although they should be mindful of the lessons of the crash with regard to excessive leverage.”

Portfolio optimisation also continues to remain an important driver for deals, with many large players poised to streamline their product lines over the next twelve months. Unilever’s sale of its meat snacks business, which includes Peperami in the UK and Ireland and the BiFi brand in continental Europe, is the latest in a string of disposals of businesses deemed as non-core.

All deals research is produced for the quarterly Bite Size publication available from the Grant Thornton UK website.

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Photo shows: Claire Elcock, director at Grant Thornton in Leeds

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Notes to editors

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