Press Release

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UK Food & Beverage Sector: T1 2018

Oghma Partners has now released the UK Food & Beverage Sector M&A Review for the first tertial of 2018.

Overall we have seen a decline in the volume of deals in the first four months of 2018 vs the same period in 2017. Deal volume is down 14 %, for the T1 period, compared with a year ago; this follows a sharp 30% decline in UK Food & Beverage M&A volumes in 2017 vs. the prior year.

In our 2017 summary we referenced the Brexit effect as one of the obvious factors effecting the levels of M&A activity in our industry. Whilst not fully explaining the downturn, with general uncertainty continuing and few questions yet answered as to how exactly the split is going to be achieved, it does appear that this continuing fall in both deal value and volume could at least in part be attributed to confidence levels and earnings impacts brought on by the fall in sterling and the UK's impending departure from the EU.

On another level the big companies continue to search for exciting new brands to leverage through their supply chains. This activity is evidenced by the fact that virtually all the major international Food & Beverage companies now have a venture capital arm of some description. Turning to our Review, two deals in T1 that example the trend of big companies buying small co brand innovators are; Anheuser Busch's development division ZX Ventures of speciality spirits manufacturer Atom Group and Nestle's acquisition of bespoke pet food company Tailsco. Nestle's and AB's activity illustrates that even small fast growth brands, and those which may also market direct to consumer via the internet, are attracting the notice of the biggest players in the industry despite sales in a number of cases of significantly less than $20mn.

One could question why bother to acquire a business that on its own won't move the corporate sales needle? It is likely that there are a number of answers to this question including; the introduction of new brand thinking in to a business; the hope that the brand can indeed be scaled up; the desire to drive B 2 C activity and acquire B 2 C learning; the attractiveness of the flexibility that acquiring a small business can bring (i.e. a small co's production set up may be better placed to supply small growing innovative brands than the large production facilities in the acquiring organisation).

We suspect that this trend of the acquisition of 'small hot brands by big food & beverage co's' will continue for two reasons. Firstly, whilst the path to the consumer of grocery products continues to be disrupted by increased purchasing of food and drink brands through the internet there will be a premium for branded businesses that 'get' this route to market. Secondly, the continuing appeal to consumers of brands with authenticity, attractive provenance and, in some cases, better healthy eating attributes compared to the current category offer, will lead the international consumer behemoths to seek out these category renovator brands, to acquire them and thus to bolster their portfolios.

Please contact us to enquire about the review, to request a copy and to be put on our mailing list for future updates.

If you would like to learn more about Oghma Partners and the work we do, please do get in touch via our "Contact us" link on our website or use the contact details below;

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