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CORPORATE FINANCE

Strong appetite for UK Food & Drink firms

Mergers & Acquisitions (M&A) activity in the UK Food & Drink sector remains strong, with deal volumes up by nearly 30% in 2024[1]. While megadeals like Carlsberg's £4bn+ acquisition of Britvic grab the headlines, over 90% of last year's deals were sub-£50m. Here, we look at the factors driving value in smaller Food & Drink businesses, and share key data from Initium's completed transactions.

Strength of brand: Having a distinct and "standout" brand is a vital component for many Food & Drink businesses, engendering loyalty from buyers and/or consumers by keeping the brand at the front of their mind

E-commerce channel: Of particular relevance to businesses with a B2C offering is to have a well-developed e-commerce offering, which will typically have the dual benefits of bringing higher margin business and improved cashflow

Quality & resilience of supply chain: To avoid any "single point of failure" scenario, businesses should be in a position to dual-source (or even triple-source) their key product lines

Niche offering: In order to differentiate themselves from "commodity" players, high quality Food & Drink businesses should focus on a particular niche, either in terms of product offering (e.g. sports nutrition, specialist diet, dessert ingredients) or customer segment (e.g. travel catering, high disposable income consumers, coffee shops)

High margins: Typically, a Food & Drink business which addresses a particular product or customer niche will deliver higher profit (EBITDA) margins than "commodity" providers. A good benchmark is an EBITDA margin of >15%, although high-quality players are often operating above 20%

Social media expertise: Again of particular relevance for B2C businesses. The explosion in the use of social media to promote food & drink (especially among younger consumers) means that it is vital for businesses in this sector to have a good grasp of how to use platforms such as TikTok and Instagram to deliver visually engaging curated content

Well invested: In a sector which is subject to regulation in areas including food hygiene, it is vital that a business has made significant investment in its assets and services such as warehouse facilities, logistics chain and staff training

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Sale of JMPOSNER to Ingå Group
Leading UK brand of baking and dessert ingredients

Sale of Caterfood to Bidfood
Foodservice specialist, with own-brand product range

Sale of to dnata
Bakery and packaged food solutions for the travel sector

Sale of HIGH5 to Associated British Foods plc
Premium UK sports nutrition brand

Sale of exante to THG
Weight loss brand, supplying shakes, meals, bars & soups

Sale of Cake Craft World to Dr.Oetker
Supplier of cake decorating and baking accessories

£14m average revenue of Initium client	**48** average headcount of Initium client	**20%+** average EBITDA margin of Initium client
£1.6bn average revenue of acquirer	**4** average number of bids received	**66%** of deals with an overseas acquirer

[1] The British Guild of Beer Writers, Food & Beverage M&A sees significant increase in deal volume and activity, January 2025