



# Oghma Partners

Presentation to



## UK Food & Beverage Company Valuations & Outlook for M&A

September 2009

# Oghma Partners Introduction



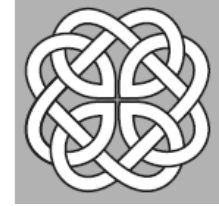
- Oghma Partners is a full service Mergers and Acquisitions advisory firm
- Focus on European Food Producer and Consumer Staples Sectors
- Offices in London and Affiliate office in San Diego
- 10 professionals (including 3 advisors)
  - Over 150 years experience of consumer sector
  - Advised on over 100 transactions with values from £2mn to £2bn

# Our Services



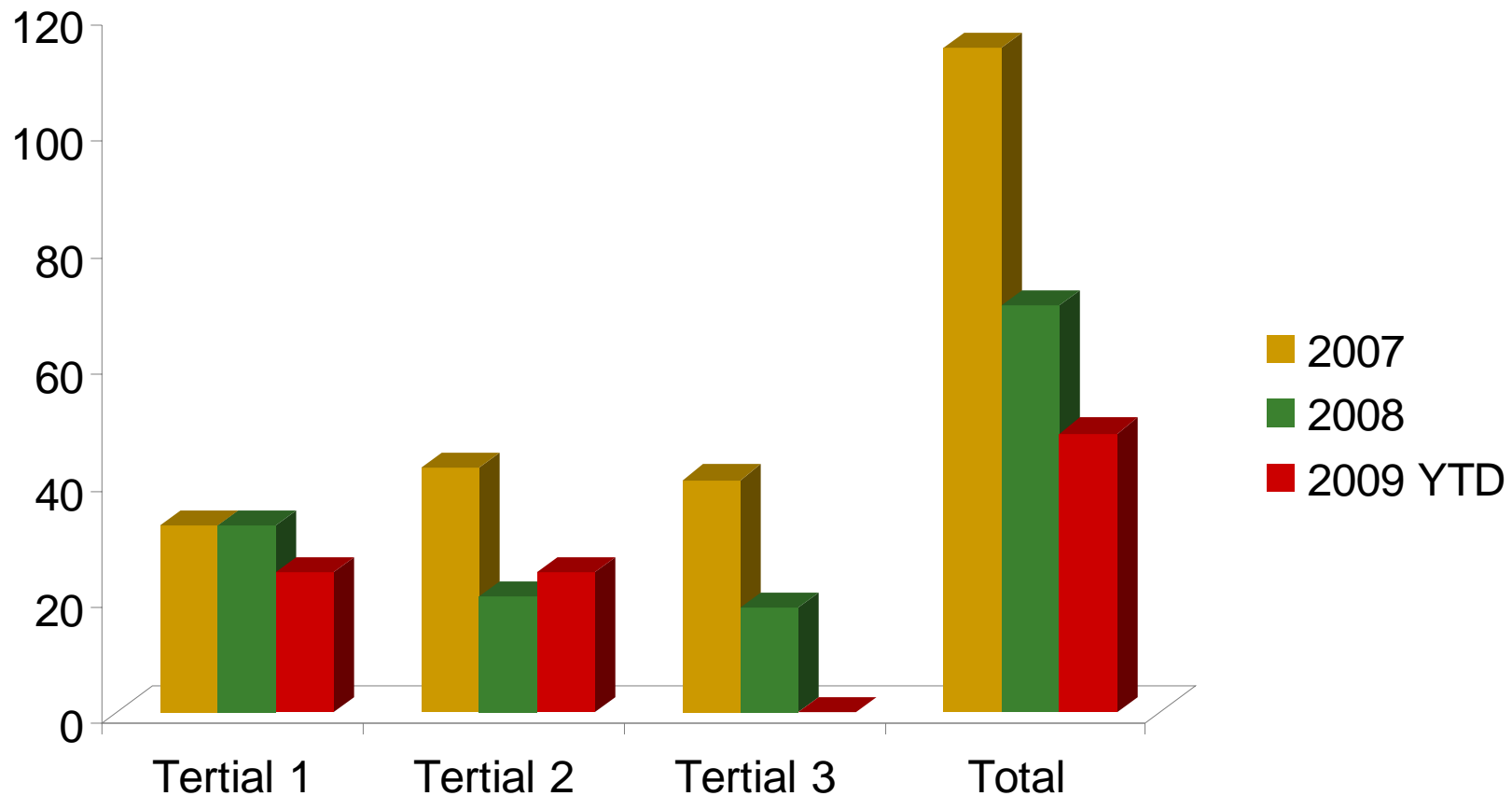
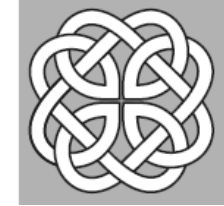
- Outsourcing of M&A function
- Acquisition search
- Disposal and Acquisition process management
- Valuation advice
- Corporate strategy/development
- Pre-funding business appraisal, help on capital raising
- Competitor analysis
- Industry insight

# Historic Activity in UK Food & Beverage Sector

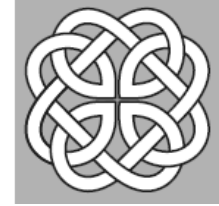


- M&A transactions in UK Food & Beverage sector relatively non-cyclical
  - Number of transactions remains relatively constant
  - More distressed sales and insolvencies in downturn
  - More strategic acquisition programmes and buy and builds in upturn
- Size of transactions does vary over the cycle
  - Larger transactions occur when large multinational management more confident on outlook
  - Larger deals generally funded partially with paper and thus require higher equity valuations

# Number of Deals Decreasing (UK Food & Beverage 2007-9 YTD)



# 2008: An Abnormal Year?



- In 2008 level of reported M&A activity (by number of completed deals) fell by close to 40% from 114 in 2007 to 71 in 2008
- Deal size ranged from less than £1mn up to £7bn (S&N) in 2008
  - Much larger percentage of deals (almost double versus 2007) were less than £10mn
- Reported total deal value reached £10bn (5x the 2007 level) due largely to S&N transaction
- Excluding three biggest deals (S&N, Brake Bros & Foodvest), deal value fell 16% to £2bn in 2008

# Deal Valuation Trends



- In 2008 only in less than half of deals was financial data disclosed
- Price to sales ranged 0.1-16.1x, with the average ratio 0.8x
- Price to EBIT and EBITDA multiples on reported deals heavily influenced by one-off reporting issues
- We estimate that underlying transaction valuations in 2008 fell in the region of 20%

## UK Food & Beverage Sector Valuation – big cap international stocks win premium rating

Company	Currency	Share Price	Market Capitalisation (£mn)	P/E Yr 1E	P/E Yr 2E	EV/EBITDA Yr 1E	EV/EBITDA Yr 2E
<b>International Food</b>							
Cadbury	£	5.88	7,907	16.7	14.9	9.7	9.0
Danone	€	37.9	20,312	15.0	14.0	10.3	9.7
Nestle	Sfr	43.1	90,244	15.0	13.7	8.9	8.4
Unilever	£	16.71	21,590	15.9	14.8	10.3	10.1
Average				15.7	14.4	9.8	9.3
<b>British Food</b>							
Associated British Foods	£	8.11	6,382	14.0	12.6	8.0	7.3
Dairy Crest	£	3.12	410	7.6	7.5	5.8	5.7
Finsbury Food	£	0.25	12.8	3.5	3.0	5.0	4.6
Glisten	£	0.87	12.4	4.3	3.8	4.4	3.9
Greencore	€	1.6	287	10.5	9.1	6.2	5.8
Kerry Group	€	18.33	2,818	11.2	10.5	8.3	7.6
Northern Foods	£	0.64	294	10.6	10.1	6.0	5.8
Premier Foods	£	0.44	1,057	7.9	7.3	7.0	6.4
Tate & Lyle	£	4.04	1,866	11.0	9.7	7.4	6.5
Zetar	£	1.92	25.4	5.8	5.5	n.a	n.a
Average				8.6	7.9	6.5	6.0
<b>Beverages</b>							
Britvic	£	3.38	725	11.5	10.6	7.3	6.8
Carlsberg	€	375	5,228	15.0	11.9	8.4	7.7
C&C Group	€	2.22	634	11.3	11.3	11.0	9.4
Diageo	£	9.97	24,561	14.6	13.6	11.2	10.7
Heineken	€	29.87	12,777	14.7	14.1	8.3	8.1
Pernod Ricard	€	55.2	12,473	13.9	12.3	13.2	12.3
SAB Miller	£	14.34	22,279	15.9	14.4	10.2	9.4
Average				13.8	12.6	9.9	9.2

Source: Consensus Estimates

## UK Food & Beverage Sector selected M&A transactions 2007

Announced	Bidder	Target	Target Product Line	Consideration/EV £mn	Price/ Sales x	Price/ EBITDA x
30/01/2007	Finsbury Food Group Plc	Lightbody Group Ltd	Bakery Products	45.2	1.0	18.4
02/03/2007	GraceKennedy Ltd, Jamaica	WT Foods Ltd	Ethnic Products	23.0	0.4	29.5
23/03/2007	Saputo Inc, Canada	Dansco Dairy Products Ltd	Dairy Products	8.3	0.5	n.a
28/03/2007	Frutarom	Belmay Ltd	Natural Flavours	8.7	2.4	12.6
03/04/2007	Adelie Food Holdings Ltd	Brambles Foods Ltd	Chilled Foods	22.0	1.1	9.2
03/04/2007	Wellness Foods Ltd	Grove Fresh Ltd	Manufactures soft drinks	8.8	1.0	12.1
23/04/2007	Frutarom Industries	Jupiter Flavours Ltd	Ingredients	1.7	1.5	5.1
11/05/2007	Syrat SAS, France, Tereos	Sale of European starch facilities	Ingredients	211.06	0.4	n.a
24/05/2007	Zetar Plc	Britannia Biscuits Company	Snack Products	29.78	6.6	138.7
11/06/2007	British Seafood Ltd	Five Star Fish Ltd	Seafood Products	35.00	1.0	5.9
30/06/2007	Bannerbrick Ltd	Brake Bros Ltd	Frozen and chilled foods	1,355.9	0.8	12.6
10/07/2007	Sangs Holdings Ltd	Sangs (Banff) Ltd	Manufactures soft drinks	9.4	0.7	7.8
12/07/2007	Marstons Plc	Ringwood Brewery Ltd	Brews beer	17.4	1.8	10.2
24/07/2007	RAR Portugal	Wight Salads Group Ltd	Produces and supplies tomatoes	20.0	0.3	5.7
26/07/2007	Youngs Bluecrest Seafood	Seafood Company Ltd	Chilled & Frozen seafood	44.0	0.7	8.3
05/08/2007	MBI	Pets Choice Ltd	Pet Foods	1.0	0.1	1.1
07/08/2007	CSM NV, Netherlands	Kates Cakes Holdings Ltd	Produces handmade cakes	32.5	n.a	19.3
17/08/2007	Maple Leaf Food Inc	La Fornaia Ltd	Specialist Baker	19.9	2.0	9.6
07/09/2007	Glissen Plc	Dormen Foods Ltd	Savoury snacks & seed ingredients	12.0	2.1	16.2
17/09/2007	MBI	Symingtons Ltd	Dry grocery products	41.8	0.9	8.1
19/09/2007	Finsbury Food Group Plc	Anthony Alan Foods Ltd	Cakes	3.7	0.3	n.a
01/10/2007	Danish Crown, Denmark	Geo Adams & Sons Ltd	Meat and meat products	41.8	0.5	13.4
13/10/2007	MM Bidco Ltd	Maximuscle Ltd	Sport nutrition products	74.7	3.6	13.6
29/10/2007	MBI	Peters Food Service Ltd	Savoury Products	20.0	0.4	7.3
05/11/2007	Glissen Plc	FDS Informal Foods Ltd	Manufactures snack products	1.7	0.7	2.1
04/12/2007	Wellness Foods Ltd	Dorset Cereals Ltd	Breakfast Cereals	50.4	3.8	31.2
06/12/2007	Dairy Crest Group Plc	Fayrefield-Foodtec Ltd	Food Ingredients	7.1	0.7	n.a
13/12/2007	Greencore Group Plc, Ireland	Danone Mineral Water Facility,	Produces mineral water	16.7	n.a	12.3

Source: Press Releases/Company House/Oghma Partner LLP estimates

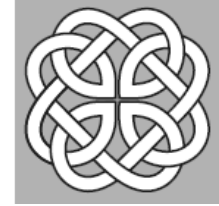
N.B. Consideration as noted may include or exclude net debt; EBIT and EBITDA may be impacted by undisclosed charges

## UK Food & Beverage Sector selected M&A transactions 2008/9 YTD

Announced	Bidder	Target	Target Product Line	Consideration/EV £mn	Price/ Sales x	Price/ EBITDA x
25/01/2008	Carlsberg/Heineken	Scottish & Newcastle Plc	Brewer	9,584.0	3.2	19.7
12/03/2008	Tyrrells Group Holdings Ltd	Tyrrells Potato Chips Ltd	Snack Products	40.7	3.1	20.1
04/04/2008	AB Agri Ltd	Premier Nutrition Products Ltd,	Animal Feed	14.9	n.a	6.0
07/04/2008	Livwell Ltd	A&P Foods	Gluten free pre-mixes	9.3	n.a	28.8
15/04/2008	CSM NV, Netherlands	Harden Fine Foods Ltd	Baked Goods	6.9	n.a	6.2
01/05/2008	PepsiCo Inc, USA	Vitamin Brands Ltd	Soft drinks	11.3	16.2	n.a
14/06/2008	Vion NV, Netherlands	Grampian Country Food Group Ltd	Meat Products	350.0	n.a	9.8
02/07/2008	RAR - Portugal	Vitacress Salads Ltd	Fresh Produce	61.1	0.7	9.5
21/07/2008	Fleming Family & Partners	Clipper Teas Ltd	Hot Beverages	31.5	1.7	14.3
22/07/2008	Lion Capital	FoodVest Group	Frozen Foods	1,100.0	1.1	8.7
05/08/2008	AG Barr Plc, Scotland	Rubicon Drinks Ltd	Soft drinks	59.8	2.1	22.8
08/08/2008	Wynnstay Group Plc	Welsh Feed Producers Ltd	Animal Feeds	5.4	n.a	18.2
10/12/2008	Nichols Plc	50% of Dayla Liquid Packing Ltd	Soft Drinks	7.5	1.6	14.1
05/01/2009	Frutarom	Oxford Chemicals Ltd	Specialist Ingredients	8.2	1.2	7.3
27/03/2009	Yoplait, France	Yoplait Dairy Crest Ltd	Dairy Products	63.5	0.9	6.4
06/04/2009	Cranswick Plc	Bowes of Norfolk Ltd	Meat Products	17.2	0.2	5.7
06/04/2009	Coca-Cola Inc	20% of Innocent Drinks	Manufactures fruit drinks	30.0	1.3	13.3
20/04/2009	MBI	Pet Business of Cranswick Plc	Pet Products	17.0	0.4	n.a

Source: Press Releases/Company House/Oghma Partner LLP estimates  
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# 2009: Signs of Recovery?

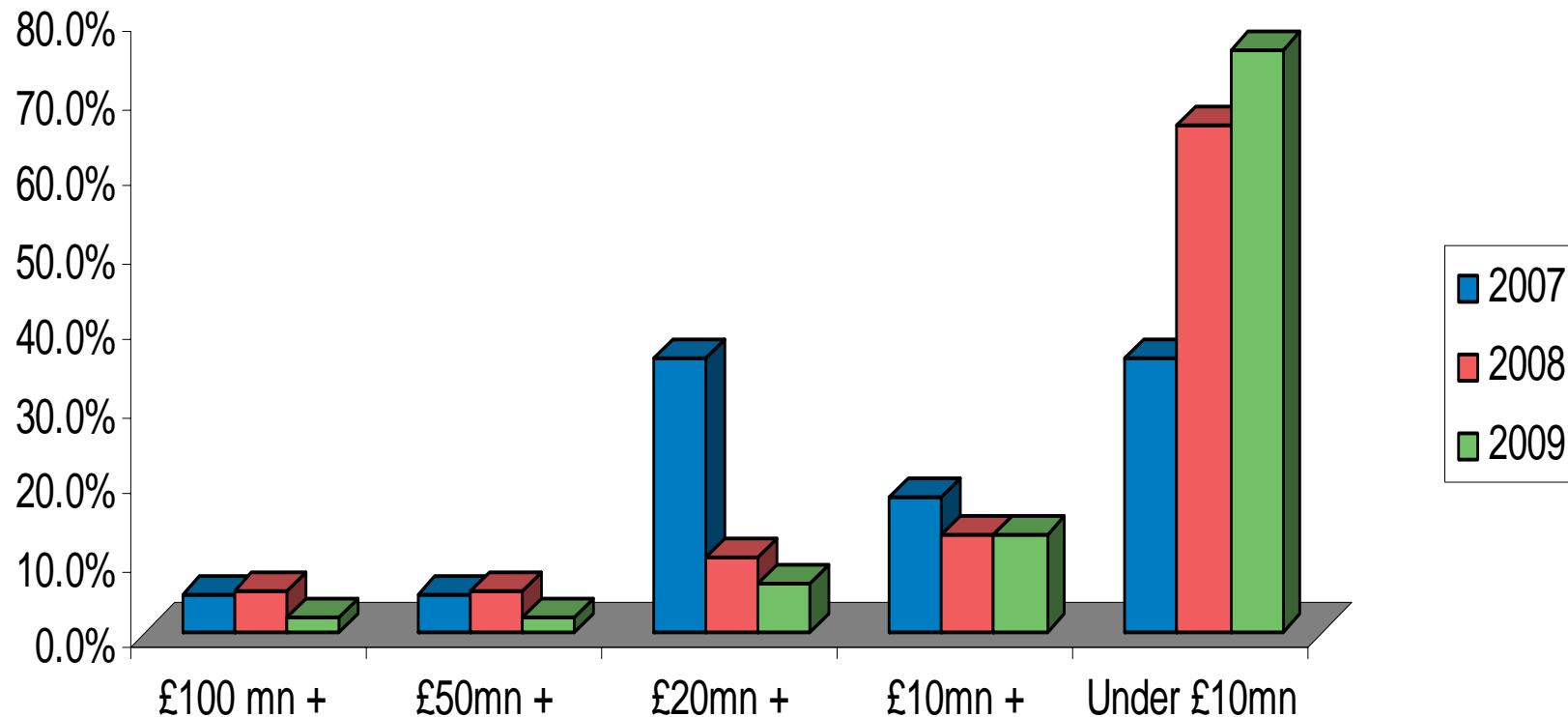


- Data available for YTD 2009 (January to August inclusive) versus FY 2007 and FY 2008
- In 2009, decline in M&A activity shows signs of stabilising, though still 33% below highs of 2007
- Deal value YTD estimated at £660mn versus £2bn in FY 2008 (excluding S&N, Brake and Foodvest)
- Insolvency still driving high percentage of transactions: 25% of deals in 2009 versus less than 5% a year ago
- Corporate buyers increasing activity (59% versus 52% in 2009), as are financial buyers (20% versus 10%)
- Beverages (23% of total), Distribution (20%), Chilled Food (15%) and Dairy (11%) are currently most active

# Smaller Acquisitions Still Increasing...



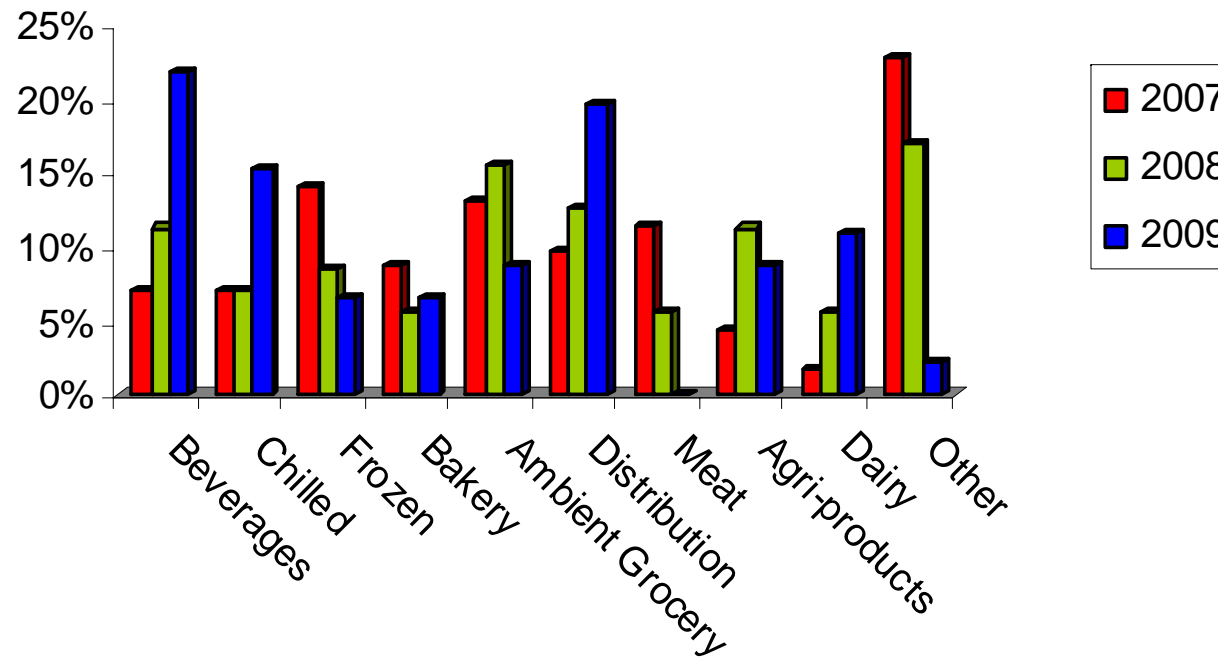
**Deal Activity by Size (%) 2007-2009 (YTD)**



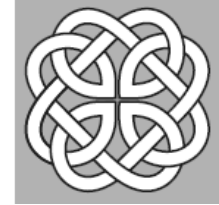
# ...And All Segments Remain Active Except Meat



M&A activity by sub sector 2007-9 (YTD)

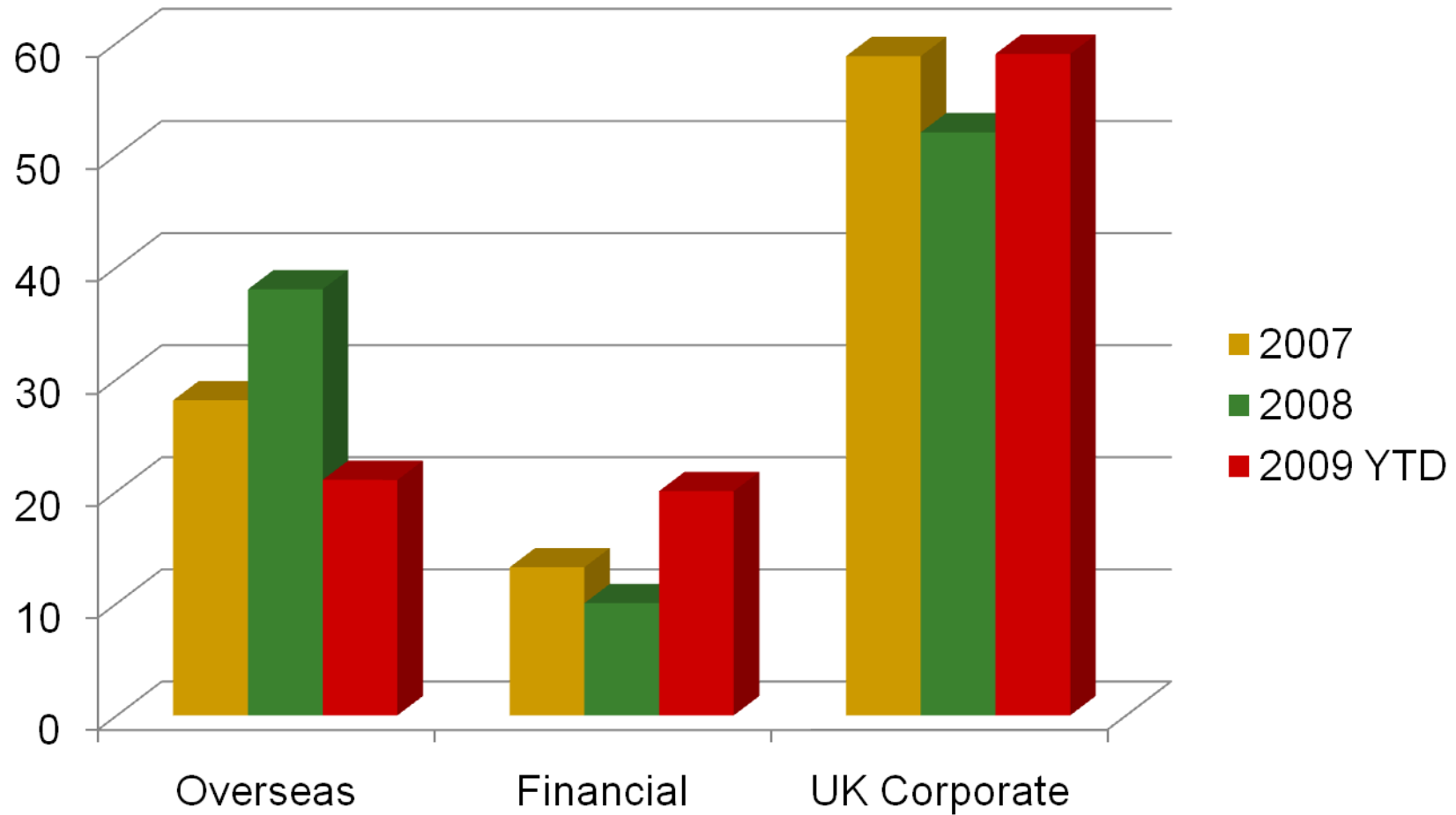


# Analysis of Buyers



- The trend for overseas buyers increasing their activity in 2008 was logical, driven by Sterling's weakness
- With concurrent lack of available funding, so was the withdrawal of private equity and financial buyers
- The surprise for YTD 2009 is that overseas buyers have not been as aggressive as in 2008 (down from 38% of buyers in 2008 to 21% for YTD 2009)
- Financial buyers, however, appear to be making a return to the market (20% YTD versus 10% in 2008)
- UK corporate interest in consolidating sub-sectors continues

# Source of Activity (%)



# Outlook for M&A in 2010



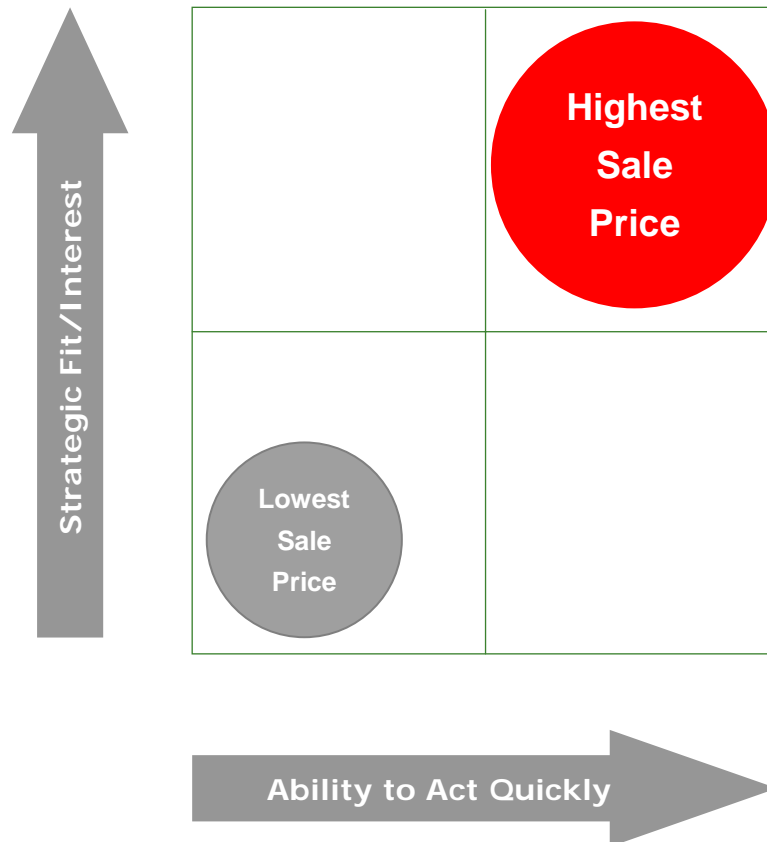
- Playing field in the UK Food & Beverage sector appears much more benign for M&A now than in 2008 or early 2009
  - Interest rates remain low, although bank lending policies still circumspect
  - Equity valuations of quoted companies appear to be improving from lows, aiding valuation benchmarks
  - Sterling still weak, giving additional impetus for overseas buyers
  - Valuation expectations of potential sellers expected to soften further

# Equity Valuations Improving



- Bid premium over equity price traditionally seen by bidders as between 20% and 35%
- With improved equity valuations, bidders may be prepared to increase their offers for assets
- Financing larger deals via paper also easier with higher stock valuations

# Maximising Price



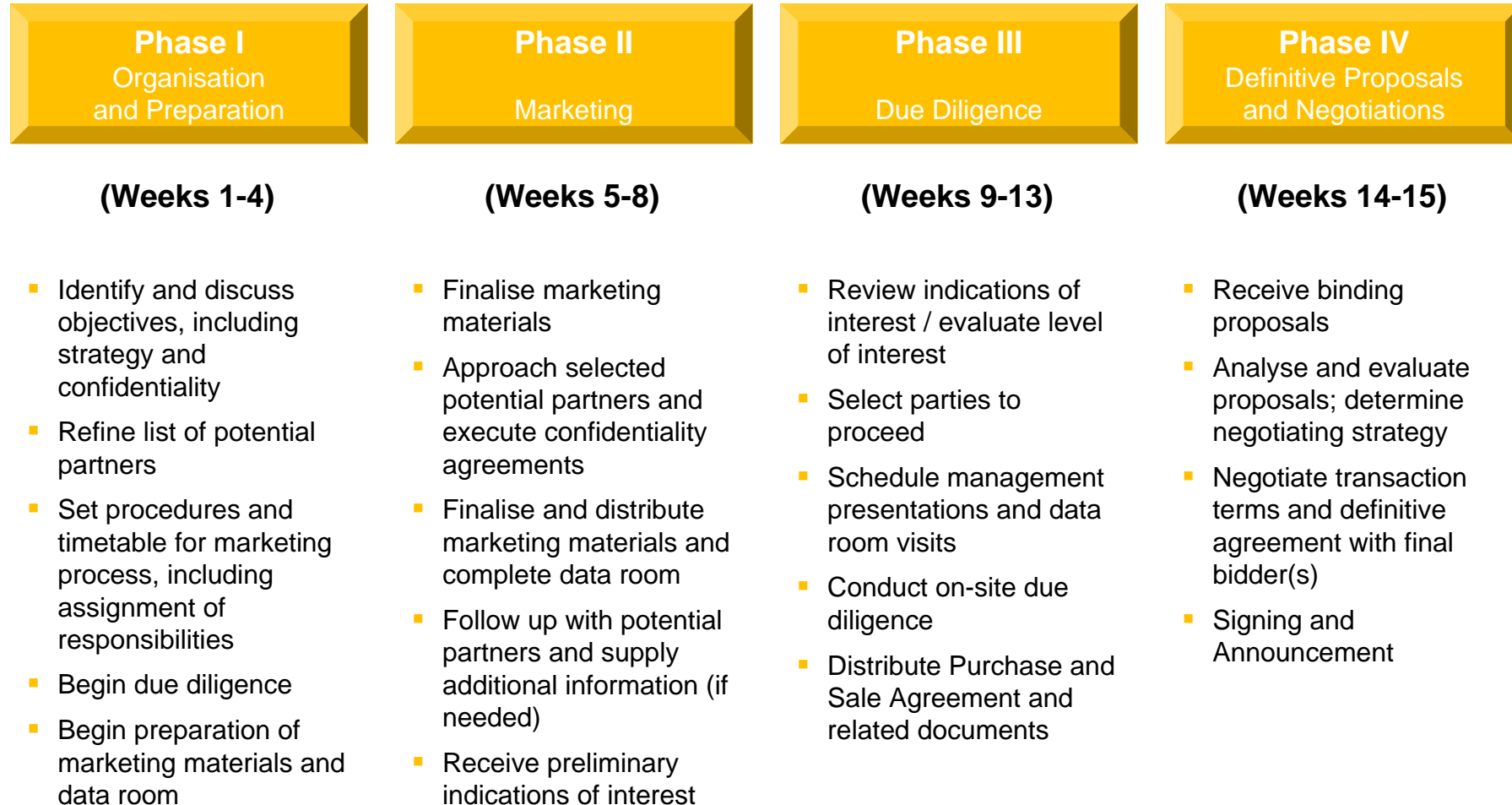
- Price in sale process maximised by highest number of bidders with:
  - ❑ Strategic overlap
  - ❑ Strong interest to acquire
- Bidders need high confidence in:
  - ❑ Ongoing profitability of asset
  - ❑ “Finance-ability”
  - ❑ Level of achievable synergies
- Sellers need to employ a strong, experienced M&A advisor

# Broad Auction Helps Maximise Price...



	Negotiated Sale	Controlled Sale	Broad Auction
Description	<ul style="list-style-type: none"> <li>Direct, senior-level negotiations with interested parties most likely to consummate a favourable transaction</li> </ul>	<ul style="list-style-type: none"> <li>Wide range of potential buyers contacted based on likelihood of placing high value on business and financial ability to consummate a transaction</li> </ul>	<ul style="list-style-type: none"> <li>Widest range of potential buyers contacted and indications of interest are solicited from all interested buyers</li> </ul>
Level of Disclosure	<ul style="list-style-type: none"> <li>Limited new contacts</li> <li>Focus on parties who have had contact with owner in the past</li> </ul>	<ul style="list-style-type: none"> <li>Limited disclosure of existence of sale process</li> <li>Offering Memorandum circulated</li> </ul>	<ul style="list-style-type: none"> <li>Offering Memorandum circulated</li> <li>Frequently includes a public announcement ("leak")</li> </ul>
No. of Potential Buyers Contacted	<ul style="list-style-type: none"> <li>Typically 3 or fewer</li> </ul>	<ul style="list-style-type: none"> <li>Typically 5-15</li> </ul>	<ul style="list-style-type: none"> <li>Typically 20 or more</li> </ul>
Bidding Format	<ul style="list-style-type: none"> <li>Exclusive negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Competitive two-step auction</li> </ul>	<ul style="list-style-type: none"> <li>Competitive two-step auction</li> </ul>
Flexibility of Process	<ul style="list-style-type: none"> <li>Very high degree of flexibility to alter transaction structure</li> </ul>	<ul style="list-style-type: none"> <li>Reduced flexibility to alter transaction structure</li> </ul>	<ul style="list-style-type: none"> <li>Limited degree of flexibility to alter transaction structure</li> </ul>
Approx. Time to Signing	<ul style="list-style-type: none"> <li>3 months or less</li> </ul>	<ul style="list-style-type: none"> <li>3 – 4 months</li> </ul>	<ul style="list-style-type: none"> <li>4 months or more</li> </ul>

# ...But Process is Lengthy



# Summary



- UK Food & Beverage sector M&A historically not cyclical
- This was not the case in 2008, with large decline in number and value of transactions from 2007 high
- In 2008 lack of funding affected especially Private Equity interest, but this appears to be improving YTD 2009
- All sub-sectors, with the exception of meat, remain active in terms of M&A
- Deal valuations decreased in 2008, but it is expected this trend will reverse during 2H 2009 and into 2010
- Experienced M&A advisors like Oghma help ensure competitive tension and maximise price during sale

# Contacts



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