



## Food & Beverage Sector

Spring 2009

### OVERVIEW

2009 set to be a challenging year for the food and beverage sector but private equity available for growth finance and replacement capital

Difficult economic climates present significant opportunities to dynamic and well capitalised companies

FTSE-350 Food & Beverage sector off 12.35% from 52-week high in May 2008

### KEY CONTACTS

**Andrew Barnsley**  
**Jonathan Lack**  
**Tony Brown**

Nexus Corporate Finance LLP  
5th Floor, Greener House  
66-68 Haymarket  
London  
SW1Y 4RF

+44 (0) 20 7451 7050

### Nexus Corporate Finance

Nexus is an independent, partner-led corporate finance advisory firm. The team has varied backgrounds, including public and private equity, mergers and acquisitions, MBOs, MBIs and corporate refinancing and restructuring, ensuring that we are able to service our clients on the full range of corporate solutions required to navigate this challenging environment.

Nexus discreetly helps our clients access the most appropriate source of capital required for the stage of their business. Nexus understands the appetite of the different private equity firms and through a hands-on and proactive approach we understand the needs of the companies and management teams we look after.

### Challenges ahead

The Food & Beverage sector is facing a challenging time ahead in 2009 with constantly evolving competitive pressures and business opportunities around a host of issues ranging from commodity fluctuations to public health to consumer transparency. Companies will constantly need to differentiate themselves from their competitors to capitalise on the strength of their brands and to continue to drive growth in market share.

At the same time the economic environment is putting considerable pressure on sales volumes and profit margins. It is clear that those businesses that are properly capitalised to weather the storm – whatever 2009 may throw at them – will be best positioned to take advantage of the calm that will eventually return, however distant that may currently seem.

Public markets reflect the tough commercial environment that all companies in the sector currently face with the FTSE-350 Food & Beverage sector being off 12.35% from the 52-week high peak on 19 May 2008, with a significant proportion of both the larger and smaller quoted companies in the sector having recently issued profit warnings and less than positive trading updates.

In the past few years, a number of companies in the sector have raised capital either through the public or private capital markets. They are not only well capitalised for the times ahead but more importantly have access to additional capital resources from their finance providers to cope with the downturn and opportunistically take advantage of any acquisition and growth opportunities which will undoubtedly unfold over the next twelve to eighteen months.

### The opportunity

In the current environment, many managements of private companies are faced with the challenging decision of how best to move their business forward. In times of recession, there is often a misconception that there is little to no capital in the market. However, it is our experience that there is still a significant amount of growth and replacement capital available to the right companies in the right sectors – and more importantly to the right management teams.

Over the past few years, the abundant availability of institutional cash from the public markets has almost drowned out other sources of finance to small and mid-cap companies. The private equity deals to hit the headlines in that period have all been large cap and the bankers have been quick to dismiss anything other than an AIM IPO to small and mid-sized corporates.

Management should be aware that there is a significant amount of private capital available to fund the growth of suitable businesses through acquisition, upgrading and expanding production facilities, launching new product lines, refinancing existing debt facilities and even to release some equity from the business for the major shareholders. These capital providers are looking to back existing, successful management teams and help the business progress through taking either minority or majority stakes in the business and working alongside management, in addition to offering access to ongoing support and further capital as and when required.

### Selected historic private equity investment in the Food & Beverage industry since 2006

Company	Lead Equity Investor	Date	Amount	Description
Atlantic Foods	Hotbed	Apr 07	£17.5m	Importer of specialist food and drink products for foodservice and retail sectors.
Bargain Booze	ECl Partners	Jan 06	£63.5m	Operator of a chain of discount off-licences
Brunch Box Sandwich Company	Beltrae Partners	Dec 07	N/D	Northern Ireland manufacturer and supplier of fresh pre-packed sandwiches
Buckingham Foods	Duke Street Capital	Mar 06	N/D	Processor of pre-packed fresh sandwiches and snack salads
CFH	Root Capital	Jan 06	N/D	Manufacturers and suppliers of frozen ready meals
Clipper Teas	FFP	Jul 08	£31.5m	Manufacturer and supplier of organic teas, coffees and fair trade beverages
Cobra Beer	Consortium	Sep 08	£15.0m	Supplier of Indian lager and wines to restaurants, supermarkets and off-licences
Enotria Winecellars	ISIS	Jan 06	£8.2m	Wine importer
Food Partners	Duke Street Capital	Apr 06	£34m	Manufacturer and supplier of freshly made sandwiches to the food service, travel and coffee shop markets
Fresh-Pak Chilled Foods	Jaguar Capital	Jun 08	N/D	Supplier of a range of high quality fresh sandwich fillings, pate and egg cooked products
Hill Station	Acuity Capital	Oct 08	£7.5m	Ice cream manufacturer
Intercontinental Brands <i>advised by Nexus</i>	LDC	Sep 07	N/D	Wholesaler of wine and wine products
Maximuscle	Darwin	Oct 07	£75.0m	Manufacturer and distributor of sport nutrition products
NFT Distribution	Phoenix Equity	Jul 06	£51.2m	Distributor of chilled fresh foods to major retailer and depots across the UK
Northumbrian Fine Foods	Duke Street Capital	Jan 08	N/D	Manufacturer of biscuits and cereal bars
Peters Food Service	NBGI	Oct 07	£20.0m	Manufacturer of pies, pasties, sausage rolls and sausages
Rollover	Piper	Aug 06	£4.5m	Manufacturer and supplier of ingredients to caterers including premium Bockwurst sausages, baguettes, rolls and hot dog sauces
Sweet Cred <i>advised by Nexus</i>	Octopus	Mar 07	£5.0m	Supplier of novelty toys and confectionary
Symington's	Hermes	Sep 07	£40.0m	Producer of a range of pasta and rice products
Toms Confectionary	Close Brothers Growth Finance	Jan 06	N/D	Manufacturer of private label sugar confectionary
Tyrrells Potato Chips	Langholm	Mar 08	£37.0m	Producer and supplier of handmade potato chips
Whitworths	European Capital	Oct 06	£86.0m	Processor and supplier of branded and private label dried fruit and nut based products
Woodchester Enterprises	Piper	Mar 07	£5.0m	Producer of a range of soft drinks including cordials, presse and sorbet

Source: CorpFin, Nexus

### Recent Nexus Corporate Finance Food & Beverage transactions



**Sweet Cred Limited** ("Sweet Cred") is a unique novelty toy and confectionary business with sales in UK, Europe, Asia and Australia. Nexus helped Sweet Cred to raise £5m from Octopus VCT to help fund the working capital requirements and to gain a strategic private equity partner to assist with the growth of the business.



The Nexus Team worked alongside the management team of **Intercontinental Brands Limited** ("ICB") to realise some equity for the founding shareholders from the sale of a minority stake and partner with a private equity investor to grow the business. ICB is a leading producer and distributor of alcoholic and non-alcoholic beverages using its experience and proven skills of innovation to exploit the market.