

## Beverages

# AGRI, FOOD & BEVERAGES

## INDUSTRY GROUP

2019 - Q3 EDITION

The Agri, Food & Beverages industry is constantly evolving to keep up to date with new trends and preferences across different demographics.

Certification and confirmation of quality, ethical practices and sustainability are as important as ever to customers.

M&A Worldwide and the Agri, Food & Beverages specialist group, are always keeping track

with developments in the Agri, Food & Beverages industry, as well as new demands and strategic requirements, enabling us to be a valuable M&A partner.

This report covers market outlook, recent M&A and hot topics in the Agri, Food & Beverages industry. Feel free to contact any M&A Worldwide member for further information

# M&A WORLDWIDE

## THE NETWORK FOR MERGERS & ACQUISITIONS

Established in 2004, M&A Worldwide is a leading global alliance of mid-market merger & acquisition specialists. M&A Worldwide has 42 member firms operating in 43 different countries. All members are closely linked in a global alliance to advise clients on mergers, acquisitions, divestitures, joint-ventures, capital raising, and other strategic transactions. In 2018 the members of M&A Worldwide closed 423 deals in for an aggregate value of over US\$4.7 billion.

M&A Worldwide is able to provide specialized M&A consultants in a variety of industries who are willing to share their knowledge and insights on various sectors. For more information, please visit [www.m-a-worldwide.com](http://www.m-a-worldwide.com)

## OVERVIEW

Beverages market has been among one of the hottest by number of completed M&A deals in F&B industry and during last five years it consisted around 18-23% from total completed F&B deals. Therefore in this F&B report we will cover M&A trends in Beverages around the world.

## GLOBAL M&A TRENDS

During the first 3Q of 2019 there were completed 85 transactions in beverages industry compared to 95 deals during the same period of 2018. Europe was the most active scene for M&A in beverages industry with around 50% of total completed deals (Western Europe 38% and Eastern Europe 12%), followed by North America with 13%. However, the largest

transaction in whole F&B industry this year was announced in Australia. Asahi Group Holdings (Japan) announced about decision to acquire the leading Australian beer and cider producer - Carlton & United Breweries from Anheuser-Busch InBev for USD 11.3 billion. Asahi Group rationalizes their decision for this acquisition seeking to bring together some of Australia's best known and most loved brands across the alcohol and non-alcohol categories, including Schweppes, Solo, Asahi and Peroni along with Carlton Draught, Victoria Bitter, Great Northern and Pure Blonde. This would lead to potential cross-selling possibilities in different regions and possibility to distribution and logistics costs due to synergies and scale.

## TOP BRANDS ARE CHALLENGED BY NEW COMERS

Asahi and CUB mega deal is similar to visible trends in smaller size M&A as well. Members of M&A Worldwide in coverage of their countries, reports that largest beverage brand producers are challenged by new comers, which allows for craft and other premium producers increase their market share. The largest beverages producers are looking ways how to fight declining sales, improve their EBITDAs and consolidation is one of the best cures both for sellers and buyers due to potential synergies in manufacturing and distribution.

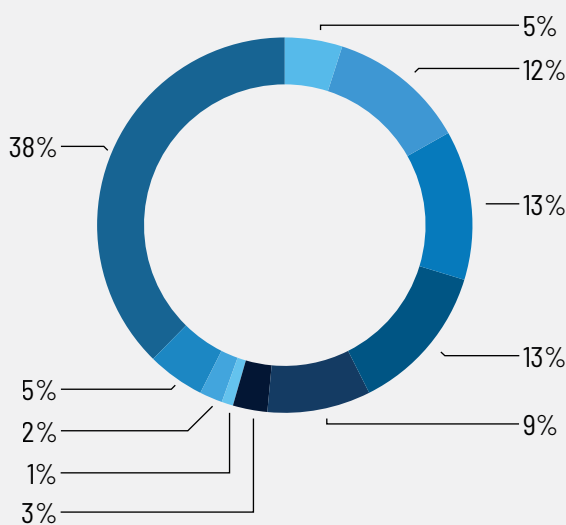
## THE LINE BETWEEN ALCOHOL AND SOFT DRINKS PRODUCERS IS FURTHER DISAPPEARING

It's already normal that alcohol producers owns soft drink producers and soft drink producers are going into alcohol market to fight for the market share. Coca Cola is very good example of it, as they launched Lemon-do an alcoholic soft drink in Japan. They are also launching Coca cola with coffee this year.



Geographical split of completed M&A transactions in Beverages (2019Q1-Q3)

Source: Eikon Thomson Reuters



- Australasia
- Eastern Europe
- Japan
- North America
- North Asia
- South America
- South Asia
- Southeast Asia
- Sub-Saharan Africa
- Western Europe

## NON-ALCOHOL BEER, CIDER, WINES AND OTHER NON-ALCOHOLIC PREMIUM DRINKS ARE BOOMING

It is influenced by changing lifestyle of consumers which are choosing more healthy drinks and food. The other trend we see, that countries are trying to solve social problems by prohibiting alcohol advertisements in mass & media. Therefore, alcohol producers started to advertise non-alcoholic versions of beer, cider, wine, cocktails mixes and other premium non-alcoholic drinks, which are now growing fast in many markets. Therefore, it is expected that this segment should continue to grow in future and gain much bigger market share, which is now considered still very low.



**Valuation of beverage businesses region and industry wide**  
EV/EBITDA multiples of all active equities in F&B (Small & Micro < USD 1billion)

	Food & Beverages	Non-Alcoholic Beverages (45)	Food Processing (578)	Brewers (38)	Fishing & Farming (222)	Tobacco (15)	Distillers & Wineries (62)
All	9,89	8,36	9,20	10,89	11,58	11,91	13,82
Emerging Europe (36)	6,42	9,55	6,20	5,42	28,05		7,79
Latin America (55)	7,19	5,05	7,67		7,34	7,71	5,52
Africa (58)	7,94	17,39	6,84	10,65	11,97	11,12	
Middle East and Africa (94)	8,32	7,78	7,56	10,65	13,37	11,12	
Europe (147)	8,73	11,21	7,73	10,00	10,12		12,96
Middle East (43)	9,19	6,51	9,42		14,86		
Developed Asia Pacific (162)	9,28	5,47	9,03	16,31	10,45		15,23
Developed Europe (116)	9,48	11,48	8,56	9,18	9,97		14,95
Euro Zone (83)	9,68	10,23	8,84	10,35	9,05		16,09
Global Emerging Markets (632)	10,12	8,17	9,36	11,13	12,50	13,59	12,95
North America (50)	10,30	13,81	9,57	25,56	9,50	10,23	13,57
MENA (42)	10,66	7,77	10,83	11,60	32,63		
Asia Pacific (604)	11,06	9,17	10,21	13,05	13,09	18,69	14,83
Emerging Asia Pacific (444)	11,82	13,26	10,73	13,01	14,16	18,69	14,71

Source: Eikon Thomson Reuters

## ARGENTINA

Argentina is a leading country in terms of food production with vast natural resources and an extremely fertile land. For the period corresponding to January – May 2019, Argentina exported food products for USD 10 billion, being soybeans and its sub-products, fishing products, meat and wine are the most relevant. The volume increased +11.3% (vs January – May 2018), reaching a total of 18 million tons.

### Wine Sector in Argentina and Recent Transactions

#### Wine Sector in Argentina and Recent Transactions

Despite the drop in domestic consumption, the Argentine wine sector received investments from national and foreign companies in recent years. Growing competitiveness in the wine sector globally, but also locally, led to consolidation in recent years, with relevant international players acquiring traditional family-owned wineries.

The integration of new players to the business is accompanied by a transformation in the market and a growth in supply across the premium segment. During 2018 and 2019, M&A activity in Argentina's wine sector was dynamic, especially driven by large wineries:

- In March 2018, Silvio Benvenuto (one of the former owners of La Campagnola S.A.C.I., a local food company) sold Bodega Colle di Boasi S.A. (a winery located in Uco Valley, Mendoza) to Bodegas Bianchi S.A., a 90-year-old family-owned company. The acquisi-

tion included a 170 hectares-farm.

- In April 2018, the Ortega Gil Fournier Spanish family sold Bodega & Viñedos O. Fournier S.A. to the Agostino Family, a local winemaking investor.

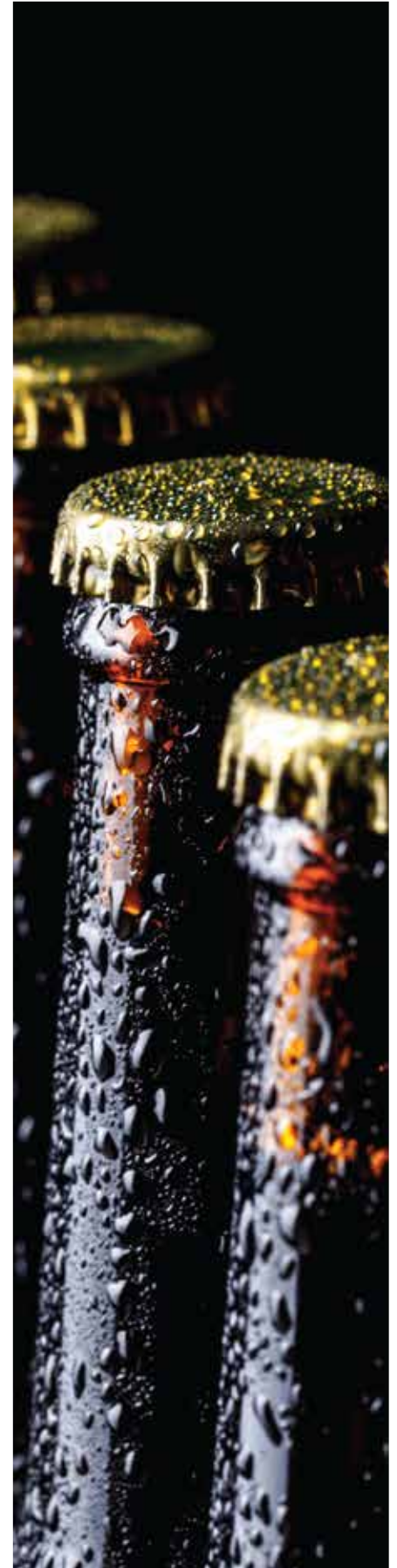
- In December 2018, the Arizu family announced the sale of Bodega Luigi Bosca e Hijos S.R.L., to L Catterton Latin America, the largest global private equity fund dedicated to the consumer sector. L Catterton Latin America plans to drive both the global growth of the iconic brands of the winery as well as its long-term vision to expand into the most relevant international markets.

- In January 2019, Compañía Cervecerías Unidas S.A. (a Chilean group specialized in the winery and beer sector), acquired Bodegas y Viñedos Santiago Graffigna Ltda. S.R.L., from Pernod Ricard Argentina S.R.L. The transaction included the Graffigna, Colón and Santa Silvia brands, the Graffigna winery and two vineyards (one located in San Juan the other one in Mendoza).

- In June 2019, SPI Group (a Russian holding company owner of Achaval Ferrer Winery), led by millionaire businessman Mr. Yuri Shefler, acquired Viñas Familia Aristi S.A. (Melipal winery), located in Agrelo, Mendoza.

SanCor Cooperativas Unidas Ltda., advised by Finanzas & Gestión, sold its industrial facilities in Chivilcoy and Morteros and its brands Las Tres Niñas and Angelita to Adecoagro S.A., one of the largest agricultural companies in South America.

Bodegas y Viñedos Santiago Graffigna Ltda. S.R.L. was sold to Compañía Cervecerías Unidas S.A., a Chilean group specialized in the winery and beer sector.

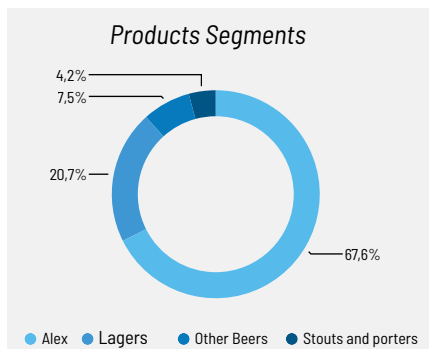


## AUSTRALIA

Within the Australian market, Craft Beer & Functional Beverages are two current high-growth segments.

### Craft Beer

Craft Beer Production has flourished with changing consumer tastes in Australia, particularly the move towards premium beers, and a growing emphasis on quality across liquor retailing. Strong demand has allowed the industry to expand over the past five years, with craft beer producers now operating in every state and territory across the country. The players in the Craft Beer Production industry brew a variety of beers which can be broadly separated into ales, lagers, stouts and porters, and other beers.



Overall, the industry revenue is forecast to increase at an annualized 5.6% over the five years through 2023-24, to USD 475+ million. The industry is highly fragmented, despite the presence of major brewers such as Lion, Carlton and United Breweries (CUB) and Asahi. However, market share concentration has increased over the past five years, as these multinational companies

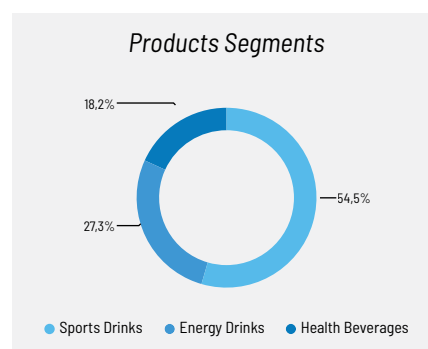
have made several high-profile acquisitions of craft breweries.

Some of the recent M&A deals happened in the industry are:

- Acquisition of Mornington Peninsula Brewery by Tribe Brewery in 2018
- Acquisition of Green Beacon Brewing Co by Asahi in 2019
- Acquisition of Australian operations of Anheuser-Busch InBev by Asahi in 2019

### Functional Beverages

The Functional Beverage Production industry has grown steadily over the past five years. Increasing demand for functional beverages, particularly sports and energy drinks, has driven industry growth. Rising concerns about obesity and other health complications have increased consumer health consciousness, driving demand for these products. Industry innovation has caused operators to expand their product ranges, with increasingly sophisticated products performing well despite import competition. The industry revenue is forecast to grow at an annualized 3.4% over the five years through 2024-25, to be worth USD 371+ million.



The two major players, Coca-Cola Amatil (CCA) and Asahi, increased

domestic production to compete with major imported energy drink brands Red Bull and V Energy. In May 2016, CCA acquired the Australian rights to Monster Energy, previously Asahi's only brand in the energy drinks segment.

Some of the recent M&A deals happened in the industry are:

- Acquisition of Organic & Raw Trading Co, known for Mojo brand of kombucha tea, by Coca-Cola in 2018
- Acquisition of 45% minority stake in Made Group by Coca-Cola in 2018
- Acquisition of Crankt Protein, a manufacturer of nutrition products, including beverages and snack bars, by Freedom Foods in 2018



## CROATIA

### *Beverages market*

In recent years, Croatian F&B market was highly affected by 2017 liquidity crisis in Agrokor, holding company with interests in retail, F&B and agriculture sector. Since then, F&B companies, including beverage producers have diversified customers and widened product range to meet requirements of quality and price sensitive consumers. In terms of revenues, biggest companies are water bottling company Jamnica and beer producer Zagrebačka Pivovara with 2018 revenues of EUR 172,7m and EUR 149,4m respectively. They are followed by producers of strong alcoholic beverages Badel 1862 with EUR 39,2m and Maraska with EUR 23,1m in revenues. EBITDA margin analysis of top 20 beverage producers in Croatia shows that median EBITDA margin in 2016 amounted to 10,7%, in 2017 to 11,9% and in 2018 median EBITDA margin was 9,8%.

### *Main characteristics*

Main characteristic of Croatian beverage industry is strong presence of local brands. Up until recent years, majority of them were under management of biggest Croatian companies. For instance, holding company Agrokor owned water bottling company Jamnica while Podravka, large Croatian food conglomerate, owned Studenac. Recent activities are affected by divestitures from core activities and entrance of multinationals. Biggest transaction occurred in beer production in 2012. With EUR 2,65b acquisition of StarBev,

Molson Coors Brewing also became owner of biggest beer producer, Zagrebačka Pivovara. In water bottling and sugary drinks production, Stanić Group acquired Jamnica's brand Juicy in 2013 for EUR 45,0m. Furthermore, in September 2016. Czech company Kofola acquired water bottling company Studenac from Podravka, biggest Croatian F&B and Pharma company. In 2017. Croatian producer of strong alcoholic beverages, Badel 1862, was acquired by Meteor Grupa.

Except transactions mentioned above, there are many other Croatian and regional companies which are big enough for cross border transactions and attractive enough as they are well rooted in the local market and have strong local brands and, secondly, have knowledge and capacities to serve as private label producers for larger beverages companies which need to grow constantly.



## DENMARK

### Quantity to quality

The sale of mainstream, or you can call it "factory" beer has decreased over the last few years in Denmark, which mostly hit the larger suppliers on their base products. The reason of the decrease in sale of "factory" beers like Carlsberg, Royal Unibrew, Heineken etc. is to be found in a change of trend from quantity to quality. A change initiated by all the small microbreweries founded everywhere in Denmark from small islands to villages. They all brew their own beers with their different taste.

The large breweries as Carlsberg and Royal Unibrew looked across the Atlantic to the US and their craft beer trend and got inspired to greater enjoyment and less drunkenness. From 2017 and until now both Royal Unibrew and Carlsberg has made large investments in Denmark in new production facilities and product development. Carlsberg made the new brand and special beer product line - Crafted By with

focus on concept and individually made special beer for restaurants, companies and private consumers.

To illustrate the ongoing process more than 30 new breweries shows up yearly and the number of new Danish beers increased to the highest level in 2018 with 1,832 from 197 breweries.

### Where are we going

There is no doubt that individual and healthy living, less alcoholic and sustainable view is in focus. The breweries are already moving towards this, and Carlsberg has successfully entered the market with their non-alcoholic beer Nordic. Latest news is Carlsberg's introduction of a paper bottle for beers, which has been tested for a period and is ready to be released to the market. From 2020 you might enjoy a non-alcoholic beer in paper bottle.

At the individual side we expect to see even more different types of beers, with focus on non and less alcoholic types during the years to come. The back side of having a brought product portfolio, is to get

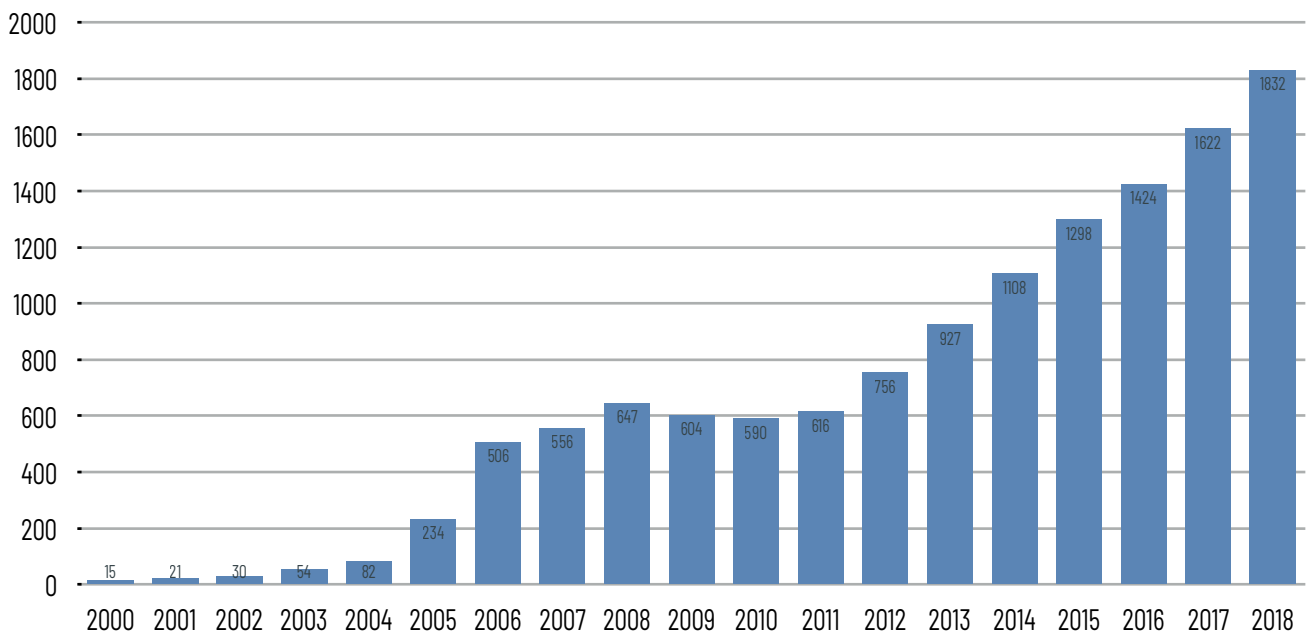
critical mass under production to keep the prices on an acceptable level to the customers. This will require more production on demand in less badge sizes. The breweries capabilities and investments in solving this production issue might be the key factor to success.

The trend among the younger generations, is more going in the direction of drinks instead of beers. Especially gin is a high score, which has caused a large upcoming group of distilleries making all kind of gins.

### Acquisitions

Carlsberg Group has, as the third largest brewery in the world, made several acquisitions. Since 2013 Carlsberg has acquired eight Chinese breweries, one UK, one Greek and partly takeover of a Portuguese brewery. Both Carlsberg and Royal Unibrew have, and are still, acquiring several microbreweries to fulfill their strategy of quick move to "non-factory" beer.

Number of new beers introduced in Denmark



## GERMANY

### Beverage market in Germany

Consumers in Germany spend around EUR 21.4 bn per year for non-alcohol and EUR 24.8 bn for alcoholic beverages (2018; source Statista). Mineral-water is no 1 with 154 litres per person p.a., followed by soft drinks (123 l.) and beer with 102 l.

Beer-consumption has decreased over the last years whereas mineral-water is on a steady growth path. Aging of the population and growing health-consciousness are major drivers for this trend. "Near water drinks" (slightly aromatized) are getting bigger share within the water-market. Smaller sizes, resource-efficient packaging, recyclable material for foils and labels plays an increasingly important role.

Leading players in the beer industry are Radeberger-group (part of Oetker-group), AB/InBev (i.e. Becks, Löwenbräu), Bitburger-Group, Oettinger and Krombacher. With nearly 1500 breweries in Germany the market is still fragmented and regionalized. Beer-mix-drinks, alcohol-free beers, speciality-, regional- and craft-beers are growing categories. Cooperation and joint-ventures along the value-chain (i.e. with delivery services) are other measures to cope with the shrinking beer market.

Spirits overall is a stable market (5,4l) and Gin the growing product in this category together with spirit-mixes.

In the soft-drinks market ice-teas, energy-drinks and bitter-drinks are growing. Plant-based milk alternatives (based on i.e. oat,

almonds, hazelnut, rice) are a new but dynamic segment. Alpro, Oatly and trade-brands are driving-forces. Also Innocent (Coca-Cola) has entered this market.

With 31,5 liter fruit-juice consumption p.a. the Germans are world-champions. But the category is stagnating. Fruit-juice market-leader Eckes-Granini has acquired 35% of the smoothie-start-up True Fruits early 2018 to join this growing segment.

### M&A activities in Germany

Oct. 2019: German based Extrachem bought Horizon Specialties, the food color business from UK ingredient supplier Thew Arnott Group. The divesture will enable Thew Arnott to focus on its core business of ingredients; Extrachem will increase its footprint in the EU and particular Germany.

June 2019: Five seasons Ventures invested in Munich-based "YFood"; a start-up selling well-balanced meal in a convenient drink-format.

Nov. 2018: Oetker-group gets a 60% stake in wine-selling online-platform "Belvini".

Oktober 2018: German Capri-Sun Group acquired 85% of Austrian tea-drink start-up "all I need".

March 2018: Henkell (Oetker-group) become majority shareholder of "Freixenet" / Spain; together they are the world-largest sparkling wine business.

March 2018: Diageo completed the acquisition of "Belsazar"; a German Premium-aperitif start-up.

### Food-Deals by ACTIVE M&A Experts:

May 2019: "Snooze GmbH" sold a minor stake to Bitburger Ventures. Snooze® is a natural sleep drink with effective, natural herbs to support natural sleep cycles and help to fall asleep faster and stay asleep longer. Active M&A Experts supported the founder of Snooze in this transaction.





## ITALY

M&A activity in the Food and Beverage sector is still predominately driven by strategic buyers (including companies primarily owned by private equity investors). The beverage sector continues to be an active space for M&A. In average the Multiples are: in alcoholic drinks (x16,5) and non alcoholic drinks (x15).

**The International expansion** will continue to drive Italian corporates' acquisitions in terms of: (i) premium products and (ii) penetration in new markets, to reinforce their positioning among the global sector leaders.

**The E-commerce channel** is identified as an opportunity to: (i) increase revenues and (ii) reach new countries/markets. **(Ultra)premium Wine and Sparkling Wine** brands will garner interest from both Private Equity funds and Financial investors due to the attractive margins. **Soft drinks** M&A activity will be driven by the pursuit of targets offering excellence in terms of product quality. Consumption of **beer** appears to be declining, except for the premium/craft segment, that will continue to attract the interest of large players.

### Italy - Deals 2019

- **Coca-Cola** HBC is to buy Italian bottled water company **Acque Minerali (Lurisia Brand)**, a private natural mineral water and sparkling beverages business, for EUR 88m. The company has been a pioneer in offering water products in bell-shaped glass bottles, designed by the Italian

architecture.

- The French group **Pernod Ricard** has announced the acquisition of the Italian high-end gin brand **Malfy**, currently owned by the American Biggar & Leith.

- **Quadrivio Fund** has created "Made in Italy Fund" to create a premium-end wine hub, which can already count on the participation of two wineries **Torrevento** and **Collalbrigo**. The fund aims for a turnover of EUR 100 million.

- **Davide Campari-Milan S.p.A.** has announced that it has entered into exclusive negotiations with the company Financière Chevrillon with the aim of acquiring the French company **Rhumantilles SAS** ("Target"), which owns 96.5% of the Bellonnie & Bourdillon Successeurs company based in Martinique. Net sales at value reported by Target in 2018 amounted to € 24.1 million.

- **Campari Group** acquired the majority of **Licorera Ancho Reyes y Cia S.A.P.I. de C.V** (producer of the spicy liqueur Ancho Rechtes) and Casa Montelobos S.A.P.I. de C.V. (producer of Montelobos Mezcal)

- **Refresco Italia** has signed an agreement to purchase **The Belté** brand from the **San Pellegrino Group**, which will be operational from 1 December 2019. Refresco Italia is one of Italy's leading beverage manufacturers, with a product portfolio that includes mineral water, carbonated beverages, tea and beverages sports and isotonic and fruit juices

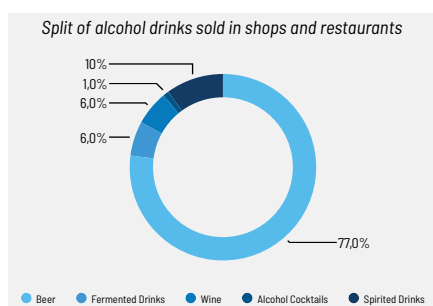
- The **Caffo group** (Amaro del Capo brand) has acquired **Mangilli - Cantine and Distillerie Friulane**, a historic winery active since the end of the 1800s and famous for its rich assortment of fine Friuli grappas and wines

- The **Marzotto** family invests five million euros and insures 50% of **Holy Industries**, a company that produces Drink Holy, a detox drink so far distributed in extreme niche channels such as luxury resorts, trendy bars in big cities.



## LITHUANIA

Several years in a row we see a trend that sales of traditional alcohol like wine, beer and vodka is decreasing while various non-alcoholic beverages has tendency to grow. After the ban of alcohol advertising in Lithuania in 2018 various local alcohol producers started producing and advertising non-alcohol versions of beer, cider and other premium non-alcohol drinks. One of the largest retail chains in Lithuania Rimi (owned by ICA) confirms that sales of non-alcohol beer and cider grew by 20% this year compared to sales of last year (growth last year was even bigger and over 80%). Previously almost non-existent group in several years found its customers and that led to double increase of the assortment of non-alcohol beer, cider and wine in the shelves of shops. Despite that, beer is still most popular drink among Lithuanians with 77% market share of sold alcohol in shops and restaurants.



Lithuanians have long lasting traditions of beer brewing. There are 3 largest breweries in Lithuania owned by international beer giants Carlsberg, Royal Unibrew and Olvi, but their local market share is declining as number of small craft beer

producers entered the market. Craft beer producers together with largest breweries is also influencing beer exports, which are growing almost every year since 2007. Last year export of beer grew by 5.3% to 8.6 thousands of decalitres.

### M&A in beverages

One of the major investors for last couple of years in alcohol beverages segment was MV Group owned by MG Baltic (Lithuania). They have entered this market in 2003 after privatization of Stumbras (vodka and other strong alcohol), afterwards they have acquired Alita (sparkling wine) in 2014, finalized purchase of Anykščių vynos (wine) in 2015 and bought Gubernija (brewery) in 2017.

We think that successfully operating and growing craft beer breweries would become interesting targets for largest local and international players, that would let them increase their market share and increase profitability by utilizing synergies.



Largest Breweries	Turnover EUR millions	Owner	Specialty
Švyturys-Utena Group	86	Carlsberg Group	Beer
Kalnapiilis-Taurus Group	59	Royal Unibrew Group	Beer
Volfas Engelman	43	Olvi Group	Beer
Vilniaus alus	6	Private persons	Beer
Gubernija	6	MV Group / MG Baltic	Beer
Largest Spirits producers	Turnover EUR millions	Owner	Specialty
MV Group production	50	MV Group / MG Baltic	Vodka
Vilniaus degtinė	21	Marie Brizard Wine and Spirits	Vodka
Boslita ir Ko	45	Bosca S.p.A.	Sparkling wine
Italiana LT	7	Private persons	Sparkling wine

## NETHERLANDS

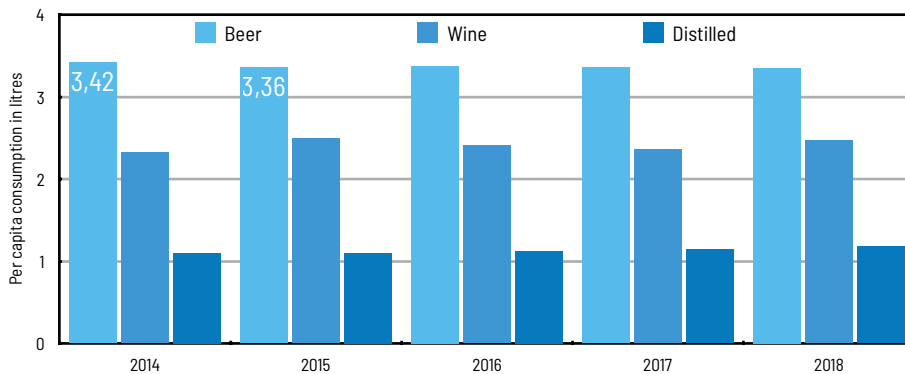
### Alcoholic beverage market

The Netherlands is a major player in the production of alcoholic beverages, in particular beer. Major global players of Dutch origin include Heineken and Bavaria (Swinkels Home Brewers). This market is dominated by a few larger players, including the two above. AB-Inbev is also very active in this segment. Only 15% of beer consumption is imported.

These three brands have also made various acquisitions in the Netherlands and abroad in recent years. Acquisitions mainly relate to smaller (local) breweries in order to increase market share. In addition, Asahi Holding, a Japanese beer brewer, also increased its market share in the Netherlands through the acquisition of Grolsch (2016).

Total pure alcohol consumption in the Netherlands

Source: Global status report on alcohol and health 2018, WHO



AB-Inbev has announced in August 2019 a large Dutch beverage wholesaler Jac. Bongers to be able to increase their own market share through this wholesaler.

Specialty beers have become very popular among the general public in recent years, which also entails strong gross margins. The price per hectolitre on pilsner is falling sharply, with the big players

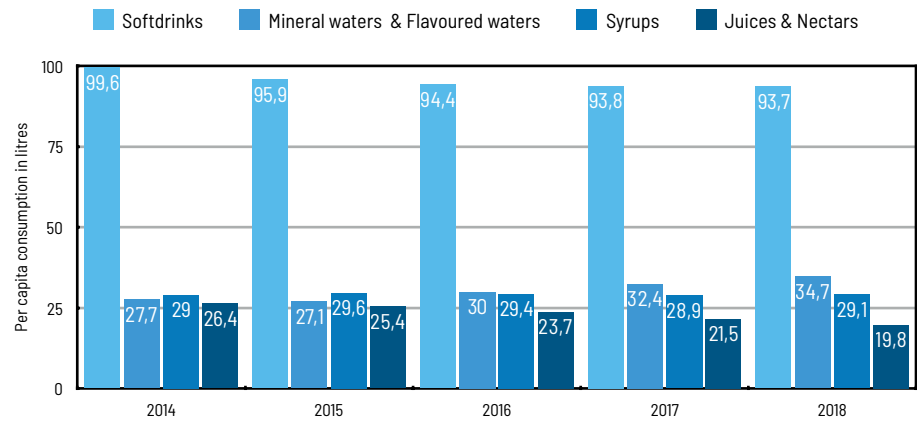
competing vigorously, they are happy to accept that they can sell more specialty beers to their catering channels.

612 million. The other 50% still remains in the hands of the family.

### Non-alcoholic beverage market

Total consumption in the Netherlands

Source: Publication of the Dutch Association for Soft Drinks, Waters and Juices



In terms of national alcoholic consumption per capita, beer is the most popular drink with roughly 70 liters of beer per capita.

In the area of non-alcoholic beverages, a decrease in the consumption of soft drinks (with a lot of sugars) is observed.

The public perception of healthy and sustainable consumption also has an effect on this sector. Due to pressure on margins, due to the changing consumer image with regard to healthy food, further consolidation is expected.

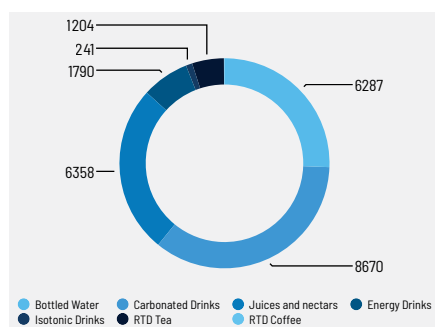
This consolidation will not only relate to competitors, but is expected to become visible at chain level in the form of acquisitions and partnerships. The largest soft drink producer in the Netherlands is Refresco Group, has also demonstrated this chain integration in recent years by taking over various bottlers. In addition to the consolidation effort to achieve further scaling up and to be even closer to the end consumer, it is also expected that exports will continue to increase, with the United Kingdom as the largest market. The vast majority (70%) of sales are alcoholic drinks.

## POLAND

### Beverages market review in Poland

Currently, the Polish non-alcoholic beverages market is undergoing major structural changes. The key drivers of this market are functional drinks, NFC, healthy lifestyle coupled with increasing market consolidation transactions. The value of the Polish non-alcoholic beverages market is estimated to exceed PLN 24.5 billion (approx. EUR 5.7 billion) in 2020. The market largely depends on consumer moods and subjective feelings about the country's economic situation, however, its value is not directly correlated with changes in GDP. The market is expected to grow annually by 3.9% (CAGR 2019-2023). Germany is the largest importer of beverages produced in Poland.

#### Expected market structure as at 2020 (PLN million)



#### Trends

The bottled water is the fastest growing segment of non-alcoholic beverages, which is mainly due to the increasing consumer awareness of a healthy lifestyle. The situation of the largest segment - carbonated drinks

looks less optimistic, it is estimated that their market share will decrease in the coming years. Also the juice and nectar market is characterized by lower than general growth dynamics, which results in a decrease in the market share of this segment.

**Functional drinks** - consumers are increasingly buying functional drinks that contain such beneficial ingredients as turmeric, activated carbon, matcha, melatonin and aloe.

**NFC** - growing awareness and education makes consumers notice the health benefits of NFC juices, tea also the better taste of such drinks compared to concentrate juices is an important growth factor.

**Value for money** - customers on the Polish market attach statistical importance to the price of the product, which is why they are looking for relatively high quality at the best price.

**Texture** - not only taste and colour, but also texture is becoming increasingly important in the beverage market. To encourage consumers, drinks increasingly contain various types of particles (e.g. fruit in the case of juices).

**Sustainable development** - society interest in responsible consumption is no longer limited to just reducing plastic consumption, nowadays people will pay more for products that claim to be sustainable (not only through packaging, but also through e.g. the method of production and the source of obtaining the ingredients).

### Main driver of M&A on the market:

**High consolidation pressure** - the beverage and bottled water market in Poland is very fragmented - there are many medium-sized local companies. In the long run, these companies need to merge to stay on the market.

### Recent transactions:

- Acquisition of **Jurajska Sp. Z o.o.** - well known bottled water producer by **HORTEX Sp. Z o.o.**
- Acquisition of **Hoop Polska Sp. z o.o.** by **ZMB Capital** the owner of **Ustronianka Sp. Z o.o.** producer of mineral waters and beverage.
- Acquisition of 45% minority stake in **OSHEE Polska sp. z o.o.** - the leader on the functional drinks market in Poland, by **Innova Capital.**
- Acquisition of **Rolmlec** - co-owner of the **Lacpol** dairy company, by **Polmlek** - the largest private company in the Polish dairy industry.
- Acquisition of **Appol** - manufacturer of NFC juices by the Chinese company **SDIC Zhonglu Fruit Juice Co.Ltd**



## ROMANIA

### Wine



The Romanian wine production has exceeded 5 million hectolitres in 2018, up by 18% compared to 2017. Romania ranks 12th in the world and 6th in Europe at the wine production. There are over 180 wineries that produce bottled wine in Romania and their number has recorded a growing trend in the last years. Some of the main wine producers in Romania are: Cramele Recas, Jidvei, Cotnari, Vincon, Crama Ceptura, Cramele Halewood, Domeniile Viticole Tohani, Vinexport Trade Mark, Domeniul Coroanei Segarcea. In regards to dynamics, for example, Cramele Recas recorded a turnover of EUR 32.5 million in 2017; +22% vs. 2016 and of EUR 38.9 million in 2018; +20% vs. 2017.

### Some of the recent M&A transactions

The domestic wine producer Sarica Niculitel has taken over in

2019 the Vinarte's winery in Buzau, SE Romania and the Prince Matei wine brand, in a transaction estimated at EUR 1-2 million.

In 2019 the Bucharest-based sparkling wine producer Zarea has taken over the Sange de Taur wine brand from the local wine producer Domeniile Tohani. The Sange de Taur brand is the top-selling red wine in Romania, according to Nielsen Audit retail FM 2019.

Alexandron Group, the largest spirits producer on the domestic market, has acquired in 2018 the Halewood wine operations in Romania.

### Beer

The Romanian beer market has recorded 16.6 million hectolitres in 2018, up by 3% compared to 2017, according to Brewers of Romania Association. The beer consumption per capita has reached 85 litres in Romania in 2018. According to Brewers of Romania Association, the lager beer has recorded a share of 93.61% in the Romanians' preferences in 2018, followed by the specialties category (dark, unpasteurized, light, ale, red beer etc) with 2.25%, beer mixes and flavoured beers with 2.27% and non-alcoholic beer with 1.87%.

97% of the beer sector in Romania is represented by the domestic production. The beer production is a driver of the Romanian economy by generating, directly and indirectly, over 85,000 jobs. The number of brewers in Romania has increased to 56 in 2018, compared to 39 in 2017. The most important beer producer in Romania is Ursus Breweries SA. It

registered a TO of EUR 373.4 million in 2017; +2% vs. 2016 and of EUR 396.8 million in 2018; +6% vs. 2017.

The craft beer market in Romania is in full expansion. Currently, there are over 60 small producers of craft beer in Romania. Most of them are young entities, established during 2015 - 2019.

### Cider

Cider is a relatively young sub-category on the Romanian market. Despite this fact, according to a study made in May 2019 by the research agency Strategis for the Progresiv magazine, 50% of Romanians have consumed cider in the last year.

According to the same study, the Romanians drink two bottles of cider per occasion. The main cider selection criteria are: flavour, price and brand awareness. In 2015 Heineken has launched in Romania the Strongbow cider produced in Bulgaria, thus creating a momentum to a niche segment that has proved very successful on the local market.

The cider sector in Romania is an expanding and dynamic market, with significant growing potential. According to RetailZoom, the sector is strongly concentrated, with two beer producers (Heineken and United Romanian Breweries Bereprod) and one sparkling wine producer (Zarea) controlling 99% of the Romanian market in 2018.

## SPAIN

### General overview

The Food and Beverage industry in Spain has managed to keep the high investment ratios and being attractive for Private Equity investors. In 2018, its contribution to the economy represented 3% of the Spanish GDP and a total production exceeding EUR 116,000bn. Exports are EU-focused (66.3% in 2018), with France, Italy, Portugal, UK and Germany being the main destinations.

### Beer market

The production of beer in Spain grew up by 7% in 2018 up to EUR 3.5bn (3.8bn litres). The prospects are optimistic, with an expected CAGR of 3% for the next 4 years and sales (4.4bn litres in 2023).

#### Craft & flavoured beer

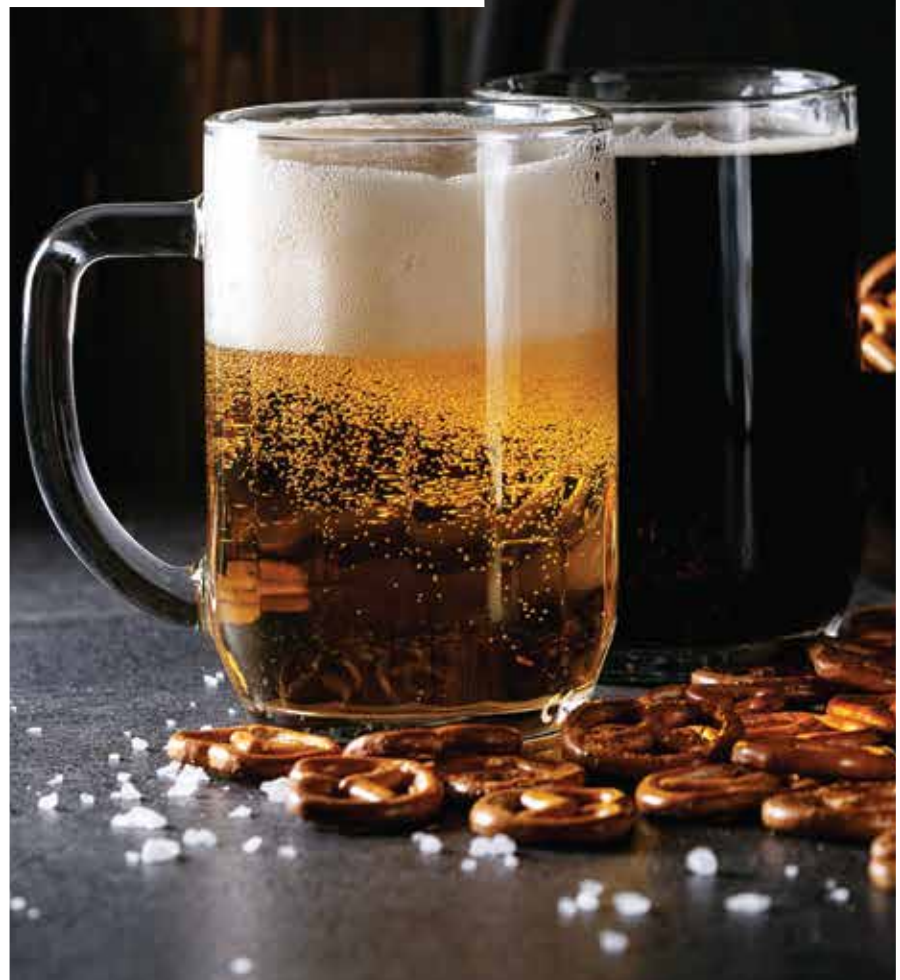
In addition to alcohol-free beer and flavoured beer, the large amount of new local and regional brands of craft beer is on the rise. Although it is still very small in percentage terms with respect to the overall beer market in Spain (1-2%), but it has grown dramatically in the last two years (by 44% in 2017 and by 33% in 2018), and so has the amount of breweries and microbreweries in Spain which are more than 1,200.

The shift in consumer demand, since beer-lovers are starting to shy away from the standard flavours and tend to value taste and variety more than before, is creating the need to diversification and market protection strategies. Examples of this are Mahou San Miguel,

which released three new brands in 2018 (Mahou Maestra Dunkel, San Miguel Radler and Mahou Cinco Estrellas Radler) and has increased its stake in Avery Brewing from 40% to 70%, thereby assuming the control of the local premium brand "Brutus". Other cases were Cervezas la Cibeles acquired by Heineken and Rosita sold to Damm Group.

### Conclusion

Craft and flavoured beer are some of the markets which are expected to continue with their steady growth in the next years. With the low entry barriers and the increasing demand for variety, this could be the right moment to strengthen its position and acquire a competitor, take advantage of the well-known brands, idle production capacity and distribution networks and lead the market consolidation.

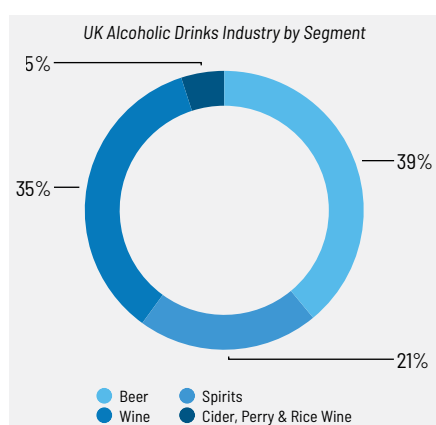


## UNITED KINGDOM

Despite Brexit uncertainty in the UK over the last year, there remains a strong appetite for M&A in the Beverage industry. With shifts in consumer preferences and a plethora of new market entrants, many larger organizations are diversifying their product portfolios as a means not to fall behind. Furthermore, a cheaper pound is encouraging increasing levels of foreign investment.

### Alcoholic Beverages

Over the last twelve months (LTM) the UK beverage industry has seen 31 deals, of which 24 have been within the alcohol segment of the market. A rise in popularity of craft beer has led to increased brewery acquisitions, with 13 acquisitions made in 2019 (vs. 7 in 2018). Global brewing companies such as Molson Coors, Asahi and Lion have all made acquisitions in the UK over the LTM.



Total revenue for the UK alcoholic drinks market topped USD 69 bn in 2019, up 5% from 2018. The market is expected to grow annually by 3.7% (CAGR 2019-2023). The market's largest segment is Beer which has a market volume of cUSD27bn. Beer has seen a 5.6% increase in revenue growth, which is up from 3.1% in the year prior.

Spirits have seen the biggest increase in revenue growth of 8.0%, however, this is down from 10% growth the year before. Wine and Cider, Perry & Rice Wine have shown consistent increases in revenue growth year-over-year.

Some of the recent M&A deals which have happened in the alcoholic beverages industry are:

- Acquisition of Greene King by CK Asset Holdings in August 2019 for cUSD3.4bn
- Acquisition of Hopstuff Brewery by Molson Coors Brewery in July 2019 for an undisclosed amount
- Acquisition of Fuller, Smith & Turner by Asahi in April 2019 for cUSD313m
- Acquisition of Magic Rock Brewing Company by Lion in April 2019 for an undisclosed amount

### Non-alcoholic Beverages

Global trends towards healthier lifestyles have meant sales of non-alcoholic beers, wines and spirits are at an all-time high. The non-alcoholic spirit segment is just 3 years old but is already valued at more than USD 6million. With more and more of the younger generation choosing alternate options to alcohol, large alcohol companies have realized a need to diversify. This is typified by the acquisition by Diageo of the majority shareholding in Seedlip, the world's first distilled non-alcoholic spirits brand in August this year.

Acquisitions of coffee companies in the UK are responsible for over 50% of the M&A activity in the

non-alcoholic sector. This has been driven by market consolidation; both across market leaders such as Costa Coffee (acquired by Coca Cola) and Pret A Manger (acquired by JAB Holdings), and mid-size operators. Growing trends for locally roasted coffee have led to an inundation of new market entrants, seeking to disrupt the already-established brands. There are no signs of activity slowing with people in the UK said to drink 95 million cups of coffee per day.

### M&A activity

Some of the recent M&A deals which have happened in the non-alcoholic beverages industry are:

- Acquisition of Seedlip by Diageo in August 2019 for an undisclosed amount
- Acquisition of Costa Coffee by Coca-Cola in January 2019 for USD 5.1bn
- Acquisition of Mars (Coffee business) by Luigi Lavazza in October 2018 for USD 650m
- Acquisition of Pret A Manger by JAB Holdings in May 2018 for cUSD1.9bn

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