

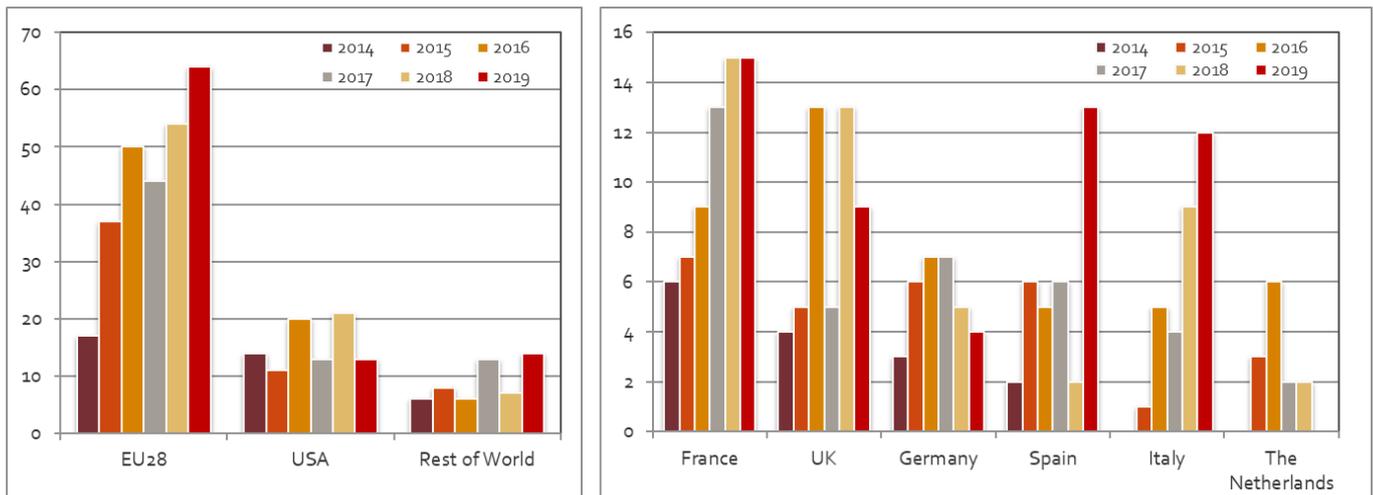


Unigrains – In Brief

2019 Global M&A Review

Baked Goods: A record year!

Number of M&A transactions* in the baked goods sector



Source: Unigrains, * taking into account only company purchases/sales, spin-offs, acquisitions of majority interests or mergers; minority interests are not included

2019 was a particularly busy year for mergers and acquisitions in the baked goods sector

- 2019 stands out for a **historically high number** of mergers and acquisitions in the baked goods sector. 65 transactions were recorded compared with 82 in 2018, i.e. an increase of 11%, with Europe accounting for the lion's share of deals. 65 transactions were recorded in the European Union (54 in 2018), i.e. 70% of the deals recorded. The pace of transactions accelerated sharply in Italy and Spain and remained high in France. In addition to these deals, it is worth noting **around fifteen acquisitions of minority stakes**, most of them by private investors or investment companies.
- **More than a third of these deals** were acquisitions by **financial companies** (investment companies, financial funds, family offices), alone or working with family-owned businesses. These operators generally have a strong presence in the United States; in 2019, they were particularly active in Italy, France and Spain.
- Of these transactions, **one quarter are cross-border transactions**. For instance, Spain's Casa Tarradellas took over Herta's dough business. Italy's Morato Pane acquired Orva Piadine, another Italian company, and took over Cerealto Siro Foods' Bread business in Spain. French group Bouvard continued its acquisition spree in Italy. Bulgarian company Bella acquired Marathon Foods in Hungary. The Mexican world leader, Grupo Bimbo, carried out deals in Spain, the United Kingdom and Chile. US company G.H. Guenther & Son acquired Wback in Germany...
- **France alone accounted for 15 transactions**, i.e. 1/6th of the majority deals recorded. Most of these transactions targeted SMEs and involved French players, one exception being the sale of Cerelia by the IK Partners fund to the private equity firm Ardian.





Five main reasons for this strong activity

- The determination of industry leaders to **respond quickly to new market trends**, with consumers seeking products that promote naturalness, well-being and quality, and patterns that are evolving towards food-on-the-go and snacking. SMEs specialising in premium frozen pastries, craft-type and speciality breads or niche products (gluten-free, organic, vegan) are prime targets. Buns, bagels and muffins are in vogue, particularly in Europe.
- The **construction of dominant positions**: in parallel with the **cross-border expansion** illustrated above, the development of national leaders also involves **strengthening their positions in their home markets**, cases in point being Spanish companies Europastry and Panstar, Belgian companies La Lorraine and Diversi Foods, and Czech group Penam.
- In markets where competition is strong, the **exit of a major player** can also trigger a reshuffling of the competitive landscape. For example, the fairly recently established Spanish group Cerealto Siro Foods, which wanted to pull out of the fiercely competitive pre-packaged bakery product sector, initiated several disposals, thereby bringing new players to the market.
- The **search for diversification** in businesses offering potential synergies in purchasing, sales or logistics. Examples include Bauli, which invested in protein bars with the acquisition of Slovakia's Maxport; US group Hostess Brands launched into biscuits in Canada with the acquisition of Voortman Cookie; French biscuit maker Bouvard continued to expand in sponge cakes in Italy with the acquisition of Forneria Gusparo.
- The **strong involvement of investment funds holding majority stakes**, which drive the private equity market but are also seeking to set up consolidation platforms in order to create value for the disposal through a coherent, well-structured whole. Common in the United States, this phenomenon is also increasingly seen in Western Europe. Italy, with its rich fabric of SMEs, is thus a prime target.

Given these different motivations, which remain relevant today, **2020 looks to be another busy year for mergers and acquisitions**, as evidenced by the nine deals already recorded in January.

