



Unigrains – In Brief

2020 Global Review of M&A in the bakery sector

A respectable performance in a year marked by the health crisis

In 2020, the bakery sector recorded a 20% fall in the number of M&A deals compared with 2019 – a respectable performance by past standards, however, given the uncertainties created by the health crisis for both financial companies and businesses.

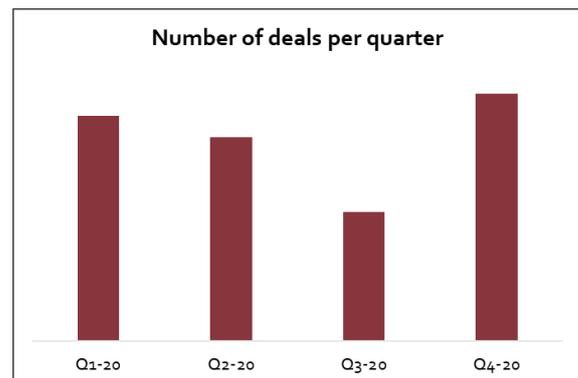
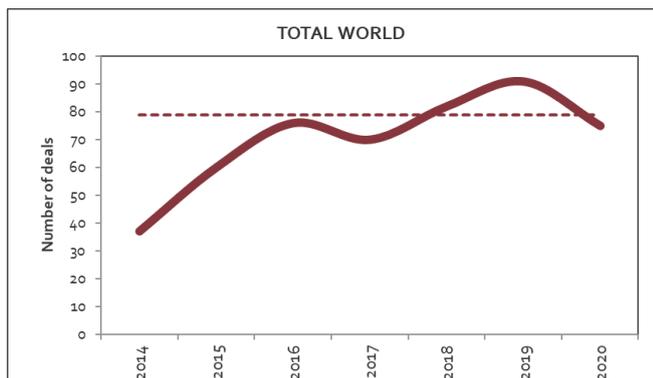
This memorandum presents an overview of the year's highlights.



→ An average year but contrasting dynamics on either side of the Atlantic

With 75 deals, 2020 is one of the smaller years in the recent period in terms of the number of mergers and acquisitions in the bakery sector. This decline is in with what was observed for the agri-food sector as a whole, the health crisis having had an overall paralysing effect in the 2nd and 3rd quarters, which failed to be offset by a dynamic 4th quarter. After an admittedly bumper year in 2019 with 91 deals, 2020 is back at the bottom of the five-year range, marked by a low point in 2017 when 70 deals were recorded.

Number of M&A transactions* in the bakery sector



Source: Unigrains, *company purchases/sales, spin-offs, acquisitions of majority stakes or mergers

This decline is observed mainly in Europe: 38 majority deals were identified in the EU-28 (64 in 2019), a 40% decline from the previous year. The pace of acquisitions slowed considerably in Spain, France and Italy. However, this slowdown was not noted in Germany or the Benelux countries.

In North America, activity was very robust – both in the United States and Canada – with 25 deals recorded compared with 14 in 2019, one of the smaller years in the recent period. This last point is in contrast to our findings for the United States for the food sector as a whole¹.

Number of M&A deals* in the bakery sector by region

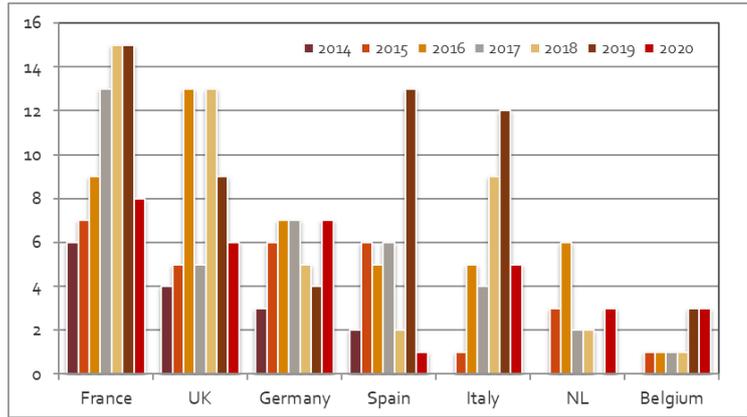
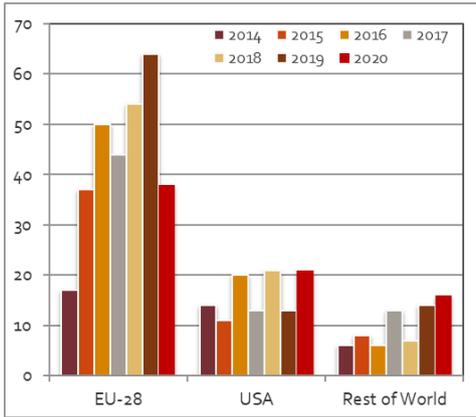
¹ Unigrains Newsletter on the United States (to be published this month): review of mergers and acquisitions in the US agri-food industry in 2020



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Source: Unigrains, *company purchases/sales, spin-offs, acquisitions of majority stakes or mergers

➔ Key points to remember for 2020

1/ Strong buying activity by funds, particularly in Europe

More than 40% of these deals were acquisitions by financial companies (investment companies, financial funds, family offices, fund-owned industrial companies).

Usually very active in North America, these companies were more present in Europe, particularly in the United Kingdom and Italy. A case in point is Bindi, an iconic Italian family-owned company in the BtoB frozen pastry sector, which was snapped up by BC Partners.

2/ Big deals, sometimes delayed by the health crisis

For some deals that were more complex to carry out, the process was delayed by the health crisis but was finalised in the second half of the year. This was the case for the British company Hovis, the leader in sandwich bread in the UK, which was bought by the private equity firm Endless. Another example is the spin-off by CSM Bakery Solutions Europe of its ingredients business.

As for Mondelez, the company acquired a majority stake in Give & Go in North America. Another big fish in the United States, Dunkin’ Donuts, has changed its shareholder structure.

3/ Companies still dynamic despite the uncertain environment

This is particularly the case for the global leader Grupo Bimbo, which is on the acquisition trail in India (see below), but also in the United States where it strengthened its bagels business with the acquisition of Lender’s Bagel. And yet at the height of the pandemic last spring, the Mexican group had stated its intention of putting acquisitions on the back burner until the health crisis had passed. It was also very active in terms of organic growth, in its home-country as well as in the United States, Chile and France.

In the United States, The Bakery Companies, recently renamed The Crown Bakeries, bought a factory specialising in frozen puff pastries from Speciality Bakers, acquired Steck and strengthened its footprint in the North Midwest. Concurrently, the company is also building a plant that will house a high-speed croissant production line, spurred on by its shareholder, the private equity firm Arbor Investments. The Bakery Companies now offers a wide range of fresh and frozen breakfast products.

As for Morato Pane, the company continued to snap up businesses in Italy, notably Pandea (gluten-free products) and Roberto Industriale Alimentare. Supported by the private equity firm Aliante Partners, it has established itself as a consolidating player in its domestic market.



4/ Deals precipitated by the Covid-19 crisis

In the United States, Golden Acre Bakery took over the production activity of Bagel Nash after the company went bankrupt.

Samworth Brothers took over the brand and some of the assets of Adelle Foods, which went into administration in May. The turnaround investment company Volvere acquired the assets of Indulgence Patisserie, a frozen pastry manufacturer.

In Germany, the artisanal bakery chain Dat Backhus, which specialises in fresh sourdough bread, was rescued by an investment fund.

Le Pain Quotidien, a bakery chain originally founded in Belgium and that was struggling in the United States, is restarting its activity with a new organisation led by a new shareholder.

→ International, diversification, pleasure/health/well-being and innovations: main motivations for buyers

1/ International business still attracts

Around fifteen deals were cross-border transactions. French company Mensez crossed the Atlantic to develop its frozen bakery business there by acquiring its Canadian partner Boulart. Swiss dairy cooperative Emmi strengthened its position in the premium dessert segment by acquiring a majority stake in the New York-based company Indulge Desserts, gaining a foothold in the United States. The North American continent is also attracting the Irish company Promise Gluten, which has set its sights on two companies involved in organic and gluten-free products. Asia interests American leaders: Grupo Bimbo is strengthening its position through the purchase of Modern Foods in India, as is Rich Products, which acquired the remaining 50% of the JV it holds in pastry and bakery ingredients. As for Pepsico, the leader in soft drinks and snacks purchased snack brand Be & Cheery, which specialises in online sales of pastries and sweet snacks. In Europe, Lantmännen Unibake is strengthening its position in the Norwegian market and Dan Cake, a subsidiary of Givisco, is doing the same in the German market.

2/ The search for diversification is intensifying with the health crisis in order to spread risks

This is the case, for example, for Mondelez, which is seeking to expand its range of sweet snacking products for mass retail. The French group Roullier, at the head of the Ker Cadelac and Colibri brands in long-life pastry, entered the frozen food segment and that of American pastries (muffins, brownies, cupcakes) through the Belgian company Alysse Foods and, at the same time, gained a foothold outside our borders in this activity.

3/ The health/well-being theme is a priority...

Companies specialising in gluten-free products, as well as animal-ingredient-free offerings, are in demand. In France, the Emile group acquired La Fabric Sans Gluten and the Irish company Promise Gluten is strengthening its position in the United States. Pai Partners acquired Ado Foods in the United Kingdom. The latter has invested heavily to strengthen its position in meat-free delicatessen products (vegan pork pies, etc.). German company Peter Cremer acquired a majority stake in low-carb product start-up Lizza.

4/ ... But without neglecting the pleasure aspect. Pastry and bakery products provide consumers with affordable treats and several deals have taken place in the patisserie, viennoiserie and speciality bread sectors (bagels, wraps, pretzels).

5/ Lastly, digitisation, which has led to the emergence of new concepts, is opening up new horizons, with players making acquisitions outside their core business. This is the case of the German group Dr Oetker, which acquired New Cakes, a Dutch company selling pastry accessories online, and increased its shareholding in the start-up InterNestor, which produces and markets customised cakes.



→ **2021 is off to a fast start, building on the momentum of Q4 2020**

17 deals have already been recorded in the first two months of 2021.

The main drivers mentioned above will continue to motivate business movements. Moreover, a number of players have been weakened by the health crisis: this will create opportunities and will cause the landscape to change. 2021 should also be marked by the repositioning of the European leader Aryzta, with the announced sale of its activities in the Americas*.

** Published prior to the March 12th, 2021 announcement of the agreement to sell 100% of the capital and assets of the North American part of the groupe for 850 M USD to private equity firm Lindsay Goldberg.*

