

# The Future of M&A in a Post-COVID-19 Consumer Market

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ODGERS BERNDTSON



# Shaun Browne

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**Managing Director & Co-Head of UK Corporate Finance**  
London

## Qualifications

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BA	Exeter University
OTHER	Chartered Accountant
PAST	McQueen Ltd. HSBC PwC

Mr. Browne is Co-Head of UK Corporate Finance at Houlihan Lokey, working with all industry teams as well as the Finance Sponsors and Capital Markets groups. In addition, he is Head of Houlihan Lokey's Consumer, Food & Retail Group in Europe. His original area of specific expertise is in the food and beverage sector, where he has advised on more than 150 completed transactions.

Mr. Browne was previously Managing Director of McQueen, the London-based investment bank focused on the consumer sectors, which he co-founded in 2002. McQueen grew to be one of the most successful M&A advisors to the European consumer sector prior to its acquisition by Houlihan Lokey in 2015.

Prior to McQueen, Mr. Browne co-founded the Consumer M&A team at HSBC (1999–2002) and was CEO of HSBC Investment Bank in India (1996–1999).

Mr. Browne qualified as a Chartered Accountant with PricewaterhouseCoopers in London in 1988 and joined HSBC in 1992.

# Houlihan Lokey at a Glance

## LEADING FINANCIAL ADVISOR TO THE MID CAP

### Corporate Finance

- No. 1 Global Private Equity M&A Advisor (Pitchbook).
- No. 1 M&A Advisor for All U.S. Transactions Under \$1 Billion Since 2006.
- \$6.5+ Billion Private Capital Raised Since 2014.

### Financial Restructuring

- No. 1 Global Restructuring Advisor.
- 1,000+ Aggregate Transactions Completed.
- \$2.5+ Trillion Aggregate Debt Restructured.

### Financial Advisory

- No. 1 Global M&A Fairness Opinion Advisor Over the Past 20 Years.
- 1,000+ Annual Valuation Engagements.

## BROAD PRODUCT KNOWLEDGE AND DEEP INDUSTRY EXPERTISE DELIVERS SUPERIOR RESULTS

### Product Expertise

- Mergers and Acquisitions
- Capital Markets
- Financial Restructuring
- Financial and Valuation Advisory
- Private Funds Group

### Dedicated Industry Groups

- Business Services
- Consumer, Food, and Retail
- Data and Analytics
- Energy
- Financial Institutions
- Healthcare
- Industrials
- Real Estate, Lodging, and Leisure
- Technology, Media, and Telecom



## FULLY INTEGRATED CAPITAL MARKETS AND FINANCIAL SPONSORS COVERAGE TEAMS

### Capital Markets

- Global team of 30+ professionals with unmatched capabilities.
- Broad knowledge of, and senior-level contact into, all major credit investors.
- Raised \$100+ billion of capital in the past five years.
- Largest dedicated alternative investor coverage team in the industry.

### Financial Sponsors Coverage

- 20 senior officers dedicated to the sponsor community in North America and Europe.
- Coverage of 800+ private equity firms, 200+ hedge funds, and 100+ family offices.
- Worked on 800+ engagements for financial sponsors and sold 100+ companies to financial sponsors in 2018.

## MARKET CAPITALISATION OF C. \$4 BILLION



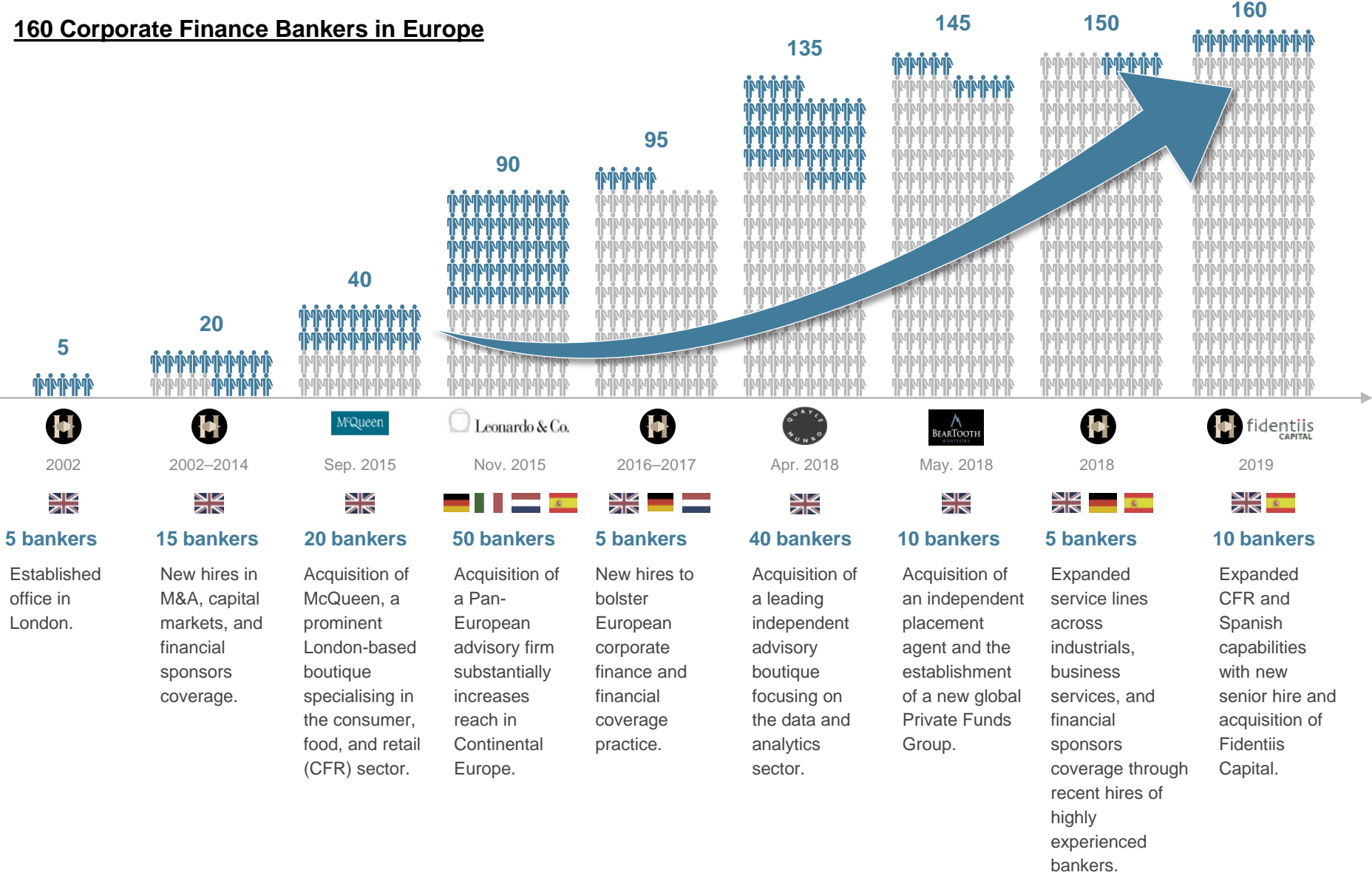
## FIRST-CLASS SELLSIDE M&A EXECUTION WITH LOCAL PRESENCE AND GLOBAL REACH

- 22 offices in North America, Europe, and Asia-Pacific.
- 340+ cross-border deals over the past five years.



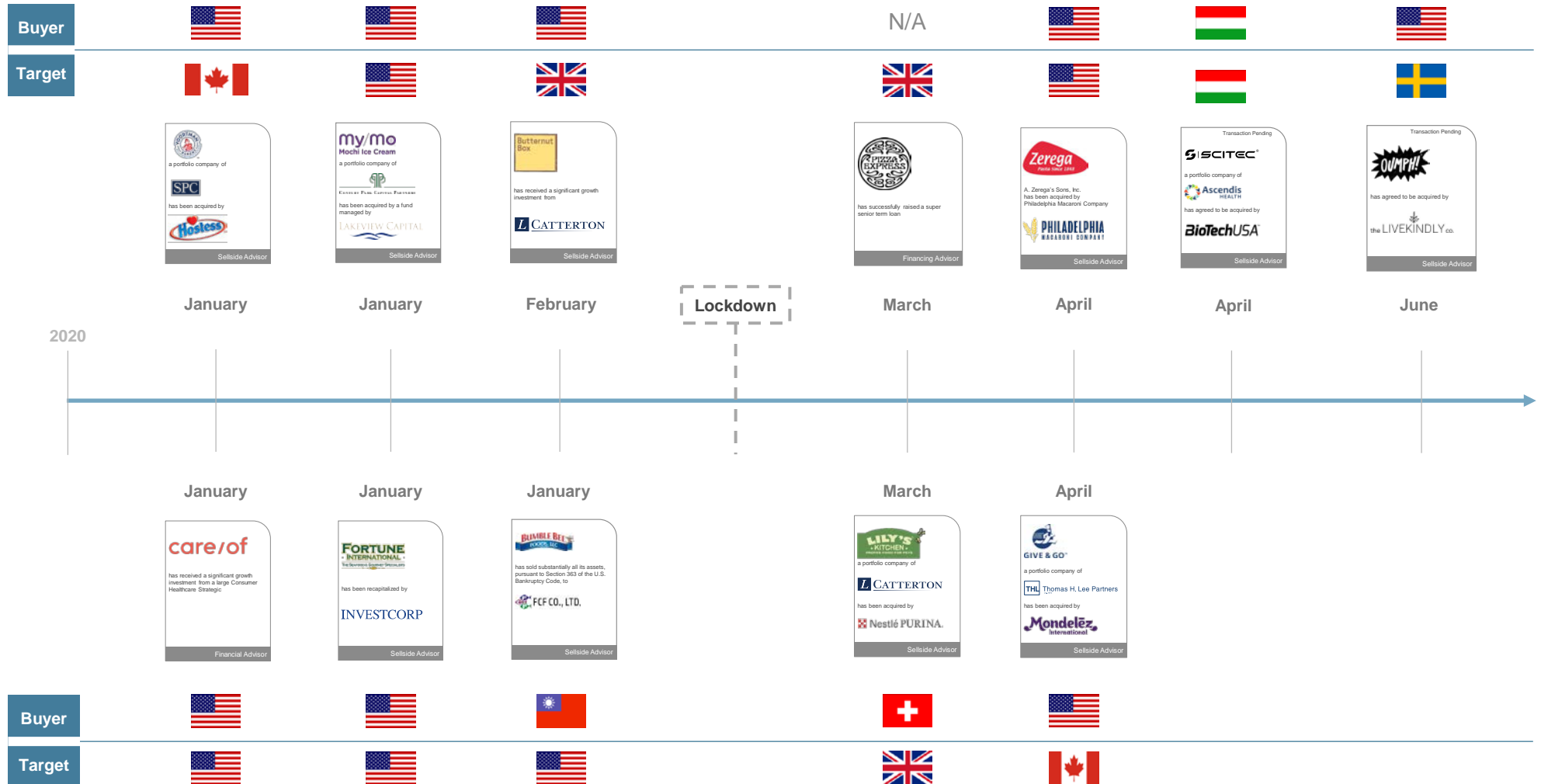
# Evolution of Houlihan Lokey Corporate Finance in Europe

## 160 Corporate Finance Bankers in Europe



# The Preeminent Advisor in the Global Food and Beverage Industry

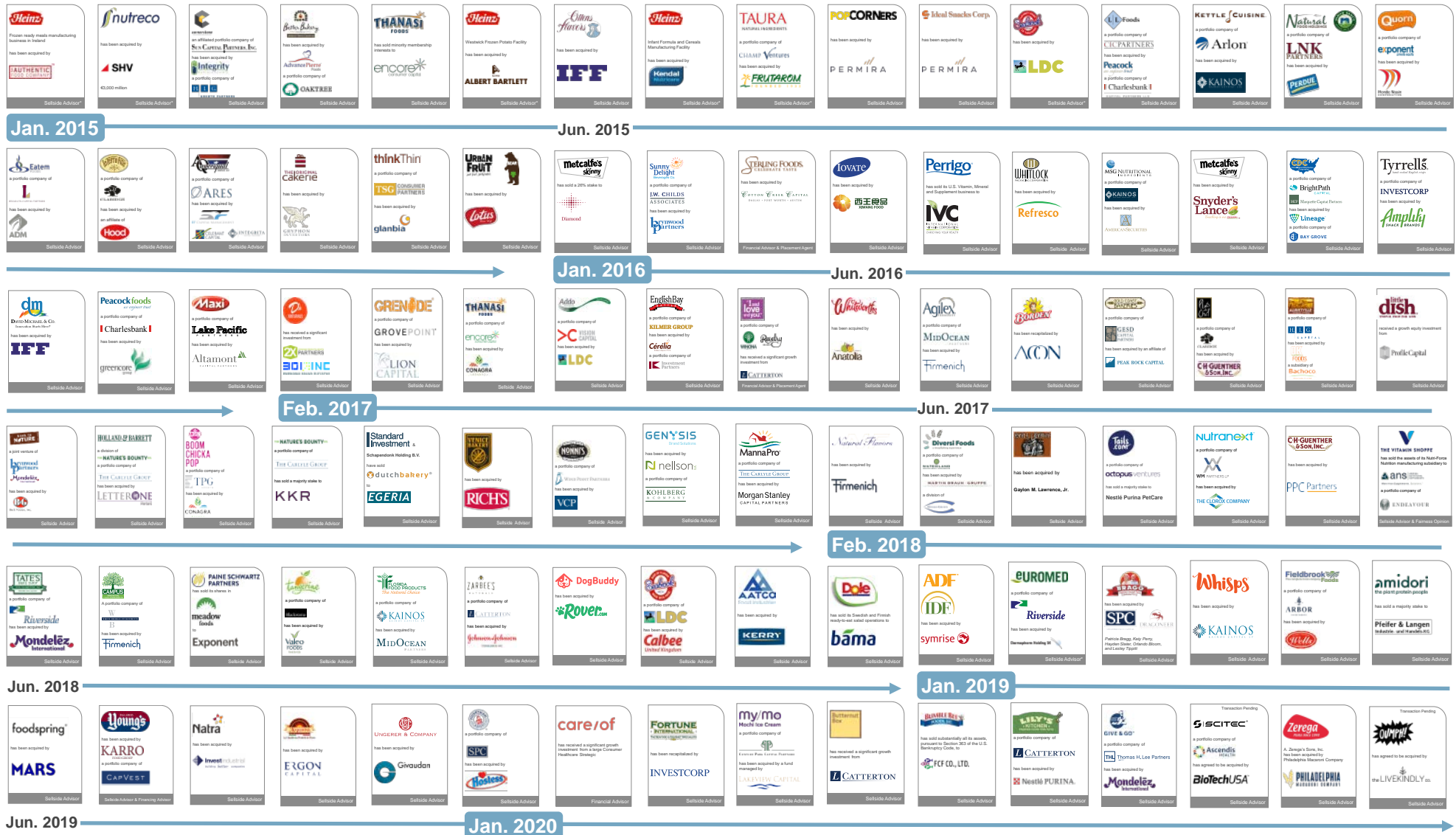
Houlihan Lokey's global Food and Beverage team has announced 12 transactions since the beginning of 2020.



\*Selected transactions were executed by Houlihan Lokey professionals while at other firms, or by professionals from a Houlihan Lokey joint venture company.

## Unrivalled Track Record as a Global Sellside Advisor in the Food and Beverage Industry

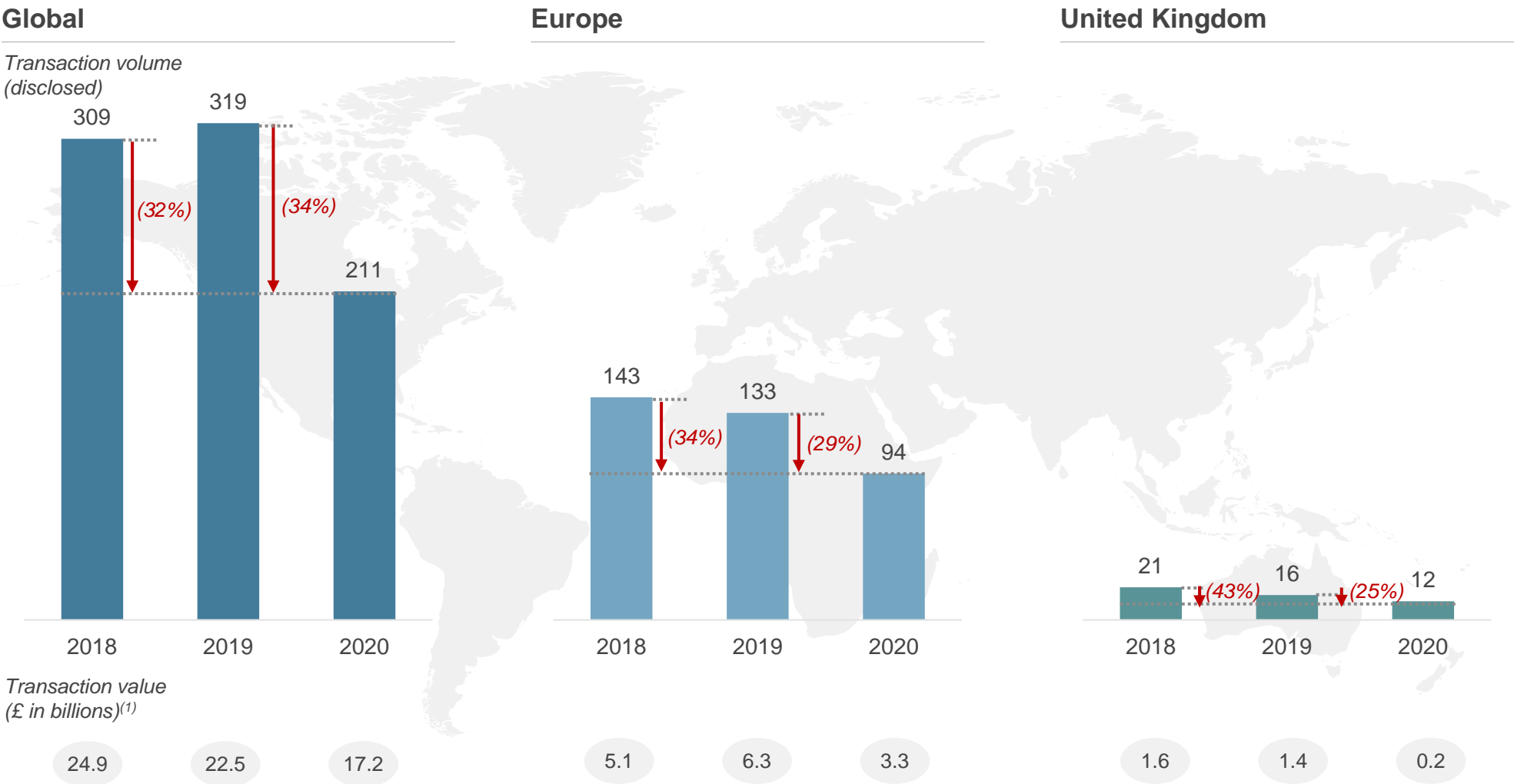
96 sellside transactions executed since 2015.



*\*Selected transactions were executed by Houlihan Lokey professionals while at other firms, or by professionals from a Houlihan Lokey joint venture company.*

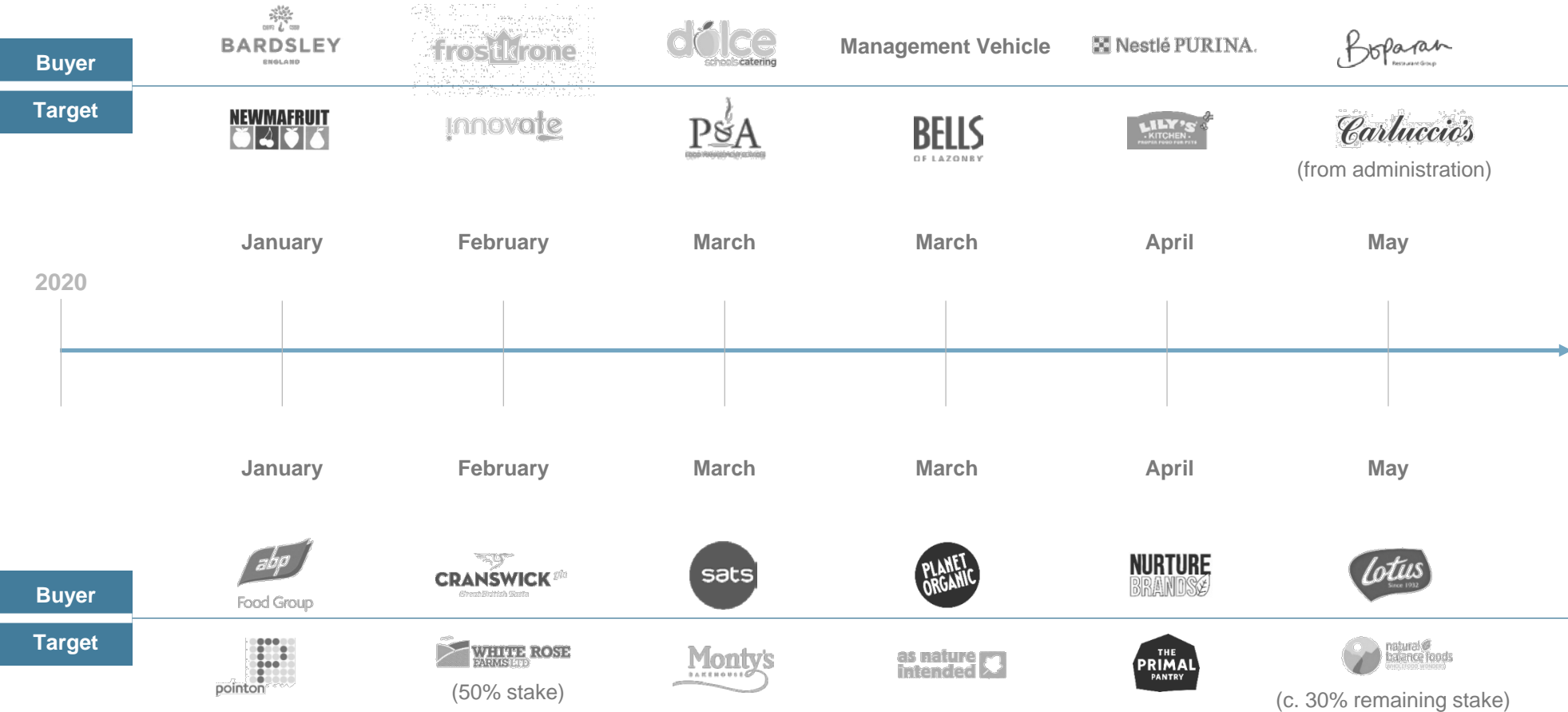
# Food M&A Activity Since the Beginning of 2020

The total number of global food M&A deals year to date fell 34% year over year.



Source: Mergermarket.  
(1) Total disclosed deal value.

# UK Food M&A Deals Since the Beginning of 2020



Only 12 M&A transactions in the food sector in the UK since the beginning of the year, a c. 40% decrease vs. the same period in 2018.

# Why UK Food M&A Volume Is Down

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1

**Confidence**

2

**Availability of debt**

3

**No travel**

4

**Valuation**

# What Are the Prospects for UK Food M&A?

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## Negatives:

- ✗ Difficult to meet management/visit factories.
- ✗ Lending institutions reluctant to lend to “new” situations.
- ✗ Difficult to forecast future financial performance.
- ✗ Some companies will wait until their performance recovers (e.g. foodservice/food to go).

## Positives:

- ✓ May be some distressed disposals (e.g. foodservice/food to go).
- ✓ Getting easier to meet management/visit factories.
- ✓ Most deals scheduled to launch in March through June have been postponed; likely to be a rush of launches in September.
- ✓ Stock markets have recovered significantly since lows in March.
- ✓ Many food companies have exceeded budget as a result of COVID-19, so may accelerate their planned disposal timelines.
- ✓ Private equity need to invest; that is their reason to exist.
- ✓ Trade have remained willing to invest over recent months, but there is a shortage of available assets.

### *Houlihan Lokey View*

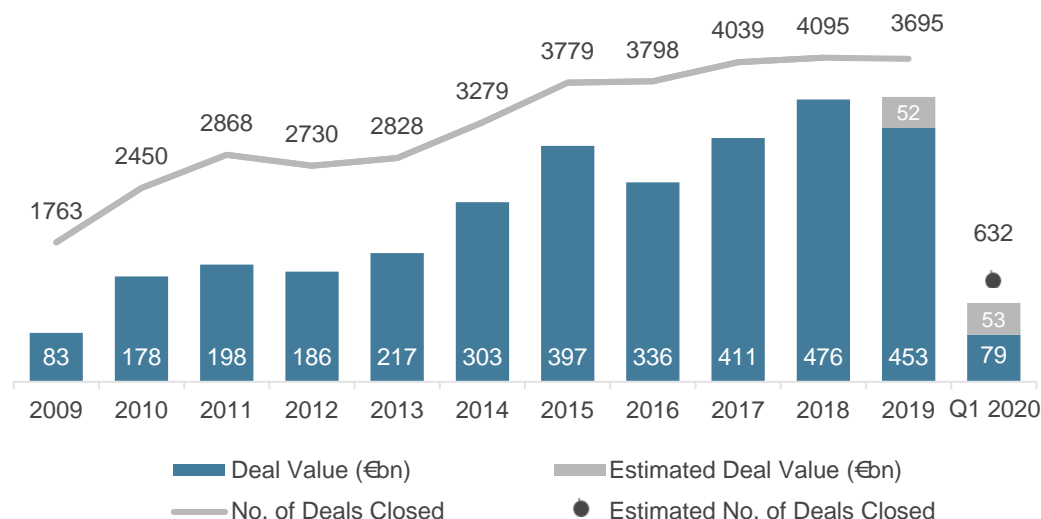
- *We expect many UK food deals to be launched in September.*
- *If there is a continuation in the reduction of COVID-19 cases, transactions will happen.*
- *However, if there is a significant resurgence of COVID-19 cases...*

# European Private Equity Trends

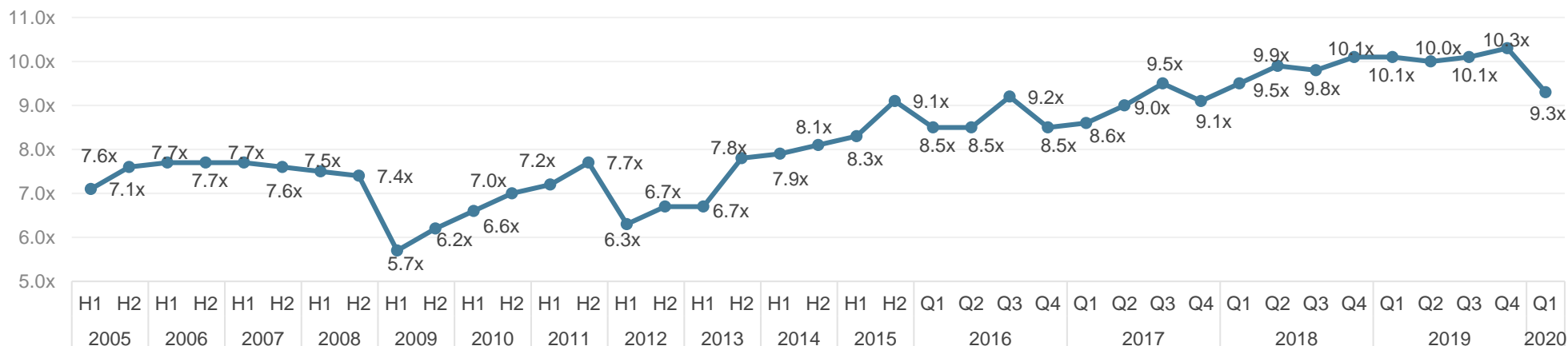
## Comments

- Has significant funds available to invest.
- Likes to invest alongside significant third-party debt to boost the equity returns.
- Believe COVID-19 will cause a reduction in valuations.
- Wish they had invested more post 2008 financial crisis.
  - Some of best returning funds were invested in 2009–2010.
- Strong focus on buy and build to support existing portfolio, even if that means extending hold period and depressing IRR.

## Private Equity Deal Activity in Europe<sup>(1)</sup>



## EV/EBITDA Multiples for Mid-Cap Transactions<sup>(2)</sup>



(1) Pitchbook Q1 2020 European PE Breakdown.

(2) Argos Wityu and Epsilon Research: Argos Index May 2020.

# What Makes Food Companies Valuable?

No one company is likely to have all of these attributes, but a strong cohort is needed to establish an uplift in valuation multiple.



**Healthy (or, at least, better for you)**



**Direct-to-consumer**



**Personalisation**



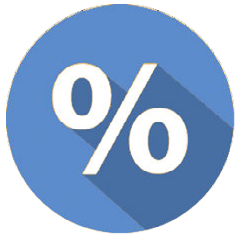
**Branded**



**Fast growth (top-line)**



**Motivated management team and workforce**



**Strong gross margins (typically 40%+)**



**Convenience**



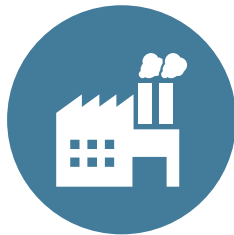
**International in nature (or strong potential for it)**



**Scale**



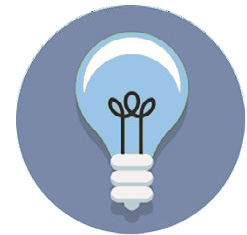
**Diverse and robust customer base**



**Well-invested manufacturing footprint**



**New category (or very-early-mover advantage)**



**Significant intellectual property**

