

# Meat processing

## Sector and M&A Report

2017

### Meat processors eyeball a larger plate

European processors are using M&A to tap growth and answer strategic challenges - over the past three years, almost half of all deals worldwide have been located in Europe.

Large diversified players are acquiring to improve product portfolios, geographic reach and to integrate operations across the value chain (upstream and downstream); while mid-sized processors are looking to tap growth in niche market segments such as 'convenience', 'organic', 'welfare' and 'premium'. Branding is also key, and the most important valuation driver. As a general rule, processors are steering their strategies towards access to large retailers.

#### Key insights:

- There is enthusiastic buy-side demand from leading mid-cap processors and large diversified groups, seeking strong brands and innovative product ranges that tap new growth trends. Other important considerations include market share, geographic reach and vertical integration that exploits synergies in the value chain. Europe is receiving the lion's share of M&A - almost half of all global deals.
- The European industry is widely fragmented, and mostly localized in its outlook. Mid-caps with undifferentiated product offerings are underperforming, while those with attractive brands, a broad product assortment and access to large customer bases (supermarkets) are performing well. Customers with access to high-growth emerging markets are a major bonus.
- Growth rates are a mixed bag. Best-in-class players are targeting niche growth themes such as convenience, premium, regional branding, organic and welfare. These businesses tend to have excellent customer relationships with large retailers, as well as an innovative and responsive approach to product development. That said, retail customers (ie. supermarkets) operate in a highly concentrated market and wield much greater market power.
- Private Equity (PE) is an active market participant, seeking buy & build platforms and market consolidation plays. PE is present in around one-third of all deals in Europe. Businesses operating in 'hot' new market segments, and with access to attractive export markets are the most highly sought after by financial investors.
- Valuations vary widely, depending on positioning. As a general rule, 'category captains' and processors with access to leading retail customers are receiving 7x to 10x EBITDA multiples, while undifferentiated mid-caps are receiving between 4x and 6x EBITDA.

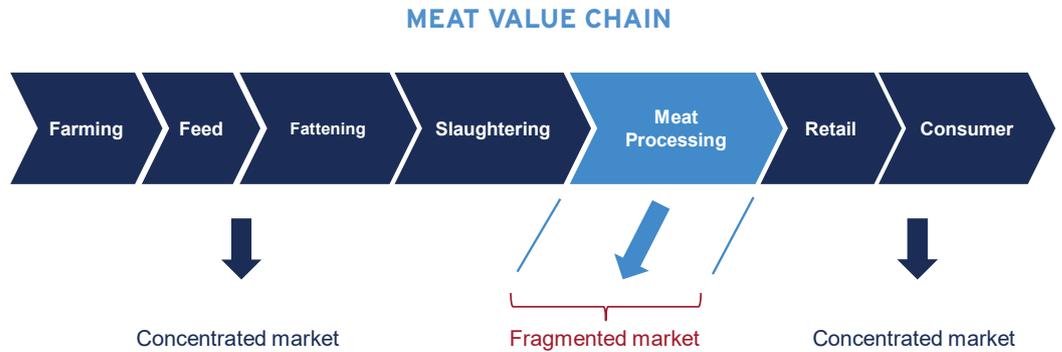


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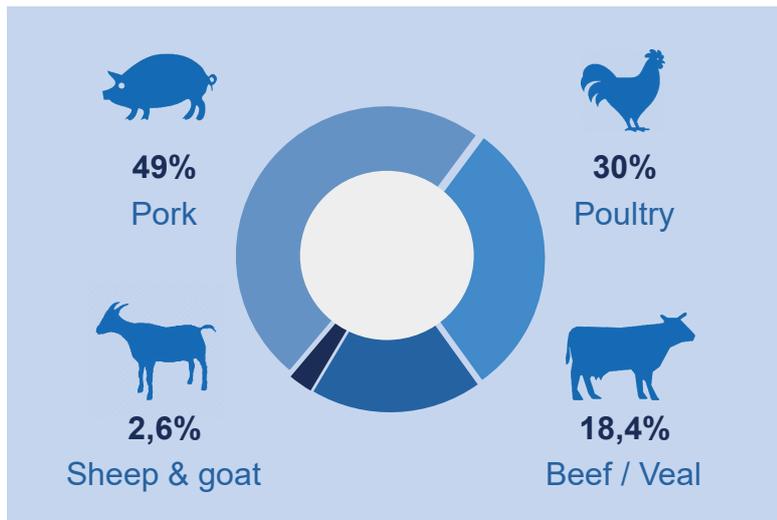
*"Market positioning is key for processors. Undifferentiated mid-caps are the most vulnerable, while those in favourable growth segments such as convenience and premium are doing better. Leading brands are doing best of all, as well as the larger players who are using their scale to reach beyond home markets. Buyers are selective, but deal demand remains high."*

**Defining the market**

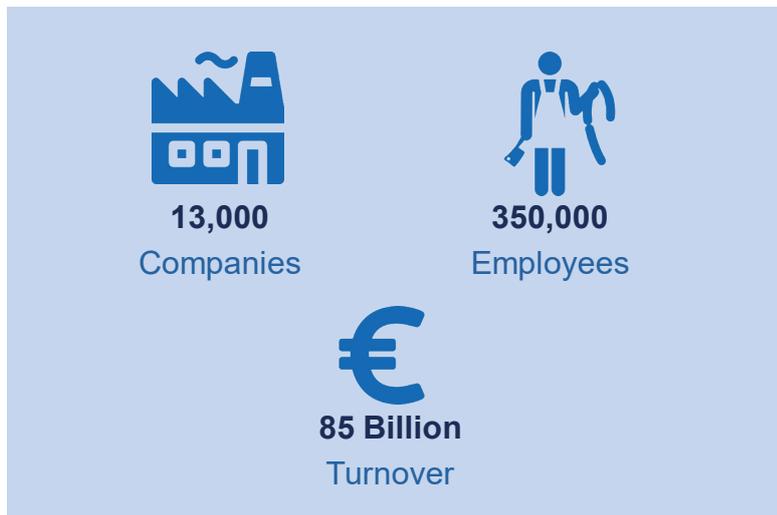
The meat processing segment of the value chain occurs after basic slicing at the abattoirs and before retail distribution - sometimes called "further processing". It is a competitive and fragmented market: key value-adds include product development, packaging and marketing.



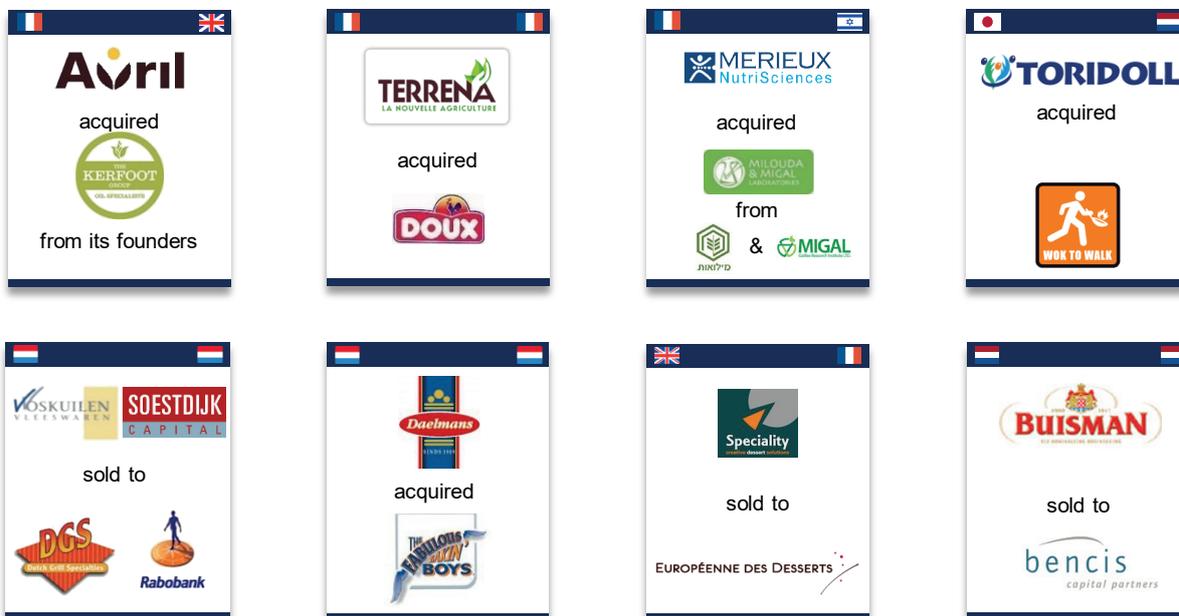
**BREAKDOWN OF EU MEAT PROCESSING**



**KEY NUMBERS IN THE EU**



**A selection of our recent deals in Food & Agro**



**If you would like to discuss this report in more detail or opportunities for your business, please get in touch**



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