

Restaurant Chains Sector and M&A Report

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New restaurant concepts turn the heat up on growth

Restaurant Chains across Europe are serving up outstanding double-digit growth rates as consumers spend a larger proportion of their disposable incomes on eating out.

But performance varies widely: the sector is highly competitive with low barriers to entry, making it critical to understand customer groups in different locations and to deliver differentiated products that serve local tastes, aspirations and requirements. Outdated concepts and business models cannot be relied upon. Operators in the right segments and categories are growing strongly. Private Equity (PE) are targeting proven and replicable operations ready for rapid roll-out.

Key insights:

- The Restaurant Chains sector in Europe is large and widely fragmented. Few operators generate revenues >€100m. In the United States, by contrast, conventional branded chains and 'master franchise companies' commonly run hundreds of franchises under the one holding company. Many are also listed.
- Europe is traditionally fragmented because tastes vary between countries and regions, making international roll-outs more challenging. That said, a number of new trends such as coffee and healthy eating are fundamentally changing the game. These supranational concepts 'know no borders' and are high growth.
- Europe is growing at a CAGR11-15 of 10%, with certain segments growing at a much faster rate than others: Coffee & Bakery, Fast Casual and Casual Dining are all posting strong double-digit rates, while Fast Food and Fine Dining are behind in the single-digits.
- Valuations tell a similar story: Fast Casual and Coffee & Bakery are receiving attractive double-digit EBITDA multiples, followed by Casual Dining, Fast Food and Fine Dining. Premiums are being paid for 'best-in-class' concepts with untapped growth potential.
- Financial investors have become an important source of demand in the M&A market. PE are interested in proven high growth concepts ready for rapid roll-out - preferably cross-border - and are paying high multiples for these businesses as well.



Jan Willem Jonkman,
Managing Partner, Capitalmind

"The competitive landscape is shifting quickly for Restaurant Chains as customers become more demanding and value conscious. Operators need to respond because in many cases old business models no longer work. PE is targeting proven concepts with growth potential, which is giving the M&A market and valuations a major boost."

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