



M & A  
WORLDWIDE

# Agri, Food & Beverages Sector

INDUSTRY REPORT 2020

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## COVID-19 IMPACTS ON THE FOOD- BEVERAGE INDUSTRY

NOVEMBER 2020

# Introduction

The global food & beverage industry includes various online and offline food chains. The food & beverage industry includes companies who work in processing raw food materials, packaging, and distribution which include prepared and packaged foods, along with alcoholic and non-alcoholic beverages.

According to USERBASE, the global food & beverage industry is as follows;

Revenue in the Food & Beverages segment is projected to reach US\$236,529m in 2020.

Revenue is expected to show an annual growth rate (CAGR 2020-2024) of 10.7%, resulting in a projected market volume of US\$354,758m by 2024.

User penetration will be 14.0% in 2020 and is expected to hit 22.8% by 2024.

The average revenue per user (ARPU) is expected to amount to US\$227.08.

In global comparison, most revenue will be generated in China (US\$152,445m in 2020).

The primary factors for the growth in the food & beverages industry pre the COVID-19 pandemic includes the growth of the number of on-the-go consumers and increased adoption of ready to eat food. Further, steadily increasing population and per capital income and changing lifestyle were other growth-enhancing factors.. However, the key factors that will affect the food & beverage industry after the pandemic include the closing of restaurants and other seating areas.

Table 1. Global and regional per capita food consumption (kcal per capita per day)

Region	1964 - 1966	1974 - 1976	1984 - 1986	1997 - 1999	2015	2030
World	2358	2435	2655	2803	2940	3050
Developing countries	2054	2152	2450	2681	2850	2980
Near East and North Africa	2290	2591	2953	3006	3090	3170
Sub-Saharan Africa <sup>a</sup>	2058	2079	2057	2195	2360	2540
Latin America and the Caribbean	2393	2546	2689	2824	2980	3140
East Asia	1957	2105	2559	2921	3060	3190
South Asia	2017	1986	2205	2403	2700	2900
Industrialized countries	2947	3065	3206	3380	3440	3500
Transition countries	3222	3385	3379	2906	3060	3180

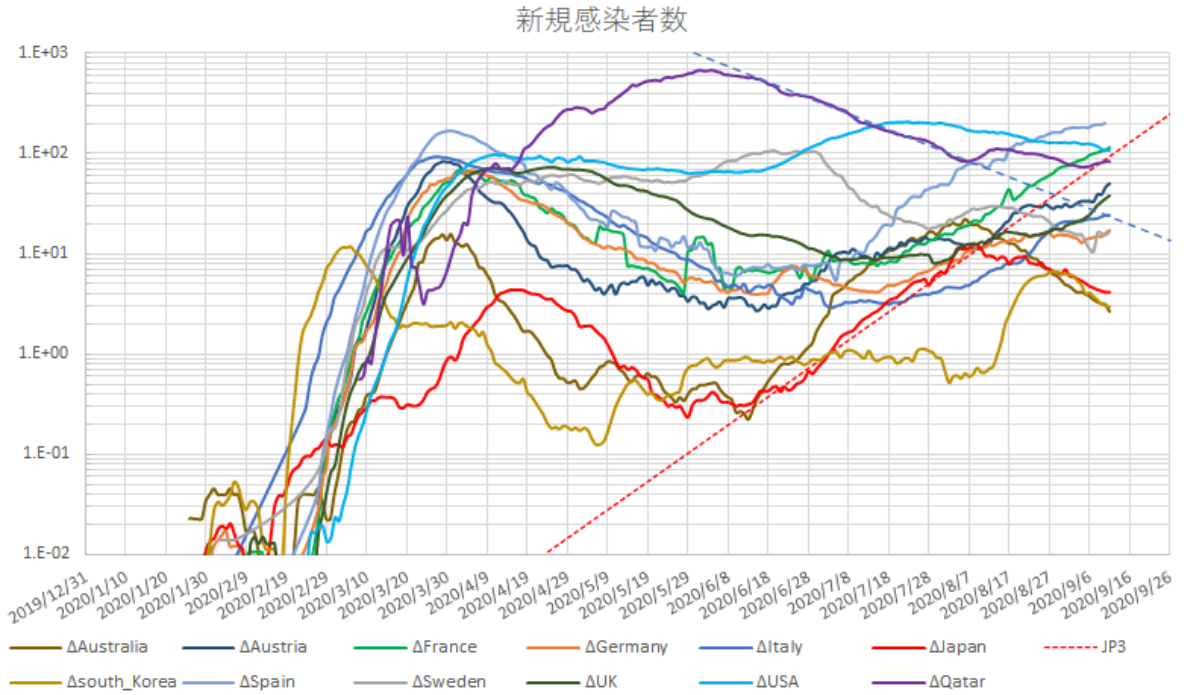
\*- Excludes South Africa

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The MAWW Agri, Food & Beverages group's global food & beverage industry report is segmented based on real food chains and online food chains. The outbreak of COVID-19 had a dual impact on these segments. That includes the offline food chains that are restaurants, cafes and bars that are entirely shut down in some regions, whereas take-way shops and online food deliveries are available. Also, packaged food and beverage industries are witnessing an upsurge in demand, such as shelf-stable foods and beverages, including milk products, as consumers rush to stock their pantries. The novel COVID-19 has impacted the food & beverage industry in almost all regions, including North America, Europe, Asia-Pacific, and the Rest of the World. Asia-Pacific and Europe are the most largely impacted regions across the globe. Most of the cases recorded in the regions, especially in the countries including Italy, Spain, Germany, France in Europe, and China, Japan, and South Korea in Asia-Pacific. The Chinese government shut all the restaurants and cafes in the country in the early stages. Currently, North America, Brazil, India, Russia, and South Africa are still being impacted by the COVID-19. Apart from the food chains, the supply chain has been largely impacted by the pandemic, as there is a disruption in the supply chain. For instance, Coca Cola Co. experienced delays in its raw material supply from china as a result of industrial stalls related to the spread of COVID-19 in China. The company sources sucralose from both the US and China; however, has flagged that Chinese suppliers have experienced delays in production and export. The situation in China, South Korea, Thailand and Japan have drastically improved in 3Q 2020. They are entering into a New Normal stage after COVID-19. While, North and South America, Europe, India, Russia have been facing the fear of a second wave of COVID-19, with an increasing number of infected people. The food safety controls and restrictions on going out may cause a severe impact on restaurants and bars in those countries.

Graph 1 - Global epidemiological situation



Source: <https://web.sapmed.ac.jp/canmol/coronavirus/index.html>

Table 2 - The number of infected people

WHO Region	New cases in last 7 days (%)	Change in new cases in last 7 days	Cumulative cases (%)	New deaths in last 7 days (%)	Change in new deaths in last 7 days*	Cumulative deaths (%)
Europe	927 433 (38%)	25%	8 027 954 (20%)	8 386 (23%)	29%	256 540 (23%)
Americas	798 794 (33%)	-1%	18 800 094 (47%)	16 283 (45%)	-21%	608 727 (55%)
South-East Asia	513 444 (21%)	-11%	8 546 666 (21%)	6 864 (19%)	-11%	135 275 (12%)
Eastern Mediterranean	144 133 (6%)	4%	2 786 477 (7%)	3 492 (10%)	10%	70 902 (6%)
Africa	31 473 (1%)	11%	1 267 664 (3%)	1 058 (3%)	8%	28 469 (3%)
Western Pacific	28 317 (1%)	8%	688 737 (2%)	464 (1%)	-27%	14 823 (1%)
† Other	-	-	741 (<1%)	-	-	13 (<1%)
<b>Global</b>	<b>2 443 594 (100%)</b>	<b>6%</b>	<b>40 118 333 (100%)</b>	<b>36 547 (100%)</b>	<b>-8%</b>	<b>1 114 749 (100%)</b>

\*Percent change in the number of newly confirmed cases/deaths in past seven days, compared to seven days prior. Regional percentages rounded to the nearest whole number; global totals may not equal 100%.

Source: WHO

The incidence of new COVID-19 cases has continued to accelerate, while the incidence of recent deaths has remained relatively stable (Figure 1). As of 18 October, over 40 million cases and 1.1 million deaths have been reported globally, with over 2.4 million new cases and 36 000 new deaths reported over the past week. The European Region has continued to report a rapid increase in cases and deaths, with over 927 000 new cases reported this past week – a 25% weekly increase in cases compared to the previous week – contributing 38% of all new cases reported worldwide (Table 1). Similarly, the number of deaths continues to climb with a 29% increase from last week. Increases, although more gradual, were also observed in the African, Eastern-Mediterranean and Western Pacific Regions. Declines continued to be reported in the Region of the Americas and the South-East Asia Region. However, the incidence of new infections remains high, and collectively these two regions contribute over half of the new cases and deaths observed globally.





### Hazard controls.

For retail workers in the food and grocery businesses, the U.S. Centers for Disease Control and Prevention and Occupational Safety and Health Administration have recommended specific COVID-19 safety controls beyond general workplace recommendations. For employees, these include encouraging contactless payment options and minimizing handling of cash and credit cards, placing cash on the counter rather than passing it directly by hand, and routinely disinfecting frequently touched surfaces such as workstations, cash registers, payment terminals, door handles, tables, and countertops. Employers may place sneeze guards with a pass-through opening at the bottom of the barrier in check-out and customer service locations, use every other check-out lane, move the electronic payment terminal farther from the cashier, place visual cues such as floor decals to indicate where customers should stand during check out, provide remote shopping alternatives, and limit the maximum customer capacity at the door. Food workers experiencing clinical gastrointestinal or respiratory disease symptoms should not participate in food processing or preparation. All types of food can potentially be contaminated through contact with any contaminated equipment, surfaces or environment. Proper cleaning and prevention of cross-contamination are critical in the control of foodborne illnesses.

Once pathogens are deposited on surfaces by a previously contaminated product (cross-contamination), aerosols or touch from contaminated hands or clothing, they can survive on inanimate objects such as knives, saws, transport containers and conveyor belts made of metal, plastic and wood. Coronaviruses have been shown to remain infectious for up to nine days on such surfaces. Good hygiene practices are particularly important when handling fresh foods that may be consumed raw and/or without any further processing. Examples include fresh fruits and vegetables and ready-to-use foods for consumption without further heat treatment. These can be particularly susceptible to contamination from the environment and food handlers. To minimize risk of exposure to any foodborne bacteria and viruses, it is essential to keep food contact environments, equipment and tools clean, observe good handwashing practices, and separate raw and cooked foods and use clean water. The hazard controls and outgoing restrictions heavily affected Offline (real) shops like restaurants and bars. The restaurants and bars which enjoy inbound visitors have been experiencing a drastic fall in revenues. Major international flights have been suspended or stopped globally; those situations may continue until the first half of 2021. Restaurants and Bars are shifting their business food, take away and delivery styles. At the same time, some of the large-scale restaurant/fast-food chains have ceased their operation or been acquired by competitors/private equities, especially in Japan, Europe and North America. Some members of the MAWW have been actively involved in the M&A transactions in restaurants, Bars and Fast-food chains.

2 AT Kearney, How will Cultured Meat and Meat Alternatives Disrupt the Agricultural and Food Industry?

3 <https://agrifoodtech.nl/>

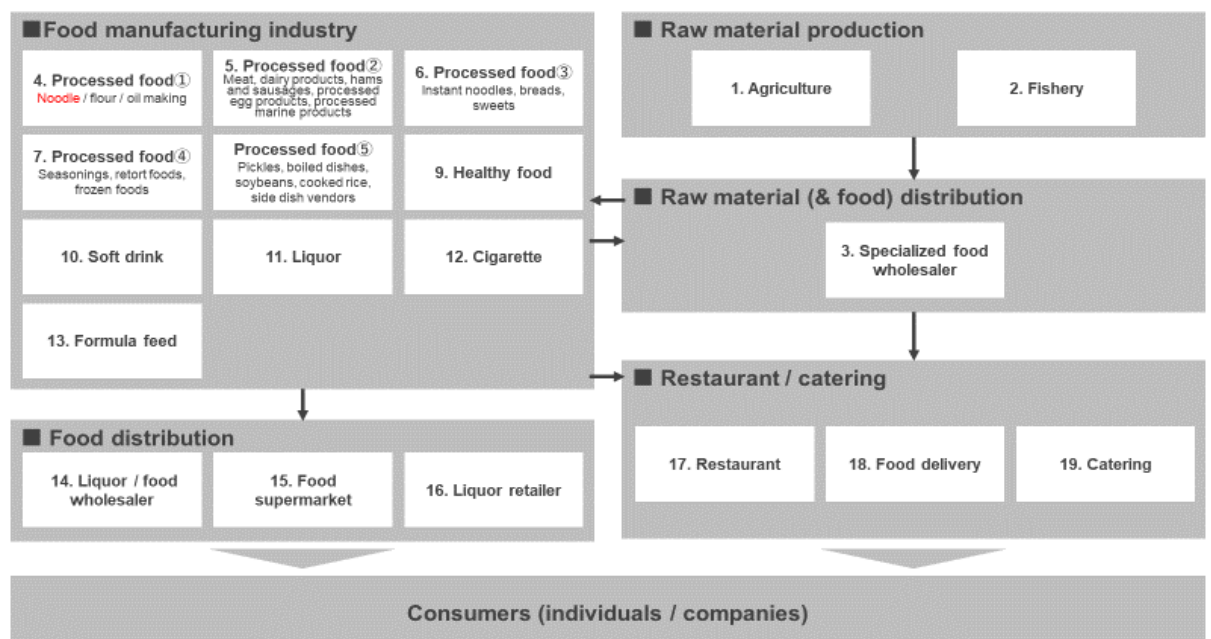


# Analysis of the food & beverage industry in Japan and anticipated scenarios after COVID-19

Positioning within the entire food & beverage, restaurants, online & off-line food delivery industry in Japan

The Food Industry is one of the largest industries in Japan. The nominal GDP of the Food industry is US\$ 190 billion US\$ (3.7% of the total GDP of Japan). Some of the sales are statistically classified as wholesale business. The number of employees in the Food industry is 9.35 million (14.1%). As well as some employees being separately classified as wholesale business. The number of employees is too high relative to GDP; therefore, the Food industry is classified as a labour-intensive category. If Restaurants/Bars are categorized as Food-related industry, the presence of Food industry is considerable.

**Scheme 1 - The structure and supply-chain management of Food & Beverage, Restaurant industry**



Source : Zeno Brain, Japan

## Changes caused by COVID-19 in Japanese food consumption in the early-stages (1H CY2020)

- Just before the COVID-19 disaster, household consumption expenditure had been declining year-on-year since the consumption tax hike in October 2019. Food spending had a similar trend. As for the composition ratio of food consumption, the proportion of fresh products (including cereals) gradually decreased over the long term, and prepared foods increased.
- The extent of the decrease in consumption and food spending has increased due to COVID-19. Among food expenditures, fats and oils/seasonings, alcoholic beverages, meats, grains, and dairy eggs showed high year-on-year growth. On the other hand, eating out in April decreased by more than 60%. The production of cooked foods is low, suggesting that homemade meals, rather than prepared foods, have increased at home.
- According to newspapers like the Nikkei, demand for highly preserved foods (rice, pasta, noodles, frozen foods, etc.) will temporarily increase immediately after the closure of elementary schools, etc. at the end of February 2020.
- Since the request to refrain from going out in Tokyo in the middle of March and the declaration of a state of emergency in early April, the opportunities for home cooking have increased, so too has the demand for fresh foods, highly preserved foods, cut vegetables that are easy to cook, etc. Also, the use of home-delivery cooking kits (meal kits), which include ingredients and recipes, is rising.
- As home cooking increases, bulk buying and home delivery use grows, simple recipes promote the convenience of cooking and health awareness.



## Changes in agricultural prices due to COVID-19 (vegetables, fruits, livestock)

- Comparing the wholesale market price in April 2020 (Tokyo Central Wholesale Market) with the average year (average for the past five years in the same month), the cost of vegetables has dropped significantly, mainly for items used for eating out. On the other hand, prices of items that are frequently used at home and easy to cook (Chinese cabbage, peppers, cabbage, mushrooms) are rising.
- As for fruits, the prices of fruits (melons, grapes) that are in high demand for eating out and gifts have fallen. Prices of citrus fruits and apples, which are frequently used at home and are easily preserved, are rising.
- Reflecting changes in the supply and demand of agricultural products due to the corona disaster, prices of agricultural products mainly for eating out have fallen, and prices of agricultural products used for household consumption have risen. Looking at the changes in the prices of livestock products since January 2020, the demand for domestic consumption of chicken eggs and pork has increased, and the prices have risen, while the prices of chicken (thigh meat) have declined, reflecting the decline in demand for eating out (yakitori, etc.). Among livestock products, Japanese beef has seen a massive reduction in demand.



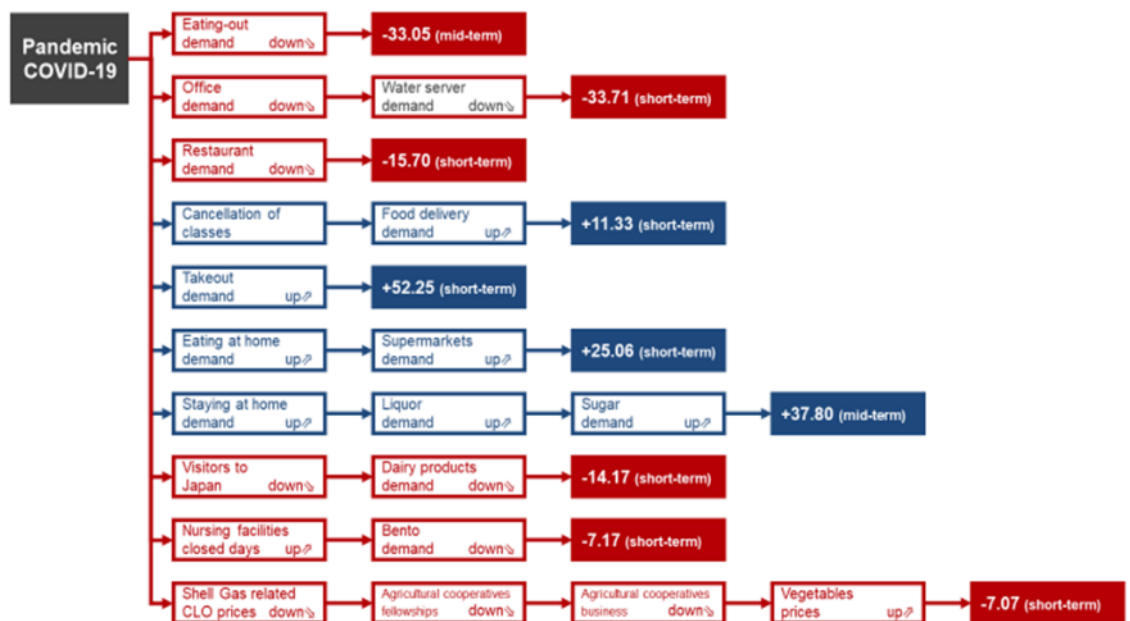
## Challenges before and after the COVID-19 in Japan

The size of the restaurant market in a broad sense in 2018 recorded a historical high of US\$ 314 billion (including ready-to-eat meals = food retail business, so-called take-out businesses). The previous peak was US\$ 311 billion in 1997, but it has been on a downward trend due to the financial crisis in 1997. It bottomed out at US\$ 272 billion after the Great East Japan Earthquake in 2011 and recovered by 42.9 billion US\$ in 2018.

The core foodservice industry, excluding prepared meals, increased by US\$ 27.6 billion from US\$ 217 billion in 2011 to US\$ 246 billion in 2018. The momentum of foodservice spending in households was weak, supported by inbound and rising corporate entertainment expenses.

The size of the ready-to-eat meal market increased by US\$ 15 billion from US\$ 60 billion in 2011 to US\$ 75 billion in 2018. The eating out rate (ratio of eating out spending on household food and beverage) decreased from 39.7% in 1997 to 34.0% in 2018. On the other hand, the externalization rate of food (the ratio of eating out / prepared meals to household food/beverage expenditures) remained unchanged at 45-43%, supported by the expansion of prepared meals.

**Scheme 2 - The estimated growth of sub-sectors in food & beverage industry in Japan**



Source : Zeno Brain, Japan

There are growing (blue) and suffering (red) sub-sectors in Japanese food & beverage sector due to COVID-19, as found in the table above. The food & beverage industry should provide exciting and active M&A opportunities in Japan and globally.

## Changes with COVID-19 in Japan (2H CY2020 and thereafter)

### Business environment

- There are increasing cases where home-cooking and online drinking parties are now well established, and it is necessary to explain the need and significance of these parties and families who before ate out, as the recovery of the frequency of eating out is delayed. The reduction of corporate entertainment expenses, low prices paid by consumers due to recession, consumption tax reduction tax rate (8% for prepared meals, 10% for eating out) to replace eating out and reduce eating out expenses. With the need for working from home, some demand for lunch, take-out, and delivery has shifted from the business areas to residential areas.
- Inbound recovery requires building confidence in Japan's eradication of COVID-19 (Hazard controls, operation & capacity of PCR tests, etc.)

### Financial Conditions / Expenses

According to the Corporate Statistics Survey, the foodservice industry's cash and deposits of US\$ 25.7 billion at the end of March 2019 is at the level of average monthly sales of 1.6 months. There are concerns about the exhaustion of funds due to the loss of sales from April to May and the payment of accounts payable, rent, and employee salaries. Considerable damage is expected in the event of a second COVID-19 wave or other stress.

The use of government support systems for businesses and employees, adjusted subsidies to secure funds for the survival of management. However, since the maximum amount that can be used is about US\$ 2.86 million per a company, securing funds for mid-level management is an issue.

To reduce the main costs, the review of; raw material costs, labor costs, and real estate rents, will begin. Due to the shrinking restaurant market, some employees may go to other industries. Store efficiency declines due to seating arrangements and hygiene measures. As consumers have become used to cashless payments, the installation of cash register terminals is also progressing.

- The characteristics and uniqueness of restaurants will be questioned. A new type of business that requires only a small amount of capital investment will sprout. Also, companies with a long business history and capital accumulation, and sole proprietors (owner stores) who have low employment costs and are regular customers will continue to survive.

### Distribution of commercial foods

- There is concern that the number of companies with unclear business formats (so-called capture fraudsters) will increase. The number has increased rapidly even after the Lehman shock and the Great East Japan Earthquake, so caution is required in new inquiries and exhibition negotiations.
- For commercial food wholesalers, there is a possibility of business format changes and integration while taking advantage of regional delivery functions.



US\$1.00=Yen105.00

## Case Study: J-Star's acquisition of the Pepper Lunch Business in Japan

J-Star, a leading PE fund in Japan, announced “the completion of the acquisition of the Pepper Lunch Business and establishment of a new company”

As announced in the Acquisition of the Pepper Lunch Business” dated July 3, 2020, we are pleased to inform you that the holding company (PLHD Co., Ltd., or “PLHD”), which is funded by the Funds, to which we provide investment-related services (\*1), has acquired all outstanding shares of JP Co., Ltd. (“target company”) today. The target company operates the Pepper Lunch Business and is a subsidiary of Pepper Food Service Co., Ltd. (Head Office: Sumida-Ku, Tokyo; Representative Director: Kunio Ichinose).

As of the same date, the Board of Directors of the target company appointed Mr. Sumio Matsumoto as its Representative Director and changed the name of the target company to Hot Palette Co., Ltd. Mr. Matsumoto has served as President of Skylark Restaurants, Chief Operating Officer of BK Japan Holdings (BURGER KING), etc. and has a broad range of experience and extensive knowledge in the food business, including sales management, operation development, menu development, and human resources.

Under Mr. Matsumoto's strong leadership, PLHD will support the management team in accelerating its domestic growth by further refining the competitive advantages of the target company and in realizing the growth strategy of promoting its global expansion.



Growing Partners Inc., Member of the MAWW, provided financial & tax due diligence services conducted by J-Star through an entire WEB/Virtual process.

COVID Crisis has profoundly reshaped Governance and Investment drivers

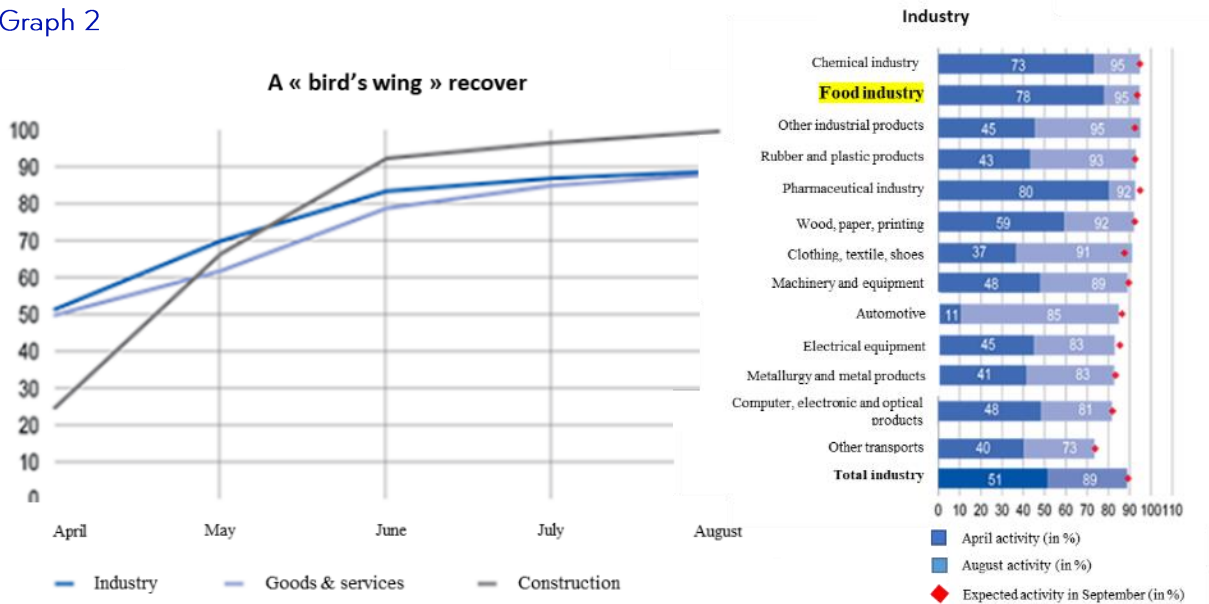
# COVID-19 and ESG impacts on the food-industry, France, Oct. 2020

## 1. COVID-19 impact on the French economy.

The French economy was under COVID-19 quarantine lock down for two months from March 15th to May 10th, 2020. Production (GDP) has decreased sharply by -60% in April vs 2019 (according to Banque de France), and FY 2020 GDP is forecast at -9% vs last year. After the global shutdown, the recovery and getting “back to normal” has been split in various ways over several branches of our economy.

In September, only building & construction had returned to the same level of activity as before (Feb. 2020) thanks to a well-orientated orders portfolio. Other branches remain below the normal in Sept. by -11% Industry or Goods & Services.

Graph 2

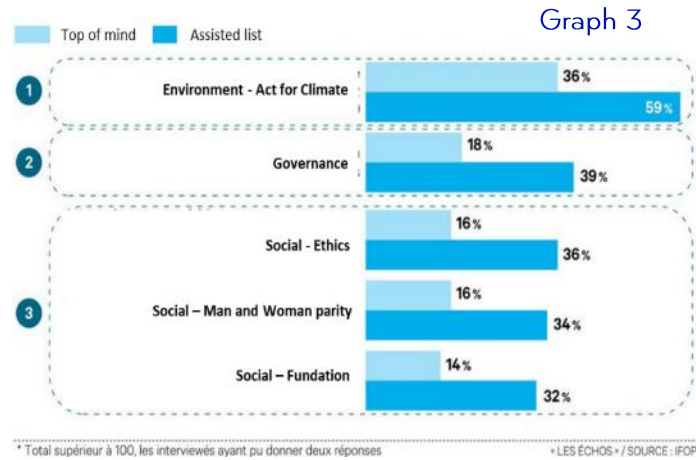


Among the Industries, F&B has confirmed its non-cyclic classification with an “only” -5% decrease vs historical trend, making this industry the best branch of industry performer vs other branches. At the same time, Food industry has been hit by the on-trade channels lock down (in restaurants, catering, fast food), whereas off-trade channels (supermarkets, shops) has accelerated thanks to the return to our kitchen at home with our family. For the non cooking fans, home delivery was a good alternative, launching this 3rd channel definitively for Food consumption (ex. Uber Eats).



## 2. ESG footprint on the Food & Beverage industry

Key drivers for investors belong to ESG topics. To the question “Where/What a social investment would act for?”, 36% answer for Environment, 18% for Governance. Large listed VC’ has set a long-term ESG investment strategy.



ADRIAN has launched in June 2020 the “sustainable buyout”. EURAZEO is willing to become neutral in carbon production by 2040, with the “O+” program. BLACK ROCK is foreseen to invest 1for1 in ESG companies. Hundreds of mind cap VC’s (private equities) are now focusing on this market as a core business (as Raise Impact, Demeter, Pleiades...). Most other VC’s have implemented an ESG compliance policy to make sure that their financial investment would not hurt the planet. Asset managers also set ESG funds, as Green Bonds in emerging markets for HSBC, or “Climate” funds index for MSCI. In 2019 in France, ESG investments have driven € 1861 billion with a +27% growth vs 2018. It shows that in the current COVID crisis, ESG investment/company have better resilience than the global economy. ESG investment opportunity also drives Corporate M&A transactions, with often an organic/healthy products, as listed below:

DEALBOOK 2020 - FRANCE - ESG in FOOD & BEVERAGE

Table 3

BUYER	ACTIVITY	TARGET	ACTIVITY	DEAL / VALUE	DATE	PRODUCT
LEVER VC	Venture Capital	THE GOOD SPOON	Vegetal mayonnaise	Found Raising € 1 M	09/2020	
PYMWYMIC	Venture Capital	YOOJI	Organic frozen food for baby	Found Raising € 7.5 M	09/2020	
LACTALIS	Diary Industry & Organic Global Brands	KRAFT HEINZ CHEESE	Cheese	M&A Corporate € 2.7 Billions	09/2020	
DACO BELLO	Dried healthy fruits	BELARAMA	Diet Fruits Bars	M&A Corporate € 6 M	09/2020	
WESSANEN	Organic Food Brands	DANIVAL	ESG Organic Food with "comitted" farmer's sourcing	M&A Corporate € 30 M	07/2020	
EURAZEO	Venture Capital	WATERLOO Water	Healthy Beverages Sparkling Water	LBO NA	08/2020	

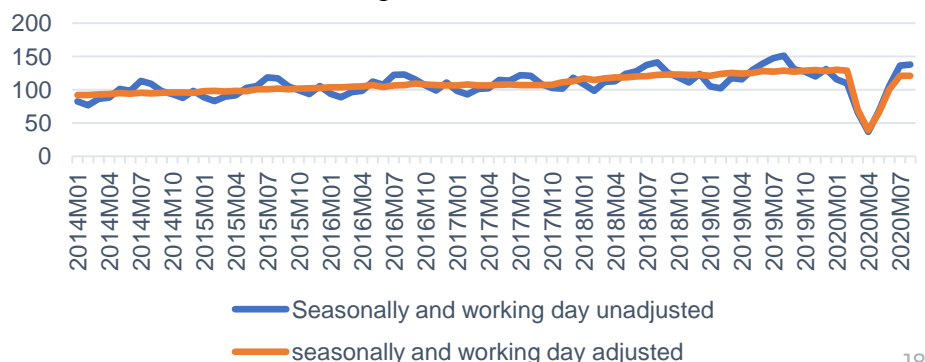
# COVID-19 impacts in the food-industry, Lithuania, Oct. 2020

## Transformation of the restaurant, cafe and bar sector

Lithuania is not different from the rest of the world, COVID 19 has had a dramatic impact on the food industry and especially on cafes and bars, which had to be closed due to quarantine from mid March. Only cafes and bars producing food for takeaways and deliveries could still operate. This very difficult situation inspired politicians and business people to think outside of the box and come up with ideas to help restaurants re-start or change their businesses:

- New initiatives were created that allowed bars and cafes to issue digital coupons, which later after the quarantine could be exchanged for services;
- At the end of April Vilnius city municipality announced that they would give public spaces to bars and cafes to allow physical distancing during lockdown and make the whole city an open-air cafe;
- Restaurants opened their own e-shops allowing people to order food for takeaways or to order directly to their homes or offices;
- Some restaurants offered the possibility to buy semi-prepared fresh food that clients could finish preparing themselves at home and feel involved in the cooking process;
- Well-known chefs in Lithuania adapted to their new reality and offered cooking classes for their clients and companies through video calls;
- Bars started organizing drink tasting menus through video calls, by delivering drinks to client homes before the start of the tasting.

Graph 4 - Indices of turnover of food and beverage companies in Lithuania



# COVID-19 impacts in the food-industry, Finland, Oct. 2020

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The volume of the Finnish accommodation and foodservice industry decreased 55% in the second quarter of 2020, versus the same period in 2019. The government ordered restaurants to close in April and May, but allowed takeaway orders, picked up by customers themselves or a food courier. In the longer term, the habit of ordering takeaway food may partly replace home cooking. Eating together and sharing a food experience at restaurants and cafés, however, will continue to be an essential source of wellbeing, and post-COVID-19 restaurant volumes will likely reach, or exceed, the pre-COVID-19 levels. When the restrictions are lifted, food experiences and memorable restaurant visits will be even more appreciated. COVID-19 has further strengthened some of the trends that support natural food options and overall wellbeing, namely safe food, pure food and healthy food. Finnish consumers increasingly appreciate hygiene, traceability and accountability in food production, verified by high food safety standards and an efficient food safety control system. Although often more expensive, many consumers prefer local, pure food with its origin in clean soil and air. Limited need for pesticides, as well as no hormones and low antibiotic use in the meat industry are further selling points that have enabled many food production companies to start exports from Finland recently. The pandemic has further reinforced the long-standing trend in health and wellbeing. In terms of food, the trend in Finland is towards stomach-friendly products, such as oat and berries. Finns are more and more shifting their diets away from animal products towards more plant-based foods. Consumption of non-alcoholic beverages continues to grow, reflected in the growing range of non-alcoholic products.

The above trends, accelerated by COVID-19, have underlined the value of sustainable food production and new, green food production technologies. Consumers increasingly prefer healthy and nutritious food produced with minimal impact on the environment, and an increasing number of food production companies claim to be CO<sub>2</sub>-neutral. There is a significant number of new food tech start-ups in Finland that target not only to grow internationally and become profitable but also to reach their ethical missions. Many food tech start-ups focus on various free-from products (gluten-free, lactose-free and dairy-free).



# COVID-19 impacts in the food-industry, Denmark, Oct. 2020

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The interest in ESG investments increased significantly during the COVID-19 crisis, and it is not only focused on the E (environmental), which was hottest in the beginning of 2020, but the S (social) and G (governance) has during the COVID-19 pandemic become more in focus. The effect of employees who have to work from home or are becoming unemployed. The fact that some companies have tried to cheat with COVID-19 financial help packages from the governments, etc., has put even more focus on the SG during COVID-19. The entire COVID-19 pandemic affects everyone and our national economy, and by that it focused our attention on human welfare and economic good practices and contributions to society, which is the impact of governance.

A recent survey from Savanta for The Financial Times concludes that the awareness of "employee wealth" has increased by 48% and "good governance" has increased by 38% during the COVID-19 pandemic. The survey report stated too, that 9 out of 10 asset managers interests of ESG investments have increased during COVID-19.

What has COVID-19 done to everything?

Significant events and incidents make dramatic changes in the world, not only in the short term, but are game changers for the future. And such a game changer is COVID-19.

We saw a change in the food sector and consumers habits from 2018, going for more organic food-to-go food and home delivery. As restaurants and cafés have been closed due to COVID-19, and people began to work from home, we have seen the take-away and home delivery market explode in that period. The payment index for this area, according to the largest bank in Denmark, Danske Bank is up 165% in comparison to the same period in 2019. And not only home delivery of freshly made food has increased, but groceries have moved to on-line shopping with home delivery. In the last ten years their revenue has 10 doubled, but in 2020 alone, on-line shopping of groceries have increased by 280% in Denmark, compared with 2019.

The restaurants suffered with a total closure for a period, and now from restricted access, shorter opening times etc. in Denmark. Even Michelin restaurants, which are normally booked months ahead, are available daily. What we have seen is that even top restaurants have chosen to sell their menus or even a la carte as home delivery. Some of them even with a chef delivering and preparing the meal, which means they can talk about provenance by explaining where the vegetables were grown, and which farm the meat is from, etc.

Looking deeper into the supply chain of food, the trend of traceability of what we are eating is very much in focus and on its way up. How was the animal treated and what food was the animal fed with? How was it slaughtered etc. COVID-19 has further increased this trend, as we are all scared of ending up with COVID-19, and by that very aware of what we are eating, touching etc. The COVID-19 pandemic has pushed and speeded up the focus on ESG and investments in businesses with focus on ESG.

Developing the next generation of food in an environmental way to support the ESG, requires more focus on vegan products and insects as protein, which was published in our latest industry report.

# COVID-19 impacts in the food-industry, Ireland, Oct. 2020

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The Irish food industry has had many challenges throughout its history and Covid-19 is another new one. However, opportunities are surfacing amid the economic disruption and Ireland's ability to produce high quality food offerings.

Like every sector in the economy, the food industry is adjusting to the impact of Covid-19:

- Demand in supermarkets has ballooned as consumers opted to stock up with a preference for traditional brands and products.
- Food service (incl. restaurant and hotel sectors) have collapsed and are now only starting to recover.
- Supply chains continue to feel the strain of tighter border controls and movement restrictions (Brexit is also looming at the end of the year!).
- Manufacturing facilities have had to change protocols to keep employees and produce safe.

Supermarket sales have performed well, while food producers and co-operatives have shifted their channels to fill retail orders while winding down on their food service channels.

The latest retail market data indicates that total grocery sales in the 12-week period to mid-August are up almost 18 per cent compared to the same period in 2019. This represents a decline on the previous 12-week period up to mid-July which had shown growth of just over 23 per cent. Reduced trips to retail outlets and larger volumes purchased per trip remain the main drivers of change versus the previous year. Companies supplying the retail sector are expecting volume increases in product categories associated with lunchbox items as schools re-open this month.

Foodservice demand in the Irish market is stable. Companies are cautious in their outlook for September. Foodservice demand in the cities remains lower than normal as these locations feel the greatest impact from the loss of foreign tourist trade. The Eat Out to Help Out initiative in the UK market is leading to an increase in out of home food consumption. This growth in customer numbers eating out is having a positive impact on the demand for Irish foodservice related products. Companies are seeing an increase in volumes from the UK market as a result. Orders from the EU remain strong.

Revenues and profits will show a significant decline in 2020 but most food manufacturing businesses, are pushing through the Covid-19 crisis. Government and banking financial measures have been deployed, including relaxed bank covenants, larger debt facilities and a series of internal cost mitigation actions. The sector may see developments in the form of future M&A as stronger businesses acquire others weakened, while there has been a number of investments during Covid-19 in the online food offering segment. Overall Ireland should see more upside than downside across the food industry.





## Case Studies

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Founded in 2015, Buymie brings any grocery or household item from local stores to the user's house, offering a same-day delivery promise. Over the last 18 months the business has expanded dramatically to meet the increasing demand for grocery home delivery, a trend which has heightened during the Covid-19 pandemic.

In April 2020, Buymie raised €2.2 million and in June 2020 the company raised €5.8 million, bringing its total capital raised this year to over €8 million along with signing a deal with Lidl Ireland to roll out their service in every major Irish city, and in May 2020 formed a partnership with The Co-op to facilitate its UK expansion.

Raised funds will enable Buymie to continue rapid market expansion both in Ireland and in the UK, with 15 other UK cities currently being considered. In addition, the new funds will allow the company to focus on its mission of reducing the environmental impact of grocery shopping.

The latest investment round was led by a new investor into the business, Wheatsheaf Group, the food and agriculture investment arm of the Grosvenor Estate. Follow-on investments were also committed from existing backers, including: Act Venture Capital, Sure Valley Ventures, Haatch Ventures, and HBAN. Other notable investors include Keith Weed (former Chief Marketing and Communications Officer for Unilever,) and Scott Weavers Wright (former Managing Director of UK supermarket Morrisons).

## Case Studies

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Founded in 2010 in Wexford, Scurri is a software provider that connects and optimises the e-commerce ordering, shipping, and delivery processes, the company also has offices in London.

In June 2020, the company raised a further €1.5 million investment bringing the company's total funding to €8.5 million to date. Since the onset of the lockdown restrictions the company has seen a 55% increase in delivery volumes, in line with the current and long-projected boom in the eCommerce sector.

The software company, which currently derives most of its revenue from business in the UK, helps millions of parcel deliveries each month for companies by allowing the merchants to select the most effective delivery option for each package. The platform allows retailers, through a vast array of carriers, to create accurate labels and track shipments from dispatch to delivery.

Scurri helps businesses ship their products anywhere in the world through its network of carrier integrations and customers include eBay, Ocado (UK supermarket), Vision Direct and Gousto (UK online food retailer).

# COVID-19 impacts in the food-industry, Poland, Oct. 2020

Initially the food and beverage industry had not been negatively affected by COVID-19. There has been a noticeable increase in demand for dry, loose products and products with a long shelf life. However, it was a temporary phenomenon that quickly wore-off after restrictions were implemented in mid-March 2020, when lockdown was introduced in Poland. Restrictions in travel and socio-cultural events were being felt in the HoReCa sector right from the outset of the pandemic and continue along with an increasing impact as the second wave of pandemic hits Poland. Limited access to HoReCa has also reduced the level of food waste impacting domestic demand for food and beverage products. The temporary closing of borders added to the mix and as Polish exports account for a quarter of the industry's revenue restrictions in export countries impact on performance of Polish exporters.

The above-mentioned changes have also influenced an M&A market, which in the last eight months observed only four transactions in the sector (split equally between domestic and foreign buyers - as shown in the exhibit below).

**Table 4**

BUYER	BUYER ACTIVITY	TARGET	TARGET ACTIVITY	DATE
De Heus (Netherlands)	Manufacturing of animal feed	Golpasz (Poland)	Manufacturing of animal feed	07.2020
United Beverages (Poland)	Distributor of alcoholic beverages	Distribev Orbico (Poland)	Distribution of alcoholic and non-alcoholic beverages	07.2020
Eurobeef (Poland)	Producing beef and related products	Zaklad Uboju Bydla Biskupiec (Poland)	Slaughterhouse and selling meat	04.2020
Management Vehicle (United Kingdom)	Management team	Zoo Factory (Poland)	Manufacturing of accessories for pets	02.2020

## Situation of the Polish poultry market

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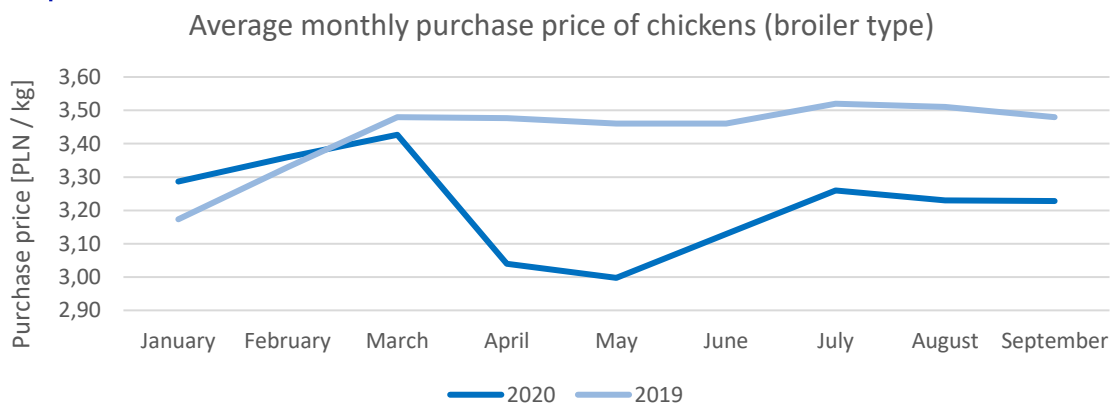
The poultry industry in Poland, despite its high efficiency, has also suffered due to COVID-19. According to the latest estimates, approx. 80% of the exported poultry meat, i.e. over 30% of the whole production, is being distributed to the HoReCa that is most significantly impacted by the pandemic. In the first seven months of 2020, there was a 10% decrease in the export value of poultry meat compared to the previous year and a 19% drop in livestock sales. Additionally, a decrease in the domestic demand has reduced the market for Polish meat producers. As a consequence, poultry prices in Poland dropped significantly. As can be seen in the charts below, the price of a broiler type chicken dived during the two months into the lockdown, reaching a minimum of 3 PLN per kg in May. Currently prices have already rebounded and reached the amount of 3.23 PLN per kilo, which is still 0.25 PLN lower than a year before.

2020 has also seen some of the highest levels of chicken stocking in the chicken coops. As levels of sales decreased due to market price, insiders stated that major slaughterhouses in Poland have significant levels of meat in their freezing facilities waiting for the market price to recover, which is not expected until 2Q 2021. In the case of turkey, prices have been systematically falling since the beginning of the year, however one should bear in mind that it is a smaller market and, in our view, is also caused by a decrease in domestic and export demand.

Currently, the second COVID-19 wave in Poland and its turmoil has made entrepreneurs approach potential investments and transactions cautiously, despite the fact that the next lockdown is not expected. According to the IBŻ Index study, at the peak of the pandemic, most processing companies (60%) still described their financial situation as stable. Nevertheless, there has been a clear increase in the level of fear about the future related to the loss of financial liquidity and to a need for further investments in procedures related to ensuring safety of employees.

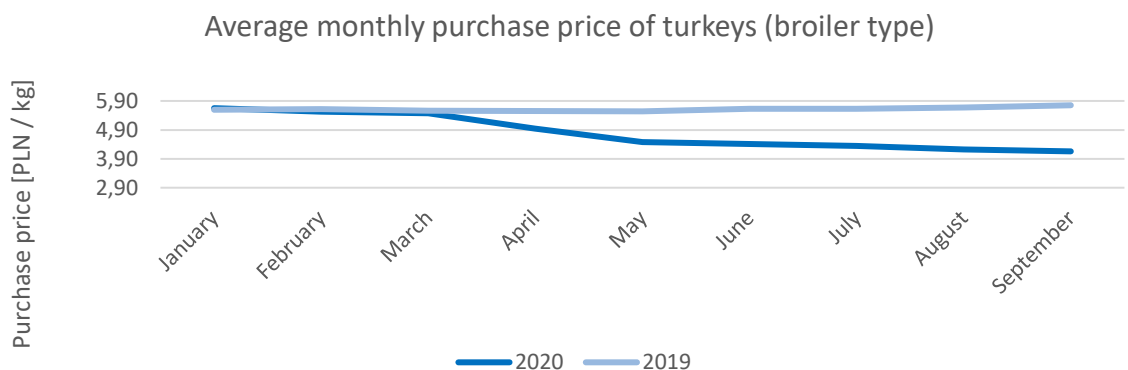
According to our analysis, despite the difficult market situation the controllable production cycle of poultry production and ability to freeze products should allow it to help entrepreneurs in adapting and adjusting to new demand conditions. However, prices are expected to fluctuate in the very near future. In addition, the negative effects of the pandemic may cause an increase in poultry consumption in Poland, compared to more expensive red meat, thus helping domestic demand. Also, disruptions in exports are expected to decrease as country regulators learned from mistakes from the first wave and want to ensure economic activities in their countries.

**Graph 4**



Overall, Polish poultry market is expected to put more pressure on smaller producers that do not have enough support to navigate through the volatile market, leading to potential further market consolidations and transaction increase in the second half of 2021.

**Graph 5**



# COVID-19 impacts in the food-industry, Germany, Oct. 2020

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## Observations during March to June 2020 period

Similar developments as in other countries: Raising demand for preserved and canned food; high attention to hygiene and safety, more online shopping, more use of home delivery services to name the most obvious ones. Restaurant business lost 17,6 bn Turnover in months of March to June 2020.

## Long term Impacts of COVID-19 in Germany

- COVID 19 has strengthened existing trends: increasing demand for healthy, vegetarian, vegan and regional food, this has already been driving the food-business for some time (see MAWW industry reports “organic”(2018) and “meatless”2020.) Also the growing importance of quality assurance and transparent supply-chains incl. ESG related criteria, was visible pre-Corona and is likely to last. More hours of home-office work caused increasing demand for convenience and ready-to-eat meals. Food-delivery services won new customers during Corona and the use of home-delivery is expected to increase further.
- A recent market research study among restaurant managers underlined the dynamics of these trends (source: Transgourmet 8/2020). Being asked about COVID 19 and its impact on food-trends the restaurant people voted:
  - 83% see more importance of regional ingredients
  - 29% see more importance of organic food
  - 23% see more importance of vegan food
- In the same study the restaurant managers highlighted the growing importance of social media, online ordering and delivery services for their business.

## Company example: Home delivery

Home delivery services are riding on the long-term trends like urbanization, more single-households, online-penetration and smartphone usage.

Delivery Hero, stock-listed food delivery company with headquarters in Berlin, acquired in August 2020 Dubai-based Instashop – a leading online grocery marketplace in Middle East and North Africa platform (300 Mio. USD turnover) to strengthen the business in this region and to open new markets in Asia. Delivery Hero operates in 44 countries (Europe, Asia, Middle-East, North-Africa, Latin America). In Q3, Delivery Hero will launch operations in Japan under the foodpanda brand.

Despite initial negative COVID 19 impacts the company reported record growth for Q2 and the revenue in the first half 2020 increased by 94% on a year-on-year basis to 1,1 bn EUR. The adjusted EBITDA is negative with – 320 mio. EUR due to continuous investments in service offerings, improved customer experience and customer retention. The company said that they have supported restaurants, riders, and local communities during the COVID-19 pandemic and partners with public institutions to deliver essential goods and medical supplies.

Delivery Hero expects continuous growth for the rest of the year notwithstanding that any forecast is subject to considerable uncertainty, especially due to COVID 19. Major risks related to COVID are the availability and efficiency of restaurants/partners and the riders' safety.

# COVID-19 impacts in the food-industry, Canada, Oct. 2020

During the week of October 5, 2020 Ontario entered the second wave, breaking all previous records of daily infections since the beginning of the pandemic. As of 12:01 am on October 10, 2020 the Ontario Provincial government ordered the closure of all indoor dining in restaurants and bars in 3 major cities

According to a survey taken by an industry association (Restaurants Canada) the Canadian restaurant sector laid off 800,000 workers in March. This amounted to two thirds of Canadian food service employment and Restaurant Canada predicts 30% of restaurants will not survive the pandemic.

Supply chain shortages increased because of COVID-19 however, in the case of restaurants and food services businesses, over supply was a major problem. The closures and decreased sales of restaurants left farmers and food companies with an over abundance of product. The drastic drop in sales to restaurants caused producers to dump thousands of gallons of milk, unused kegs of beer were emptied, and eggs were disposed of mainly due to producers not being able to redirect their product to grocery stores because of sizing, packaging and label restrictions.

Canada did experience some meat shortages due to COVID-19 outbreaks causing shutdowns of meat processing plants in Alberta and Quebec. This led to the Chicken Farmers of Canada to reduce the size of its national summer stock by 12% over concerns COVID-19 could debilitate the industry's ability to process meat.

Canadian farmers rely heavily on over 30,000 migrant workers each year. Early in the season, the Mexican government temporarily stopped workers from coming to Canada due to COVID-19 related deaths on some farms in Ontario. With the shortage of migrant workers, some farmers were forced to leave upwards of 50% of some crops unharvested. As August approached and Canada seemed to be flattening the curve, things seemed to be returning to a "new" normal. Now, with the upcoming colder weather restaurant patios will be closing and dining in restricted due to physical distancing rules, restaurants will once again experience what happened in March. With Canada now entering the second wave, we may experience more processing plant closures due to COVID-19 outbreaks and the cycle will likely continue until we see a vaccine.



# COVID-19 impacts in the food-industry, Brazil, Oct. 2020

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## Covid-19 Impacts in Brazil Food and Agribusiness

Coronavirus has impacted the food industry in Brazil in many different ways. In April 2020, 47% of Brazilian consumers increased spending on food, according to data from Statista. Despite this growth, the impact of the pandemic has been different in every segment within the Food Industry. While bars and restaurants had business interrupted due to social isolation measures, they are already resuming business, supermarkets have become essential establishments. Food production, on the other hand, is divided between industries that managed to keep operations running and small producers that had problems dealing with the uncertainties they faced.

The Brazilian Association of Bars and Restaurants (Abrasel) estimates that 20% of the establishments have closed their doors since the beginning of social distancing measures and that up to 1 million employees were laid off due to lockdown. Approximately 76% of the restaurants across the country have already had to dismiss at least one employee due to quarantine. Although many establishments have already reopened, the numbers of consumers does not compare to the numbers before Covid-19. Therefore, electronic commerce and deliveries became ways to maintain store revenue, restaurants and even rural producers.

With take away food affected by the pandemic, supermarkets saw a boom on the sales. In some states, supermarket sales increased by more than 10%.

Despite the many transformations caused by the pandemic that negatively impacted some segments, opportunities also arose and the companies that managed to exploit those are creating value for their shareholders.

## After the COVID-19 in global Food & Beverage, Food Services and Restaurants/Bars industry

**Increasing M&A opportunities** – In the Food & Beverage industry, there are sub-sectors that have suffered a lot and other sub-sectors that have gained due to COVID-19. The valuation of those sub-sectors in AFB varies, therefore there should be increasing arbitration opportunities even in the AFB sector. In addition, there should also be a difference in the valuation of the Food & Beverage sector by regions and countries, due to differing levels of infection. The digitization of the Food & Beverage Industry also significantly boosts M&A opportunities globally.

- Changes in lifestyle and work styles and a decrease in the frequency of eating out may change the motivation and the concept of eating out.
- Consumers are highly conscious of hygiene, health and safety, and the environment from the experience of COVID-19. Individual behaviour to avoid crowds, low to medium price business categories will be affected by New Normal business formats and the behaviour of individual customers. Store closures are increasing for un-finished businesses and businesses that relied on large numbers of customers.



- The two vehicles of the business are ready-to-eat meals (take-out/delivery), catering, and meal kit sales that cover the decline of in-store losses. Digitization such as smartphone orders and cashless payments and the introduction of self-contained and automated equipment are also progressing.
- On the other hand, eating out with less frequency is now a reason, event or a special occasion, and the added value of eating out (ingredients, production area information, culture, regional characteristics, genuineness, entertainment) becomes essential. The high-priced business format that the Japanese use will be revived, but we are entering an era where we can enjoy culture and individuality rather than competing for the scale of attracting customers and inbound support.
- While the shrinking market is recovering slowly, we are facing structural problems from before COVID-19 such as market maturity and human efficiency. We will overcome this by increasing the added value of digitization, automation, and eating out rather than investing in stores.
- This new business format that grew during COVID-19 will expand (instead of investing in new stores, for example, a business trip cook will go to a delivery/catering base to cook), and it will be a transformation era of eating out.

Direction of production and distribution to meet the digitization of the foodservice industry and the need for reliable ingredient labelling.

- Secure production of ingredients that support food culture to provide production provenance and reduce distribution costs.
- Transform conventional labour-incentive structure in the production of food & beverage, utilizing Robotech, automation systems and IT services.
- Digitization of production area information, distribution information platforms that connect production areas, logistics, and stores.
- Development of logistics bases, unification of logistic standards, quality control.



# Latest Transactions

<b>AUSTRALIA</b> 05/2020	<b>IRELAND</b> 04/2020	<b>UNITED KINGDOM</b> 01/2020
<p><b>JE Tipper Pty Ltd.</b></p> <p>Wholesale Distribution Fruit &amp; Veg</p> <p><b>Beemart Fruit &amp; Veg</b></p>	<p><b>Mabon</b></p> <p>Mabon Public Cash-offer</p> <p><b>Agromino</b></p>	<p><b>A Pearson Holdings Limited</b></p> <p>Re-finance with</p> <p><b>Shawbrook Bank</b></p>
Sell-side	Buy-side	Capital Raise
<b>ARGENTINA</b> 08/2019	<b>ARGENTINA</b> 08/2019	<b>IRELAND</b> 06/2019
<p><b>Verónica S.A.I.C.I.A.F. e I.</b></p> <p>Liability Management</p> <p><b>Various Banks</b></p>	<p><b>Local Private Investors</b></p> <p>Sell of 100% of the shares of P.F. Chang's Argentina</p> <p><b>Asian Bistro Argentina S.R.L.</b></p>	<p><b>Fresh (The Good Food Market)</b></p> <p>has acquired</p> <p><b>BWG Foods</b></p>
Capital Raise	Sell-side	Sell-side
<b>ECUADOR</b> 04/2019	<b>ARGENTINA</b> 02/2019	<b>JAPAN/ECUADOR</b> 01/2018
<p><b>Corporación Favorita</b></p> <p>has acquired</p> <p><b>Hanaska Catering</b></p>	<p><b>Adecoagro S.A</b></p> <p>Sale of the Chilvolco and Morteros industrial facilities and the Las Tres Niñas and Angelita brands</p> <p><b>Sancor Coop. Unidas Lta</b></p>	<p><b>Air Water / Saveur</b></p> <p>Proventus advised the shareholders of Ecofroz on a majority stake to Air Water Japan</p> <p><b>Ecofroz</b></p>
Buy-side	Sell-side	Sell-side

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