



Belgian Food & Beverage Sector M&A Snapshot Future of Food Review



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Future of Food Review

The Belgian food and beverage (F&B) industry has long been known for its diverse and high-quality products, from chocolates and Belgian fries to beer and gourmet cuisine.

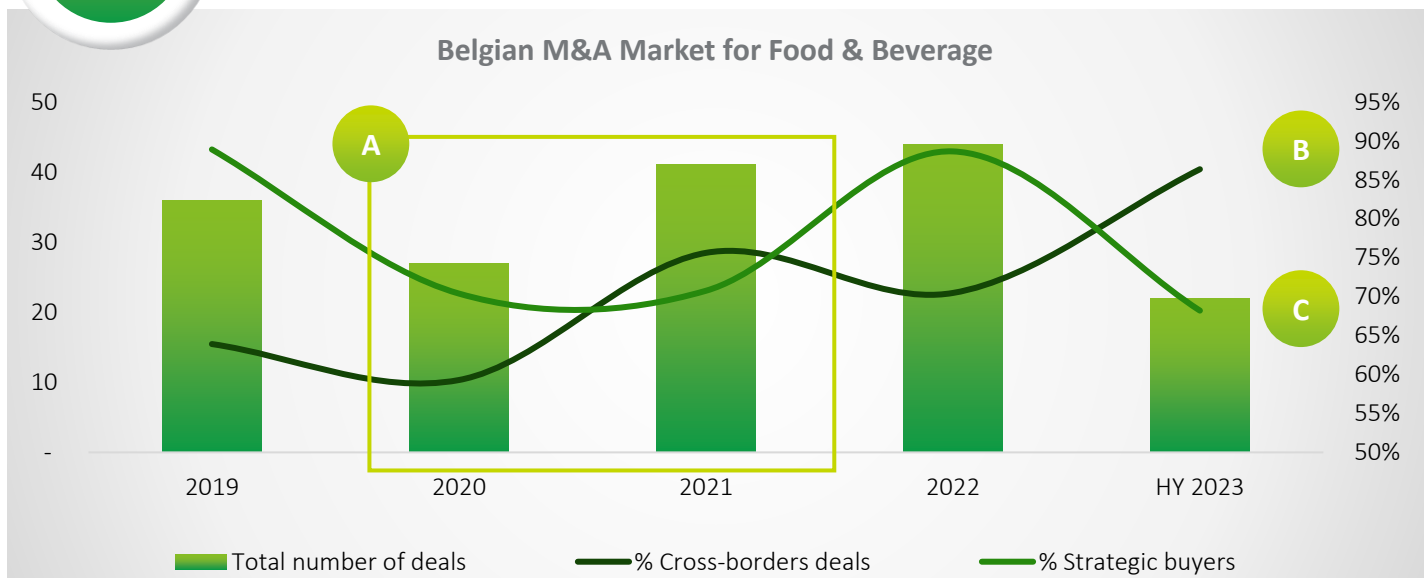
Traditional food is comforting, but the world is experiencing rapid changes in consumer preferences because of globalisation, health and sustainability concerns, and technological advancements and innovations. All these **changes also impact the Belgian food** culture, habits, and economy. This has led to **increased M&A activity within the Belgian F&B industry over the last few years**.

In **the first of our series of Belgian Future of Food Sector M&A Snapshots**, we briefly examine the highlights of the last five years with a zoom in on 2022 and the first half of 2023. We examine private equity and strategic investment activity in and by the Belgian food and beverage market.



Food & Beverage – Belgian M&A market

Including international targets acquired by Belgian buyers



From 2019 to 2022 the number of deals in the Belgian food and beverage market increased by 22.2%. The first six months of 2023 **predict a record year in terms of the number of deals** as, based on historical data, the majority of the deals are closed in the second half of the year.



In 2020, the deal volume in the Belgian F&B market was significantly impacted (-25% compared to 2019) due to the COVID pandemic. In this period, **strategic and financial investors were focusing on managing their core businesses and** portfolios instead of considering inorganic growth opportunities. Remarkably, there was a year-over-year increase of 73.3% in deal activity by **financial investors** from 2020 to 2021, indicating that **they identified opportunities in the sector during the crisis period**.

In 2020, COVID affected the international F&B M&A market resulting in a decline in the number of cross-border deals. This number picked up again in the course of 2021 with **70% of the transactions being beyond borders**.

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Remarkably, there are an increasing number of **corporate ventures (CV)** created by **Belgian food corporates** investing in new technologies, markets and trends, which can allow a corporate **to respond faster and cheaper to changing customer preferences and innovations** in the market. Belgian examples are amongst others Sparkalis (venture arm of Puratos Group), The Source (VC fund of Spadel) and FF2032 (venture arm of Lotus Bakeries).





Future of Food

1. Food companies are changing our food habits amongst other through M&A

We analysed 66 Belgian F&B transactions in 2022 and in the first half of 2023 and classified 45.5 % of them as a Future of Food-related transaction (cfr. graph 1) when responding to market trends such as conscious consumer choices for health (e.g., plant-based nutrition), sustainability (e.g., circularity and waste reduction) and sustainable food production (e.g., sustainable agriculture).

Strategic buyers (e.g., food companies) are currently dominating the Belgian M&A Future of Food market with 66.7% of the Future of Food transactions (cfr. graph 2). Most companies agree that Future of Food-related trends have a direct impact on their business. However, most of them lack the capabilities to act in full force. Corporates therefore admit that **M&A helps them to accelerate their Future of Food priorities** and can help them to create a **competitive advantage**.

Additionally, **corporates feel the pressure of stakeholders** such as policy makers (e.g., CSRD), investors, and financial institutions (e.g., SFDR), and the consumer who is asking for change.

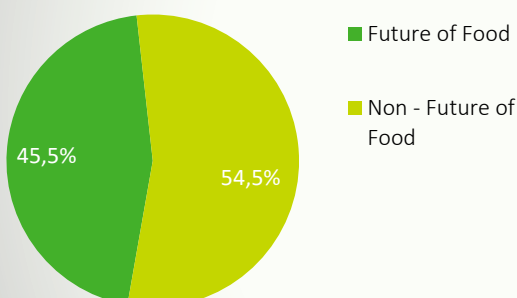
The acquisition of Fooditive by Sparkalis shows how Puratos is ready to embrace the full potential of Future of Food through M&A with amongst other vegan casein. The same applies to Greenyard that acquired Gigi in May 2023, producer of pure-plant ice cream. With this innovative, convenient and healthy alternative for ice cream, Greenyard wants to stimulate the overall consumption of fruit and vegetables.

Financial investors are increasingly finding their way into the Future of Food market with on average 83.3% of their F&B transactions classified as Future of Food (in 2022 and H1 2023), compared to 75.0% in 2021.

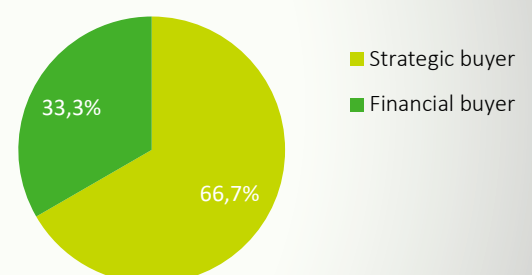
Korys, the investment company of the Colruyt family, confirmed its commitment to the conscious consumer by investing in Ingrizo in 2022. Ingrizo is a Belgian-based company that focuses on natural and sustainable ingredients for food products and health applications.

The still **small proportion of acquisitions by financial investors** in Future of Food can be explained by the **small number of deals in the broader F&B market** as well as the **early stage of the market**. Some Future of Food companies, such as Gimber (FY22) or Paleo (2023), are looking for (early stage) funding, which can explain why traditional Belgian private equity players are still quite silent in this market.

1. Belgian F&B M&A market FY22 - HY FY23



2. M&A in Future of Food FY22 – HY FY23 by investor type



2. Companies focusing on product traceability and clean labelling are attractive M&A targets

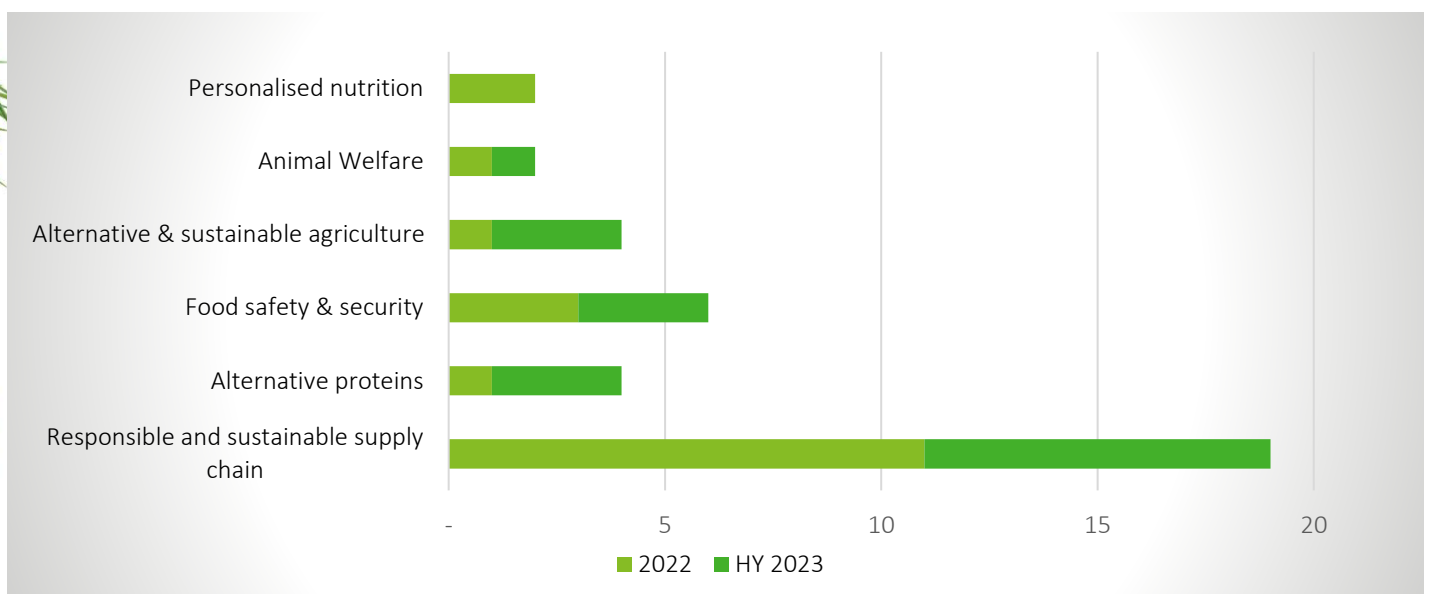
The Future of Food lies in **divergent initiatives that can make an impact on the entire food chain** (cfr. Graph 4), from agri producer to consumer and from personalised nutrition to food safety.

We observed six key segments that are influencing the Belgian M&A Future of Food market with 'responsible & sustainable supply chain' and 'food safety & security' as those with the highest deal activity over 2022 and the first half of 2023 (cfr. graph 3).

'Sustainable supply chain' comprises amongst other responsible sourcing and traceability. The increased stake by Verlinvest in Tony's Chocolonely, the 100% slave free chocolate, and the acquisition of Gilco ingredients, a leading specialty ingredient provider in the food and nutrition market, by Azelis are examples in this segment.

Within **'food safety and security'** we classified transactions focusing for example on clean labelling (e.g., fewer E-numbers or food additives in the ingredient list compared to comparable products) and less sugar intake. The minority investment of Sparkalis in Fooditive has been classified in this segment as Fooditive's innovations include an upcycled calorie-free natural sweetener, which is derived from apple and pear side streams.

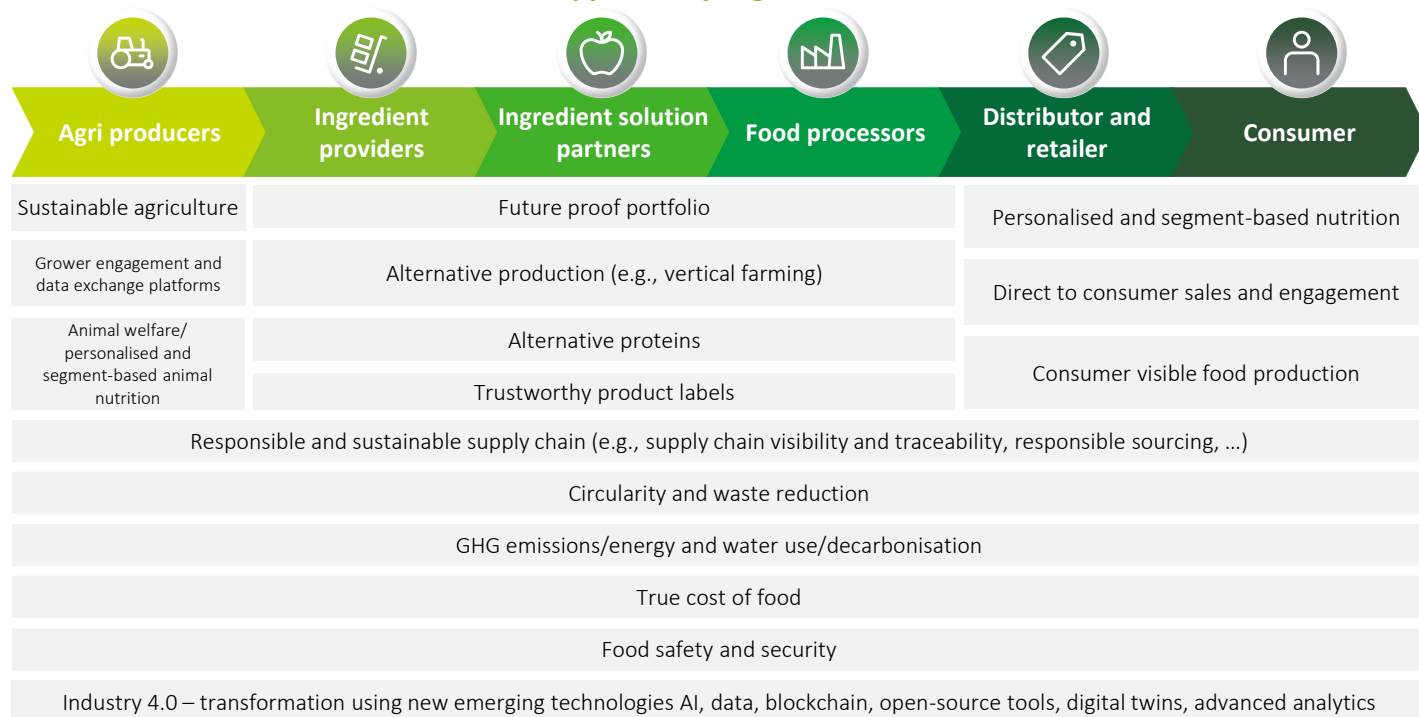
3. Belgian F&B M&A market FY22 - HY FY23 by Future of Food segment



The production of alternative or plant-based proteins is a segment where both financial and strategic investors show equal (50% of the transactions) interest. For example, the Belgian VC fund Astanor acquired a stake in Umiami, a startup specialised in the production of plant-based meat and fish.

Personalised and healthy nutrition remains a trend that has not yet been widely adopted in Belgium, whereas healthy snack food is gaining popularity. A cross-border acquisition in this segment is FF2032 (CV of Lotus) that acquired IQBAR, a US-based brand of plant-based protein bars and hydration mixes. The Belgian-based company EMPWR (private equity backed by Waterland) in 2022 acquired the US-based company Noble Foods Nutrition.

4. Food value chain – Opportunity segments in the Future of Food



Conclusion

- We observe **increased M&A activity in the Belgian F&B market**, excluding the dip in 2020, with an expected record year, based on historical data, in terms of the number of deals in 2023.
- The majority of the F&B transactions, as well as the Future of Food-related transactions, are **driven by strategic buyers**.
- **Financial investors have embraced the F&B market since COVID**, and are targeting more Future of Food-related companies compared to 'traditional' F&B targets.
- Within the Belgian F&B market, **more and more corporate ventures are created by Belgian food corporates** investing in new technologies, markets, and trends through M&A.
- The **overall cross-border deal activity peaked** in the first half of 2023 with more than 85% of the Belgian F&B transactions being cross-border compared to 64% in FY19 (pre-COVID).
- We identified **six key segments that are influencing the Belgian M&A Future of Food market** with 'responsible & sustainable supply chain' and 'food safety & security' seeing the most deal activity over 2022 and the first half of 2023.

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