



Unigrains – In Brief

2021 Global Review of M&A in the bakery sector

A record year

2021 was a record year for mergers and acquisitions in the bakery sector, with a 50% increase in the number of deals compared with 2020.

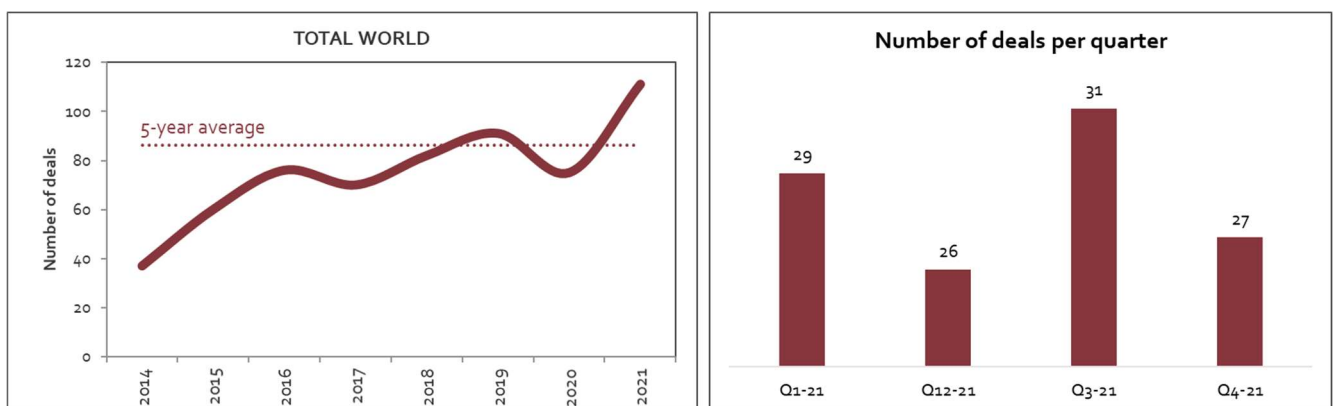
This note presents an overview of the year's highlights.



→ A record year at global level, average in Europe

After the dip in 2020 due to the Covid-19 crisis, 2021 was a record year in terms of the number of mergers and acquisitions in the bakery sector, with 111 deals. This strong activity is in line with that observed for the agri-food industry as a whole.

Number of M&A deals* in the bakery sector



Source: Unigrains, *company acquisitions/sales, spin-offs, acquisitions of majority stakes or mergers

This high level of activity is particularly noticeable outside the European Union and the United Kingdom, with 55 majority deals recorded within the EU27 + United Kingdom. This number is admittedly among the largest on record, but is still lower than the record 64 deals in 2019. M&A activity in France was, in particular, even significantly lower in volume terms than in recent years.

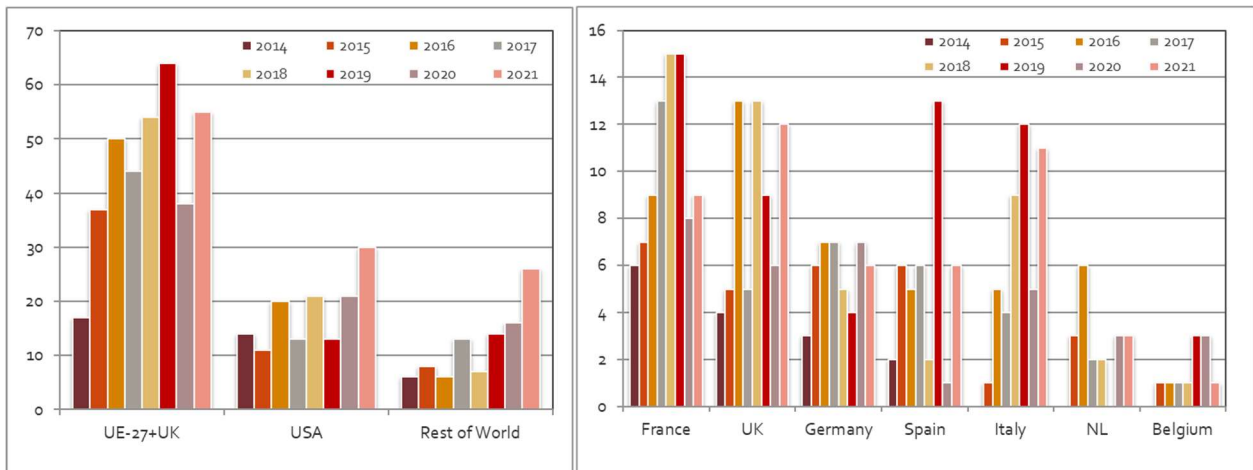
On the other hand, activity in North America and the rest of the world was very dynamic. In the United States and Canada, the number of deals reached a record high: 30 in the United States and 7 in Canada. There were also numerous deals elsewhere, with 19 deals recorded in 12 countries. In 2019, the year of the previous record, only 13 deals were recorded in 11 countries.



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Number of M&A deals* in the bakery sector by region



Source: Unigrains, *company acquisitions/sales, spin-offs, acquisitions of majority stakes or mergers

→ Highlights from 2021

1/ Buying activity by funds still strong, particularly in Europe

More than 45% of these deals were acquisitions by financial companies (investment companies, financial funds, family offices, fund-owned industrial companies).

Usually very active in North America (39% of deals carried out by financial companies), they were more present in Europe (47%), particularly in the United Kingdom and Italy.

Fund activity is often conducted via an industrial company that serves as a bridgehead for build-ups. For instance, Dolciaria Aquaviva, a frozen pastry and bakery company backed by Argon Capital Partners, acquired Dolce Milano and Unigel in Italy. In the United States, Crown Bakeries, sponsored by Arbor Investments, stood out with two new acquisitions. In Canada, Champlain Financial is continuing its buying spree through its dedicated platform, Humanity Bakeries.

2/ Corporates on the acquisition path for big deals

2021 also saw major deals with valuations of over one billion. The latter often stem from the desire of large groups to refocus on their strategic assets.

Although private equity funds are well represented in large acquisitions, industrial companies are also active. In this way, the restructuring of the Aryzta group benefited not only the private equity firm Lindsay Goldberg, but also the Mexican group Bimbo, which took over Aryzta's Brazilian assets, and Hilcona, which took over its sandwich business in Switzerland. George Weston divested from Weston Foods, allowing the emergence of a new major player in North America's frozen bakery industry, Canada's FGF Brands. Mondelez acquired Chipita in a bid to diversify its business towards pre-packed pastries and Eastern Europe.

3/ Buying momentum accelerated by the Covid crisis

The health crisis may have precipitated some decisions to sell non-strategic activities or, on the contrary, increased companies' search for diversification. It also triggered a desire to speed up companies' strategic agendas.

Among the very active buyers is Grupo Bimbo, which made five acquisitions during the year. The world leader was keen to branch out into snacking and biscuits, to strengthen its core business and expand its geographic footprint in India, Brazil and Spain. It also carried out three minority deals directly or through its venture capital fund in start-ups (low-carb, vegan and allergen-free products).

Cerelia, which led three deals in 2021, was also a very active buyer in both Europe and North America.



Although it is not quite in the same league, we can also mention the French company Hafner. The latter consolidated its positions in fresh and frozen patisserie with the acquisition of three companies, two in Canada and one in France.

→ 2022 marked by inflationary pressures

Will 2022 be as active a year as 2021?

The first quarter has already seen several transactions, either finalised or announced. Among them, a major deal to come in France with the sale of Marie Blachère¹ for an amount reportedly more than €1 billion. If the trend continues, 2022 could be a good year for mergers and acquisitions, without, however, repeating the record set in 2021.

The market is still awash with liquidity. Moreover, the current crisis context is conducive to the transfer of family businesses, which are forced to innovate, invest and rapidly transform their organisational structure. The new concerns which have emerged, more focused on environmental and social issues, are also inciting the older generations to speed up the process of passing on their business.

Part of the answer will come from the impact of cost inflation on businesses, whether in terms of agricultural raw material costs, energy, packaging, labour or logistics. Inflationary trends could weigh on discussions when certain companies are put up for sale, with their valuation potentially revised downwards. The risk is greater in the United States, where inflation is higher than in Europe. This issue has become more pressing since Russia's invasion of Ukraine. There is also a market risk for companies exposed to exporting to these two countries and/or an industrial risk for those with facilities there. Opportunity effects cannot be ruled out.



¹ Since publication of this note, press reports have indicated that the envisaged cession of MARIE BLACHERE has been postponed.