



Food for thought.

Deal Review
Food and Drink



BAKER TILLY



Globally and nationally, the food and drink sector is going through a period of seismic upheaval as the industry comes to terms with the impact of expanding populations, a rapid shift in economic circumstances and unpredictable weather.

The most obvious manifestation of the changes taking place is the rapidly rising cost of food. With both China and India now working their way towards the rich list of countries, their burgeoning middle class populations are taking a rising share of world food production, a trend that would on its own be having some upward effect on prices. Add to that the fact that spiralling oil prices are pushing up the cost of bringing food to the table and factor in the effects of bad harvests, natural disasters and an increasing emphasis on the production of bio-fuels, and you have a triple whammy. Rising demand, pressure on capacity and higher production costs – all are combining to fuel a spike in prices.

Ironically, the price rises have come at a time when consumers are coming to terms with a less benign economic environment. The credit squeeze has hit economic confidence and with overall inflation on the rise, discretionary spending is falling. As a result, retailers, restaurateurs and their suppliers on the production chain are finding their margins squeezed.

So what does that mean for the shape of the food industry? Well, over the next few months we expect to see further pressure on margins, with a few niche brands bucking the trend. As conditions get tougher, the likeliest outcome is a round of consolidation as businesses scale up their operations to grab market share, reduce fixed costs and bolster their ability to negotiate with suppliers and customers.

Baker Tilly's experience in the food sector makes us ideally placed to help you face challenges and seize the opportunities of a changing marketplace. In the following pages we showcase just a handful of our recent food and drink industry deals. See what our clients have to say about our talented people and how we added value in each of their transactions. Whether it was a trade sale, acquisition or IPO, they all have one thing in common. Deals were delivered and delivered effectively by the Baker Tilly team.

We hope that this review will illustrate the excellent service offered to shareholders, management teams and financial institutions by our specialist team of deal doers. We would also like to thank everyone who has helped make these transactions happen and we look forward to working together over the coming months and years in what will undoubtedly be a rapidly evolving market.

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Client: **Vendor**

Transaction type: **Sale**

Sector: **Food services**



Sale of Benugo

Benugo Ltd, the high-end contemporary deli / coffee shop chain and restaurant operator was sold to independent contract caterer BaxterStorey. Benugo have a fast growing contract catering presence in entertainment venues and business sites, and five high street retail units around London, including in the newly refurbished St Pancras station.

As part of the deal, BaxterStorey simultaneously acquired Holroyd Howe, the specialist food service operator to create one of Britain's largest independent contract caterers. The deal was backed by equity funding from Mezzanine Management and debt funding from RBS, Barclays and AIB.

Our role

Baker Tilly advised the board of Benugo on the sale of the business, advising on deal structuring between the various shareholder groups, negotiations with the purchaser and on the commercial terms of management contracts going forward. The deal was led by Rob Donaldson and Kirsty Sandwell.

“Baker Tilly were very personable but at the same time incredibly professional. They were able to steer the negotiations to the absolute best outcome possible. We would have no hesitation recommending them to others or using them again.”

Ben Warner

Co-founder
Benugo

Client: **Company**

Transaction type: **IPO**

Sector: **Restaurants**



IPO of The Clapham House Group

The Clapham House Group runs good value, high quality restaurants. It was created in 2003 by David Page and Paul Campbell (both ex Pizza Express) with the aim of acquiring a small number of exciting young concepts with outstanding growth potential. They decided to float one of the first cash shells on AIM, raising £15m in the first tranche to qualify for EIS and VCT reliefs.

David's proposition to shareholders was that Clapham House was going to use their 25 years' experience in the restaurant sector to acquire small, fledgling businesses, with a proven record, and then grow them organically.

Within 18 months, Clapham House had bought three profitable businesses of various sizes, with a fourth added in May 2006. It set about expanding the businesses, raising two further tranches of £7m and £25m. The Group now has over 90 restaurants.

Our role

Baker Tilly acted as the reporting accountants in the successful admission of the company to AIM. The reporting accountant work was led by Chilton Taylor.

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Restaurants**



Acquisition of Soho House

Richard Caring acquired a major share in private leisure chain, Soho House Limited.

Soho House operates private members clubs and restaurants, including Shoreditch House, Soho House New York, Babington House, Cecconi's Restaurant, as well as Cowshed Spa and Beauty products.

Our role

Baker Tilly provided due diligence on the acquisition. Key to the due diligence was a thorough understanding of each of the clubs and their different trading characteristics. This was made more complex by the varying stages of development of each club. The due diligence was led by Stephen Orriss and Thorin Ward.

"Baker Tilly approached the work in a professional, proactive and efficient manner. We were very pleased with their contribution and handling of some of the complex issues arising."

James Lawrence

Finance Director
Richard Caring

Client: **Management**

Transaction type: **Buy-out**

Sector: **Manufacturing**



Buy-out of Calypso Soft Drinks Limited

The management team of Calypso Soft Drinks Limited, the soft drink manufacturer, undertook a buy-out, acquiring the company from its shareholders.

Calypso manufactures and supplies single serve ready-to-drink soft drinks, ranging from pure fruit juices to natural mineral water, plus a range of drinks for home freezing to a wide range of customers. Calypso has manufactured soft drinks for over 40 years and moved to a purpose built factory and warehouse facility in 1998. Calypso also benefits from its own on-site natural mineral water source.

Calypso has created an extensive range of brands, with 70% of sales being attributable to the Calypso brand. The company's vision statement is "To create healthy, fun and refreshing brands that are loved by all".

In an all debt deal with RBS, the buy-out returned the ownership of the Company to the family that originally founded the business in 1885.

Our role

Baker Tilly advised the management team and led the negotiations with the bank funders to secure the best terms for management. The deal was led by Ian Latham.

"Baker Tilly were able to formulate financing options to assist the management team in funding the deal, attracting multiple bids from potential funders. They saw the inherent value in the business to both funders and shareholders, and Ian Latham's pragmatic style achieved the deal for the management team working to tight deadlines"

John Halton

Finance Director
Calypso Soft Drinks

Client: **Vendor**

Transaction type: **Sale**

Sector: **Manufacturing**



Sale of Titusfield Limited

Titusfield Limited, the food ingredients manufacturer, was sold by its shareholders, who included 3i, to Kerry Ingredients Holdings (UK) Limited a subsidiary company of Kerry Group plc.

Titusfield was incorporated in 1981 and operated from a modern food factory in Peterborough producing ingredients such as crispies and pea biscuits for inclusion in confectionary and other products. The Company also produces coated cereals and biscuits for use in products such as Muller 'Corners' or McDonald's 'McFlurry'.

Kerry were a significant customer of Titusfield Limited and an obvious strategic partner.

Our role

Baker Tilly advised the shareholders of Titusfield throughout the sale process, including negotiating the transaction with Kerry and guiding the company and its directors throughout the process. The transaction was led by Sally Budd.

"Baker Tilly successfully delivered what could have been a difficult transaction between supplier and customer to the satisfaction of all the shareholders."

Debbie Sorby

3i

Client: **Company**

Transaction type: **IPO**

Sector: **Manufacturing**



IPO of Synergy Plc

Synergy Plc, the Russian vodka producer, successfully floated on the Russian Stock Exchange, raising US\$190m. The company has a market capitalisation of around US\$1bn and trades on the RTS and MICEX exchanges in Moscow.

Synergy is a holding company of a group that at the time of the offering included seven distilleries and one spirit plant, as well as a number of food business production facilities. The company employs more than 7,000 people. The central office of the company is located in Moscow with a portfolio of regional and national vodka brands covering most price segments in the market.

The group is continually seeking to develop and introduce new brands and products into the market.

Our role

Baker Tilly acted as reporting accountants in the private offering preceding the admission to the Russian stock exchange. The transaction was led by Kevin Denham.

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Manufacturing**



Acquisition of Community Foods

Milk Marque, the successor to the Milk Marketing Board and the lead employer for the Milk Pension Fund, acquired Community Foods, a market leader in the supply of organic, health and fair-trade food products.

The acquisition completed an 18 month search by Milk Marque, which had previously been in wind-up mode following the break up of its milk trading operations in 2000, to find an attractive investment for its members that could also support its pension fund.

Founded in 1971, Community Foods is regarded as the pioneer of the UK organic sector with brands including the “Crazy Jack” range of organic nuts, rice, dried fruit and snacks. Customers include Tesco, Sainsbury’s, and Holland & Barrett as well as a range of independent health food chains, food manufacturers and wholesalers.

Our role

Baker Tilly advised Milk Marque on the acquisition, undertaking the acquisition search, originating the deal, leading the negotiations and project managing the transaction through to completion. The transaction was led by Simon Chapman.

Baker Tilly also carried out due diligence and supported the Board of Milk Marque in their discussions with the Pensions Regulator and Trustees of the Milk Pension Fund.

“We are indebted to Simon Chapman of Baker Tilly who originated the deal and advised us throughout the process. Baker Tilly’s dedication, commercially minded approach, and ability to build strong relationships were key to successfully completing the deal.”

Roger Evans
Chairman
Milk Marque

Client: **Management team**

Transaction type: **Buy-out**

Sector: **Manufacturing**



Buy-out of MBM

The management team of MBM, the potato wholesaler, undertook a buy-out, acquiring the company from the UK’s largest food producer Premier Foods plc.

MBM is the largest potato wholesaler in the UK, having eleven sites within the UK and Northern Ireland. They specialise in sourcing and processing potatoes for customers, who include major food manufacturers and retail clients.

In addition, MBM have a growing organic and fresh foods business. Funding for the acquisition was provided by the Bank of Scotland.

Our role

Baker Tilly undertook financial due diligence for the buy-out team and the funders. The team was led by Paul Johnson, supported by Damian Webb.

“We found Baker Tilly made very efficient use of time (which was very limited), were incredibly productive and added a lot of value in terms of their analysis and insights. They were also very good to deal with – focused on the key issues and were very clear in their communication to us at all stages of the process. In terms of our view of their capability and performance – it is best answered by ‘would we use them again?’ We already have.”

Pepe Bascetta
CEO
Abbanoy Produce Holdings
Limited

Client: **Vendor**

Transaction type: **Sale**

Sector: **Manufacturing**



Sale of WA Turner

WA Turner, the independent manufacturer of high quality own label meat products for the major multiples, was sold to Irish Food Processors (IFP), Europe's largest beef producer.

The transaction saw IFP take another step to increase its share of the UK food manufacturing market, adding £60m of turnover to their business. For the directors of WA Turner, the transaction signified the final hurdle of a four year turnaround plan since they bought the ailing business from Prize Food Group in 2003.

With over 500 employees, WA Turner is one of the largest independent suppliers of high quality own label sausages, pies and quiche to the major supermarkets including Tesco, Sainsbury's, Morrisons and Somerfield.

Our role

Baker Tilly groomed the business for sale following the buy-out, advised the shareholders throughout the transaction and managed a highly intensive final sale process to close the deal in under 6 weeks. The transaction was led by Rob Donaldson and Kirsty Sandwell.

Prior to the sale, Baker Tilly's tax team advised the business on its restructuring into 4 separate companies.

"Baker Tilly got us a terrific result. Their advice throughout the transaction on strategy and tactics was spot on. They secured a great deal for us at a time when booming raw material prices were making the food manufacturing industry a painful place to be. They dealt deftly with a number of interested parties and kept the pressure on. Without their tenacity and excellent negotiating skills, I'm not sure we would have got a deal done."

Mark Roberts

Managing Director
WA Turner

Client: **Company**

Transaction type: **IPO**

Sector: **Entertainment**



IPO of Landkom International Plc

Landkom International Plc, the Ukrainian feedstock producer, successfully floated on AIM in November 2007 raising £54m.

Landkom is one of Europe's largest producers of high value agricultural feed stocks including oil seed rape and wheat for the food and biofuel markets. Landkom leased land from local inhabitants in Western Ukraine in order to farm it on a large scale basis. The produce is then sold into international markets, primarily Europe.

The funding from the flotation enabled Landkom to significantly expand the amount of land it could lease and purchase the necessary farming equipment to undertake its operations.

Our role

Baker Tilly acted as reporting accountants and advised on international tax structuring. The transaction was led by Chilton Taylor and supported by Quentin Ingham.

Baker Tilly's Transaction Services team worked in tandem with Baker Tilly Ukraine on the flotation.

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Restaurants**



Acquisition of Smollensky's

The Grill Group, a privately owned restaurant group comprising the Le Frog and Pastiche Bistro brands, acquired the iconic London restaurant group Smollensky's. With nine sites in central London, Smollensky's operates under the Smollensky's Bar & Grill, Burgershack by Smollensky's and Smollensky's Metro brands.

The acquisition was funded by Octopus Private Equity with senior debt from Alliance & Leicester.

After an initial period of consolidation, the Grill Group will be looking to grow both organically and by acquisition of single sites or restaurant chains.

Our role

Baker Tilly's Transaction Services team in the Central Region performed financial due diligence on Smollensky's and The Grill Group. The due diligence teams were led by Matthew List and Stephen Orriss.

"Baker Tilly responded well to the tight timetable for completing the deal and delivered on the due diligence scope. We were delighted to work with the team and look forward to partnering with them again."

Alistair Brew

Director
Octopus Investments and Board
Member of The Grill Group

Client: **Vendor**

Transaction type: **Sale**

Sector: **Manufacturing**



Sale of Trilogy Foods

Trilogy Foods (Millerdale) LLP, the leading UK manufacturer of high quality toasted bread products was bought by Symington's, the food manufacturing company that counts the Ainsley Harriott range among its famous brands. The transaction added the Anthony Worrall Thompson range of croutons to Symington's range of brands.

Millerdale was founded in 2001 after the directors identified the opportunity to manufacture high quality toasted bread products using fresh oven bread, free from traditional additives, colourings and preservatives. Historically this market had consisted of poor quality, relatively unhealthy products and so this product development effectively created the quality salad crouton market in the UK.

Our role

Baker Tilly provided advice to the members of Millerdale ranging from the strategic identification of potential buyers through to negotiations on the commercial terms of the deal and ultimately project management of the transaction. Baker Tilly managed to achieve an exit multiple in excess of the clients' expectations during a challenging time in the wider economy. The transaction was led by Hamish Morrison.

"Baker Tilly produced a fantastic result for us. Their professional approach and guidance was invaluable, from finding a suitable buyer to cutting through inevitable obstacles on terms and price in what turned out to be a complex negotiation. We were impressed by their intelligent and constant communication which guided management and helped to ensure a successful conclusion to the deal."

Peter Merchant

Managing Partner
Trilogy Foods (Millerdale)

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We provide our growing and established business clients with audit, accountancy, personal and corporate taxation, VAT, management consultancy, corporate finance, IT advisory and restructuring and recovery services.

The firm has national coverage through its network of offices and is represented internationally through its independent membership of Baker Tilly International.



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