

This webinar will start shortly

In the meantime why not sign up to receive RSM insights?

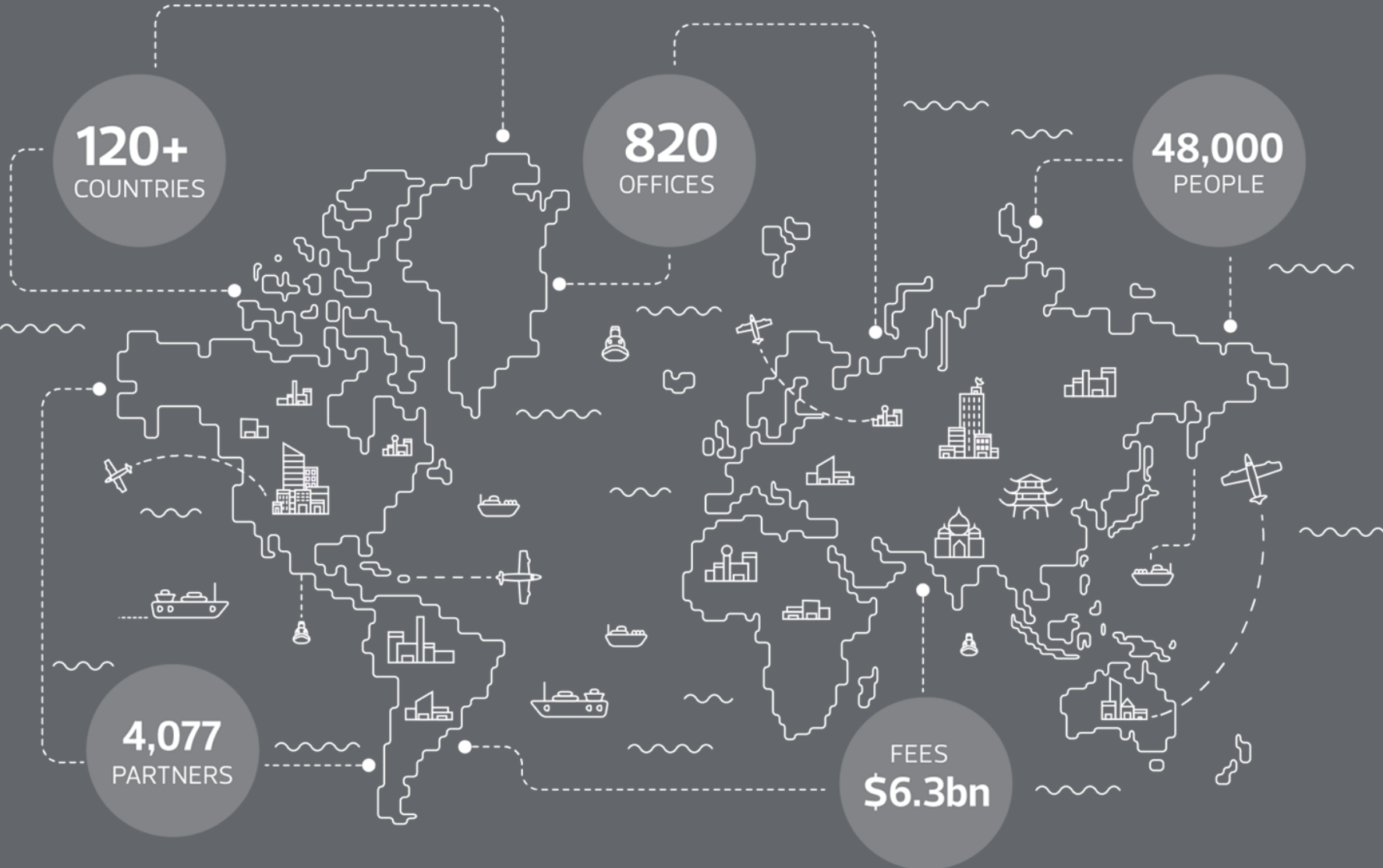
**For more
information visit:**

<https://www.rsmuk.com/what-we-offer/industries/manufacturing/food-and-drink>

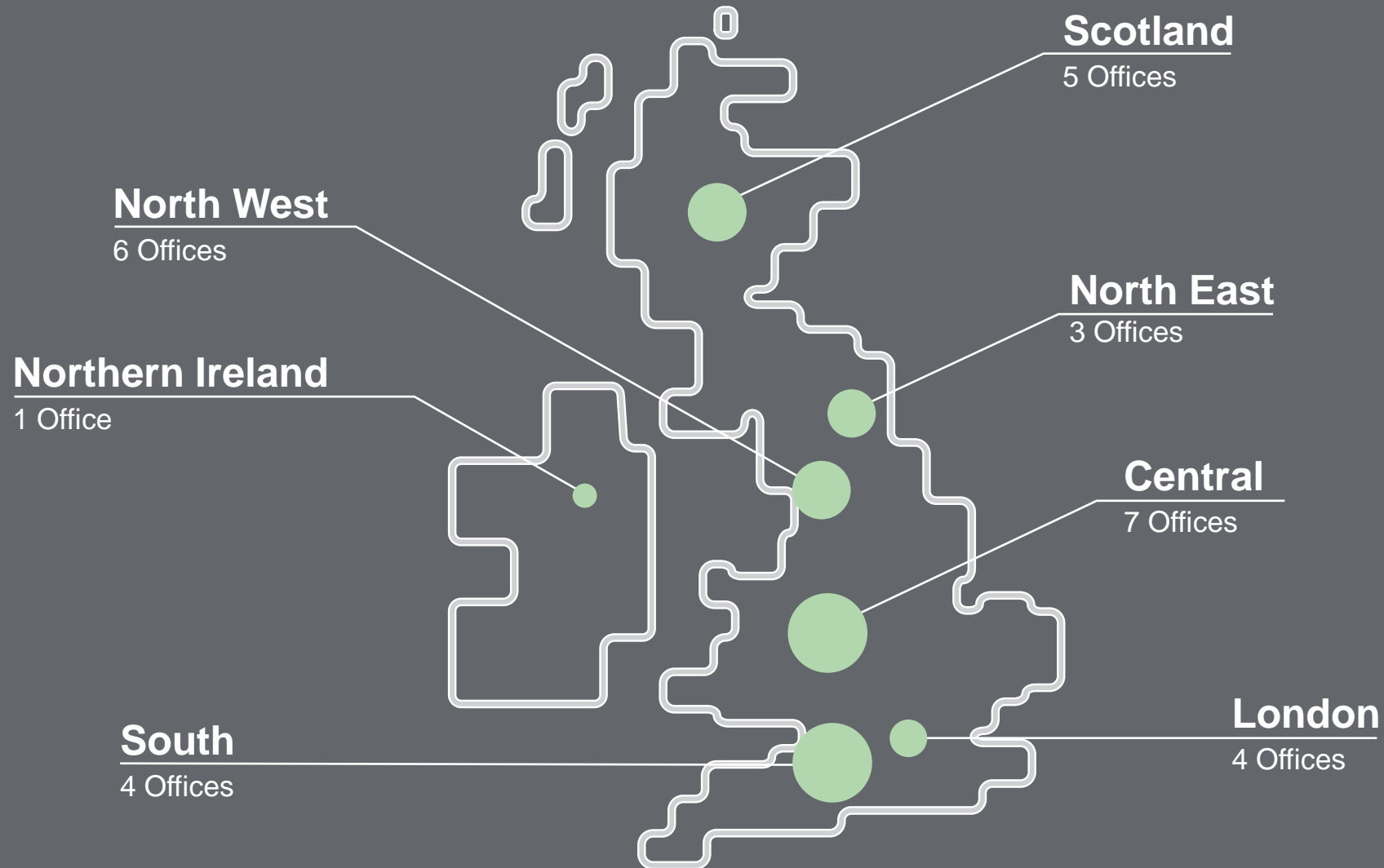


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OUR GLOBAL FOOTPRINT



WHERE ARE WE IN THE UK?



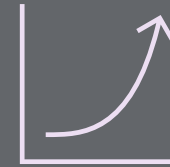
WHAT ARE WE SEEING ACROSS OUR CLIENTS?



Food price inflation



Labour shortages



Future cost concerns



Regulation



Innovation



Investment decisions

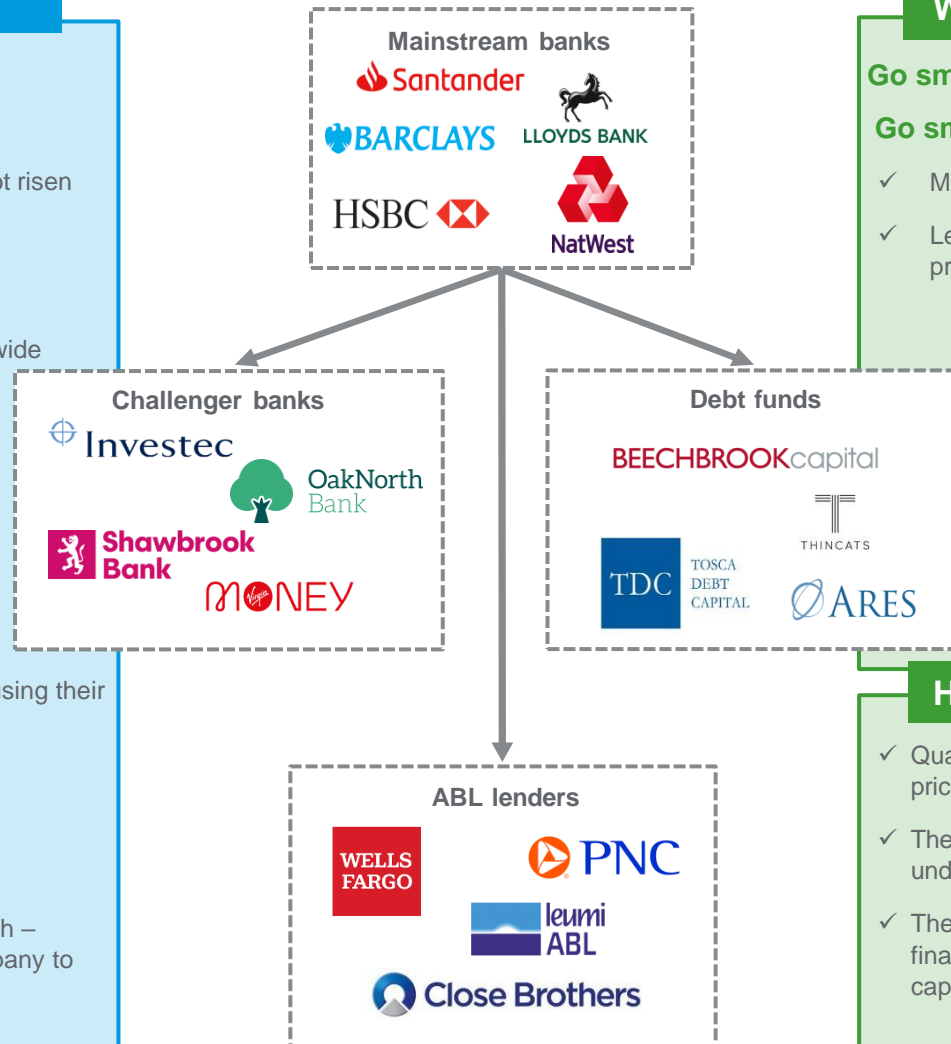
RAISING DEBT IN THE CURRENT CLIMATE

Raising money is still doable, but requires a careful process

Has debt gone away?

Cheap debt is getting scarcer, but debt hasn't gone away

- ✓ Although base rates have increased, margins have not risen as much
 - ✓ The debt market isn't one single "market" as is often portrayed
 - ✓ There's a wide range of players in the market and a wide range of credit views
 - Just like in a sale process, multiple bidders, multiple views
 - ✓ Liquidity is still high so appetite to lend remains positive amongst:
 - debt funds who have cash to deploy, and
 - bankers who are still very much charged with using their balance sheets
- "Is 3x is the new 4x?"**
- ✓ It's hard to quantify the change in *credit* appetite in the mid-market
 - ✓ It's more accurate to see this as a qualitative approach – lenders will zero in on the business case for the company to get through hard times



What can be done about it?

Go smart and go wide – run a proper process

Go smarter

- ✓ Make sure you are fully prepared with your credit case
- ✓ Lenders now expect borrowers to have an adviser to help them present their plan in the most convincing way

Go wider

- ✓ Consider approaching lenders from outside the mainstream – a wider range of lenders is available than ever before
- ✓ This may be more costly than traditional bank debt, but may well provide a better solution

How a debt advisor can help

- ✓ Quality debt advisers help borrowers get the right deal at the right price
- ✓ They should have a good awareness of the credit landscape and understand how best to navigate it
- ✓ They should cover the spectrum of client requirements from financing for growth and acquisitions, as well as for working capital, recapitalisations and refinancings

THE FOOD AND DRINK MARKET

Observations on the market

Winners and losers due to **changing spending and consumption patterns** as a result of cost of living crisis

Pressure on margins as **inflation** brought cost increases – delay in recovery from buyers

Some looking for **expansion of facilities** due to covid-boom, others looking for **funding support** following cost increases

Strong **relationships** with customers, suppliers and lenders important to get through the supply crisis

Outlook for the market

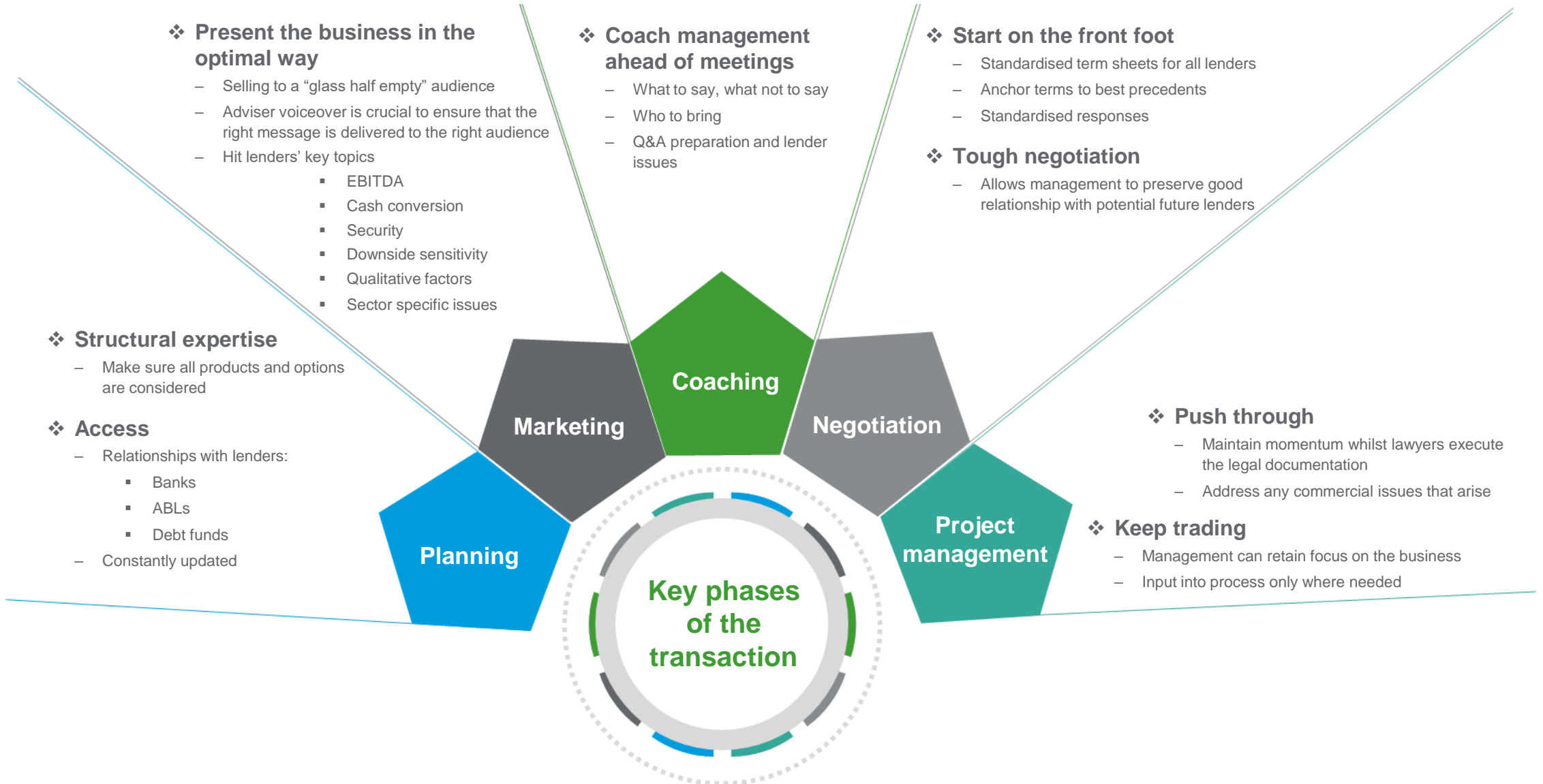
Lender appetite has remained **resilient** for food and drink deals across the market

High volume of deals completed following covid, many of which **leverage strong receivables**

Companies are financing themselves using **receivables, stock and cash flow**

Pricing is **currently volatile**, with lenders sometimes getting it “wrong”

HOW A DEBT FINANCING PROJECT WORKS



PHASE 1 – PLANNING

Considering options and structuring a deal

Assess all your financing options

Receivables Led (ABL)

- Popular with lenders
- Secured against: debtors,
- Sometimes also inventory, other assets.

Cashflow loan (TL or RCF)

- Can be standalone or alongside an ABL facility
- Requires strong cash flow and consistent EBITDA

Other considerations:

- Sufficient assets/debtor book to support the ABL facility
- Sufficient cash flows/EBITDA to support cashflow facility.
- Is a mixture “ABL Plus” possible and viable
- Property considerations, additional credit for property as collateral

Who to go to?

High Street Banks



Alternative Lenders



PHASE 2 – MARKETING

Presenting your company in the best way is pivotal in securing the optimal debt structure

Working Capital Cycle – costs back under control and can be passed on to customers

Market position: position yourself as a leader within your field (or within a credible niche)

Client concentration: diverse customer base

Client relationships : Emphasise strength and longevity of your relationships

USPs / Strong management team

Growth Strategy: demonstrate the use of funds and how this will support the Company

Phase 3 – Management Meetings

Where to hold the meetings?

On-Site

- Great opportunity to showcase business operations

Site Tours

- Not always needed.
- May consider other means of bringing the business to life (e.g video, tasting)

Who to bring along?

CFO

Finance Team

CEO

- Potentially for all or part of the meeting

Phase 4 – Negotiations (Key Factors)

Pricing, the obvious one.

Repayment terms and basic structure: Which subsidiaries in, out?

Financial covenants – levels, spikes, exceptions

Permitted baskets, What's important to you? Acquisitions, shareholder payments?

Phase 5 – Project Management

Management of common obstacles underpins the efficiency of a debt raising process

Managing **lender queries** and questions

Oversee **negotiations**, not just on term sheets

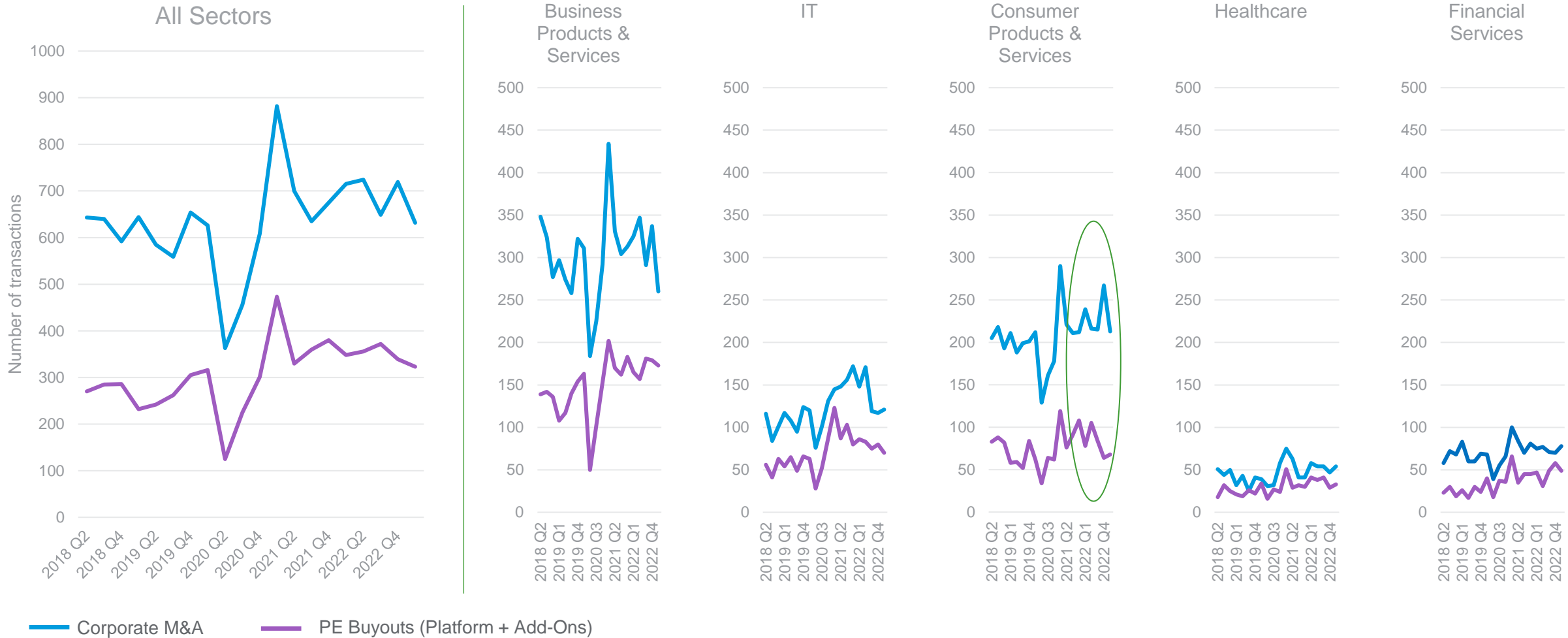
Managing other providers, such as **due diligence** and **valuers**

Manage the **legal processes** of contract signing and due diligence

01

Key observations about PE

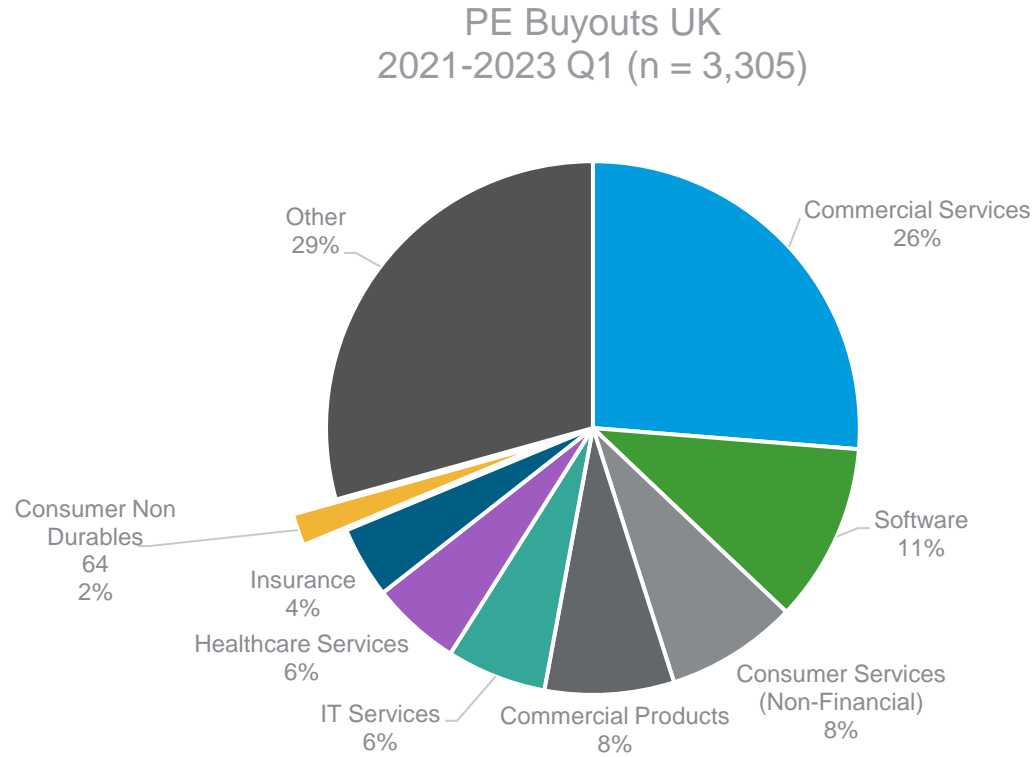
CORPORATES ARE THE MOST ACTIVE ACQUIRORS, BUT PE ARE STILL KEY



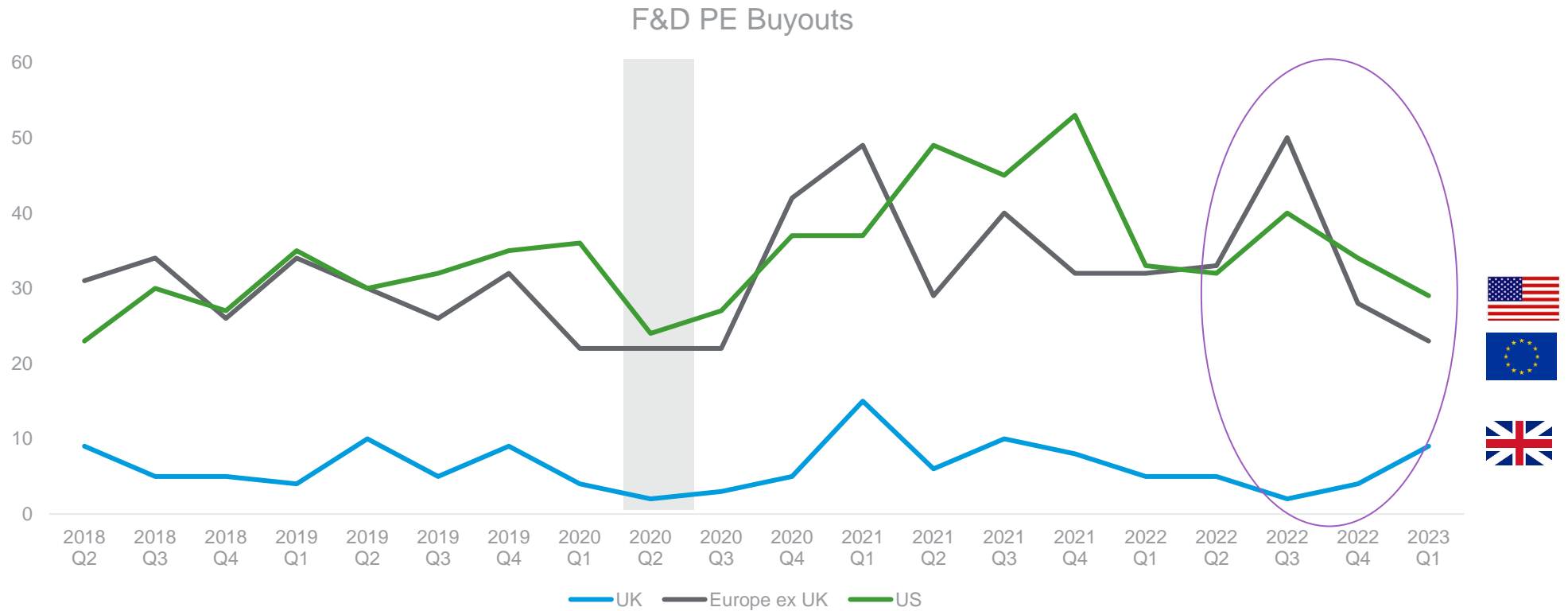
Source: Data from PitchBook Data Inc, Analysis by RSM UK. To end Q1 2023. UK based targets only.
 Business Products & Services = Commercial Services, Commercial Products, Commercial Transportation

SECTOR ANALYSIS

Concentration in commercial services and software but a wide range represented

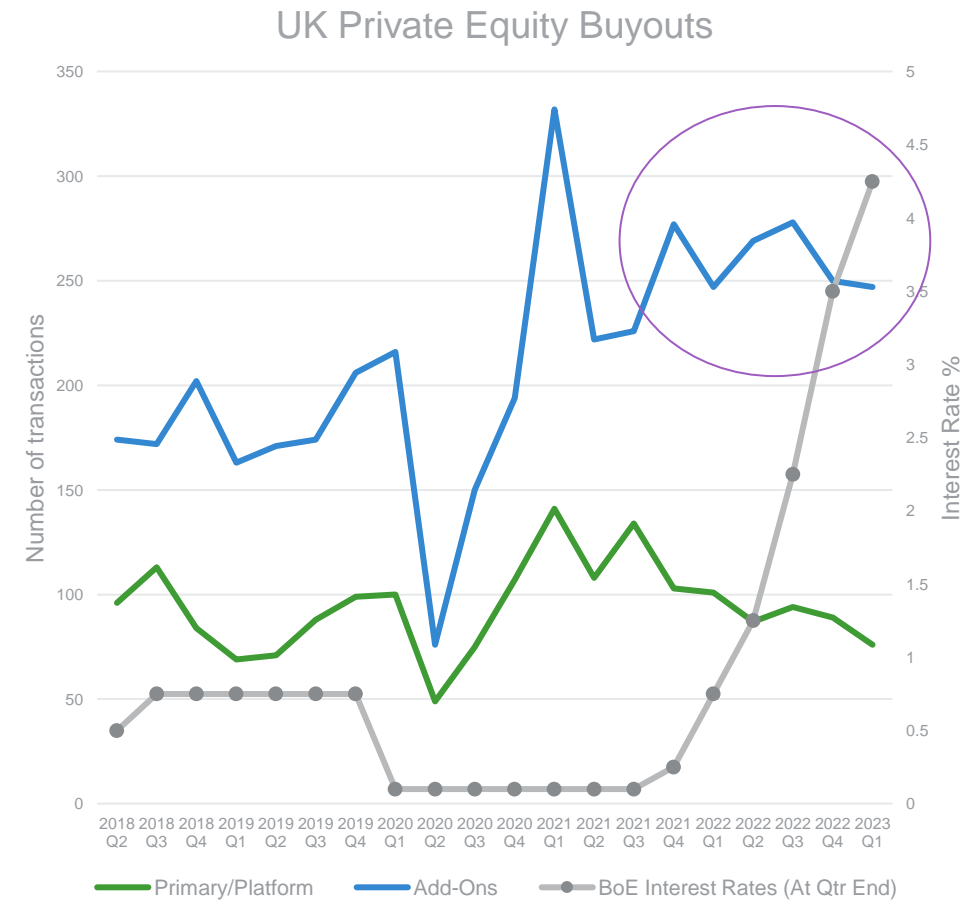
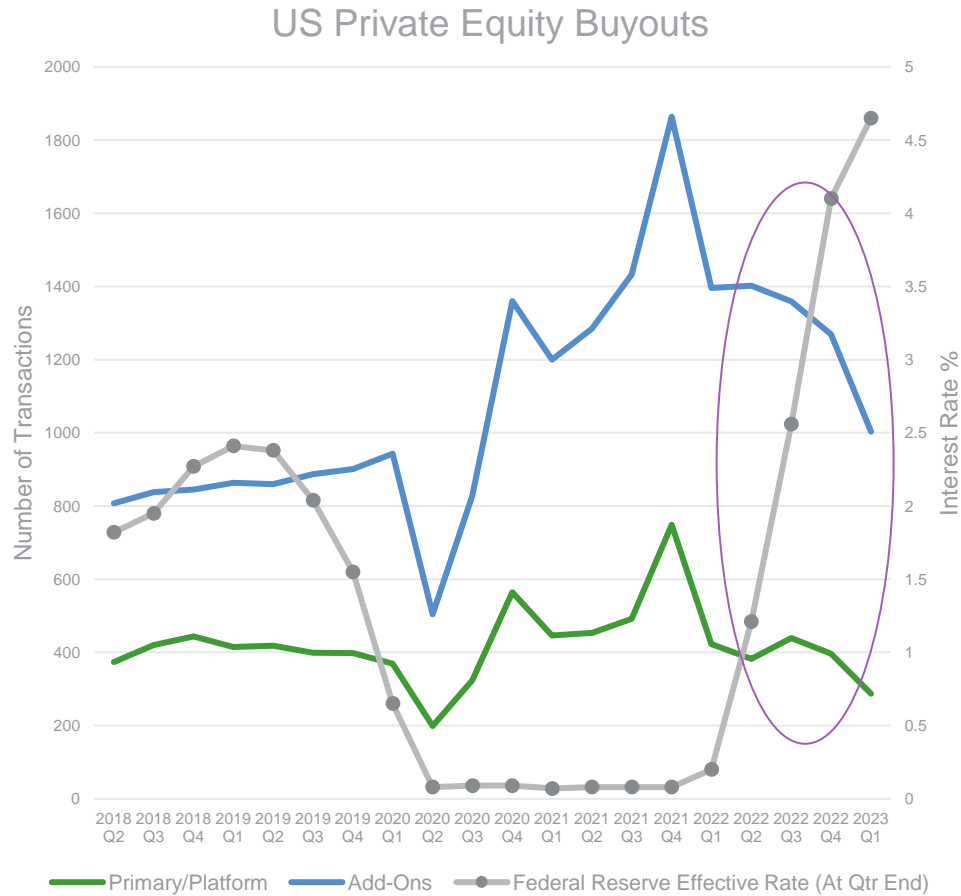


FOOD & DRINK PE BUYOUT DEAL VOLUMES HAVE WANED IN EUROPE AND US BUT UK HAS BEEN A RECENT UPLIFT



Source: Data from PitchBook Data Inc (as a sub-set of Consumer Non-Durables)

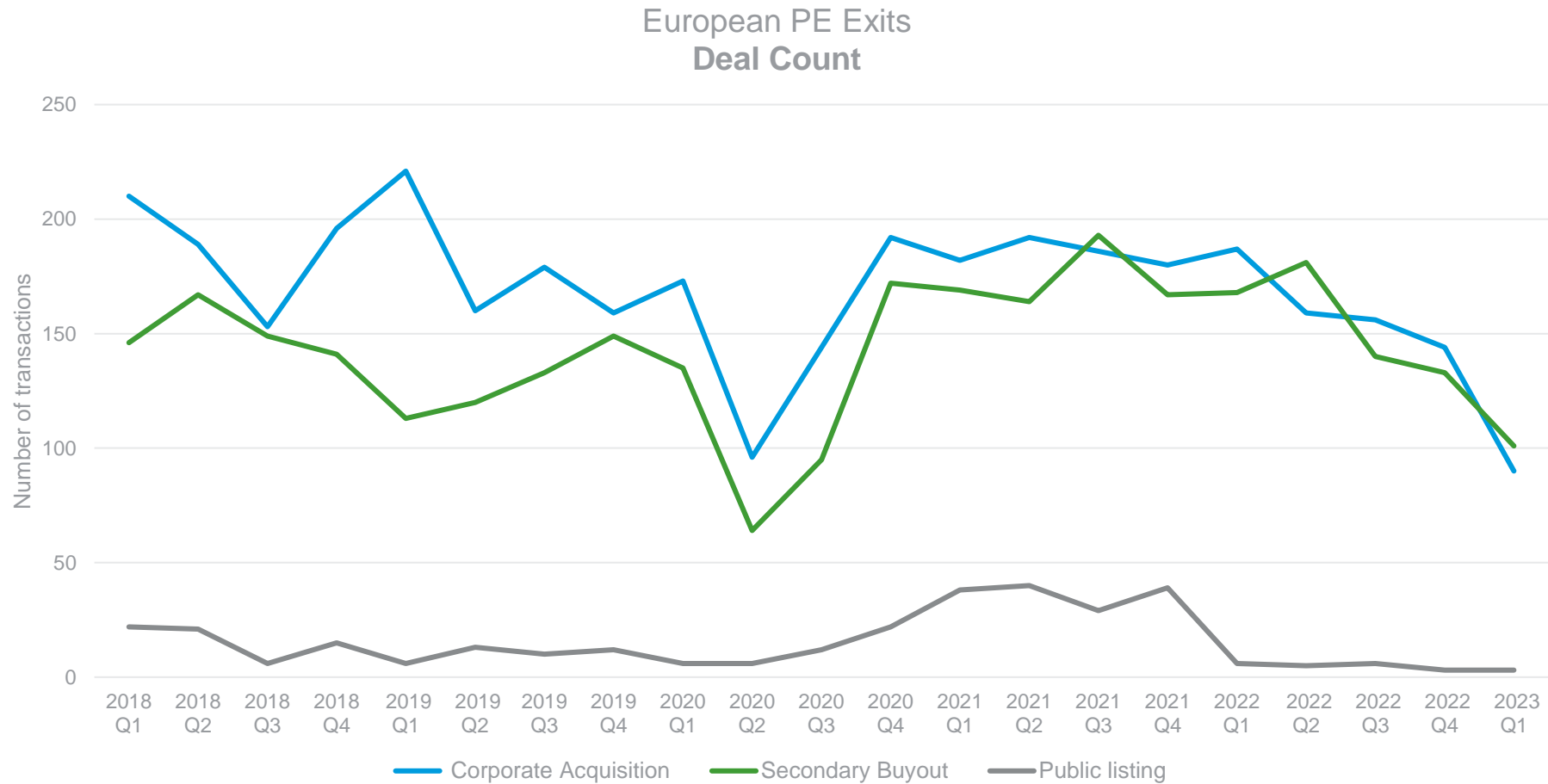
DRAMATIC IMPACT OF INTEREST RATES AND ECONOMIC HEADWINDS, BUT ADD-ONS IN THE UK REMAIN HIGH



Source: PitchBook Data Inc, Bloomberg, RSM UK - 13 May 2023

EXITS ARE DOWN SIGNIFICANTLY

Will put pressure on PE firms looking to exit



02

PE & Your Food & Drink Company

FUNDS THAT TARGET AND/OR REGULARLY INVEST IN THE FOOD & DRINK SECTOR EITHER EXCLUSIVELY OR AS KEY ELEMENT OF THEIR STRATEGY.



Value drivers



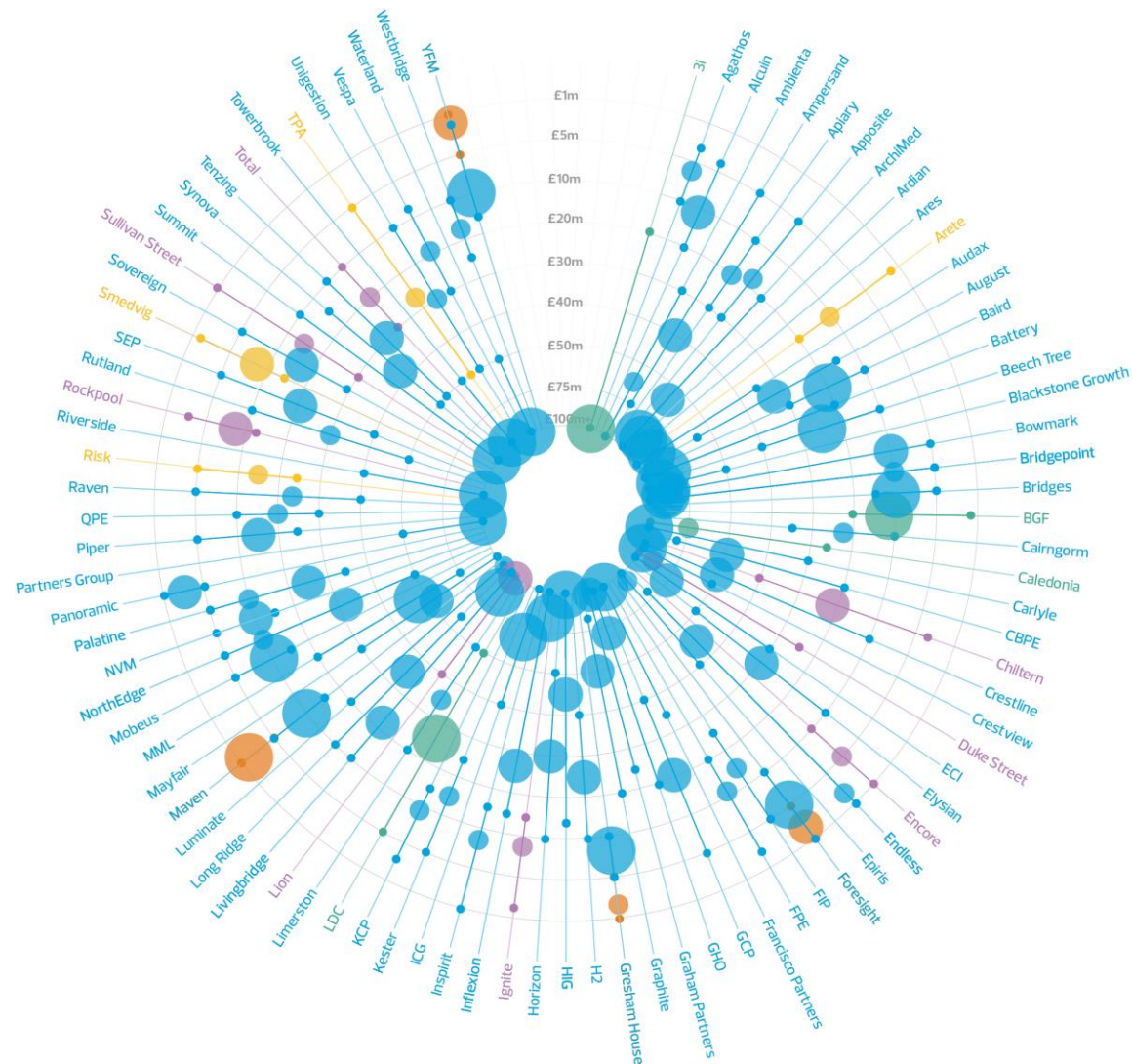
A BIG POOL OF PE BUYERS TO CONSIDER, WITH VARIANCES IN INVESTMENT FOCUS AND APPROACH

Selected RSM clients

- Portfolio size of 26+
- Portfolio size of 11-25
- Portfolio size of 1-10

- Fund
- Family office
- Deal by deal
- VCT
- Balance sheet

£100m+ Average target investment size
£1 million - £100 million plus



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