



NOBDA (No Brexit Deal Anxiety) and Food & Beverage M&A - Oghma Partners Review

17th September 2018

Today Oghma Partners publishes an update on M&A activity YTD in the UK Food Producer & Beverage sector. The UK element is important as, unlike other reviews, we only look at the UK in this review, not UK and Ireland or acquisitions in the UK including acquisitions outside the UK undertaken by UK businesses. The distinction is important as, we believe, we can discern the trend for this particular geography and look at the Brexit effect on it. Thus reviewing previous data, we highlighted that the volume of deals in the Food sector fell by about a third from 2016 vs 2017 an effect that we attributed very firmly to the Brexit vote. We believe that the Brexit effect was experienced through the fall in the currency, the spike in input costs and the problem of cost recovery impacting profitability and thereby derailing exit plans.

YTD in 2018 the volume of deal activity is in line with 2016 albeit the value of deals is higher - a result of a greater percentage of larger transactions. The point here is that, as yet, there has been no sign of creeping No Brexit Deal Anxiety or, NOBDA for short. Given the long lead times for executing deals the lack of impact on M&A is perhaps not surprising. Looking in to the Autumn if NOBDA increases, which seems likely as most pundits seem to be thinking that the talks will go to the wire, there could be an impact of NOBDA on deal flow. NOBDA may impact buyers through a number of scenarios. There may be a further concern regarding sterling weakness- as seen before. In addition there may be a concern regarding the ability to either import or export product - so just in time delivery may be affected by queues at ports or non-tariff requirements (like veterinary checks) and then there may be the impact of tariffs. Either way, sellers may need to address these risks in any upcoming discussions and buyers may wish to risk-adjust their pricing models through either discounting their offer prices or, more palatable, increasing the earn-out element on any transaction. Hopefully soon we can put, BREXIT, BRINO and now NOBDA behind us and get on with the job of growing businesses and creating value.

If you would like to learn more about Oghma Partners and the work we do, please do get in touch via our “Contact us” link on our website or use the contact details below;

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