

FOOD AS A DEFENSIVE SECTOR

Agri, Food & Beverages Sector

INDUSTRY REPORT 2023

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1. The food industry in France, a defensive sector for investors

The food sector includes raw products, but also processed products. Fresh products of animal or vegetable origin that have required one or more operations before reaching the consumer.

Today, most of the food we consume is processed. Consumers are increasingly turning to these higher value-added products that meet a variety of needs: taste, time-saving, and convenience. France leads the market with 55,810 food companies, 170 billion euros in sales, and 14% of the total European food industry. Most companies in the sector (44%) are involved in wholesale trade (food and beverages), followed by raw materials and livestock (12%), beverages (10%), and meat processing (8%).

In addition, the French agri-food industry is the second largest in Europe in terms of turnover. French farms produce 18% of the European Union's agricultural production (68 billion euros in 2020). In France, 125 billion euros worth of agri-food products will be marketed in 2020 according to INSEE.

A resilient sector

In 2021, the turnover of the French agri-food industries increased by 7.8%, after a decrease of 1.4% in 2020. This growth is due to the combined effect of the increase in production volume (+2.9% in 2021) and the increase in prices (+2.1% in 2021). The turnover of these companies fell by 1.2% on average in 2020, whereas it had grown by 2.4% in 2019. In 2020, the three French food groups with the largest sales are Danone followed by Lactalis, and Pernod-Ricard. These companies are highly internationalized, with more than 80% of their business conducted outside France, and up to 94% for Pernod Ricard.

The agricultural and agri-food sector is one of the sectors that contribute most to France's export power. It is the 3rd largest trade surplus for France with €8 billion in 2021. In that same year, the French agricultural and agri-food trade surplus will increase by 31% compared to 2020 (€6.1 billion) and by 3.4% compared to 2019 (€7.7 billion).



Thus, the value of French agricultural and agri-food exports has improved significantly to €69.7bn, +13% compared to 2020 and +9% compared to 2019. France remains the world's 4th largest exporter of agricultural and agri-food products with a global market share of 4.5% according to the French Ministry of Agriculture and Food.

Fields	France's rank among world exporters	Exports by value in 2021 (€Bn)	+in exports by value compared to 2020
Wines and Spirits	1	17,3	+25%
Live Animals	1	2,2	-2%
Fruit and Vegetables	1	4,8	+1%
Milk and Dairy Products	4	7,6	+5%
Sugar	4	1,4	+41%
Cereals	8	7,6	+6%
Grocery Products	8	10	+8%
Meat	10	4,9	+16%
Oilseeds	12	2,7	+39%
Fishing and Aquaculture	21	1,9	+38%

Increase in local players

The health crisis of 2020-2021, followed by the crisis due to the Russian-Ukrainian war of 2022, has brought back to the fore the importance of the territorial anchoring of agricultural and food production activities. This trend had already existed for several years, and opinion polls show that consumers are increasingly sensitive to the local origin of products. Indeed, a 2020 Opinion Way study indicates that 82% of French people trust products from small producers, and 70% trust products of French origin. The term "territorial anchoring of food" refers to the fact that consumers in each territory have a special relationship with food products from a territory with which they identify.

As such, the EGalim law enacted in 2018, supplemented in 2021 by the Climate and Resilience law, provides for several very ambitious measures to improve the quality of meals served by collective catering, with the objective of a supply rate of 50% of sustainable and quality products, including 20% of products from organic farming.

Vegan and organic food

In the context of particular attention paid to healthy eating, limiting meat consumption, and raising awareness of animal welfare, the vegan market is more promising than ever in France.

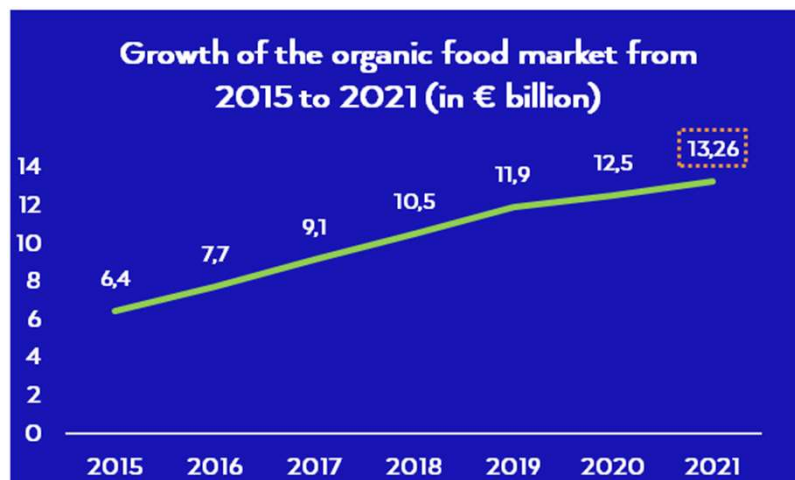


Ecological awareness and the growing desire to protect the planet and limit man's impact on the earth are strongly influencing the vegan sector. Livestock farming represents nearly 15% of greenhouse gas emissions, and the desire to protect the planet is almost mechanically accompanied by a decrease in meat consumption, with the objective of reducing meat production for food.

According to Crédoc (public agency), one in five French people are "flexitarians," meaning they voluntarily reduce their meat consumption for non-economic reasons. "More and more of us are not eating meat more than once a day. The reasons are most often related to the search for a healthier and more responsible diet." 40% of those surveyed by the IFOP study say they want to eat more plant-based products.

"More and more consumers are also willing to eat less meat." A few figures to illustrate: the value of the vegan market in supermarkets is 400 million euros and is growing considerably, estimated at 11% in 2019, according to Xerfi.

In response to this change in behaviour, the offer is diversifying. Several major groups have already invested in the market, such as Nestlé with its sub-brand Garden Gourmet, or Danone, which announced the acquisition of the plant-based products company US Earth Island, with the ambition to increase its turnover from "plant-based" products by 2025. These food giants are primarily targeting a wide range of potential consumers of plant-based proteins. While the growth of plant-based drinks and desserts is timid, the growth of the meat analogy industry is estimated at 8% by 2023 according to a study by Xerfi.

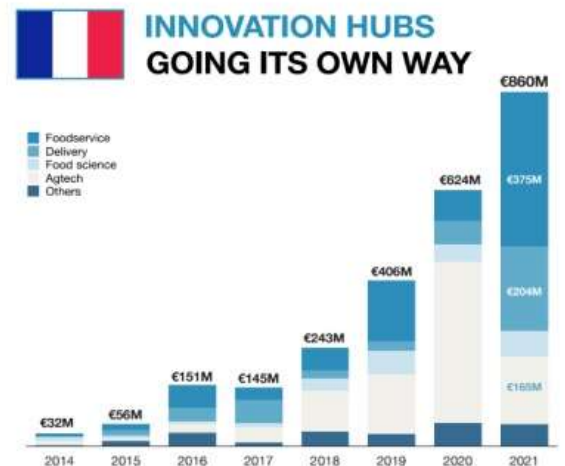


France is a major market for organic food in Europe and is rapidly adopting new consumption habits with online sales especially following the Covid crisis. The French organic market grew by 13.5% in 2019 compared to 2018 to reach €11.93bn, very close to the leading European market of Germany which is worth €11.97bn (+10%) according to BPI France. France will therefore most likely become the largest organic food market in Europe in the near future if the speed of growth continues.

The emerging FoodTech sector

FoodTech represents all startups that put new technologies at the service of food. The solutions provided by FoodTech companies benefit all stakeholders in the food sector, such as operators, farmers, and companies involved in the processing and creation of new food products. The entire food value chain is therefore concerned. There are more than 4,000 FoodTech startups in the world, including more than 300 in France. According to a report by the VC fund, AgFunder, companies in the sector have managed to raise \$20 billion in 2019. Despite a constant progression for several years, the FoodTech market is not satiated. Its global turnover is expected to reach €250 billion by 2022. In the long term, the FoodTech ecosystem aims to meet a key challenge: how to feed 10 billion people in a healthy way by 2050.

We have seen an exponential increase in investments in France (€860 million), which explains the country's third place in the global ranking of countries investing in FoodTech.



Top countries by funding

Rank 2021	Country	Evolution since 2020	Share of the investments	Cumulative share of investments
1	Germany	↑ +2	31 %	31 %
2	UK	↓ -1	12 %	43 %
3	France	↓ -1	10 %	53 %
4	Netherlands	↑ +1	9 %	62 %
5	Estonia	↓ -1	7 %	69 %
6	Spain	↑ +1	7 %	76 %
7	Finland	↓ -1	6 %	82 %
9	Sweden	↓ -4	4 %	86 %
8	Czech Republic	↑ +26	4 %	90 %
10	Norway	↑ +2	3 %	93 %

2. Update Organic/Bio-Food Business in Germany in 2022

For the first time the Organic / Bio-foods market in Germany experienced a negative turnover development: up to October 2022 the sales with Bio-foods had decreased by 4%. 2021 was a record year for the category with a total of 15,9bn EUR; which represents 6,8% of the total Food & Beverage market in Germany. Compared to 2014 the market for Biofood has nearly doubled (2014: 8,2 bn EUR). Inflation has stopped this impressive growth trend. Higher costs for energy, packaging, rent etc. are causing higher prices for food & beverage. Consumers buy less and more price-consciously than in the previous year as a result of the loss of purchasing power due to inflation. Most affected are specialized bio-food stores; they show a minus 15% in the first half of 2022. In addition to the challenge of more price-sensitive consumers, these pioneers of bio-food are now facing the strong competition of supermarkets and food-discounters. Market leaders Aldi and Lidl have more than 300 bio-products in their assortment today; Hypermarket Kaufland even 3.300. Already in 2021 more than 96.000 SKUs in Germany are marked with the "Bio-Siegel" (Organic seal).

Organic/Bio-Food has entered the mass-market in Germany. The short-term prospects for organic products are to be assessed cautiously. Once the economy picks up again and consumer incomes consolidate, demand can be expected to rise. The fundamental, long-term consumer trends will fuel further market growth and M&A potentials: health, environmental consciousness, sustainability. One flashlight: Already 44% of the Germans name themselves as flexitarians; 8% are vegetarian or vegan: in the age group of the 14-29, 19% say they are vegetarians or vegan (42% flexitarian). For 2030 the German Government targets that 30% of all farming should be organic.

3. UK vegan food market

Reducing meat consumption has been on an upward trend over the past few years, a movement that currently shows no sign of slowing. The plant-based alternative market in the UK and EU is forecast to grow from £3.9bn in 2019 to £6.6bn in 2025.



There is a growing interest in trends such as ‘Veganuary’ and ‘Meatless Monday’ particularly within younger generations, emphasising the future importance of growing veganism and the meat-free consumption market.

Reportedly 620,000 people officially signed up for Veganuary in 2021, with a large portion of these people accounted for in the UK. This is up from 400,000 in 2020, an increase of more than 50%.

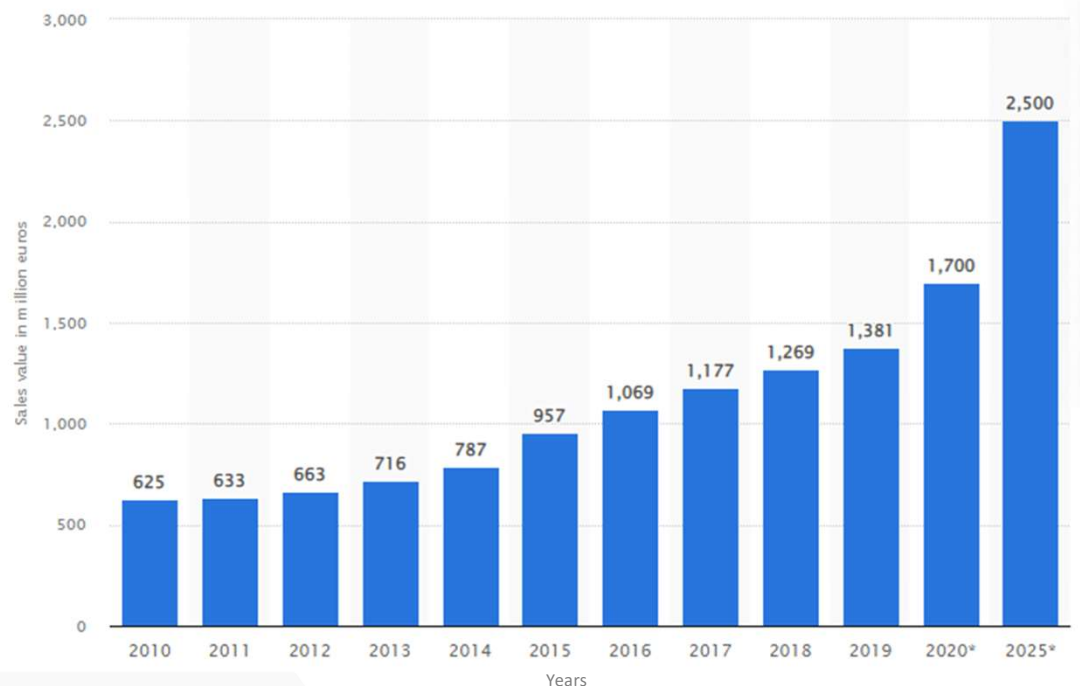
Its estimated that approximately 3% of the UK population is now vegan, up from 1.2% in 2019 and 2% in 2020.

Supermarkets and food manufacturers are also making it easier for shoppers to make vegan choices and swaps for meat products. With strong competition from brands such as THIS, Beyond Meat and Alpro, supermarkets have come a long way since the days tofu and Quorn were the only vegan options.

Many major UK supermarkets have launched plant-based alternatives, with sales expected to reach \$36.3bn by 2030. In 2018, Tesco were the first large supermarket to launch their own exclusive vegan range, Wicked Kitchen, with now all major UK supermarket offering a similar product range.

Whilst the vegan lifestyle is growing globally, the UK is a large contributor towards this significant movement. The UK is currently the 3rd most popular country in the world for vegans, closely behind Germany and Austria, according to Google Trends.

Retail sales value of meat substitutes in the EU and the UK estimates and forecasts 2010 – 2025 (in million euros)



Source: Statista

4. Snapshot of the Irish Food Sector

Reducing meat consumption has been on an upward trend over the past few years, a movement that currently shows no sign of slowing. The plant-based alternative market in the UK and EU is forecast to grow from £3.9bn in 2019 to £6.6bn in 2025.

In June 2022, the Irish Central Statistics Office (“CSO”) issued a release focusing on the relative price of food, beverages, and tobacco in Ireland in 2021, compared with 35 other European countries.

According to the CSO:

- Ireland was the sixth most expensive country among 36 European countries for food;
- the fourth most expensive for beverages; and
- the most expensive for tobacco.

The results for the main food sub-categories show that, of the 36 countries, Ireland was:

- 8th most expensive country for bread & cereals;
- 11th most expensive for meat;
- joint 18th most expensive for fish;
- 8th most expensive for milk, cheese & eggs;
- 11th most expensive for oils & fats;
- joint 9th most expensive for fruits, vegetables, and potatoes



Agriculture is Ireland's largest indigenous exporting sector. Irish food and agricultural products are produced by thousands of farmers, fishermen and agri-food. This locally produced food is exported to over 180 countries around the world, with agri-food exports totalling €15.4 billion in 2021.

Ireland's Food & Beverage ("F&B") is Ireland's largest and most important industry. It has an annual turnover of €25 billion, of which exports account for €10 billion and this sustains c.230,000 jobs.

Ireland F&B industry supplies the majority of produce to the country's €14 billion domestic grocery and food service sector, and is the largest net exporter of dairy ingredients, beef and lamb in Europe.

Additionally, Ireland's F&B sector is the largest exporter in Europe of powdered infant formula and the UK's largest supplier of food and drink. Investment in the sector continues to grow and in 2022 Kerry Group plc has committed to spending €135 million on expanding its research and development centre.

The findings of Bord Bia's 2022 Irish Foodservice Market Insights Report released in November 2022 shows that the Irish foodservice, or 'out of home', industry experienced significant growth of 61% in value to reach over €8.2 billion in 2022. This represents an almost full recovery to pre-pandemic levels, but it is set against a forecast for modest growth of 11.6% in 2023, which is predicted to be fuelled mainly by cost inflation, rather than consumer visits. According to the report c.92% of Irish people indicate that they would like to make a change to their diets to improve their health and wellbeing.

The rise of plant-based diets has been driven largely by innovation in Ireland with supermarkets stocking more plant-based options to keep up with customers food choices. These premium brands such as Strong Roots continue to develop sales value as people are willing to pay extra if they are able to see the benefits of the healthier adjustment to their diets.

Irish Government Investment in the Food Sector

Ireland Strategic Investment Fund (“ISIF”) invests on a commercial basis to support economic activity and employment in Ireland. ISIF supports Irish Food and Agriculture businesses to scale and grow. Over the past few years ISIF has invested in many Irish Private Equity (“PE”) firms, for example from a food perspective it invested in the Finistere Ventures Fund III, which is a fund focused on global early stage Irish agri-tech investments. ISIF invested in Panelto Foods which is a large indigenous prepared consumer food company producing artisanal breads. ISIF also invested €15 million via an equity investment to grow and scale West Cork Whiskey distillers to be a major player in a globally successful indigenous industry. ISIF also invested in MilkFlex Fund, which is a fund that offers flexible, competitively priced loans to Glanbia dairy farmers with loan repayments linked to milk price..

Outlook

Irish consumers are increasing their demand of more locally sourced products in supermarkets, especially fruit & vegetables and meat, highlighting the growing importance of local provenance of consumer goods in the mainstream retail sector. There is evidence that retailers are leveraging their interest for local; for example, discounters such as Aldi have built strong relationship with Irish producers, while Musgraves have established and continue to support and build relationships with regional and local producers as seen with the acquisition of Italiscatessen. The Irish Redesdale Food & Beverage Fund (“RFF”) is an exciting new €75m fund, focused on investing in the future of food. It is the only Irish fund dedicated to food and beverages start-ups. It has invested in Soothing Solutions Ltd a food company aimed at the children’s healthcare market. It has also invested in Thanks Plants Ltd a meat alternative company.

The 2023 predicted growth rate for Foodservice in Ireland is 11.6% from €8.2 billion to €9.2 billion. It should be noted that while consumer spending is almost back to 2019 levels, production costs have however exceeded 2019 levels. Much of the growth in value in 2023 is expected to be driven by the higher end user prices and inflation; most observers agree that the pent-up demand that was unleashed in 2022 is largely spent.

Despite the obvious challenges that this sector has faced in 2022 there has still been strong activity both from PE Investment and M&A transactions. The outlook for 2023 is promising with both Arderin Distillery and Eight Degrees Brewing Company (Irish Distillers subsidiary) in talks regarding transactions, however no buyers have been made public at this moment in time.

Recent Investment in Innovative Irish Food Companies:

Strong Roots and McCain Foods partnership enables both companies to continue to meet the rising consumer demand for healthy and natural food globally in particularly the vegan market. Strong Roots will use McCain Foods global presence to expand its own footprint in existing markets including UK, US and to enter new markets working with new retailers.

Food businesses such as global brand Kerry Group plc have committed to €135 million on a new research and development centre. Other food business has made large investments in productivity due to COVID-19. This has resulted in these businesses being highly geared. Banks have remained supportive and have provided covenant waivers for these businesses that have been affected by the pandemic in particular. Insolvencies have also been low in this sector due to strong fiscal support. Despite the uncertainty surrounding the economic conditions for 2023 the outlook for Ireland's Food Industry remains positive.

5. Agri, Food & Beverages market structure in Greece

The Greek Food and Beverage Industry is one of the most dynamic sectors and key driver of the production activity affecting the Greek economy. It is also a competitive industry, characterized by significant investments and strong export orientation.

(IOBE, Foundation for Economic & Industrial Research)

The Greek F&B sector covers 28% of all Greek manufacturing enterprises (2019), ranking first among manufacturing sectors. It employs 36% of total workforce in the manufacturing sector (2021).



A big part of F&B consumption is driven by the HORECA segment and the growing Greek tourism. Greece has 11mil inhabitants, while over 25mil tourists visit per year.

While resilient to demand shocks retail spending increased during Covid replacing lost demand in HORECA segment due to lockdowns.

It is worth noting that while total monthly per capita decreased by 24% in 2020 (vs. 2010), consumption for food and non-alcoholic drinks increased by 4%. According to Eurostat Food and non-alcoholic beverages consumption reached a record high of 20% in December of 2020 and a record low of 15% in December of 2008.

Agri, Food & Beverages market structure

The study of IOBE (2019) described that most companies (87-90%) in the Greek AFB market are small and employ < 9 EFT. In detail this means that in the Food sector 87% are very small businesses (<9 EFT) responsible for 13% of total turnover, while 1-2% are very large companies i.e., 50 - 250 EFT responsible for 30-40% of turnover therefore, the market is considered concentrated.

According to an article by Vima, the increase in the price of energy and raw materials for the food industry e.g., milk constitutes 85% of total production costs in the milk & dairy sector and inflation results in higher prices and decreasing demand, leading businesses in uncertainty. Energy and raw material costs pressures SMEs despite retail price increases.

This uncertain environment of higher production costs and decreasing demand can be prosperous ground for mergers, because companies can benefit from cost production synergies to better address the consumer's needs.

Significant sub - sectors

Milk & dairy products => Sector in consolidation phase

The milk & dairy sectors have important economic activity in Greece, as the total value of products sold, amounted to 9% and 10% respectively of the total value of the food industry's products sold in 2018 (ELSTAT data).

The registration of feta cheese as PDO (i.e. Protective Designation Origin) along with other PDO and PGI cheeses (23 in total) and the "Greek mark" on the packaging of products since 2014, enabled the exclusivity of the name "feta" in the EU, boosting exports. Feta cheese PDO, is the main export product at 83% of total export volume in 2019, exported to 81 countries.

A significant number of small/medium businesses with traditional products and low capacity characterize both sectors, but the turnover is concentrated among a few large companies.

Several companies are cooperative organizations and operate locally. The biggest milk & dairy companies are expanding through mergers & acquisitions and through investing in subsidiaries mainly in Europe.

Competition in the sector is intense, as result of relatively equal capacity and size of the existing companies and the entry of new ones through mergers & acquisitions by foreign groups. The intensity of competition increases by the efforts of companies to increase their market share through promotions and prices. In addition, the low product differentiation of products in each category, results in competition between branded and PL products. Another factor increasing competition is the HORECA sales that have been affected during the pandemic and now have started to increase mainly due to the increase of tourism traffic. (Stochasis)

Regarding recent developments, milk producers decreased the milk delivery volume to counter increases in food stock and energy. To be precise in H12022 they delivered 4,3% less milk compared to H12021. This dearth of milk lead to an increase for cows' milk prices by 34% (0,38€/kg - 0,51€/kg) within a year. Similarly, goat and sheep milk prices, basic components for feta cheese production, increased by 30% within a year. (tovima.gr)



Aquaculture => consolidation largely completed

Fish farming is one of the highly productive and exporting branches of the Greek economy. Greece ranks first among two countries in the Mediterranean fish farming sector, representing 22% of the international production in 2018.

The sector consists of mainly large vertically integrated companies/groups involved in both fry production and fish fattening, while most companies in the sector are only involved in fish fattening. In 2021, they were 73 companies and groups with 283 fish farms active.

80% of production is exported mainly to Italy, Spain and France. The sector is characterized by high operating costs and strong price competition from other countries, especially Turkey (higher production volumes). (ICAP)

Total production amounts to 131,250 tons with total value of €636m with Sea bream and sea bass representing over 90%. Sales of the Greek aquaculture sector are expected to reach €700m in 2022.



Consolidation: Following a series of acquisitions in 2000-2010, market leader Nireaus SA faced financial distress and was restructured with US private equity funds and Mubadala forming AVRAMAR in 2021 (market leader after absorbing restructured Andromeda/Nireaus/Selonda and later Perseus).

The Avramar giga-transaction led to the spinoff of certain activities from Andromeda due to competition regulations creating a smaller group.

Table olives => fragmented with consolidation prospects

A study by ICAP for the Greek table olive sector showed that it is one of the most extroverts in Greece. A large number of businesses are active in processing and/or standardization-packaging of edible olives. Key characteristic is the fluctuation in selling prices due to the production volumes and the overall cyclicity of olive production.

Exports of table olives increased in the last two years (2020 - 2021) and formed at 250 thousand tons, with a value of €564.7 million +14% (in volume). Main export destinations of "prepared & preserved" olives in 2021 are the U.S. (20%), Germany (10%) and Italy (9.7%).

The domestic production of table olives for 2020 - 2021 was at 230 thousand tons, registering a 3.6% increase over the previous period. Significant reduction of production by approximately 28% is expected in 2021 - 2022 at 165 thousand tons. This decline in production volumes is a consequence of its cyclicity production (a good olive harvest is usually followed by bad one) combined with severe weather in key producing region Halkidiki (Macedonia-Northern Greece).

Snacks & Healthy Foods => Growing subsector largely led by SMEs

The Greek snack market is divided in sweet (biscuits and croissants), salty (chips, extruded snacks, baked rolls). Chocolate & ice cream products are considered dessert & confectionary and not included under snacks.

Demand for sweet snacks is mainly met by the domestically produced products, while penetration of imports in the sector for 2020-2021 was approximately at 16% and exports estimated at around 28% in 2021. Local consumption of salty snacks for 2021 reached €113mil. (ICAP data)

The key players in the sweet and salty snack market are Chipita (€546mil), Papadopoulou (€185mil), Elbisco (€113mil), Stergiou Family (€38mil), Violanta (€30mil), Ohonos snacks €29mil, and El Sabor (€21mil).

The competition in the industry is intense between the existing companies and is mainly focused on price and promotions sold in supermarkets and small retail kiosks. Competitive pressure is high due to the high bargaining degree of substitution by - popular in Greece- artisan bakeries offering similar unbranded products.

Also, the demand is elastic because they are not considered as basic goods by consumers. Finally, the economic crisis and the increased trend to healthier diets are considered as threats. On the other hand, the market is comprised by strong brand names, a great variety of goods, and geographical spread of sales points. Companies are innovating and developing healthier alternatives of traditional snacks.

The most significant transaction in the Greek snack sector was Mondelez' acquisition of Chipita closed in 2022.



Food sector trends in Greece

Healthy foods, New Technologies, plant-based products

The trend of plant-based meat products and veganism has led food companies to invest in new technologies, ingredients, and production methods to develop tastier plant-based products that will better address the demand of that type of consumers. In Greece, there is a growing number of companies that started to introduce plant-based and vegan products in their product catalogues.

For instance, milk and dairy companies (Mevgal, Olympos, etc) are producing limited codes of vegan cheeses, beverages and desserts. Meat processing companies (Megass Yeeros) are introducing plant-based alternatives of their meat products. E.g. meatless souvlaki, nuggets, burger etc. Frozen dough companies also have certain vegetarian and gluten free type products.

Private Label segment dynamics

Economic crisis and food-cost inflation led to increasing in popularity of PL products developed and marketed by large supermarket chains. According to a recent market survey by Athens University of Economics & Business, 32% of the products that consumers buy from supermarkets are private label. In most cases, PL is preferred due to lower price. However certain PL products (e.g. dairy) are associated with cooperation between supermarkets and SME producers in Greece combining low price with traditional Greek products.

Exports - New market opportunities

Following the Troika-period and debt driven recession during 2010-2018 and Covid crisis, the Greek AFB-sector SMEs became highly extrovert to secure sales abroad and achieved export growth of 14% to €4.8billion in 2021. Fruit/vegetables attributed to 29% in exports following with milk & dairy products at 19%. Primary exports destinations are Italy (16%), Germany (15%), US (9%), UK (7%) and Cyprus (6%), followed by Bulgaria, the Netherlands, France, Romania and Poland.

M&A developments & Prospects

Total Greek M&A transactions value in 2021, according to PwC, approached €4,3bil with 15,5% of the transaction value being in the F&B sector (€666,5mil).

Restructuring driven M&A in AFB during past years

Non-performing SME debt has been an additional deal driver during the years following Greece's recession 2010-2018. Such transactions keep happening on a primary or secondary level, as the banks were very slow in dealing with NPLs.

Worth noting from AFB sector:

- In 2022, Dardanel Onentas (Turkey) acquired G. Kallimanis SA (frozen fish & sea food, ready to eat meals) for €6mil through an open tender. The Turkish group acquired the bank loans at 10% of their value.
- In 2021 Loux acquired Dirfys and Mantis Group acquired Malamatina Winery.
- In 2021 Creta Farms, a cold cuts (processed meat products) company was acquired by Bulgarian based Impala Holdings. The agreement included a haircut of 63% and the repayment of 39% of liabilities incl. taxes, social security by the restructured company, controlled by diversified food company Bella Bulgaria.

Sector consolidation M&A

Concentration in the sector is driven by private equity sponsors following platform acquisitions (e.g. Vivartia-CVC, Mubadala - Avramar fishfarms) and international strategics (e.g. Mondelez-Chipita).

Finally, we identify five types of buyers active in the sector:

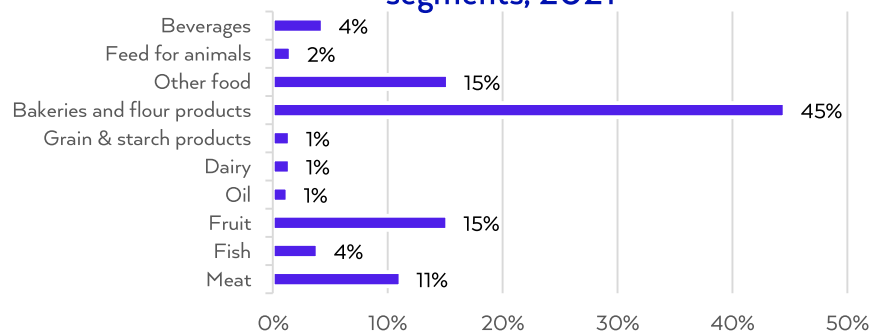
- Multinationals mainly interested in multi-geography deals (Mondelez and also Coca Cola Hellenic)
- Regional strategic AFB players (Impala, Olayan, Hochland) seeking Greek traditional product targets~for international markets
- International PE funds participating in distress or restructuring transactions (CVC-Vivartia)
- Greek strategic players (Hellenic Dairies, Giotis) active in growth and diversification M&A
- Local PEs contributing minority equity or mezzanine to SMEs with growth and export orientation (funds shall be active sellers in 1-2 years as they need to exit)

We expect continuing M&A activity in the sector as large-PE backed groups consolidate the market and European groups seek additional exposure to traditional Greek/Mediterranean and healthy food diets.

6. Food & beverages development in Lithuania

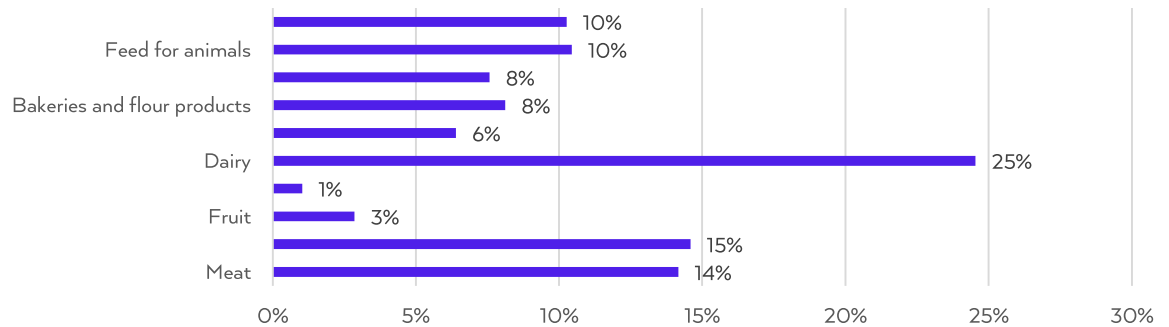
The food and beverage sector plays an important role in each country's economy, including Lithuania. There was 31% increase of food and beverages manufacturing companies from 1.6 thousand in 2017 to 2.1 thousand in end of 2021. The biggest increase was 10% in 2020 followed by even bigger increase of 12% in 2021. 45% of food & beverages manufacturing companies were in Bakeries and flour segment, followed by 15% in Fruit segment, 15% in Other food production segment, 11% in Meat sector and the rest below 5%.

Food and beverages producers split by number of companies in segments, 2021



Total turnover of food and beverages producers increased by 18% from EUR 3.8 billion in 2017 to EUR 4.5 billion in 2021. Even though only 1% of food production companies were in Dairy segment, this segment generated the largest – 25% share (EUR 1.1 billion) from total sales in food and beverages industry, followed by Fish processing segment (15% or EUR 0.7 billion) and Meat processing (14% or EUR 0.6 billion).

Food & beverages production split by turnover in segments, 2021



Dairy sector is export oriented

The main dairy products produced in Lithuania include milk, cheese, butter, and yogurt. Lithuanian market is dominated by local players. There were 31 dairy producers in Lithuania, which employed over 7 thousand employees in end of 2021. The largest players in Lithuanian dairy market are: Rokiškio Sūris AB (VSE: RSU1L) with EUR 234 million sales in 2021 and 60% export, Žemaitijos pienas (VSE: ZMP1L) with EUR 200 million sales in 2021 and 40% export, Vilkyškių pieninė AB (VSE: VLP1L) with EUR 196 million sales in 2021 and 70% export, Pieno Žvaigždės AB (VSE: PZV1L) with EUR 177 million sales in 2021 and 50% export, Marijampolės pieno konservai UAB with EUR 116 million sales in 2021 and 90% export, and other smaller players.

Increased demand for dairy products was influenced by post recovery from the pandemic: HORECA sector was operational in most countries, although consumption was reduced compared to pre-pandemic levels. However, the main reason for the increase in sales was the significant increase in product prices, influenced by the general increase in inflation rates in both Europe and the US. Alongside the increase in global energy prices, dairy prices moved as well.

Fish sector is export oriented

The industry is primarily based in coastal regions, with the port city of Klaipėda being a major hub for fish processing and export. There were 83 fish processing plants in Lithuania, which employed almost 6 thousand employees in end of 2021. Norvelita UAB is the largest specialized salmon processing company in Lithuania, which processed and sold 13.9 million kilograms of fish, which is EUR 129 million sales. Norvelita UAB is export oriented company with 85% export to Germany, Belgium, Italy, Netherlands, Estonia, Latvia, France and other countries.

There is a number of smaller players in the market producing smoked, canned, salted, frozen fish and fish products and majority of companies are export oriented.

Meat sector – consolidation

There were 236 companies in meat processing sector, which employed over 6 thousand employees in end of 2021. The largest poultry and poultry products producers are Vilniaus paukštynas AB with EUR 204 million sales in 2022 and related company Kaišiadorių paukštynas AB with EUR 82 million in 2022. Both these companies were recently acquired by the largest agricultural and food production group in the Baltics – Linas Agro Group AB (VSE: LNA1L). This group also owns the largest poultry producer in Latvia – Puntu Fabrika Kekava AS.

Other large meat producers are Biovela-Utenos Mēsa UAB with EUR 167 million sales in 2021, and Krekenavos Agrofirma UAB with EUR 133 million sales in 2021, but there is also a number of smaller meat producers. Due to fragmentation in meat sector, consolidation has started and during last couple of years there was a number of M&A transactions and asset deals.



Food and beverages industry outlook

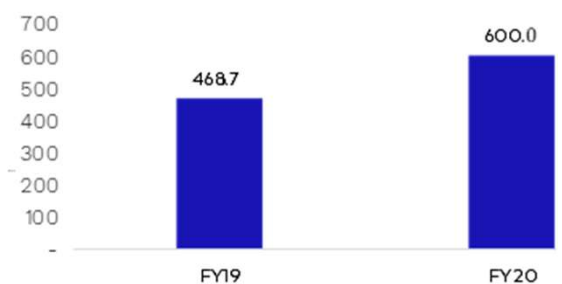
People are keen to choose local products, brands and even are willing to pay more for it as they think it has a better quality and at the same time, they are supporting local businesses. Packages, taste and habits also have influence in choosing products. As the standard of living in Lithuania continues to improve, consumers are expected to demand higher-quality, more diverse, and healthier food, which should have a positive impact for further growth of local food and beverages producers. Worldwide inflation and slowing economies are major concerns for all producers, but food producers are among those that should be affected least as their products are basic necessity. Therefore, we expect that food and beverage sector will remain active in M&A transactions and further consolidation will continue.

7. Polish plant-based food market overview

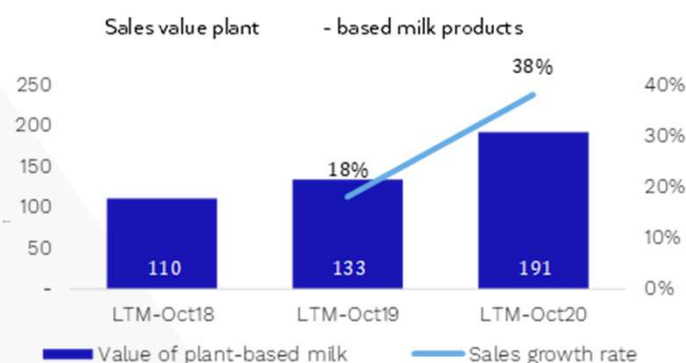
The plant-based food market in Poland is growing rapidly, but is still not as developed as in Western European countries. Analysis and studies show, that as many as 42 percent of Poles in 2020 intended to reduce their meat consumption.¹

The Polish market is still relatively young, so it is highly fragmented and there are many small producers operating in it. In 2020, plant-based beverages, vegetarian ready meals from the refrigerator, sandwich spreads and yogurts reached sales of more than PLN 600m. In 2019, the market value reached about PLN 470m. The dynamics of growth amounted to 28%.²

The value of the Polish vegan market



The most developed products in the sector are plant-based beverages. It is mainly plant-based milks. According to research conducted by the EU Smart protein project, plant-based milk market in Poland was worth PLN 191m (EUR 41m) in LTM-Oct20. This was 38% higher than the previous period, for which the value was PLN 133m (EUR 31m) and 18% higher than LTM-Oct18, where the total sales value was PLN 110m (EUR 26m). The CAGR of LTM-Oct18 to LTM-Oct20 amounted to 32%.³

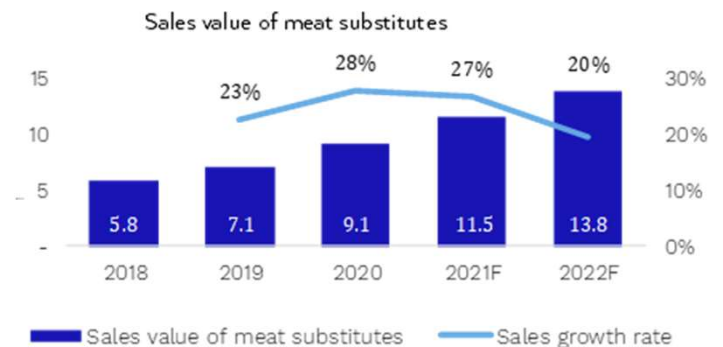


[1. PLANT-BASED MEAT AND DAIRY LANDSCAPE IN POLAND | Rapport | Agroberichten Buitenland](#)

[2. Raport Proveg](#)

[3. Plant-based foods in Europe: How big is the market? - Smart Protein Project](#)

The Polish market for meat substitutes is growing much faster than the global plant-based meat sales value. It has a relatively smaller share in the total plant-based food Polish market. A few years ago, plant-based meat substitutes were offered only by foreign brands, but for the past two years, we have seen a dynamic development of Polish producers. Companies that previously dealt with meat products are also introducing plant-based products. The know-how of the taste, aroma and structure of the products gives these producers an advantage in the market. The CAGR between 2018 and the forecasted results for 2022, is over 31% and the value of the plant-based meat substitutes market might be doubled ⁴.



Key drivers

Flexitarians

When analysing the vegan market in Poland, one of the biggest drivers of growth is the increased interest in plant-based products from people, who do not declare themselves vegans. We are referring here to flexitarians. More people, who don't declare themselves vegans are turning to vegan products. According to Mintel consumer data, in 2021, 35% of respondents in Poland say they occasionally limit the amount of meat in their diet, while 17% do so most of the time. ⁵ As of Apr22, the % of households with min. 1 vegan is 4%, vegetarian 6%, and flexitarian about 30% ⁶. It can be concluded, that the majority of consumers, who turn to plant-based meat and dairy alternatives are people who eat meat on a daily basis. Vegans and vegetarians are only part of the target group in the plant-based food segment.

⁴ [Wege wartę ponad 600 mln zł - Puls Biznesu - pb.pl](#)

⁵ [Raport Proveg](#)

⁶ [Behavior change \(gfk.com\)](#)

Healthy diet

Resignation or reduction of consumption of animal products is today among Polish consumers largely a decision driven by health aspects or, more broadly, the desire to lead a healthy lifestyle based on a balanced diet. Various studies confirm that approximately 40% of Polish population in 2020 actively reduces their meat intake. As it turns, 2020's SARS-Cov-2 pandemic might push Poles furtherly to reconsider their dietary choices, often meaning less meat and animal-origin products on their plates. Research by Mintel shows, that during the pandemic, 20% of Poles started perceiving a plant-based diet as more appealing⁷.

Easier access to products

Based on data from Mintel's Global New Products Database, in 2020, the percentage of new products in the food and beverage category positioned as plant-based was 15%⁸. At the same time plant-based alternatives are booming. Biedronka, Polish biggest discount stores chain, reported, that tofu sales have increased by 160% in the first half of 2020 compared with the same period the year before⁹. Just a few years ago, the availability of plant-based products was severely limited for customers. Often producers had trouble selling their products to supermarkets and discount stores. Today, there are much more flavour variants and diversified plant-based products being introduced to the market. In LTM-Oct20, the share of plant-based milk sold in discount stores to the total market is almost 50%. Two years earlier in LTM-Oct18, the share was 36%¹⁰.

⁷ [PLANT-BASED MEAT AND DAIRY LANDSCAPE IN POLAND | Rapport | 8 Agroberichten Buitenland](#)

⁸ [Raport Proveg](#)

⁹ [PLANT-BASED MEAT AND DAIRY LANDSCAPE IN POLAND | Rapport | Agroberichten Buitenland](#)

¹⁰ [Plant-based foods in Europe: How big is the market? - Smart Protein Project](#)

Target

Most often, young people (up to 34 years old), living in large urban centers, turn to plant-based alternatives. Young Poles are most likely to give up meat. Based on a 2019 survey, 21.7% of 18–24-year-olds have not eaten meat in the last month.



In the 25–34 age bracket, it was 13.4%. The 35–44 age group responded similarly with 13.1%. In the rest of the age group, the percentage of vegans and vegetarians is much lower. As for other animal products: 11.9% of Poles did not drink milk or consume dairy products during that time, 11.2% gave up eggs and dishes containing them. Noteworthy is the fact, that at the same time, among those who indicated, that they consumed meat, as many as 38.5% said, they had reduced its consumption over the past year. The same survey notes, that more than 30% of Poles say, they consume plant-based alternatives of meat, and the majority of this group (93.3%) were people who eat meat on a daily basis¹¹.

¹¹ [Postawy Polaków wobec produktów roślinnych – raport z badań opinii publicznej \(rosliniejemy.org\)](#)

M&A transactions on the plant-based Polish market

Rapid market growth promotes consolidation. Investors are increasingly interested in M&A deals in the Polish plant-based food market. Worth noting M&A transactions in 2022:

Mokate and Kubara - Mokate Group is a leader on the Polish market, with a significant presence on international markets, mainly in the area of production and sales of bean and ground coffee, instant coffee and coffee drinks, tea, confectionery bakery products and semi-finished products for food industry. Mokate announced the acquisition of 50% of shares in Kubara (product brand - Dobra Kaloria). Kubara is a producer of plant-based alternatives to meat and natural breakfast products and snacks. Kubara's net sales in 2021 totaled PLN 55.9m.

Bakalland and Purella - Bakalland is one of the top producers of healthy food in Poland. Bakalland specializes in healthy sweets, cereal & energy bars and dried fruit, nuts & seed and generated PLN 505.8m (USD 118.4m) in 2021 in sales¹². Purella is a Polish fast-growing health food startup. Purella focuses on premium products such as healthy sweets including energy bars, dried fruit, protein mixes and muesli flakes. The company also produces natural food supplements and smoothies. Purella generated net sales of PLN 23m (USD 5.4m) in 2020. The merged Bakalland and Purella operate under the new FoodWell group that employs about 400 persons in its factories located in Wloclawek, Janow Podlaski, and Bialystok.

8. The change of the leading role of defensive stocks in the Japan?

Global stock markets continue to be unstable in response to news with repeated surges and sharp falls. In such an uncertain market, the so-called defensive stocks tend to take the brunt of the situation. This includes food stocks, consumer staple stocks, and pharmaceutical stocks, where demand for products and services is stable, business performance is less affected by economic trends, and steady price fluctuations are expected.

However, in the current market, even defensive stocks are not safe. This is because industries with many defensive stocks are also experiencing pressure on their earnings due to the direct hit of soaring raw material prices. Many companies have already been forced to raise product prices and are worried about a decline in sales.

So, is it very difficult to find stocks with a solid stable price in the current market? Not necessarily. In the current market, there is a possibility that it will be found in unexpected industries. It is a stock that is classified as a cyclical (business cycle) stock that is usually easily affected by the economy and cannot be expected to be defensive.

Five industries are noteworthy: resources and energy, shipping, trading companies, finance and banking, and steel and non-ferrous metals. Earnings have expanded sharply due to soaring resource prices and ocean freight rates, and ongoing inflation and interest rate hikes are all tailwinds rather than headwinds. Major stocks in these industries have already risen in price, and many have recently turned soft. Even so, the stock indices of the five industries have been above the TOPIX (Tokyo Stock Price Index), demonstrating their defensive nature.

Resources and energy have the highest gains in the five sectors. Stock investment specialists in Japan stocks are also generally bullish. In the background, there seems to be a trend in resource prices that "is likely to fall but does not fall."

Even if crude oil prices remain stable, commodity prices may remain high in general, such as natural gas prices being high. Considering the situation, the sector may try to recover once more.

When crude oil prices are likely to fall, the Organization of the Petroleum Exporting Countries (OPEC) has announced production cuts, and there are moves to "not lower prices." Resource prices are expected to remain high.

In addition, the prolonged Russian invasion of Ukraine, which triggered soaring resource prices, can be imagined that military tensions will continue to rise. If this happens, resource prices may soar again.

Shipping is key to evaluating dividend yield

On the other hand, shipping-related stock looks bearish, because. Shipping/Marine logistics stocks will continue to pay high dividends. The Baltic Shipping Index has fallen below the level at the beginning of '22, and Shipping/Marine stock prices will adjust to the level at the beginning of the year. Japanese marine logistics majors still enjoy historically high earnings performance in FY2022. Marine logistics stocks perform firmly. The earnings forecast for this fiscal year is solid, with upward revisions, and stock prices, which had been rough price movements, are starting to show signs of calming.

Trading companies are also focusing on alternative energy. One of the reasons cited was to have a business related to energy resources, where prices are expected to remain high. Trading company stocks are focusing on next-generation new energy. A leading trading companies such as Mitsubishi Corporation, which is embarking on the wind power generation business, might be a good example. It can also be seen as a next-generation energy stock, and he highly evaluates that "long-term investment capital will flow into this sector."

Food & beverage stocks are still typical defensive sector in stock investment in Japan, however, the leading role of defensive stocks in Japan has been changed and is shifting.

SELECTED TRANSACTIONS

Recent transactions in the Lithuanian F&B sector

BUYER	ACTIVITY	TARGET	ACTIVITY	DEAL	Year
Maag Group (Estonia)	Meat products	HKScan Lietuva UAB	Meat products	M&A	Pending
Krekenavos Agrofirma AB	Meat products	Arvi Kalakutai	Turkey slaughter house	Asset acquisition	Pending
Litagra UAB	Agricultural group	29 turkey farms and feed manufacturing plant	Turkey growing and feed manufacturing	Asset acquisition	2022
Linus Agro Group AB	The largest agricultural and food production group in the Baltics	KG Group	Food group, poultry products	M&A	2021
Baltcap	PE fund	Krekenavos agrofirma AB	Meat products	M&A	2020

Recent Investment in Innovative Irish Food Companies:

BUYER	ACTIVITY	TARGET	ACTIVITY	DEAL	Year
Ballymaloe Foods	Wide range of sauces for fresh cooked meals	MamaBear Foods	Wide range of organic sauces	AUA*	2022
Bellingham Capital	PE	Independent Irish Health Foods	Healthy organic conventional foods	LBO	2022
Musgrave Group	Wholesaler and retailer of food and grocery products	Italiscatessen	Ireland's leading importer of premium Italian food & wine	AUA*	2022
John Green & Other Investors	High Net Worth Individuals	Gortinore Distillers & Company	Craft Distillery intended to produce grain based whiskey	AUA*	2022
Melior Equity Partners	PE	Rose Confectionery	Range of snacks, freeze pops and savoury sweets	LBO (-€20m)	2022
BGF	PE	Dublin Meat Company	Quality meat directly from butcher shops	Development capital	2022
Dublin Meat Company	PE	Swift Fine Foods	Meals and frozen food made with fresh local ingredients	LBO	2022
Sazerac Company	Manufacturer and distributor of alcohol	Lough Gill Distillery	Operator of Irish whiskey distillery	Acquired for €70m	2022
Ferrero International	Markets chocolates, sweets, and drinks	Fulfil Nutrition	Healthy chocolate snacks and bars	AUA*	2022
McCain Foods	Venture Capital	Strong Roots	Plant-based snacks intended for vegan consumers	Venture Funding (\$55mill)	2021
Enterprise Ireland	Venture Capital	Fusco Foods	Cakes and desert producer and supplier	Development capital	2021

* - Acquired for undisclosed amount

SELECTED TRANSACTIONS

Significant transactions in the Greek F&B sector 2020 - 2022

BUYER	ACTIVITY	TARGET	ACTIVITY	DEAL	Year
Bespoke Holdings	Food Investment Group	Ion Sa	Chocolates	45%	2022
Bespoke Holdings	Food Investment Group	Wonderplant (Edesma/Amvrosia)	Hydroponic tomato cultivation	N/A	2022
Delta SA (Subsd. of Vivartia)	Dairy	Kourellas Dairy	Dairy	70%	2022
Delta SA (Subsd. of Vivartia)	Dairy	Gatenio Dairy	Milk & Dairy	100%	2022
SMERC Investments	Private Equity	Krop Fruits	Fruits/exports	Majority stake	2022
Tyrbul SA (Subsd. of Hellenic Dairies SA)	Dairy	United Milk Co. J.S.C.	Milk Products (Bulgaria)	100%	2022
Groupo Profund	Acquaculture (fresh & frozen fish & seafood)	Kefalonia Fisheries Sa	Fish Farms	60%	2022
Mondelez SA	Snacks	Chipita	Snacks	100%	2022
Dardanel Onentas SA	Processed fish, seafood, meals ready to eat	G. Kallimanis SA	Frozen fish/seafood, meals ready to eat	100%	2022
Minerva SA	Olive & vegetable oils/fats, butter, cheese, vinegar, tomato puree	Pummaro/Pelargos Brands (Tomato Puree)	Tomato Products	100%	2021
Minerva SA	Olive & vegetable oils/fats, butter, cheese, vinegar, tomato puree	Mediterranean Foods SA	Condiments & sauces	70%	2021
Bespoke Holdings	Food Investment Group	Mevgal SA	Milk & Dairy	21,50%	2021
Vivartia SA	Dairy/milk, frozen foods, food services	Dodoni (Si Foods)	Milk, dairy & plant based products	Majority stake	2021
Vivartia SA	Dairy/milk, frozen foods, food services	Helleniki Zimi/Alesis	Frozen dough products	75%	2021
CVC Capital	Private Equity	Vivartia SA	Dairy/milk, frozen foods, food services	99%	2021
EOS Capital/Elikonos 2	Private Equity	Eurocatering (Freskoulis)	Vegetables/Fresh Salads	Minority stake	2021
Elikonos 2 S.C.A. Sicar	Private Equity	Mega Yeeros SA	Frozen meat, plant based meat products	Minority stake	2021
Xitos SA (Zagori Water)	Water Bottler	Ziria Ltd	Bottled table water	100%	2021
Loux SA	Soft drinks, fruit juices	Dirfys SA	Bottled table water	42,34%	2021
Melissa Kikizas SA	Pasta/ Food producer	Terra Creta SA	Olive oil, olives, balsamic vinegar	100%	2021
Switz Group	Bakery, food ingredients & retail Group	Koulourades	Bakery Products retail chain	70%	2021
Impala Investments	Private Equity	Creta Farms SA	Cold cuts	85,50%	2020
Diorama Investments	Private Equity	Eza SA	Brewery	Minority stake	2020
VNK Capital	Private Equity	Paliria - Souliotis SA	Cooked/canned food	36%	2019
Eos, Diorama, Ellikonos 2	Private Equity	Minerva	Olive & vegetable oils/fats, butter, cheese, vinegar, tomato puree	100%	2019

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AGRI, FOOD & BEVERAGES SECTOR

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