

Clearthought

Nutrition

The global shift towards improving our health and wellbeing dominates product development across every food and beverage category.

Inside:

- Industry summary
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- Fulfil and Bodylab interviews

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Generational shift

As global nutrition company Glanbia remarks¹, to fuel the demands of their on-the-go lifestyles, consumers are increasingly looking for functional foods and beverages that are high in protein, sustainable, good-tasting and in an easy-to-use format.

This extraordinary generational shift from a traditional 'three-meals a day' lifestyle is continuing at pace, with snacking and convenience playing a critical role in everyday routines. As the company says, there is also far greater awareness of the benefits of good nutrition across ages and genders. "As people live longer they are looking to understand specific nutritional and fitness plans to support their lifestyles, whatever their age."

The sustainability angle is of particular importance to younger consumers. They expect their foods to be produced in an ethical way, increasingly demanding natural scents, flavourings, and traceable ingredients. When it comes to health they also understand that it is no longer just about taking more sugar and salt out of their diets, but also recognise the importance of having more protein too.

Obesity crisis

There remains a mismatch between these underlying trends and the fact that nations across the globe are continuing to grapple with an obesity crisis.

Demand for high-fat and high-sugar foods has not disappeared overnight and many consumers continue to eat highly-refined and processed foods and not enough fruits and vegetables. Adding to the problem, they lead increasingly sedentary lifestyles driven

by the changing world of work and increased urbanisation.

To realise the scale of the global problem, China has now overtaken the US as having the world's largest overweight population². However, on the positive side, this has led to concerted efforts by Chinese consumers to lead healthier lives. Among the fastest-growing food and beverage categories are bottled water and yoghurt, while the Chinese fitness industry is also growing rapidly.

As people live longer they are looking to understand specific nutritional and fitness plans to support their lifestyles.

Meanwhile in Britain, a third of children are classed as obese or overweight when they leave primary school, according to the NHS, while similar statistics can be found in the US and other developed nations. The World Health Organization (WHO) says obesity rates are rapidly increasing in the developing world too, particularly in urban settings. According to latest figures from the WHO, globally more than 41 million children under five are overweight, with almost half living in Asia and a quarter in Africa³.

Investment proposition

Against this backdrop food and beverage companies have an unrivalled opportunity to not only capture the market opportunity but also play their part in helping tackle the obesity crisis. In response a whole new generation of young, nimble, 'better-for-you' food brands are rapidly emerging.

41million

children under five are overweight.

These start-ups are an attractive investment proposition. For instance, Danone Manifesto Ventures, the investment fund of the French food giant, is targeting start-ups in the health drinks, snacks, baby food and alternative protein sectors, and plans to invest in around 25 companies by 2020. A recent investment was in Yooji, a French start-up that aims to revolutionise baby food by providing frozen portion-sized organic products.

As the market rapidly evolves, multinationals are also growing their better-for-you product offering through acquisitions. A good example is Coca-Cola which has made a series of recent acquisitions as it aims to continue to diversify its beverage portfolio. This year it has bought UK coffee chain Costa, French flat fruit drinks brand Tropico, and Australian kombucha drink provider Organic & Raw Trading, as well as taking a minority stake in BodyArmor, a sports drink brand.

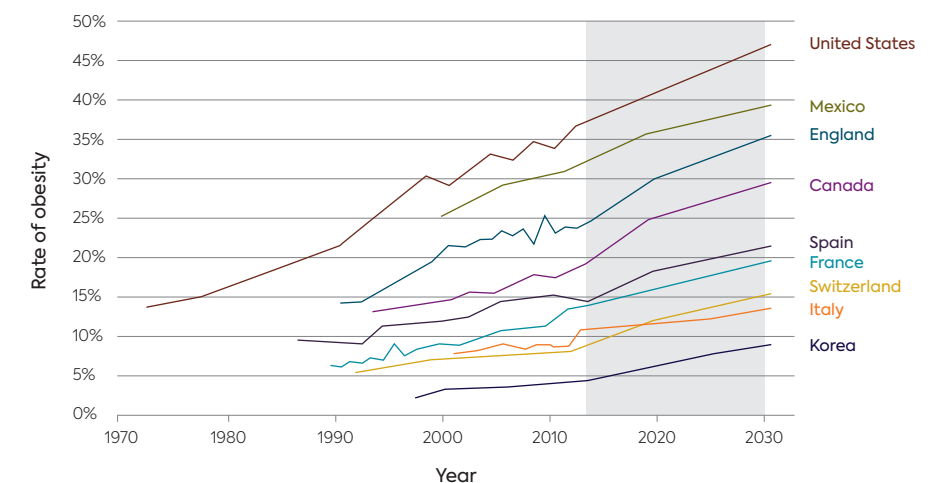
A whole new generation of young, nimble, 'better-for-you' food brands are rapidly emerging.

1: Glanbia Performance Nutrition – Global Market Trends
2: Global Times

3: World Health Organization – Global Strategy on Diet, Physical Activity and Health



Projected rates of obesity



Source: OECD analysis of national health survey data

Market trends

Child nutrition

Tackling the obesity crisis among children has become a major focus of governments throughout the world as they try to reduce salt and sugar in food and drinks, and increasingly look at ways of regulating the industry through measures of taxation.

The UK government introduced a Soft Drinks Industry Levy, dubbed a 'sugar tax', in Spring 2018. The tax led to more than half of manufacturers reducing the sugar content of their drinks, while those manufacturers which didn't were forced to pay a levy of 24p per litre (if the drink contained 8 grams of sugar per 100 millilitres) and 18p per litre (if it contained between 5–8 grams). The tax is forecast to raise €270m a year which will, in part, go towards the creation of a Healthy Pupils capital fund to help schools upgrade their sports facilities, as well as invest in healthy breakfast clubs.

Other policies being considered by governments include the removal of snacks high in sugar, saturated fats and sodium from vending machines.



Some countries, such as France, have even banned vending machines from schools and some US states have banned fizzy drinks in middle and elementary schools. California recently passed legislation to extend this ban to high schools.

France has taken a particularly firm stance against obesity. School lunches are available to all and consist of three small, balanced courses, along with plain water. The food is as fresh as possible and usually cooked on site with menus checked by dietitians. The approach seems to be working as obesity rates in France are among the lowest of countries in the Organisation for Economic Co-operation and Development (OECD).

Meanwhile governments are also increasingly aware of the proven links between nutrition and academic performance, with many nutrients having proven cognitive effects throughout a person's life.

Good taste

Governments have realised that it is not enough to simply give children more fruit and vegetables, the food also has to taste good. For vegetables to be able to compete with fast food that is high in additives, they need to be fresh and cooked in interesting and tasty ways.

Such thinking has spawned an array of start-ups which focus on nutritious dishes for children. For instance, Yumble is a US meal delivery start-up for children offering healthy lunches, dinners and snacks. The company sources seasonal, local and organic ingredients where possible and serves meals featuring a variety of vegetables, grains, proteins, fats, herbs and spices.

Yumble recently closed a funding round led by Sonoma Brands with Danone Manifesto Ventures also participating. As Laurent Marcel, Managing Director of Danone Manifesto Ventures, says: "Since we started our venture activity two years ago we have looked at many opportunities around childhood nutrition and are excited by the disruption Yumble brings, sitting at the intersection of an emerging direct-to-consumer channel, offering fresh, healthy meals that kids love with a relatable brand for millennial parents."

Sports nutrition

The sports nutrition market is going through a period of huge growth as its appeal moves beyond the avid gym-goer to a much wider audience.

At the same time the science behind sports nutrition is now extending into other foods such as biscuits, snacks and pizzas, thereby creating entire new categories. As manufacturers make healthier versions of a range of grocery products, this drives further significant innovation in the market.

Snack bar manufacturers are making their products healthier, adding protein and fibre into their goods.

China, where the sports and fitness market is forecast¹ to top \$725bn (€636bn) by 2025, is a particularly good example of the huge potential for growth. Amid fears over obesity levels, China's growing middle class is adopting a more active and healthy lifestyle and is willing to spend on

fitness and health related products. For instance, Science in Sport, a UK player which produces drinks, energy gels and other products, recently announced it would launch an online store on Alibaba's Tmall global store platform.

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Irish group Glanbia, whose performance nutrition brands include Optimum Nutrition, BSN, Isopure, thinkThin and Nutramino, is a good example of a business that has positioned itself at the heart of these fast-moving consumer trends.

Whether it's a protein smoothie, a pre-workout energy drink, a post work-out protein shake, or an on-the-go protein bar, it says both professional athletes and everyday fitness enthusiasts are increasingly buying their products.

Snack bar demand

With an increasing awareness among consumers on healthy eating, snack bars have become immensely popular, replacing chocolates, cakes, and biscuits as go-to snacks. At the same time snack bar manufacturers are making their products healthier, adding protein and fibre into their goods.

Demand is not just coming from sports enthusiasts but also from consumers with vegan lifestyles opting for healthy substitutes for meat, dairy and other conventional sources of protein.

A recent report² concluded that global demand is expected to grow significantly in the coming years, particularly driven by increasing demand for high-protein snack bars, with the market forecast to grow at a CAGR of 6.7% from 2018 to 2023.

It added that the market also remains fragmented. Leading players include Quaker, Nature Valley, Natural Balance Foods, Naked Foods, Kellogg, KIND Snacks, General Mills, Frank Food, Fiber One and Concord Foods.

The sports and fitness market in China is forecast to top

€636bn

1: The Economist

2: Research and Markets: Global Snack Bar Market – Growth, Trends and Forecast (2018–23)





M&A activity

The commercial landscape for food and beverage companies is undergoing a huge transformation, driven by shifts in consumer habits and global health trends. Many companies have therefore turned to M&A as a means of adapting their own businesses.

For instance, global soft-drink multinationals have diversified into other product lines, typified by Coca Cola's purchase of Costa Coffee and Pepsi Co's acquisition of Soda Stream. Glanbia, Freedom Foods, Molson Coors and Mars are all other examples of companies that have made acquisitions similarly focused on these changing consumer habits.

There has also been significant private equity interest in the sector. For instance, France-based MBO Partenaires acquired amino-acid leader BCF Life Sciences,

and sparkling water group Spindrift recently closed a €17.5m funding round with VMG Partners. With continued shifts in consumer tastes and innovative new firms entering the sector, we expect food and beverage to remain a highly active sector for M&A.

Recent trade deals

- Irish global nutrition group **Glanbia** acquired **SlimFast**, the leading weight management and health and wellness brand, as well as nutritional supplement brands **Healthy Delights** and **Nu-Therapy**.
- **PepsiCo** bought Israeli fizzy drink maker **SodaStream** for €2.8bn. Originally founded in the UK, **SodaStream** once allowed customers to create fizzy drinks by adding flavoured syrups to carbonated water. The company now focuses on turning water into sparkling water.
- **Coca-Cola** acquired **Organic & Raw Trading**, which makes the **MOJO** brand of organic kombucha drinks, which are made from naturally fermented tea. Coca-Cola also recently acquired the **Tropico** brand of beverages in France, and has bought UK coffee chain **Costa**.
- Ingredients manufacturer **International Flavors & Fragrances (IFF)** acquired rival **Frutaron Industries** for €6.2bn including debt. The deal helps **IFF** gain access to new health-conscious brands.
- Flavours and fragrances maker **Givaudan** acquired French natural ingredients group **Naturex** for €1.4bn.
- **Cott Corporation** acquired US water brand **The Mountain Valley Spring Company**. Mountain Valley focuses on

spring water bottled in a variety of glass bottles.

- Child nutrition and supplements specialist **Laboratorios Ordesa** acquired nutritional supplements brand **Colnatur** which has a range of collagen-based products. **Laboratorios Ordesa** is a leading company in child nutrition in pharmacies in Spain and operates a portfolio of more than 400 products. **Clearwater International** advised **Laboratorios Ordesa** on its acquisition.
- **Freedom Foods** acquired Australian protein product brand **Crankt** which produces a range of protein bars and drinks for both the Australian and New Zealand markets.
- US brewer **Molson Coors** acquired **Clearly Kombucha** which produces six non-alcoholic flavours of the fermented tea drink which is made by fermenting black or green tea with a symbiotic culture of bacteria and yeast.
- **Nestlé Waters** acquired a majority stake in **Princes Gate Spring Water** of the UK. In Britain consumers are increasingly choosing healthier hydration options and consequently the demand for high-quality spring and mineral water is increasing.
- **Lassonde Industries** bought US-based juice company **Old Orchard Brands** which produces a range of beverage products for the US market, including 100% fruit juices, reduced-sugar juice cocktails and flavoured teas.
- **Mars** acquired a minority stake in **Kind**, the maker of snack bars. **Kind** was one of the first popular snacks to eschew artificial flavours and preservatives.

- **Kellogg** acquired protein bar company **RXBar**, one of the fastest growing nutrition bar brands in the US.

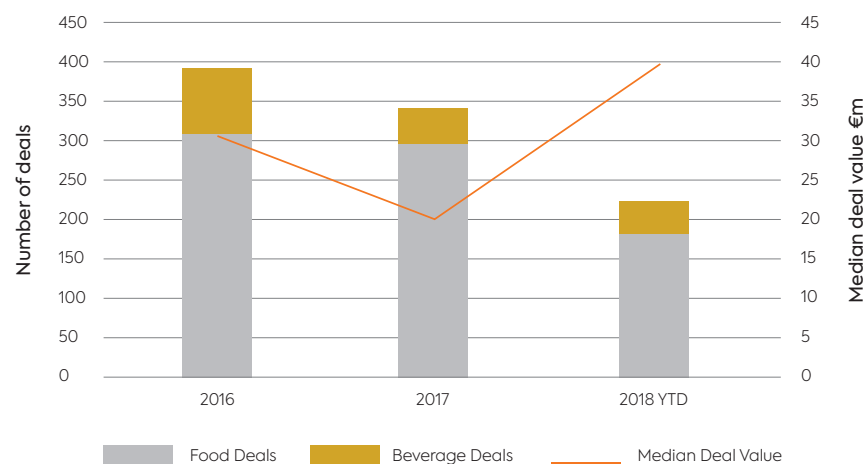
Recent private equity deals

- French group **MBO Partenaires** acquired **BCF Life Sciences** from **Céréa Capital** and **Sodero Gestion**. BCF Life Sciences is a leader in amino acid extraction and one of its product ranges is of amino acids primarily used in infant nutrition, food supplements and clinical nutrition. **Clearwater International** advised **MBO Partenaires** on its acquisition.
- **Spindrift**, the sparkling water flavoured with real fruit, closed a €17.5m funding led by **VMG Partners**. The company's growth has been driven by consumer demand for brands that offer simple

ingredients and a focus on transparency. Spindrift makes a point of producing sparkling water free of artificial and natural flavours.

- Vitamin-enriched coffee and tea capsule manufacturer **VitaCup** secured funding from **North Castle Partners** and existing investor **First Beverage Ventures**. The company's portfolio of coffee and tea products are fortified with a blend of essential vitamins, antioxidants and other functional ingredients.
- **Capri Sun Group** acquired a majority stake in Austrian beverage start-up **all i need**, as it seeks to further diversify its product portfolio and expand its presence in the healthy beverage market. The start-up produces a range of organic tea beverages.

EU Food and Beverage deal volume



Source: Clearwater International research



With continued shifts in consumer tastes and innovative new companies entering the sector, we expect food and beverage to remain a highly active sector for M&A.

Global aspirations



Vitamin and protein bar maker Fulfil Nutrition is a rising star among Irish food brands.

It now has its sights set on the global market.

For Chief Executive Brian O'Sullivan, the heady rise of Fulfil Nutrition personally represents a "once-in-a-lifetime" opportunity. "It's an incredible story, here's a business that is not even three years old yet, but which is already seeing phenomenal growth. It's a very exciting proposition."

For a man who used to run Cadbury Ireland this is no small claim. As he adds: "When I came into the business in 2017, what immediately struck me was the potential of this brand to grow. I could see that this product was addressing a global demand, not just an Irish demand. With

Consumers understand the importance of protein as well as taking more sugar and salt out of their diets.

my experience I really feel I can now help this brand reach its full global potential."

O'Sullivan ran Cadbury Ireland until 2012 before moving to the European head office of Cadbury owner Mondelez in Switzerland, where he was European Sales Strategy Director and also managed international customers such as Carrefour and Tesco. For family reasons he was looking for a move back to Ireland last year when he was introduced to Barry

Connolly, Fulfil's majority shareholder. Connolly has a number of business interests, most notably Richmond Marketing, which has successfully developed brands such as Red Bull, Peroni, and Fever Tree in the Irish market, before launching Fulfil in 2016.

O'Sullivan says the potential of the Fulfil business was immediately apparent. In its first year of trading sales reached about €12m, before doubling in 2017. This year it is forecasting close to €30m revenue from the sale of 26 million bars. "The ambition is for a turnover of hundreds of millions. We want to be selling 100 million bars by 2020 alone."

Distribution

O'Sullivan says Connolly's distribution network has been fundamental to the company's rapid growth with Richmond taking on distribution for Ireland, while another company controlled by Connolly has taken on distribution for the UK. "There is no doubt Barry's network, along with delivering the proof of concept, has helped us get to our destination much quicker. The level of distribution in Ireland is incredible for such a new product, and the bars got great visibility very quickly. That gets you halfway there. But the product was also delivering something that consumers were looking for and they bought into the proposition."

O'Sullivan says smaller, nimble players have also been able to steal a march on the industry giants in the whole nutrition bar market. "The big names in the snack market have been struggling to respond to changing consumer choices in this market. In particular it is very difficult for a company rooted in traditional

chocolate confectionary to move their brands into different areas, such as protein and vitamin bars. To move those brands to a healthier proposition is a very difficult thing to do because consumers are trained to understand that brands are what they are. The bigger companies also have a huge number of different brands which they are supporting at the same time, so there are a lot of challenges if they start supporting new brands too."

Sweet spot

O'Sullivan says Fulfil is hitting the sweet spot between great taste and health. "The challenge for everyone in this market is how you balance nutrition and taste as the science evolves. Our target consumer is a health-conscious, on-the-go person who is looking for a healthier snack without sacrificing taste."

He says that another reason for Fulfil's growth is that the brand is very inclusive. "It doesn't alienate anyone and is as attractive to women as it is to men, indeed the split is virtually fifty-fifty. The bars aren't just for people going down to the gym, they are for everyone."

Serving this wide audience was one of the key reasons why the company recently launched a smaller 40g bar in the UK, as well as its original 55g bar. The new range has 15g of protein (compared with 20g in the bigger bar), less than 2g of sugar and nine vitamins. "It makes Fulfil a perfectly convenient and tasty, better-for-you snack," adds O'Sullivan. "The needs of consumers are not all the same and we want to ensure Fulfil can fit into everyone's day, whether they're snacking on-the-go or training for a sporting event."

He adds that the consumer view is changing fast and all the growth in the snack bar market is coming from protein bars. "Ten years ago it was all about taking out fat and salt from products, now it is about 'what goodness are you giving me?' Consumers understand the importance of protein as well as taking more sugar and salt out of their diets."

Future growth

O'Sullivan now sees huge potential in the business well beyond Ireland. In the first instance he is looking to further embed the brand in the UK. "If you look at the UK we are probably in about 10% of the possible locations where we could be. But we are rapidly expanding our presence in the UK with the likes of Tesco, Sainsbury's, Asda and Morrisons, and we are following the same trajectory now in the UK that we followed in Ireland. At the moment it is all about scaling up the business in the UK, but after that we will take a view on where to go next."

The business already has a presence in up to a dozen other countries including Australia, New Zealand, and parts of the Middle East, and in the summer of 2018 also secured an investment from Irish bank AIB to help further fund its expansion.

Meanwhile, Fulfil currently outsources its manufacturing operation to two plants across Europe, however the company is looking at how it expands that operation further. "Outsourcing manufacturing allows us to avoid large scale capital investment and tap into experienced R&D capability, while also responding quickly to changing consumer needs."



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Driving innovation

From small beginnings, Bodylab has grown to become a leading sports nutrition and healthy lifestyle brand in the Nordics.

By his own admission Rasmus Thorup Andersen never imagined life as an entrepreneur. “I had actually planned on going into a banking career and was doing a masters in finance when my life took a rather different journey.”

The seeds of what would become Bodylab were planted when one day in 2003 the keen gym-goer was looking for a protein powder. “I started looking online and all these websites came up with a huge range of choice. The problem was that the choices were overwhelming and it was impossible to choose between the range of products which were predominantly coming out of the US. All I was after was a basic high-quality protein powder, but I didn’t particularly want a US brand I had never heard of.”

Motivated by this experience, Andersen began thinking about whether he could produce a powder himself. “I’m not a scientist but a marketer, so I started doing my own research into whey protein and began working with a small family-owned dairy company which manufactured cheese. I worked out what the commercial products were made of, found the raw ingredients myself, and started making my own brand.”

Whey is the liquid that remains after milk has been curdled, and is a by-product of the manufacture of cheese. Whey protein contains a range of essential amino acids

which have been proven to help increase strength, gain muscle, and lose body fat.

As he adds: “Once I had worked out how to manufacture some products I began selling them online. Looking back we were all just amateurs. I started with just a few thousands euros, that was it. Today you would never be able to do this. If you wanted to start a business today you need at least €1m from day one.”

Business model

As the business grew he began to reassess the online only model. “At the beginning I didn’t want to sell products offline, but then gyms started calling me up wanting the products. As the volumes I produced increased, so the cost price went down and I revised my thinking.”

In the years that followed Bodylab would experience significant growth driven by highly innovative product development and maturing e-commerce market conditions. Today, its products range from traditional sports products such as protein powder and bars, through to healthy lifestyle foods such as protein pancakes and protein chocolate spreads and oils. Its products are marketed online and via fitness chains and gyms, international distributors, and niche retailers.

“Danish consumers found our products very accessible and they became mainstream,” he adds. “I think we were ahead of our time in that we quickly began offering our products to a much wider audience than just the gym-goer. For instance we started developing protein brownies which had a much broader appeal.”



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Marketing campaign

Andersen says one of the key milestones for the business was a TV advertising campaign in 2012. “That campaign really helped us reach a wider audience and gave us credibility and trust. At that time the perception was that you had to be one of the big players in the nutrition industry to run such a TV campaign, so for a company of our size to be doing this was quite unusual. The sports nutrition market in Denmark was also still very fragmented so you had to build up trust in your products.”

The point about trust is still as relevant today. “If you are spending 10 hours a week in the gym then you want products you can trust. We were able to maintain our market share in Denmark and have done to this day. We remain the go-to place for protein powder.”

Healthy foods

The company’s focus on creating healthy lifestyle foods is expanding. Andersen reveals that the company is now looking at creating ready-to-bake protein pizzas with reduced salt and no sugar. “This would be a completely new category for us. It is part of our wider strategy to look at making healthier versions of a range of grocery products. There is room for lots more innovation in the market, and that continues to be driven by health concerns.”

He admits though that the science can be challenging. “Because of the nature of whey, if you want to make a cookie or a brownie it can be difficult because protein makes the texture very dry and fine. Making yourself a whey shake is quite

easy to do, the difficulty is when you start trying to recreate spreads and firmer textures.”

For Andersen it is all part of the constant drive to do more and better. “This company has huge potential. I have taken it this far and I can take it further. This business would actually be a lot bigger today if we had invested more from day one. Can we do what we are doing faster and exploit growing markets?”

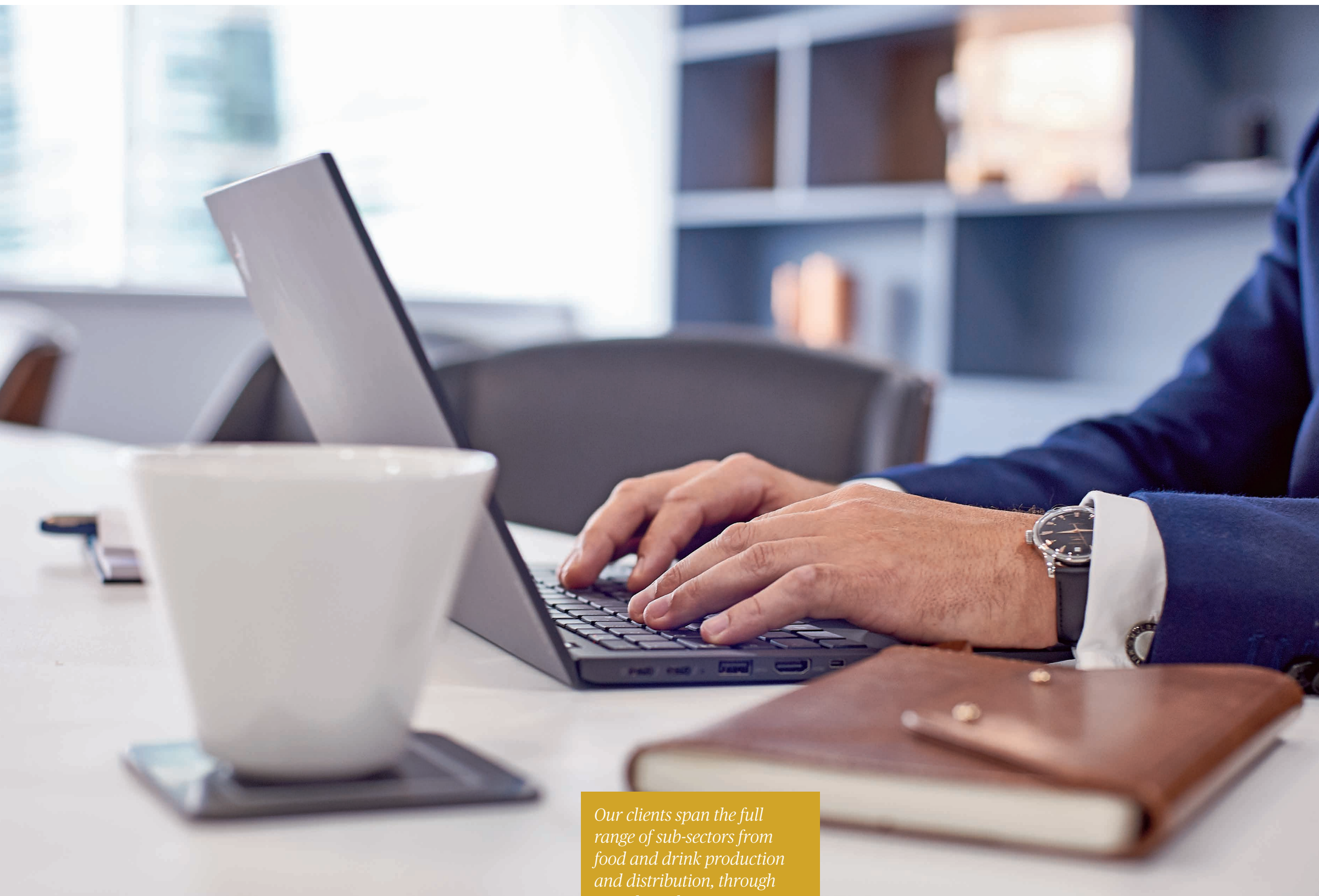
Next steps

This desire to expand the business was the driver behind its recent sale to Scandza, a Norwegian consumer goods platform, in a deal advised by Clearwater International.

“You have to be realistic about your own capabilities,” adds Andersen. “The right thing for me and the company was to bring in new people who were willing to invest and take the risk as we took it to the next stage. I also built up a real chemistry and trust with Clearwater during the sale process. The team were definitely the right choice and worked really hard for us.”

If you are spending 10 hours a week in the gym then you want products you can trust.

In terms of future markets, he says the company is growing well in China and the Middle East, but the key focus for now is the rest of Scandinavia. “We want to exploit these markets even further. We can quadruple this business just in Scandinavian markets.”



Our clients span the full range of sub-sectors from food and drink production and distribution, through to end retailers.

Our recent transactions

Advising entrepreneurs, management teams, private equity houses and leading multinationals, our sector team provides in-depth knowledge and independent advice for companies seeking to capitalise on fast-moving trends across the sector.

mbo
partenaires
l'entrepreneur est capital

acquired

bcl Life Sciences
Traced & Innovative Amino Acids

Buy-side
Undisclosed

ORDESA

acquired

Colnatur
Especialistas en colágeno

Buy-side
Undisclosed

BODYLAB

sold to

SCANDZA
Thought for Food

Sell-side
Undisclosed

firtalgroup

sold to

matas

Sell-side
Undisclosed

Corpfin Capital

acquired a majority stake in

barna

Buy-side
Undisclosed

NUTRAMINO


sold to

glanbia

Sell-side
Undisclosed


Our food and beverage team

With offices in Europe, the US and Asia, our food and beverage team has the knowledge to deliver solutions that clients demand in this fast-changing sector.




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Our breadth of knowledge means we have the expertise to take full advantage of the technological advances and increased convenience that is sweeping the industry.

