
PROPRIETARY

Private Label and Contract Manufacturing Preview: Affordability and diversification drive M&A

Analysis

09 DEC 2020

This is an overview of Mergermarket proprietary intelligence in the private label and contract manufacturing space in the past four months, featuring existing opportunities in the market.

It is a known fact that in times of economic crisis, consumer confidence declines and purchasing attitudes shift towards affordability and financial conservatism. The severity and length of the current COVID-19 pandemic has provided renewed appetite for private label consumer products among consumers, many of which are likely to stick to these products once the economy recovers.

According to *Euromonitor*, in the UK, where the private label market already has a high market share of 37%, about 67% of consumers would consider buying private label in the packaged foods category. And in countries like Italy and Greece, where unemployment rates are above the EU average and the private label market still has relatively low penetration, there is huge potential for the sector to grow, according to a report by *Nielsen*.

The expansion of hard discounters, which mostly sell private label products, is also driving growth in the category. Lidl, for instance, [announced](#) earlier this year that it would open 25 new stores by Christmas, targeting 1,000 stores in the UK by 2023.

Moreover, while in the past contract manufacturers were focused on manufacturing basic staple products, nowadays they are looking to offer full capabilities, including research and development of diversified and premium products, ranging from luxury textiles to natural cosmetics and nutraceuticals.

The private label space is very fragmented, with many businesses, both in the food and non-food sectors, of a small size and family owned. The very nature of these businesses means that they experience a lot of competition to win supply contracts from retailers that are becoming increasingly bigger, Koen de Jong, Managing Partner at International Private Label Consult (IPLC), said. This is a case in point in the grocery space, where further consolidation among grocery retailers has led to increasing competition among private label manufacturers, particularly as the former tend to minimize the number of suppliers they use to increase their efficiency levels.

The growth the category is experiencing, coupled with such fierce competition is, in turn, spurring a new consolidation wave among private label players, as they look to further consolidate their market gains and diversity and increase the quality of their offering.

This year has already seen deals such as the acquisition of Dutch supplier in artisanal private label meat products [Group of Butchers](#) by Parcom, and the sale of some of [Britvic](#) [LON:BVIC]'s French operations, including its private label juice business, to Dutch soft drinks producer Refresco, a portfolio company of PE firms PAI Partners and British Columbia Investment Management Corporation.

Not all categories within private label have reached the same level of consolidation. Sectors like cereals, coffee roasters, soft drinks, frozen vegetables, and laundry detergents are more consolidated than confectionery, hand-held ice-cream, or pet food, according to de Jong.

Deals in the pipeline include [Bee Health](#), a UK private label vitamin, mineral and supplement manufacturer, which is exploring a sale with the help of Alantra, as reported by this new service. In Poland, [Grupa Otmuchow](#) [WSE:OTM], a private label and branded snack-foods manufacturer, has mandated CC Group for a potential sale of its cereal products business, also reported by *Mergermarket*.

Other players are looking at acquisitive growth, such as Olean Personal Care, a UK contract manufacturer of cosmetic products looking to diversify into pet care products; and Italian Biofarma, which is considering acquiring cosmeceutical or nutraceutical contract development and manufacturing businesses.

Sector consolidation is and will be largely private equity driven, with sponsors helping manufacturers build economies of scale, establish pan-European operations and install professional management practices, de Jong said. Other notable transactions by sponsors in the space include the acquisitions of French ready-to-use dough producer [Cerealia](#) by Ardian in December last year and [Biscuit international](#) by Platinum Equity in February last year, both for undisclosed sums.

by Barbara Pianese

[Proprietary Intelligence](#)

[Coswell \(03/12/2020\)](#)

Coswell, an Italian personal care products company, could look at small acquisitions of personal care and functional foods brands such as supplements as it seeks to increase revenue and market share. Ideal targets would be Italy-based, turn over between EUR 5m-10m, and sell their products in supermarkets or pharmacies. The family-owned company is not planning to hire a corporate finance

advisor as it may receive buyside pitches from a network of advisors. Coswell is expected to increase revenues by about 6% to EUR 150m in 2020. Around 20% of its production is sold under third parties' brands.

[Biofarma \(27/11/2020\)](#)

Biofarma, which produces dietary supplements and vitamins, is considering acquisitions to grow. The Italian company, in which White Bridge Investments holds the majority stake, aims to increase its revenue to more than EUR 180m in 2020. However, it will not acquire companies to add revenue, but rather to gain competitive advantages. Biofarma would consider buying cosmeceutical or nutraceutical contract development and manufacturing businesses turning over at least EUR 20m.

[Alban Muller \(26/11/2020\)](#)

Alban Muller, a French contract manufacturer of natural cosmetic products, is interested in evaluating offers from potential investors. The family-owned company is not actively looking for investment as it does not need funding but will consider a "good offer". An investor that can bring in synergies and help the business grow faster will make more sense than one providing only funds. The company has never raised funds from external investors. It generated EUR 20m in revenues in 2019.

[Orean Personal Care \(13/11/2020\)](#)

Orean Personal Care, a UK contract manufacturer of cosmetic products, is looking to acquire a manufacturer of pet care products. The company is looking to expand in pet-related products, which is booming. Targets should be UK-based companies that increase its capability and production capacity and generate a few million pounds in revenue. Orean Personal Care is not looking to hire corporate finance advisors. The West Yorkshire-based company generates annual revenues of about GBP 20m and has been growing in recent years, including in the current pandemic.

[Frostkrone \(06/11/2020\)](#)

Frostkrone, a Germany-based private-label producer of frozen finger food, is looking for acquisition opportunities in both the US and Europe. The business works with different advisers to scout targets. The company is looking for peers that would add new products or specific technology, more customers and additional manufacturing capacity. In the US, targets would be located on the East Coast as it is already present in the other part of the country. Frostkrone looks at companies between EUR 10m and EUR 30m in sales.

[Mademoiselle Desserts \(22/10/2020\)](#)

Mademoiselle Desserts, a French manufacturer of frozen bakery products, could close an acquisition by year-end. The executive declined to disclose details on the target but said it is still considering other acquisitions. The company is in contact with advisers in different geographies who are aware

of its plans and may suggest opportunities. The company would look at frozen desserts businesses that would expand its product range or customer base. Since the beginning of the pandemic, Mademoiselle Desserts has lost quite a bit of turnover given its exposure to the foodservice sector, which represents about 50% of sales.

[Florence \(19/10/2020\)](#)

Florence, an Italian B2B fashion group backed by VAM Investment and Fondo Italiano d'Investimento (FII), is on the lookout for new acquisitions. The company is looking for B2B high-end fashion firms based in Italy and suppliers to large international luxury and fashion groups. New additions would help Florence expand its portfolio offering in the luxury apparel and accessories segments. Particularly desirable targets include producers of jersey and denim clothes, as well as manufacturers of leather accessories, such as purses or belts. At a later stage, it could also look at other fashion targets, such as shoe manufacturers. Florence's focus is more on the target's expertise rather than on its size. It could take over firms generating revenue in a EUR 10m-EUR 50m range.

[Amelia Knight \(11/10/2020\)](#)

Amelia Knight, a UK-based cosmetics manufacturer, could acquire a personal care products manufacturer to expand its product offering. The private label company, which is focused on colour cosmetics, is not looking to retain a financial advisor for target scouting. It is not new to acquisitions, having acquired domestic rivals Pascalle Cosmetics last year and Longshawe Packaging earlier this year for an undisclosed amount. It would look for targets mostly in the UK, generating up to GBP 15m in revenue. It could consider companies in distress with contracting revenue.

[Labomar \(05/10/2020\)](#)

Labomar, an Italian nutraceutical company, will use its IPO proceeds to complete a string of acquisitions. Management is conducting the scouting process internally, but it is willing to receive M&A suggestions by advisors. Labomar is looking to acquire companies active in the nutraceutical and prevention space, eyeing manufacturers of food and diet supplements and cosmetics. Desirable takeover candidates would generate EUR 10m-EUR 15m in revenue.

[Iberfrasa \(17/09/2020\)](#)

Iberfrasa, a Spanish personal care and hygiene business, could make opportunistic acquisitions to complement its product offering. The company is not looking to hire financial advisors and will rely on the sponsors' knowledge of the sector. Acquisitions will help the business enter specific personal care market niches such as cosmetics. Iberfrasa will not consider branded companies but private label producers in Spain. Given its opportunistic approach, it is flexible in terms of target size and could look at companies generating EUR 2m in EBITDA to more transformative deals.

Grade: Confirmed

BIDDERS

[Coswell SpA](#)

BIDDERS

[Biofarma SpA](#)

[White Bridge Investments S.p.A.](#)

TARGET

[Alban Muller International France](#)

BIDDERS

[Orean Personal Care](#)

BIDDERS

[Frostkrone Engel-Food Tiefkuehlkost GmbH](#)

[EMERAM Capital Partners GmbH](#)

BIDDERS

[Mademoiselle Desserts SAS](#)

[IK Investment Partners Limited](#)

BIDDERS

[Florence SpA](#)

[VAM Investments Group s.p.a.](#)

[Fondo Italiano d'Investimento SGR S.P.A.](#)

BIDDERS

[Amelia Knight Limited](#)

Countries

Channel Islands

France

Germany

Italy

Luxembourg

Netherlands

Poland

Spain

Sweden

United Kingdom

Sectors

Chemicals and materials

Consumer: Foods

Consumer: Other

Manufacturing (other)

Sub-Sectors

Agri processing/ cereals

Baked goods

Beer

Bottling/ canning

Clothes

Cosmetic/care chemicals

Fish/ meat/ poultry

Food ingredients

Food-others

Frozen and chilled foods

Household products

Luxury goods

Manufacture and supply of other consumer products

Packaging products and systems

Personal care

Soft beverages

Sugar and confectionery

Topics

Analysis

Cross Border

Deal round-ups

Macro Drivers

Private equity related

Intelligence ID: intelcms-pp4kqn

BIDDERS

[Labomar S.p.A.](#)

BIDDERS

[Iberfrasa S.L.](#)

[Abac Solutions \(SCA\) SICAR](#)

TARGET

[ZPC Otmuchow \(breakfast and cereal products segment\)](#)

VENDORS

[ZPC Otmuchow SA](#)

Financial advisor

[CC Group Sp. z o.o.](#)

TARGET

[Bee Health Ltd](#)

Financial advisor

[Alantra](#)

TARGET

[Group of Butchers](#)

BIDDERS

[Parcom Capital Management B.V.](#)

VENDORS

[Equistone Partners Europe Limited](#)

TARGET

[Britvic \(three juice manufacturing sites in France, its related private label juice business, and the Fruité brand\)](#)

BIDDERS

[Refresco Gerber BV](#)

VENDORS

Britvic Plc

OTHERS

PAI Partners SAS

British Columbia Investment Management Corporation

TARGET

Cerelia SA

Financial advisor

[Callisto](#)

[The Silver Company](#)

Lawyer

[Gide Loyrette Nouel](#)

BIDDERS

Ardian

Financial advisor

[A.T. Kearney Corporate Finance](#)

[Accuracy](#)

[Lazard](#)

[ODDO BHF](#)

Lawyer

[Latham & Watkins LLP](#)

VENDORS

IK Investment Partners Limited

Financial advisor

[BNP Paribas SA](#)

[EY](#)

Lawyer

[Willkie Farr & Gallagher LLP](#)

IK VII Fund

TARGET

Biscuit International S.A.S.

Lawyer

[Jeausserand Audouard](#)

BIDDERS

Platinum Equity, LLC

Financial advisor

[Rothschild & Co](#)

Lawyer

[Latham & Watkins LLP](#)

VENDORS

Qualium Investissement

Financial advisor

[Natixis Partners](#)

Lawyer

[Cleary Gottlieb Steen & Hamilton LLP](#)

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