

DEAL OF THE WEEK

25th November, 2020

TARGET 



TRANSACTION VALUE
c.€600 million

 BUYER



EBITDA Multiple
10x



Industry
Food retail



Transaction Advisors
Goldman Sachs



Financing
All Cash deal



TARGET'S
KEY METRICS



Revenue: **€450m**

EBITDA: **€100m**

Enterprise Value: **€1bn**

EBITDA Margin : **22%**

DEAL
DESCRIPTION



- **PAI Partners** (PAI) announced on November 20th the acquisition of a majority stake in **Euro Ethnic Foods** (EEF), the company owning and operating the grocery section of leading food retailer **Grand Frais**
- The fund will hold 60% stake in EEF while the company's founders, the Bahadourian family, will continue owning the remaining 40% of the business
- The current management will stay and keep leading the business through the next stages of its development. The nature of this deal can be considered as friendly

FOOD
RETAIL
MARKET



- The consumer industry is characterized by its relative stability across economic cycles. However, the pandemic heavily impacted the industry supply chain. Currently, **small/mid-Cap supermarkets EBITDA multiples fall around 9x**
- Over past last years, consumers behavior and expectations moved toward an interest in brands with strong values, a need for transparency from distributors regarding the products and a search for unique shopping experience

DEAL
MOTIVATION



- PAI's equity injection will enable EEF to accelerate its growth plans, both organically and externally. PAI will provide support to the company as it further expands through the opening of new Grand Frais stores and continues to develop its B2B operations, both in France and internationally
- PAI will also back the company's **objective of implementing selective vertical integrations** (across the same business line). As a result, EEF will cover its entire value chain, as well as the ability to transform its most strategic products
- The pan-European fund recognized in EEF a responsible company which was able to successfully adapt to new trends in food consumption (ie. Bio), while integrating its brand at the very heart of **a sustainable distribution model**

CATALYSTS &
FNG OPINION



- PAI Partners has sealed **three other deals in the European food sector in the past two weeks**, revealing their intention to continue strengthening their position in one of their sector of predilection
- Euro Ethnic Food will be benefit from the long-standing experience and recognised expertise of PAI in the sector

TARGET OVERVIEW

COMPANY DESCRIPTION



- **Euro Ethnic Foods (EEF)** was founded in 1992 by Léo and Patrick Bahadourianin, who are also **Grand Frais co-founders**. The brand carries out most of its business within Grand Frais, but also supplies grocery products to small distributors and independent shops as well as networks of organic and bulk-purchase stores, using its sizeable distribution platform
- **Grand Frais** is a French distribution brand specialized in fresh products structured as an association of several wholesalers. Inspired by the atmosphere and **configuration of traditional an economic interest grouping (GIE)** market halls and covered markets. Grand Frais' concept is based on the ability to bring together 5 food professionals' experts in their field: a greengrocer, a creamer, a grocer, a butcher and fishmonger
- **The Company's Headquarters** are located in Lyon, France, and records 240 points of sale throughout France, as well as additional stores in Belgium and Luxembourg
- **Management:** Christelle Le Hir (CEO EEF), Arnaud Pascal (Managing Director EEF)

Transaction Metrics

- Enterprise Value: **€1bn**
- Transaction EBITDA multiple: **10x**
- Transaction Revenue multiple: **2.2x**

Development hypothesis

- The management have helped the company deliver strong and sustainable long-term growth and has successfully managed the challenges brought by the Covid-19 pandemic. Such ability is proving the **high resilience of the business model**
- Euro Ethnic Food was able to multiply its **turnover by 5x over the last 10 years to reach €450m in 2020**, i.e. 18% of Grand Frais' total revenues, which can let envision an optimistic trend in the future
- Grand Frais sold majority of Prosol - the structure grouping together the greengrocer, the creamer and fishmonger departments - to **Ardian** fund in 2017. Attracted by the very fast development and strong profitability of the brand, Ardian would be currently planning on exiting Prosol
- Indeed, speculation are now revived concerning the sale of Prosol being the next "largest French LBO in sight". Until now, the deal was conditional on the successful sale of EEF

FOOD RETAIL MARKET



- **The Food market** includes all kinds of fresh and processed foods, and is operated by different structures, from national supermarket conglomerates, to independent distributors, as well as e-commerce brands.
- Revenue in the **European Food market amounts to €1.7trn in 2020 (the largest manufacturing industry in Europe)**. The market is expected to grow annually by 1.4% (CAGR 2020-2025E)
- Two distribution channels have been particularly successful: e-commerce and independent distributors. The strength of independent distributors lies in their ability to provide fresh local products in convenience stores, in accordance with customers needs and their "freedom to act and react", which is important in the current context, thanks to their capacity to implement their new concepts
- E-commerce were boosted as consumers privileged online purchase during lockdown. Drive technologies, home deliveries became imperative alternative for companies to develop
- A **risk for the food retail industries** is the rising growth of online competitors. E-commerce sales are expected to grow at a CAGR of 7.8% in the upcoming year. With corporations like Amazon and Walmart, that offer or will offer services such as automatic billing checkout, in addition to 24h grocery home delivery or pick up. As a result, traditional supermarket operators are having to continually adapt and innovate to stay competitive

BUYER OVERVIEW



INVESTMENT COMPANY DESCRIPTION

- PAI Partners is a European private equity firm based in Paris, France. **PAI was founded in 1872 and is one of the oldest private equity firm in the world.** PAI stands for **Paribas Affaires Industrielles**, the historical principal investment activity of the bank Paribas (merged with BNP in 2000). At that time, it was investing in non-leveraged equity deals
- PAI Partners completed a 100% spin-out of BNP Paribas in 2002
- In 1997, PAI led the €610m buyout of Danone's pasta and condiment business unit, which was **the largest LBO ever completed in France**
- Since then, PAI has raised over €20bn through 7 flagship funds. PAI is currently launching a second strategy of fund focusing on the mid-market
- Total AUM (as of December 31, 2019): **€13.9bn**
- Total portfolio sales (as of December 31, 2019): **€18.9bn**
- Investment professionals: **94**
- Offices: 7 countries in Europe (France, UK, Germany, Italy, Spain, Luxembourg and Sweden) and 1 office in the US (New York)

TOP MANAGEMENT



- Michel Paris (Chairman and CEO)
- Richard Howell (Managing Partner, Head of IR & Capital Markets)
- Laurent Rivoire (Managing Partner, Head of General Industrials)
- Frédéric Stévenin (Managing Partner, Head of the Investment Committee)

COMPANY STRATEGY



- PAI Partners invests in companies mainly located in Europe in the following sectors: **business services, food & consumer, general industrials, healthcare and retail & distribution**
- It typically invests between **€100m** and **€400m** in companies with Enterprise Values between **€0.3bn** to **€1.5bn** (upper-mid market)

LATEST PRIVATE EQUITY FUNDS RAISED



Fund Name	Investment Type	Launch Date	Status	Size (€m)
PAI Mid-Market	Private Equity	2020	Fundraising	500-700
PAI Europe VII	Private Equity	2018	Investing	5,000
PAI Europe VI	Private Equity	2015	Harvesting	3,300
PAI Europe V	Private Equity	2008	Harvesting	2,700
PAI Europe IV	Private Equity	2005	Liquidated	2,700
PAI Europe III	Private Equity	2001	Liquidated	1,800
PAI LBO Fund	Private Equity	1998	Liquidated	650

RECENT DIRECT INVESTMENTS

•NON - EXHAUSTIVE



Date: **11/2020**
Revenue: **€339m**



Date: **11/2020**
Revenue: **€244m**



Date: **12/2019**
Revenue: **N/A**



Date: **11/2020**
Revenue: **€132m**



Date: **10/2020**
Revenue: **€104m**



Date: **12/2019**
Revenue: **€201m**

INDUSTRY OVERVIEW

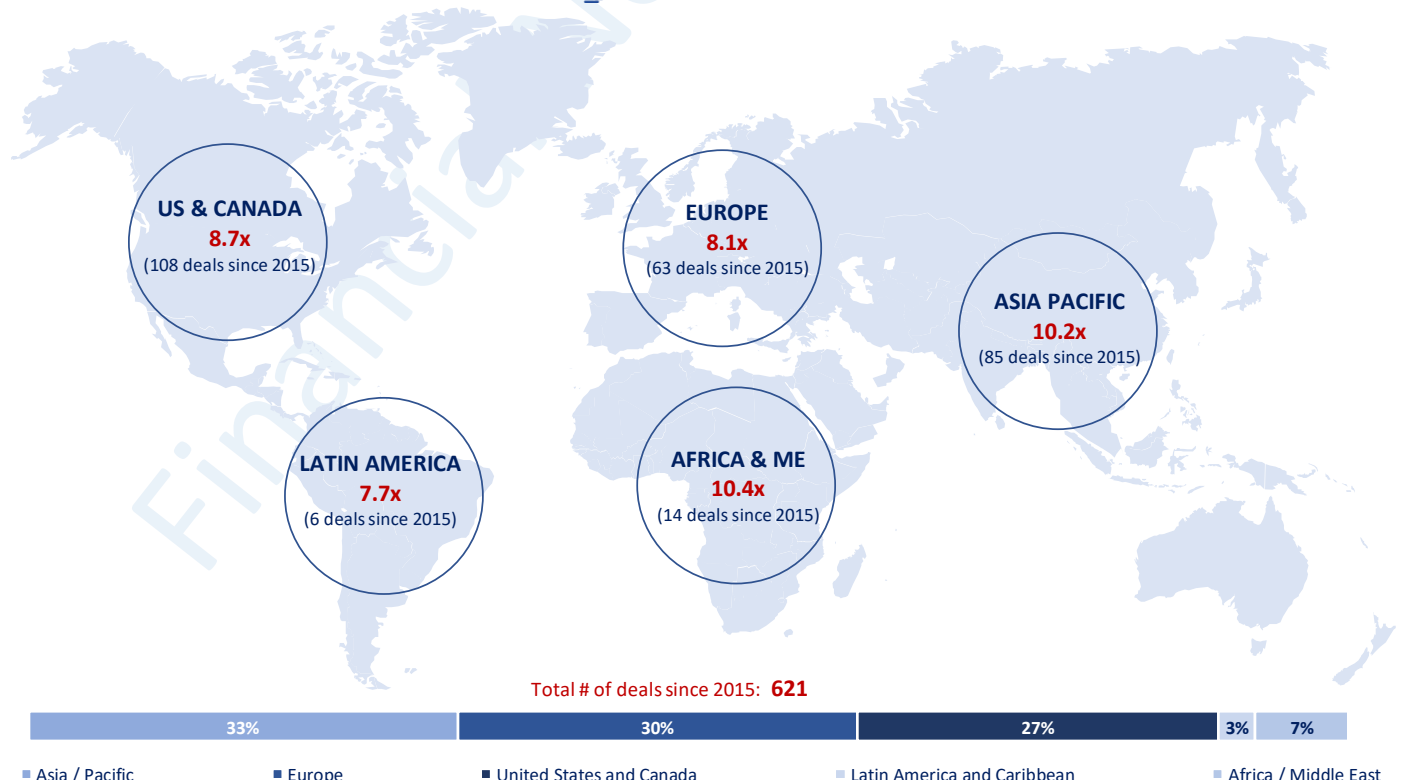
COMPARABLE TRANSACTIONS



Transaction Date	Target Company	Target Country	Bidder	Enterprise Value (€m)	Revenue (€m)	Revenue Multiple	EBITDA (€m)	EBITDA margin	EBITDA Multiple
Jun.-20	Iceland	Iceland		1,196	3,249	0.3x	131	4.0%	6.6x
Mar.-18		Netherlands		506	n.a	0.5x	n.a	n.a	n.a
Jun.-17		UK		2,253	461	2.9x	82	17.7%	n.a
Jun.-15	DELHAIZE GROUP	Belgium	SILCHESTER INTERNATIONAL INVESTORS	13,588	24,395	0.5x	1,440	5.9%	8.6x
Average						1.1x		9.2%	7.6x
Median						0.5x		5.9%	7.6x

With an EBITDA transaction multiple of 10x, **PAI Partners seems to have acquired Euro Ethnic Foods at a slightly higher valuation**, in comparison to its comparable transactions average of 7.6x. However, as two deals (Emté in 2018 and H&B in 2017) did not communicate the adjusted EBITDA and Revenue multiples, these multiples averages are highly dependent on the two other transactions, o/w Delhaize occurred 5 years ago. In terms of Revenue multiple, PAI has paid twice more for EFF, than its comparable transactions (2.2x vs. 1.1x), which can be explained by EFF's high EBITDA margin (22%).

AVERAGE MULTIPLE WORLDWIDE



With an average EV/EBITDA multiple of 9.1x since 2015, only two regions have realized deals with higher multiples on average. In fact, there is a consistent decline in multiples in the Food Retail sector since 2015, across all continents (from 9.8x in 2015 to 7.7x in 2020). This can be explained by the **increased consolidation of the sector leading to more conservative multiples and an increased competition on prices which led to squeezed margins and lower profitability.**

APPENDIX & DISCLAIMER



APPENDIX



Company

- [PAI Partners](#)
- [Grand Frais](#)

Further Readings

- Les Echos, 11/2020: [Le fonds PAI reprend le pilier épicerie de Grand Frais](#)
- LSA Conso, 11/2020: [PAI Partners prend 60% d'EEF, l'exploitant des rayons épicerie de Grand Frais](#)
- Capital, 11/2020: [Grand frais : le rayon épicerie passe aux mains du fonds PAI](#)
- LSA Conso, 11/2020: [Les distributeurs independants](#)
- Duff&Phelps, 04/2020: [Food Retail Industry Insights](#)
- Statista, 01/2020: [EV/EBITDA in the consumer good & FMCG sector in Europe](#)

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