GROWING THE PORTFOLIO

The continuing importance of inorganic growth

Creating a dynamic, multi-faceted brand portfolio remains the "holy-grail" for many consumer businesses. Complimentary products appealing to different tastes, experiences and price points is increasingly seen as a "must have" but the time and cost involved in creating such a portfolio from scratch remains challenging. Executing a targeted acquisition strategy can transform the profitability of a portfolio but acquiring high profile brands is a competitive business and comes with inherent risk which need to be understood and managed.

- Despite the investment made by companies in new product development, it is estimated that **85% of new FMCG products fail within the first 2 years of launch**. With figures like that, it is unsurprising that CEOs choose to invest inorganically to develop their brand portfolio
- The market for acquiring branded businesses is very active, particularly for heritage brands like **Branston Pickle, Ribena and Dorset Cereals**, driven in part by corporates/equity houses with strong balance sheets and, in part, by over leveraged conglomerates like **Premier Foods** who have to jettison brands to pay down debt
- This activity is fuelling an M&A boom dominated by **competitive auction processes** on **aggressive timetables**. As a buyer, it is therefore essential to know what you want and have a clear strategy for achieving your objective
- As with all M&A, due diligence (DD) is key to understanding your acquisition and avoiding unpleasant surprises. Whilst legal and financial DD are necessary hygiene factors, increasing focus is placed on **commercial DD to test the target's marketplace and consumer**. Targeted investigations are increasingly common to ensure advisers deliver value to budget
- Buying a brand is not just about trade marks. Increasingly branded businesses rely on an **omni-channel approach** to customer engagement and so securing legal protections in relation to websites, social media handles and consumer databases is critical
- **Integrating newly acquired brands into a portfolio is key and should not be treated as an M&A afterthought.** Seamless integration can have a compound impact on the overall profitability of the portfolio and can quickly flag issues which might require remedy under the SPA

AG's team is first class. Their advice is unique in that it is genuinely commercial and pragmatic, is in the right context for the business and balances technical strength, appropriate risk appraisal and leadership to drive a transaction forward.

DIAGEO

How we can help

MERGERS & ACQUISITIONS

- Longstanding experience with FTSE100 consumer brand businesses
- Automated document production which reduces time and cost
- Fully integrated international capability to enable clients to tap into new consumer markets
- Specialist IP, data and e-commerce lawyers

PRIVATE EQUITY

- Leading mid-market team
- Market leading experience in competitive auctions (both buy and sell side)
- Sophisticated deal originate toolkit
- Innovative approach to DD and risk reporting

TRAINING FOR YOUR TEAM

- Know-how and training via general seminars and tailored client training
- Comprehensive toolkit for M&A and PE investments
- Knowledge sharing through online portals and annual M&A trends analysis

REDUCING COSTS

- Competitive fee proposals
- Embedded Transaction Services Team of paralegals
- Development of standard precedents and approaches
- Sharing industry know-how, market practice and horizon scanning updates

Who we have helped

We have advised **Associated British Foods** on the acquisition of Dorset Cereals and on the acquisition of ethnic flour brand Elephant Atta; **Diageo** on the break-up of South African joint ventures with Heineken and Namibia Breweries; **Endless** (a private equity firm) on the acquisition of Bright Blue Foods, a company which bakes cakes and mince pies for Tesco, Asda and Morrison's; **Müller** on the acquisition of Dairy Crest's dairy business; **PZ Cussons** on the acquisition of the Charles Worthington, Sanctuary Spa, St Tropez and Fudge brands; and **Tate & Lyle** on the break-up of a pan-European joint venture with ADM.

Who to contact

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