



## CREDIT APPETITE

The UK restaurant, bars and pubs sector has access to many forms of financing in order to support growth



The restaurants, pubs and bars sector currently finds itself able to attract many types of financing. Market participants can benefit from a number of options ranging from their customers supporting crowd funding initiatives to decent multiples of leverage for private equity owners on MBOs and low margins on debt for multi-site corporate businesses.

Examples of financings in the sector include:

- ▶ Brewdog, the dynamic craft beer brand, has recently launched a campaign to raise up to \$50m from American real ale enthusiasts to expand into the US. This demonstrates how **brands can leverage the loyalty** of their customers to access debt (or equity) to finance growth plans. Other businesses such as Leon, Hotel Chocolat and Chilango have also looked to crowd funding as a source of capital.
- ▶ Private equity sponsors (who remain active in the sector as shown by Lion Capital's recent acquisition of Loungers and Piper's investment into Flat Iron), can avail themselves of the liquidity available from banks, debt funds and alternative lenders. **PE sponsors were able to attract flexible funding packages** for deals throughout the last year, including for Cote, Pho, Le Bistrot, Loungers and the Gaucho chain of restaurants amongst others.
- ▶ Some banks have thought carefully about the needs of businesses in the sector and are **offering growth capital products**, which are considerably cheaper than using equity to fund growth. Many small to medium operators are looking at this type of product to support their growth ambitions without diluting their equity.
- ▶ Whilst we don't envisage the range of financing options materially reducing through 2017, borrowers will have to convince their funders that they are **addressing the headwinds** that will affect the sector. In particular:
  - ▶ The challenges to costs from a falling pound
  - ▶ Any potential reduction in consumers' discretionary spend
  - ▶ EU impact costs and the reliance on EU workers in view of Brexit
  - ▶ An ability to respond to changing consumer demand and developing tastes
  - ▶ Increasing rent and a lack of decent available sites.
- ▶ That said, eating out and drinking out is, and we anticipate will remain, a significant part of people's lives. **The sector has proved to be resilient in the past.** As a result, we expect that good operators will find financing accessible.

*"Addleshaws have been awesome for a bunch of lawyers. They get our business, are super pragmatic, to the point and interested in relationships."*

## How we can help

FINANCE	OTHER TRANSACTIONS
Acquisition finance	Property roll-out and portfolio management
Asset and trade/supply chain funding	Joint ventures
Alternative lenders and unitranche	Regulatory advice on crowd funding
Competitive processes to obtain best terms	Business restructuring and turnaround investing
PUBLIC EQUITY	PRIVATE EQUITY
IPOs/Flotation (Official List and AIM)	Leveraged buyouts (including secondary/tertiary deals)
Secondary Issues	Growth/development capital facilities
Public Takeovers	Exits to trade and financial purchasers
Reorganisations and Demergers	Management team advice

## Who we've helped

We have advised on financings involving a number of UK bar and restaurant businesses including [Admiral Taverns](#), [The Alchemist](#), [Be At One](#), [Bleeding Heart Group](#), [Chaophraya](#), [Cirrus Inns](#), [Gail's Bakery](#), [Giggling Squid](#), [Groucho Club](#), [Gusto](#), [Las Iguanas](#), [Le Bistrot Pierre](#), [Patisserie Valerie](#), [Pho](#), [Red's True Barbecue](#), [The City Pub Group](#) and [West Yorkshire Brewery plc](#).

## Who to contact

### ALEX DUMPHY

Partner

[alex.dumphy@addleshawgoddard.com](mailto:alex.dumphy@addleshawgoddard.com)  
07709 332374



### MIKE HINCHLIFFE

Partner

[mike.hinchliffe@addleshawgoddard.com](mailto:mike.hinchliffe@addleshawgoddard.com)  
07740 914012



### ANDREW LEY

Partner

[andrew.ley@addleshawgoddard.com](mailto:andrew.ley@addleshawgoddard.com)  
07918194550



10-9772542-2

[addleshawgoddard.com](http://addleshawgoddard.com)

Aberdeen, Doha, Dubai, Edinburgh, Glasgow, Hong Kong, Leeds, London, Manchester, Muscat, Singapore and Tokyo\*

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