



UNCERTAIN TIMES AHEAD?

After a buoyant M&A and investment period, are private equity firms and trade acquirers calling time on pubs, restaurants and bars?



The pubs, restaurants and bars sector was arguably the most buoyant UK sector for M&A activity in the 2 years preceding the Brexit referendum, with a number of very high profile deals (such as Hony Capital's £900 million acquisition of Pizza Express, and Greene King's £759 million acquisition of the Spirit Pub Company), as well as a significant amount of development capital and mid-market activity in the casual dining sector in particular. Given such activity was underpinned by improved consumer confidence and spending, it is unsurprising that activity levels have dropped since the Brexit referendum — but does that reflect a sector issue, or the drop in M&A activity more generally?

- ▶ Generally speaking, restaurant owners reported that trading remained buoyant in the immediate wake of the referendum, with many reporting a post-Brexit boom over the summer of 2016, and reasonable trading since then. However, many commentators highlight that **consumer confidence** has yet to suffer any significant impact given we are at a relatively early stage of the Brexit process
- ▶ Whilst there has undoubtedly been a drop in deal activity, this was **felt across all sectors** post referendum. Given the high market valuations immediately before the referendum it is also unsurprising that business owners in the sector may take longer to adjust to a softening in the market
- ▶ Although Brexit sets a context for activity in the UK over the next 2 or 3 years, investors and acquirers will continue to be very attracted to **those propositions which are considered low risk**. A general reduction in discretionary spend will impact the market broadly, but those with stronger propositions could improve market share as customers become more discerning, and there will be different levels of risk exposure to issues such as EU tariffs and freedom of worker movement
- ▶ Many casual dining and bar concepts have been expanding successfully outside London, with the other major cities (Manchester, Birmingham, Leeds, Bristol, Edinburgh and Glasgow) booming in particular. The foreign exchange impact from **Brexit is expected to boost overseas visitors to the UK**, which will benefit those operating in the capital more than other UK locations – although the increased cost of overseas holidays might also boost footfall across a wider range of UK tourist destinations
- ▶ Notwithstanding some of these concerns, it is evident that the quality of Britain's restaurant and bar offering has been transformed in the last decade, with consumer demand and tastes evolving as a result leading to a resilient sector. New concepts also continue to emerge with strong growth prospects via roll-out. It follows that many **private equity firms remain keen on the sector**, and with the presence of trade acquirers such as Casual Dining Group and IPOs such as Comptoir Libanais it appears that a range of exit routes remain for more attractive assets.

"Having worked with Addleshaw Goddard for a decade on a number of transactions, I can honestly say that they bring an extra dimension to the process, helping you to have the best possible outcome for what will be, for many entrepreneurs, a life changing event".

How we can help

PUBLIC EQUITY	PRIVATE EQUITY
IPOs/ Flotation (Official List and AIM)	Leveraged buyouts (including secondary/ tertiary deals)
Secondary Issues	Growth/ development capital
Public Takeovers	Management team advice
Reorganisations and Demergers	Exists to trade and financial purchasers
BANK FINANCE	OTHER TRANSACTIONS
Acquisition finance	Crowd funding and private placements
Asset and trade/ supply chain funding	Joint ventures
Alternative lenders and unitranche	Business restructuring
Competitive processes to obtain best terms	Turnaround investing

Who we have helped

We have advised on fundraisings and M&A transactions involving a number of UK bar and restaurant businesses including Admiral Taverns, The Alchemist, Be At One, Bleeding Heart Group, Chaophraya, Cirrus Inns, Dominion Hospitality, Gail's Bakery, Gigging Squid, Greene King, Groucho Club, Gusto, Las Iguanas, Le Bistrot Pierre, Patisserie Valerie, Pho, Red's True Barbecue and The City Pub Group.

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