

FOODSERVICE GROWTH REPORT 2019



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CHANGE BRINGS RISKS AND OPPORTUNITIES

Foreword

By Graeme Smith: Managing Director, AlixPartners

There have been a number of trends that have become more and more important in 2019 and look like shaping the foodservice market in the years to come. These trends relate to technology, consumer behaviour and regulatory change. Many of these trends are also impacting the retail restaurant market, and in many cases have hit that market first before influencing foodservice. As ever with change, these trends represent both an opportunity and a risk depending on how businesses react to them.

TECHNOLOGY ENABLING CHANGE

First, one of the biggest changes that has hit the restaurant market has been the advent of the delivery networks enabling high-street quality food to be delivered straight to your home via mobile apps. Deliveroo, Uber Eats and Just Eat are locked in a battle for the home delivery market which was worth over £8 billion in 2018¹. Until this year, all eyes were focused on the B2C market for delivery growth. This all changed when Just Eat acquired City Pantry, one of the leading B2B delivered-in operators in the UK. The B2B delivered-in operators offer the ability for office workers to access a wide variety of high-street restaurant food rather than rely on a single caterer providing a varying menu from day to day. It won't be the most appropriate answer to every client but it promises to shake up the market by providing an alternative approach beyond the traditional self-provision or outsource decision.

1. MCA Foodservice Delivery Report 2018

HEALTH AND WELLNESS HITS THE MAINSTREAM

2019 has seen an increase in the awareness of health and wellness and the linked trend towards plant based or vegan food. High street food retailers have responded to this. Two of the most visible examples of this in recent times are the launch of Veggie Pret and of course the vegan sausage roll in Greggs (a huge PR success). The vegan movement of course impacts the menu choices offered by caterers to ensure that these options are offered and they are of a high quality and varied. The increase in awareness of health and wellness and its direct link to what we eat represents a large opportunity for caterers. Many premium-quality caterers would only target clients that valued high-quality food and tend to avoid those who run catering tender processes through the procurement team. The health and wellness movement offers a chance to go one step beyond this focus on quality. Food provision is now being used as a genuine differentiator by leading businesses. Access to free or subsidised food which is high quality and health focused is being presented as a mark of how committed a business is to health and wellness for its employees. This creates the opportunity for caterers to partner with their clients to help them differentiate themselves in the ever more competitive talent acquisition market.

Graeme Smith is a Managing Director specialising in providing corporate finance advice at AlixPartners. He has nearly 20 years' experience advising corporate and private equity clients on M&A, fund raisings and strategy, with a specific focus on the hospitality and leisure industries. Recent mandates in the foodservice sector include advising the shareholders of The Brookwood Partnership and Harbour & Jones on their mergers with CH&CO.

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REGULATORY CHANGE

Regulatory change is impacting the foodservice market in a number of ways. Two key areas I want to highlight are in relation to employees and food safety. Changes to employment law and regulation are both increasing the cost of employing people (minimum pay levels) and also potentially reducing the ability to utilise a flexible work force. The increases in minimum wage levels is driving an increased focus on labour productivity, particularly in higher-volume and lower-cost operations, and at the extreme causing operators to look for ways to eliminate people from the process. Some of this runs counter to the desire of customers to improve service levels for their staff, patients, visitors or students, but the hard economics mean that at a time when budgets are being squeezed there is much less ability to simply pass on cost increases.

Food safety and labelling has rightly become a very mainstream concern for all businesses that retail food in any form. High profile cases of deaths caused by allergens have raised the profile of this issue and it is often the number one issue that keeps CEOs in the food industry up at night. It is also a key issue for customers when considering the award of new contracts. Great efforts are being made to ensure that labelling is clear, supply chains are understood and audited and additional care is taken

in the preparation process to avoid contamination. All this is vitally important but again adds to costs and also creates a burden for smaller foodservice providers who lack the compliance capabilities of the larger operators. The opportunity this creates for foodservice companies is that they can be the experts in this area. The concern on this topic exists whether the food provision is in-house or outsourced, so outsourcing to a specialist is one way for customers to manage their risk.

M&A CONTINUES APACE

The past 12 months have seen a steady flow of M&A transactions, but it has been dominated by the two largest deals being the investment in WSH by the US private equity firm Clayton, Dubilier & Rice, and the investment in CH&CO by UK private equity firm Equistone. Both of these deals demonstrate a continued confidence in the UK catering market by private equity. Indeed, following the completion of the investment in CH&CO, Equistone has backed further deals with Gather & Gather from Mitie and Company of Cooks. This continues the successful acquisition-led growth that CH&CO has pursued to date. We also saw Compass return to the acquisition trail in the UK in 2019 with acquisition of Dine Contract Catering. M&A has been a significant value driver in this sector and it is encouraging to see M&A activity continuing even at a time of economic uncertainty and tougher trading conditions.

WHATEVER HAPPENS REGARDING BREXIT, FOODSERVICE HAS AN EVER MORE IMPORTANT SOCIAL ROLE TO PLAY

Foreword

By Chris Sheppardson: Managing Director, EP Business in Hospitality

It is sometimes hard to fathom that the Brexit discussions have been going on for three years and it is likely – hard, soft or no Brexit – it will continue to plague major politics for years to come. It has been one of the most divisive issues of the modern era. However there is no escaping that it has been a dark cloud over the economy and there is no or little data showing that the economies across Europe have all been feeling the effects of the uncertainty from the debate. One can sense the weariness that many feel across the continent.

Rest assured, this is not a political piece but more a view that whatever happens, foodservice will play an increasingly important role in the next decade. The sector has always faced every stone thrown in its way and managed to adjust, adapt and grow. It has been one of the most resilient of sectors and deserves admiration for the achievement.

However, it can play an even bigger role today as food is arguably one of the few things that is able to bring people together and is an important constant in our lives. Food today reflects our diversity, and our society. Moreover, it can play an important role in underpinning some of the health and wellbeing issues that affect the UK – in business, in schools and beyond.

It is not hard to make an argument that over the last 20 years, as the world has become increasingly led by technology and modern communication tools, that society has not kept pace as it once did in less advanced times. It is noted that conversation has declined by close to 70% whilst the amount of time spent online has doubled in the last decade¹.

Consider this:

- It is estimated by the NHS that 10% of those aged 14-18 are struggling with mental health issues.
- In August, a report came out noting that 82% of men and 63% of women feel that mental health issues and stress are adversely affecting their work/productivity.
- 1:4 will suffer from mental health issues in their career.
- The average number of days lost each year in an average employee's productivity through sick days and presenteeism stands beyond 34².
- Only 12.7% are positively engaged with their work versus 70% in the world's leading organisations².
- 9 million people in the workplace struggle with loneliness at work = direct correlation with poor mental health, high blood pressure, diabetes and obesity³.

1. Ofcom

2. Vitality Healthiest Companies Report

3. Jo Cox Commission Report 2018

Chris Sheppardson is Managing Director of EP Business in Hospitality, launched in 2005 to provide a communications source for leaders in the industry. His vision was inspired by the desire to look at the real people and characters who make up the industry, and to provide constructive debate on issues that affect the industry at many levels.

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- Relates indicates that 42% of employees do not have a single strong friend at work – a sobering thought given we are working the longest hours in Europe.
- A survey by Totaljobs (2018) of 5,785 people showed that 60% experienced loneliness at work and 26% left their last job as a result.

This cannot be healthy or good. It is important to note that these trends are not simply UK focused but are global issues and all across the globe, there are many studies beginning to take place to look into these issues more deeply. This year a research study published in Psychological Science – by Professors Ayelet Fishbach and Kaitlin Woolley – highlighted how the way a meal is served and shared in such settings boosts cooperation. The conclusion was that sharing a meal involves close coordination at the table, and it is likely to trigger greater coordination in subsequent work-related discussions too.

An article in The Atlantic noted that many Swedish companies have re-introduced the Fika (a coffee break) to combat work fatigue and stress.

In less advanced times, food brought people together and so it can be again. Business and schools need their

people to feel they belong, feel confident and positive. Great service makes a real difference just as great food does. Food today is no longer just fuel. It engages and brings people together which in turn generates informal conversations and a sense of belonging. Foodservice is of more value today than is sometimes acknowledged and has a genuinely important role to play in helping to address some of these issues. Leading businesses are recognising this and are investing in the food provision for their staff. They see health and wellbeing as a key attribute to secure the best people.

Foodservice can be a genuine leader in a whole number of areas – in sustainability, innovation, in welfare, socially, in service and in just bringing people together. This can, in turn, create new opportunities.

INDUSTRY AND INVESTOR INSIGHT

The UK foodservice industry in the context of embracing technology has been described to us in recent months variously as “an analogue Industry”, a “late follower”, and even a “people industry so we don’t need technology as other industries do”.

By Andrew Main, Founder & CEO of SerTech Exchange

Our experience of working across multiple industries in many geographies is that technology, and in particular digital technology, is transforming the business models of each and every industry... and the speed, scale and force of these changes is unlike anything any of us have experienced before.

We may be in the foothills of the transformation of the foodservice industry, but it’s coming. And for those firms that become early adopters, the competitive advantage to be gained will be material.

To illustrate the point, let’s consider two stakeholder groups that are critical to the industry – customers and employees. Across the UK, it’s estimated that 96%¹ of the adult population have a smartphone and so it’s reasonable to assume that a similar proportion of these two stakeholder groups have the same. So, let’s consider how each group has been empowered and enabled by the computing power that they have within their hands and how this has already started to transform the competitive landscape in which foodservice companies operate.

Customers are the lifeblood of any business and historically the foodservice industry has been fortunate to have a semi-captive customer pool within the facilities in which they operate – the biggest historic competition being the ‘brown bag’ lunch brought from home.

But our potential customers are redefining our competitive environment through their smartphones – through, for example, Deliveroo and Uber Eats they invite external competitors into ‘our space’. Through high street operators’ loyalty apps, they develop digital relationships that enable another set of external competitors to incentivise our customers to come dine with them. Through these digital relationships, these same competitors build a digital profile of our potential customers that enable them to personalise their offers to be highly relevant to each individual, increasing likelihood to purchase by up to 78%².

In summary, technology in the hands of our customers is enabling a whole new set of competitors to ‘eat our lunch!’ What’s great however is that digital platforms such as Eagle Eye Solutions exist that enable foodservice firms to create their own customer loyalty apps and to create that digital connection with their potential customers.

1. Eagle Eye Solutions
2. Intelligent Retail Storytelling – Microsoft March 2019

Andrew Main is the Founder and CEO of SerTech Exchange, the global technology platform that brings together best in class digital technologies whose proven solutions are ideally suited to delivering significant operational improvements for enterprise organisations within the Service Industry. Prior to founding SerTech Exchange, Andrew had an over 30-year career in Hospitality both in the UK and the USA, culminating in his leading Aramark's U.K. and Middle East operations for the final 12 years of his corporate career.

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To learn more about how SerTech Exchange can assist your company to shape your digital transformation strategy please visit www.sertechexchange.com.

Employees are rightly considered one of the secret ingredients to a successful foodservice operation. The personal service they provide to their customers, the relationships that are formed, and the affinity that develops between staff and customers are the key reasons cited for high levels of repeat visits.

But in an ever-tightening labour market, digital technology is transforming how staff view their employment options, and therefore the competition foodservice companies face to attract and retain the best employees is being transformed.

First, employees are way better informed – a quick review on Glassdoor will give them an instant view of a potential employer through the eyes of current employees.

Secondly, they have the potential to choose where and when they want to work by registering with digital staffing agencies such as Syft – with opportunities that fit their preferences being sent directly to their smartphone.

And thirdly, as the generational mix of the workforce moves inexorably in favour of millennials, the way in which the employee stakeholder group seeks to be engaged with and to be communicated with is very different to what was considered the norm just a few years ago – payslips

sent to home; written leave requests; classroom-setting training; top-down cascaded one-way communications – for the millennial generation these are anathema.

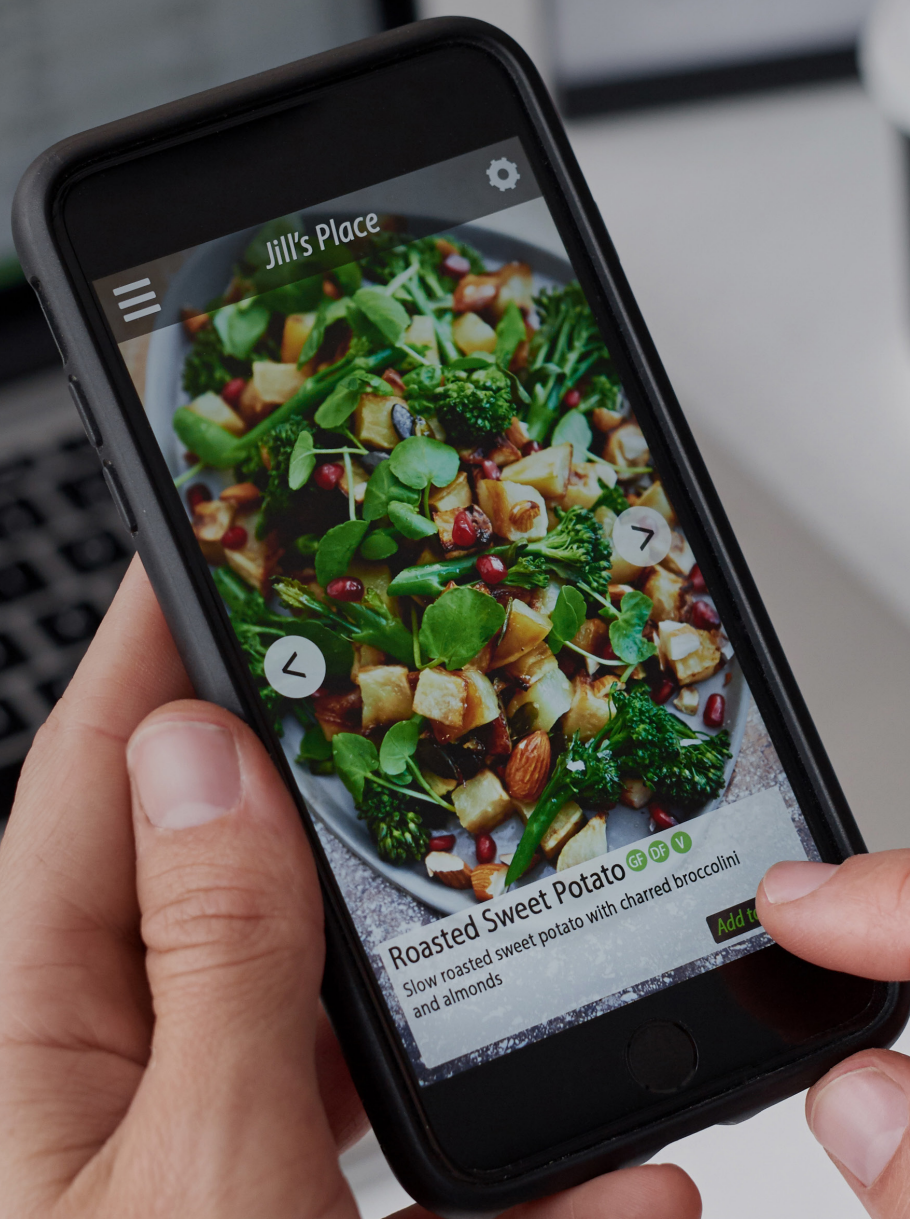
They know that other industries and employers offer, for example, single sign-on employee digital platforms that enable them to conduct every single aspect of work activity and to successfully complete their actual job-role via their smartphone. So again, new competitive sets are emerging in this stakeholder environment too.

While these emerging competitive threats are very real, the opportunity for firms within the foodservice industry to address these exists through embracing their own digital transformation. The global foodservice industry is already seeing the introduction of technology from adjacent industries such as retail and the wider hospitality industry. Remote ordering, pay by phone, supplier compliance management, and short shelf-life food production scheduling are just a few examples of proven technology solutions from adjacent industries that are starting to make a big impact.

Since establishing SerTech Exchange in 2017, we've been amazed at the quite brilliant technology platforms and solutions that we've discovered across the globe, each with a proven track record of success in either an adjacent industry and/or in another geographic market.

FOOD DELIVERY IS BOOMING.

In fact, Forbes reports that by 2025 the global market will be worth \$200 billion.



LUNCH ON DEMAND

Dean Kennett is Managing Director at Fooditude, a contract caterer specialising in delivered-in solutions for clients in the TMT sector. He has over 25 years' experience in the hospitality industry and founded Fooditude in 2005 to shake up the corporate office scene.

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By Dean Kennett, Managing Director of Fooditude

Food delivery is booming. In fact, Forbes reports that by 2025 the global market will be worth \$200 billion. According to the *MCA Foodservice Delivery Report 2018*, food delivery in the UK was worth £8.1 billion in 2018 and contributed to 8% of the foodservice market. The major players in this industry in the UK are Deliveroo, Just Eat and Uber Eats. Until recently, these companies were focused on the B2C market with little threat to B2B foodservice providers or even B2C lunch trade. However, the recent purchase of City Pantry by Just Eat or Dutch firm Takaway.com's purchase of Israeli B2B food delivery 10Bis indicates that these companies are looking to expand into corporate lunch.

I believe the traditional contract catering model is ripe for disruption by food delivery as the industry works to ever tighter margins and with a more discerning client base. Food delivery at work is still niche; according to consumer research group NPD, only 1 in 10 food deliveries reach the workplace. However, the delivered-in model has gained traction as a viable alternative to traditional contract catering in recent years. From my point of view, delivery has arrived and it's here to stay. My company, Fooditude, is benefitting from the changing landscape of contract catering and the advantages of a delivered-in model.

For a long time, the catering in offices was thought of as a commodity and lowest cost was the deciding factor in many contracts. Now, quality is becoming increasingly important. Every employee is a foodie and they expect catering at work, especially in London, to match or exceed what the best independent restaurants and street food vendors can offer in terms of authenticity and variety. Companies that will succeed in this changing market will be those that can offer greater value by showing how food in the workplace brings people together, fights stress and loneliness at work, and ultimately encourages a happy, healthy and productive workforce.

The shifting perception of corporate catering from being a commodity to an essential ingredient for a successful workplace has shown that some businesses are willing to pay more for a product that genuinely motivates and rewards their staff. The free food offers that started at companies like Google have filtered through the tech industry and beyond. Companies are fighting for good talent, so a quality food offer in the workplace can make all the difference in the recruitment process. Additionally, these types of firms understand that food helps align employees to business strategy and corporate culture.

Most of our customers currently come from the technology, media and telecoms industry. American tech firms in particular appreciate the flexibility and cost savings that a delivered-in model can offer. Without the need for a kitchen in the office, delivery models save on space and require very little in terms of initial investment in set-up costs. Head counts can also be flexed according to business demand, which is important as flexible work becomes increasingly popular.

Sustainability and corporate social responsibility (CSR) assurances are also intensifying in this market. Recently, we have seen a surge in enquiries from companies looking for sustainable commitments like plastic-free deliveries and fair pay. We've done extensive research with our own clients about the values that drive their business decisions. What we have found is that our clients want their work to have meaning and a positive impact on society and we need to play our part in helping them achieve that.

I come from a traditional contract catering background and I've spent my whole career in hospitality. I've seen first-hand how the sector has changed and continues to adapt to client needs. I believe traditional contract catering is changing and that the delivered-in approach can provide all the assurances of traditional models with the agility and flexibility required in the fast-paced world of workplace food.

METHODOLOGY

PROFIT MEASURE

In the AlixPartners Foodservice Growth Report, the term profit is defined as earnings before interest, taxes, depreciation, amortisation, and exceptional items, with directors' remuneration added back to account for differences in how entrepreneurs' extract cash from private companies. We therefore remove that variable to avoid any potential distortion.

TIME FRAME

Profit growth is measured by compound annual growth over three years, based on statutory accounts. The analysis has a cut-off date for account filings available at Companies House on 30 September 2019. Companies that have filed their 2019 accounts will have profit measured from 2017 to 2019, while companies that have not yet filed 2019 accounts will have profit growth measured for the same length of time from their most-recently-filed accounts, which report 12 months of trading.

QUALIFYING COMPANIES

Qualifying companies must have a turnover of at least £10 million in their latest accounts and profit of at least £250,000. They also must have been profitable in all three years.

Businesses must be UK registered and be independent and unquoted. UK subsidiaries of European businesses are included in the analysis. However, only their performance in the UK has been considered. Companies that have grown through acquisition qualified for inclusion. We exclude companies with turnover of more than £1 billion. Companies focusing primarily on facilities management (FM) services have also been excluded, though catering subsidiaries, when reported separately, qualified for inclusion. Traditional catering companies expanding into FM services have also been included.

TOP 20 LIST

| RANK 2019 | CHANGE SINCE 2018 | COMPANY | TURNOVER (£M)* | PROFIT (£M)* | PROFIT CAGR (%) |
|--------------|----------------------|-----------------------------------|-------------------|-----------------|--------------------|
| 1 | ▲3 | The Proper Food and Drink Company | 38.3 | 0.9 | 88.9% |
| 2 | ▲9 | Aspens | 49.7 | 2.5 | 78.4% |
| 3 | ▲4 | CH&CO | 286.5 | 18.2 | 43.1% |
| 4 | ▲2 | bartlett mitchell | 46.1 | 1.6 | 41.9% |
| 5 | New | Delaware North | 88.8 | 3.5 | 35.2% |
| 6 | ▲2 | Eventist Group | 27.1 | 2.3 | 24.1% |
| 7 | New | The Crown Partnership | 27.2 | 2.1 | 20.9% |
| 8 | ▲6 | Wilson Vale | 33.9 | 3.7 | 18.3% |
| 9 | – | Thomas Franks | 35.3 | 1.5 | 17.1% |
| 10 | – | T(n)S Catering | 19.7 | 1.3 | 16.3% |
| 11 | ▲1 | rhubarb | 55.5 | 8.7 | 13.0% |
| 12 | ▲1 | Accent Catering | 16.5 | 1.2 | 10.8% |
| 13 | New | Connect Catering | 15.6 | 0.4 | 7.8% |
| 14 | New | Green and Fortune | 11.7 | 1.0 | 6.3% |
| 15 | New | Momentum Services | 64.3 | 2.5 | 5.9% |
| 16 | ▲1 | Westbury Street Holdings | 877.4 | 69.7 | 5.2% |
| 17 | ▲2 | abm Catering | 26.3 | 1.8 | 4.9% |
| 18 | ▼2 | Olive Catering | 27.9 | 2.3 | 4.9% |
| 19 | ▼1 | Harrison | 58.2 | 4.1 | 4.2% |
| 20 | New | Vacherin | 26.2 | 0.9 | 3.6% |

Key: CAGR = compound annual growth rate

Source: Company statutory accounts

*Most recent filed accounts reporting 12 months comparable trading

COMPANY PROFILES

1 THE PROPER FOOD AND DRINK COMPANY

| | |
|------------------|---|
| Latest turnover: | £38.3 million |
| Profit CAGR: | 88.9% |
| Key personnel: | Nigel Harris, Owner; Lyndy Redding, Founder: Absolute Taste; David Burns, Group CEO; Oliver Hitchcox, Business Development Director |
| Backer: | Privately funded |
| 2018 ranking: | 4 |

The Proper Food and Drink Company remains in the Top 20 after joining the index last year. The group has now completed its restructuring efforts, finalizing its move of services and brands under one roof.

Founded by Nigel Harris, one of the founders of fresh produce specialist Fresh Direct, the business offers exceptional service across all its brand platforms. The group acquired Absolute Taste in December 2016 and, following internal restructuring, Absolute Taste is now a key trading company for the group. The group posted 18.8% revenue growth over the past year.

2 ASPENS

| | |
|------------------|--|
| Latest turnover: | £49.7 million |
| Profit CAGR: | 78.4% |
| Key personnel: | John Roe, CEO; Ben Wood, COO; Paul Adey, Director; Jason Carter, Chief Business Development Officer; Martin Garland, Operations Director |
| Backer: | Privately funded |
| 2018 ranking: | 11 |

Having only just joined the index last year, Aspens has proven itself a fast-riser by grabbing second place this year. The Worcester-based education catering specialist operates at over 300 locations in the UK and has posted yet another record year with £49.7 million in sales.

Aspens returns to wider recognition as well, making its third consecutive appearance on the Financial Times 1000: Europe's Fastest Growing Companies at rank 833 in 2019. This achievement follows from its impressive profit CAGR of 78.4%, which has led the Financial Times to feature the business on its inaugural Future 100 UK for consistent growth.

The London Stock Exchange has also recognized the company's solid growth trajectory, featuring Aspens in its Top 1000 Companies to Inspire Britain report.

3 CH&CO

| | |
|------------------|---|
| Latest turnover: | £286.5 million |
| Profit CAGR: | 43.1% |
| Key personnel: | Tim Jones, Chairman; Bill Toner, CEO; Nick Thomas, CFO; Terry Waldron, COO; Madeleine Musselwhite, Executive Director |
| Backer: | Equistone Partners Europe |
| 2018 ranking: | 7 |

CH&CO has delivered another successful year of growth, marking its third consecutive top 10 appearance thus far. Revenue growth of 19.2% and a profit CAGR of 43.1% makes it easy to see why the group was recognized in The Sunday Times Grant Thornton Top Track 250 in 2019.

The continued growth comes about in a year of change for the business. Former investors MML Capital Partners sold their stake in the firm to Equistone Partners Europe in May of 2019. Since then, CH&CO has acquired Gather & Gather and Creativevents from Mitie plc, continuing the firm's acquisitive growth strategy. These bolt-on acquisitions will bring a turnover of over £130 million to the group, as well as totalling 330 sites for the company across the UK. CH&CO completed further transaction activity in 2019 with the mergers with Inspire Catering and Company of Cooks.

4 BARTLETT MITCHELL

| | |
|------------------|---|
| Latest turnover: | £46.1 million |
| Profit CAGR: | 41.9% |
| Key personnel: | Wendy Bartlett, Executive Chairman; Ian Mitchell, Founder; Ian Thomas, CEO; Francois Gautreaux, Managing Director |
| Backer: | Privately funded |
| 2018 ranking: | 6 |

bartlett mitchell attains healthy growth for yet another year, placing the business at number four following a 16.2% growth in turnover to £46.1 million. A combination of new client acquisition, customer retention and sensible cost controls contribute to the success of the Workplace and Events specialists.

The business maintains its place as one of the largest mid-scale independent operators in the UK through an 800 strong team. Continuing its trend of industry-first merits, bartlett mitchell was awarded certification to The Planet Mark sustainability alongside achieving solid growth figures.

The accolade was awarded based on the firm's 'outstanding' commitment to sustainable growth through reduced carbon footprint and it is the first caterer to be recognized as such.

5 DELAWARE NORTH

Latest turnover: £88.8 million

Profit CAGR: 35.2%

Key personnel: Doug Tetley; Managing Director; Christopher Feeney, CFO; Jim Houser, COO

Backer: Privately funded

2018 ranking: 42

Global hospitality and foodservice operator Delaware North breaks into the Top 20 for the first time with a profit CAGR of 35.2%. Founded in 1915, the business operates venues in the UK, US, Australia and New Zealand. The business boasts a number of valuable clients which includes Wembley Stadium and also recently overhauled its offering at Stratford's London Stadium to offer the US ballpark experience during the Major League Baseball London series.

Current year growth can primarily be attributed to the business being awarded a new long-term contract at the Ricoh Arena in partnership with Wasps Rugby Club. The business also exited operations at the Edinburgh Airport in order to pursue other opportunities in the UK to generate sustainable earnings.

6 EVENTIST GROUP

Latest turnover: £27.1 million

Profit CAGR: 24.1%

Key personnel: Jeffrey Hilliard, Thomas Hilliard and Peter Stevens, Founders and Directors; Tim Stevens, Managing Director; Jules Heckman Hughes, Managing Director; Holly Dodgson, Group Strategic Development Director; Michelle Hearn, Operations Director

Backer: Privately funded

2018 ranking: 8

One of the leading event service providers in the UK, Eventist Group serves over 375,000 guests across its brands each year. With a 31.3% increase in revenue for 2018 to £27.1 million, it is no surprise the event catering specialist features in our Top 20 again this year.

Eventist Group has worked hard in the last year to expand its portfolio, with recent developments including the acquisition of The Corporate Festival Company, formerly Corporate Events International. A leading event and production provider in the UK, the acquisition aims to expand the group's offerings to execute bespoke and refreshingly original conferences, specializing in outdoor environments.

7 THE CROWN PARTNERSHIP

Latest turnover: £27.2 million

Profit CAGR: 20.9%

Key personnel: Russell Morgan, Chairman and Founder; Charles Beer, Managing Director; Deirdre Morgan, Director and Head of Special Projects; Chris Sullivan, Group Finance Director

Backer: Privately funded

2018 ranking: 38

The Essex based Crown Partnership, founded in 1978 by Russell Morgan, returns to the Top 20 after experiencing challenging conditions since its first appearance in the Top 20 in 2014. The business started as a collection of highly trained and qualified chefs and has grown to a group providing a range of food and hospitality services. The business experienced some key senior management changes during year with the new management team starting to deliver added value towards the end of the financial year.

The business prides itself on its creative spirit and managed to win a number of new contracts during the year which includes the Floral Pavilion Theatre in Merseyside and Churchill House in Holborn for the Royal College on Anaesthetists. The management team is continually working on its pipeline and aims to continue its growth trajectory.

8 WILSON VALE

| | |
|------------------|---|
| Latest turnover: | £33.9 million |
| Profit CAGR: | 18.3% |
| Key personnel: | Andrew Wilson, Founder and Managing Director; Carolyn Vale, Founder and Managing Director; Alan Beddie, Managing Director |
| Backer: | Privately funded |
| 2018 ranking: | 14 |

Wilson Vale continues to impress for this year's ranking, making its way to its seventh consecutive placement on our index this year. With a profit CAGR of 18.3%, the B&I and education caterer breaks the top 10 by moving up six spots in our index.

Alongside its yearly improvement, Wilson Vale managed to retain six out of seven clients across ten locations that went out for tender last year, while a decision by the last is still unknown. Not only has old business been held onto, but new customer contracts have been secured as well, with six new business gains throughout the financial year. A five-year contract was also won post-year with automotive and property investment specialist IM Group. The contract is valued at £400,000 in annual turnover.

The 36th annual Catey Awards recognized Wilson Vale for its great performance, shortlisting the company for its 'Foodservice Caterer Award'.

9 THOMAS FRANKS

| | |
|------------------|--|
| Latest turnover: | £35.3 million |
| Profit CAGR: | 17.1% |
| Key personnel: | Frank Bothwell, Founder; Chris Pearce, Managing Director; Lorraine Wilson, Finance Director; Emma Bothwell, HR Director; Simon Cule, Director; Jamie Burrell, Creative Director; Charlotte Davies, Client Director; Gavin Young, Chef Director |
| Backer: | Privately funded |
| 2018 ranking: | 9 |

Oxfordshire-based contract caterer Thomas Franks, which services B&I clients, independent schools, and fine-dining events, has delivered quality performance yet again, posting its eighth consecutive year of revenue growth.

Having successfully broken the £30 million barrier in turnover, profitability remains high with a compound growth rate of 17.1%. After current year revenue increases of 22.3%, Thomas Franks remains committed to sustaining this growth long term by reinvesting its profits into the business to ensure its strong position.

10 T(N)S CATERING

| | |
|------------------|--|
| Latest turnover: | £19.7 million |
| Profit CAGR: | 16.3% |
| Key personnel: | Tim Smith, Founder & Director; Phil Tyas, Founder & Director; Steve Hughes, Operations Director; Richard Drewett, Operations Director; Natasha Cox, Finance Director |
| Backer: | Privately funded |
| 2018 ranking: | 10 |

Rising in 2019 after hitting the Top 20 only last year, B&I, healthcare, and education catering provider T(n)S Catering continued to grow its business in 2018. Revenues increased 7.8% over the last reported year, placing the business just shy of the £20 million mark.

T(n)S Catering's performance has not gone unnoticed either. The Caterer has shortlisted the business in its annual 'Foodservice Cateys' awards, nominating T(n)S Catering for 'Healthcare Caterer of the Year'. Despite some setbacks in 2018, T(n)S is positioning itself for a long-term growth strategy through planned engagement in new markets.

Established in 2003 by Phil Tyas and Tim Smith, T(n)S promotes the fact that it sources all meat, bread, dairy, and greengrocery from local or regional suppliers within a 25-mile radius of its sites, which now span the UK from Lancashire to Devon.

11 RHUBARB

| | |
|------------------|---|
| Latest turnover: | £55.5 million |
| Profit CAGR: | 13.0% |
| Key personnel: | Richard Prosser, Chairman; P.B. Jacobse, CEO; Helen Bowey, Chief Development Officer; Laraine Beament, CFO; Coen van Niersen, COO; Amanda Underwood, Chief People Officer |
| Backer: | Livingbridge |
| 2018 ranking: | 12 |

The London-based caterer rhubarb moves up one position in the rankings with a profit CAGR of 13.0%. The firm, whose notable locations include the Sky Garden in the Walkie Talkie as well as the Royal Albert Hall, posts favourable results in light of recent restaurant openings both in the UK and abroad.

The business has shifted its focus on margins, prioritizing quality of earnings as opposed to pure turnover growth. As such, despite a downturn in revenue due to the strategic exit of two venue contracts, profit margins have grown from the last year, with absolute adjusted profit margin increasing to 15.7%.

rhubarb has expanded internationally including the acquisition of Access Food & Beverage (Sonnier & Castle) and the opening of its operations in the Hudson Yards development in New York.

12 ACCENT CATERING

| | |
|------------------|--|
| Latest turnover: | £16.5 million |
| Profit CAGR: | 10.8% |
| Key personnel: | Ian Crabtree, Managing Director; Derek Warman, Finance director; Clare Piggott, Client Services Director |
| Backer: | Privately funded |
| 2018 ranking: | 13 |

Since entering the Top 20 for the first time in 2017, Staines-based education and B&I specialist Accent Catering has continued its growth with a 9.1% increase in turnover to £16.5 million and a profit CAGR of 10.8%.

Under the leadership of Managing Director Ian Crabtree, supported by Finance Director Derek Warman and Client Services Director Clare Piggott, Accent focuses on providing its customers with healthy meals prepared from scratch using local produce whenever possible. The business was recognised as one of the 1000 Companies to Inspire Britain 2019 which is a testament to its high-quality service offering.

Accent employs over 600 staff and boasts a portfolio of more than 80 clients across London and the South East.

13 CONNECT CATERING

| | |
|------------------|---|
| Latest turnover: | £15.6 million |
| Profit CAGR: | 7.8% |
| Key personnel: | John Herring, Chairman; Kate Bendall, Joint Managing Director; Louise Laver, Joint Managing Director; Jane Griffiths, Operations Director; Sue Clay, Finance Director; Liz Mbaziira, Personnel Director |
| Backer: | Privately funded |
| 2018 ranking: | 23 |

Connect Catering finds its way back onto the index after a two-year hiatus. Established in 1989, the family business has been jointly run since 2014 by the founder's daughters Kate Bendall and Louise Laver.

The firm boasts more than 70 contracts across a variety of industries, from B&I to conferences to education. Customer acquisition was not a priority in 2018, as focus was shifted to reducing cost and improving the effectiveness of the services provided. However, Connect Catering aims for continued growth in the years to come.

One of Connect Catering's strengths certainly lies in its people, as proven by its Investors in People Gold award.

14 GREEN AND FORTUNE

| | |
|------------------|--|
| Latest turnover: | £11.7 million |
| Profit CAGR: | 6.3% |
| Key personnel: | John Nugent, CEO; Emma Williams, Director of Operations; Rebecca Harris, Business Development Director |
| Backer: | Privately funded |
| 2018 ranking: | 35 |

Making its way to our Top 20 for the first time since landing on our watchlist, Green and Fortune finished its financial year with a 6.3% growth in adjust profit. Its revenue grew by a healthy 7.5% in the same year after posting a total turnover of £11.7 million, which has more than doubled in the last three years.

Started in 2008, the business operates through two main venues, namely its original brand Kings Place Events, as well as facilities within Ogilvy and Mathers's headquarters at Sea Containers which was opened in 2016. Together the two hospitality providers offer a variety of cafés, restaurants and venue halls at Kings Cross and along the Thames.

In recent news Green and Fortune has been recognized elsewhere for its excellent service. The inaugural London Catering awards nominated the firm for three categories – 'Best Catering Team', 'Best in-house Caterer' and 'Best Event Caterer'. Green and Fortune was able to secure gold awards for the first two, with a bronze award for the third.

15 MOMENTUM SERVICES

| | |
|------------------|---|
| Latest turnover: | £64.3 million |
| Profit CAGR: | 5.9% |
| Key personnel: | Cristian BIASONI, CEO; David Cheeseman, Director; Fabio Croce, Senior Financial Controller; Frank Whittaker, Director; Nabil Zaidan, General Manager; Antonio Ghirarduzzi, Director |
| Backer: | Cremofin S.R.L. |
| 2018 ranking: | 29 |

Having consistently delivered strong performance yet narrowly missing the Top 20 in the last few years, Momentum Services Limited finally finds its time to shine with revenue growth of 9.5% and profit growth of 36.4% last year.

Founded in 1999, Momentum Services caters to the high-speed Eurostar trains linking London to Paris, Benelux and the French Alps through the Channel Tunnel. As of April 2018, a new route established by the train provider between London and Amsterdam opened new opportunities for Momentum Services.

While new routes are not added every year to the rail service, a potential project to combine Eurostar and Thalys could mean expanded opportunities for Momentum Services to cater to customers in the years ahead.

16 WESTBURY STREET HOLDINGS

Latest turnover: £877.4 million

Profit CAGR: 5.2%

Key personnel: Alastair Storey, Chairman; Noel Mahony, CEO; Marc Bradley, CFO; Simon Esner, Sales Director

Backer: Clayton, Dubilier & Rice, LLC

2018 ranking: 17

Another returning star, Westbury Street Holdings (WSH) makes its seventh consecutive appearance in our index. The biggest foodservice and hospitality provider in the Top 20 by far in terms of revenue, WSH managed to yet again grow its revenues by 5.9% to £877.4 million.

Headed by industry stalwart Alastair Storey, who was awarded an OBE in 2017 and has topped multiple lists for the most powerful people in the UK hospitality industry, WSH has continued to persevere despite adverse market conditions in the last 12 months. A combination of good trading performance and strong working capital management has led to cash flow from operating activities increasing 39.7%.

17 ABM CATERING

Latest turnover: £26.3 million

Profit CAGR: 4.9%

Key personnel: Sue Johnson, Managing Director; Neil Floyd, Group Finance Director; Paul Smith, Stadia & Venue Director; Simon Willis, Operations Director; Fiona Hopkinson, Operations Director; David Croshaw, Sales Director; Sue Hill, Finance Director – Operations

Backer: Privately funded

2018 ranking: 19

B&I, stadia, education, and healthcare specialist abm catering makes its third appearance in a row this year, posting a compounded growth rate of 4.9%. Established in 1983, the Warwick-based caterer managed by founding director Sue Johnson continues its path of steady growth.

Two key positions on catering services frameworks were secured in 2018, namely public sector organization ESPO and purchasing association Crescent Purchasing Consortium (CPC). The group's main activities include sourcing and procurement for education providers for ESPO and producing EU-tendered purchasing frameworks for CPC. Partnership with these organizations will give abm access to much larger markets and therefore ample room to grow further in coming years.

18 OLIVE CATERING

Latest turnover: £27.9 million

Profit CAGR: 4.9%

Key personnel: Sally-Ann Bradley, Founding Director; Damon Brown, Founding Director; Andrew Norrie, Founding Director; Paul Allen, Operations Director; Mark Tilbury, Operations Director; Jacqui Mee, Food Director

Backer: Privately funded

2018 ranking: 16

Workplace specialist Olive Catering is included in the Top 20 for the sixth consecutive year. Although faced with the loss of a sizeable contract in 2017, the firm managed to win an additional 18 contracts in the last financial year, netting a revenue growth of 3.5%.

The past year has seen multiple successful contracts secured, with 11 post year wins and a £6 million deal with ITV. Olive Catering's continued success is not only recognized here – the firm was shortlisted as a finalist for Cost Sector Catering awards for contract catering in 2019.

19 HARRISON

Latest turnover: £58.2 million

Profit CAGR: 4.2%

Key personnel: Geoffrey Harrison, Chairman; Claire Aylward, Joint Managing Director; Gareth Harrison, Joint Managing Director; Richard Harrison, Finance Director; Mark Stower, Director of Food and Service

Backer: Privately funded

2018 ranking: 18

Founded in 1994, Harrison Catering Services remains one of the largest independent family-owned catering business in the UK, led by chairman Geoffrey Harrison and joint managing directors Claire Aylward and Gareth Harrison.

The B&I and education catering specialist managed to continue its growth trajectory, posting a 4.9% and 5.4% annual increase in total turnover and adjusted profit respectively.

The business remains committed to increasing customer uptake by providing healthy and enticing meals through innovative recipes. Investment in state-of-the-art information management systems in order to optimize service efficiency and drive continued growth remained a priority as the firm continues to increase its appeal to new and existing customers.

20 VACHERIN

| | |
|------------------|---|
| Latest turnover: | £26.2 million |
| Profit CAGR: | 3.6% |
| Key personnel: | Mark Philpott, Chairman; Clive Hetherington, Executive Finance Director; Phil Roker, Managing Director; Dan Kelley, Deputy Managing Director; Simone Macfarlane, Head of Operations; Zoë Watts, Commercial Director; Dale Thompson, HR Director; Sam Feenan, Director of Finance and Administration |
| Backer: | Privately funded |
| 2018 ranking: | 28 |

Returning to the index after last being featured in 2015 is Vacherin, who secured an incredible 33.3% growth in revenue in the last financial year up to £26.2 million. Eight new contracts were secured by the firm, which is in the second full year of its new driving management structure.

Investment into Head Office support aims to ensure excellent levels of customer service and food quality. Current support levels are expected to service further expansion for four to five years. Other key performance measures, including staff retention and cash generation remained robust, indicating that Vacherin continues to be a solid candidate for growth in the coming years.

A multitude of industry awards highlight the firm's recent success. Vacherin was nominated for two Cateys in 2019, winning the award for Foodservice Caterer. Other accolades include four nominations in the 2019 FSM awards following its win in 2018 for Area Manager of the Year, as well as a combination of wins and shortlists in the Acorn Awards and Food Made Good Awards for 2018 and 2019.



SECTOR REVIEW

By Azeem Ahmed: Director, AlixPartners

THE SECTOR REMAINS RESILIENT IN THE FACE OF PROLONGED BREXIT UNCERTAINTY

2019 has proven to be a challenging environment for UK businesses and consumers alike with the economy almost tipping into recession for the first time since 2009. The extended period of economic and political uncertainty continues to bite with a Brexit deal remaining out of reach and the UK set for yet another general election before 2019 closes.

Alongside the uncertain macroeconomic backdrop, rising food and drink cost pressures coupled with ongoing labour cost pressures¹ has made the going tough for many operators. However, the prevalent trends of healthy, fresh, sustainable and convenient food continue to transform the entire food and drink industry and provides opportunities for operators that relentlessly focus on setting themselves apart from the rest of the competition.

I remain highly impressed at the resilience of the sector and continued growth of the operators, which is clear evidence of the ability of smaller, nimble independent operators to successfully innovate and provide a proposition which delivers to customers' demands.

Our report focuses on the fastest-growing operators in the UK market, who while margins and top-line growth were below that of the prior year, continued to prove resilient. However, an analysis of all potential index participants and larger listed corporates in the UK sector indicates that 2018 was more challenging for the wider market than the review of the Top 20 might suggest.

For example, an analysis of more than 50 corporates active in the UK foodservice marketplace, highlights that average margins contracted in 2018 are for a third year running down from 5.9% to 5.8%, with average revenue growth also decreased from 14.8% to 9.6%. This includes large global players such as Compass and Sodexo, who often struggle to grow given their scale and maturity in Western markets. It also highlights the impact the well-run independent market has had on industry leaders, slowly chipping away at the large corporate contract bases. Nevertheless, several smaller independents have also suffered, with 53% of those outside the Top 20 reporting a decline in margins last year.

However, 2019 proved to be a buoyant year for M&A with major investments by private equity in WSH and CH&CO respectively, the return of Compass to the acquisition trail in UK contract catering, and the highly strategic acquisition of City Pantry by delivery powerhouse Just Eat. This confidence in acquiring in the UK contract catering industry is indicative of the resilience of the sector to perform during turbulent times, and of the potential to build value through acquisitions in the sector.

With no clear outcome in the Brexit negotiations, businesses have been left in the dark about the eventual impact on food prices and labour shortages once the UK leaves the EU. While a storm may be brewing for the entire UK economy, the resilience of the foodservice sector means that innovative and well-managed operators are well equipped to navigate the choppy waters ahead.

1. Catering Services in the UK & Foodservice Services in the UK – IBISWorld

Azeem Ahmed is a Director specialising in providing corporate finance advice at AlixPartners. He has over 13 years' experience advising corporate and private equity clients on M&A, fund raisings and strategy, with a specific focus on the foodservice, food manufacturing and the broader consumer sector.

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M&A TRENDS – TRANSACTION ACTIVITY 2019

Despite the uncertainty that Brexit has created, 2019 has been an incredibly busy year for M&A activity. The year has been characterized by the confirmation of private equity's confidence in the sector with major investments in two of the leading independent caterers, WSH and CH&CO. In the midst of the parliamentary chaos of the doomed Brexit negotiations in early January 2019, CD&R, a major US private equity firm, invested in WSH.

Equistone soon followed suit with its investment into CH&CO, the second-largest independent contract caterer. Credit should be given to CH&CO's ability to successfully execute its sophisticated strategy of bolt-ons with the tuck-in transaction with Inspire Catering, just before the transaction with Equistone was consummated, followed by the carve-out acquisition of Gather & Gather from Mitie plc and finally the investment in Company of Cooks last month. Despite there being a number of potential acquisition candidates, bolt-on deals require care to execute as there are a number of hurdles from identifying a target to successful completion, not least convincing the owners to sell to you given the number of potential suitors and options available.

Compass's acquisition of Dine Contract Catering, the B&I caterer, is notable as it also signalled a return to acquisitions in the UK contract catering sector, with the acquisition being the first for Compass in the UK since Cygnet in 2011.

In addition, Just Eat's acquisition of City Pantry points to the potential for disruption in corporate catering from delivered-in solutions. While we may expect competition from technology-enabled platforms to attract smaller corporates, it will be interesting to see whether a B2B delivery platform can compete on a larger scale or with the very high culinary standards that an experienced contract caterer can provide.

REPORT TRENDS – 2019

Margin pressures that were anticipated across the UK market have begun to manifest themselves in our latest Top 20 dataset. Nevertheless, we have continued to observe recurring sub-sector growth trends in the last two to three years, which we expect to continue through 2019 and 2020.

Indeed, the resilience of the pureplay B&I market is impressive, maintaining its 20% of the overall end-market proposition (or 45% alongside B&I/education operators) of index members. It remains testament to the B&I sector that it has been able to win business and expand with an entrepreneurial approach to client delivery.

A number of venue and event operators also appear to be performing well with 25% of the Top 20 operators operating in that segment. The UK business of international operator Delaware North has entered the Top 20 for the first time on the back of new contract wins.

FIGURE 1: REPORT TOP-20 OPERATORS BY END-MARKET PROPOSITION

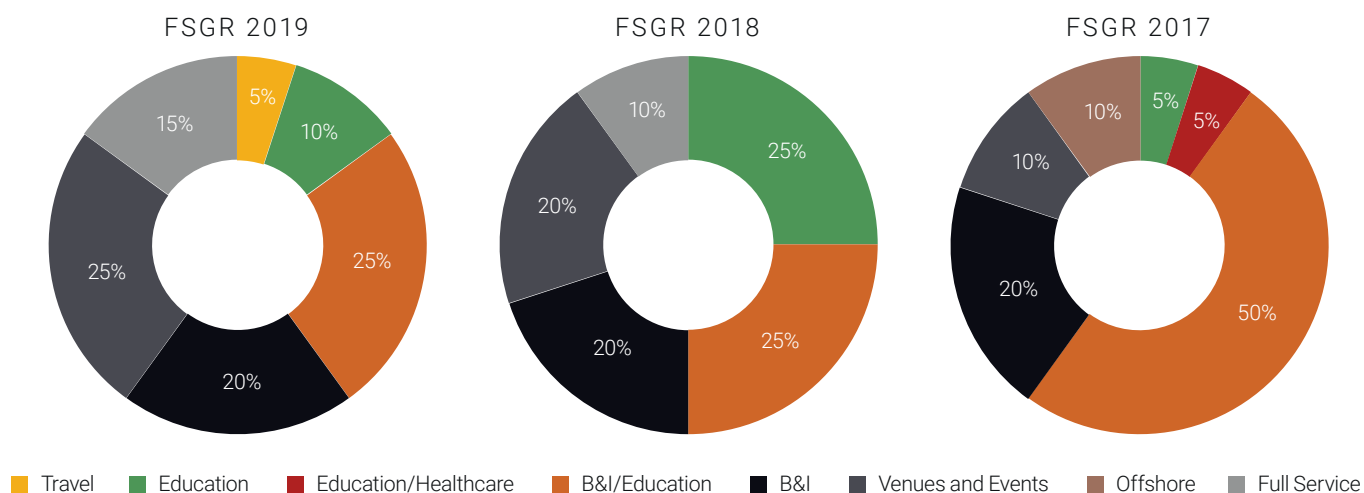
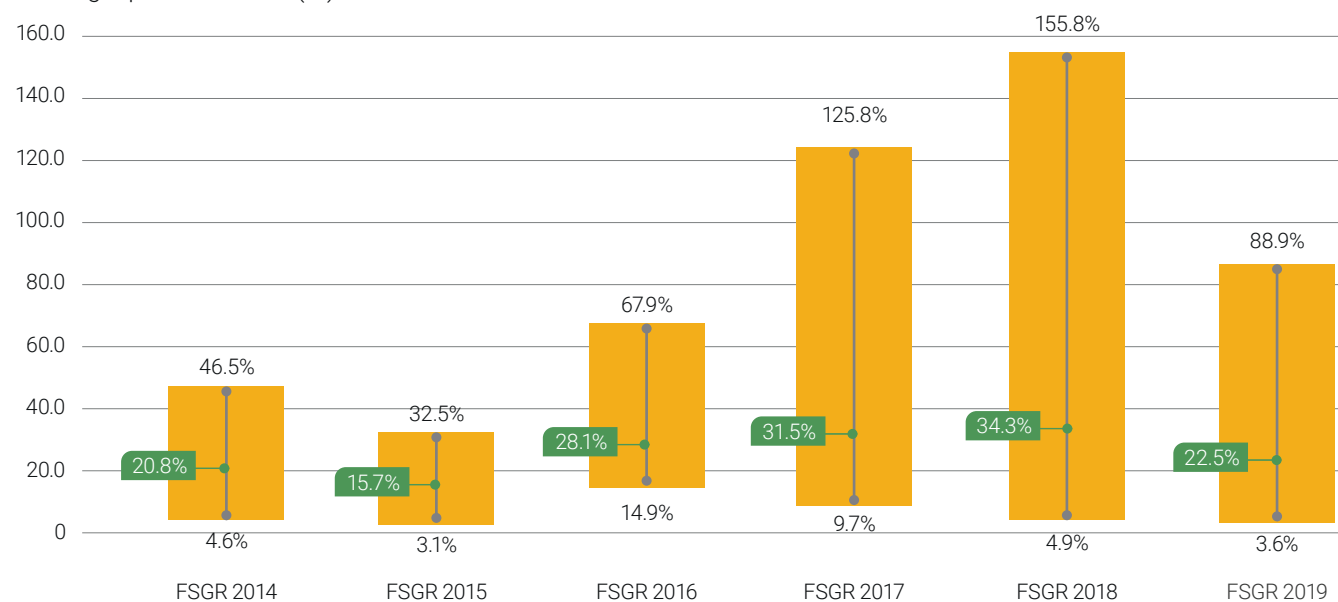


FIGURE 2: TOP 20 – PROFIT CAGR (2014 TO 2019)

Average profit CAGR (%)



Source: Company statutory accounts

Note: High to low figures represent the highest- and lowest-profit CAGR observed amongst the top 20 participants in each report. Average CAGR represents the average CAGR for all members of the top 20 index in each individual report

Several familiar names have continued to secure places in the Top 20, which is highly significant given the need to maintain service levels and continue to innovate to stay ahead of others.

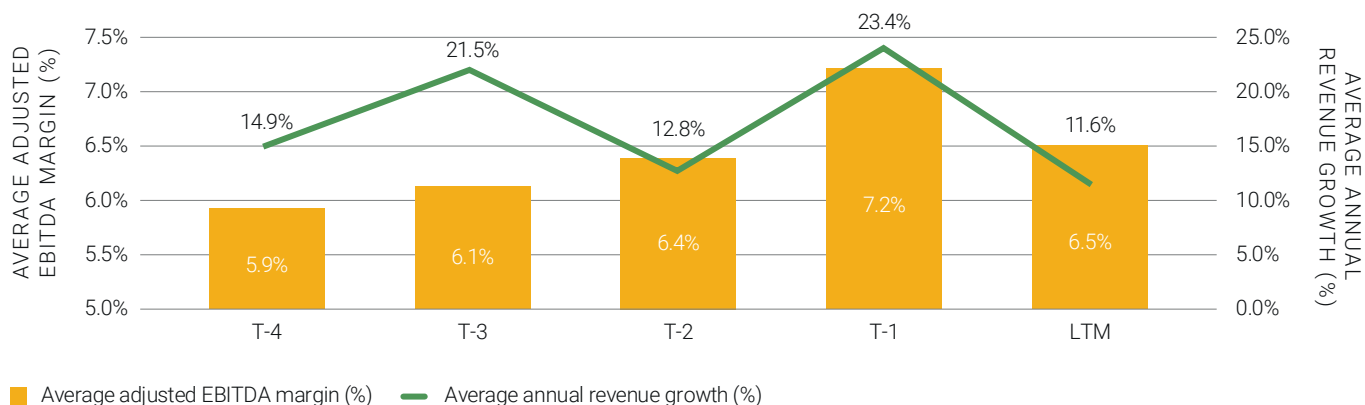
We've had two ever-present members of our index for the past seven years, led by WSH, the independent sector's standout player, which surpassed £877 million in annual revenues in 2018. Last year, WSH maintained its operating margins of 7.9%, on the back of 5.9% sales growth, which highlights WSH's ability to successfully pass through costs of products and services while providing clients with high-quality food and services tailored to their demands.

Our other ever-present, Wilson Vale, continues to be one of the leading lights in the sector. The operator achieved in excess of £33 million sales in 2018 while operating

margins have been maintained above 10%. This is highly impressive as the business has been able to continue to grow through winning additional contracts while maintaining one of the highest operating margins in the sector.

The Proper Food and Drink Company has taken the top prize this year, achieving very strong top-line growth through winning notable sporting contracts such as Formula E and The Ryder Cup in France and also acquiring Absolute Taste. The performance of The Proper Food and Drink Company is commendable given the internal re-organisation process of merging the activities of its three catering companies.

FIGURE 3: 2019 TOP 20 – MARGIN AND REVENUE GROWTH PROGRESSION (LAST FIVE YEARS)



Source: Company statutory accounts

At a margin and compound-profit growth level, a comparison of the Top 20 index to last year's participants highlights a slightly weaker reporting period with average margins down from 7.2 to 6.5%. This, as ever, is likely to have been partially driven by end-market mix, which can skew annual comparisons given that membership varies year-on-year, but the average compound profit growth has tempered slightly from the prior year of 34.3 to 22.5%.

While we have already noted that the wider dataset reported increasing margin pressure in 2018, by contrast the Top 20 members delivered stronger average annual revenue growth and margin performance when considered

in isolation, down to 11.6% (2017: 23.4%) and 6.5% (2017: 7.2%) respectively, with particularly strong top-line growth reported by Vacherin, Aspens, and Eventist, among others.

Given the uncertainty and pressures circling the UK at present, 2019 has proved to be a challenging year for the sector. 2020 is likely to continue to prove difficult but upside could exist if a resolution can be found to the current Brexit impasse. However, we expect operators to demonstrate resilience and the most innovative operators will still find ways to continue to grow profits for another year.

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ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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