

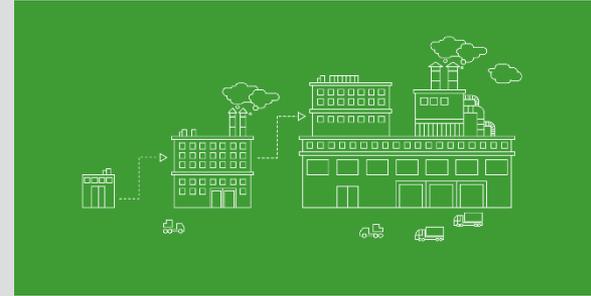


## ACCESS TO FINANCE, FOOD AND DRINK SECTOR

5 March 2020

# An introduction to RSM

6<sup>th</sup> largest  
network of  
independent  
firms



## INTERNATIONAL

- 43,000 people
- 120 countries
- 800 offices
- Combined income of \$5.1bn

## UK

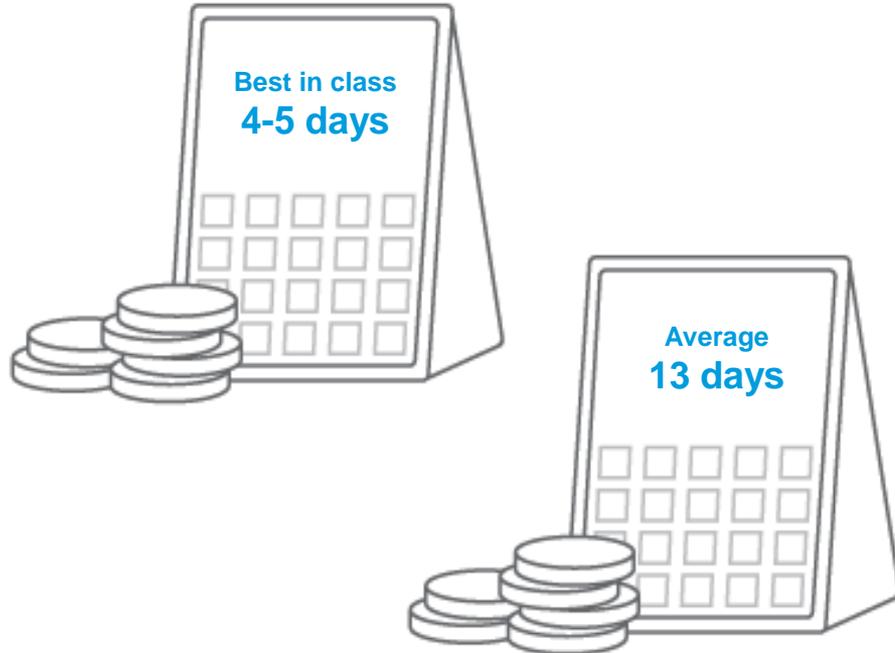
- 3,450 people
- 360 partners
- 34 locations
- More than £330m fee income

## FOOD AND DRINK

- 100 people
- Focusing on food and drink sector
- Affiliated with the FDF

# Making your working capital a source of finance

## How long do you hold your stock?



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“Compared to best in class, average F&D businesses are holding onto excess stock worth over £2m

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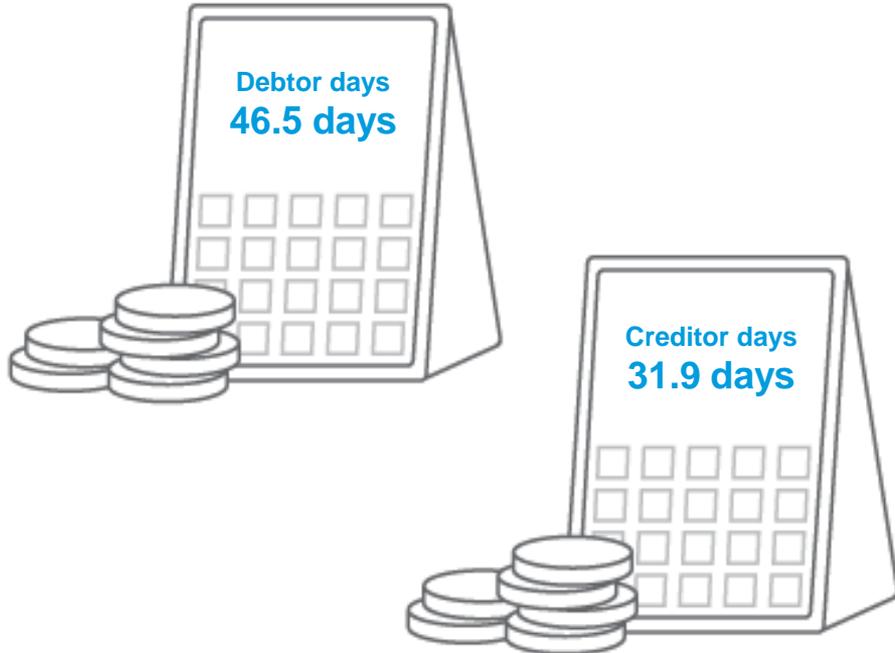
## What can you do?

- Look at your order quantities and lead times.
- Don't ignore the ageing stock in the corner.



# Making your working capital a source of finance

## How quickly do you get paid?



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“On average there is £300,000 in cash tied up in working capital management for every food and drink business.”

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## What can you do?

- Look at your contractual terms.
- Resolve disputes as soon as you can.



# Take advantage of the tax relief available

## Are you making food or drink that:

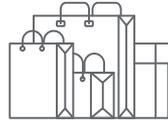
- meets new consumer tastes



- is fit for new international markets



- is environmentally friendly or sustainable



- is free from certain ingredients or long lasting



- is being produced using new technologies



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“The innovation taking place in the food and drink industry is a perfect environment for R&D activity.”

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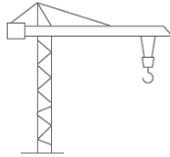
## What can you do?

- Work with an R&D specialist.
- Review your R&D activities as soon as the financial year ends.
- Consider innovations made to your processes as well as products.

# Take advantage of the tax relief available

## Capital allowances claims can be made if you are:

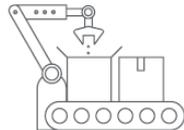
- buying or building a property worth more than £1m



- extending, refurbishing or fitting out a property with costs more than £500k



- historic installations in your property of plant and machinery that you own



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“Capital allowances claims continue to rise with increased allergen regulations, gluten free foods and the gin market having seen large-value claims.”

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## What can you do?

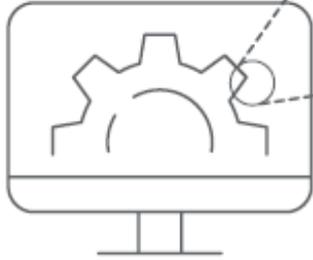
- Buy your plant and machinery at the end of your accounting period.
- Consider capital allowances as early as possible in a property transaction.

# Improve your credit score to boost lender confidence

## What are credit scores like among food and drink businesses?

Average credit score across the industry:

85.12



Average score increased from 81.10 since 2015.



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“Approaching 10 per cent of middle market food and drink businesses have a score that indicates a moderate or high risk of corporate failure.”

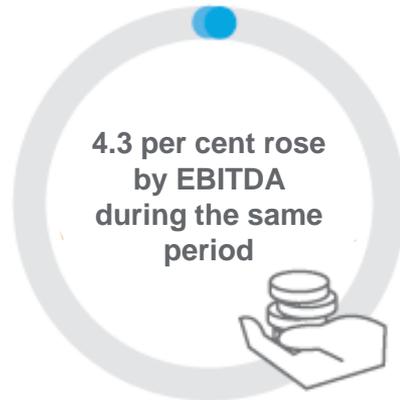
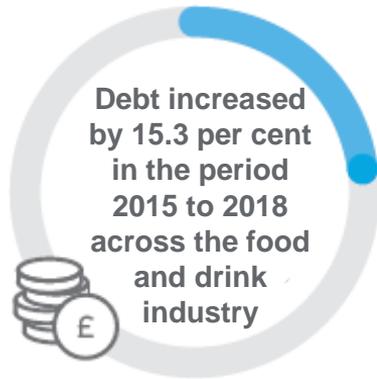
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## What can you do?

- File accounts on time.
- Consider filing a profit and loss account even if it's not formally required.
- Look for opportunities to convert debt to equity if you have net liabilities.

# Consider all of your debt finance options

## What are borrowing levels like across the food and drink sector?



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“Debt is on the increase within the food and drink industry, with businesses looking for cost-efficient funding for new projects.”

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## What can you do?

- Review all the potential debt markets and products before you borrow.
- Look at asset-based lending where there's a large trade debtor book.
- Consider debt funds, as well as banks where cash flows are strong and leverage is sought.

# Apply for capital grant support for eligible projects

## Basic eligibility criteria for capital grant projects:

- the project is in a region where government can offer additional financial support



- your project has not started before the decision to award a grant



- involves capital expenditure on things like property, plant or machinery



- involves the creation or safeguarding of jobs



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“Access to the UK’s capital grant regime differs depending on where you’re based.”

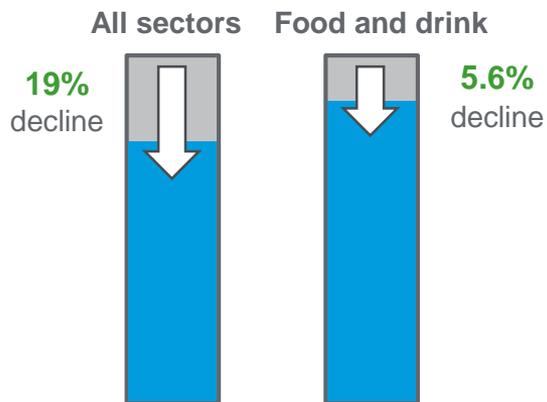
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## What can you do?

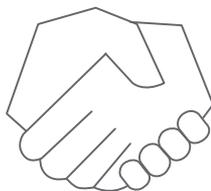
- Before you start a project, consider whether a grant might be available.
- Speak to your business advisor and LEP contact at the earliest opportunity.

# Scan the private equity market

## What is private equity backing like across the food and drink sector?



2019 volume of UK PE deals



17

food and drink  
businesses took on  
private equity  
investment in 2019

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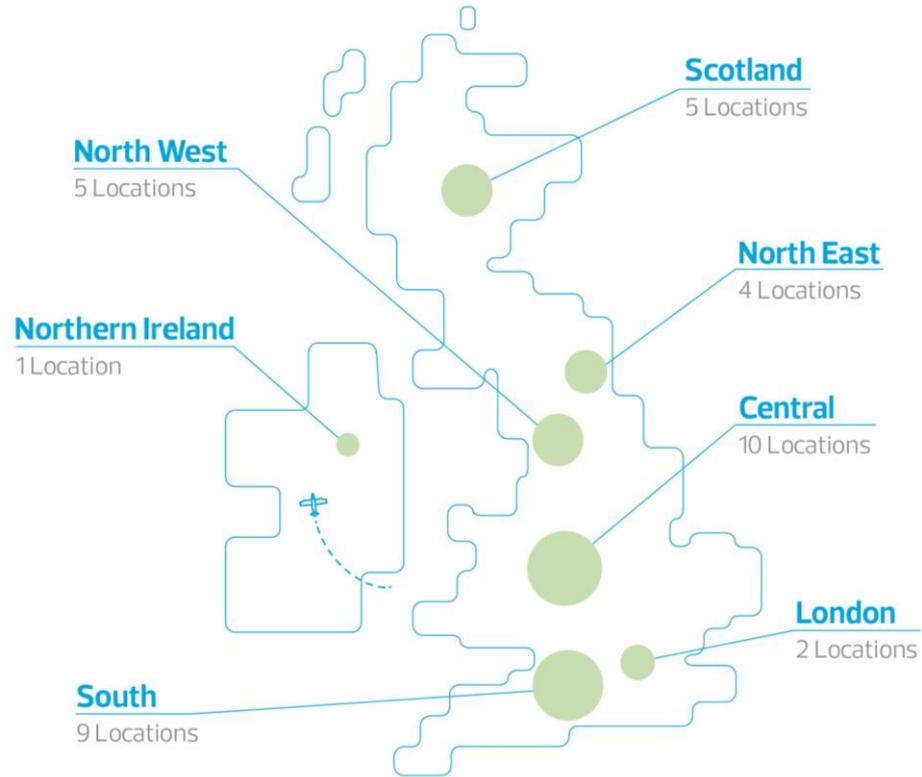
“Investing in companies that have a positive influence on the environment, society and corporate governance – is becoming more prominent.”

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## What can you do?

- Talk to an adviser early.
- Value the personal aspect of the investment relationship as much as the financial terms on offer.
- Engage an adviser who understands the PE community and will structure the right deal.

# WHERE ARE WE?



# Contact details

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If you have any queries about the content of this presentation, do not hesitate to get in touch.