

Industry Snapshot: FoodTech

M&A Takeaways

Hamburg, March 2021



Eating the world – The FoodTech industry is on the rise

Major drivers of the food sector

- Vertical farming and urban gardening, artificial intelligence in food retail, burgers made from insects as alternative proteins, or online grocery shopping – many social trends and technologies are influencing the food system today and will shape how the food sector will look like in the future. These trends are already apparent, but which of them could change the whole food system in the long term? And which trends are only hypes and temporary?
- The recently published “Farm to Fork Strategy” of the European Commission shows the need for action in the food sector. Sustainable food production, ensuring food security, reducing food losses and waste and many other aspects are essential to reach a fair, healthy and environmentally-friendly food system.
- The growing world population and its increased demand for protein-rich food creates a higher demand, while climate change forces agricultural practices to adapt to higher temperatures, more extreme weather events and less precipitation.
- To meet demand, agriculture in 2050 will need to produce almost 50% more food, feed and biofuel than in 2012. This estimate by the Food and Agriculture Organization takes into account the recent United Nations forecasts indicating that the world's population would reach 9.73 bn people in 2050.
- New forms of food production include, for example, urban gardening, aquafarming or the production of artificial meat using 3D printer for instance. For investors, all these businesses represent a new approach to tackling climate change and pursuing sustainable development. With more than 8 bn USD invested in Global FoodTech just in the first three quarters of 2020 (whole year 2019: 7 bn USD), investments in FoodTech companies will continue to grow despite the current global crisis.



FoodTech companies benefit from COVID-19

- Since air-to-breathe is not (yet) a business, there is no bigger industry on our planet than food and agriculture, with an ever-growing customer base of 7.79 bn. However, the food industry is facing unprecedented challenges in production, demand and regulation.
- In recent years, agtech innovators have created exciting new ways to harness the power of technology to enhance the world's food supply. Furthermore, the COVID-19 pandemic has provided strong tailwinds to the overall FoodTech sector with online food delivery, groceries and D2C prepared meals at the forefront. Share prices of HelloFresh, JustEat, Delivery Hero have soared on average by 55% since the beginning of 2020.
- Although 2020 will most certainly be a little bump on the road, there are several reasons why investments in the FoodTech sector will continue to grow:
 - Technology solutions for the food industry are essential to make our food system more resilient when the next pandemic arrives. Online food delivery was reaping the benefits of more widespread digitalization and a greater abundance of delivery apps.
 - There is also growing demand for food to be healthier. Lab-grown products, such as cell-based meat or fermentation-based milk, are benefiting indirectly from the crisis. Urban food production is also experiencing a renaissance, with urban gardening becoming a trend. More and more people are gardening in cities.
 - Food marketplaces, innovative online delivery supermarkets and “uber for groceries” services have boomed during the crisis. Many customers have tried online delivery for the first time and will not switch back to the old ways.

Still hungry – Key takeaways of the German food market

2020 will go down in history as the year of the Corona pandemic. Despite the crisis, many food startups have managed to convince with their ideas and win investors. But to which startups did the money go to? And who decided to sell or exit the business even during a pandemic? We will give an overview of selected transactions and some of the funding rounds.

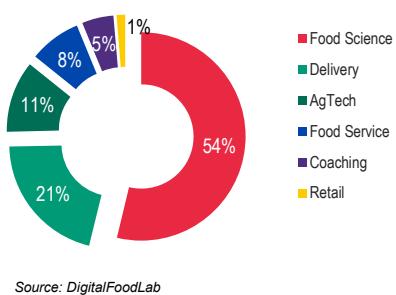
Germany, land of opportunities for FoodTech entrepreneurs

Strong growth sector: According to a recent analysis by Emergen Research, the global food tech market is projected to reach a value of 342.5 bn USD by 2027 from 220.3 bn USD in 2019 (CAGR of 6.0% during the forecast period).

Growing demand: Increasing awareness among the population is driving the demand for healthier food. Technology being one of the major drivers for innovation, is on the rise.

Germany – hungry for FoodTech: With HelloFresh and Delivery Hero, Germany has 2 of the 4 European startups that account for more than 60% of the private investments made since 2014 in European FoodTech startups. This has made Germany number 1 in terms of money invested in startups of the FoodTech industry in Europe.

Breakdown of Germany's FoodTech startups (as of June 2019)



- Germany is home of 225 FoodTech startups. Food science is leading with 121 active startups, followed by delivery with 47, agtech with 25, food service with 18, coaching with 11 and retail with 3.
- Berlin is home of more than half of German Food startups and more than 90% of the investments are made in Berlin-based startups.
- In terms of funding, the agtech food companies displaced the delivery segment from first place, amongst them Infarm with a Series C financing round of 170 mUSD in September 2020.

8 million people in Germany do not eat any meat



Vegetarians

The number of vegetarians and vegans in Germany is increasing. According to a survey, lead by the IfD Allensbach, 6.5 million people classify themselves as vegetarians in 2020 (+1.3 million more than in 2016 or +23%).

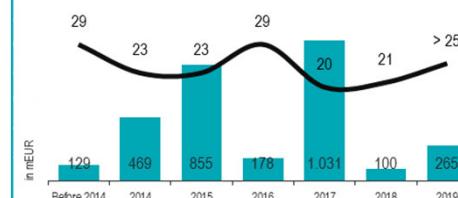


Vegans

The increase in absolute of vegans is lower than those of vegetarians. 1.1 millions avoided to eat any animal products in 2020 (representing +300,000 compared to 2016 or +41%).

Source: IfD Allensbach

Big deals, but only a few in a number



Source: DigitalFoodLab

- Between 2014 and 2019 roughly 3.0 bn EUR were invested in German FoodTech companies.
- In terms of number, there are only a few investments in German startups (about 25 a year), but they account for the biggest European deals.
- It seems that smaller startups have a hard time to raise seed rounds with only a few exceptions.

Thirsty for funding – German FoodTech startups take a sip

Selected financing rounds of German FoodTech startups

Date	Financing round	Financing volume	Start-up	Headquarter	Description	Investors	Cat.
Feb-21	Series A	52 mUSD	Flink	Berlin	Flink, which means "quick" in German, claims to deliver groceries from its own network of fulfilment centres in less than 10 minutes.	Target Global and existing investors Northzone, Cherry Ventures and debt provider TriplePoint Capital	Delivery
Jan-21	Series A	18 mEUR	air up GmbH	Munich	Drinking bottle that uses scented pods to simulate the taste of	Five Seasons Ventures, PepsiCo	Food Science
Dec-20	Series A	44 mUSD	Gorillas Technologies	Berlin	Delivery of everyday products to customers' doorsteps within ten minutes.	Lead investor Coate Management	Delivery
Nov-20	Series A	> 1 mEUR	Frischepost GmbH	Hamburg	Online marketing platform for regional farmers.	BonVenture Management GmbH	Delivery
Oct-20	Series A	18 mEUR	Shiver Nebula GmbH	Berlin	Delivery of restaurant meals to teams in offices	Luxor Capital, Colle Capital Partners, Emmanuel Thomassin, Nosara Capital	Delivery
Sep-20	Series C	170 mUSD	InFarm - Indoor Urban Farming GmbH	Berlin	On-demand farming services provider that manufactures devices that grow fresh vegetables and herbs in supermarkets and restaurants.	LGT Lightstone, Hanaco, Bonnier, Haniel, and Latitude, existing investors Atomico, TriplePoint Capital, Mons Capital and Aslanor Ventures	AgTech
Sep-20	Seed	n.a.	SPRKglobal GmbH	Berlin	Distribution platform, using artificial intelligence and machine learning. The technology connects supply chain participants to ensure that food oversupply is redistributed quickly.	Haas Family Office from Austria and angels Patric Faßbender, Marcus Stahl, Young Sohn, Christian Vollmann and Jens Hewald, professional footballer Mario Götze and Tatort actor Fahri Yardim.	Retail
Aug-20	Series A	10 mUSD	Mushlabs GmbH	Berlin	Technology-driven company that produces food from edible mushroom mycelia.	Redalpine, Joyance Partners, VisVires New Protein, Happiness Capital, Lee Kum Kee	Food Science
Jun-20	Seed	1 m EUR	LOEWI GmbH	Munich	Spin-off from the Technical University of Munich. The founders developed a digital app Cara Care to span medication management, dietary and mental health	High-Tech Grunderfonds	Coaching
Apr-20	Series B	15 mEUR	YFood Labs GmbH	Munich	YFood produces and sells full-valued drinking meals, bars and powders.	Felix Capital, Fonterra, Five Seasons Ventures and New Ground Ventures	Food Science
Apr-20	Series A	57.7 mEUR	Choco Communications GmbH	Berlin	The app offers a messenger service for restaurateurs, supermarkets and canteens to communicate with their suppliers, order food and request invoices.	Led by Coate Management, participations from Bessemer Venture Partners, Atlantic Labs, Target Global, Visionaries Club and Greyhound Capital.	Food Service
Mar-20	Series A	8.8 mEUR	Hidoc Technologies	Berlin	The founders developed its digital app Cara Care to span medication management, dietary and mental health	JDC and Barcelona-based VC firm Asabys Partners and participation from existing investor Atlantic Labs.	Coaching
Mar-20		7 mEUR	Prolupin GmbH	Grimmen	Prolupin produces lupin protein isolate, lupin fibres and lupin	Capricorn Partners	Food Science
Jan-20	Seed	4 mEUR	LegenDairy Foods GmbH	Berlin	Artificially cultivating the milk protein casein and whey proteins as a basis for dairy products.	M Ventures, Agronomics, CPT Capital	Food Science
Jan-20	pre Series .	2.7 mEUR	Bella & Bona GmbH	Munich	Online corporate canteen that offers a selection of meals, delivered to corporate offices.	Plug and Play, Rovagnati, Ambrosi, angel investor Giacomo Perotta and others.	Delivery
Jan-20	Series B	13 mEUR	Just Spices GmbH	Dusseldorf	Spice-mix and meal-prep brand that manufactures and markets food products.	The round is led by Five Seasons Ventures and Coefficient Capital, with Bitburger Ventures also joining	Food Science
Jan 20	Series A	1,9 mEUR	SENS Foods GmbH	Berlin	Products made with insect flour.	Presto Ventures, Reflex Capital and UP21	Food Science

Source: crunchbase.com, WKGT research

Delivery: The on-demand grocery delivery industry continued to heat up amidst the pandemic. The latest to show is Berlin-based Flink, which announced that it has raised a 52 USD million in seed financing. The company was only founded in late 2020 by Oliver Merkel (former Bain & Company partner who led the firm's retail practice in Germany), Christoph Cordes (former co-CEO of home24) and Julian Dames (former co-founder of Foodora, CMO at foodpanda and VP at Delivery Hero, and most recently at SoftBank). The new financing will be used to expand further within Germany and into additional European markets.

Food Science: The pandemic accelerated the demand for organic food. With people becoming more health-conscious and spending more time in their own kitchens, COVID-19 has further boosted the already growing demand for fresh, healthy, additive-free food with traceable origins. As other startups will certainly face difficulties into raising new venture rounds, it is not the case in this category.

AgTech: Urban farming startups have been reinforced by the growing desire for more sustainable and local foods. Venture capitalists have poured 4 bn USD into startups operating in the agtech space in each of the past two years, according to a recent Crunchbase analysis. Infarm's latest funding of 170 mUSD will be used to deepen the regional and local penetration of its global farming network and complete development of its new generation of vertical cloud-connected farms.

Food Service: These startups focus around services for restaurants and of course they were hit by corona. The fresh funding of Choco will go toward a brand-new initiative to immediately help the food industry. With the COVID-19 pandemic putting pressure on restaurants, the company is launching a direct-to-consumer program which will deliver "restaurant-quality" produce from wholesale suppliers directly to people's homes.

Coaching: Personalisation remains a challenge without many answers and therefore these startups have not been highly impacted by the Corona virus. Transparency and traceability will be the key challenges for them.

Retail: These startups are not developed enough for major changes to be observed.

Selected German M&A activities of the FoodTech Industry

Selected transactions of German FoodTech startups

Date	Acquirer	Type	Target	Transaction volume	Target description	Cat.
Jan-21	The Food Chain GmbH	Social media company	Plenty of Meat GmbH	n.a.	Plant-based meat alternatives production services	Food Science
Nov-20	IFB Innovationsstarter GmbH	Institutional and two US business angels	JoyBräu GmbH	> 1 mEUR	The founders developed the world's first non-alcoholic protein beer.	Food Science
Nov-20	Dr. August Oetker Nahrungsmittel KG	Food	Flaschenpost SE	1 bn. EUR	The company offers on-demand beverage delivery.	Delivery
Oct-20	Finexx GmbH	Investment company	Biovegan GmbH	n.a.	Germany-based provider of organic, vegan and gluten-free baking products and food ingredients	Food Science
Oct-20	Koninklijke Wessanen Nv	Strategic company	Littlelunch GmbH	n.a.	Organic dried foods manufacturer	Food Science
Sep-20	The Livekindly Company, Inc.	Strategic company	LikeMeat GmbH	n.a.	Germany-based producer of vegan meat alternatives, products such as plant-based bratwurst, schnitzel and gyros strips	Food Science
Aug-20	EMZ Partners	Investment company	Ankerkraut GmbH	10 mEUR	Distributor of premium spices	Food Science
Aug-20	Investors	Investors	Younikat GmbH	n.a.	Vegetarian dog food manufacturer	Food Science
Jul-20	Brain Biotechnology Research And Information Network Ag	Strategic company	WeissBioTech GmbH	n.a.	Food additives manufacturer	Coaching
May-20	PEAT GmbH	Strategic company	Salesbee	n.a.	B2B platform for the digitization of the agricultural market in India.	AgTech
Apr-20	ETHCL Food Labs GmbH, formerly known as OH MY DOUGH GmbH	Strategic company	Ren Roasted Energy Food GmbH'S Tsampa Brand	n.a.	Vegan powerfood snacks manufacturer	Food Science
Jan-20	Lightspeed	Strategic company	Gastrofix	147 mEUR	Gastrofix develops cloud-based POS systems for the apple iPad and iPod for the hospitality industry.	AgTech
Jan-20	Peter Cremer Holding GmbH & Co. KG	Logistic company	Lizza GmbH	n.a.	Germany-based low carb dough start-up	Food Science

Source: mergermarket, zephyr, WKGT research

- 2020 was a year in which technology facilitated rapid changes in how people work and live. Despite fewer M&A (mega-)deals and a lower volume, tech stood out as an increasingly active and competitive sector.
- In 2020 we analysed 15 M&A transactions, involving German FoodTech companies, but it is important to notice that the value of the transactions was only disclosed in 4 of those 15 deals.
- The majority of these transactions involved companies in the food science space, but the largest one was the acquisition of Flaschenpost SE from the Oetker group..
- Home delivery is a service that has unsurprisingly boomed since the coronavirus pandemic began. Whether it be door-to-door supermarket deliveries, takeaway food, or recipe boxes, startups working in this area have been some of the few to profit from the current environment – and flaschenpost is one of them. Flaschenpost (or ‘bottle post’) promises to deliver drinks to customers’ doors in under 2 hours.
- The startup is said to have made around 27 mEUR of sales in October 2020 alone, which, extrapolated over 12 months, leads to 320 mEUR. In November 2020, flaschenpost has been sold to food giant Oetker Group for 1 bn EUR.
- Another big deal is the acquisition of Gastrofix by Lightspeed for 147 mEUR. The purchase of Gastrofix marks the largest acquisition to date for the Montreal-based e-commerce firm.

Why us!



We support you until the transaction is brought to a successful end

Markets and competitive conditions are evolving rapidly. Established business models are suddenly outdated. In this context, transactions play an important role in the continued development of companies. We are up to date with the new developments and are here to support you achieve your transactional goals.

Sell-side M&A

- To bring your transaction to a successful end, we support you with a comprehensive range of advisory services. We understand the value drivers and sector in which you operate.
- We support you in identifying your key business and strategy drivers and build a consistent and value driving equity story.
- We take care of the entire coordination of the transaction process: beginning with building the equity story and the indicative valuation, to developing the go-to-market documents, the identification and approach of potential investors, up to the negotiations and successful closing.

Buy-side M&A

- To support you in reaching your growth ambitions, we identify potential strategic and financial investors based on pre-defined specific criteria.
- Together, we develop a search profile for your target company, followed by a thorough profiling of selected companies and the approach of suitable candidates directly by our team or via our international contact network.
- A tight and result-oriented project management as well as a coordinated and customized approach guarantee the success of your project.

Finance raising

- Optimized financing structures are decisive for the success of a company.
- We have extensive experience with the preparation of business plans and company valuations as well as with the preparation and coordination of the strategy and go-to-market documents. Moreover, we have both strong local and international knowledge and relationships with strategic and financial investors. This makes us the best partner to support you in your journey to find the best possible financing for your growth.

Transaction support

- We offer integrated due diligence services and transaction related advice. With our financial, tax, legal, commercial and IT experts, we are able to provide the basis for your decision from a single source.
- We build up on the findings from the tax due diligence and advise you on tax structuring matters of the acquisition.
- Additionally, we support you during the sell-side process by creating fact books or conducting a vendor due diligence. We anticipate information needs of potential buyers and proactively identify red flags in order to optimize the transaction price.

WKGT advises Five Seasons Ventures on their investment in German food-tech air up

Combining an interdisciplinary senior professional team with industry expertise, we add value for our clients by delivering focused and reliable results.

Transaction background

Air up, backed by the well-known early-stage investors Frank Thelen and Ralf Dümmel (known from Germany's version of "Shark Tank") secured another 20 million euros in funding in 2020. The majority was collected in the context of a successful Series A funding round at the end of the year 2020 with Munich-based media company Ippen.Media, Five Seasons Ventures, the American food and beverage company PepsiCo and other existing investors, such as the food tech venture capital firm Oyster Bay from Hamburg.

In the summer of 2019, Munich-based startup air up has launched a revolutionary drinking system that adds flavor to pure water through scent alone by leveraging the physiological phenomenon of retronasal smell - without sugar, additives or any other ingredients.

A year and a half later, the team has won over around half a million customers, was ranked among the 25 fastest growing startups in Germany back on a very successful financial year with sales of over 20 million euros.

We make the difference

Our Corporate Finance Team accompanied Five Seasons Ventures throughout their investment decision and provided financial advisory as well as financial and tax due diligence services contributing to the basis of a successful transaction.

Our client

Paris-based Five Seasons Ventures is a venture capital firm focused on funding European innovative companies in the agrifood sector. The fund focuses on early-stage companies developing technological innovations aimed at solving the sector's key challenges, especially with regard to healthier food, shorter and more efficient supply chains, increasing yields, and less food waste.

The portfolio of Five Seasons Ventures (www.fiveseasons.vc) comprises amongst others investments in Just Spices, Yamo, Tropic Biosciences, Butternut Box and Yfood Labs.

Client:
Five Seasons Ventures

Transaction:
Venture capital investment

Services:
Transaction advisory

Industry:
FoodTech

Date:
January 2021



„We are delighted to have worked with Warth & Klein Grant Thornton on this engagement. Their flexibility and speed allowed us to complete the transaction in a timely manner, particularly when it came to addressing startup specific issues as we approached completion. The team was professional and pragmatic throughout and very skilled in understanding the key business drivers.“

Niccolo Manzoni, Managing and Founding Partner
at Five Seasons Ventures

Your M&A team focused on the FoodTech market



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Dear Sir or Madam,

We would like to introduce you to Grant Thornton and would be pleased if you would consider our transaction services for your future investments. Of course, we are available for an introductory talk and welcome the opportunity to accompany you in your next investment case.

Our approach is pragmatic and business oriented. A comprehensive understanding of the targeted strategy and the needs you have as a potential entrepreneur or investor, serve as a basis of our approach. This is complemented by:

- profound expertise in the FoodTech market
- fundamental experience in M&A transactions and finance raisings
- a partner-led approach that enables us to meet your expectations
- a special focus that enables us to deliver precise and timely results.

We have gained strong know-how through executing many transactions and supported owner managed businesses in M&A and finance raising processes over the years. Moreover, we understand the value drivers and sector in which you operate and customize our services to your needs.

We look forward to hearing from you.

Kind regards,

Your M&A team



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