

# Spicy acquisition shows Premier Foods has regained its confidence

It seems remarkable, given that chicken tikka masala is now considered one of the UK's national dishes, that polling suggests many people in this country have never actually tried to cook a curry.

That was the logic deployed by Anjum Anand, the TV chef and cookery writer, when she and her businessman husband, Adarth Sethia, set up The Spice Tailor a decade ago.

The thinking was that there was a gap in the market for premium quality, restaurant-standard Indian sauces, free of artificial preservatives or colourings, that would be a boon for people keen to give cooking Indian food a try but who were perhaps apprehensive about doing so.

The range, which includes Punjabi tomato curry, rustic rogan josh and, yes, original tikka masala, hit the shops in the summer of 2011 and quickly began attracting rave reviews among foodies.

And awards, too. Within two years, The Spice Tailor had won Best New Product of the Year at the World Food Awards, with the Food Trade Review describing the range as "one of the most significant product innovations of the last decade".

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It has since expanded overseas, selling well in markets like Australia, Ireland and Canada, while the original range of meal kits has since expanded to 27 different products, including Asian curries, tandoori marinade kits and lentil daal kits, among others. It has enjoyed a compound annual growth rate of 20% during the last four years.

It is that growth trajectory that has persuaded Premier Foods, the groceries group behind brands such as Batchelors, Oxo, Bisto, Mr Kipling and Ambrosia, to pay an initial £43.8m for the business.

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Alex Whitehouse, Premier's chief executive, said The Spice Tailor was very closely aligned to current consumer trends,

including home cooking, authenticity and 'premiumisation' – the drive up-market.

### **'Potential to expand'**

He said it was also highly complementary to Premier's Loyd Grossman and Sharwoods brands – with its products being particularly enjoyed by consumers who enjoy scratch cooking with authentic flavours and ingredients.

He added: "We have greatly admired The Spice Tailor business for some time and we're very much looking forward to it joining our existing stable of strong brands.

"The acquisition is well aligned to our growth strategy and we see a clear opportunity to build on the excellent track record of The Spice Tailor, by leveraging the elements of our proven branded growth model.

"This acquisition represents a highly complementary geographical fit, and we see significant potential to expand The Spice Tailor's distribution in all our target markets.

"We see this as another important milestone for us following the group's strong performance over recent years and The Spice Tailor is an important addition to accelerate our future growth plans."

Mr Whitehouse said the initial sum being paid was two and a half times The Spice Tailor's expected sales for the year of £17.3m, with Mr and Mrs Sethia remaining with the business on a three year 'earn out', which could see them receive up to £28.7m more, depending on further sales growth over that period.

He said that, under Premier's ownership, The Spice Tailor would benefit from increased levels of marketing investment, strong relations with retailers and the ability to develop new products and innovate.

## **Premier's up-and-down history**

While the deal is obviously excellent news for Mr and Mrs Sethia, it also says much about Premier, which has – to put it kindly – had an up-and-down history since it arrived on the stock market in 2004.

The business traces its history back to Hilldown Holdings, a 1970s and 80s food conglomerate that once owned brands such as Typhoo tea, before being bought in 1999 by Hicks Muse Tate & Furst – the private equity firm that later acquired notoriety for its part ownership of Liverpool football club.

After its stock market flotation, by which time its kitchen cupboard also included brands such as HP baked beans, Branston pickle, Gale's honey and Chivers marmalade, Premier engaged in a string of acquisitions, snapping up brands such as Ambrosia, Bird's custard and Angel Delight. The biggest of these, in March 2007, saw it buy the bakery giant Ranks Hovis McDougall, giving it Mr Kipling and Hovis bread.

Unfortunately, the deal was badly timed, with the global financial crisis coming soon afterwards. Premier nearly capsized under a mountain of debt and spent the next few years busily offloading brands such as Typhoo, Robertson's marmalade, Haywards pickles and Sarsons vinegar to an array of buyers in order to bring down its borrowings.

## **Approach from US company McCormick**

Things seemed to be getting back on an even keel when, in 2016, the US company McCormick, the maker of Schwartz spices, made a £494m takeover approach. Premier's management at the time responded by selling a 17% stake in itself to Nissin, the Japanese noodle and ramen group, which has since been raised to almost 23%. Shareholders were livid – although Premier's share price now stands at nearly twice the level at which McCormick's interest was pitched.

That reflects progress made in recent years in further reducing Premier's debts and getting to grips with the group's once complex array of company pension schemes and bringing the scheme deficit down to an affordable level.

The lockdowns proved a boon to Premier, as they inspired a pick-up in home cooking, enabling the company to pay its first dividend to shareholders in 13 years last year.

### **Successfully navigating inflation**

More recently, a trading update last week suggested that the company is navigating the current bout of inflation successfully, persuading consumers to carry on buying its brands despite price increases.

Today's acquisition is another sign that Premier has regained its confidence. The shares rose 3% on news of the acquisition.

Analysts Charles Hall and Andrew Ford, at the investment bank Peel Hunt, told clients: "Premier is making its first acquisition for 16 years, which demonstrates the massive improvements in performance and balance sheet in recent years.

"The price is spicy as well, but the scale of opportunity is highly attractive in our view."

The pair said that, to achieve a return on capital of around 8%, Premier would need to grow The Spice Tailor's sales to £50m annually. They said this "seems eminently achievable".

Premier's investors will certainly hope this deal will help cook up more growth.