

COMMENT

GOING FOR GROWTH



Investment director Joe Tager reveals how LDC is identifying opportunities for consumer brands to grow

Joe Tager, investment director at LDC, shares his thoughts on how transformational shifts in the sector are creating opportunities for innovative consumer companies.

In many ways, consumer businesses are facing more headwinds than ever. Management teams are grappling with macroeconomic and political uncertainty, rising energy costs, and supply chain and interest rate pressures. However, there are transformational shifts taking place that present opportunities for forward-thinking, innovative companies with the ability to adapt. These include changing consumer habits, an increasing focus on the sustainability of companies and their products, and digital transformation.

Disruption is not new for consumer brands, and LDC has a strong track record of backing ambitious management teams in the sector, from our 10 offices across the UK. We've invested over £560m to support the growth of

more than 30 brands across travel and leisure, food and drink and consumer goods since 2012. Our heritage dates back further, having been part of the success stories of some of the UK's most recognisable brands, including Fever-Tree, GHD and Forest Holidays. Our current portfolio includes brands such as LeMieux, Cakesmiths, Shaken Udder, BOXPARK, ZipWorld, Bramble Foods and Neilson Active Holidays.

Through backing these brands, we've supported a diverse range of growth strategies including international expansion, acquisitions and product development, and we are experienced in identifying opportunities for growth in challenging times.



Supporting sustainable ambitions

Increasingly, consumers expect businesses to act in a way that protects the environment and treats people fairly, with robust governance in place. Some 70% of consumers now expect companies to drive positive social and environmental outcomes, according to the Pursuit of Harmony in Turmoil report by EY and The Consumer Goods Forum. Meanwhile, PwC's Global Consumer Insights Pulse Survey of June 2023 found that eight out of 10 consumers would pay more for sustainably produced goods.

We backed the founders of leading equestrian brand LeMieux in March 2021. Since then, the British company has grown international sales by more than 50% and its products are now sold by over 500 retailers in more than 90 countries. The business is focused on ensuring its growth is sustainable and has adopted several initiatives including eco-friendly packaging and the launch in 2023 of its Earth range, its first dedicated environmentally conscious range, which aims to transform waste into fashion by using recycled materials.

As the leaders of a growing global brand, LeMieux's management team understands that its customers' expectations around sustainability extend to its supply chain. We introduced the management team to Sedex, a sustainability data and technology provider that is also now part of the LDC portfolio. Sedex's platform enables LeMieux to access advanced data and analytics on more than 80% of its manufacturing partners.



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The value of data

Clearly, companies that truly grasp and leverage data create more value for customers, employees and shareholders. The rapid digitalisation witnessed in recent years has generated a tidal wave of data, providing a far deeper understanding of consumers and operations. A key aspect of LDC's support is assisting management teams with optimising the quality and understanding of their data. These valuable insights enhance the strategic decisions made in areas such as unlocking digital sales channels and how to best diversify a company's customer base.

During the course of our three-year partnership with Paladone, a lifestyle products company, LDC helped the business to grow revenues by more than 65% and enhance its online sales channels to take advantage of the changing dynamics of retail. It grew from a UK-focused gifting product specialist into a global omnichannel consumer products company with major retail partnerships across North America, Europe and Australasia, and an increased digital retail presence, particularly through Amazon.

Going for growth

While growth can take many shapes and forms, international expansion is often a key element of many consumer companies' growth strategies, not least because half of all corporate growth in the decade up to 2019 came from foreign markets, according to a June 2023 blog from McKinsey & Company.

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For example, LDC supported Fever-Tree to considerably expand its operations overseas, to the point where 70% of its revenue was derived from exports. This was as a result of key strategic investments in areas such as widening the range of mixer drinks and enhancing distributor partnerships in key international territories such as Australia, Belgium and Canada.

Two thirds of LDC's portfolio companies are on a buy-and-build strategy, accelerating their ability to scale and gain market share. We supported Away Resorts, a leading British holiday park operator, to complete three acquisitions in three years, resulting in a business valued in excess of £100m. Similarly, during LDC's 10-year partnership with Forest Holidays, the management team opened five new locations across the UK.

Product and brand development, marketing and advertising are core elements of the growth strategy for consumer businesses. We are currently supporting Shaken Udder, the UK's leading premium milkshake brand. The business has recently undergone a major rebrand, including new packaging that

emphasises the products' premium taste credentials, and its first ever TV advertising campaign debuted on ITV primetime slots.

Looking forward

While there are challenges for consumer companies to navigate, we continue to see many businesses capitalising on opportunities for growth and finding innovative ways to meet and exceed customer needs, expand to new markets and develop more sustainable business models. It is very much our view that in a challenging market, the best businesses in all sectors will shine brighter, and our appetite to continue to invest in the consumer space remains strong.

Read more at ldc.co.uk/rdconsumer

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