
SETTING THE STRATEGIES FIT
FOR THE CHALLENGE AHEAD

AM

Addressing the funding gap and financing change

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Introduction

- **REVIEW**
- **PROSPECTS**
- **RESPONSE**

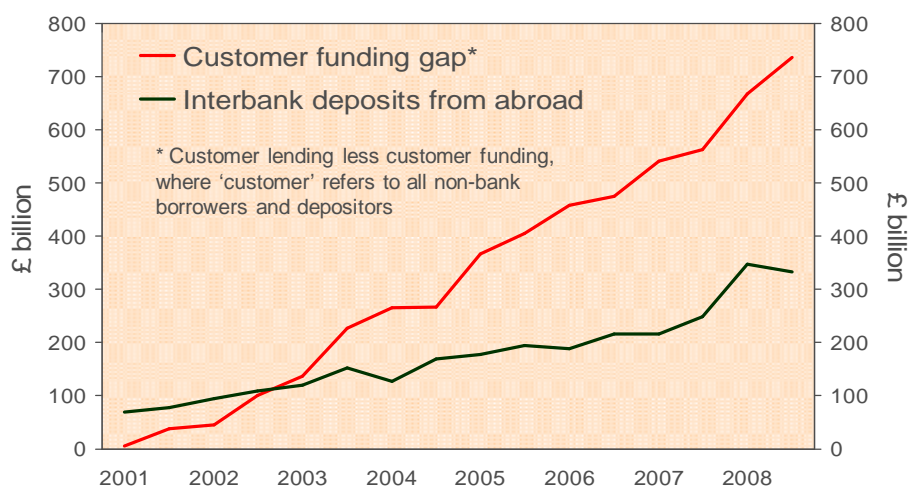
Review – too much of a good thing!

- **Unfettered supply of debt and equity**
- **Increasing gearing and “multiples”**
- **Reducing cost to borrowers**
- **Reducing returns to “investors”**
- **Weaker covenants**
- **Preference for short term & higher risk opportunities**

- The impact of a double pronged attack
- The deepest recession in living memory
- The near collapse of the global banking system

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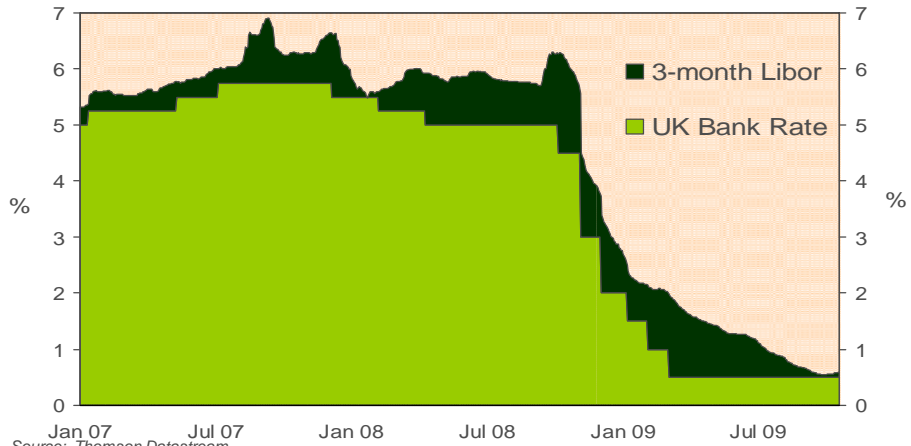


Source: Bank of England Financial Stability Report October 2008

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Banking Crisis - UK Bank Rate and 3-month Libor



Banking Crisis – Credit still a concern



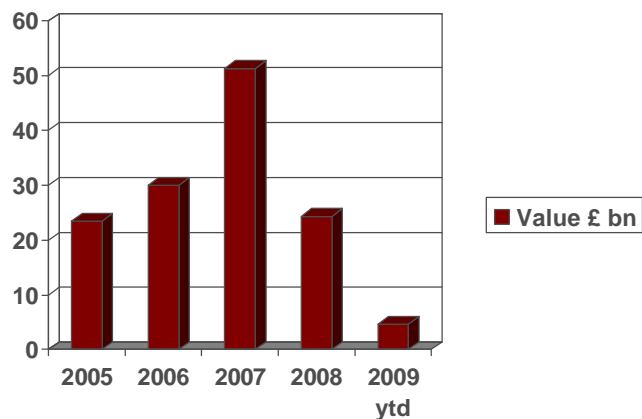
Prospects

- **Business confidence is recovering slowly**
- **Banks remain constrained**
- **Pricing higher (much) & Covenants stronger**
- **Less leverage means higher demands on equity**
- **Equity still reluctant/hesitant**
- **Fewer Deals / Slower Deals**

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Private Equity Deals by Value £ bn

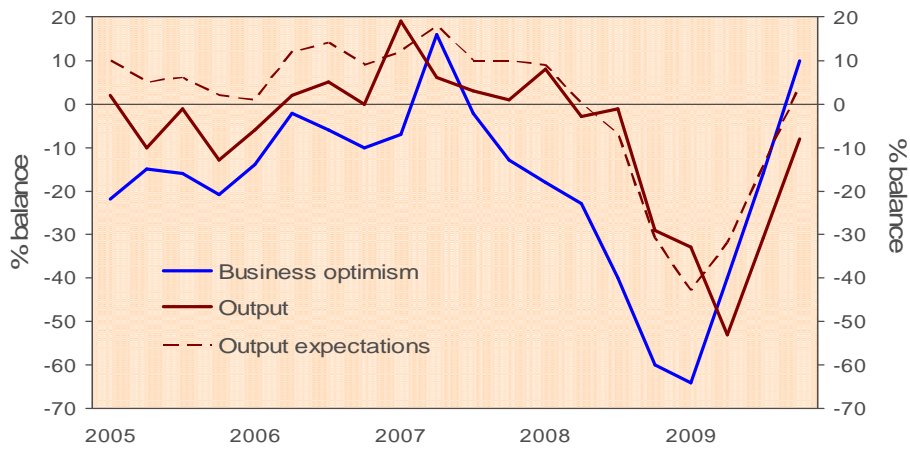


Source : Private Equity Insights

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Prospects - Green shoots!



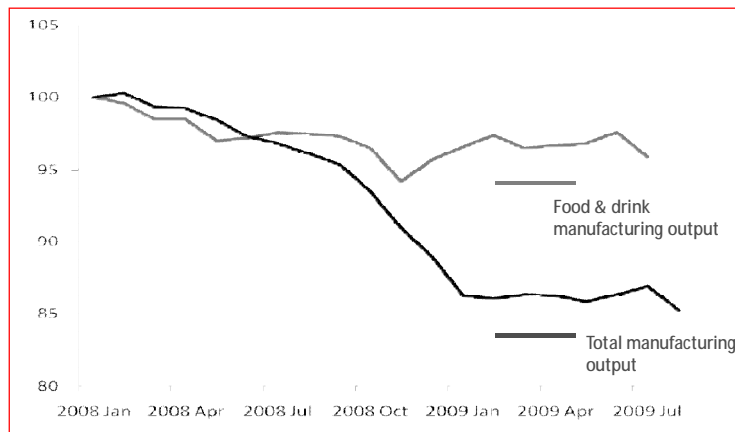
Source: CBI Quarterly Industrial Trends Survey

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Prospects – Food and Agriculture A resilient sector

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Jan 08=100



Source: Office for National Statistics

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Prospects – Food and Agri-food

- **A resilient business**
- **Exchange rates – at least in the short term**
- **Positive consumer trends**
- **Long term global demand & supply**
- **Seen as a good “fundamental” business**
- **Less “sexy” but sometimes that’s good**

Prospects – Food and Agri-food

- **Rabobank – The Boom Beyond Commodities**
“some of the best investment opportunities to the up & mid stream segment of the value chain”.
- **Sion Roberts**
“ largest untapped pool of value lies at the interface between farming and the food sector”

EFFP Response to the Funding Challenge

- **EFFP been working on this issue for some time now**
- **Believe that there is a growing opportunity at the interface between farming and food – our area of experience**
- **Many challenges in this area and finance only one but**
- **Concerned that funding and finance might restrict the rate of development**
- **External research & a series of meetings with Private Equity Houses, Venture Capital Funds, Investment Managers and Bankers.**

EFFP Response to the Funding Challenge - Issues and Opportunities

- **Limited Private Equity Deals and mainly niche/branded**
- **Generally longer term / lower return (risk/reward balance)**
- **Few case studies but:**
 - **Tulip, Vion, Arla, Muller, RAR, Cargill**
- **Specialist Knowledge investment and sector**
- **Potential Investors**

EFFP Response to the Funding Challenge

A SIGNAL FUND

Develop a structure to bring together three essential elements

- Business Management and Opportunity
- Specialist Investment Committee
- Potential Investors

Conclusions

- **The slow climb out of recession has begun**
- **Food and Agriculture well placed to respond with significant opportunities upstream**
- **Funding and Finance remain a challenge and will not return to the “too good to be true days”**
- **EFFP actively engaged on developing a bespoke funding model which would in the short term create a broker between individual investors and business and in due course demonstrate the opportunity to the wider investment market**