

**Romania**

**Bakery Sector – Activity and Targets Analysis**

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A FRD Center analysis



## Introduction



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Since 2000, FRD Center offers tailor-made market research and intelligence, target origination, B2B matchmaking, background checks on players, M&A consulting services, competitive analysis to foreign companies interested to enter Romania and the emerging markets in Europe as investors or joint-ventures, to acquire a local player, to relocate their operations in CE, SE and Eastern Europe.

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The Sibiu International Theatre Festival is the most complex festival in Romania. Internationally, it has become the most important performing arts festival in Europe, judging by its amplexness, dimension, and quality of events, before Edinburgh International Festival (Great Britain) and Avignon Festival (France)



## Why Romania?

Romania is the most dynamic large market in the EU. With a GDP growth of 4.8-5%, comparable only to Ireland, which is 4 times smaller, Romania might seem - and truly is - a good market for foreign and locally manufactured products, as well as a good production base. Strong democracy, stable political and banking systems, one of the fastest Internet speeds in the world, educated English speaking population.

Nevertheless, in spite of the local consumption growth and increasing purchasing power, **Romania's strategic advantage is its position as a GATEWAY to the EU**, on one hand, and to large markets such as Russia, Turkey, Ukraine, Kazakhstan that are not part of the EU.

*Here are some facts on Romania that might be of interest to a foreign investor or manufacturer looking to acquire a local player and set up operations in Romania, thus accessing the EU market (510 million people) and relevant markets in Eastern Europe.*



## Bakery production in Romania

In Romania, there are approximately 1,600 companies active in the sector of Production of Bakery and Farinaceous Products.

Romania is recognised as one of the main producers of wheat in Europe. With an annual production of 7,851 thousand tonnes of wheat in 2015, Romania has been ranked 5th both for cultivated area and for output among EU Member States.

The Romanian production of bakery products in 2016 is estimated by the market players at over 1.5 billion EUR.

Some 30 Romanian companies produce and export bakery products. The markets that they export to include EU markets but also Hong Kong, South Korea, Australia etc.



## Bakery production in Romania

According to FRD Center analysis based on official statistic data, in 2015 compared to 2014, the value of the fresh bread quantity produced in Romania increased with over 6%, while the value of the cake and pastry products made in Romania increased with 25.2% in 2015. This trend is expected to continue in 2016 and 2017 – 2020.

NACE code	Products	Sold production value in 2014 thousand EUR	Sold production value in 2015 thousand EUR	Growth y-t-y
10711100	Fresh bread containing	611,482	649,031	+6.1%
10711200	Cake and pastry products; other bakers' wares with added sweetening matter	259,224	324,582	+25.2%
10721150	Rusks, toasted bread and similar toasted products	64	113	+76.6%
10721253	Sweet biscuits; waffles and wafers	13,745	18,453	+34.3%
10721255	Sweet biscuits, including sandwich biscuits;	59,374	72,559	+22.2%

## M&A Case Study 1: GoodMills

Austrian group GoodMills is active in Romania since 2007, when it entered the market by acquiring Loulis S.A. Since then, the company was first renamed Titan S.A. and following the rebranding in 2014, it became GoodMills Romania.

In 2016, the local company, Bake Expert, acquired shares in GoodMills Romania, as well as their retail chain of bakeries.

According to information published by GoodMills, the bread and pastry factory Titan has a total of 6 fully automated lines with a capacity of 270,000 pieces per day, and over 700 delivery points in Bucharest and the neighbouring towns. In addition, in the same location there is a line of pastries and frozen bread production capabilities.

Earlier in the year, GoodMills sold its Romanian rolls and toast production facility, operated via Frozen Bakery Products SA, to Lantmannen Unibake group.



## M&A Case Study 2: Vel Pitar

Vel Pitar, one of the largest players in the Romanian bakery sector, controlled by Broadhurst investment fund, recently acquired Spicul bread factory in Ilfov County, a business with a 160 years history, controlled until recently by a Romanian businessman.

After four years in bankruptcy and insolvency, the Spicul Factory was auctioned in 2015 at a starting price of 4.5 million EUR. The liquidator was PwC, the largest creditor and the manufacturer was BCR.

The total investment, including the purchase price and costs incurred to bring the factory to the Vel Pitar standards, is estimated at about 8 million EUR.

In 1999 – 2000, Broadhurst Investments Limited, administrated in Romania by New Century Holdings (NCH), acquired three milling and baking local firms: Mopariv Valcea, Berceni Bucharest and Granpan Tecuci. In 2000 Mopariv Valcea bought Panegrano Cluj. In 2001 Vel Pitar S.A. was formed through the merger of the four factories acquired by Broadhurst.



## Potential acquisition targets Bakery Company 1

Bakery Company 1 has been established in 1994 by a Private Romanian Entrepreneur. The company produces its own brand of bakery products which is well recognised at national level.

Their products include bread loaves, rolls, cakes, croissants, short dough cookies, cake base, sweetbread.

The company exports its products to Belgium, Hungary, Italy, Greece, Spain, UK etc. During 2013 – 2015, the company has invested approximately 10 million EUR in order to expand its range of products.

Company 1	2013	2014 vs 2013 (%)	2014	2015 vs 2014 (%)	2015
Net turnover (million EUR)	50.3	+7.2	53.9	-1.5	53.1
Net profit (million EUR)	-0.57	-	0.40	+265	1.46

*Source: Ministry of Finance, FRD Center*

## Potential acquisition targets Bakery Company 2

Set up in 1968, Bakery Company 2 is controlled by two Romanian Businessmen. The Company produces bakery products under its six brands and has a network of local shops. They produce flour and milling products, breads, pastry, pretzels etc. Bakery Company 2 exports its products to Spain, Italy, UK, France, Greece etc. For the next years, the company targets the business growth by entering new foreign markets, such as USA and Australia and by strengthening its current markets. The Company has received in 2013 a bank credit of some 9 million EUR from Banca Transilvania to modernise the production lines and the store network. Bakery Company 2 plans to enter frozen bakery market during the next years.

Company 2	2013	2014 vs 2013 (%)	2014	2015 vs 2014 (%)	2015
Net turnover (million EUR)	34.4	+11.9	38.5	+11.7	43.0
Net profit (million EUR)	0.02	+7,200	1.46	-10.3	1.31

*Source: Ministry of Finance, FRD Center*

## Potential acquisition targets Bakery Company 3

Bakery Company 3 was established in 1994 by a very dynamic Romanian Businessman. With a production capacity of 93 tonnes of bakery products per day, the Company produces its own brand of bakery snacks products, quite well known across Romania. Bakery Company 3 exports its products to over 30 countries, such as Spain, Italy, Germany, Hong Kong, South Korea, Australia etc.

In the last 6 years, the Company has invested 12 million EUR in the production equipment and launched innovative products such as savoury biscuits with pizza flavour, with ham flavour etc. Bakery Company 3 plans to invest 10 million EUR in 2017 in its product portfolio and launching of new products.

Company 3	2013	2014 vs 2013 (%)	2014	2015 vs 2014 (%)	2015
Net turnover (million EUR)	23.7	+9.3	25.9	+5.0	27.2
Net profit (million EUR)	3.7	+40.5	5.2	+23.1	6.4

Source: Ministry of Finance, FRD Center

## Potential acquisition targets Bakery Company 4

Bakery Company 4 is a Romania region leader covering more than 600 sales points daily. It was set up in its current form in 1991 and has 4 mills and a network of 39 own-brand stores.

The Company produces milling products as well as a large variety of breads, rolls, cakes, pastries etc. with its own brand.

Throughout the years Bakery Company 4 has made investments in order to increase the production capacity and distribution network.

Company 4	2013	2014 vs 2013 (%)	2014	2015 vs 2014 (%)	2015
Net turnover (million EUR)	9.4	-2.1	9.2	+8.7	10.0
Net profit (million EUR)	0.36	+30.6	0.47	+8.5	0.51

*Source: Ministry of Finance, FRD Center*

## Potential acquisition targets Bakery Company 5

Bakery Company 5 has been established in Romania in 2001 as a family business. The Company produces croissants, strudels, muffins, snacks, sponge cakes in a large variety of fillings and weights with their own brands. After the completion of the latest technological upgrade, the production capacity grew to 5 million croissants per month. Bakery Company 5 exports its products to UK, Greece, Bulgaria, the Czech Republic, Hungary etc. During 2007 – 2008, the company has invested 2.5 million EUR in the production lines. The company has received in 2008 a grant of approximately 350 thousand EUR for the acquisition of new equipment and the increase of the production capacity, within the National Rural Development Programme 2007 – 2013.

Company 5	2013	2014 vs 2013 (%)	2014	2015 vs 2014 (%)	2015
Net turnover (million EUR)	5.0	+20.0	6.0	+18.3	7.1
Net profit (million EUR)	0.02	+750.0	0.17	+229.4	0.56

*Source: Ministry of Finance, FRD Center*

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