

Growing appetite for meal kit consolidation in France



Consolidation: a game **for the big players?**

An appealing concept with great potential in France

Following on from the October 2020 publication of *Dinner is Served*, our white paper on the meal kit market, we are still believers in the concept.

This relatively new food service, created in the early 2010s in Sweden, meets consumers' desire to eat fresh and healthy products at home with convenience. Beyond current questions around the sustainability of the Covid boost, we believe the USD 7.6bn global meal kit market is still in a nascent stage, with appealing intrinsic growth prospects ahead.

With its deeply entrenched culinary traditions, France has been slow to embrace meal kits. This explains why its household penetration of around 0.5% is significantly below other countries such as the US, Australia and the Nordics, which saw meal kits reaching 5% of households pre-Covid. There is therefore real potential for catching up. Research and Markets estimated the French meal kit market to be worth EUR70m in 2018, a figure that we see rising to EUR100m for 2020.

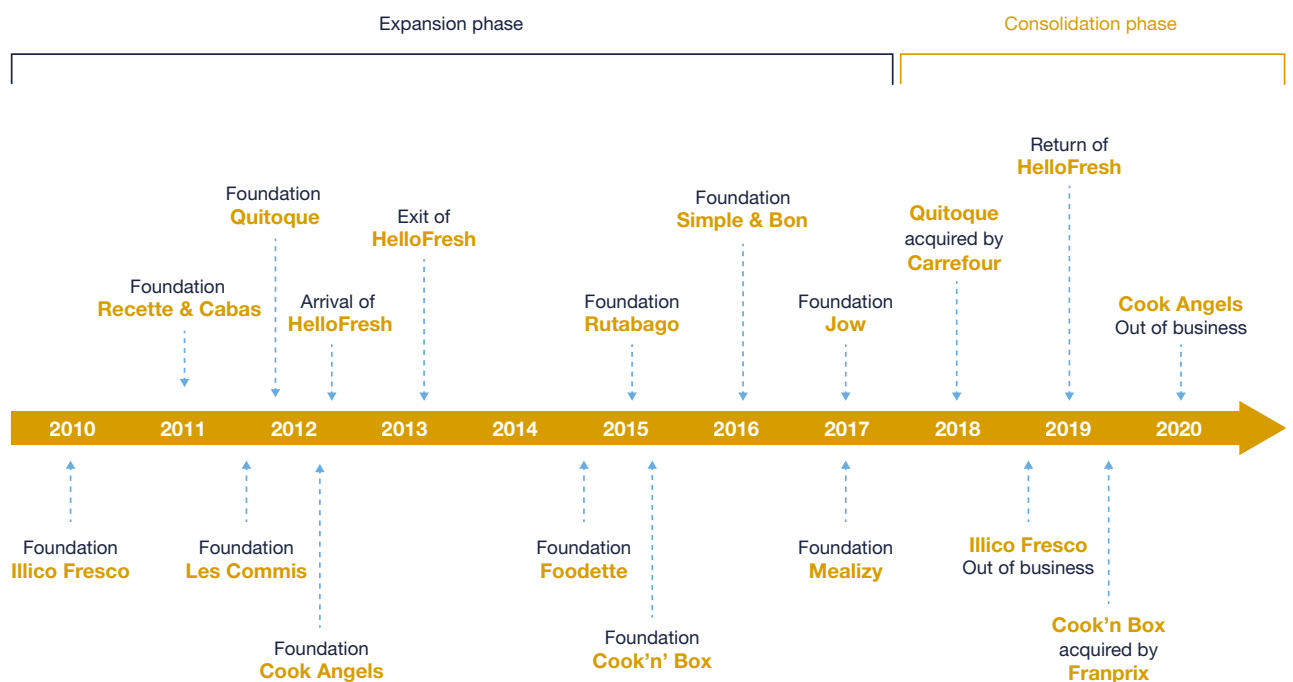


The French meal kit market's inevitable consolidation

Following a period of competitive fragmentation that saw the launch of several businesses over 2010-2017 (the most well-known still operating today are Quitoque, Recette & Cabas, Les Commis, Foodette, Rutabago, Mealizy, Jow and Simple & Bon), the French market entered a consolidation phase also seen in other countries from 2018.

Apart from two notable closures – Illico Fresco in 2019 and Cook Angels in 2020 – the market has crystallized around a small number of international players, with Carrefour acquiring Quitoque in 2018 and global meal kit leader HelloFresh returning to France in 2019.

French meal kit market: from expansion to consolidation



Source: Bryan, Garnier & Co

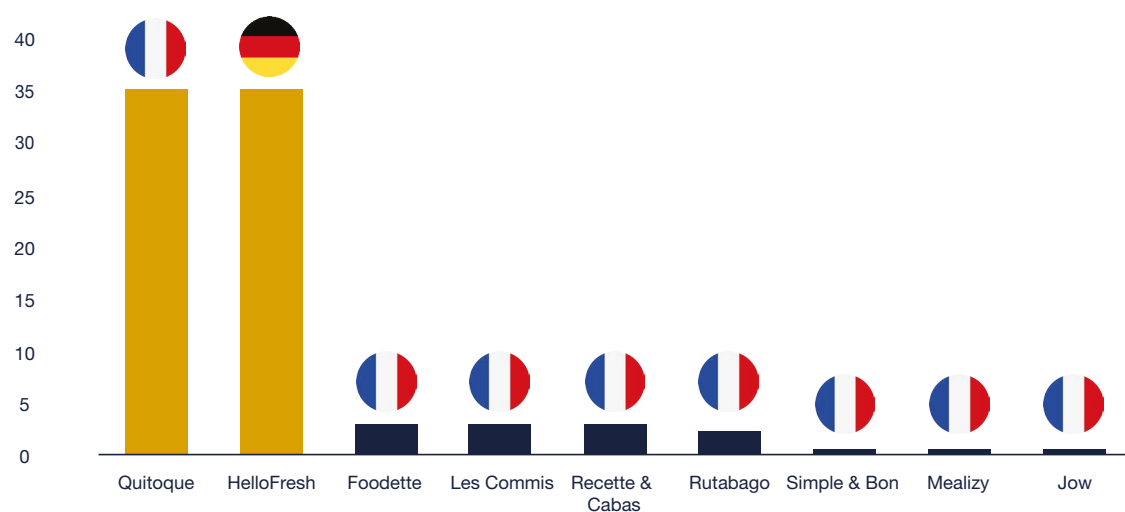
As a consequence, two giants backed by international groups with deep pockets, Quitoque and HelloFresh, are now fighting for domination of the French market. They will each generate around EUR35m of sales over 2020.

This leaves only a small slice of the market to be shared among the other small players, whose individual sales we estimate at below EUR5m. Meal kits are demanding from an

operational point of view, with high customer acquisition costs and low retention rates. So we believe that apart from Recette & Cabas, which is self-financed and independent, the majority of these players are still loss-making. The others are in a race to reach critical mass, and may soon or later need additional funding and/or the industrial expertise from a large group to ensure their production ramp-up.



Estimated 2020 sales figures of major meal kit players in France (EURm)



Source: Bryan, Garnier & Co

Consolidation: a game for the big players?

In such a complex environment where further consolidation seems unavoidable, we see four potential scenarios:

1. An incursion of French food retailers willing to acquire a French meal kit player. We see Carrefour and more recently Auchan as natural consolidators. Quitoque's operations, which are owned by Carrefour, may need specific knowledge or fill geographical whitespace. With the EUR3bn from the disposal of its Chinese business, Auchan will be keen to keep cash ready to seize any bolt-on M&A opportunities in foodtech where it is lagging behind.
2. The arrival of catering players willing to acquire a French meal kit player to target the home office post-Covid. Sodexo already paved the way with the acquisition of FoodChéri in 2018.
3. The arrival of a foreign meal kit player such as Marley Spoon, one of the very few truly international players, which is not present in France.
4. Mergers between French meal kit players in a race to achieve critical mass.

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