

ACATIS Euro High Yield

Investment Report May 2026

Frankfurt, 7 May 2026

Flora Food Group – Potential change of ownership

With turnover of around €3 billion and 4,600 employees, Flora Food Group is the world's leading manufacturer of plant-based butter and spread alternatives, as well as complementary cream, custard and cheese substitute products. The products are sold in over 100 countries, primarily through food retailers (Walmart, Rewe, Lidl, Edeka, Tesco) under brands such as Flora, Becel+ProActiv, Rama, Country Crock and Violife. Geographically, around 50% of revenue comes from Europe, 40% from the Americas and 10% from AMEA (Asia, the Middle East and Africa). Key drivers include a price advantage of up to 40% compared to dairy products, a 75% lower carbon footprint, and a market penetration of just 1% for plant-based alternatives. Countering this are the waning vegan trend and the anti-processed-food movement in the US (MAHA).

The capital structure is a consequence of the takeover by KKR in 2018 (a spin-off from Unilever for €6.8 billion, the largest leveraged buyout of that year). As at the end of 2025, the capital structure comprises around €5.2 billion in secured senior debt and €400 million in unsecured subordinated debt. The net debt-to-EBITDA ratio stands at around 6.7x adjusted EBITDA (~€840 million). Despite declining volumes, EBITDA remained stable thanks to lower raw material costs and efficiency programmes. This earnings stability is also reflected in the generation of free cash flow. Despite the high interest burden, Flora Food consistently generates between €100 million and €200 million in free cash flow per year. This corresponds to 2% to 4% of net debt.

We therefore consider the capital structure to be sustainable despite the high level of debt. The high yields on the bonds adequately compensate for the risk taken. The real catalyst for our investment thesis lies in the impending sale by KKR.

After holding the company for eight years, the owner has, according to the Financial Times (30 April 2026), once again commissioned Citi and Goldman Sachs to handle the sale process. Estimates suggest an enterprise value of up to €9 billion. We consider a fair valuation of around €7.5 billion to be appropriate. This means there remains a significant equity buffer.

Various sale scenarios are conceivable, such as an initial public offering (IPO). In all scenarios, both bonds (senior and subordinated) benefit from various covenants (bond terms) that grant creditors a right of tender at 101% or 102%. Furthermore, the bonds could benefit from more favourable refinancing in the wake of an IPO.

We hold the 6.875% 2029 Senior Secured Notes (secured and senior) and the 8.625% 2031 Senior Unsecured Notes (unsecured and subordinated), with the subordinated bond offering greater leverage in the event of a successful sale. Our yield to maturity of around 8% and 13% respectively does not reflect the possibility of early redemption and represents an attractive event scenario for the fund.

The ACATIS Euro High Yield Fund holds a total of 3.9% of its NAV in Flora Food (2.1% senior secured, 1.8% subordinated unsecured).

Kind regards



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