Food Tech
Invest Report 2021

How startups, corporates and investors jointly shape the food industry
What is this report about?
The food industry is catching up compared to other industries which provide great potential for innovation.

- Although food and beverage is the second-largest everyday cost for consumers in Europe behind housing and energy, it is mainly other industries that have been transformed by startups so far.
- After Booking.com, Uber, and Zalando changed the travel, mobility, and fashion industries, there is now a lot of momentum in the food industry.
- Therefore, together with the venture capital fund Good Seed Ventures and data provider Dealroom, we sort through current market developments in the food tech ecosystem.
- We provide insightful data and specific examples focussing on the DACH region and present impulses for participation in emerging technologies and business models.

### Average consumer spending in Europe

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing &amp; Energy</td>
<td>29%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>22%</td>
</tr>
<tr>
<td>Health</td>
<td>18%</td>
</tr>
<tr>
<td>Mobility</td>
<td>11%</td>
</tr>
<tr>
<td>Education</td>
<td>9%</td>
</tr>
<tr>
<td>Travel</td>
<td>6%</td>
</tr>
<tr>
<td>Fashion</td>
<td>6%</td>
</tr>
</tbody>
</table>

Average consumer spending in Europe

*Housing & Energy 29%
*Food & Beverage 22%
*Health 18%
*Mobility 11%
*Education 9%
*Travel 6%
*Fashion 6%
Content

1. Food and Venture Capital
2. Top 5 investment trends in Europe
3. Activities of established companies in the DACH region
4. Contact
Food and venture capital
Innovative players were the winners in 2020

The year of Corona has accelerated consumer behavior in favor of innovative and digital companies.

While food industry heavyweights have lost value on the stock market in the Corona year, tech companies such as Hellofresh, Ocado, and Blue Apron have seen their valuations skyrocket.

The stock market developments are an expression of changing consumer behavior: online-driven delivery services and platforms, in particular, were able to reach new customer groups and grow strongly even during the lockdown.

Traditional food manufacturers such as Danone, Tyson Foods, and Coca-Cola had to cope with a decline in demand in 2020 and, in some cases, missed their annual targets by a considerable margin, which reflected in falling share prices.

### Stock price developments (01/2020 – 01/2021)

**Winners**

- Hellofresh: +207%
- Ocado: +110%
- Blue Apron: +95%
- Delivery Hero: +81%
- Beyond Meat: +19%

**Losers**

- Nestle: -6%
- Heineken: -11%
- Coca-Cola: -18%
- Tyson: -22%
- Danone: -24%
Venture capital as a proxy for the future

Venture capital activities are suited for established companies as a proxy for the markets of the future

- Whenever a startup receives funding, a bet is placed on the future. Because of these bets, capital and talent come together and create space for innovation.

- Important in this context: Both venture capitalists and founding teams have high opportunity costs. While VC investors can invest in other startups, entrepreneurs often forgo a well-paid and secure job.

- Viewed systematically, startups and funding amounts are therefore important indicators of new markets. This analysis helps established companies decipher growth potential early on and position themselves for the future.

Model: Venture Capital as a proxy for new markets
VC investors enable growth
Startups can now rely on dedicated food tech investors along all investment stages

**Investment Stages**

**Series B & Series C (€5M – 25M)**
Investments based on a clear growth case

**Seed & Series A (€0.5M – 5M)**
Investments based on initial success metrics

**Pre-Seed (€50k - 500k)**
Investments based on a strong team
Promising exit potential
Corporates' appetite for acquisitions creates great opportunities for founders and investors

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Innovator</th>
<th>Exit Valuation</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy Snacks</td>
<td>KIND</td>
<td>approx. €4.200M</td>
<td>MARS</td>
</tr>
<tr>
<td>Food Logistics &amp; Delivery</td>
<td>flaschenpost.de</td>
<td>approx. €900M</td>
<td>Dr.Oetker</td>
</tr>
<tr>
<td>Personalized Nutrition</td>
<td>care/of</td>
<td>approx. €250M</td>
<td>Bayer</td>
</tr>
</tbody>
</table>

1. Primarily startups establish new business models and products
2. Food corporates invest only little in R&D (approx. 1-2%); however they have high cash reserves
3. Innovations are outsourced via startup investments and acquisitions
VC investments in Europe

Most venture capital flows to the UK, followed by the DACH region and France

Food Tech VC Investments in Europe (since 2015)

- United Kingdom: €3.4 Bn
- DACH: €2.4 Bn
- France: €1.4 Bn
- Netherlands: €0.7 Bn
- Sweden: €0.5 Bn
- Estonia: €0.5 Bn
Top 5 investment trends in Europe
Top 5 investment trends
Five Venture Capital Trends are shaping the European Food Tech Ecosystem

VC Investments in Europe (since 2015)

1) Food Delivery
Online ordering platforms for food delivery services

2) Innovative (D2C) Food Brands
Food brands with innovative ingredients or distribution channels

3) Alternative Proteins
Startups in the field of plant- and cell-based proteins

4) eGroceries & Meal Kits
Online supermarkets and cooking box sellers

5) Farm & Production
Resource-friendly cultivation and efficient processing

€6.4 Bn
€2.9 Bn
€1.1 Bn
€1.1 Bn
€0.8 Bn
Food delivery – Overview
This first wave of exits in the food delivery sector is paving the way for a new generation of startups

- The delivery services business is booming – not just since the pandemic. VC investments in **food delivery have created the first wave of European unicorns** (startup valuations over $1 billion).

- In German-speaking countries, Delivery Hero stands out as the most recent DAX company among the exits. **These successful exits drive** a maturing ecosystem and pave the way for a new generation of potential unicorns.

- **Successful investors and founders not only pass on their capital but also their conversance and network.** For example, Delivery Hero’s co-founder invests in the Finnish Unicorn Wolt, and the CEO of Just Eat Takeaway.com invests in the Dutch Mosa Meat.

**Exits promote new rising stars and unicorns**

- Delivery Hero
- Deliveroo
- JUST EAT Takeaway.com
- BREWDOD
- gousto
- Glovo
- PIC NIC
- Wolt
- Ynsect
- AGRICOOL
- fliit
- Karakuri
- mosa meat
- SOLAR FOODS

*Next Generation, Capital, Knowhow, Network*
Food delivery – Case study

Delivery Hero launches its own venture capital fund to drive innovation in the food industry

Delivery Hero has launched an independently managed venture capital fund called DX Ventures with €50 million in seed capital to support global entrepreneurs’ next generation.
VC funded food brands disrupt existing and create new product categories

**Innovative product categories and their rising stars**

- **Sugar-free Drinks**
- **1+1 Mission Social Food**
- **Fruit-based Subscription**
- **Meal Replacements**
- **Alcohol-free Drinks**
- **Spice Mixtures**

**New product categories** such as Meal Replacements and Sugar-Free Drinks are being built by well-funded startups such as YFood (€19.4 million) and AirUp (€21.2 million).

- In line with an online-first approach, startups generally build up a **loyal customer base via** their own **direct-to-consumer stores**. The importance of classic retail is only secondary. The step onto the supermarket shelf is only taken after successfully **ensuring a product-market fit**.

- **Existing categories** are also **being changed**. The example of spice blends shows that new players like Ankerkraut and Just Spices can **attack Fuchs' market dominance in the spice market with new marketing approaches**.
Innovative (D2C) food brands – Case study

From the supermarket shelf to an IPO: Oat milk manufacturer Oatly ventures into the U.S. stock market

The Swedish trending vegan food and beverage brand Oatly is looking to raise new capital by going public. The company’s value (last at about 2 billion USD) could thereby reach about 10 billion USD.
Investments in alternative proteins are rising steadily and are fundamental to the global food supply.

- Given that there will be 10 billion people on earth in 2050, agriculture and food production will have to change radically. Investments in alternative protein sources are crucial factors here.
- The future will combine more sustainable protein sources to replace animal products while still providing nutritious products.
- In addition to already established plant-based products, the future of protein diversity will also include cell-based products.

**VC Investments in Alternative Proteins in Europe**

- **2016**: €51M
- **2017**: €83M
- **2018**: €272M
- **2019**: €388M
- **2020**: €599M

**Examples**

- **Plant-based**
  - *planted* (Plant-based meat)
- **Cell-based**
  - *Meatable* (Cultivated meat)
- **Insect-based**
  - *innova FEED* (Feed from insects)
Alternative proteins – Case study

Israeli startup SuperMeat opened The Chicken in 2020, the world's first restaurant to serve lab-grown, cell-based "chicken bites." The rush is on: guests have to apply for a table.

Israeli startup SuperMeat opened The Chicken in 2020, the first restaurant for cell-based meat.
Interview Frank Cordesmeyer
“The collaborative development of new food solutions is crucial to feed a growing population.”

Why are Alternative Proteins important?
Access to a diverse portfolio of protein sources is crucial for the production of food for a growing population within our planetary boundaries.

What is the opportunity and which hurdles are to be overcome within the Alternative Protein industry?
Recent market developments have proven there is significant demand and growth potential for alternative proteins. Now it is up to the industry to help scale the solutions created by startups.

Which startups does Good Seed Ventures invest in?
We exclusively partner with teams that develop industry transforming food solutions which enable the sustainable supply of food for a growing population.

How does Good Seed Ventures support startups?
We support game-changing food solutions with capital and industry specific know-how. Our roots are deeply imbedded within the food industry, which enables us to create valuable synergies with our partners.
# eGroceries & meal kits – Overview

Funding and tremendous growth rates fuel fierce competition for long-term market share

<table>
<thead>
<tr>
<th>Top players from Europe (France, Turkey, Netherlands)</th>
<th>Top players from the DACH region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frichti</strong></td>
<td><strong>Getir</strong></td>
</tr>
<tr>
<td>Frichti delivers prepared meals, meals from restaurants, Meal Kits, and supermarket goods</td>
<td>Getir delivers over 1,500 different types of food to millions of customers in an average of 10 minutes</td>
</tr>
<tr>
<td>Funding: approx. €50M</td>
<td>Funding: approx. €150M</td>
</tr>
<tr>
<td><strong>Picnic</strong></td>
<td><strong>Hellofresh</strong></td>
</tr>
<tr>
<td>Picnic uses its own vehicles and fulfillment centers to deliver a wide range of products in fixed time windows</td>
<td>Hellofresh delivers boxes with prepared ingredients and a recipe that are available by subscription</td>
</tr>
<tr>
<td>Funding: approx. €300M</td>
<td>Market cap (MDAX): approx. €11 Bn</td>
</tr>
<tr>
<td><strong>Frichti</strong></td>
<td><strong>Gorillas</strong></td>
</tr>
<tr>
<td>Gorillas delivers a large range of products in under 20 minutes with its own micro-hubs and drivers</td>
<td>Farmy delivers sustainable organic food from producers in the region to your home or office.</td>
</tr>
<tr>
<td>Funding: approx. €40M</td>
<td>Funding: approx. €16M</td>
</tr>
</tbody>
</table>

- Picnic quadrupled its orders in 2020 and cracked the milestone of 100 million euros in revenue
- Covid-19 and the successes of Hellofresh, Gorillas, and Farmy are also fuelling the market in the DACH region
- Established players continue to struggle and have so far left concepts such as Q-Commerce to new players.
eGroceries & meal kits – Case study
Dr. Oetker acquires beverage supplier Flaschenpost and merges it with its inhouse supplier Durstexpress

The Oetker Group has completed one of the largest transactions in the food sector with the acquisition of Flaschenpost for around one billion euros. Flaschenpost will be merged with the homegrown beverage delivery service Durstexpress.
Farming & production – Overview

Covid 19 pandemic has highlighted the urgency for new agriculture and production strategies.

- Covid-19 has put global value chains to the test. Investments in the diversification of cultivation and processing methods help **reduce dependencies and solve global challenges** (e.g. CO2 emissions).
- More than half of the global population lives in urban areas. This share is expected to increase to 68% by 2050. The **development of local production capacities** (e.g. through vertical farming) will thus become vital.

### VC Investments in Farming & Production in Europe

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments (€M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>38</td>
</tr>
<tr>
<td>2017</td>
<td>70</td>
</tr>
<tr>
<td>2018</td>
<td>221</td>
</tr>
<tr>
<td>2019</td>
<td>216</td>
</tr>
<tr>
<td>2020</td>
<td>508</td>
</tr>
</tbody>
</table>

### Example Projects

- **Crop Analytics Example**: Funding: approx. €12M
- **Harvesting Example**: Funding: approx. €22M
- **Forecasting Example**: Funding: approx. €11M
Farming & production – Case study

Berlin-based startup Infarm grows globally with digitally regulated hydroponic greenhouses

Infarm has developed greenhouses in which herbs and lettuce grow in controlled hydroponics under artificial light. For further internationalization (including Marks & Spencer in London, Albert Heijn in Amsterdam, and Kroger in Seattle), Infarm intends to raise another 200 million euros in 2021.
Activities of established companies in the DACH region
Corporate innovation vehicles

To systematically implement innovation, established companies are increasingly setting up special vehicles

Example units in the DACH region

- From the medium-sized company Jägermeister to the Müller corporation, **more established companies create special units** and vehicles for more innovations, new technologies, and digital business models.

- However, Covid-19 has left its mark here the same way. Up to now, new entities have mainly acted as explorers, identifying new opportunities.

- Now it's all about new companies with a **directly contributing to corporate growth** or startup collaborations that **bring concrete benefits** to the core business.

- The **potential remains high**, as incumbents can bring complementary **resources and experience** to help new businesses develop and scale more efficiently.
In addition to investment funds, there are also other investment opportunities for participation in startups.

**Innovations and investment units**

- **Corporate Venture Capital**
- **Accelerator**
- **Incubator**

**Focus of activities**
- **Growth & Scaling**
- **Product-Market-Fit**

**Different units of German food corporations**

- **Separate Incubator** with risk-taking, startup-like structures
- **Independent Accelerator Program** (6 months per cohort) with €30,000 pre-seed funding.
- **Corporate venture capital** with a portfolio of sustainable startups from the EU and US.
Investments of German food corporates

Various well-established companies participate in new business areas and technologies

- Delivery Hero
- Doehler
- EDEKA
- Merck
- Zentis
- BIO-LUTIONS
- mitte
- Apeel Sciences
- Legendary Foods
- SUNBLOOM PROTEINS

Sustainable Packaging
Water Distillation & Mineralization
Coating Technology
Biotech-based Milk Products
Sunflower Protein Production
It's time to embrace innovation!

New technology-driven opportunities emerge to solve relevant problems and challenges.

Examples of opportunities:

- **Food as Medicine**
  - E.g. improve health and well-being through Personalized Nutrition

- **Alternative Proteins**
  - E.g. produce and process alternative protein sources regionally

- **Supply chain efficiency**
  - E.g. deploy AgTech to increase efficiency in the upstream area

- **Data Intelligence**
  - E.g. decode ingredient attributes and determine optimal combinations

Corporates cannot only identify strategically promising opportunities. Established companies have access to relevant problems. These can be efficiently implemented with the available resources (e.g. market access, financial strength, know-how).
Strategic options

Before any investment, the right implementation model (build, partner, or invest) should be examined.

**Build**

Building your own solution

Best suited when the identified opportunity is close to the existing core business and requires high control along the value chain.

**Partner**

Commercial / strategic partnership with a startup

Most suitable if the market is already dominated by established players or relevant competencies and resources are not available internally.

**Invest**

Investment in a market participant

Best suited when the identified opportunities can disrupt the existing core business or with a market participant with a large lead in terms of technology or market position.
Interview Prof. Dr. Bastian Halecker

"Established companies have one key asset above all: Access to relevant problems"

Where do you see the greatest potential in the food sector?
Great potential lies in the upstream area. Here, the integration of technology enables greater efficiency and sustainability. In the downstream area, dedicated customer gateways are becoming increasingly important.

What causes innovations to fail in practical use?
There are only few real problems for which there are not already enough solutions. In addition, they are often just vitamins and not painkillers – not to mention real game-changers. In addition, access to tech and expertise is often lacking.

What are success factors in the implementation of new business models?
The key is to identify relevant problem areas and combine them with technology to then move from problem-solution to product-market fit. This ensures the willingness to pay for a promising business model at an early stage - also in the B2B sector.

How can Hungry Ventures help established companies?
We help the industry to develop new business through technology-driven business models - in a partnership and an entrepreneurial approach.
Contact
About Hungry Ventures

- Hungry Ventures is a consulting firm and venture builder specializing in the food industry focusing on digital and sustainable innovation.

- We help our clients develop an understanding of new markets and identify new business opportunities.

- In cooperation with established companies, we build new businesses and drive them forward in an entrepreneurial way.

Customers

Mail: henrik.rackow@hungry-ventures.com
Web: www.hungry-ventures.com

Submit Project Inquiry →
About Good Seed Ventures

- Together with our partners we will reduce the environmental impact of food production by 10% over the next decade.

- The development of industrial solutions for alternative protein production systems is crucial to serve the growing need for functional ingredients, global food security and a sustainable food system.

Portfolio-Startups

- planted.
- Chunk
- LEGENDARY FOODS
- YOFIX
- KULEANA
- SuperMeat
- Finless Foods
- VLY
- Meatable
- ILLUCENS

Frank Cordesmeyer
Founder & Managing Partner

Mail: f.cordesmeyer@goodseedventures.com
Web: www.goodseedventures.com

Contact – Good Seed Ventures
We support game-changing food solutions with capital and industry specific know-how
Contact – dealroom

Dealroom partners with investors, corporates and tech companies to identify startups

About dealroom

• Dealroom.co is the leading data provider for the startup, early-stage, and growth company ecosystem in Europe and worldwide.

• The company was founded in 2013 in Amsterdam and today works with many of the world's most relevant investors, entrepreneurs, and government organizations to provide transparency, analysis, and insights into venture capital activities.

Customers

Explore dealroom →

Ivan Draganov
Foodtech Lead Analyst

Mail: ivan.draganov@dealroom.co
Web: www.dealroom.co