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Bakkavor Group to sell China operations to cut debt

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Bakkavor Group PLC announced that it has agreed to sell its Chinese operations to a local buyer in a move aimed at improving profit margins and reducing debt. The London-based fresh prepared food producerâ??known for supplying salads, sandwiches, and other items to retailers and the foodservice sectorâ??has entered a deal to sell Bakkavor China Holdings Ltd to Lihe Xing (Qingdao) Food Technology Co Ltd, a subsidiary of Lihooâ??s (Qingdao) Food Industry Co Ltd.

The transaction is valued at Â¥500 million, approximately Â£50 million. The assets being divested had a carrying value of Â£39 million as of December, and Bakkavor expects to record a Â£15 million net profit from the sale, which will be used to lower its debt.

Bakkavor noted that its China business had been weighing down its adjusted operating profit margin. The divestment is expected to support the companyâ??s medium-term goal of achieving a 6 per cent margin, up from 5.0 per cent in 2024 and 4.3 per cent in 2023. Earlier in April, Bakkavor also agreed in principle to a Â£1.2 billion takeover bid from fellow UK food group Greencore Group PLC. The proposed cash-and-shares deal values Bakkavor shares at 200 pence each.