



FOOD & BEVERAGE INDUSTRY 2015 MERGERS & ACQUISITIONS

2016 is shaping up to be a dynamic year with a number of potential Merger & Acquisition opportunities.

To provide insight into future activity we have reviewed the key M&A transactions for 2015 across eight sectors of the food and beverage industry: **Dairy, Confectionery, Value added meat processing, Food service, Non-alcoholic beverages, Food delivery, Pet food and Seafood.** A review of transactions in the **Other Sectors** as well as a summary of **New Listings on the ASX** is also included.

The expected spike in transactions associated with the Asian 'dining boom' arrived in 2015. Demand for dairy and related products led to a number of transactions, with this sector being the most active in the food and beverage industry.

Deal making also continued to thrive in the food service sector where Bidvest Australia pursued a 'growth through acquisition' strategy. 2015 saw the entry of Quadrant Private Equity as an investor in the food service sector. The food service sector continues to increase in

importance as a route to market for food manufacturers exploring distribution channels outside of corporate retail.

We also noted with interest the entry of Quadrant Private Equity into the premium pet food market through the acquisitions of VIP Petfoods and Nature's Gift.

The deal that stood out in 2015 was the acquisition of food delivery business, Menulog, by Just Eat Plc (listed on London Stock Exchange). Just Eat paid \$850 million to acquire Menulog at a trailing EBITDA valuation multiple of 371x. This was a substantial transaction in a market that has consolidated globally over the past couple of years. The impact of this acquisition and other transactions in the food delivery sector will be followed with interest.

We hope that you get value from reflecting on these transactions and if you have any specific questions or needs, please don't hesitate to contact us at www.cometlineconsulting.com.au



DAIRY

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
22 Dec 14	Longwarry Food Park	Parmalat Australia	\$67m
27 Feb 15	Dairy Bell	Bon Appetit	Undisclosed
2 Mar 15	Lion Everyday Cheese Business	Warrnambool Cheese (WCB)	\$137.5m
3 Aug 15	Moxey Farms	Australian Fresh Milk Holdings	\$100m
2 Sep 15	Coomboona Holdings	Harvey Norman	\$34m for 49.9%
4 Sep 15	Meander Valley Dairy	Tasfoods Limited	\$2.1m
30 Oct 15	Bega Cheese (9%)	Fonterra	\$74m
6 Nov 15	Van Diemen's Land	Moon Lake Investments	\$280m
16 Dec 15	Tamar Valley Dairy and brands	Parmalat	Undisclosed
29 Dec 15	Camperdown Dairy	Australian Dairy Farms	\$11m

Dairy was the most active sector in the domestic food and beverage industry. The demand for Australian dairy products in Asia resulted in a rush to secure supply and gain access to expanded product ranges. The highest profile transaction in this sector was the acquisition of Van Diemen's Land by Moon Lake Investments, an entity backed by Chinese billionaire Lu Xianfeng. At the time of writing the acquisition was subject to FIRB approval.

Warrnambool Cheese and Butter's (WCB) acquisition of Lion's Everyday Cheese Business (ECB) represents a vertical integration of the cheese business into WCB. Prior to the acquisition, WCB supplied cheese for cutting, wrapping and distribution to Lion. With the acquisition WCB took control of the sales and marketing functions

and acquired the COON, Cracker Barrel, Mil Lel and Fred Walker cheese brands.

In October, New Zealand dairy co-operative, Fonterra, sold a 9% shareholding in Bega Cheese that it acquired in 2013. The shareholding in Bega Cheese was considered non-strategic and Fonterra intends to invest the proceeds on disposal in higher value-add dairy products.

We expect the pace of deal making in the dairy sector to continue into 2016. Investors are seeking to secure source of supply and create opportunities to expand product ranges in order to meet the rising demand from Asia and specifically China.

CONFECTIONERY

DATE	TARGET NAME	ACQUIRER
11 Mar 15	Betta Foods	Prydes Confectionery
14 Nov 15	RJ's Licorice (NZ)	Darrell Lea
13 Jan 16	Koko Black	Simon Crowe

If 2015 was a year to remember for the dairy sector, then the opposite is true for the confectionery sector. The year kicked off with news that 100-year old chocolate manufacturer, Ernest Hillier, had been placed into voluntary administration. Ernest Hillier was followed into voluntary administration by Betta Foods (January 2015), Blue Thistle (May 2015) and Koko Black (November 2015). Betta Foods and Koko Black were subsequently sold out of administration, with Ernest Hillier and Blue Thistle placed into liquidation.

The one transaction in the confectionery sector that did not form part of a voluntary administration process was the acquisition of RJ's Licorice in New Zealand by Darrell Lea. Darrell Lea has access to additional capital should it decide to embark on a growth by acquisition strategy, following the sale by the Quinn family (owners of Darrell Lea) of its interests in VIP Petfoods to Quadrant Private Equity.

CONFECTIONERY cont.

The rationalisation experienced by the confectionery sector in 2015 will have an impact on a market that is dominated by three multi-nationals. Mondelēz, Nestlé and Mars account for approximately 65% of the Australian confectionery market and use this market share to negotiate stronger shelf space and trading terms with the leading retailers. Volatility in the price of cocoa and sugar and increased labour costs have also added pressure on smaller confectionery companies. It is however not all doom and gloom for the confectionery sector - a number of larger market participants performed well in 2015 and in certain cases have exceeded expectations.



VALUE ADDED MEAT PROCESSING

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
6 Jul 15	Sanger Australia	Bindaree Beef	Undisclosed
15 Sep 15	Silver Fern Farms (NZ)	Shanghai Maling	N\$261m for 50%
27 Oct 15	Bindaree Beef	Shandong Delisi Food Co	\$140m for 45%



The merger of Bindaree Beef and Sanger Australia was an important transaction for the value added meat sector. Red meat prices continued to increase in 2015 and the merger of the two businesses provide for closer connection of the production and marketing functions of the two businesses. In November 2015 Shandong Delisi Food Co, one of China's largest meat processors, invested \$140 million in Bindaree Beef for a 45% shareholding.

Thomas Foods International announced in September 2015 that it had signed a memorandum of understanding with Thailand's CP Group to build an advanced food processing centre to produce ready-made meals.

Earlier in the year Woolworths announced that it had entered into a 12-year contract with food manufacturer Beak & Johnston to supply ready-to-cook and ready-to-heat meals, a category that is expected to grow in importance in 2016.



FOOD SERVICE & DISTRIBUTION

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
1 Dec 14	Fresh Brisbane & Cairns	Bidvest Australia	Undisclosed
1 Dec 14	Mackay Reef	Bidvest Australia	Undisclosed
19 Jan 15	Suncoast Foodservice	Bidvest Australia	Undisclosed
3 Mar 15	Bell Vista Fruit & Veg	Bidvest Australia	Undisclosed
3 Mar 15	All-State Marine	Bidvest Australia	Undisclosed
13 Mar 15	Menora Foods	Monde Nissin	~\$55m
31 May 15	Canon Foods	Instafirm	Undisclosed
13 Aug 15	Superior Food Services & NFD	Quadrant Private Equity	Undisclosed

The food service & distribution sector saw increased acquisition activity in 2015. The acquisition of Menora Foods by Philippines based Monde Nissin, highlighted foreign investor interest in businesses with recognised brands and a strong distribution base in Australia.

Bidvest Australia continued its acquisition strategy, acquiring seven businesses in the financial year ending 30 June 2015 and investing \$18.6 million in the process. The Bidvest acquisitions included two food service distribution businesses and five fruit and vegetable wholesale businesses, the latter representing a further push by Bidvest into the fresh produce market.

The merger of Superior Food Services and NFD Food Services and the acquisition of a substantial stake in the merged entity by

Quadrant Private Equity is a transaction that stood out in the food service sector. With Bidvest Australia and PFD as the two major players in the food service sector, the transaction by Quadrant Private Equity may herald the emergence of a third major player. With NFD based in New South Wales and Superior focussed on Victoria, it will come as no surprise if the merged entity extends its reach to include Queensland, South Australia and Western Australia.

Outside of Bidvest and PFD, the food service sector remains fragmented. As food manufacturers explore distribution options outside of corporate retail, the food service sector is expected to increase in importance.

NON-ALCOHOLIC BEVERAGES

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
1 Feb 15	Nudie Juices	Monde Nissin	~ \$80m
26 Aug 15	C Coconut Water	Aaron Zerefos Enterprises	Undisclosed
11 Nov 15	Juicy Isle Fruit Juices	Myer Family Investments	Undisclosed

The non-alcoholic beverages sector saw two substantial transactions in 2015. Monde Nissin's acquisition of Nudie Juices is in line with the group's strategy of acquiring leading food and beverage brands in Australia. Through this strategy, Monde Nissin has also recently acquired Black Swan Dips and Menora Foods.

Myer Family Investments acquired Juicy Isle Fruit Juices, the largest non-alcoholic beverage producer in Tasmania. Juicy Isle Juices is one of only four operating businesses directly owned by Myer Family Investments and represents the only operational exposure to the food

and beverage industry. The investment in Juicy Isle Juices may point to an increased appetite for exposure to the food and beverage industry. 2016 is shaping up as an important year for the beverage industry.

Global consumer scrutiny of carbonated soft drinks has created opportunities for health related beverages including dairy and coconut based products. The growth in the coconut water category is an example where innovative marketing has rapidly created a new beverage category that is meeting new consumer health needs.



FOOD DELIVERY

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
8 May 15	Menulog	Just Eat	\$855m
1 Oct 15	Supptime	Delivery Hero	Undisclosed

The acquisition of Menulog by Just Eat Plc (listed on the London Stock Exchange) drew attention to the fast growing restaurant food delivery sector. The Menulog business was acquired for A\$855 million on a 371x trailing EBITDA multiple. The price tag has been described as “hefty” by market commentators, however Menulog’s market share in Australia, the increased demand for food delivery services by time poor consumers and the increasing use of technology are all factors in favour of the sector.

German owned Delivery Hero, expanded its footprint in Australia through the acquisition of Sydney based premium restaurant delivery service, Supptime. Menulog, Delivery Hero and Zomato (formerly Urbanspoon) between them have a substantial share of the restaurant food delivery market in Australia. Going forward it will be interesting to see whether the acquisitions by Just Eat and Delivery Hero will impact the commissions paid by the restaurants to the food delivery businesses.

PET FOOD

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
1 Jun 15	VIP Petfoods	Quadrant Private Equity	\$410m
15 Oct 15	Natures Gift	Quadrant Private Equity	Undisclosed

The pet food sector saw two notable transactions in 2015. Quadrant Private Equity acquired VIP Petfoods from Tony and Christina Quinn for \$410 million. VIP Petfoods is the 15th largest pet food business globally and has grown strongly as spending on domestic animals has increased in recent years. VIP Petfoods focuses on supplying premium chilled product in both Australia and a number of export markets.

Quadrant Private Equity also acquired Nature’s Gift, a supplier of Australian-certified organic pet food, to broaden its product portfolio. The acquisition of Nature’s Gift provides Quadrant access to a premium grain-free pet food range, which can be marketed in a number of export markets.

The pet food market is a large and growing market. The growth in the number of single person dwellings and the humanisation of pets is translating into increased consumer spending in this category. The entry of a sophisticated investor such as Quadrant has shone a light on the investment case for this sector. In 2016 we expect more professional investors to follow Quadrant into the pet food sector.



There is significant growth in the number of single person dwellings and the humanisation of pets.



SEAFOOD

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
9 Jun 15	Norwest Seafoods	Mareterram	\$20m
1 Jul 15	De Costi Seafoods	Tassal	\$50m + earnout
12 Aug 15	CMG food services division	Mareterram	\$7m

The seafood sector had three transactions of note in 2015. Tassal's acquisition of fish processor, De Costi Seafoods, in a cash and shares deal was a transaction that stood out. For Tassal, the De Costi acquisition builds on Tassal's domestic salmon capabilities, drives scale and provides access to the broader seafood market. De Costi also provides Tassal with distribution access to the eastern seaboard.

Listed WA agribusiness, Mareterram (formerly Style Limited), acquired two businesses in the seafood sector in 2015. Mareterram paid \$20 million for Norwest Seafoods, a business that catches prawns and operates a prawn processing factory at Pelican Point.

Mareterram also acquired the food service division of the Craig Mostyn Group for \$3 million, with the objective of building a vertically integrated agribusiness.

Prospects of soaring seafood consumption bodes well for businesses in the seafood sector, with limited supply unable to match the expected demand for product. The limited number of entry points into the seafood sector remains a hurdle for investors looking to get exposure to the sector.

OTHER SECTORS

DATE	TARGET NAME	ACQUIRER	DEAL VALUE	SECTOR
26 Feb 15	Goodman Fielder	Wilmar International & First Pacific	\$1.3 billion	Diversified
8 Mar 15	Pinnacle	Pacific Equity Partners	~\$250m	Bakery supply
14 Jul 15	Ringwood Mill	Freedom Foods	\$5.9m	Cereals
3 Aug 15	Yarra Valley Snacks	Tyrrells Potato Crisps	Undisclosed	Snacks
10 Sep 15	Manuka Health (NZ)	Pacific Equity Partners	~N\$110m	Honey
21 Oct 15	Popina Foods	Freedom Foods	\$35m	Cereals
7 Dec 15	Creative Gourmet	Entyce Food Ingredients	\$1.8m	Frozen fruit

The acquisition of Goodman Fielder by Wilmar International and First Pacific, a transaction that originated in 2014, was approved by the board of Goodman Fielder in February 2015. The transaction resulted in one of Australia's leading food companies revert to private ownership.

Pacific Private Equity's (PEP) acquisition of Pinnacle from the Kerry Group was a notable transaction in the fragmented bakery market. Pinnacle is a food manufacturing business with a leading position in the supply of bakery ingredients and frozen specialty products.

PEP's prior experience in the food and beverage industry through successful investments in Tegel Foods, Peters Ice Cream and Griffin's Foods will be valuable as PEP looks to unlock value from the Pinnacle investment. Economies of scale are important in the bakery industry and the current fragmented nature of the industry lends itself to consolidation.

PEP also acquired New Zealand based Manuka Health, a vertically integrated producer, that collects honey and exports to more than 45 markets.

LISTINGS ON THE ASX

DATE	ENTITY NAME	CAPITAL RAISED	ISSUE PRICE	MULTIPLE (2016)	CLOSING PRICE 31/12
2 Jul 15	Murray Goulburn	\$500m	\$2.10	13.6x NPAT	\$2.49
24 Jul 15	Costa Group	\$550m	\$2.25	9.4x EBITDA	\$2.72
28 Aug 15	Beston Global Food Co	\$127m	\$0.35	N/A	\$0.48
16 Sep 15	Vitaco Holdings	\$110m	\$2.10	14x EBITDA	\$2.65

2015 was also an important year for listings of food companies on the ASX. Four companies raised more than \$100m as part of an IPO process, with all four recording strong share price gains by year end.

The strength of the equity markets in 2015 and the performance of food companies such as Bellamy's Organics, Bega Cheese, WCM, Freedom Foods and Capilano Honey bodes well for food and beverage companies looking to access the equity capital markets in 2016.



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