



Food & Beverage Industry

Mergers & acquisitions Q1 2016

2016 has started at a modest pace with the level of corporate activity in the first quarter subdued compared to the last quarter of 2015.

An emerging feature of the first quarter is the number of joint ventures and strategic partnerships concluded in the industry. This strategy is being driven by increased specialisation in the industry with food businesses focusing on either the manufacturing function or the sales, marketing and distribution functions. We expect this trend to specialisation to continue in 2016 as businesses seek to focus on and leverage their core competencies.

The capital markets were also relatively quiet with two companies, Mareterram and The Food Revolution Group, listing on the ASX via reverse takeovers. Prospective listings for the remainder of 2016 include Tegel Foods, the poultry producer, that is working towards a listing in May 2016.

Our overall view is that overall food and beverage businesses are trading well in 2016. Consumer demand is still strong and the relative stability of the Australian dollar bodes well for businesses with an import focus. We have seen an increased effort to enter export markets with businesses taking advantage of the favourable attitude towards Australian products especially in Asian markets.





Acquisitions announced

Date	Target Name	Acquirer	Sector	Deal Value
13 Jan 16	Koko Black	Simon Crowe	Confectionery	undisclosed
18 Jan 16	Cleanskin Coffee Co	Schibello Caffé	Coffee roaster	undisclosed
18 Jan 16	Artcaffè Coffee Roasters	Schibello Caffé	Coffee roaster	undisclosed
27 Jan 16	Pizza Sprint	Domino's Pizza	QSR	A\$52 million
2 Feb 16	Joey's Pizza	Domino's Pizza	QSR	A\$121 million
2 Feb 16	Certain assets of Focus Fisheries	Mareterram Ltd	Seafood	A\$1.2 million
14 Feb 16	Perth wholesale fruit & veg market (9%)	Rural Funds Group	Fresh fruit & veg	A\$5.3 million
18 Feb 16	Nichols Poultry (option to acquire)	Tasfoods	Poultry	A\$12.6 million

A total of eight acquisitions were announced during the first quarter of 2016. No new deals were announced in the dairy sector which is surprising given the high level of corporate activity in this sector during 2015.

The acquisitions announced in the first quarter are, with the exception of Domino's Pizza, at the smaller end of the market. We are aware of a number of transactions that are currently in the pipeline and we expect a robust second quarter of 2016 to make up for the sedate start to the year.

Joint ventures announced

With an increased focus on distribution channels and the export market, a number of businesses announced joint ventures and strategic relationship during the first quarter of 2016. The underlying strategy of these announcements are the pooling of resources to benefit the joint interests of the parties:

- Blackmores and Bega Chees entered into a partnership to distribute infant formula destined mainly of the Chinese market.
- Capilano and New Zealand honey producer, Comvita, announced a 50:50 business venture to expand Manuka honey operations.
- Costa Group and Driscoll's announced a joint venture to grow berries for the Asian market. The joint venture is owned 70% by Costa Group and 30% by Driscoll's and the product will be marketed in China by Driscoll's.
- Beston Global Food Company and the Washed Rind Group entered into a strategic alliance for the distribution of cheese produced by Beston Pure Foods.
- The Food Revolution Group established four strategic relationships with retailers and distributors in China for the export of product to China.





Capital markets

Date	Entity name	Capital raised	Issue price	Price 31/3/16
6 Jan 16	Mareterram	A\$18 million	\$0.20	\$0.325
12 Feb 16	The Food Revolution Group	A\$12 million	\$0.10	\$0.26

There were no new front door listings of food and beverage businesses on the ASX during the first quarter of 2016. Two companies performed reverse takeovers to get backdoor listings on the ASX.

The shares in **Mareterram** (formerly Style Limited) commenced trading on the ASX on 6 January 2016. Mareterram acquired the food services division of the Craig Mostyn group and NorWest Seafoods in 2015. Seaharvest, one of the largest vertically integrated fishing companies in South Africa was introduced as a 19.9% shareholder as part of Mareterram's listing on the ASX. Seaharvest is a key supplier of hake products to Mareterram. On 8 April 2016 Seaharvest announced an offer to acquire control of Mareterram.

The Food Revolution Group completed a reverse takeover of Crest Minerals and shares in The Food Revolution Group commenced trading on 12 February 2016. The Food Revolution Group owns Langtech International, a food processing company located in Victoria and New Zealand. The business manufactures fruit juices, fibers and infused fruits. The product is distributed under a number of brands including Juice Lab, which is ranged across corporate retailers.

The Food Revolution Group has a strong focus on the export market and recently announced four strategic relationships with retailers that have direct channel access in China.

Prospective listings on the ASX

Proposed IPO Date	Entity name	Capital to be raised	Sector
Not available	Abundant Produce	A\$3.5 million	Fresh fruit & veg
Not available	Sugar Dragon	A\$3.2 million	Confectionery
Not available	China Dairy Corporation	A\$20 million	Dairy

Source: ASX

Tegel Foods, the New Zealand based poultry producer, is considering a listing on the ASX. Tegel Foods was acquired by Affinity Equity Partners from Pacific Equity Partners for NZ\$605 million (A\$463 million) in January 2011. As part of the proposed IPO on the ASX, the two lead managers have valued the Tegel business in range from NZ\$628 million to NZ\$790 million.

Bidvest Group, the international investment holding company of Bidvest Australia, has indicated that it intends to list **Bidvest Foodservice** on the South African stock exchange during 2016. Bidvest Foodservice is the owner of **Bidvest Australia**, the market leader in the \$16 billion wholesale foodservice distribution sector.





Comet Line Consulting





Comet Line Consulting is a strategic advisory business that specialises in acquisitions and divestments within the Australian food & beverage industry. Deep industry knowledge and strong relationships with business owners, trade investors and financial investors are defining features of the Comet Line Consulting business.

For a free confidential discussion on how to best position your food and beverage business for the future, please do not hesitate to contact either David Baveystock or Ben van der Westhuizen.

David Baveystock has worked in the Australian food and beverage industry for over 20 years including senior roles with Nestle Australia and Manassen Foods. David is recognized as a leading executive in the food and beverage industry and consults to senior management and business executives.

Ben van der Westhuizen has more than 20 years corporate advisory experience and has advised on a variety of transactions including acquisitions, disposals and capital raisings.

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This information has been sourced from the ASX and various other information sources.

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