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Director

David has worked in the food and beverage industry for more than 20 years and is recognised as a leading executive in the sector. Prior to establishing Comet Line Consulting, he held an executive role at Manassen Foods and senior leadership roles during a 16-year career at Nestlé Australia.



Ben van der Westhuizen
Director

Ben is an experienced corporate adviser and has advised on a variety of transactions, including acquisitions, disposals and capital raisings. He has held senior corporate advisory roles with KPMG Corporate Finance, Challenger and PSG Group, where he advised on several high-profile transactions.

About Comet Line Consulting

Comet Line Consulting provides strategic advice to the food and beverage industry on business acquisitions and disposals, identifying value creation opportunities, strategy development and sales and marketing execution. For more information, visit www.cometlineconsulting.com.au.



Who will buy your food and beverage business?

Recent media announcements have declared the arrival of an investment boom in Australia, citing growing levels of interest from major Asian food players. Who are these buyers and how can owners of food businesses benefit from this increased interest in the industry?

Knowing the type of buyers who may have an interest in a food business enables the owner to tailor the marketing of the business to appeal to each type of buyer. Different buyers have different motivations and the marketing of the business should be tailored accordingly.

Buyers of food businesses can be split between trade buyers and financial investors. Trade buyers include both domestic and overseas businesses that have food and beverage assets.

Domestic trade buyers have historically been responsible for the majority of acquisitions in the food and beverages sector in Australia. The aim of domestic trade buyers is to:

- Increase market share and revenue within the industry. This is achieved through the acquisition of strong and recognised brands. Trade buyers often have a preference for businesses with branded sales revenue, which can reliably grow. Developing and building a brand can be expensive and time consuming, but brand loyalty and recurring sales revenue from brands are highly desired by potential buyers and attract higher valuation multiples. Trade buyers may also be keen to gain access to a new customer base and different sales channels. A food business that is well represented in a channel where the trade buyer has limited representation may be attractive to the trade buyer, as it provides the potential to cross-sell products.
- Reduce operating costs. Through an acquisition, operating costs are reduced by taking advantage of cost synergies between the acquired and existing business. Cost synergies may include production site consolidation, increased ingredient purchasing power and elimination of duplicated roles through consolidation of distribution and ‘back office’ functions.

Overseas trade buyers have shown an increased appetite for Australian food and beverage businesses in recent times, with increasing interest from Asia and other

Tips for prospective sellers of food and beverage businesses:

- A successful business sale process requires i) advance preparation to meet the information and diligence requirements of potential buyers, ii) identification of business characteristics that will be attractive to buyers and to ensure those features are highlighted and iii) the seller to maintain momentum and control throughout the sale process.
- When preparing for a sale process, consider carefully which potential buyers may have an interest in the business. Different buyers have different motivations and the marketing of the business should be tailored accordingly. For instance, an information memorandum that highlights potential revenue and cost synergies may be useful for trade buyers.
- Experienced external advisers with industry knowledge can provide insight and guidance on which potential buyers may have an interest in the business, their diligence requirements and how these parties should be approached.



Highlighting the characteristics that are most important to a potential buyer will assist in maximising the potential sale value.

regions, including South America. A number of recent merger and acquisition transactions have been completed, including the acquisition of Black Swan Dips by Monde Nissin Corporation (Philippines), Griffin's Foods by Universal Robina (Philippines) and Primo Smallgoods by JBS (Brazil). The aim of overseas trade buyers is to:

- Diversify their existing business and invest in an economically stable and high net wealth market.
- Gain access to brands and products that are suitable for sale in their own markets. This is a key priority for Asian buyers that recognise the long-term opportunity of satisfying the demands of a growing middle class with greater disposable income.

Financial investors include private equity and high net worth investors, which have traditionally owned and sold a number of high profile food businesses.

Financial investors are driven by their ability to grow the value of a business in a relatively short period, which is typically three to five years. These investors

may have an existing business in the food industry, where the acquisition will be integrated or ‘bolted on’ to accelerate sales and profit growth.

Financial investors focus heavily on the price they pay for a business, the growth prospects and the exit opportunity once financial targets have been achieved. These investors have a more opportunistic approach and may consider higher risk investments.

Examples include acquisitions of poorly performing businesses (including turnaround situations) where the financial investor acquires the asset at a price that is discounted due to recent poor performance. The financial investor then attempts to create value by managing the asset differently and increasing the value of the business by focusing on operational improvement. The financial investor may go about this in a number of different ways, including bringing in a new management team, restructuring and reviewing the strategy of the business.

Before embarking on a sale process, owners of food and beverage businesses should engage a specialist external adviser to assist in evaluating the types of buyer that may have an interest in the business. This enables the marketing of the business to be tailored to different buyers, who have different motivations for the acquisition. Highlighting the characteristics that are most important to a potential buyer will assist in maximising the potential sale value. ♦