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# FOOD & BEVERAGE INDUSTRY

## Mergers & Acquisitions Q1 2017

Corporate activity in the food and beverage industry in the first quarter of 2017 started strongly with 12 acquisitions announced.

Two transactions stood out in the quarter. Bega Cheese acquired Mondelez Australia's Grocery Business for \$460 million. The acquisition of the Mondelez grocery business diversifies the income streams of Bega Cheese and reduces the reliance on the dairy sector.

The acquisition of Allied Mills by Pacific Equity Partners for approximately \$317 million is also a stand out. PEP will integrate the Allied Mills business with the Pinnacle bakery business that PEP acquired in March 2015. The combined Allied Mills and Pinnacle bakery business is of sufficient scale for PEP

to consider an exit post the integration of the Allied Mills acquisition.

The IPO market was also active in the first quarter of 2017 with six new listings on the ASX. An interesting feature of the new listings is the focus on the Asian and specifically Chinese market. Five of the six new listings are focused on the Chinese consumer or positioned to focus on the Chinese consumer in the future.

Following a better than expected start to the year and with a pipeline of opportunities driven mostly by continued interest in Australian and New Zealand manufactured product from Asia, we expect transaction activity for the remainder of 2017 to be as strong or even exceed the levels achieved in 2015 and 2016.





## DAIRY

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
28 Feb 17	Frosty Boy	Advent Private Capital	Undisclosed

One transaction completed in the dairy sector in the first quarter of 2017. Advent Private Capital acquired approximately 75% of leading manufacturer and distributor of soft serve and frozen yogurt products, Frosty Boy. Frosty Boy is the leading supplier of soft serve and frozen yogurt product in Australia and exports to 50 countries around the world. Advent has previous experience in the food and beverage industry through its highly successful investment in Gourmet Garden. Advent will focus on supporting Frosty Boy as it accelerate its global growth strategy by investing in R&D and sales.

## HEALTH AND NATURAL

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
31 Dec 16	Food Source International	Murray River Organics	\$5.6 million
31 Dec 16	Australian Organics Holdings	Murray River Organics	\$12.5 million
Feb 17	Healthy Life	Allegro Funds	Undisclosed
17 Mar 17	Kadac	New Development Corporation	Undisclosed

The health and natural sector had four transactions in the first quarter of 2016, demonstrating the continuing interest of investors in the sector. Two of the transactions concluded in the first quarter were related to the IPO of Murray River Organics. Allegro Funds, a private equity fund focused on turnaround situations, acquired health food chain Healthy Life in February 2017.

Kadac, a wholesale distributor of health, nutritional and wellbeing products to the speciality and corporate retail channel was sold by Besen to New Development Corporation.

## PACKAGED FOODS

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
19 Jan 17	Mondelēz Australia Grocery Business	Bega Cheese	\$460 million

The standout transaction in the quarter was the acquisition of the Mondelēz Australia Grocery Business by Bega Cheese for \$460 million. The Mondelēz grocery business includes iconic Australian brands such as Vegemite, ZoOsh salad dressing and sauces and Bonox spreads. The Mondelēz grocery business has an estimated 31% share of the \$550 million spreads category in Australia. Bega also announced the sale of a spray drying and a finishing facility, both based in Victoria, for A\$200 million to help fund the purchase of the Mondelēz grocery business.

Bega management has stated that the acquisition of the Mondelēz grocery business does not signify a move away from dairy and represents a commitment to diversify and reduce overall business risk.





## PET FOOD & ACCESSORIES

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
1 Feb 17	Consolidated Manufacturing Enterprises	Real Pet Food Company	Undisclosed
16 Feb 17	Bombay Petfoods	Real Pet Foods Company	Undisclosed

The two deals in the pet food sector were both concluded by Real Pet Food Company. These two acquisitions are in addition to the one international and two domestic acquisitions concluded by Real Pet Food Company in 2016.

Real Pet Food Company acquired dry pet food manufacturer, Consolidated Manufacturing Enterprises (CME) from Ridley Corporation (25% shareholder) and Indigenous Business Australia. The acquisition of CME is considered an important strategic step as the past acquisitions made by the Real Pet Food Company have focused on manufacturers of fresh and canned pet food. CME provides Real Pet Food Company with a significant dry manufacturing capability and the ability to enter this attractive category.



Real Pet Food Company also acquired NZ-based Bombay Petfoods, the largest distributor of raw pet food in NZ. Bombay Petfoods are distributed in NZ under the Jimbo's brand.

## OTHER CATEGORIES

Date	Target Name	Acquirer	Sector	Deal Value
31 Jan 17	Allied Mills	Pinnacle / Pacific Equity Partners	Flour & milling	~\$317 million
6 Feb 17	Portavin	San Miguel Corporation	Bottling	Undisclosed
27 Feb 17	Jubilee Almond Orchards	Select Harvests	Almonds	\$26.5 million
28 Feb 17	Power Foods International	Freedom Foods Group	Sports nutrition	\$20 million
27 Mar 17	Australian Wholefoods	Patties / Pacific Equity Partners	Prepared meals	Undisclosed
27 Mar 17	Aquazuro Australia	Refresh Group	Beverages	Undisclosed

The standout transaction in the quarter was the acquisition of Allied Mills by Pacific Equity Partners from Graincorp and Cargill Australia. The proposed strategy is to integrate Allied Mills with the Pinnacle bakery business that PEP acquired in March 2015. PEP has been an active acquirer in the bakery sector over the past 12 months with several bolt-on acquisitions concluded for the Pinnacle business.

PEP also announced the acquisition of Adelaide based meal manufacturer, Australian Wholefoods. The meal manufacturing category is considered attractive and, through the acquisition of Australian Wholefoods, PEP has created a food manufacturing group focused on baked goods and protein with distribution throughout Australia and New Zealand. Australian Wholefoods will be combined with PEP's interests in Patties Foods and the Leader Group creating a food manufacturing group that is of scale in the Australian and New Zealand markets.

The packaging unit of Philippines based conglomerate, San Miguel, acquired Portavin, a wine services supplier that bottles more than 80 million bottles of wine per year.



## LISTINGS ON THE ASX

Date	Entity Name	Capital Raised	Issue Price	Sector
3 Jan 17	Bubs Australia	\$5.2 million	\$0.10	Dairy
5 Jan 17	Winha Commerce and Trade	\$8.5 million	\$0.35	Fresh produce
30 Jan 17	Murray Cod Australia	\$10 million	\$0.20	Seafood
28 Feb 17	Tianmei Beverage Group	\$10 million	\$0.20	Beverages
9 Mar 17	Jiajiafu Modern Agriculture	\$5 million	\$0.30	Primary produce
15 Mar 17	Wattle Health Australia	\$8 million	\$0.20	Dairy

The ASX has seen a flurry of new listings with six companies listed on the ASX in the first quarter of 2017. More food and beverage companies listed on the ASX during the first quarter of 2017 than in any other quarter in the preceding two years.

A notable characteristic of the companies that listed in the first quarter is the strong Asian and specifically China-centric product offering. Five of the companies in the table above have product offerings that are currently focused on the Chinese consumer or positioned for the Chinese consumer.

We also note the small size of the capital raised through the listings. This suggests that the listing process is used to lift the public profile of the company being listed rather than use the listing to create an exit for the founders or promoters of the company.



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, Ben van der Westhuizen or Ishanthi Gunawardana.**



**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 25 years corporate advisory experience and has advised on a variety of transactions including acquisitions, disposals and capital raisings. Ben has held senior corporate advisory roles with KPMG Corporate Finance, Challenger and PSG Group where he advised on several high-profile transactions.



**Ishanthi Gunawardana** has nearly 20 years' experience in the banking and finance industry, including 10 years banking experience structuring and executing acquisition finance transactions, asset disposals and capital raisings. Ishanthi has held senior banking roles with NAB and ANZ where she worked on high-profile transactions including acquisition financings of food industry companies.

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