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# FOOD & BEVERAGE INDUSTRY

## Mergers & Acquisitions Q3 2017

Welcome to the Comet Line quarterly newsletter, where we review key M&A transactions announced in the third quarter of 2017.

Corporate activity in the food and beverage industry accelerated in the third quarter with eighteen acquisitions announced. This is the second highest number of acquisitions in a quarter since we started the report in 2015.

Key trends identified in the quarter include:

- A significant jump in the number of transactions announced in the dairy sector and sectors related to the dairy sector, including 5 transactions in processing and manufacturing and one transaction in retail distribution;

- Increased investor interest in the frozen dessert and ice cream categories with three businesses in the frozen supply chain changing hands in the quarter.

The transaction that stood out in the quarter was the acquisition of leading ice cream manufacturer, Everest Foods, by Allegro Funds. The ice cream category in foodservice is fast growing and we believe there is ample opportunity for growth to accelerate for high quality premium product on the back of growing domestic and international demand.

Comet Line advised the owners of Everest Foods on the sale of the business to Allegro Funds.





## DAIRY

DATE	TARGET NAME	ACQUIRER	DEAL VALUE
5 Jul 17	Movenpick Australia parlour network	Emerald Foods	Undisclosed
12 Jul 17	Blend & Pack (5% shareholding)	Wattle Health Australia	\$5.3 million
9 Aug 17	Weis Ice Cream	Unilever Australia	Undisclosed
30 Aug 17	Kiewa Country Milk	Kyvalley Dairy Group	Undisclosed
29 Sep 17	Pyengana Dairy	Tasfoods Ltd	\$1.6 million
3 Oct 17	Everest Foods	Allegro Funds	Undisclosed

After a lull in corporate activity, the dairy industry is starting to again attract investor interest. The ice cream category in particular was active with three transactions announced in the quarter.

Allegro Funds acquired Everest Foods, a leading manufacturer of premium ice cream, gelato and sorbet with distribution primarily into the foodservice channel. Everest Foods operates under two brands: Norgen Vaaz and Everest with a strong presence in the scoop and serve segment. Comet Line advised the owners of Everest Foods on the sale of the business to Allegro Funds.

In the second ice cream deal, Unilever Australia acquired Toowoomba based Weis Ice Cream from the Weis family. The Weis ice cream product range is expected to complement Unilever's existing brand portfolio which includes Ben & Jerry's, Grom, Talenti and Streets.

Peter's Ice Cream sold the Movenpick Australia parlour network, comprising 22 outlets, to Emerald Foods the owner of New Zealand Natural.

Following the listing of infant formula supplier Wattle Health Australia on the ASX in May 2017, Wattle Health announced the acquisition of a 5% shareholding in Blend & Pack. Blend & Pack is a provider of blending, packaging and distribution services for the infant formula and nutritional products market. Blend & Pack is the largest manufacturer of nutritional dairy products in Australia.

ASX listed dairy processor, Murray Goulburn, sold the Kiewa Country Milk brand to regional Victoria's Kyvalley Dairy Group as part of a strategy to divest non-core assets.

ASX listed Tasfoods announced the acquisition of Pyengana Dairy. Pyengana Dairy is located in North Eastern Tasmania and is a producer of cheddar cheese and fresh bottled milk.

## BEEF

DATE	TARGET NAME	ACQUIRER
10 Aug 17	Western Meat Packers Group	Russell Family
1 Sept 17	Bindaree Beef Group (51%)	Hui family & Archstone Investment

High prices of cattle and a shortage of livestock after the drought have impacted corporate activity in the beef sector in 2017. Two transactions were announced in the quarter.

Bindaree Beef sold 51% of the company to the Hui family and Archstone Investment Co. The Hong Kong based Hui family acquired the shareholding in Bindaree Beef after Shandong Delisi walked away from a deal to acquire 45% of Bindaree Beef in 2016.



## FRESH PRODUCE AND SALADS

DATE	TARGET NAME	ACQUIRER
5 Jul 17	Lankester Avocado	Costa Group
Jul 17	Sunfresh Salads	Blue Sky Private Equity

Integrated fresh fruit and vegetable company, Costa Group, acquired the Lankester avocado orchards and packing operations. Lankester has total plantings of 130 hectares across three farms with plans for an additional 60 hectares of plantings over the next 12 months. The transaction is a joint venture between Costa Group and Macquarie Agricultural Funds Management and is the second such transaction concluded by the joint venture.

Brisbane based Blue Sky Private Equity acquired a majority stake in Adelaide based Sunfresh Salads. Sunfresh Salads is a major supplier of ready to eat meals, fresh salads and frozen products to the retail and foodservice channels in South Australia and Victoria.

## BAKED GOODS & PÂTISSERIE

DATE	TARGET NAME	ACQUIRER
21 Jul 17	The Cake Syndicate / Susan Day Cakes	Kin Group
Jul 17	Chalet Patisserie	Priestleys Gourmet Delights

Kin Group, an entity backed by Raphael Geminder, acquired The Cake Syndicate which includes Susan Day Cakes and Big Sister Foods. Cake Syndicate has a turnover of approximately \$50 million and manufactures baked goods such as cakes, lamingtons and puddings as well as sweet treats including madeira cakes, sponge rolls, Christmas cakes and mince pies.

Brisbane based frozen dessert and cake manufacturer, Priestleys Gourmet Delights, acquired the Chalet Patisserie business from Nestle. Priestleys Gourmet and Chalet Patisserie both operate in the frozen dessert and patisserie market with distribution focused on the foodservice channel. Chalet Patisserie distributes product under the Patisserie d'Artiste brand.

The acquisition of the Chalet Patisserie business follows the acquisition of NZ based Elite Food Group by Priestleys in January 2017. The two transactions have positioned Priestleys Gourmet as the leading manufacturer and distributor of frozen desserts and cakes to foodservice in Australia and New Zealand.

## OTHER CATEGORIES

Date	Target Name	Acquirer	Sector
Jul 17	Ivory Coat	Real Pet Food Company	Pet Food
5 Jul 17	Festival City Food & Liquor	Bidfood	Foodservice distribution
6 Jul 17	Australian Veggie Gourmet	Yumi's Quality Foods	Contract manufacturing
13 Jul 17	Barossa Bottling Services	San Miguel Corp	Bottling
23 Aug 17	Hydralyte (equity investment)	Light Warrior	Sports Nutrition
5 Sept 17	Cobs Popcorn	Kin Group	Healthy Snacking

Real Pet Food Company, which is controlled by Quadrant Private Equity, acquired premium pet food brand, Ivory Coat. The Ivory Coat acquisition comes on the back of the acquisition of dry pet food manufacturer Consolidated Manufacturing Enterprises (CME) in February 2017.



The acquisitions of CME and Ivory Coat are considered important strategic steps as past acquisitions made by the Real Pet Food Company focused on manufacturers of fresh and canned pet food. The two acquisitions provide Real Pet Food Company with greater presence in the dry pet food category.

Light Warrior, the investment fund set up by former Swisse Wellness CEO, Radek Sali, has acquired an equity stake in Hydralyte as part of a capital raise. The proceeds from the capital raise will be applied to fund Hydralyte's US expansion.

The Kin Group, backed by Raphael Geminder, also acquired the Cobs Popcorn business from founders John and Ravit Walys. The Cobs business is considered complementary to the Poppin microwave popcorn brand which is part of the Kin Group through Green's Foods Holdings.

The packaging unit of Philippines based conglomerate, San Miguel, acquired Barossa Bottling Services, a specialist and independent contract wine bottling and packaging facility serving artisan wineries in South Australia. The acquisition of Barossa Bottling follows the acquisition of Portavin by San Miguel in February 2017. San Miguel is now a major player in the Australian wine bottling industry with total expected revenue of approximately \$300 million.

## LISTINGS ON THE ASX

There were no listings of food and beverage businesses on the ASX and the NZX during the third quarter of 2017. The number of new listings, especially IPOs of smaller food and beverage businesses have reduced in 2017 mainly due to a lack of institutional funds interested in smaller IPOs.

## OUTLOOK

2017 is on track to equal and potentially exceed the levels of corporate activity recorded in the food and beverage industry in 2016. Over the first three quarters of 2017, the industry has proved to be attractive to both trade and financial investors.

We expect the high levels of interest in the industry to persist as investors search for growth opportunities in a low-growth corporate environment.



Comet Line Consulting is a strategic advisory business that specialises in acquisitions and divestments within the Australian and New Zealand 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.



**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 with a collective value in excess of \$1 billion. Ben has advised on acquisitions, disposals and capital raisings in both Australia and South Africa. Ben has held senior corporate advisory roles with KPMG Corporate Finance, Challenger and PSG Group where he advised on several high-profile transactions.



**Lindsay Cunningham** has worked in the Australian and international food industry for over 35 years, with executive roles at Givaudan, Arnott's, Uni Chef and I&J Foods. After a corporate career, Lindsay has directly provided strategic consulting services to a range of clients including Allied Mills, Arnott's, Nestle, Fonterra, Goodman Fielder International, Lindt and the Sydney Fish Market.

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