



FOOD & BEVERAGE INDUSTRY

Mergers & Acquisition Q1 2018

Welcome to the Comet Line quarterly newsletter, where we review key corporate activity in the food and beverage industry in the first quarter of 2018.

Corporate activity for the first quarter of 2018 was relatively subdued with ten transactions announced in the quarter. The industry is taking a breather after a record-breaking year for deal activity in 2017.

The transaction that stood out in the quarter was the acquisition of Darrell Lea by Quadrant Private Equity. The transaction placed a value of \$200 million on the Darrell Lea business. Quadrant acquired the Darrell Lea business from the Quinn family who also sold the VIP Petfoods business to Quadrant in 2015 in a deal that valued the VIP business at \$410 million. Quadrant sold VIP Petfoods (renamed the Real Pet Food Company) in 2017 for \$1 billion and would be overjoyed if it can repeat that level of success with its investment in Darrell Lea.

The IPO market was also subdued during the quarter with one listing on the ASX. Organic oyster farmer, Angel Seafood, listed on the ASX and raised \$8 million in the process.

Finally, two high-profile businesses entered administration during the quarter. Aussie Farmers Direct entered voluntary administration in March 2018 with 100 franchisees, 260 employees and 100,000 customers.

Coomboona Holdings, part owned by Harvey Norman was also placed in administration.

The outlook for corporate activity remains positive with several sale processes in the pipeline. The fundamentals that underlie industry growth in recent years will continue to attract investors to the food and beverage industry.

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.



Acquisitions announced

DATE	TARGET NAME	ACQUIRER	SECTOR
1 Jan 18	T&F All States	In2Food Group	Fresh Produce
1 Jan 18	Yarra Valley Farms	In2Food Group	Fresh Produce
1 Jan 18	Briz Fresh	In2Food Group	Fresh Produce
Jan 18	Noisette Bakery	Next Capital	Baked Goods
11 Jan 18	Violet Crumble brand	Robern Menz	Confectionery
15 Jan 18	Darrell Lea (~85%)	Quadrant Private Equity	Confectionery
26 Feb 18	Birch & Waite Foods	Blue Sky Private Equity	Packaged Foods
6 Mar 18	Goldline Distributors	Bidfood Australia	Foodservice distribution
16 Mar 18	Boscastle Pastries & Foods	Patties Foods	Baked Goods
28 Mar 18	Tribe Breweries (investment)	Advent Private Capital	Craft Beer

The standout transaction in the quarter was the acquisition of an 85% shareholding in Darrell Lea by Quadrant Private Equity. The transaction values the Darrell Lea business at approximately \$200 million. Darrell Lea reported earnings of \$23 million in 2017. Quadrant Private Equity also acquired the VIP Petfoods business from the Quinn family in 2015.

In2Food Group, a supplier of freshly prepared meals to David Jones, announced the acquisition of 3 state-based fruit and vegetable providore businesses: Yarra Valley Farms, T&F All States and Briz Fresh in January 2018. The combined value of the three acquisitions is estimated to be \$50 million.

Private equity firm, Next Capital, completed the acquisition of Noisette Bakery. Noisette is a Melbourne based artisanal commercial bakery that sells a range of breads, cakes and pastries. The business distributes to the foodservice market in Melbourne and also distributes from two retail sites in Melbourne.

Robern Menz, the South Australian family owned chocolate business acquired the Violet Crumble chocolate brand from Nestle. The acquisition includes global rights to the brand with Nestle gradually handing over manufacturing, sales and marketing to Robern Menz throughout 2018.



Blue Sky Private Equity acquired Birch & Waite Foods in February 2018. Birch & Waite is the market leader in the manufacture and distribution of premium chilled mayonnaises, dressings, sauces, mustards, salsas, desserts and condiments in Australia. Birch & Waite is considered the leading brand in the chilled wet category across the foodservice, industrial and corporate retail channels.

Patties Foods announced the acquisition of Boscastle Pastries effective from 3 April 2018. Boscastle produce a range of high-quality artisan pies and pastries from a facility based in Brunswick, Melbourne. The Boscastle acquisition enhances the ability of Patties Foods to supply artisan products to customers in savoury, frozen and chilled categories.

Private equity firm, Advent Partners, invested in Tribe Breweries. Tribe Breweries owns contract brewing and packaging company, Brewpack and one of the fastest growing independent craft brewers in Australia, Stockade Brew Co. The investment from Advent is the first investment by a private equity investor in the fast-growing craft beer market.

Listings on the ASX

DATE	ENTITY NAME	CAPITAL RAISED	ISSUE PRICE	SECTOR
21 Feb 18	Angel Seafood Holdings	\$8 million	\$0.20	Seafood

Organic oyster farmer, Angel Seafood listed on the ASX on 21 February 2018. Angel Seafood raised \$8 million from the IPO to fund the expansion of operations at South Australia’s Coffin Bay.

Businesses placed under administration

DATE	ENTITY NAME	SECTOR	ADMINISTRATOR
5 Mar 18	Aussie Farmers Direct	Grocery delivery	Korda Mentha
23 Mar 18	Coomboona Holdings	Dairy	Ferrier Hodgson

Grocery delivery business, Aussie Farmers Direct, entered voluntary administration on 5 March 2018, with the closure of the business described as “hugely disappointing”. Aussie Farmers Direct had approximately 100 franchisees, 260 employees and 100,000 customers and was started 13 years ago. Korda Mentha was appointed as administrator.

Coomboona Holdings, a Victorian dairy farm part owned by ASX-listed Harvey Norman, went into administration on 23 March.

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 25 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 \$2 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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