



# FOOD & BEVERAGE INDUSTRY

## Mergers & Acquisitions Q3 2018

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

Corporate activity in the food and beverage industry accelerated in the third quarter with 23 acquisitions announced. This is the highest number of acquisitions in a quarter since Comet Line started this report in 2015.

Key trends identified in the industry include:

- A significant jump in the number of transactions involving financial and private equity investors.
  - Private equity investors and portfolio companies were acquirers of businesses in ten transactions (43% of all transactions).
  - Two private equity investors disposed of their shareholdings in portfolio companies in the quarter (Manuka Health and Yumi's).
- At least four transactions with deal values of more than \$200 million, including: ProTen Chickens (\$350 million), Koroit Dairy Plant (\$250 million), Hellers (~\$200 million) and Manuka Health (in excess of \$300 million).

- Continued interest from overseas investors in the food and beverage industry, including:
  - Five acquisitions by Asian based businesses: Fuji Oil Holdings (Japan), Hong Leong Group (Malaysia) Verita, Healthcare Group (Singapore) and 4Fingers (Singapore); and
  - Acquisitions by The Coca Cola Company (USA), Hellers (New Zealand) and George Weston Foods (UK).

The IPO market was also active with three companies listed on the ASX in the quarter. The proposed listing of SunRice on the ASX will broaden the food companies listed on the ASX.

The third quarter was a standout from a transaction volume perspective. In 2018 we have seen many transactions in the \$200 million to \$500 million band. Only the Natures Care transaction (value of \$800 million) in the second quarter was above this band.

The deal pipeline for the final quarter of 2018 is considered healthy with investors showing strong interest in the food and beverage industry. Our expectation is for a strong finish to the year as the industry fundamentals remain attractive to investors.



## Acquisitions announced

### Primary product and processing

DATE	TARGET NAME	ACQUIRER	SECTOR
18 Jul 18	Koroit dairy plant	Bega Cheese	Dairy
25 Jul 18	Moira Mac's	Hellers	Poultry processing
22 Aug 18	ProTen	First State Super/ROC Partners	Poultry
24 Aug 18	Fortune Group	Tassal	Seafood
28 Aug 18	Flahey's Nutritionals	Australian Dairy Farms	Dairy
30 Aug 18	Top Cut Foods	Management team	Meat processing
2 Sept 18	M&J Chicken	The Growth Fund	Poultry processing
24 Sept 18	Hellers	Adamantem Capital	Smallgoods

Bega Cheese acquired the Koroit dairy processing plant in Victoria from Murray Goulburn for \$250 million. The Koroit milk-drying facility is one of Murray Goulburn's top three processing assets, capable of processing between 800 million and a billion litres of milk. Murray Goulburn was required by the ACCC to sell the Koroit plant as part of the takeover of Murray Goulburn by Saputo.

New Zealand-based smallgoods manufacturer, Hellers, acquired Moira Mac's, a Bendigo based manufacturer of chilled, ready-to-eat chicken products. Moira Mac's has grown sales to over \$40 million and supplies product to Coles, Woolworths and Aldi. The Moira Mac's acquisition is a key part of Hellers' Australian growth strategy.

Two months following the Moira Mac's acquisition, Adamantem Capital announced the acquisition Hellers in a deal reported to be worth \$200 million.

ProTen, the biggest independent chicken farmer in Australia, has received a takeover offer from FSS Agriculture for \$350 million. FSS Agriculture is owned by First State Super. The ProTen business originated in New Zealand and specialises in the design, construction and operation of broiler chicken farms in Australia.

ASX listed Tassal Group acquired the land, assets and inventory of Fortune Group for \$30.3 million. Fortune Group is one of the largest prawn farming businesses in Australia and operates three prawn farms. Tassal Group will invest about \$34 million in the prawn business over the next three to five years.

The Growth Fund acquired a majority shareholding in M&J Chickens from the founding Souris family. M&J Chickens was established in 1982 and is a national poultry supplier, with both fresh poultry and "ready to eat" value added products distributed in the foodservice channel.

Other transactions include Australian Dairy Farms' \$1.5 million acquisition of Flahey's Nutritionals. Flahey's is a producer of organic infant formula products. Simplot has exited the Top Cut Foods business through a sale to the management team of the business.



## Processed, packaged food and beverage

DATE	TARGET NAME	ACQUIRER	SECTOR
5 Jul 18	Industrial Food Service	Fuji Oil Holdings	Industrial supply
12 Jul 18	Life Savers lolly brand	Darrell Lea	Confectionery
23 Jul 18	Fine Food Holdings	CHAMP Private Equity	Packaged food
13 Aug 18	Capilano Honey	Wattle Hill & ROC Partners	Health & Natural
13 Aug 18	Crankt Protein	Freedom Foods Group	Sports nutrition
15 Aug 18	New World Foods	Quinn Foods	Meat snacking
28 Aug 18	Impromy	Blackmores	Vitamins & supplements
12 Sept 18	MOJO Kombucha	The Coca Cola Company	Beverages
14 Sept 18	Herbsmart Pharmaceutical (50%)	AuMake International	Health & Natural
17 Sept 18	Yumi's Quality Foods	George Weston Foods	Packaged food
19 Sept 18	Roza's Gourmet	Riviana Foods	Packaged food
24 Sept 18	IXL and Taylor's brands	Kyabram Conserves Company	Packaged food
27 Sept 18	Manuka Health	Hong Leong Group	Health & Natural

Fuji Oil Holdings, a Japan-based food ingredient company, acquired Industrial Food Services, an industrial chocolate manufacturer with revenue of ~\$30 million.

Darrell Lea acquired the iconic Life Savers lolly brand from Nestle. Darrell Lea also acquired the Black Knight, Heards, Fabulicious, Odd Fellows & Mackintosh's brands through its subsidiary RJ's Licorice in New Zealand. Darrell Lea will move manufacturing of Life Savers from New Zealand to Darrell Lea's manufacturing facility at Ingleburn in south-west Sydney.

CHAMP Private Equity acquired the businesses of Max Foods and Fine Food Holdings. The combined entity has been renamed Gourmet Foods and manufactures, imports and distributes premium crackers, sugar-free biscuits and chilled and packaged seafoods. CHAMP is expected to grow the portfolio of brands with a focus on premium entertaining food categories.

The largest transaction announced for packaged food products in the quarter was the takeover offer for ASX listed Capilano Honey. Private equity funds, Wattle Hill and ROC Partners announced a \$20.06 per share offer for the listed company, with an option to receive the consideration in either cash or script. Capilano shareholders will vote in November 2018 to decide whether to approve the offer.

Tony Quinn acquired beef jerky manufacturer New World Foods. New World Foods operates from Casino in NSW and is best known for the Mariani and Local Legends beef jerky brands.

George Weston Foods acquired Yumi's Quality Foods from Anacacia Capital. Yumi's makes non-dairy and gluten free dips, snack bites and smoked fish. The business has capacity to produce 100 tonnes of hommus a week.



Malaysian-based Hong Leong Group acquired Manuka Health from Pacific Equity Partners. Manuka Health is New Zealand’s largest producer of manuka honey and in 2015 produced 1,000 tonnes of honey. The deal size is reported to be more than \$300 million.

Smaller transactions in the packaged and processed sector in the quarter include:

- Freedom Foods Group acquired sports nutrition brand owner, Crankt Protein for \$3.5 million;
- Blackmores acquired CSIRO-endorsed weight management program Improvy for \$9 million;
- The Coca Cola Company acquired MOJO Kombucha from the founders of the business;
- ASX listed AuMake International acquired a 50% shareholding in Herbsmart Pharmaceutical for no consideration;
- Riviana Foods acquired Roza’s Gourmet, a manufacturer of chilled sauces and dips; and
- SPC sold the IXL Jam brand and the Taylor’s Marinade and Sauces brand to Kyabram Conserves Company, a company backed by Millinium Capital Managers.

## Other

DATE	TARGET NAME	ACQUIRER	SECTOR
Aug 18	Metro Foodservice	Daily Fresh	Foodservice distribution
13 Aug 18	Guzman y Gomez (minority)	TDM Growth Partners	Hospitality
21 Aug 18	Mitavite horse feed	Adamantem Capital	Animal feeds
11 Sept 18	AVS Nutrition (70%)	Verita Healthcare Group	Sports nutrition
18 Sept 18	Mad Mex (50%)	4Fingers (Singapore)	Hospitality

Guzman y Gomez received a \$44 million investment from TDM Growth Partners for a minority stake in the business. The capital raised will be used to fund the expansion of the Guzman y Gomez store network from the current 177 stores to 500 stores in Australia. The fast food chain is also looking to expand into the US with a proposed stock exchange listing providing a future exit for shareholders.

Mexican fast food chain, Mad Mex, sold a 50% stake in the business to 4Fingers. 4Fingers is a Singaporean casual dining brand that specialises in crispy Asian style chicken. The partnership with 4Fingers is expected to boost Mad Mex’s international expansion through Southeast Asia.

Adamantem Capital acquired high performance horse feed brand Mitavite from Inghams Group for \$59.5 million. Mitavite is the second acquisition by Adamantem in the premium horse feed sector following the acquisition of Hygain in November 2017 for \$150 million. Adamantem is expected to merge the two businesses and expand the merged business into the United States.

Singapore-based Verita Healthcare Group acquired a 70% shareholding in AVS Nutrition. AVS Nutrition is a leading contract manufacturer of food, vitamins, supplements and complementary medicine.



## Listings on the ASX and NSX

DATE	ENTITY NAME	CAPITAL RAISED	ISSUE PRICE	SECTOR
2 Jul 18	Marley Spoon	\$70 million	\$1.42	Meal kits
Jul 18	Wide Open Agriculture	\$5 million	\$0.20	AgTech
18 Jul 18	Keytone Dairy	\$15 million	\$0.20	Dairy

Marley Spoon AG listed on the ASX following a \$70 million capital raise. Marley Spoon distributes home meal kits and recipes to more than 110,000 customers in Australia, Germany, Austria, Netherlands, Belgium and the United States. Australia accounts for 37% of Marley Spoon's total revenues.

Wide Open Agriculture is a Perth based business that focuses on ecologically sustainable food. Wide Open Agriculture is focused on three business areas: producing premium crops in high-tech greenhouses, selling produce via an eco-brand called Food for Reasons and regenerating farm land.

Keytone Dairy is a New Zealand-based manufacturer, packer and exporter of dairy and nutrition blended products. Keytone Dairy exports products globally, including to China where Keytone holds a CNCA license to import dairy products into China.



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 originated and advised on a variety of transactions with a collective value more than \$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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