



FOOD & BEVERAGE INDUSTRY

2018 REVIEW OF CORPORATE ACTIVITY

2018 has been another busy year for mergers and acquisitions in the food and beverage industry, with the number of deals announced in 2018 exceeding that of 2017. Comet Line Consulting's review of transactions in the food and beverage industry and key trends are summarised below.

Fewer large transactions

In 2018, only two transactions with values in excess of \$400 million were announced compared to three transactions in 2017. The 2018 transactions include Tegel (NZ\$438 million) and Nature's Care (estimated in excess of \$800 million). Whilst the number of large transactions has reduced, the total number of transactions has increased. In 2018, Comet Line identified 52 transactions in the industry compared to 44 transactions in 2017. Most transactions fell in the \$10 million to \$100 million enterprise value range.

Increased private equity participation in transactions

2018 witnessed increased participation by private equity and family office investors in the food and beverage

industry. 18 of the 52 transactions announced in 2018 (35%) involved private equity or family office investors. In 2017, 30% of transactions involved financial investors.

Significant decrease in IPO's

There were 3 IPOs in the food and beverage industry in 2018 compared to 8 IPOs in 2017. In 2018 \$93 million was raised by companies listing on the ASX, compared to \$80 million that was raised in 2017. The capital raised through IPO's in 2017 and 2018 was significantly lower than 2016, when \$1 billion was raised by food and beverage companies listing on the ASX.

For the purposes of the review we classified acquisitions in 2018 as **Primary Production, Processed / Packaged Foods or Other**.

We hope that you get value from reflecting on these transactions and if you have any specific questions, please don't hesitate to contact us at www.cometlineconsulting.com.au.

PRIMARY PRODUCTION

DAIRY

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|-----------------------------|--------------------------|
| 2 May 18 | The Collective (39%) | Pencarrow Private Equity |
| 11 May 18 | Shenzhen JiaLiLe Food (10%) | Freedom Foods |
| 21 May 18 | CBDG Joint Venture (45%) | Wattle Health |
| 20 Jun 18 | St David Dairy | Longtable Group |
| 18 Jul 18 | Koroit dairy plant | Bega Cheese |
| 28 Aug 18 | Flahey's Nutritionals | Australian Dairy Farms |

The dairy sector was active with 6 transactions announced in the year. The standout transaction in the dairy sector was the acquisition of the Koroit dairy processing plant by Bega Cheese 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.

Wattle Health raised \$54 million through a share issue to fund its participation in the Corio Bay Dairy Group (CBDG) joint venture. The CBDG joint venture will build and operate an organic dried milk powder plant that can process up to 200,000 litres of fresh organic milk each day. The CBDG milk spray drying plant will be located at Geelong in Victoria.

Longtable Group acquired Melbourne based St David Dairy for \$15.25 million. St David is a premium foodservice dairy brand and services Melbourne's leading cafés, restaurants and retailers with a range of milk, butter, cream and yogurt.

Other transactions include Australian Dairy Farms' \$1.5 million acquisition of Flahey's Nutritionals. Flahey's is a producer of organic infant formula products.

Listings on the ASX

| DATE | ENTITY NAME | CAPITAL RAISED | ISSUE PRICE | 31 DEC 18 PRICE |
|-----------|---------------|----------------|-------------|-----------------|
| 18 Jul 18 | Keytone Dairy | \$15 million | \$0.20 | \$0.35 |

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





MEAT PROCESSING AND SMALLGOODS

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|---------------|-------------------|
| 30 Aug 18 | Top Cut Foods | Management team |
| 24 Sept 18 | Hellers | Adamantem Capital |

Simplot has exited the Top Cut Foods business through a sale of the business to the management team.

Adamantem Capital acquired smallgoods manufacturer, Hellers, in a deal reported to be worth \$200 million.





POULTRY

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|---------------------|--------------------------------|
| 4 May 18 | Turi Foods (merger) | OSI International Foods |
| 29 May 18 | Tegel Group | Bounty Fresh Foods |
| 25 Jul 18 | Moira Mac's | Hellers |
| 22 Aug 18 | ProTen | First State Super/ROC Partners |
| 2 Sept 18 | M&J Chicken | The Growth Fund |

The poultry sector stood out with five transactions announced in the year. This is double the number of transactions announced in the poultry sector compared to 2017. Australians are consuming more meat products in food-service occasions with consumption increasing by 6% in 2017/2018. Chicken is the most heavily consumed meat product in Australia, with strong growth in the QSR channel. This increased popularity of chicken as a source of animal protein is a key driver behind the increase in the number of transactions in the poultry sector.

Tegel Group was taken over by Philippine-based Bounty Fresh Foods for NZ\$438 million. Bounty Fresh Foods operates a farm-to-market strategy resulting in it controlling and managing the entire supply and production chain. Bounty intends to use Tegel as a source of poultry supply for Asian markets, including the Philippines. Tegel started supplying product into the Philippines in 2016 and the Philippines is an important market for Tegel's push into export markets.

ProTen, the biggest independent chicken farmer in Australia, was acquired by 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.

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.

Turi Foods, a leading Australian processor of chicken, announced a merger with US-owned OSI Group. OSI Group is a supplier of value-added food products across Australia and internationally and is a major supplier of beef to McDonald's.

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.



SEAFOOD

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|--------------------------|----------------------|
| 9 Apr 18 | Australia's Oyster Coast | ROC Partners |
| 23 May 18 | Seafarms Group (15%) | Nippon Suisan Kaisha |
| 24 Aug 18 | Fortune Group | Tassal |

Private equity firm, ROC Partners, announced a \$20 million investment in NSW oyster business, Australia's Oyster Coast. Australia's Oyster Coast was formed in 2015 by combining a number of NSW south coast oyster growers. The investment resulted in ROC Partners taking a majority interest in Australia's Oyster Coast. \$10 million of the investment was made on behalf of the GO NSW Equity Fund with contributions from the NSW Government and First State Super.

ASX listed Seafarms announced a \$25 million equity investment in the group by Nippon Suisan Kaisha for a 15% shareholding stake. The proceeds from the share placement will fund the development of project Sea Dragon, a large-scale land-based prawn aquaculture project in northern 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 development of the prawn business over the next three to five years.

Listings on the ASX

| DATE | ENTITY NAME | CAPITAL RAISED | ISSUE PRICE | 31 DEC 18 PRICE |
|-----------|------------------------|----------------|-------------|-----------------|
| 21 Feb 18 | Angel Seafood Holdings | \$8 million | \$0.20 | \$0.135 |

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.



PROCESSED / PACKAGED FOODS

SNACKING and CONFECTIONERY

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|--------------------------|-------------------------|
| 11 Jan 18 | Violet Crumble brand | Robern Menz |
| 15 Jan 18 | Darrell Lea (~85%) | Quadrant Private Equity |
| 5 Jul 18 | Industrial Food Service | Fuji Oil Holdings |
| 12 Jul 18 | Life Savers lolly brand | Darrell Lea |
| 15 Aug 18 | New World Foods | Quinn Foods |
| 16 Oct 18 | Heritage Fine Chocolates | Darrell Lea |
| 9 Nov 18 | Go Natural | Pharmacare |

The largest transaction concluded in the snacking and confectionery category is Quadrant Private Equity's acquisition of an 85% stake in Darrell Lea. The transaction valued the Darrell Lea business at approximately \$200 million. The Quinn family retained a minority shareholding in the Darrell Lea business.

After being acquired by Quadrant Private Equity, Darrell Lea made two bolt-on acquisitions. Darrell Lea acquired the iconic Life Savers lolly brand from Nestle. In the same transaction Darrell Lea's New Zealand subsidiary, RJ's Licorice, acquired the Black Knight, Heards, Fabulicious, Odd Fellows & Mackintosh's brands. Darrell Lea will move manufacturing of Life Savers product from New Zealand to Darrell Lea's manufacturing facility at Ingleburn in the south-west of Sydney.

Darrell Lea also acquired Melbourne-based independent chocolate company Heritage Fine Chocolates. The purchase enables Darrell Lea to establish a chocolate "centre of excellence" and will create up to 50 new jobs within the first year of operation with all Heritage staff retained by Darrell Lea.

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

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.

Pharmacare acquired Go Natural, one of the leading healthy-snack brands in Australia. Pharmacare has indicated that it will further support and develop the Go Natural brand to achieve future growth.



Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|----------------------------|-----------------|
| Jan 18 | Noisette Bakery | Next Capital |
| 16 Mar 18 | Boscastle Pastries & Foods | Patties Foods |
| 11 Apr 18 | Q Catering & Snap Fresh | dnata |
| Oct 18 | Brasserie Bread Company | Noisette Bakery |
| 7 Nov 18 | Bakery Du Jour | Lantmännen |

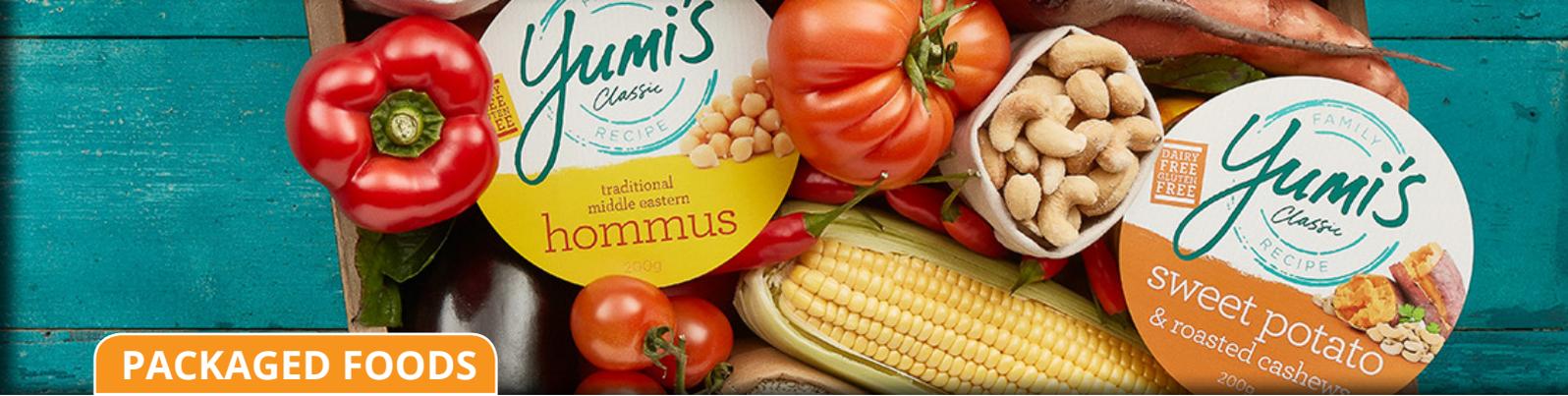
Private equity firm Next Capital acquired Noisette Bakery in January 2018. Noisette is a Melbourne-based artisanal commercial bakery that sells a range of breads, cakes and pastries.

Noisette Bakery acquired Brasserie Bread in September 2018. Brasserie Bread provided Noisette with a platform for expansion into the Sydney market.

Patties Foods acquired Boscastle Pastries in April 2018. Boscastle produces 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 artisanal products in the savoury, frozen and chilled categories.

Australian pastry manufacturer Bakery Du Jour was acquired by Lantmännen, an international bakery group. The family-owned Bakery Du Jour was founded more than 20 years ago and is a leading supplier of premium pastry products to major Australian retailers as well as foodservice customers. Lantmännen considers the acquisition an important step to expand its global footprint.





PACKAGED FOODS

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|----------------------|-------------------------|
| 26 Feb 18 | Birch & Waite Foods | Blue Sky Private Equity |
| 23 Jul 18 | Fine Food Holdings | CHAMP Private Equity |
| 17 Sept 18 | Yumi's Quality Foods | George Weston Foods |
| 19 Sept 18 | Roza's Gourmet | Riviana Foods |

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

CHAMP Private Equity acquired the businesses of Max Foods and Fine Food Holdings. The combined entity was 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 food categories.

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.

Riviana Foods acquired Roza's Gourmet, a manufacturer of chilled sauces and dips.





SPORTS NUTRITION

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|---------------------|-------------------------|
| 13 Aug 18 | Crankt Protein | Freedom Foods Group |
| 11 Sept 18 | AVS Nutrition (70%) | Verita Healthcare Group |

Freedom Foods Group acquired sports nutrition brand owner, Crankt Protein for \$3.5 million.

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.

HEALTHY & NATURAL

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|--------------------------------|----------------------------|
| 13 Aug 18 | Capilano Honey | Wattle Hill & ROC Partners |
| 14 Sept 18 | Herbsmart Pharmaceutical (50%) | AuMake International |
| 27 Sept 18 | Manuka Health | Hong Leong Group |

Private equity funds, Wattle Hill and ROC Partners completed the takeover of Capilano Honey. Capilano shareholders were offered \$21 per share or the option to remain shareholders of Capilano as an unlisted entity.

Malaysian-based Hong Leong Group acquired Manuka Health from Pacific Equity Partners. The deal size was reported to be more than \$300 million. Pacific Equity Partners acquired control of Manuka Health in September 2015. Manuka Health is New Zealand's largest producer of manuka honey.



OTHER FOOD AND BEVERAGE

NON-ALCOHOLIC BEVERAGES

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|------------------|-----------------------|
| 12 Sept 18 | MOJO Kombucha | The Coca Cola Company |
| 4 Oct 18 | Made Group (45%) | The Coca Cola Company |

The Coca Cola Company announced two beverage transactions in the year. Coca Cola acquired MOJO Kombucha, a brand of organic, naturally fermented kombucha, from the founders of the business.

Coca Cola also acquired a 45% shareholding in Made Group. Made Group owns several popular beverage brands including Cocobella (coconut water), Rokeby Farms, Impressed and NutrientWater.

ROAST AND GROUND COFFEE

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|--------------------|----------------------|
| Mar 18 | Locale Espresso | Genovese Coffee |
| Jun 18 | Blue Pod Coffee Co | Luigi Lavazza S.p.A. |
| 29 Oct 18 | The Bean Alliance | Massimo Zanetti |

Locale Espresso was acquired by Genovese Coffee. Comet Line Consulting advised on this transaction.

Italian coffee group Massimo Zanetti acquired "The Bean Alliance" for \$17 million plus a potential earnout. The deal strengthens Zanetti's exposure to the Australian market and forms part of a strategy to expand abroad as competition intensifies in Italy.



PETFOOD & ACCESSORIES

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|------------|--------------------------|---------------------------|
| 21 Sept 18 | Love'em and Vet's Best | The Real Pet Food Company |
| 5 Nov 18 | Greencross Ltd | TPG Capital Asia |
| 14 Nov 18 | Benyfit Natural Pet Food | The Real Pet Food Company |

The largest transaction announced was the takeover offer received by Greencross Ltd from TPG Capital. The offer of \$5.55 per share represents a 45% premium to the Greencross monthly share price to 9 October and implies a \$675 million equity value for the company.

VITAMINS, SUPPLEMENTS & NUTRACEUTICALS

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|---------------|----------------------------------|
| 11 Apr 18 | Nature's Care | JIC Investments & Tamar Alliance |
| 28 Aug 18 | Impromy | Blackmores |

The standout transaction was the acquisition of a controlling interest in Australia's third largest vitamins company, Nature's Care. Nature's Care was acquired by a consortium that includes Beijing-based China Jianyin Investment and Tamar Alliance, a joint venture between CITIC and Dah Chong Hong. The Wu family retained a minority shareholding interest in Nature's Care. Financial terms of the deal were not disclosed, but industry sources have estimated the deal size at around \$800 million.

Blackmores acquired CSIRO-endorsed weight management program, Impromy for \$9 million.





ANIMAL FEED

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|---------------------|-------------------|
| 21 Aug 18 | Mitavite horse feed | Adamantem Capital |

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.

ALCOHOLIC BEVERAGES – CRAFT BEER

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|------------------------------|------------------------|
| 28 Mar 18 | Tribe Breweries (investment) | Advent Private Capital |
| 8 Jun 18 | Matso's Broome Brewery | Gage Roads Brewing Co |

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

ASX listed Gage Roads Brewing Co announced the acquisition of 100% of Matso's Broome Brewery for \$13.25 million plus deferred payments. Matso's is an iconic WA beer brand best known for its ginger and mango beer varieties. The transaction was based on a run-rate EV/EBITDA of 5.3x.





FOODSERVICE & GROCERY DISTRIBUTION

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|-----------|------------------------|---------------------|
| 6 Mar 18 | Goldline Distributors | Bidfood Australia |
| 5 Apr 18 | Hollier Dicksons | PFD Food Services |
| 13 May 18 | Aussie Farmers Direct | Your Grocer |
| Aug 18 | Frozpack Food Services | Superior Food Group |
| Aug 18 | Metro Foodservice | Daily Fresh |

PFD Foodservice announced the acquisition of Hollier Dicksons in April 2018. Hollier Dicksons is a national wholesale distributor that specialises in confectionery, snack foods and beverages. The acquisition introduced a new category into PFD's product range and elevated PFD into the confectionery distribution sector as a national participant.

Listings on the ASX

| DATE | ENTITY NAME | CAPITAL RAISED | ISSUE PRICE | 31 DEC 18 PRICE |
|----------|--------------|----------------|-------------|-----------------|
| 2 Jul 18 | Marley Spoon | \$70 million | \$1.42 | \$0.45 |

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.

FRUIT & VEG PROVIDORES

Acquisitions announced

| DATE | TARGET NAME | ACQUIRER |
|----------|--------------------|---------------|
| 1 Jan 18 | T&F All States | In2Food Group |
| 1 Jan 18 | Yarra Valley Farms | In2Food Group |
| 1 Jan 18 | Briz Fresh | In2Food Group |

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 was estimated to be \$50 million.

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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