



# FOOD & BEVERAGE INDUSTRY

## Mergers & Acquisitions Q1 2019

Welcome to the Comet Line quarterly newsletter, where we review corporate activity in the first quarter of 2019.

Corporate activity for the quarter was relatively subdued with eleven transactions announced. In comparison, ten transactions were announced in the first quarter of 2018.

The transaction that stood out in the quarter was the acquisition of an additional 50% shareholding in Goodman Fielder by Wilmar International. Wilmar paid First Pacific US\$180 million for a 50% shareholding in Goodman Fielder and US\$120 million for First Pacific's shareholders loan (total consideration of US\$300 million). Following completion of the transaction, Wilmar will be the sole shareholder of Goodman Fielder.

As part of the ongoing consolidation of the healthy snacking market, Vitality Brands sold the Well Naturally and Power Super Foods brands to Darrell Lea. Well Naturally is Australia's leading sugar-free chocolate brand with distribution through the corporate and independent retail channels. Power Super Foods is a heritage nutritional superfoods brand. Comet Line Consulting advised Vitality Brands on the disposal of the two food brands to Darrell Lea.

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.



## Acquisitions announced

Date	Target Name	Acquirer	Sector
Jan 19	HealthLab (investment)	M.H. Carnegie & Co	Healthy snacking
5 Feb 19	Mareterram	Sea Harvest Group	Seafood
8 Feb 19	Mackay Sugar	NordZucker	Sugar
27 Feb 19	Allied Pinnacle	Nisshin Foods	Baked goods & milling
1 Mar 19	Maggie Beer Products (52%)	Longtable Group	Packaged Foods
11 Mar 19	Goodman Fielder (50%)	Wilmar International	Baked goods
14 Mar 19	Sushi Sushi	Odyssey Capital	Hospitality
19 Mar 19	Westland Milk Products	Hongkong Jiang Trade Holdings	Dairy
22 Mar 19	Four Pillars Gin (50%)	Kirin Australia (Lion)	Alcoholic beverages
29 Mar 19	Well Naturally and Power Super Foods	Darrell Lea Confectionery	Healthy snacking
1 Apr 19	Australia Deloraine Dairy	Bubs Australia	Dairy

South Africa-based fishing group, Sea Harvest submitted a takeover offer to acquire the shares of ASX-listed Mareterram not owned by Sea Harvest. Before launching the takeover offer, Sea Harvest had a 56% shareholding in Mareterram. The takeover offer valued the issued equity of Mareterram at \$39 million. The offer represents a FY18 EV/EBITDA multiple of 21x and a 10.8x EV/EBITDA multiple of future maintainable earnings. The offer is scheduled to close on 5 April 2019.

Nordzucker, Germany's second largest sugar refiner, acquired a 70% stake in Mackay Sugar. Nordzucker will invest \$60 million as equity capital in Mackay Sugar and will advance a loan of \$60 million as part of the transaction. The funds raised from the transaction will be used for maintenance and capital expenditures to increase the capacity of Mackay Sugar's remaining plants.

Japan's Nisshin Foods acquired Allied Pinnacle from Pacific Equity Partners for \$950 million (enterprise value). Pacific Equity Partners acquired Pinnacle Bakery & Integrated Solutions from Kerry Group in 2015 for approximately \$200 million. The Pinnacle Bakery business was merged with Allied Mills in 2017 to form Allied Pinnacle. Nisshin Foods forms part of the Nisshin Seifun Group with a primary focus on the production of pasta products, dried noodles, chilled, refrigerated and frozen food products.

Maggie Beer and her husband Colin sold the remaining 52% of Maggie Beer Products to Longtable Group in a deal worth \$10 million. As a result, ASX listed Longtable Group will become the sole shareholder of Maggie Beer Products.

First Pacific sold its 50% shareholding in Goodman Fielder to Wilmar International for US\$180 million and First Pacific's shareholders loan for US\$120 million (total consideration of US\$300 million). Wilmar will pay an additional US\$25 million if Goodman Fielder's EBITDA reaches US\$235 million in the year to December 2020.

Hongkong Jiang Trade Holdings, a subsidiary of China's Yili Industrial Group, acquired New Zealand dairy company, Westland Milk Products, for NZ\$588 million. Under the transaction the former shareholders of Westland will be able to sell their product to Westland and receive a payment not less than the Fonterra farm gate milk price. The pricing floor will be in place for ten seasons. Yili also owns Oceania, a South Canterbury company that Yili acquired in 2013.

Kirin Australia's beer business, Lion, acquired a 50% interest in Four Pillars Gin. Four Pillars Gin is located in Healesville (VIC) and was established in 2013. Four Pillars will use the investment from Lion to expand distribution of its product to global markets.



Vitality Brands announced the sales of its Well Naturally and Power Super Foods brands to Darrell Lea. Well Naturally is the leading sugar-free chocolate brand in Australia with distribution through the corporate and independent retail channels. Power Super Foods is a nutritional superfoods brand with distribution in independent retail and the health food channels.

Comet Line Consulting advised Vitality Brands on the sale of Well Naturally and Power Super Foods to Darrell Lea.

ASX listed Bubs Australia announced the acquisition of Australia Deloraine Dairy for a consideration of \$35 million, settled \$25 million in cash and \$10 million in shares. The transaction includes an earnout component with payments of up to \$15 million if certain targets are met. Deloraine is an infant formula producer and one of just 15 licenced canning facilities in Australia that meets regulatory import conditions into China.

In January Patties Foods announced that it had acquired Simplot's Pakenham production facility. Simplot announced the closure of the Pakenham facility in August 2018, after exiting the frozen meals category. Patties will use the Pakenham site to produce the company's chilled range and sweet options.

## Listings on the ASX

Date	Entity Name	Capital raised	Sector
19 Feb 19	Candy Club	\$5 million	Confectionery distribution

The IPO market was also subdued during the quarter with one listing on the ASX. Confectionery distributor, Candy Club, listed on the ASX and raised \$5 million in the process.

## Business placed in administration

Australian online food delivery company Five Point Four was placed in administration. Five Point Four offered customers low carb, high protein meals. The company listed increased competition and the cost to serve as reasons for placing the business into administration.



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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