



# FOOD & BEVERAGE INDUSTRY

## Mergers & Acquisitions Q3 2019

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

Corporate activity in the food and beverage industry accelerated in the third quarter with twenty transactions announced. During the quarter three transactions in excess of \$1 billion were announced:

- Asahi acquired Carlton & United Breweries from Anheuser-Busch for \$16 billion;
- KKR & Co acquired Campbell Soup Company's Asia Pacific business for \$3.14 billion; and
- Mengniu Dairy Company submitted a \$1.5 billion takeover offer for Bellamy's Organic.

The profiles of the acquirers in the quarter are of interest:

- Four transactions (20%) had financial investors (private equity and family office) as acquirers;
- Four transactions featured multinational trade buyers, including two of the largest transactions, the acquisition of Carlton & United Breweries and the takeover offer for Bellamy's Organic; and
- The remaining twelve transactions involved domestic trade buyers who pursued acquisitions for varying reasons.

We also found the acquisitions of Hummingbird Superfoods and Super Cubes by Bega Cheese and Keytone Dairy respectively of interest. Both businesses were recently established, and the acquisitions are small relative to the size of the acquirers. The strategic intention of the acquirers to expand into early stage categories and/or distribution channels with future growth prospects are considered the key drivers of the acquisitions.

The outlook for transactions in the food and beverage industry for the remainder of the year remains positive with several sale processes in the pipeline. The fundamentals that drove industry sales growth in recent years will continue to attract investors to the food and beverage industry.



## Transactions announced

Date	Target Name	Acquirer	Sector
1 July 2019	LJM (NSW) - merger	Multipack	Contract pack
8 July 2019	Universal Robina Oceania (40%)	Intersnack	Snacking
12 July 2019	Extrusion assets of Feed Rite	SunRice Group	Animal feed
12 July 2019	Craveable Brands	PAG Asia Capital	Hospitality
19 July 2019	Carlton & United Breweries	Asahi	Alcoholic beverages
24 July 2019	Campbell Asia Pacific business	KKR & Co	Biscuits
24 July 2019	Sacred Grounds	Thirty Second Bean Co	Coffee
1 Aug 2019	Talbot Forest Cheese	Synlait Milk	Dairy
7 Aug 2019	Made by Cow (27%)	Light Warrior	Dairy
8 Aug 2019	Australian Natural Milk Assoc. (70%)	Jatenergy	Dairy
13 Aug 2019	Schwob's Swiss Bakery	Jurgens Swiss Bread	Baked goods
20 Aug 2019	Exmoor Station	Tassal Group	Seafood
21 Aug 2019	Green Beacon	Asahi	Craft beer
28 Aug 2019	Celebrity Slim	Global Brands Australia	Nutrition
2 Sept 2019	Tradition Smallgoods	Undisclosed buyer	Smallgoods
3 Sept 2019	Original Juice Co label	Food Revolution Group	Beverages
11 Sept 2019	Hummingbird Superfoods	Bega Cheese	Health and wellness
16 Sept 2019	Bellamy's Organic	Mengniu Dairy Company	Infant formula
18 Sept 2019	Super Cubes	Keytone Dairy	Health and wellness
18 Sept 2019	Berry Yummy Marketing	Perfection Fresh	Fresh produce
25 Sept 2019	DFE Pharma (50%)	CVC Capital Partners	Manufacturing

Sydney-based contract packing businesses, Multipack and LJM (NSW) announced the merger of their respective operations. The combined Multipack and LJM business will be a significant participant in the Sydney contract packing and repacking market. Comet Line Consulting advised on the merger of Multipack and LJM (NSW).

German based Intersnack acquired a 40% shareholding in Universal Robina's Oceania business. Universal Robina Oceania's portfolio includes: Snack Brands Australia (Australia's second largest player in salty snacks) and Griffin's Food Company (New Zealand biscuit producer). Intersnack will merge Yarra Valley Snack Foods with Universal Robina Oceania as part of the transaction. Intersnack operates in 24 countries, is privately owned and has turnover of ~€2 billion.

PAG Capital Asia acquired Craveable Brands from Archer Capital for \$500 million. Craveable Brands is the master franchisor and store owner of well-known chicken-based quick service restaurants: Oporto, Red Rooster and Chicken Treat.



Asahi acquired Carlton & United Breweries from Anheuser-Busch for a consideration of \$16 billion. The transaction values the CUB business at a 14.9x multiple of December 2018 EBITDA. CUB was acquired by SABMiller in 2011. SABMiller was taken over by Anheuser-Busch in 2015 and ownership of CUB transferred to Anheuser-Busch. With the acquisition of CUB by Asahi, 90% of the Australian beer market will be owned by two Japanese companies Kirin (owner of Lion) and Asahi (owner of CUB). Brands owned by CUB include Carlton Draught, Victoria Bitter and Great Northern.

The acquisition of the Asia Pacific business of Campbells Soup Company by private equity firm, KKR & Co, is the largest deal concluded in the food industry this year. Campbell's Asia Pacific business comprises the regional portfolio of Campbell brands spanning soup, stock, juice and ready meals distributed in Australia, New Zealand, Indonesia, Malaysia, Singapore, Hong Kong and Japan. Most sales are generated by Arnott's, which includes well-known biscuit brands Tim Tam and Shapes. The transaction valued Campbell's Asia Pacific business on a 13.5x forecast 2019 EBITDA multiple.

Synlait Milk acquired Talbot Forest Cheese for a consideration of NZ\$37.8 million. Talbot Forest Cheese operates a highly automated plant, manufacturing dry and brie salted products including parmesan, cheddar, gouda and mozzarella for retail and foodservice customers.

Tassal Group acquired the Exmoor Station property in Queensland for \$25 million. Tassal intends to convert the Exmoor property into a prawn production facility over a 3-year period. Tassal is targeting 20,000t of prawn production in 3-years' time.

Light Warrior, a family office managed on behalf of Radek Sali, has taken a 27% stake in Made by Cow following a \$3 million investment in the business two years ago. Other investors in Made by Cow include Lion Dairy and the founders of the business. Made by Cow is a producer of cold pressed raw milk products.

ASX listed Jatenergy acquired 70% of Australian Natural Milk Association for \$14 million. Australian Natural Milk Association is a Victorian milk powder company and is one of 15 approved infant formula exporters. Jatenergy specialises in trade between China and Australia.

Global Brands Australia acquired health and weight loss shakes maker, Celebrity Slim, for \$6.75 million.

Perfection Fresh acquired Berry Yummy Marketing, one of Australia's foremost strawberry marketing businesses. The acquisition increased Perfection Fresh's market share to 10% of the Australian strawberry market. Perfection Fresh sources strawberries through a network of growers in Queensland, South Australia, Victoria and Tasmania. The Berry Yummy acquisition includes exclusive licenses to new premium strawberry varieties.

Fonterra sold its 50% stake in DFE Pharma for NZ\$633 million to CVC Capital Partners. CFE Pharma is a joint venture with Royal FrieslandCampina. DFE Pharma is a pharmaceutical manufacturer that partners with pharmaceutical firms to develop pulmonary drugs.

Mengniu Dairy Company made a \$1.5 billion takeover offer for Bellamy's Organic. The offer was priced at a 59% premium to Bellamy's trading price before the offer was announced. The offer represents a 30x multiple of Bellamy's FY19 normalised EBITDA. The offer from China-based Mengniu Dairy Company is subject to approval by the Foreign Investment Review Board.





Other notable transactions in the quarter include:

- SunRice acquired the extrusion assets of Feed Rite, a leading manufacturers of rice bran based equine feed.
- Thirty Second Bean Company, the holding company of Campos Coffee, acquired Marrickville-based organic coffee roaster Sacred Grounds.
- Asahi acquired Brisbane based crafter brewer Green Beacon. Green Beacon owns two breweries in Brisbane.
- FFI Holdings sold the Tradition Smallgoods business for a consideration of \$2 million.
- Food Revolution Group acquired the well-known Original Juice Co Black Label from Golden Circle for \$1.25 million. Food Revolution Group plans to use its distribution networks into South East Asia to growth the brand's sales.
- Bega Cheese acquired a minority stake in online breakfast subscription company, Hummingbird Superfoods. The investment will complement Bega's breakfast foods portfolio, which includes Vegemite and peanut butter.
- Keytone Dairy acquired frozen smoothie brand Super Cubes for \$726,000 plus an earnout subject to performance milestones. Omniblend, a subsidiary of Keytone Dairy, is expected to manufacture certain Super Cubes product lines over time.

The deal pipeline for the final quarter of 2019 is healthy with investors showing strong interest in the food and beverage industry. Comet Line expects a strong finish to the year as industry fundamentals remain attractive to investors.

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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