



# FOOD & BEVERAGE INDUSTRY

## REVIEW OF CORPORATE ACTIVITY

### Mergers & Acquisitions Q2 2020

Welcome to the Comet Line quarterly newsletter where we review corporate activity in the second quarter of 2020.

Corporate activity was significantly impacted by the outbreak of coronavirus and the containment measures implemented by the Australian and New Zealand governments. The impact on businesses in the food and beverage industry have varied based on the channels served.

Suppliers and distributors to the foodservice channel were significantly impacted by the closure of foodservice establishments. In Australia restrictions on restaurants and cafes a phased lifting of restrictions started in mid-May 2020, with a significant lifting of restrictions from 1 June 2020. In New Zealand, social distancing restrictions were lifted on 8 June. The phased lifting of restrictions appears to have had the desired effect. Foodservice distributor Bidfood reported weekly sales in the week of 19 April 2020 to bottom out at 35% for the same period in the prior year. Following the lifting of restrictions, weekly sales recovered to 83% of the prior year level for the week ended 14 June 2020.

The impact on suppliers to the retail channel have varied based on the categories supplied. The consumer demand dynamics are changing as consumers adjust to financial uncertainty.

Thirteen transactions were announced in the second quarter of 2020. The transactions announced include ten business disposals and three capital raise transactions. Comet Line expects more capital raise transactions for the third quarter as trading volumes increase and businesses look to shore up balance sheets impacted by the shutdown period.

The outlook for corporate activity depends to a large extent on the pace of economic recovery in Australia and New Zealand.



## Transactions announced

Date	Target Name	Acquirer	Sector
6 March 2020	Sunfresh Salads	HS Fresh Food Holdings	Prepared salads
6 April 2020	Clean Seas Seafood (9.7%)	Hofseth Group	Seafood
22 April 2020	APR Ltd (\$5m capital raise)	Various investors	Non-alcoholic beverages
30 April 2020	PomLife	SPC	Packaged Foods
5 May 2020	Ausfec barline assets	Keytone Dairy	Healthy snacking
14 May 2020	Regal Rogue	Intrepid Spirits	Alcoholic drinks
26 May 2020	Thomas Foods potato business	Mitolo Family Farms	Fresh produce
28 May 2020	Frew International (50%)	Thomas Foods International	Meat processing
28 May 2020	GKC Foods	Barry Callebaut	Confectionery
28 May 2020	Ready Chef & Pasta Master brands	Beak & Johnston	Ready meals
3 June 2020	Kaddy (\$3.5m capital raise)	Consortium of investors	B2B marketplace
9 June 2020	OZ Connect Traders	LJM Victoria	Co-packing
11 June 2020	Beston Global Food's dairy farms	Aurora Dairies	Dairy

HS Fresh Food Holdings acquired the Adelaide-based Sunfresh Salads business. The shareholders of HS Fresh Food Holdings include Fortitude Investment Partners and the shareholders of the Houston's Farm business.

Hofseth Group, a Norwegian biomarine company, invested \$5 million in ASX-listed Clean Seas Seafood. The investment by Hofseth will result in a 9.7% shareholding in Clean Seas Seafood.

Australian Product Research raised \$5 million from investors to fund the growth and expansion of Everlast Premium Waters and Everlast Sports Drinks in Australia.

Fruit processor, SPC acquired the PomLife brand from Australian Pomegranate Growers. The PomLife brand was developed by Australian Pomegranate Growers for distribution into the foodservice channel. SPC will integrate the pomegranate processing operation into its Shepparton plant and will include pomegranate-based products into its fruit portfolio.

ASX-listed Keytone Dairy acquired the manufacturing assets of AusConfec for \$2.25 million. The assets acquired include equipment for the manufacture of protein bars. Keytone Dairy raised \$12.5 million through a share placement to fund the acquisition and future expansion opportunities.

Australian vermouth brand, Regal Rogue, sold a majority stake in the business to Irish drinks firm, Intrepid Spirits. The acquisition is the first major brand acquisition for Intrepid Spirits.

Mitolo Family Farms acquired the fresh potato business of Thomas Foods International. Thomas Foods acquired the potato business in 2013 from the Modello Farms administrator.

Thomas Food International also acquired a 50% stake in Frew International. Frew operates a meat processing facility in Stawell, Victoria. The facility has daily capacity to process more than 6,000 lamb, sheep and goat.





Barry Callebaut Group acquired Victoria-based B2B industrial chocolate manufacturer, GKC Foods. GKC Foods produces chocolate, coatings and fillings for consumer chocolate brands. Barry Callebaut has 10 chocolate and cocoa factories across Asia. The acquisition of GKC Foods will provide Barry Callebaut with a manufacturing presence in Australia.

Ready meals manufacturer Beak & Johnston expanded its brand portfolio by acquiring the Ready Chef and Pasta Master brands from General Mills. Beak & Johnston also entered into a license agreement to manufacture and distribute Latina-branded chilled ready meal products.

B2B alcoholic beverage marketplace Kaddy raised \$3.5 million in funding from a consortium of investors. The funding will be used to enhance the platform capabilities and grow the footprint of the business. The capital raise was supported by KTM Ventures, SpringCapital and John Szangolies.

LJM Victoria, a co-packing business based in Dandenong, acquired OZ Connect Traders, a primary food contract packer based in Carrum Down, Victoria.

ASX-listed Beston Global Food Company sold its dairy farm interests in the Mount Gambier region including water licenses and operating assets for \$40.4 million. Beston Global Food Company will use the proceeds from the sale to reduce debt and focus on the expansion of its mozzarella and dairy nutraceuticals production lines. The transaction is expected to be completed by 30 September 2020.

Atlantic Growth Capital acquired 100% of Tasty Spices in Melbourne in December 2019. Atlantic's intent is to help grow the business further, hiring Primo Foods veteran Ken Keyser as food group CEO and Sean La Faber as general manager sales. The vendors are remaining with the business for an agreed time to ensure a smooth transition to new ownership.

## **Listings on the ASX**

There were no listings of food and beverages companies on the ASX during the second quarter of 2020.

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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