



FOOD & BEVERAGE INDUSTRY

2020 REVIEW OF CORPORATE ACTIVITY

2020 was a challenging year for the food and beverage industry. The outbreak of the coronavirus pandemic and the containment measures implemented by the Australian and New Zealand governments significantly impacted the levels of corporate activity over the course of 2020.

Suppliers and distributors to the foodservice channel were significantly impacted following the closure of clubs, licensed premises in hotels and pubs, casinos and night clubs during the first two quarters of the year. The closure of hospitality venues was gradually eased in all states, except for Victoria, where restrictions were gradually eased in the fourth quarter of 2020.

Less transactions and fewer large transactions

In 2020, four transactions with values in excess of \$400 million were announced compared to seven transactions in 2019 and two transactions in 2018. The large transactions in 2020 include the acquisitions of Coca Cola Amatil (\$9.3 billion), PFD Food Services (\$552 million), Lion's Dairy and Drinks business (\$560 million) and the disposal of Fonterra's China Farms business (NZ\$514 million). Several of the large transactions are still subject to ACCC or court/shareholder approval. The total number of transactions in 2020 amounted to 50, a decrease from the 59 transactions in 2019 and consistent with the 50 transactions in 2018.

Reduction in financial investor participation

2020 witnessed a decrease in participation in transactions by financial investors (private equity and family office investors) in the food and beverage industry. 10 of the 50 transactions announced in 2020 (20%) involved financial investors. This compares to 24% of transactions in 2019, 36% of transactions in 2018 and 30% of transactions in 2017.

IPO volumes remain low

There were 4 IPOs in the food and beverage industry in 2020 compared to 5 IPOs in 2019, 3 IPOs in 2018 and 8 IPOs in 2017. In 2020, \$95 million was raised by companies listing on the ASX, compared to \$90 million raised in 2019 (\$93 million in 2018 and \$80 million in 2017). The capital raised through IPOs over the past 4 years is significantly less than 2016, when \$1 billion was raised by food and beverage companies that listed on the ASX in 2016.

For the purposes of this review, we classified transactions in 2020 as **Primary Production, Processed / Packaged Foods** or **Other**.

We hope you get value from reflecting on the 2020 transactions. If you have any questions, please do not hesitate to contact us at www.cometlineconsulting.com.au.

PRIMARY PRODUCTION

DAIRY & VALUE-ADDED DAIRY

Acquisitions announced

Date	Target Name	Acquirer
2 Mar 2020	Dennington Milk Plant	ProviCo Australia
11 June 2020	Beston Global Food's dairy farms	Aurora Dairies
17 Aug 2020	Marsh Dairy Products	Extra Mile Foods
11 Sept 2020	Dairy Country	Fonterra
18 Sept 2020	Organic Dairy Farmers of Australia	Remarkable Milk Company
1 Oct 2020	Barambah Organics	Tanarra Capital
5 Oct 2020	China Farms (Fonterra)	Inner Mongolia Dairy Co
19 Oct 2020	Deep South ice cream	Talley's
15 Nov 2020	Lion Dairy & Drinks	Bega Cheese
18 Dec 2020	Inghams NZ Dairy Nutrition Group	SunRice Group
24 Dec 2020	Mataura Valley Milk (75% shareholding)	A2 Milk

The dairy sector was active with 11 transactions announced in the year, slightly down from the 13 transactions announced in 2019 (6 transactions in 2018).

Fonterra sold the Dennington processing plant to ProviCo Australia. Fonterra closed the Dennington plant in May 2019 after a reduction in milk intake. ProviCo Australia is the largest supplier of calf milk replacers, manufacturing a range of feed and vitamin fortified products for animals. ProviCo will use the Dennington site to manufacture animal nutrition foods.

ASX-listed Beston Global Food Company sold its dairy farm interests in the Mount Gambier region to Aurora Dairies for \$40.4 million. The transaction included the sale of water licenses and operating assets. Beston Global Food Company used the proceeds from the sale to reduce debt and focus on the expansion of its mozzarella and dairy nutraceuticals production lines.

Extra Mile Food Trading acquired Marsh Dairy Products for an undisclosed consideration. Marsh Dairy Products supplies bulk dairy ingredients including cheeses, butters and milk powders and honey to the retail and foodservice channels. Marsh Dairy Products operates from an export-grade facility based in Footscray, Victoria. Extra Mile Food Trading is a wholesaler and distributor of premium food and beverage products to the foodservice and industrial channels.

Fonterra acquired Melbourne-based secondary cheese-processing company Dairy Country from Retail Food Group for \$19.23 million. Dairy Country prior to the acquisition provided shredding and grating services for Fonterra's retail cheese products. The transaction facilitates Retail Food Group's exit from its foodservice and manufacturing pursuits, enabling a focus on its core retail food franchising and coffee business.

The Remarkable Milk Company acquired the assets of Organic Dairy Farmers of Australia. Organic Dairy Farmers of Australia was placed into receivership in May 2020. The acquisition includes the land, processing facility and all brands and trademarks.

Queensland based organic dairy product producer, Barambah Organics, sold a 70% shareholding to Tanarra Capital. Barambah Organics produces organic milk, yoghurt, cream and cheese, which are sold via a national distribution agreement with supermarket group IGA. Barambah Organics has farms across Queensland and NSW.

Fonterra sold its China Farms business in Ying and Yutian, China, for NZ\$514 million to Inner Mongolia Natural Dairy Co. Fonterra will use the proceeds from the disposal to pay down debt and focus on domestic producers.



Dairyworks Limited, a subsidiary of Synlait Milk, sold the Deep South brand and associated ice cream operations to Talley's for an undisclosed sum. Synlait does not consider ice cream part of its core business.

Bega Cheese acquired Lion's Dairy and Drinks business for \$560 million. After IT separation costs of \$26 million the net purchase price paid by Bega Cheese was \$534 million. The deal lifted Bega Cheese's milk intake to 1.7 billion litres annually, from 955 million litres and added milk, juice and yoghurt brands which include Big M and Yoplait, to the Bega Cheese product portfolio. The transaction implied a 10x EBITDA multiple and 0.35x revenue multiple for the Lion Dairy and Drinks business.

SunRice Group's CopRice business acquired the NZ dairy nutrition business of Inghams Group. The cost of the acquisition was NZ\$11.5 million and included Ingham's feed mill at Hamilton and a direct-to-farm and packaged nutrition business in New Zealand. The acquisition represents CopRice's first expansion into the New Zealand dairy market. The dairy nutrition business reported revenue of NZ\$25 million for the year to 27 June 2020.

A2 Milk acquired a 75% shareholding in Matura Valley Milk for NZ\$268.5 million. Matura produces a number of nutritional and milk powders. The remaining 25% of Matura remains with China Animal Husbandry Group, a key distributor of A2 Milk's products in China.

Listings on the ASX

Date	Entity name	Capital raised	Issue price	31 Dec 20 price
23 Jan 2020	Happy Valley Nutrition	\$12.5 million	\$0.20	\$0.17

Happy Valley Nutrition, a Waikato-based infant formula maker in New Zealand, listed on the ASX in January 2020 and raised \$12.5 million through the offer. The company intended to use the proceeds from the offer to develop a nutritional grade processing facility for the manufacture of infant formula and dairy powder products.

MEAT PROCESSING

Acquisitions announced

Date	Target Name	Acquirer
28 May 2020	Frew International (50%)	Thomas Foods International

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



POULTRY

Acquisitions announced

Date	Target Name	Acquirer
1 July 2020	Canon Foods	Hellers

Only one transaction was announced in the poultry sector in 2020. Hellers acquired Perth-based Canon Foods. Canon Foods operates a chicken processing facility from a site based in Jandakot, WA. Canon Foods produces Chevups skinless beef sausages and the Get Vegged vegetarian range. Hellers is owned by private equity investor, Adamantem Capital.

SEAFOOD

Acquisitions announced

Date	Target Name	Acquirer
30 Jan 2020	Petuna Aquaculture (50%)	Sealord Group
25 Feb 2020	Ocean Foods International	Harvest Road Group
6 April 2020	Clean Seas Seafood (9.7%)	Hofseth Group

New Zealand based Sealord Group acquired the remaining 50% shareholding in Petuna Aquaculture from the Rockliff family. Petuna Aquaculture was founded in the early 1990s and farms ocean trout and Tasmanian Atlantic salmon. Sealord acquired 50% of Petuna Aquaculture in 2010 and the company became a wholly owned subsidiary of Sealord Group after the transaction.

Harvest Road Group acquired the Albany-based oyster farm operation, Ocean Foods International (OFI). OFI operates an oyster farm at Emu Point (WA) and is a supplier of WA oysters to the WA market. The acquisition of OFI made Harvest Road one of the Australia's biggest leaseholders for shellfish aquaculture.

Hofseth Group, a Norwegian bio-marine 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.

PROCESSED / PACKAGED FOODS

SNACKING and CONFECTIONERY

Acquisitions announced

Date	Target Name	Acquirer
5 May 2020	Ausfec barline assets	Keytone Dairy
28 May 2020	GKC Foods	Barry Callebaut
5 Nov 2020	Patons Macadamia	Ray Rust
17 Dec 2020	Freedom Food cereal & snacking assets	Arnott's

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.

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.

Dymocks sold the Patons Macadamia business to Ray Rust, the managing director of the business. Dymocks acquired the Patons business in 2010 and added the Gourmet Nut Company to the portfolio in 2015. The Patons business includes the Suncoast Gold retail brand.

The Arnott's Group acquired the Cereal and Snacks business from Freedom Foods for \$20 million. The Cereal and Snacks business is a producer of allergen-free and healthy breakfast cereals and snacks and includes the Freedom Foods, Messy Monkeys, Heritage Mills and Barley+ brands. Three manufacturing facilities located at Leeton, Darlington Point (NSW) and Dandenong (Victoria) are included in the sale.

BAKED GOODS & PREPARED MEALS

Acquisitions announced

Date	Target Name	Acquirer
25 Mar 2020	Jewel Fine Foods	Coles
6 Mar 2020	Sunfresh Salads	HS Fresh Food Holdings
28 May 2020	Ready Chef & Pasta Master brands	Beak & Johnston
9 Sept 2020	Daly Potato Company	Pure Foods Tasmania
5 Oct 2020	The Kuisine Company	SPC Ardmona
26 Oct 2020	My Muscle Chef	Quadrant Private Equity

Coles acquired Jewel Fine Foods in March 2020 after receiving approval from the ACCC for the acquisition. Jewel Fine Foods was placed under voluntary administration in April 2019. The acquisition of Jewel Fine Foods is in line with Coles' strategy to improve its convenience offering.

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.



Ready-made meal 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.

Daly Potato Company, a distributor of pre-packaged potato salads, mashed potato and cauliflower and broccoli in sauce was acquired by ASX-listed Pure Foods Tasmania. Pure Foods Tasmania paid \$1.8 million in cash and shares for Daly Potato Company.

Quadrant Private Equity acquired a 50% shareholding in ready-made meal manufacturer, My Muscle Chef, for \$100 million. My Muscle Chef was formed in 2013 by brothers Tushar and Nishant Menon. The business sells approximately 400,000 meals a week directly to health-conscious consumers and through independent and corporate retailers.

SPC Ardmona acquired a majority equity stake in frozen ready-made meal and finger foods manufacturer, The Kuisine Company. The Kuisine Company operates from a facility at Emu Planes, NSW and the acquisition by SPC includes three ready meal brands: The Good Meal Co, The Gluten Free Meal Co and Simply Special.

Listings on the ASX

Date	Entity name	Capital raised	Issue price	31 Dec 20 price
8 Dec 2020	YouFoodz Holdings	\$70 million	\$1.50	\$1.04

YouFoodz Holdings, a manufacturer and distributor of fresh ready-made meals and other convenience products, listed on the ASX on 8 December 2020. YouFoodz raised \$70 million as part of the offer. YouFoodz operates across three production facilities, makes approximately 350,000 ready-made meals per week and employs 460 people.



PACKAGED FOODS

Acquisitions announced

Date	Target Name	Acquirer
30 April 2020	PomLife	SPC Ardmona
6 Aug 2020	Buderim Ginger – ginger division	Himstedt family
20 Oct 2020	v2foods (\$77 million capital raise)	Various investors
8 Dec 2020	KJ&Co Brands	SunRice Group / Riviana Foods

Fruit processor, SPC Ardmona 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 in its fruit portfolio.

Buderim Ginger sold the Company's ginger and tourism business assets to the Himstedt family for a consideration of \$13 million. The ginger division is Australia's leading processor and vendor of confectionery ginger products. The assets sold include the Yandina-based Ginger Factory, associated ginger brands and business operations in Fiji.

v2foods, the plant-based meat manufacturer, raised \$77 million from a series B funding round, introducing new investors into the business. Total capital raised by v2foods since inception amounts to \$113 million. v2foods intends to use the funds raised to complete its production facility in Wodonga and scale operations to launch product into new markets, including Asia.

SunRice Group acquired 100% of KJ&Co Brands for \$50 million. KJ&Co Brands is a branded food importer with brands including Toscano, Hart & Soul and Bare Bakers that will complement the existing brands of Riviana Food. The acquisition will significantly increase the scale of the Riviana Foods, a subsidiary of the SunRice Group. KJ&Co Brands reported gross revenue of \$59 million in the financial year to 30 June 2020.

Listings on the ASX

Date	Entity name	Capital raised	Issue price	31 Dec 20 price
31 Aug 2020	Forbidden Foods	\$6 million	\$0.20	\$0.28

Forbidden Foods raised \$6 million from investors and listed on the ASX on 31 August 2020. Forbidden Foods was started in 2010 and has three primary brands: Forbidden, Sensory Mill and Funch.

SPORTS NUTRITION

Acquisitions announced

Date	Target Name	Acquirer
7 July 2020	ATP Science (minority stake)	Cortina Capital

Cortina Capital acquired a minority stake in ATP Science a manufacturer of natural health, sports and nutritional supplements that are distributed in Australia and the United States.



HEALTHY & NATURAL

Acquisitions announced

Date	Target Name	Acquirer
26 Feb 2020	Power Super Foods	Trade buyer

Darrell Lea sold the Power Super Foods business to a trade buyer. Comet Line Consulting advised Darrell Lea on the transaction.

Listings on the ASX

Date	Entity name	Capital raised	Issue price	31 Dec 20 price
30 Oct 2020	Nutritional Growth Solutions	\$7 million	\$0.20	\$0.26

Nutritional Growth Solutions focuses on the development of nutritional supplements for children aged from 3 to 12-years of age. The company listed on the ASX on 30 October 2020 and raised \$7 million through the offer.



OTHER FOOD AND BEVERAGE

NON-ALCOHOLIC BEVERAGES

Acquisitions announced

Date	Target Name	Acquirer
22 April 2020	APR (\$5m capital raise)	Various investors
1 June 2020	JB's Purified Drinking Water	Eneco Refresh Limited
26 Oct 2020	Coca Cola Amatil	Coca Cola European Partners

The largest public M&A transaction announced in 2020 is the offer from Coca Cola European Partners to acquire 69.3% of Coca Cola Amatil for a cash consideration of \$12.75 a share. The remaining shares in Coca Cola Amatil are owned by The Coca Cola Group. The offer is valued at \$9.3 billion, is structured as a Scheme of Arrangement and is subject to shareholder and court approval.

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



VITAMINS, SUPPLEMENTS & NUTRACEUTICALS

Acquisitions announced

Date	Target Name	Acquirer
25 Aug 20	IsoWhey & Wheyless brands	Australian Health & Vitality
27 Oct 2020	Global Therapeutics	McPherson's

Blackmores sold the IsoWhey and Wheyless brands to Australian Health & Vitality.

Blackmores also sold the Global Therapeutics business to McPherson's for \$27 million. The Global Therapeutics product portfolio comprises of traditional Chinese medicine in combination with contemporary herbal treatments and includes the Fusion Health and Oriental Botanicals brands.

ANIMAL FEED

Acquisitions announced

Date	Target Name	Acquirer
13 Aug 2020	Riverbanks Stockfeed's dairy & beef business	SunRice / CopRice

CopRice, a subsidiary in the SunRice Group acquired the dairy and beef business of Riverbank Stockfeeds for \$5 million. The acquisition includes a feed mill and a dairy business across Gippsland and south west Victoria.

FOODSERVICE DISTRIBUTION

Acquisitions announced

Date	Target Name	Acquirer
3 Jan 2020	Hudson Pacific Foodservice	Hudson Food Group
19 Aug 2020	PFD Food Service	Woolworths

Retail Food Group sold the Hudson Pacific Food Service and Associated Food Service businesses to Hudson Food Group for an undisclosed amount. Retail Food Group recognised impairment losses of \$18.3 million (FY19) and \$7.2 million (1HFY20) on the businesses sold to Hudson Food Group. Retail Food Group acquired the Hudson Pacific business in August 2016 for \$88 million.

Woolworths announced the acquisition of a 65% shareholding in PFD Food Services and PFD's freehold properties for a consideration of \$552 million. The transaction valued the PFD property portfolio at \$249 million and placed a value of \$302 million on the 65% shareholding in PFD. The Woolworths acquisition valued PFD on an 11x multiple of FY20 EBITDA (before any adjustments for AASB16). The Smith family will retain a 35% shareholding and will be able to sell its remaining stake to Woolworths after three years under a put and call agreement. The transaction is subject to approval by the ACCC.

OTHER

Transactions announced

Date	Target Name	Acquirer	Sector
26 May 2020	Thomas Foods potato business	Mitolo Family Farms	Fresh produce
14 May 2020	Regal Rogue	Intrepid Spirits	Alcoholic drinks
June 2020	Beemart Fruit & Veg	JE Tipper	Fruit and veg providore
3 June 2020	Kaddy (\$3.5m capital raise)	Consortium of investors	B2B marketplace
9 June 2020	OZ Connect Traders	LJM Victoria	Co-packing
3 July 2020	Think Spirits	Amber Beverage Group	Alcoholic beverages
15 July 2020	Flavorite	ROC Partners	Fresh produce
28 Oct 2020	Strongbow, Little Green & Bonamy's	Heineken	Alcoholic beverages
9 Nov 2020	Multipack-LJM	Probiotec	Contact packing
13 Nov 2020	Mexex	Atlantic Growth Capital	Wet manufacturing

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. For Mitolo, the acquisition represented an opportunity to increase capacity and business continuity for packing and grading fresh produce in the Virginia region and the acquisition of additional farming and water assets.

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.

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.

Amber Beverage Group acquired an additional 10% shareholding in Think Spirits to increase its ownership of Think Spirits to 100%. Think Spirits is a distributor of premium spirits brands such as Casamigos Tequila and Malfy Gin.

ROC Partners acquired an undisclosed shareholding in tomato grower, Flavorite Group. Flavorite Group is based in the Gippsland region and is the largest hydroponic grower of tomatoes in Victoria, supplying product to the east coast of Australia. Flavorite Group also supplies capsicums, cucumbers and blueberries.

Heineken acquired the Strongbow, Little Green and Bonamy's cider brands and the perpetual licences for Stella Artois and Beck's in Australia from Asahi Beverages. The transaction forms part of obligations Asahi have to fulfill under the ACCC's approval of the acquisition of Carlton & United Breweries.

ASX-listed Probiotec acquired Multipack-LJM for a consideration of \$52.5 million. Multipack-LJM is a leading contract packer, providing packing services for some of the world's leading pharmaceutical, consumer healthcare, cosmetics and food and beverage companies.

Atlantic Growth Capital acquired Mexex, an Adelaide based producer of cheese sauces, salsas, marinades, baby foods and fruit & vegetable puree. Mexex services the industrial, foodservice, QSR, retail and export channels. Mexex is the second acquisition made by Atlantic Growth Capital as part of its food and beverage platform.

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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