



FOOD & BEVERAGE INDUSTRY

REVIEW OF CORPORATE ACTIVITY

Mergers & Acquisitions Q3 2020

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

Corporate activity in the third quarter of 2020 was still impacted by the outbreak of coronavirus and the containment measures implemented by the Australian and New Zealand governments. Comet Line did observe an uplift in investor sentiment and acquisition interest for businesses in the food and beverage industry towards the end of the third quarter.

Ten transactions were announced in the quarter. The standout transaction was the proposed acquisition of a 65% shareholding in PFD Food Services by Woolworths. Following completion of the transaction, PFD Food Services will continue to be managed by the Smith family, with Woolworths looking to unlock synergies for both businesses across the combined network and vehicle fleet. The transaction is subject to approval by the ACCC and could be the first step in the consolidation of the highly fragmented foodservice distribution industry.

The third quarter also witnessed the initial public offering of Forbidden Foods on the ASX. Forbidden Foods raised \$6 million from investors and listed on the ASX on 31 August 2020.

The outlook for the food and beverage industry is considered to be more positive at the end of the third quarter compared to the end of the second quarter. The gradual relaxation of lockdown restrictions in Melbourne and the continued support for the industry by the Australian government will support investor interest in the food and beverage industry. Corporate activity in the industry will depend on the pace of economic recovery in Australia and New Zealand.

Transactions announced

Date	Target Name	Acquirer	Sector
1 Jul 20	Canon Foods	Hellers	Poultry
3 Jul 20	Think Spirits	Amber Beverage Group	Alcoholic beverages
15 Jul 20	Flavorite	ROC Partners	Fresh produce
6 Aug 20	Buderim Ginger – ginger division	Himstedt family	Packaged food
17 Aug 20	Marsh Dairy Products	Extra Mile Foods	Dairy
19 Aug 20	PFD Food Service	Woolworths	Foodservice distribution
25 Aug 20	IsoWhey & Wheyless brands	Australian Health & Vitality	Nutrition & wellness
9 Sept 20	Daly Potato Company	Pure Foods Tasmania	Prepared meals
11 Sept 20	Dairy Country	Fonterra	Dairy
18 Sept 20	Organic Dairy Farmers of Australia	Remarkable Milk Company	Dairy

Hellers acquired Perth-based Cannon Foods. Canon Foods operates a chicken processing facility from a site based in Jandakot WA. Canon Foods produces the well-known Chevups brand of skinless pure beef sausages and the Get Vegged vegetarian range. Hellers is owned by Adamantam Capital.

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.

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

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 a 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.

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 \$302 million on the 65% shareholding in PFD. The Woolworths acquisition valued PFD on an 11x multiple of PFD 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.

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

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.

Fonterra acquired Melbourne-based secondary cheese-processing company Dairy Country from Retail Food Group for \$19.23 million. Dairy Country has before 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 in receivership in May 2020. The acquisition includes the land, processing facility and all brands and trademarks.

Listings on the ASX

Forbidden Foods, a manufacturer of plant-based foods raised \$6 million from investors and listed on the ASX on 31 August 2020. Forbidden Foods manufactures plant-based organic food, healthy snacks, baby food and industrial food service/food manufacturing markets. Forbidden Foods was started in 2010 and has three primary brands: Forbidden, Sensory Mill and Funch.

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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