Food & Beverage M&A News

Industry commentary

Food & Beverage (F&B) companies continued to slow their pace of M&A activity in most markets around the world. This trend impacted most of the sub-sectors within the space, and was consistent in all regions. We have, however, recorded over 246 transactions in the first quarter of 2013, with some of the world’s leading F&B companies continuing a consolidation trend we have seen building throughout the economic downturn over the past five years. Packaged foods and meats was the most active sub-sector this past quarter comprising over 60% (157) of the total deals. Distiller & vintner deals comprised about 12% (30) of all F&B deals and agricultural product deals amounted to around 10% (26). Prominent in this last quarter’s activity is the consistent movement seen in North America, led by Ralston Purina’s acquisition of Ralcorp for US$7 billion and Hormel’s acquisition of the Skippy peanut butter brand from Unilever for US$700 million. In Europe, two notable cross-border transactions in the brewery industry were the acquisition by Heineken International B.V. of a 25.7% interest in Asia Pacific Breweries Ltd. of Singapore, and Fiberni N.V.’s acquisition of an additional 24% stake in Belgium specialty beer brewer Duvel Moortgat N.V. for US$161 million. The monthly dollar value of transactions over the last six months ending March 2013 showed a sharp decline from prior periods, primarily reflecting continued uncertainty in the European markets. Overall, the F&B trading multiples for the various stock markets around the world trended upward in the last quarter, with the North American indexes showing the strongest turnaround in their multiples. For our part at M&A International Inc., over the last five years we have closed 92 F&B transactions worldwide and have over 34 transactions currently in progress. From this activity level we can deduce that there is a pent-up demand for transactions, and that it is likely we will see an increase in closings during the rest of 2013.

Transaction count by region

Source: S&P Capital IQ
A sweet outlook for confectionery

Revenue for the global confectionery industry is projected to reach US$176 billion by 2018 with a CAGR of 3.0% over the next five years (2013–2018). The major industry drivers include rising disposable income, and higher population and consumer spending. Of all regions, Europe has the highest regional share. Asia Pacific emerged as the region with the most growth potential over 2007–2012, driven by growing population and GDP growth in developing nations.

A combination of factors such as rising population and consumer spending affects market dynamics significantly. The introduction of new product variants catering for different tastes is ensuring higher acceptability of these products. Increasing urbanization and hectic lifestyles are increasing the demand for confectionery food. The biggest challenges for the industry include health issues, inflation, increasing government regulation and changing consumer preferences. The chocolate segment is forecast to witness the highest growth during 2013–18. Special occasions and celebrations are also expected to increase confectionery sales.

Some notable transactions over the past quarter include: UK-based company Genius Foods Limited (producer of gluten-free cakes and treats) acquired Livwell Ltd. and United Bakeries (Holdings) Limited from Finsbury Food Group plc for US$31.4 million; Value Partners Group Ltd. (Hong Kong) acquired a 3.04% stake in Labixiaoxin Snacks Group Limited (makers of jelly, confectionery and other snack products) from COFCO Limited for approximately US$132.7 million; Spain-based company Nueva Rumasa SA (ice cream producer) acquired Helados Royne SA from Grupo Dhul SL for US$9.08 million; and Rocky Mountain Chocolate Factory Inc. (confectionery manufacturer, franchisor and retail operator in the US and internationally) acquired Yogurtini, LLC and YHI, Inc. for US$2.2 million.

Sources: Lucintel’s “Global Confectionery Industry 2013–2018: Trend, Profit & Forecast Analysis” and Capital IQ

Providing F&B advisory services on a global scale

M&A International’s Food & Beverage Team advised on the sale of Gü, the luxury desserts maker, to Noble Foods. Gü, which was founded in 2003, is recognized as one of the fastest-growing food brands in the UK, with a leading position in the premium desserts market. Utilizing its unique brand and market presence, which far outweighs the size of the company, Gü is celebrated for producing restaurant-quality chilled puddings for the mass market. Following its successful expansion into new product categories, such as ambient cakes and chocolates, as well as its growing success overseas, the shareholders approached M&A International to help identify the right partner to assist in taking the brand to the next stage in its development. Noble is the UK’s largest supplier of eggs and egg products.
Foods & Beverages has been acquired by Noble Foods
Advisor to seller United Kingdom

The full sale exercise included buyers from around the world, making full use of M&A International’s professionals and adhering to the client’s specific requirements in terms of potential purchasers and deal structure. James Averdieck, founder and shareholder of Gü, commented: “We are delighted with the way in which M&A International managed the process. Their knowledge and advice on strategy was invaluable and we would not have achieved this result without their key significant input. They were able to guide us professionally through the minefield of a sales exercise and their advice was robust and well-focused throughout.” Jonathan Buxton, the M&A International partner who leads our London F&B practice stated: “This was an extremely competitive process in which we were able to identify a buyer that not only met our client’s pricing requirements, but also satisfied the objectives of the different shareholders. We believe that Noble will provide an excellent platform for the development of the business in the future. This sale highlights M&A International’s expertise in generating value through a competitive auction process and demonstrates that, in spite of prevailing market conditions, there remains a very healthy M&A market out there for high quality businesses.”

Jonathan Buxton
Food & Beverage Specialist
M&A International Inc., United Kingdom

Donald Russell has been acquired by Vestey Foods
Advisor to seller United Kingdom

Monaghan and G have acquired Walkro
Advisor to buyer Netherlands/Ireland

On behalf of Irish Dairy Board, have acquired
BFG
has been acquired by
Advisor to seller Ireland/Belgium/Netherlands

Main Street Gourmet has been acquired by Clover Capital Partners LLC
Advisor to seller United States

Direct Seafoods has been acquired by BIDVest
Commercial Distribution Services Advisor to seller United Kingdom/South Africa

On behalf of Piller’s, has acquired the assets of

M&A International Inc. - the world’s leading M&A alliance
Overview of Western Reserve Partners

Western Reserve Partners LLC provides M&A, capital raising and other financial advisory services to middle market companies across a focused set of industry verticals, including industrial, business services, consumer, healthcare, technology and real estate. With 35 professionals in three offices (including affiliates), Western Reserve delivers thoughtful advice, keen market insight and superior execution to its clients, both nationally and internationally. Western Reserve’s managing directors average nearly 30 years of experience and have directly executed more than 600 transactions throughout their careers.

Mergers & Acquisitions
- Sales and Divestitures
- Acquisitions
- Mergers, Joint Ventures and Strategic Partnerships
- Operating Partnership (“O.P.”) Unit Exchanges

Capital Raising
- Refinancing and Recapitalization
- Growth Capital
- Acquisition Financing
- Credit Tenant Lease (“CTL”) Transactions
- IPO Advisory

Financial Opinions and Valuations
- Fairness Opinions
- Solvency Opinions
- Valuation Services*

Restructuring and Bankruptcy
- Refinancing or Replacement of Existing Indebtedness
- Out-of-Court and Section 363 Sales
- Advisory Services in Chapter 11 Cases

* Provided by Western Reserve Valuation Services (located in Columbus, OH)

Western Reserve Partners’ Consumer Practice

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