

# Bite Size Dealtracker

Food, Beverage & Agribusiness  
industry insights

March 2018



Food & Beverage



Agribusiness



Merger &  
Acquisitions



Financial Advisory



# Key insights for the Australian Food, Beverage & Agribusiness industry



## Strong deal activity

Total M&A deals across the globe have increased by 8.8% to 2,801 since the first edition which reported 2,575 deals. Not only are global deal volumes stronger as time goes on, but also the deal transaction multiples are increasing.

Australia continued to rank fifth in the world for M&A deal activity.

The top 10 global deals during this period are shared between acquisitions of US and UK based businesses. No Australian transactions made this list.

There has been significant IPO activity in Australia and throughout the Asia Pacific region. Australia ranks third for Global IPOs with a total of 16 IPOs and 2 of those making the Top 10 Global IPOs.



## Continued flow of overseas acquirers

We are continuing to see interest from overseas purchasers, particularly from China, Hong Kong, the UK and the US, as Australian brands strengthen and become more reputable in international markets.

Foreign buyers continue to acquire larger mid-sized businesses and are willing to pay healthy multiples to secure premium strategic assets, pushing up transaction prices.

Asia Pacific investor interest continues to increase as there is a growing demand from the rising Asian middle class.



## Activity in the private equity market

Private Equity firms accounted for 17% of overall transactions and are targeting mid-sized Australian businesses, particularly in the packaged foods & meats sub-sector, as they look to leverage premium brands, intellectual property and distribution channels into new markets across the Asian Pacific and other global regions.

Private Equity was involved with a number of the Top 10 Global Deals and the Top 10 Australian Deals.



## Growing interest

We expect investor interest in the industry to continue to grow as Australian food, beverage and agribusiness assets are perceived as high quality and are able to translate well into different overseas regions. As new sector trends unfold we expect to see continued M&A activity take place in Australia's craft brewing and agriculture sectors including "free-from" and "paddock to plate" options.

Also the shift towards healthy and alternative food options continues to develop across the entire industry as the population becomes more health aware and educated about food intake and origin.

“ It’s pleasing to see the industry continue to grow as Australian food, beverage and agribusiness assets are perceived as high quality and are able to translate well into different overseas regions.

Given the size of the Australian M&A market in comparison to other countries, Australia accounts for a proportionally large share of global M&A transactions. ”

Cameron Bacon, Corporate Finance Partner



# Introduction

Welcome to the second edition of Bite Size Dealtracker which focuses on merger and acquisition (M&A) and equity market activity in the food, beverage and agribusiness industry during the 3 and a half year period from 1 July 2014 to 31 December 2017. Our previous Bite Size Dealtracker (first edition) covered the 3 and a half year period to 30 June 2014.

The data in this report was compiled from several sources including S&P Capital IQ, the Australian Securities Exchange, Mergermarket, IBISWorld, company announcements and other publicly available information. We consider this consolidated multi-source analysis – supplemented with our own proprietary sources – to provide a comprehensive insight into recent food, beverage and agribusiness deal activity.

We have considered transactions where the target company's primary sub-sector was classified as one of the following as per S&P Capital IQ:



## Packaged Food and Meats

Producers of packaged foods including dairy products, fruit juices, meats, poultry, fish and pet foods.



## Agricultural products

Producers of agricultural products. Includes crop growers, owners of plantations and companies that produce and process foods. Excludes companies classified in the Forest Products sub-sector and those that package and market the food products classified in the Packaged Foods & Meats sub-sector.



## Brewers

Producers of beer and malt liquors. Includes breweries not classified in the Restaurants sub-sector.

## Distillers & Vintners

Distillers, vintners and producers of alcoholic beverages not classified in the Brewers sub-sector.

## Soft Drinks

Producers of non-alcoholic beverages including mineral waters. Excludes producers of milk classified in the Packaged Foods sub-sector.

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# Which sub-sectors are attracting attention?



# Composition of the Australian Food, Beverage & Agribusiness industry

Over the last few years there has been some sector rotation, with the spotlight shifting towards Australia's fibre and organic agribusiness, cattle and dairy exports, craft breweries, and strongly branded packaged food & meats businesses.

The global deal sector mix across the core five sub-sectors has remained relatively consistent in comparison to the first edition. However, the Australian deal mix has shifted significantly in favour of agriculture from 17% in the first edition to 22% in the current period.

Following the US with 25 deals, Australia has the second highest number of deals in agricultural products (24 deals). Australia is now placed third in the world in the brewers sector with 7 deals, sitting behind the US (38 deals) and the UK (11 deals). In the distillers & vintners sector, Australia has dropped from third place to fourth place (14 deals) since the first edition.

Whilst there has been minimal movement in the overall distribution of the beverage sector in Australia, there has been a shift from distillers and vintners deals toward brewers deals, returning the distillers and vintners category to historical distribution levels of 12%. In the first edition, the distillers & vintners industry was a standout largely due to an oversupply of grapes, changes in retail conditions, overseas competition and the strong Australian dollar, which led to increased M&A activity including multiple acquisitions by mostly Australian beverage and wine companies.

This has since slowed down and the focus has shifted to Australia's craft beers.

Food product businesses in Australia have continued to grab the attention of acquirers due to Australia's quality products, strong branding and label transparency. There is continued demand for healthier, premium quality and organic foods with farm-to-plate transparency driven by an increase in awareness of food intolerances, food related illnesses and general health and fitness. Although there has been a reduction in the distribution of deals attributable to the food products sectors in Australia, actual deal numbers have increased at a global level by 8% since the first edition.

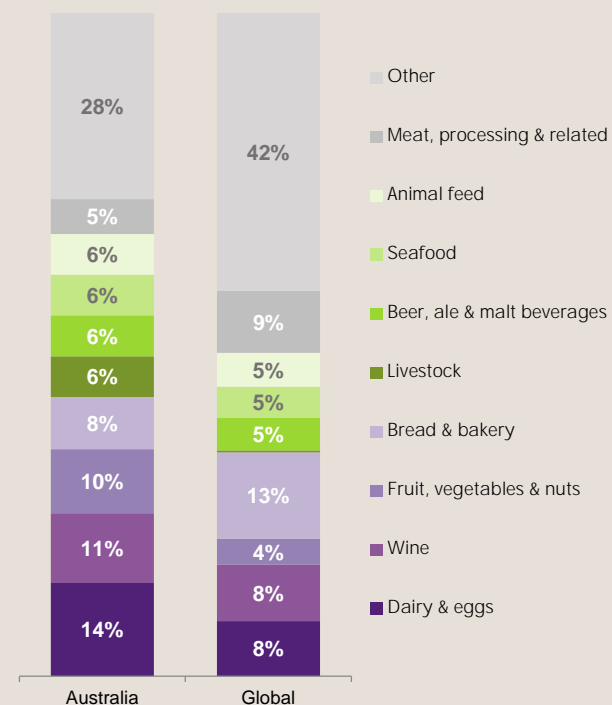
Australia is a world leader in the Agribusiness industry and is known for quality farming and meat products, dairy products and the production of wool and fibres.

Compared to the rest of the world, Australia's standout sub-sectors are dairy & eggs, wine, fruit, vegetables & nuts, livestock, wool & fibres, and beer, ale & malt beverages. These segments are all authentic to Australia and highlight the value placed on Australia's agribusiness and quality produce from an investor perspective.

Australian deals by sub-sector



A closer look at Australia's largest sub sectors



## Craft brewers industry

The Australian craft beer industry has grown rapidly over the past five years at a rate of 9.7% per annum, with consumers changing their tastes towards more premium and sophisticated beers. Naturally, this has driven a surge in the number and variety of craft beers produced in Australia and therefore current and future M&A opportunities.

Larger companies such as SAB and Lion are increasingly looking to become more involved in the craft beer industry and now control more than half the market. Australia's craft beer brands Little Creatures, James Squires, White Rabbit, Pirate Life, Matilda Bay Brewing and Wild Yak are all now owned by large corporations. However, because craft beer is often seen as being uniquely crafted and not mass-produced, it is difficult for larger companies to establish craft beer brands. As a result, multinational companies will continue entering the market by acquiring existing craft beer brands as seen by Lion's purchase of World beverages (2012) and the Byron Bay Brewery brand (2016) and Asahi's acquisition of Mountain Goat (2015).

We expect continued growth and deal activity in this sector with industry revenue forecast to increase at an annualised 6.0%, to total \$651 million in the next five years.

Exports are also expected to increase as does the global trade of craft beer, particularly due to the ratification of several trade agreements. This includes the Korea-Australia Free Trade Agreement that's boosted trade since it came into force in December 2014. Before then, South Korea beer imports were subject to a tariff of 30% which has now reduced to 12.8% and is expected to reduce to nil in 2020.



A photograph showing two men in wide-brimmed hats and work clothes tending to a cow in a grassy field. The man in the foreground is wearing a light-colored shirt and a grey hat, while the man in the background is wearing a red and black plaid shirt and a brown hat. They are surrounded by several other cows. The background features rolling green hills and trees under a clear sky.

## Agribusiness

Australia is more agriculturally dominated in comparison to the rest of the world. Its growth is partially attributable to the following sub-sectors: fibres such as wool and cotton, dairy and cattle.

The industry has seen a strong demand for exports during the last five years from the US, the UK and the Asia Pacific region. We expect to see continued growth in exports to China, Japan and Korea, following the trade agreements in effect December 2014 and January 2015, and the rapidly growing middle class in Asia.

Investment in new technology and streamlining production processes will remain key success factors over the next five years as the Agribusiness Industry evolves. We are already seeing significant uplift in Australian agribusiness product prices which is expected to continue, reaching some of the highest prices for agricultural goods on record. This is already being observed in the beef, dairy, wool and cotton sectors in Australia. Fibres such as wool and cotton are highly desired for their premium reputation in garments, carpets and more recently sporting clothing and footwear.

During the next 35 years, there will be an estimated 60% increase in the global demand for agricultural products including meat, milk, fish and eggs. The global population is already living beyond our ecological means, over consuming the globe's natural resources by over 50%. It will take the Earth an estimated 1.6 years to regenerate the world's current annual consumption. This highlights the opportunity for the Agribusiness industry to evolve and expand to sustain the increasing demand.

In the cattle sub-sector, large pastoralists have been acquiring smaller players to geographically expand and diversify. This includes the \$50 million acquisition by Hewitt Cattle Australia of the Northern Territory property, Hale Pastoral Station in 2017.

Australia's largest beef producer, Gina Rinehart and her company Hancock Prospecting expanded their current cattle portfolio with multiple acquisitions of Australian cattle farms last year, including the S. Kidman station, a joint venture with Chinese investor, Shanghai CRED. She has recently acquired two properties, Aroona and Willeroo cattle station located in the Northern Territory.

In addition to cattle and dairy, consumer preferences for healthier foods are boosting demand for traditional products such as nuts.





## Health and organic industry

Australian consumer preferences have been steering towards healthy and organic alternatives, increasing the availability of organic foods in mainstream markets. As a result, companies are diversifying their product offerings, introducing new healthier products or acquiring established brands and companies in this space.

Freedom Foods Group, an Australian listed company that manufactures and distributes allergen-free cereals, nutritional snacks, biscuits and long-life beverages has expanded its health related operations via the acquisition of Power Foods International Pty Ltd, an Australian manufacturer and brand owner in sports and adult nutrition. This speciality offering will be shared through the Freedom Foods network across Australia, New Zealand, China and South-East Asia, leveraging existing retail customer and distribution capabilities.

Recent health trends have also stirred the organic farming and agricultural industry in Australia as consumers are more conscious of the paddock-to-plate transparency and food origin. The organic farming industry in Australia has grown by 7.4% per annum for five years and will continue at a growth rate of 2.5% over the next five years. According to IBIS World, this growth rate was influenced by an influx of farmers switching from conventional to organic farming.

Jasper farms is an Australian-based avocado producer that was acquired by Ontario Teachers' Pension Plan during December 2017. The transaction complements Ontario Teachers' existing presence in Australia's agricultural market, where demand for avocados has surged as more consumers embrace the fruit as a healthy food. Food products such as avocados that are unique in flavour and nutrient profile are difficult to substitute. We expect to see continued growth in the demand for health foods in Australia and internationally.

# What are the big deals?



# Global M&A activity

Deal volumes have remained strong since 1 July 2014, with total M&A transactions growing by 8.8% since the first edition of the BiteSize Dealtracker. Australia is the most active country within the Asia Pacific region and accounts for over 4.4% of global deal activity.

## M&A deal trends

2017 was a dynamic year across the food, beverage and agribusiness industry, and completed the three and a half year period that captures a total of 2,801 M&A transactions. Deal activity has grown by 8.8% compared to the first edition of the BiteSize Dealtracker with an average 800 deals per annum (over the current three and a half year period), up from 736 recorded in the first edition.

Deal volumes since 1 July 2014 have been above the seven year average of 768 deals, until a slight dip in the last half of 2017 to total 743 deals for 2017. We do not believe this is representative of a declining trend in activity, but rather a cyclical timing point.

On a calendar year basis, 2015 activity was at a record high since 2011 with 841 deals. It surpassed the annual average of 800 transactions in the current three and a half year period.

The surge of activity over CY2015 and CY2016 is attributable to the high demand from the rising middle class of Asia for Australia's high-quality food products (the 'dining boom') which led to a number of transactions particularly in the dairy and related product sectors, a trend that has returned during 2017, albeit with slightly decreased deal volumes.

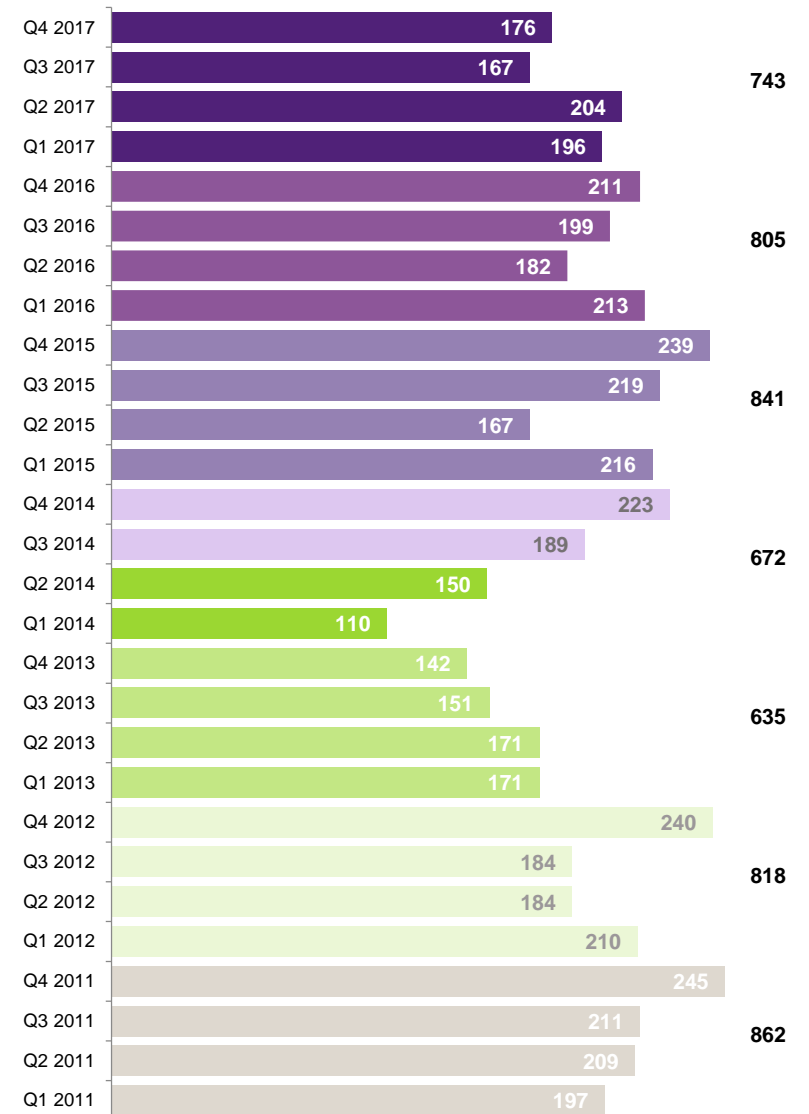
Deal activity has gained additional momentum from strong private equity interest which has increased buyer confidence and optimism. We saw the entry of Quadrant Private Equity as an investor in the food service sector with its acquisitions of VIP Petfoods and Nature's Gift in 2015.

In addition, the industry has become an ideal route to market for food manufacturers exploring distribution channels and international markets, which has been attractive for cross border inbound acquirers.

## M&A - Comparative Dealtracker periods



## M&A - Quarterly trends & annual trends



# Top 10 global deals

The top 10 global deals in the sector (by deal value) are dominated by large public companies that are well branded, innovative and trusted by consumers. The majority of the acquisition targets are US based assets.

Whilst Australia did not make the top 10 global deals list, Australia's largest deal came in 29th at \$1.9 billion. Refer Top 10 Australian Deals on the following pages for further details.

At the top of the list is the \$151 billion private equity exit transaction between UK's ABI SAB Group Holding Limited (SABMiller) and Belgium's Anheuser-Busch InBev which formed the world's largest brewing company. The brewers sub-sector also takes the fifth largest deal, with the remaining eight transactions attributable to the packaged foods and meats sub-sector.

ABI SAB Group Holding Limited or formerly known as SABMiller Limited engages in the sourcing, brewing, bottling, distribution and sale of beer, other alcoholic beverages, soft drinks and fruit juices. The company headquarters are in London and operates worldwide including in Latin America, Africa, Asia Pacific, Europe, and North America.

In the first edition of the BiteSize Dealtracker, SABMiller Limited had acquired Australia's own Fosters Group in 2011, paying \$12.3 billion and was the largest Australian deal during that period. Fosters now operate as a subsidiary of Anheuser-Busch InBev.

The merger between Kraft and Heinz is also worthy of note, partly because it was valued at a significant multiple of 22.6 times EBITDA, but also underlines the view that there are still synergies to be gained by combining two iconic global companies which span hundreds of products between them. This transaction created the fifth-largest food and beverage company in the world, Kraft Heinz Company.

Likewise, Danone's acquisition of The WhiteWave Foods Company in the US attracted a significant multiple of 24.8 times EBITDA which provides Danone strategic access into the US market.



Private equity exit



Private equity investment



# Active M&A countries

## Emerging countries

The vast majority of international transactions occurred in the European region (43%) followed by the United States and Canada (28%) and then Asia Pacific (18%). Within the Asia Pacific region Australia accounts for a quarter of the deals.

New countries in the top 10 list include Canada and Brazil. Canada has entered the top 10 in sixth place with an increase in transactions of a range of well branded bakery and dairy products such as pastries, muffins, waffles, cheeses and the famous maple syrup. Canada has also seen an increase in the number of transactions of mushroom and potato farms.

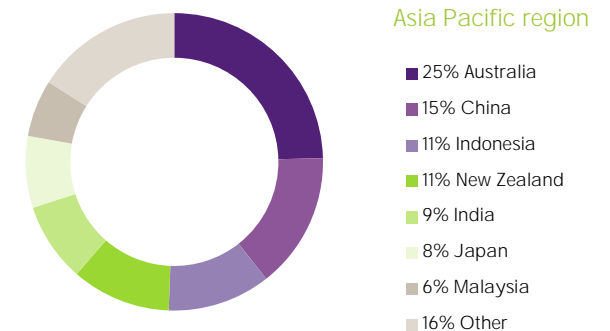
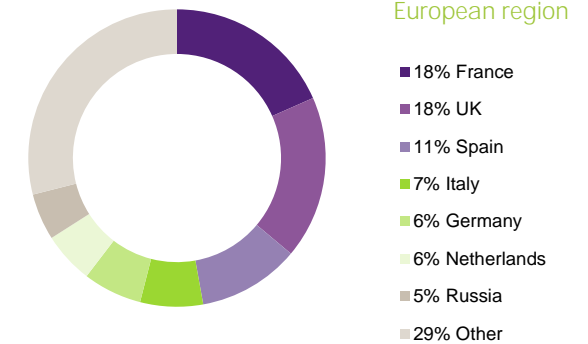
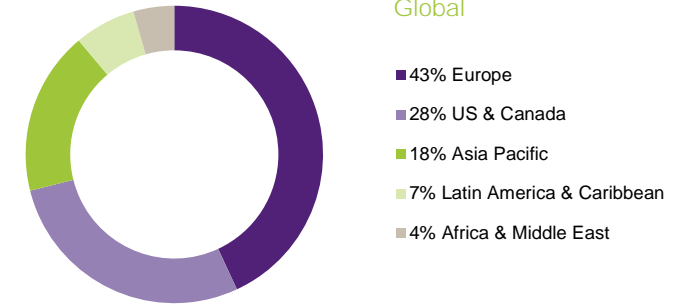
Russia, Japan and China have dropped several positions since the first edition. For Japan, it may be partially attributable to cultural challenges and a perceived loss of face involved when selling a business. However, in more recent times Japanese corporations have increasingly embraced outbound M&A opportunities to fund growth and advance their strategic objectives. Furthermore, China has become more focused on outbound acquisitions rather than divestments.

Since the first edition of BiteSize Dealtracker, Indonesia has climbed the ladder sitting at third in the Asia Pacific region, with the help of the global increase in palm oil consumption (approximately 7% per annum) for the last twenty years. Indonesia is the world's largest producer of palm oil with over 65% of its transactions being palm oil plantations.

New Zealand has also increased deal volumes in comparison to the first edition, largely attributable to popularity in New Zealand's wines, followed by acquisitions of meat processors, beef and dairy products as well as seafood products.

Top 10 countries - First edition		
Country	No. of deals	% of deals
US	477	19%
UK	192	8%
Russia	182	7%
France	180	7%
Australia	129	5%
Spain	105	4%
China	94	4%
Germany	78	3%
Japan	63	2%
Italy	59	2%
<b>Top 10</b>	<b>1,559</b>	<b>61%</b>
Other countries	1,016	39%
<b>Total</b>	<b>2,575</b>	<b>100%</b>

Top 10 countries - Second edition		
Country	No. of deals	% of deals
US	676	24%
France	221	8%
UK	213	8%
Spain	134	5%
Australia	123	4%
Canada	109	4%
Italy	82	3%
Germany	78	3%
China	74	3%
Brazil	72	3%
<b>Top 10</b>	<b>1,782</b>	<b>64%</b>
Other countries	1,019	36%
<b>Total</b>	<b>2,801</b>	<b>100%</b>



# Australian deal activity

Small to mid-sized businesses with transaction values of up to \$100 million remained the predominant acquisition targets, accounting for 78% of Australian deals.

## M&A deal trends

In a global context, Australia's deal levels have remained relatively high with only four countries recording a greater number of deals than Australia. These were the US (which was by far the single largest country), France, UK and Spain, which have significantly larger economies than Australia.

Interestingly, Australia had more deal activity than that of China, Japan, India, Russia or Canada, and accounted for approximately 4.4% of the 2,801 international deals. Given the size of the Australian M&A market in comparison to other countries, Australia accounts for a proportionally large share of global M&A transactions.

Australia stands out within the Asia Pacific region with a quarter of deals for the region (25%) followed by China (15%), Indonesia (11%) and New Zealand (11%).

For the current period, Australia achieved 123 deals, 6 less than in the first edition. However, it is likely that some deals weren't captured in the data

for the last quarter of 2017 due to the timing and availability of transaction information.

In comparison to the first edition, Australia's average deal activity has dropped slightly to 35 deals per annum from 37 deals per annum. However, the 2015 calendar year saw a particularly strong number of transactions and reflects continuation of activity in the Australian market.

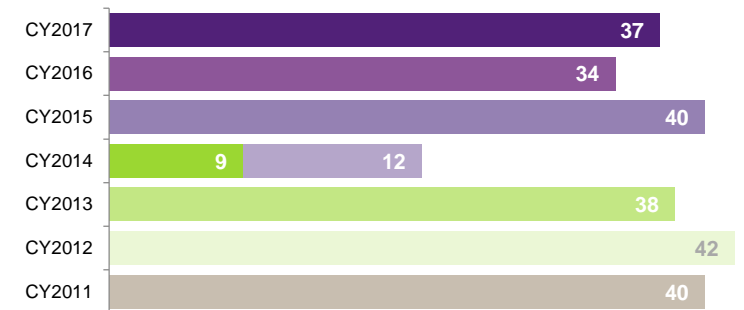
The small to mid-size business segment in Australia boasted a significant proportion (78%) of total Australian acquisitions. Many of these businesses are attractive to acquirers as they have an ability to utilise distribution chains and export well branded products particularly into the Asia Pacific region.

Approximately 48% of Australian deals had transactions values of up to \$20 million and 33% of deals between \$20 million and \$100 million. The remaining 20% of deals had transaction values greater than \$100 million with the largest being the 2015 acquisition of Goodman Fielder worth \$1.7 billion.

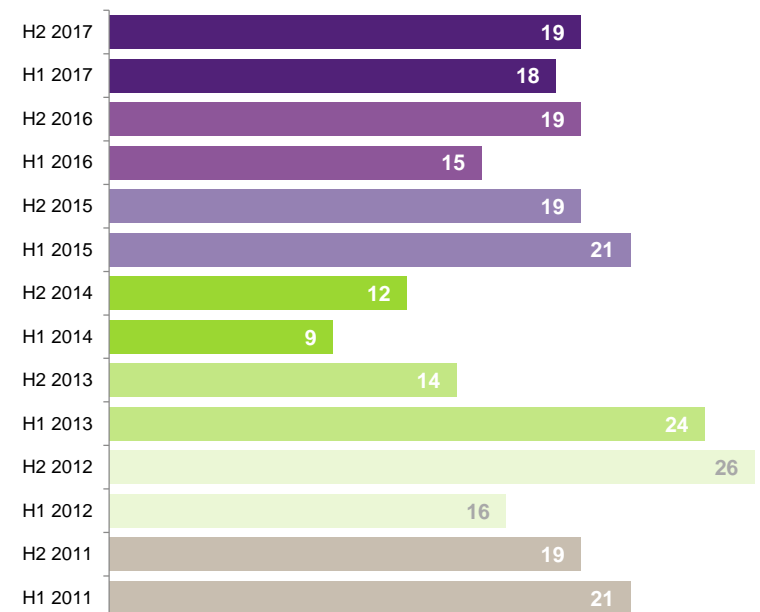
## M&A - Comparative Dealtracker periods



## M&A - Annual trends



## M&A - Half yearly trends



# Top 10 Australian deals

Led by the packaged foods & meats industry, the top ten Australian asset deals mostly involved Australian or other Asia Pacific buyers, many of which are backed by private equity.

1



**Target:** Goodman Fielder Pty Limited  
**Acquirer:** First Pacific Company Limited; Wilmar International Limited  
**Acquirer country:** Hong Kong  
**Deal value:** A\$1,895 million  
**Date:** 17/03/2017  
**EV/EBITDA multiple:** 9.1x

**Asian acquisition of Goodman Fielder:** The acquisition of Goodman Fielder by First Pacific Company was the largest deal in Australia valued at A\$1.9 billion and reiterates the continued strong interest from Asia Pacific acquirers for Australia's quality brands. The company delisted from the ASX following its \$1.9 billion acquisition. The transaction EBITDA multiple was 9.1 times EBITDA.

Goodman Fielder is a major manufacturer across a number of categories, and its brand portfolio includes MeadowLea, Praise, White Wings, Pampas, Helga's, Wonder White, and Vogel's (under licence).

The company employs approximately 5,400 people and operates in New Zealand, Asia, the Pacific Islands and Australia. It is headquartered in North Ryde, NSW.

2



**Target:** Primo Smallgoods (P&M Quality Smallgoods)  
**Acquirer:** JBS Australia Pty Limited  
**Acquirer country:** Australia  
**Deal value:** A\$1,450 million  
**Seller:** Affinity Equity Partners  
**Date:** 30/03/2015  
**EV/EBITDA multiple:** N/A

**Primo Smallgoods leveraged through JBS acquisition:** Bacon and smallgoods company, Primo Smallgoods was acquired by Australia's largest meat processor, JBS Australia, for A\$1.45 billion.

Primo Smallgoods, which owns the Primo, Hans and Beehive brands, was Australia and New Zealand's largest processed ham, bacon and small goods company when the transaction completed in 2015.

Primo Smallgoods was leveraged through the JBS international distribution network which was in alignment with the JBS global strategy to expand its presence in the value added product category with well-known brands.

3



**Target:** Real Pet Food Company  
**Acquirers:** Hosen Capital Ltd; New Hope Group Co., Ltd; Genbridge Capital; Temasek Holdings (Private) Limited  
**Acquirer country:** Singapore  
**Deal value:** A\$1,000 million  
**Seller:** Quadrant Private Equity  
**Date:** 20/12/2017  
**EV/EBITDA multiple:** N/A

**Successful private equity story for founders:** A consortium of acquirers entered into an agreement to acquire an unknown majority stake in Real Pet Food Company (formerly known as VIP Pet Foods) from Quadrant Private Equity Pty Limited and other minority shareholders for AUD 1 billion on 24 October 2017.

Quadrant had initially acquired a majority stake for \$410 million in 2015. As part of the private equity strategy, Quadrant invested significantly in the operations, new product development and international expansion which led to the re-badging of the business from VIP Pet Foods to Real Pet Food Company.

Now, the company makes and distributes products locally and internationally with annual revenue of approximately \$500 million, up from \$300 million two years ago. The Real Pet Food Company looks to their new Asia Pacific acquirers to gain momentum in the Asian market and the North American market.

4



**Target:** Mondelez International Australian and New Zealand select brands (Incl. Vegemite)  
**Acquirer:** Bega Cheese Limited  
**Acquirer country:** Australia  
**Deal value:** A\$460 million  
**Date:** 19/01/2017  
**EV/EBITDA multiple:** N/A

**Bega buys Australia's Vegemite and other brands:** Bega Cheese bought most of the Mondelez International's Australian and New Zealand grocery and cheese business for consideration of \$460 million. This included the iconic brand of Vegemite which is synonymous with Australian food and culture. Other brands include Bonox, Kraft peanut butter, Kraft slices cheese and Zoosh salad dressings.

5



**Target:** Allied Mills Australia Pty Limited  
**Acquirer:** Pacific Equity Partners (PEP)  
**Deal value:** A\$460 million  
**Acquirer country:** Australia  
**Seller:** GrainCorp Limited; Cargill Australia Limited  
**Date:** 31/03/2017  
**EV/EBITDA multiple:** 10.0x

**Private Equity Interest in package foods and meats businesses:** The PEP acquisitions of Allied Mills and Patties Foods (Refer to Australian deal no. 9 – Patties Foods Limited) occurred within seven months of each other and recorded similar EBITDA multiples of 10 times and 9.2 times, respectively.

Allied Mills, one of Australia's largest manufacturers of flour and bakery goods was acquired by PEP for \$260m in March 2017. Its brands include The Pastryhouse, Potts Bakery and Family Choice.

PEP integrated Allied Mills into its Pinnacle Bakery and Integrated Ingredients business which is a major supplier for both Coles and Woolworths.

6



**Target:** VIP Petfoods (Aust) Pty Ltd (now known as Real Pet Food Company)  
**Acquirer:** Quadrant Private Equity Pty Limited  
**Acquirer country:** Australia  
**Deal value:** A\$410 million  
**Date:** 31/05/2015  
**EV/EBITDA multiple:** 8.2x

**VIP Petfoods founders remain shareholders in Private Equity strategy:** VIP Petfoods (now Real Pet Food Company) produces and markets pet food and offers rolls, fresh cooked food, treats, frosty paws, Pandean diet, and other products for dogs. The company also provides grain free products, minces, pouches, aloo trays, and other products for cats. In addition, it operates a dog club that offers puppy courses.

The company sells its products through retailers and exports its products to Canada, Korea, Japan, the United States, and internationally.

Quadrant Private Equity acquired VIP Petfoods from the founders Tony and Christina Quinn for \$410 million in 2015. The founders partnered with Quadrant and remained significant shareholders to back the existing management team to grow the business domestically and internationally.

7



**Target:** S. Kidman & Co  
**Acquirer:** Australian Outback Beef Pty Ltd  
**Deal value:** A\$387 million  
**Acquirer country:** Australia / China  
**Date:** 16/12/2016  
**EV/EBITDA multiple:** N/A

**S. Kidman & Co cattle farm acquisition:** After blocking a bid from a Chinese buyer, the Australian government approved a joint bid from Gina Rinehart and Chinese partner, Shanghai CRED, as Australian Outback Beef Pty Ltd to acquire cattle farm S. Kidman & Co in December 2016.

S. Kidman & Co is Australia's largest private landholder with about 1.3% of Australia's total land area and 2.5% of agricultural land, and 185,000 head of cattle across Western Australia and the top end of South Australia.

8



**Target:** The Van Diemen's Land Company  
**Acquirer:** Moon Lake Investments  
**Acquirer country:** China  
**Deal value:** A\$278 million  
**Seller:** Taranaki Investment Management  
**Date:** 31/03/2016  
**EV/EBITDA multiple:** N/A

**Chinese investment in The Van Diemen's Land Company:** Private Chinese company Moon Lake Investments was given the green light by the federal government to acquire Australia's biggest dairy farming business, Tasmania's Van Diemen's Land Company for \$278 million in 2016.

The Van Diemen's Land Company was founded in 1825 and operates its dairy and livestock farms based in Smithton, Tasmania. It operates milking sheds and produces dairy products, including milk; and engages in rearing calves.

9



**Target:** Patties Foods Limited  
**Acquirer:** Pacific Equity Partners (PEP)  
**Acquirer country:** Australia  
**Deal value:** A\$256 million  
**Date:** 22/09/2016  
**EV/EBITDA multiple:** 9.2x

**Private Equity acquisition:** Patties Foods Limited brands include Patties, Herbert Adams, Four 'n Twenty and Nanna's.

On September 2016, Patties Foods Limited delisted from the ASX and agreed to a \$256 million takeover offer from PEP, with the directors and the founding family (who owned 36.6% of the company) reportedly in favour.

10



**Target:** Gourmet Garden (Botanical Food Company Pty Ltd)  
**Acquirer:** McCormick & Company, Incorporated  
**Acquirer country:** United States  
**Deal value:** A\$150 million  
**Seller:** Advent Private Capital Pty Ltd; ICM Australia Pty Ltd  
**Date:** 19/04/2016  
**EV/EBITDA multiple:** N/A

**Private Equity Exit:** The US group, McCormick & Company acquired hi-tech food producers and packaged herbs brand, Gourmet Garden for consideration of \$150 million.

Gourmet Garden is a Queensland-based company founded in 1998 that produces and processes herbs and spices for homes, food restaurants, retailers and manufacturers.

Since the acquisition, Gourmet Garden fresh and dried herbs have been sold in 15 countries world-wide with the US its biggest international market. More than 90 per cent of Gourmet Garden's sales are to retail customers located in Australia and North America. This transaction also represented an exit for Advent Private Equity who were investors in the business alongside the founders. McCormick plans to expand the Gourmet Garden brand through McCormick's global distribution network.





#### TRANSACTION EXAMPLE:

## Tandou Limited acquired by Australian company, Webster Limited

A standout transaction in Australia is the exit of Tandou Limited sold to Webster Limited for a multiple of 81 times earnings. This transaction multiple was influenced by other value drivers such as water entitlements.

ASX Listed Walnut producer Webster Limited strategically acquired cotton producers Tandou and Bengrang two weeks apart for \$149 million and \$140 million, respectively. The two acquisitions followed a December acquisition of the Kooba aggregation of Riverina-based irrigation properties and expanded Webster's capacity, but also gave it security of water supply for walnuts, a perennial crop, rather than having to buy water on the market when needed.

The Tandou acquisition recorded an 81.4 times EBITDA multiple and made Webster the biggest owner of irrigation water in Australia. This transaction multiple may have been skewed by Webster's eagerness to lock down a secure water supply to protect its agricultural portfolio. Tandou also grows 95% of Australia's walnuts.



A\$149  
million



81.4x  
EBITDA

# In other news...

The world economy is travelling well, with an expected 3.7% of economic growth during 2018 which should flow through to rising consumer demand. Combined with a competitive Australian dollar and low interest rates, we expect to see continued investment in Australian food, beverage and agricultural assets.

## The return of iconic Australian brands

Vegemite and Violet Crumble, both authentic Australian brands have returned to the hands of Australian ownership.

Bega Cheese strategically acquired a number of branded consumer goods including Vegemite for \$460 million from Mondelez International's Australia and New Zealand business. The deal diversifies the dairy-weighted portfolio and pushed Bega's share price up by more than 15% (68 cents) to \$5.16.

Similarly, the Switzerland-based food giant Nestle, has agreed to the sale of the Violet Crumble brand to the family-owned confectionary company Robern Menz. The production of this Australian creation dates back to 1913.

## Continued private equity investment activity

Darrel Lea, another iconic Australian confectionary business, was recently acquired by private equity firm, Quadrant Private Equity for approximately \$200 million.

The vendors had previously partnered with Quadrant when they sold their VIP Petfoods business for \$410 million in 2015 (Refer to Top 10 Australian Deals – Deal no. 3 – for more information). Under Quadrant, Darrell Lea will pursue growth through exports, particularly to the US where sales have been growing over the last ten years.

As with VIP Petfoods, the vendor family have retained a 10% to 20% stake in Darrell Lea.

## Dairy cattle farming

Dairy is one of Australia's leading rural industries although it has faced a range of challenges over the past few years, including demand fluctuations, global market shifts and fluctuating farm-gate prices.

An anticipated recovery of dairy cattle prices in the short term is expected to boost industry revenue by approximately 10% in FY19.

Demand from international markets with rapidly rising household incomes is expected to further support industry revenue growth.

Developments in farming and milking technologies are likely to provide a competitive advantage for farmers that can make further capital investments.

## Perhaps the largest deal this period?

Archer Capital, a private equity investor, has sold West Australian dairy products processor Brownes Dairy to a Chinese consortium subject to Foreign Investment Review Board (FIRB) approval. This would allow Brownes to develop new product lines and access emerging export markets, particularly in Asia.

No financial details have been disclosed but the transaction is likely to be the largest overseas investment in the Australian food, beverage & agribusiness industry this year.

We expect to see sectors like dairy and wine to continue reaping the benefits of the free trade agreement with China.

## Saputo on the move

Whilst it did not make the Top 10 Australian Deals, we note that Saputo acquired the remaining 12% of Warrnambool Cheese and Butter in February 2017. This followed the original on-market acquisition of approximately 88% for \$519 m in February 2014.

Further to this, Saputo has made an offer for the proposed acquisition of Murray Goulburn and is waiting for approval from the Australian Competition and Consumer Commission (ACCC).

# Who are the acquirers?



# Private equity

Private equity firms are targeting mid-sized Australian businesses, particularly in the packaged foods & meats sub-sector, as they look to leverage premium brands, intellectual property and distribution channels into new markets across Asia Pacific and other global regions.

Global private equity activity has increased with 439 deals, in comparison to the 361 deals recorded in the first edition. There is continued appetite from both international and local private equity investors to invest in Australian food, beverage and agribusiness companies with a total of 16 private equity transactions for the period.

The majority of the private equity deals took place in Europe (46%) or US & Canada (40%) followed by Asia Pacific (8%).

The Australian private equity activity continues to be strong around the mid-market businesses and includes players such as Quadrant and Advent who are continually looking for quality brands and other investment opportunities.

Australia has the most private equity backed deals in the Asia Pacific region including 7 of the top 10 Australian M&A deals for the period.

Many of the multiples achieved through a private equity exit are well above the general median multiples observed in the Valuation Multiples Section, confirming that a private equity investment can add significant value to a quality business over the investment period.

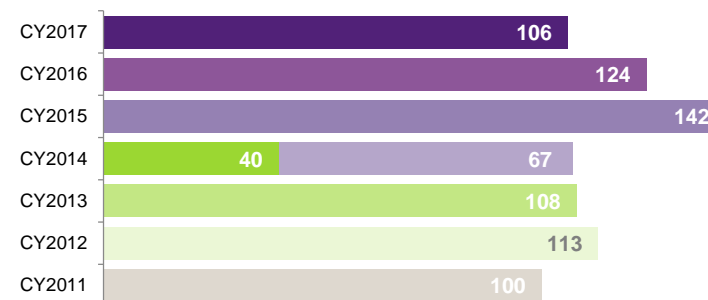
The recent appetite of private equity investors in the food, beverage and agribusiness industry has helped to increase market confidence, and continually encourages corporate M&A activity.

Private equity investors are typically more opportunistic than corporate investors and look for prospects to grow the value of a business in the medium term, typically three to five years. Given they have an ultimate goal to profit on the exit of their investment they may consider higher risk investments as well as the exit opportunity and the initial price they pay.

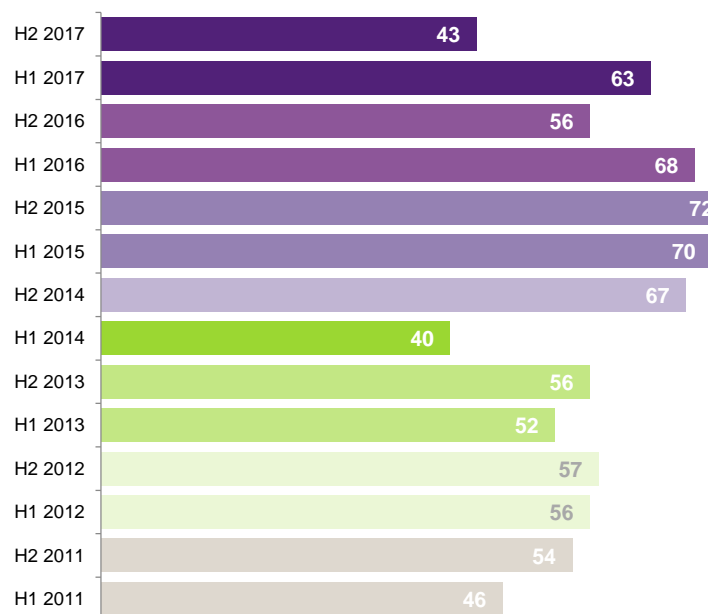
## Global private equity - Comparative Dealtracker periods



## Global private equity - Annual trends



## Global private equity - Half yearly trends



# Private equity

Private equity deals have been largely focused on the packaged foods & meats sub-sector (80%), more so than that of corporate transactions (65%). This is reflective of the demand for good quality branded food products.

Both Quadrant and Pacific Equity Partners (PEP) are active private equity investors in the mid-sized food, beverage and agribusiness industry in Australia and New Zealand. These funds have made multiple investments in Australian assets including PEP's acquisition of Patties Foods. This particular company had the potential to expand into the wider Asian Pacific market through the PEP network.

Other recent additions to the PEP portfolio include food assets such as Allied Mills, Manuka Health, Pinnacle Bakery and Integrated Ingredients. PEP has also recently exited its investment in Peters Ice Cream to European company, R&R at a multiple of 8.7 times earnings and rumoured to be approximately \$450 million.

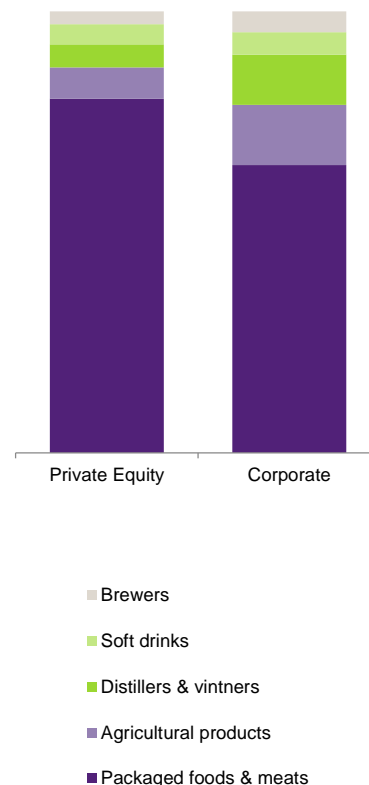
We have observed an increasing number of private equity, specialist investors and investment management firms who look for pre and post-farm gate investment opportunities in Australia. This includes overseas pension funds.

An example of an agriculturally focused private equity investment firm is Paine & Partners, LLC who acquired the Costa Group and then realised their investment by IPO. (Refer also to the IPO Activity section for more details on this transaction).

More recently, a London-based private equity firm ADM Capital has acquired an established almond plantation in Victoria at Lake Powell in the Sunraysia area. This was a strategic acquisition seen as counter cyclical to US almond production.

Based on our discussions with Agribusiness investors it appears that most are focused on either agricultural land ownership, seeking a property yield or gaining control over the management of the property.

Private equity vs corporate deals



210

Private equity entries including 14 in the Asia Pacific



238

Private equity exits including 19 in the Asia Pacific



46%

Private equity deals were in Europe



8%

Private equity deals were in Asia Pacific

# The buyers

International interest in Australia's food, beverage and agribusiness assets continues, attracting buyers with multiple acquisition strategies and a view to launch Australian brands into international markets.

## Cross border acquirers

Offshore investment into Australia represented 18% of total deal flow, with a healthy geographical spread of international buyers showing a continued appetite for Australian food, beverage and agribusiness assets. In 2016 alone, the food, beverage and agribusiness industry saw six cross border transactions with buyers from China, US and the UK. Cross border inbound deals for the period averaged \$86 million (this is a revised average excluding outlier of \$1.7 billion deal acquiring Goodman Fielder) and were typically of greater value than that of domestic acquirers, which had an average deal value of \$50 million.

The sustained interest is underpinned by Australia's political and economic stability and the desire to create an international presence. This includes the acquisition of Australian public company Bega Cheese Ltd's new Derrimut infant formula canning plant in Melbourne for \$200 million, by a listed US-based company, Mead Johnson Company. This transaction will allow the US company to expand its global supply network and enter the

Australian market.

Asia Pacific acquirers continue to dominate the acquisitions of Australian assets due to its geographical proximity and demand to meet the needs of a growing middle class population with 41% of the deals from China, Hong Kong, Japan and Singapore.

Interestingly the Free Trade Agreements with Japan (January 2015) and Korea (December 2014) have not specifically increased the deal activity with these countries.

The Filipino food group Monde Nissin has been on the move in Australia, handpicking multiple strong Australian food brands and launching them into Asian markets. The family-owned business acquired Australia's third largest dip brand Black Swan worth \$115m in June 2014, followed by the beverage brand Nudie for \$80m in February 2015, and the Australian specialty foods marketer and distribution Menora Foods in March 2015.

Cross border acquirers generally want to diversify their existing business by

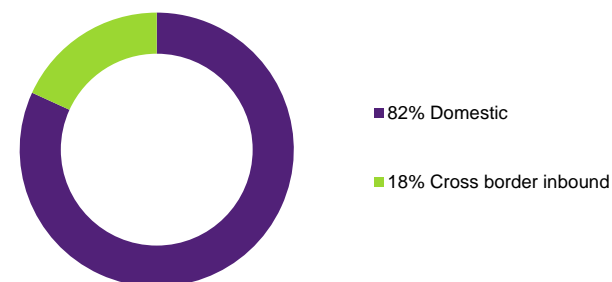
investing in an economically stable and high net worth market, as well as gaining access to quality brands that can be leveraged in their networks. Particularly in Asia, a buyer generally wants to satisfy the demands of a growing middle class with greater disposable income.

## Domestic acquirers

Domestic buyers have historically been responsible for the majority of Australian asset deals in the food, beverage and agribusiness industry. They generally aim to increase market share and revenue through acquisition of strong and recognisable brands. Brand loyalty and recurring sales is highly desired by potential buyers as opposed to developing a brand from scratch as it can be costly and time consuming. For this reason, existing quality brands are likely to attract a higher valuation multiple. Buyers may also want to reduce operating costs through synergies between the acquired and existing business, such as consolidation of premises or greater scale of economy with purchases.

Deals by buyer region (1 Jul 2014 to 31 Dec 2017)			
Buyer region	No. of deals	% of deals	Average deal value (\$m)
Asia Pacific excl. Australia	9	41%	688
US & Canada	9	41%	34
Europe	2	9%	96
Africa & Middle East	2	9%	91
<b>Total excl. Australia</b>	<b>22</b>	<b>100%</b>	<b>227</b>
Australia	101		
<b>Total deals</b>	<b>123</b>		

*Asia Pacific average deal value is overly high due to outlier sale of Goodman Fielder to Hong Kong company First Pacific Company and Wilmar International worth \$1.7 billion at a 9.1 times EBITDA multiple. The revised average deal value excluding this deal is equal to \$25 million for Asia Pacific acquirers (excluding Australia).*



# Motivation & influences on transaction participants

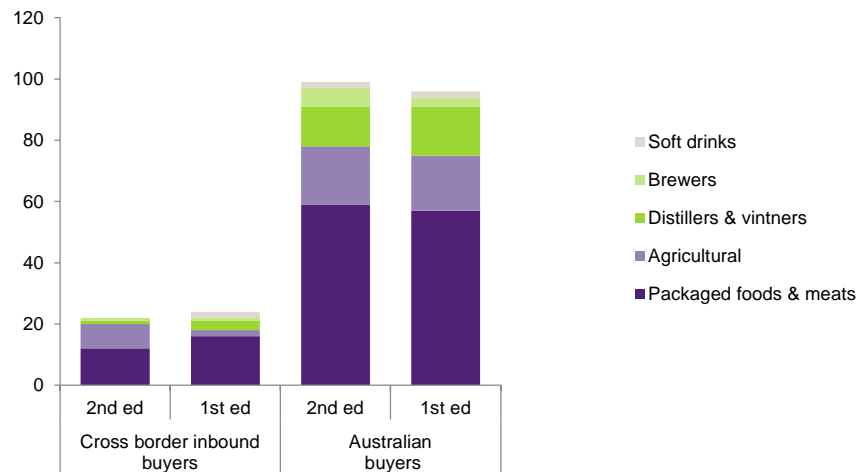
## Motivation for the buyer

International appetite has gravitated towards the brewers and agricultural products sub-sectors. In a number of instances, Australian farmers are being approached by international investors and in particular those from the US, the UK and China who are interested in corporate farming and seeking to gain control over the “paddock-to-plate” supply chain. While some investors are interested in the active management aspect of the business, others are interested in ownership of agricultural property.

## Influences for the seller

Influences that impact the seller may include enticing offers for their assets, particularly from international acquirers across the Asia, the US and the UK regions, interest from buyers who are able to inject capital to continue to operate or transform the business or the desire to sell as the farming generation retires without family succession.

## Australian assets deals by sub-sector



# What are they paying?





# Valuation multiples by target size

## Many mid-sized businesses have obtained strong valuation multiples through their articulation of well-founded growth opportunities.

The businesses in the food, beverage and agribusiness industry are often valued based on a multiple of earnings before interest, tax, depreciation and amortisation (EBITDA). When valuing a business, EBITDA is typically used as a measure of sustainable earnings as it reflects the financial performance of the business, before taking into account how it is funded. A market multiple when applied to the EBITDA provides the Enterprise Value (EV), which is the value of the business before accounting for surplus cash or net debt.

In line with the first edition, larger businesses generally attract higher valuation multiples than smaller businesses as they are perceived to have greater stability and consistency in their earnings base. However, in the food, beverage and agribusiness industry, we are seeing the strengthening of SMEs including craft breweries and quality branded food products which have resulted in relatively strong multiples across the board in comparison to the first edition.

Of the 2,801 recorded M&A transactions in the global food, beverage and agribusiness industry, 118 target companies had disclosed both revenue figures and EBITDA multiples available for analysis. As reflected in the second table, there were also 749 public companies whose shares were listed on a major securities exchange and reported positive EBITDA.

Median transaction multiples have increased across all revenue ranges with the exception of the marginal decrease of deals where the revenue range is between A\$200 million and A\$500 million. This demonstrates tremendous strength and investor interest within the sector, particularly due to the strong performance of businesses in the packaged foods and meats, and the distillers and vintners space.

The number of listed entities in the data set has expanded significantly from 393 previously to 749. This data may be potentially skewed by companies who had previously reported negative earnings which would have been omitted from the data. The analysis of the median trading multiple highlights an increase across the board, once again showing the strength of investor interest in this sector.

In general, we observe that the key factors driving this growth in valuation multiples in the global food, beverage and agribusiness industry include the strength of the brands, growth prospects of the target as well as access to a new geographical market. As the global population grows we expect to see the strengthening demand for food, beverage and agribusiness businesses to continue. Investors are also continuing to capitalise on synergies in the industry and the ability to control the supply chain as seen through China's acquisition of farms, processing businesses and other paddock-to-plate assets.

Global median transaction multiples by revenue range

Revenue range	Second edition		First edition	
	No. of deals	Median EBITDA multiple	No. of deals	Median EBITDA multiple
Less than \$20 million	12	9.4x	8	5.1x
Betw een \$20 million and \$50 million	8	9.3x	12	7.3x
Betw een \$50 million and \$200 million	37	10.0x	26	8.2x
Betw een \$200 million and \$500 million	25	9.6x	15	10.6x
Over \$500 million	36	13.3x	34	10.4x
Undisclosed	7			
<b>Median (overall)</b>		<b>10.6x</b>		<b>9.3x</b>
<b>Total</b>	<b>125</b>		<b>95</b>	

Global median trading multiples of listed companies by revenue range

Revenue range	No. of companies	Median revenue 31 Dec 2017 (A\$million)	Second edition				First edition	
			Median EV/EBITDA multiples				No. of companies	Median EV/EBITDA multiples
			30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14		
Less than \$20 million	53	5	19.1x	15.7x	20.9x	14.9x	4	9.1x
Betw een \$20 million and \$50 million	56	34	12.6x	12.1x	11.9x	10.3x	13	9.1x
Betw een \$50 million and \$200 million	148	121	11.6x	11.9x	11.8x	9.4x	34	9.8x
Betw een \$200 million and \$500 million	143	308	14.2x	14.5x	16.1x	12.9x	34	9.9x
Over \$500 million	253	2,115	12.0x	12.3x	13.2x	11.0x	308	10.0x
Undisclosed	96							
<b>Median (overall)</b>		<b>409</b>	<b>12.4x</b>	<b>12.7x</b>	<b>13.5x</b>	<b>11.1x</b>		<b>9.9x</b>
<b>Total</b>	<b>749</b>						<b>389</b>	



#### TRANSACTION EXAMPLE:

## Australian yoghurt brand Five:AM acquired by UK company, PZ Cussons plc

Five AM Life Pty Ltd was established by David Prior and provides yoghurt and granola products through sustainable organic farming. It's well developed branding attracted strong interest from international buyers which led to its acquisition by PZ Cussons plc, based in the UK. The transaction consideration was \$98 million with a transaction EBITDA multiple of 15.7 times EBITDA.

The transaction multiple was higher than the median of 10.4 times EBITDA for the packaged food & meats sector as well as being higher than the median of 10.3 times EBITDA for transactions that occurred in the Asia Pacific region. The transaction multiple was also higher than the median for the equivalent revenue range category for the target company, between \$50 and \$200 million.

David Prior was able to create a strong Australian brand which was known for its organic origins and health benefits which ultimately led to added value at the time of sale.



A\$98  
million



15.7x  
EBITDA

# Valuation multiples by target sub-sector

The overall EBITDA multiples observed during this Dealtracker period are higher than in recent years, driven by strong performance in the packaged food & meats, soft drinks and distillers & vintners sub-sectors.

The food, beverage and agribusiness industry has seen an increase in valuation multiples across the board, with the exception of the brewers sub-sector, which has fallen slightly. Consistent with the first edition, the distillers and vintners sector holds the highest median EBITDA multiple of 15.8 times EBITDA, second to the brewers sector with 12.4 times EBITDA.

Trading multiples have increased across all sectors during the current period. We believe this is reflective of confidence increasing in the global market and companies that are prepared to pay top dollar for high quality assets.

Global median transaction multiples by sub sector

Sub sector	Second edition		First edition	
	No. of deals	Median EBITDA multiple	No. of deals	Median EBITDA multiple
Packaged Foods and Meats	90	10.4x	76	9.1x
Agricultural Products	12	9.6x	13	8.9x
Brewers	9	12.4x	4	12.6x
Soft Drinks	9	10.5x	6	7.7x
Distillers and Vintners	5	15.8x	2	14.4x
<b>Median (overall)</b>		<b>10.6x</b>		<b>9.3x</b>
<b>Total</b>	<b>125</b>		<b>101</b>	

Global median trading multiples of listed companies by sub sector

Sub sector	No. of companies	Median revenue 31 Dec 2017 (A\$million)	Second edition				First edition	
			Median EV/EBITDA multiples				No. of companies	Median EV/EBITDA multiples
			30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14		
Packaged Foods and Meats	513	493	11.3x	12.1x	12.6x	10.4x	272	10.5x
Agricultural Products	107	211	14.5x	14.5x	15.0x	13.4x	43	11.3x
Distillers and Vintners	63	323	18.0x	15.9x	16.4x	12.1x	32	9.3x
Brewers	35	663	14.4x	13.7x	15.0x	12.5x	24	13.1x
Soft Drinks	31	1,106	13.1x	11.7x	12.6x	9.6x	22	9.1x
<b>Median (overall)</b>		<b>409</b>	<b>12.4x</b>	<b>12.7x</b>	<b>13.5x</b>	<b>11.1x</b>		<b>9.9x</b>
<b>Total</b>	<b>749</b>						<b>393</b>	



#### TRANSACTION EXAMPLE:

## Australia's Peter Lehmann Wines was acquired by Casella Wines

Casella Wines acquired wine producer and distributor Peter Lehmann Wines for \$69 million. The above market EBITDA multiple achieved (in comparison to the market average for the distillers & vintners industry) is driven by the premium paid for the renowned and well established Australian brand.

While there was a surge of acquisitions in the Wine industry with the purpose of geographic expansion, as reported in the first edition, this has slowed as private wineries consolidated and there was an oversupply of wine, a strong Australian dollar and fierce competition in export markets. Even so, Casella Wines acquired Brands Laira Wines in 2015, Morris Wines Pty Ltd in 2016, and Shaw Family Vintners in 2017.



A\$69  
million



15.8x  
EBITDA

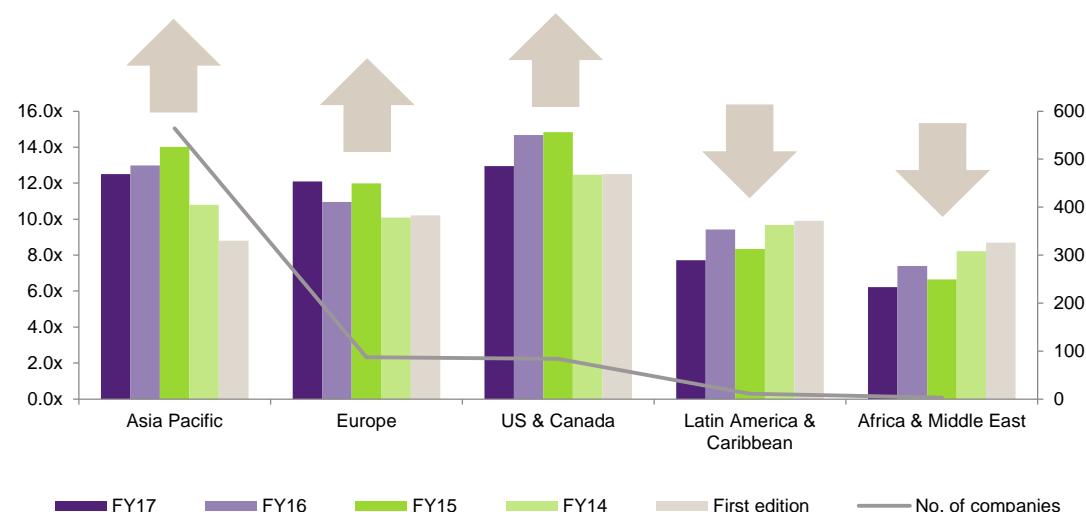
# Valuation multiples by region

Both transaction and trading multiples have strengthened across the Asia Pacific region.

The overall median multiples across all regions were higher, except for the median trading multiples for Latin America & Caribbean and Africa & Middle East regions, even though the corresponding transactions multiples have increased. The listed trading multiples were highest in the US & Canada where the stock exchanges are most mature and there is high liquidity. It is notable that the median for Asia Pacific has increased in the listed multiples and transaction multiples to become more aligned to the European and US markets.

It is also worthy of note that Asia Pacific has the highest number of listed companies in this sector by a long way, and almost seven times as much as Europe and the US when compared to the number of listed companies captured in the dataset since the first edition of this Dealtracker.

Median trading multiples by region



Global median transaction multiples by region

Region	Second edition		First edition	
	No. of deals	Median EBITDA multiple	No. of deals	Median EBITDA multiple
Europe	42	9.3x	37	8.8x
US & Canada	40	12.8x	25	10.3x
Asia Pacific	30	10.3x	28	9.2x
Africa & Middle East	7	11.3x	5	7.6x
Latin America & Caribbean	6	12.3x	6	11.2x
<b>Median (overall)</b>		<b>10.6x</b>		<b>9.3x</b>
<b>Total</b>	<b>125</b>		<b>101</b>	

Global median trading multiples of listed companies by region

Region	No. of companies	Median revenue 31 Dec 2017 (A\$million)	Second edition				First edition	
			Median EV/EBITDA multiples				No. of companies	Median EV/EBITDA multiples
			30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14		
Asia Pacific	564	304	12.5x	13.0x	14.0x	10.8x	188	8.8x
Europe	87	778	12.1x	11.0x	12.0x	10.1x	111	10.2x
US & Canada	84	1,828	12.9x	14.7x	14.8x	12.5x	75	12.5x
Latin America & Caribbean	11	2,911	7.7x	9.4x	8.3x	9.7x	15	9.9x
Africa & Middle East	3	723	6.2x	7.4x	6.6x	8.2x	4	8.7x
<b>Median (overall)</b>		<b>409</b>	<b>12.4x</b>	<b>12.7x</b>	<b>13.5x</b>	<b>11.1x</b>		<b>9.9x</b>
<b>Total</b>	<b>749</b>						<b>393</b>	

# How else can you raise capital?



# IPO activity

As market conditions improve, Australia has seen 16 IPOs of which 2 are included in the top 10 global IPOs by offer size. This is a significant increase since the first edition which had only recorded 1 IPO in Australia and 25 IPOs across the globe.

In total there has been 101 Initial Public Offerings (IPOs) across the global, with a significant 70% of these occurring in the Asia Pacific region. This is an increase in total IPO activity by 304% since the first edition which reported only 25 global IPOs with 1 occurring in Australia.

As market conditions improved, Australia reported 16 IPOs and 2 of these were included in the top 10 global IPOs by offer size.

Australia was placed third in the world behind China in first place with 44 IPOs and India in second with 17 IPOs.

The majority of IPOs have seen shares trading at a premium with an overall average share price increase of 60% since the IPO date. Australia's IPO share prices for the period increased by 38% overall and included the listing of Ingham's Group which has grown by 9% and Costa Group which has seen significant growth of 192% since IPO in July 2015.

The Asia Pacific contributed 70% of total IPOs and the highest average price movement of 98% which is consistent with the range of positive trends we have discussed throughout this

publication. A large proportion (76%) of these are in the packaged foods and meats sub-sector and highlight strong branding and ability to leverage products into new markets and global networks.

On the contrary, Africa & Middle East as well as Latin America & Caribbean regions have reported negative IPO share price movements for the period which may be a consequence of perceived volatility in those markets.

Overall, the IPOs with offers between \$200 million and \$500 million have declined in value slightly. This was somewhat impacted by the Australian livestock exporter, Wellard Limited, which saw a decrease in its share price by 26% to \$0.145. The fall in share price was in response to the company announcing an expected loss of up to \$65 million for the current financial year. The forecasted loss is attributable to a reduction in demand from South East Asian markets, high cattle prices and an extraordinary loss on a particular voyage in South America. We do not believe this is reflective of an ongoing trend in the industry.

IPOs by region				
Region	No. of IPOs	Offer amount (A\$million)	Offer amount as a % of total	Average price movement (%)
Asia Pacific	85	12,230	70%	102%
US & Canada	8	3,017	17%	45%
Europe	6	1,434	8%	22%
Africa & Middle East	1	348	2%	-62%
Latin America & Caribbean	1	459	3%	-16%
<b>Total</b>	<b>101</b>	<b>17,489</b>	<b>100%</b>	

IPOs in the Asia Pacific region				
Country	No. of IPOs	Offer amount (A\$million)	Offer amount as a % of total	Average price movement (%)
China	44	6,466	53%	94%
India	17	902	7%	112%
Australia	16	2,303	19%	109%
Hong Kong	3	2,392	20%	7%
Other	5	167	1%	162%
<b>Total</b>	<b>85</b>	<b>12,230</b>	<b>100%</b>	

IPOs by sub sector				
Sub sector	No. of IPOs	Offer amount (A\$million)	Offer amount as a % of total	Average price movement (%)
Packaged foods & meats	69	13,232	76%	99%
Agricultural products	19	2,357	13%	58%
Distillers & vintners	7	869	5%	105%
Soft drinks	5	1,021	6%	89%
Brewers	1	11	0%	28%
<b>Total</b>	<b>101</b>	<b>17,489</b>	<b>100%</b>	

IPOs by offer size				
Offer range	No. of IPOs	Offer amount (A\$million)	Offer amount as a % of total	Average price movement (%)
Less than \$50 million	38	584	3%	146%
Between \$50 million to \$100 million	20	1,425	8%	104%
Between \$100 million to \$200 million	22	3,093	18%	53%
Between \$200 million to \$500 million	14	5,231	30%	-4%
Over \$500 million	7	7,156	41%	43%
<b>Total</b>	<b>101</b>	<b>17,489</b>	<b>100%</b>	



#### TRANSACTION EXAMPLE:

## Costa Holdings IPO success

In Australia, many companies were backed by a private equity investment during its journey to listing on the ASX, including Costa Holdings Group an agricultural based business that markets and exports high-quality fresh fruit and vegetables.

With annual revenues exceeding \$800 million and over 4,000 employees, Costa is a full-service grower, packer, shipper, marketer, importer and exporter with production, trading and logistical operations throughout Australia and internationally.

Global private equity firm, Paine & Partners invested into Costa Group in 2011 which offered both financial resources and the opportunity for management and employees to pursue long term strategic growth. With Paine & Partners' support, Costa optimised its portfolio and re-directed resources to areas of clear competitive advantage.

Costa also completed the acquisition of Adelaide Mushrooms, taking the Company's share of the domestic mushroom market to approximately 40%.

Paine & Partners exited their investment in Costa which was listed for \$551 million in June 2015 and Costa has since been trading at a premium of 192% to its offer price at 31 December 2017.



**\$551 million  
ASX listing**



**192%  
growth**



# Top 10 global IPOs

- |   |   |   |  |   |
|---|---|---|--|---|
| <p><b>1</b></p> <p><b>Issuer:</b> WH Group Limited<br/> <b>Country:</b> Hong Kong<br/> <b>Offer size:</b> A\$2.201 billion<br/> <b>IPO price:</b> A\$0.86<br/> <b>Price at 31 Dec 2017:</b> A\$1.45<br/> <b>Price change:</b> + 69%</p>    | <p><b>2</b></p> <p><b>Issuer:</b> Dali Foods Group Company Limited<br/> <b>Country:</b> China<br/> <b>Offer size:</b> A\$1.622 billion<br/> <b>IPO price:</b> A\$0.96<br/> <b>Price at 31 Dec 2017:</b> A\$1.16<br/> <b>Price change:</b> + 22%</p>  | <p><b>3</b></p> <p><b>Issuer:</b> Blue Buffalo Pet Products, Inc. <b>Country:</b> US<br/> <b>Offer size:</b> A\$0.911 billion<br/> <b>IPO price:</b> A\$26.93<br/> <b>Price at 31 Dec 2017:</b> A\$41.98<br/> <b>Price change:</b> + 56%</p>  | <p><b>4</b></p> <p><b>Issuer:</b> Refresco Group N.V.<br/> <b>Country:</b> Netherlands<br/> <b>Offer size:</b> A\$0.764 billion<br/> <b>IPO price:</b> A\$20.20<br/> <b>Price at 31 Dec 2017:</b> A\$30.44<br/> <b>Price change:</b> + 51%</p>  | <p><b>5</b></p> <p><b>Issuer:</b> Inghams Group Limited<br/> <b>Country:</b> Australia<br/> <b>Offer size:</b> A\$0.596 billion<br/> <b>IPO price:</b> A\$3.15<br/> <b>Price at 31 Dec 2017:</b> A\$3.42<br/> <b>Price change:</b> + 9%</p>   |
| <p><b>6</b></p> <p><b>Issuer:</b> Costa Group Holdings Limited <b>Country:</b> Australia<br/> <b>Offer size:</b> A\$0.551 billion<br/> <b>IPO price:</b> A\$2.25<br/> <b>Price at 31 Dec 2017:</b> A\$6.60<br/> <b>Price change:</b> + 193%</p>   | <p><b>7</b></p> <p><b>Issuer:</b> AdvancePierre Foods Holdings <b>Country:</b> US<br/> <b>Offer size:</b> A\$0.511 billion<br/> <b>IPO price:</b> A\$27.49<br/> <b>Price at 31 Dec 2017:</b> N/A<br/> <b>Price change:</b> - 100%</p>              | <p><b>8</b></p> <p><b>Issuer:</b> The Simply Good Foods Company <b>Country:</b> US<br/> <b>Offer size:</b> A\$0.491 billion<br/> <b>IPO price:</b> A\$12.08<br/> <b>Price at 31 Dec 2017:</b> 18.26<br/> <b>Price change:</b> + 51%</p>     | <p><b>9</b></p> <p><b>Issuer:</b> Hostess Brands, Inc. <b>Country:</b> US<br/> <b>Offer size:</b> A\$0.475 billion<br/> <b>IPO price:</b> A\$13.58<br/> <b>Price at 31 Dec 2017:</b> 18.96<br/> <b>Price change:</b> + 40%</p>                | <p><b>10</b></p> <p><b>Issuer:</b> Jiangsu Provincial Agricultural Reclamation and Development Co. Ltd <b>Country:</b> China<br/> <b>Offer size:</b> A\$0.474 billion<br/> <b>IPO price:</b> A\$1.82<br/> <b>Price at 31 Dec 2017:</b> 2.78<br/> <b>Price change:</b> + 53%</p>    |

# About Grant Thornton



# Depth of experience

Are you looking at a merger, making an acquisition, disposing of a business, undertaking a future public share offering or raising finance? Whatever your strategic objectives, Grant Thornton Australia Limited can help you achieve them and increase your shareholders' wealth.



# Corporate Finance services

Our success is built on the importance we place on developing deep, long-lasting relationships, both with our clients and with third parties such as private equity houses, banks, other financial intermediaries, lawyers and government bodies and industry groups. The strength of our partnerships and our multidisciplinary team allows us to provide a rapid response, tailored to your particular circumstances.

1. In an ever changing market environment, it is important to effectively manage costs and maximise returns. Our team acts as a strategic advisor and is committed to taking the time to genuinely listen to your individual needs. This enables us to present you with solutions which add value and ensure your shareholder wealth is maximised.
2. Clients expect the highest level of service and value for money from their financial advisor. Grant Thornton Australia firmly believes that we will exceed your expectations. By adopting a truly Partner-led approach we set ourselves apart from other firms whilst maintaining competitive and sustainable fee arrangements. Our clients appreciate the proactive and commercial advice and solutions which are tailored to meet their individual needs today and in the future.
3. In today's market, knowing your business environment and market is critical. It is therefore important to be able to trust that your advisor has strong industry skills and is aware of current issues relevant to you your customers and your stakeholders. With extensive experience in providing corporate advisory services for both large and mid-size organisations we have the ability to share best practice solutions and industry insights with you.
4. As one of Australia's leading advisors, we work with dynamic, growing organisations to unlock their potential for growth. You will benefit from working with your local team who understand the issues you face and is able to draw upon the expertise and resources of dedicated industry specialist and technical experts throughout Australia and internationally.

Working with our clients has given our team extensive experience in all aspects of corporate finance.

## Merger & acquisition services

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Mergers & acquisitions  
Buy/sell side lead advisory  
Private equity transactions  
MBIs/MBOs  
Cross border transactions  
Industry consolidation  
Debt refinancing  
ASX/AIM listings  
Corporate structuring  
Capital raisings  
Information memorandum preparation

## Financial modelling

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Financial model construction  
Financial model review  
Project analysis  
Project feasibility  
Project financing

## Transaction advisory services

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Acquisition due diligence  
Vendor due diligence  
Tax due diligence  
Commercial due diligence  
Investigating accountants' report  
Forecast reviews  
Management assessment  
Data room services  
Pre-lend reviews

## Valuations

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Independent valuations  
Independent expert reports  
Majority/minority interests  
Purchase price allocations  
Employee share and option plans  
Hybrid financial instruments  
Intangible assets  
Disputes and litigation support  
Impairment testing  
Tax consolidation



# Mergers & acquisitions

Undertaking a merger, acquisition, or divestment can be a watershed event in a company's evolution. Grant Thornton Australia's M&A team are highly skilled and entrepreneurial and have the experience and expertise you need.

To assist our clients with their ambitions, Grant Thornton Australia's M&A team can provide an independent view and insight into the risks and opportunities available for companies aiming to grow both organically and through acquisition or shareholders realising value.

We understand our clients are looking for more than just an advisor. They need a partner who will work through the whole transaction process with them to achieve the optimal outcome.

We work closely with our Tax, Assurance and other Specialist Advisory Services practitioners to provide a seamless service that caters for the various financial and commercial issues that arise. We take this approach with every assignment, with the ultimate goal of building strong ongoing relationships with our valued clients.

Our team brings together multidisciplinary financial backgrounds and strong relationships with financial sponsors, banks and leading corporates. In addition, our national and international capability provides clients with true integrated cross-border transaction capabilities.

## Adding value

Seamless support from Grant Thornton brings real value to the M&A process, ensuring parties remain informed, processes are completed smoothly and efficiently and superior outcomes are positively achieved.

### Merger & acquisition services

Will provide hands-on strategy and transaction execution advice

Is independent of all debt and equity providers and will provide impartial advice

Will provide overall process and transaction management and ensure timely progress of the various pieces of the strategy

Will provide a seamless suite of advisory services in a co-ordinated manner

Will provide access to relevant parties both domestically and internationally through our worldwide network



# Transaction advisory services

Whether you are acquiring, divesting or considering an initial public offering, our transaction advisory team will identify and resolve key business issues through our rigorous risk and business analysis process.

Tailoring a reporting method to suit your preferred medium and help you make informed decisions, you will receive balanced and objective advice, giving you insight and confidence around the numbers and key questions in respect of your transaction.

Our national team of advisors is experienced, capable and hands on. We work to develop a real understanding of our clients' businesses and requirements, with partner-led service and long-term working relationships.

We also offer cross-border transaction experience and depth. Working with transaction advisory teams in other countries via our international network enables seamless delivery of cross border opportunities.

## Operational Deal Services

Our Operational Deal Services (ODS) team provides practical advice to ensure the greatest possible outcome and value from business transactions.

We work with you through all stages of the deal to maximise deal value and performance, through a robust approach to strategic planning, stakeholder engagement, value mapping and change management.

### Our services have been developed to meet the needs of the middle to large market sectors and include:

- Acquisition financial and tax due diligence
- Vendor financial and tax due diligence
- Agreed upon procedures reports
- Investigating accountant reports
- Reporting accountant reports (Alternative Investment Market)
- Forecast modelling and review
- Pre-acquisition/disposal planning
- Pre bid analysis and valuation
- Tax planning and structuring
- Sell side preparation
- Data room facilitation and management
- Transaction accounting advice including purchase price allocation
- Transaction cost analysis
- Transaction project management
- Completion accounts review and comments on sale agreement
- Operational Deal Services, including post acquisition integration and reviews



# Valuation services

Grant Thornton Australia's valuation team provides clients access to dedicated practitioners with in-depth expertise in the valuation of shares, hybrid securities, businesses and related intangible assets.

## Valuation services include:

Preparation of Independent expert's reports for public transactions in accordance with the requirements of the Corporations Act and the ASX listing rules

Valuation for mergers, acquisitions, disposals and pre-bid support

Purchase price allocation

Valuation for pre-lending review process

Impairment testing for intangible assets

Valuation for taxation purposes, including entering the tax consolidation regime, capital gains tax and stamp duty

Option valuations

Valuation for dispute resolution and expert determination



# Financial modelling services

Financial modelling is the process of forecasting performance of businesses and assets, using relationships among a range of variables. The central aim of all financial modelling is decision making or valuation under uncertain conditions, which provides management with leading insights into the short term or even long term business environment.

In an environment of increasing corporate governance requirements, financial models also assist with monitoring compliance with debt covenants and assisting with financial reporting.

## Developing financial models

Our team specialises in providing custom-built financial models that can be used for a wide variety of situations to enhance the decision making process, including:

- Feasibility analysis
- Scenario analysis
- Forecasting
- Cash flow management

## Key decision making tool

A financial model is not seen as a piece of software but rather as a key decision making tool that has the ability to make or break a business or investment. Therefore all of our models are fully tested to ensure the highest level of integrity in their construction. Likewise our financial model review process is systematic and thorough and conducted by practitioners with capabilities in advanced modelling.

Financial models are commonly required when businesses are contemplating:
Improving existing decision making processes
Financing/refinancing
Business expansion
Improving efficiency in the finance team
Acquisitions of businesses
Sales and divestments
Public offerings (IPO)
ASX continuous disclosure

## Reviewing financial models

All major business decisions and transactions require financial analysis. The critical factor of any financial analysis is ensuring that the appropriate analysis is being conducted on the correct information.

Our team has extensive experience in providing financial model reviews for both the public and private sectors, in M&A and other internal operational contexts.

Our financial models
Are user friendly
Have assumptions easily identified and easy to manipulate
Are easy to follow, with a logical layout
Are sophisticated in logic but not overly complex
Contain automated scenario analysis around key business risks
Are well summarised, with visual outputs and dashboards



# About us

We're an organisation of independent assurance, tax and advisory firms, made up of 47,000 people in 130 countries. And we're here to help dynamic organisations unlock their potential for growth.

For more than 100 years, we have helped dynamic organisations realise their strategic ambitions. Whether you're looking to finance growth, manage risk and regulation, optimise your operations or realise stakeholder value, we can help you.

Grant Thornton Australia has more than 1,200 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We've got scale, combined with local market understanding. That means we're everywhere you are, as well as where you want to be.



47,000

People globally



1,200+

People nationally



130+

Countries



\$4.8BN

Worldwide revenue  
2017 (USD)

## Industry Specialisation



Automotive



Consumer  
Products &  
Retail



Energy &  
Resources



Financial  
Services



Food &  
Beverage



Health &  
Aged Care



Life  
Sciences



Manufacturing



Not for  
Profit



Professional  
Services



Public  
Sector



Real Estate &  
Construction



Technology  
& Media

## Our services

Audit & Assurance

Private Advisory

Private wealth

Family office services

Superannuation

Business advisory services

Tax

Financial Advisory

Forensic consulting

Corporate finance

Restructuring advisory

Grant Thornton Consulting

Business risk services

Human capital

Performance management

Strategy & growth

Technology advisory

National Specialist Tax

Indirect tax

Transfer pricing

Remuneration taxes

Public Sector Advisory

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