



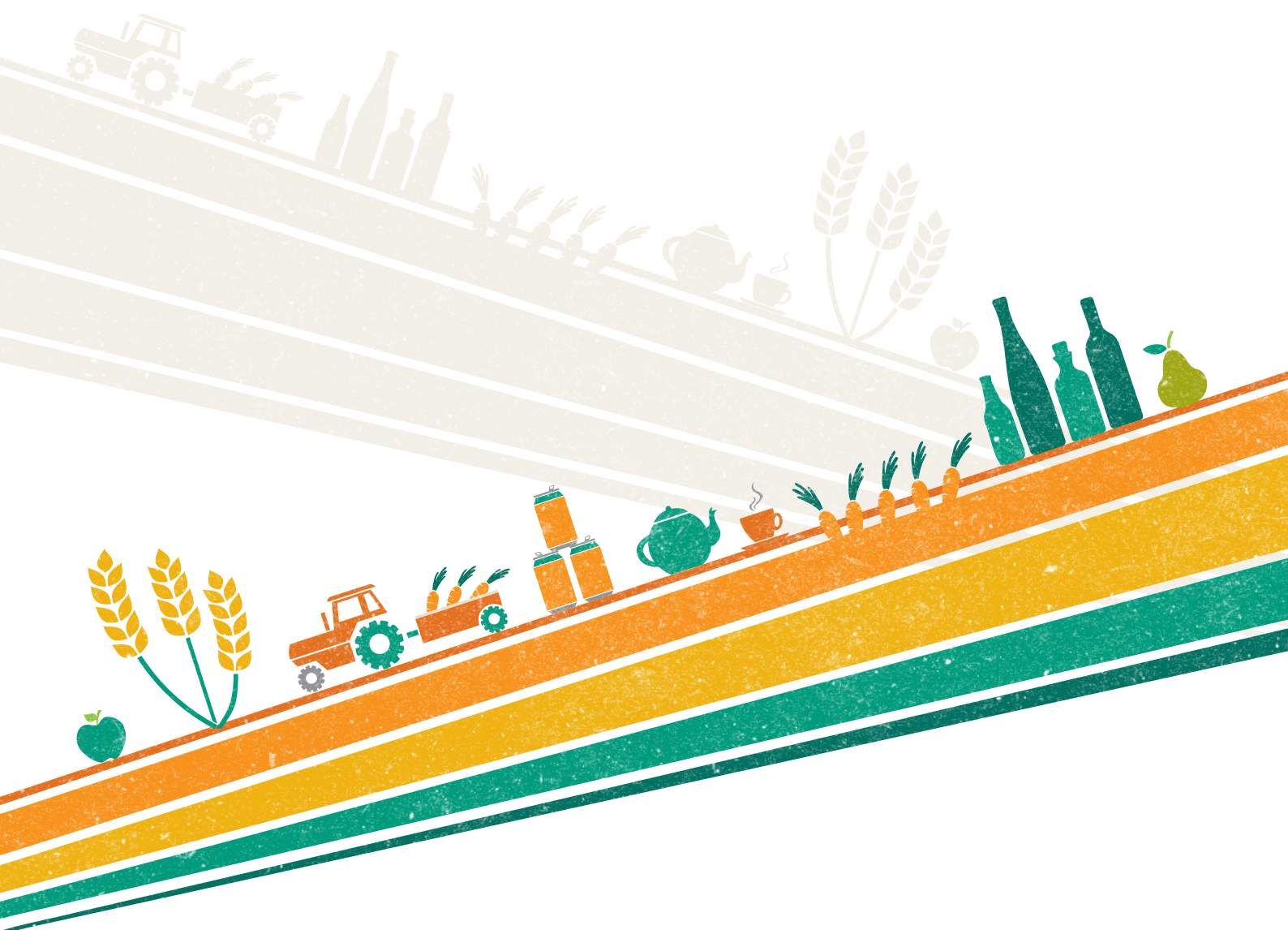
Grant Thornton

An instinct for growth™

JUNE 2014

Bite size

Dealtracker for the Food & Beverage industry



Bite size - Dealtracker for the Food & Beverage industry

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Executive summary

In this Bite Size publication, our Dealtracker for the Food and Beverage (F&B) industry, we have analysed global Merger & Acquisition (M&A) activity over the period 1 January 2011 to 31 March 2014. Not surprisingly, much of the M&A activity, has been driven by the increased demand for food in emerging economies.

Rising populations, growing incomes and an increasing appetite for Western foods are major trends fuelling the growth in emerging economies. A number of significant food safety scandals have also increased demand for safer foods and greater clarity around food origin.



Our key insights

- 1 Interest in Australia**

International companies are looking to Australia to capitalise on the growth opportunities in emerging economies, as Australia is well positioned to increase F&B exports to China and other Asian countries. The recently concluded Free Trade Agreements with Japan and Korea provide more opportunities for exports of products including cheese, beef, horticulture and wine. These agreements should also make Australian companies more attractive to foreign investors.

Despite difficult market conditions generally, M&A activity in the F&B industry in Australia has been relatively high in global terms. During our review period, Australia had more acquisition targets than any other country in Asia Pacific and we had the fifth highest level of any country overall.
- 2 China as an acquirer**

Companies from the People's Republic of China (PRC) have purchased a number of key food assets around the globe. These acquisitions appear to be driven by a desire to secure ongoing food supply to meet increasing demand for food in China and to reduce the risk of potential food price increases by acquiring underlying assets. There is also a desire by Chinese companies to access the operational and food safety expertise of Western companies.
- 3 Private equity market**

Private Equity (PE) buyers have been interested in the strong growth prospects in the F&B sector. Whilst PE only accounted for 14% of buyers overall, they were frequently present as buyers of (or bidders for) the larger, more strategic assets. There have also been a number of large successful PE exits both within Australia and overseas, demonstrating that this is an attractive sector for PE.
- 4 Private label and premium brands**

There is a growing trend towards private labels by retailers both in Australia and overseas. This trend is likely to continue to erode the competitiveness of many F&B businesses in the next few years, with the weaker brands in each product segment at risk of significant volume loss. The trends have been reflected in the M&A activity, as buyers sought businesses with strong brand names or a significant share of the private label market.
- 5 Beer and wine markets**

Australia's wine industry has been hit hard by a massive oversupply, a strong Australian dollar, increased production costs, reduced demand levels from Europe, North America and China and increased competition from emerging wine-producing countries. These factors have driven some of the M&A activity in the Distillers and Vintners sector in Australia, as many wine businesses have been forced to restructure.

Whilst Australia's beer industry has been experiencing stagnant sales in economy brands, there has been strong growth in the premium segment of the market. Businesses with strong brands in premium market segments, have attracted very high valuation multiples.

Transaction levels

The data in this report was compiled from several sources including, Standard & Poor's (S&P) Capital IQ, Mergermarket, IBISWorld and other publicly available information. We have considered transactions during the period between 1 January 2011 to 31 March 2014 where the target company's primary sector was classified under S&P Capital IQ coding to be within the Brewers, Distillers & Vintners, Soft Drinks, Packaged Food and Meats or Agricultural Products sectors.

Deal levels

Globally, between 1 January 2011 and 31 March 2014 there have been 2,426 international M&A transactions within the F&B industry.

Deal volumes were lower in 2013 than 2012 and 2011. This is not surprising given that 2013 was the slowest year for M&A activity globally since 2009.*

In 2011 and 2012, the highest proportion of deals happened in the fourth quarter of each year, whereas the fourth quarter of 2013 had the lowest numbers for the year in 2013, indicating that deal levels have slowed down. The trend toward a slowdown in deal activity has continued into the first quarter of 2014.

Of the 2,426 deals there were 125 deals (5%) where the target's primary operations were listed as being in Australia.

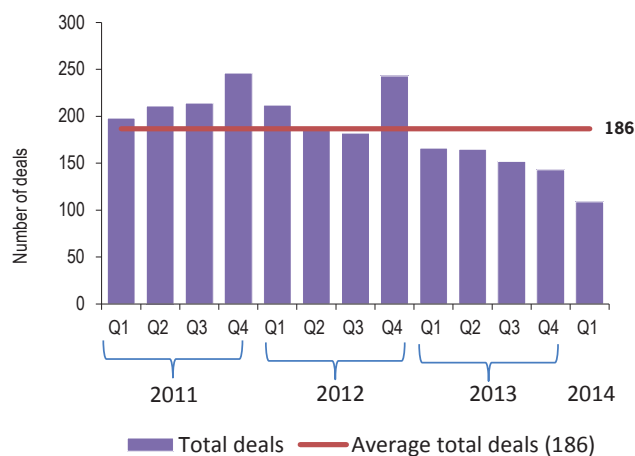
Deal mix

Internationally, the vast majority (67%) of F&B deals were in the Packaged Food and Meats subsector, followed by Agricultural Products (13%), Distillers and Vintners (11%), Soft Drinks (6%) and Brewers (3%).

Australia's distribution of deals according to subsector was comparable to that of global deals, however Australia had proportionately more deals in the Agricultural Products (18%) and Distillers & Vintners (18%) subsectors.

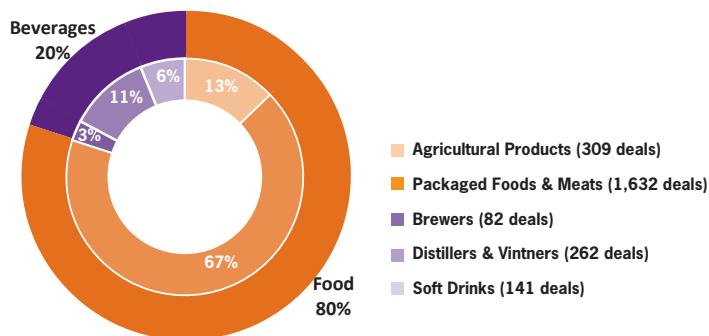
Source: *Australian Financial Review 23 January 2014, which quoted Thomson Reuters.

International deal activity



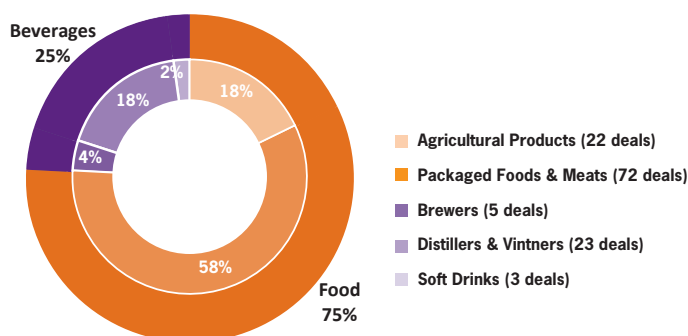
Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

International deal mix



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Australian deal mix



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

International Food & Beverage transactions

The vast majority of transactions occurred in Europe (51%) followed by Asia Pacific (21%) and then US & Canada (20%). Deals in the US & Canadian region consisted predominantly of deals in the US (91%).

Australia's deal levels have been relatively high. Australia had the third highest number of deals in the Agricultural Products sector (22 deals), behind the US (53 deals) and Russia (45 deals). Australia was also third in the Distillers & Vintners subsector (23 deals), behind France (63 deals) and the US (47 deals).

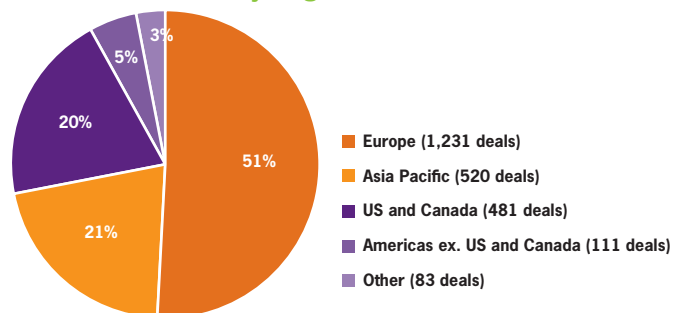
Australia's wine industry has been hit hard by a massive oversupply, a strong Australian dollar, increased production costs, reduced demand levels from Europe, North America and China and increased competition from emerging wine-producing countries. Some of the M&A activity in the Australian Distillers and Vintners subsector was driven by the difficult conditions in the Australian wine market. Low revenues and margins forced the sale of some family owned estates.

There was clear deal interest in emerging countries, with 178 deals where businesses in Russia were the targets. In China, deal levels were relatively strong across all sectors, with China having the second highest number of deals in the Asia Pacific region (behind Australia) across all sub-sectors.

Japan had the third highest number of deals in the Asia Pacific region, with strong deal activity in the Packaged Food & Meats and Soft Drink subsectors.

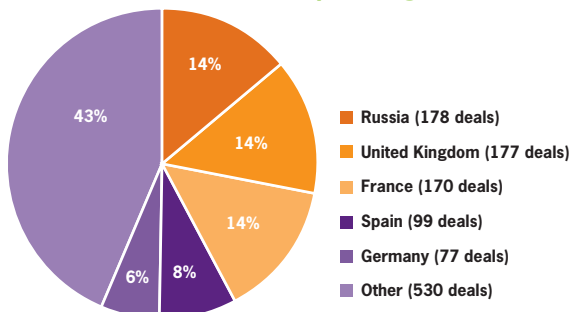
Australia's deal levels have been fairly high when considered in a global context. Only four countries recorded a greater number of deals than Australia. These were the US, Russia, UK and France, which all have significantly greater economies than Australia. Interestingly Australia had more deal activity than that of China, Japan or India.

Distribution of deals by target location



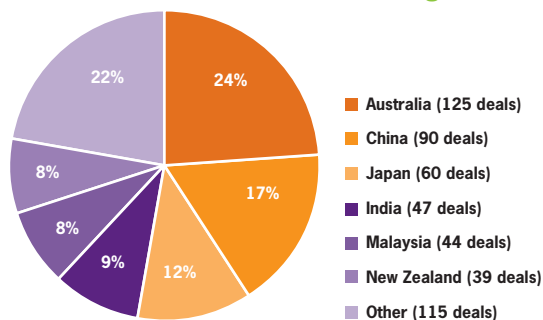
Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Distribution of deals in European region



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Distribution of deals in Asia Pacific region



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Australian Food & Beverage transactions

There was strong international acquirer interest in Australian F&B businesses.

Despite relatively low deal volumes in the first quarter (Q1) of 2014, there remained strong interest from overseas buyers, as three out of the five deals in Q1 2014 had international buyers.

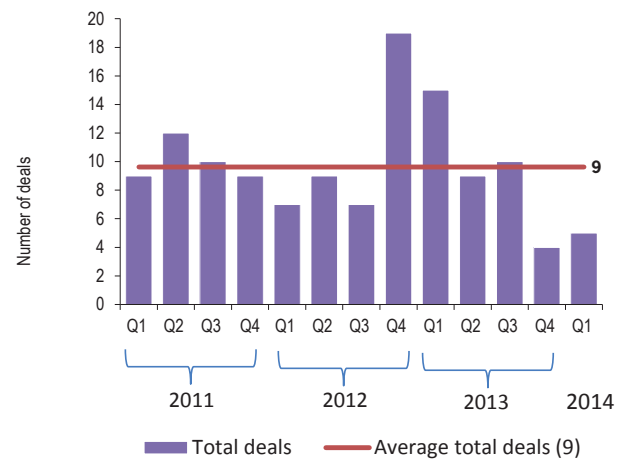
Not many Australian companies have been making acquisitions outside of Australia. In total, there were 101 acquisitions made by Australian buyers, of which only seven of those were made overseas. Of these seven transactions:

- Four were in New Zealand and the remaining three in Brazil, Fiji and Malaysia.
- Three were in packaged food and meats, two in brewers, one in Distillers and Vintners and one in Agricultural Products.

There was strong international acquirer interest in Australian F&B businesses, with 19% of Australian businesses that were sold having been bought by overseas buyers. The international inbound deals were also at the higher end of the scale in terms of deal value. Most interest seemed to come from Asian Pacific buyers, although there was also strong interest from buyers in the US and Europe. The recently completed Free Trade Agreements with Japan and Korea will increase the attractiveness of Australian companies to foreigners.

Conversely, there seemed to be less interest by Australian businesses in buying overseas, with only seven acquisitions over the period being made by Australian companies outside of Australia.

Australian deals by quarter



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Cross border inbound acquirers

Sub sector	Number of deals	% of total deals
Agricultural Products	2	9%
Brewers	2	9%
Distillers & Vintners	3	14%
Packaged Foods & Meats	14	64%
Soft Drinks	1	5%
Total	22	100%

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Domestic acquirers

Sub sector	Number of deals	% of total deals
Agricultural Products	18	19%
Brewers	3	3%
Distillers & Vintners	16	17%
Packaged Foods & Meats	55	59%
Soft Drinks	2	2%
Total	94	100%

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Private Equity deals

Whilst PE buyers only participated in a relatively small proportion (14%) of total deals, they were much more prevalent in the larger deals.

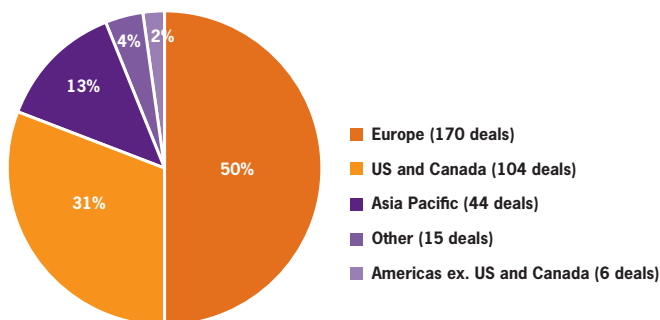
PE firms were proportionately more interested in opportunities in the Packaged Foods and Meats and Agricultural Products sectors when compared to corporates. Proportionately more of the PE deals occurred in the US and Canada compared to the corporates, whereas PE showed less interest in Asia Pacific.

Whilst our analysis is focused solely on transactions where target companies are categorised as producing/manufacturing food & beverage products, there was also notable interest by PE firms in acquiring businesses in the Food Distribution sector. One of the largest transactions in the Food Distribution sector was Bright Foods Group's acquisition of a 75% stake in food distribution company Food Holdings Pty Ltd from CHAMP Private Equity for A\$516 million. This acquisition, and others in the Food Distribution segment, are not included in the deal activity covered by this Bite Size publication.



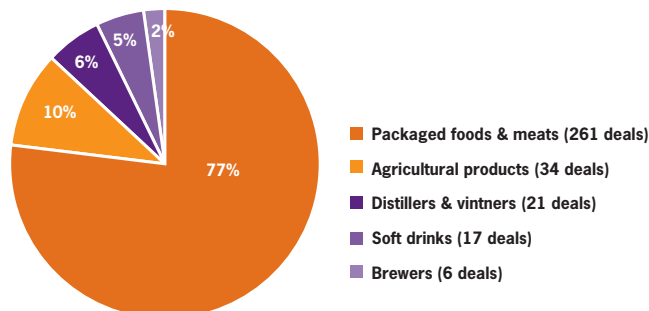
PE buyers showed interest in large deals in the packaged food and agricultural product sectors, particularly in the US. There were also a number of sizeable PE deals in Australia and New Zealand.

Private Equity deals by region



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Private Equity deals by sub-sector



Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Top ten international deals

<p>1</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: Berkshire Hathaway Target: H.J Heinz Company Deal value: A\$27,698 million Acquirer country: United States Target country: United States Date: 07/06/2013 EV/EBITDA Multiple: 13.6x</p>	<p>H.J. Heinz was purchased by an investment consortium comprised of Berkshire Hathaway and an investment fund affiliated with 3G Capital. The acquirers were attracted to the strength of the Heinz brands and its global presence, which makes the company an attractive platform for further food industry deals.</p>
<p>2</p>  <p>(Brewers)</p>	<p>Acquirer: SAB Miller plc Target: Foster's Group Ltd Deal value: A\$12,323 million Acquirer country: United Kingdom Target country: Australia Date: 16/12/2011 EV/EBITDA Multiple: 14.2x</p>	<p>SAB Miller's acquisition of Foster's was part of its strategy to create a global business with strong and successful brand portfolios. The reasoning behind the acquisition was to provide exposure to Australia's economic growth prospects and the opportunity to apply SABMiller's capabilities and scale to enhance Foster's financial and operating performance.</p>
<p>3</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: Joh. A. Benckiser GmbH Target: D.E Master Blenders Deal value: A\$9,951 million Acquirer country: Germany Target country: Netherlands Date: 25/09/2013 EV/EBITDA Multiple: 18.3x</p>	<p>Joh.A. Benckiser, a German consumer products conglomerate purchased D.E Master Blenders, a European coffee and tea company. This acquisition is the third deal in the sector for Benckiser, as it purchased Caribou Coffee and Peet's Coffee & Tea in separate acquisitions in 2012.</p>
<p>4</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: Henan Shineway Industry Group (Henan Shineway) Target: Smithfield Foods (SF) Deal value: A\$7,555 million Acquirer country: China Target country: United States Date: 26/09/2013 EV/EBITDA Multiple: 9.2x</p>	<p>Henan Shineway's acquisition of SF was the largest ever purchase of a US firm by a Chinese company. In this transaction, the largest pork producer in China purchased the largest pork producer in the United States. In 2011, a related entity of Henan Shineway was at the centre of a feed additive scandal around the "lean meat powder", Clenbuterol.</p>
<p>5</p>  <p>(Agricultural Products)</p>	<p>Acquirer: Glencore Xstrata plc Target: Viterro, Inc. Deal value: A\$7,277 million Acquirer country: Switzerland Target country: Canada Date: 15/12/2012 EV/EBITDA Multiple: 10.8x</p>	<p>Glencore Xstrata is one of the world's largest global diversified natural resource companies and Viterro was a global agri-business. The transaction increased Glencore's exposure to emerging markets and provided significant strategic storage capacity in South Australia. Glencore initially acquired 100% of Viterro and then sold part of the business in "back-to-back" agreements.</p>

“*The desire to acquire strong and successful brands was a key driver in the largest acquisitions.*”

6



(Packaged Foods & Meats)

Acquirer: ConAgra Foods Inc.
Target: Ralcorp Holdings Inc
Deal value: A\$6,846 million
Acquirer country: United States
Target country: United States
Date: 29/01/2013
EV/EBITDA Multiple: 12.0x

ConAgra foods is one of North America's largest food companies. Ralcorp produces a variety of private brand foods sold under the individual labels of retailers. The transaction reportedly positioned ConAgra as the largest private brand packaged food business in North America.

7



(Agricultural Products)

Acquirer: DuPont Denmark Holdings
Target: Danisco A/S
Deal value: \$A6,725 million
Acquirer country: Denmark
Target country: Denmark
Date: 16/05/2011
EV/EBITDA Multiple: 12.9x

Dupont is a science-based products and services company. Danisco is a producer of ingredients for food and other consumer products. The transaction was intended to create growth opportunities by connecting agriculture and nutrition through "industrial biosciences".

8



(Packaged Foods & Meats)

Acquirer: KKR, Vestar, Centreview
Target: Del Monte Corporation
Deal value: A\$5,586 million
Acquirer country: United States
Target country: United States
Date: 08/03/2011
EV/EBITDA Multiple: 9.0x

Del Monte Foods is a producer, distributor and marketer of branded pet products and food products for the U.S. retail market. Del Monte Foods Company was acquired by an investor group led by funds affiliated with Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Vestar Capital Partners ("Vestar") and Centreview Capital, L.P. ("Centreview"). The canned foods segment of the business was subsequently sold to Del Monte Pacific Limited (an unrelated company) in February 2014, following this the remaining pet food division was renamed "Big Heart Pet Brands".

9



(Agricultural Products)

Acquirer: Marubeni Corporation
Target: The Gavilion Group LLC
Deal value: A\$4,858 million
Acquirer country: Japan
Target country: United States
Date: 5/7/2013

Gavilion Group LLC is one of the US's largest grain handlers. Marubeni Corporation is a large, Japanese integrated trading and investment business. The deal was part of Marubeni Corporation's strategy to position itself as key player in the growing Asian market, by enhancing its ability to access grain supplies.

10



(Packaged Foods & Meats)

Acquirer: Pepsi Cola (Bermuda)
Target: Wimm-Bill-Dann Foods OJSC
Deal value: A\$4,780 million
Acquirer country: Bermuda
Target country: Russia
Date: 03/02/2011
EV/EBITDA Multiple: 22.1x

PepsiCo became the largest food and beverage business in Russia, following the acquisition of Wimm-Bill-Dann Foods OJSC, which is one of Europe's largest dairy product companies. It also manufactures and sells juice and baby food products. The deal was one of the largest foreign investments in the Russian market outside of the energy industry and positioned PepsiCo to capitalise on the growing Russian dairy market.

“

Acquirers were interested in capitalising on opportunities in emerging economies.”

Top ten Australian deals

<p>1</p>  <p>(Brewers)</p>	<p>Acquirer: SAB Miller Target: Foster's Group Ltd. Deal value: A\$12,323 million Acquirer country: United Kingdom Target country: Australia Date: 16/12/2011</p>	<p>SAB Miller's acquisition of Fosters was the largest F&B deal in Australia and the second largest F&B deal during the period internationally. It was also the third largest acquisition in Australia across all industry sectors over our observed period.</p>
<p>2</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: TPG Capital LP Target: Ingham Enterprises Deal value: A\$880 million Acquirer country: United States Target country: Australia Date: 27/06/2013</p>	<p>Ingham's is one of Australia's biggest poultry producers and one of the largest and oldest family owned businesses in Australia. The business offered strong growth prospects, with the potential to double its chicken production. The acquisition of Ingham's was heavily contested, with the business reportedly attracting interest from Blackstone Group, Chinese agribusiness company New Hope, Hong Kong based private equity group Affinity Partners and local fund Archer Capital.</p>
<p>3</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: Saputo Inc. Target: Warrnambool Cheese And Butter Factory Company Holdings Limited (WCB) Deal value: A\$537 million Acquirer country: Canada Target country: Australia Date: 13/02/2014</p>	<p>WCB is Australia's oldest and fourth largest dairy producer. Saputo is a Canadian dairy company with global operations which produces, markets, and distributes a wide array of dairy products. Saputo was successful in acquiring WCB after a widely publicised bidding war against major Australian companies Murray Goulburn and Bega Cheese.</p>
<p>4</p>  <p>(Agricultural Products)</p>	<p>Acquirer: Cargill Australia Limited Target: Joe White Maltings Pty Ltd Deal value: A\$339 million Ultimate acquirer country: United States Target country: Australia Date: 31/10/2013</p>	<p>Cargill acquired Joe White Maltings from Viterro, Inc. in October of last year. Joe White Maltings is the largest malt producer in Australia and supplies brewers throughout South East Asia as well as Australia. Prior to its acquisition Cargill did not have any malting facilities in Australia.</p>
<p>5</p>  <p>(Packaged Foods & Meats)</p>	<p>Acquirer: Mitr Siam International Pte Ltd Target: MSF Suagr Deal value: A\$328 million Acquirer country: Singapore Target country: Australia Date: 23/02/2012</p>	<p>MSF Sugar Limited engages in growing, processing, marketing and exporting raw sugar in Australia, primarily exporting to the Asian region. Singapore based Mitr Siam International Pte Ltd is a subsidiary of Mitr Phol Sugar Corp., which is Thailand's and Asia's largest sugar producer.</p>

“*International companies were interested in acquiring key Australian Food and Beverage assets.*”

6



(Packaged Foods & Meats)

Acquirer: Graincorp Ltd.
Target: Gardner Smith
Deal value: A\$302 million
Acquirer country: Australia
Target country: Australia
Date: 02/10/2012

Graincorp entered into an agreement to acquire Gardner Smith for A\$302 million and in a related deal, acquired Integro Foods for A\$170 million. Graincorp acquired these two complementary businesses, to create a leading integrated edible oil business in Australia and New Zealand. The diversification into oils was expected to reduce Graincorp's earnings volatility and was aligned with the Group's strategy to focus on three grains: wheat, barley and canola.

7



(Brewers)

Acquirer: Anglo-Gaelic Investments Pty Ltd (subsidiary of Lion Nathan and Kirin Holdings)
Target: Little World Beverages Limited (LWB)
Deal value: A\$269 million
Ultimate acquirer country: Japan
Target country: Australia
Date: 08/10/2012

LWB produces and sells premium beer and cider both nationally and internationally. Over the last decade, LWB has established a significant presence in the Australian beer industry with unique, award winning beers positioned in the premium beer market segment. The business had achieved strong year on year revenue and profitability growth, and was well positioned to capitalise on the consumer trends toward craft ale and premium beverages.

8



(Agricultural Products)

Acquirer: King Bid Company Pty Limited
Target: Moraitis Group Pty Limited
Deal value: A\$212 million
Acquirer country: PRC
Target country: Australia
Date: 08/04/2013

Moraitis Group is Australia's largest supplier of fruit and vegetables and a major supplier of fresh produce to Woolworths and Coles. King Bid Company Pty Ltd is an indirect wholly owned subsidiary of Chevalier, a diversified global conglomerate listed on the Hong Kong stock exchange. The company's purchase of Moraitis was driven by a desire to use Moraitis as a platform to capitalise on the growing global demand for safe foods. Chevalier intends to replicate the company's business model in China.

9



(Packaged Foods & Meats)

Acquirer: Aspen Pharmacare Holdings Limited
Target: Nestle SA (Infant nutrition business)
Deal value: A\$209 million
Acquirer country: South Africa
Target country: Australia
Date: 07/08/2013

Aspen Pharmacare purchased the exclusive rights of the use of the Nestle – formerly Pfizer- S26 and SMA infant product trademarks for a period of ten years in Australia and South Africa. Under the terms of the deal, Nestle was also precluded from commercialising the licensed products for a further 10 years.

10



(Soft Drinks)

Acquirer: Asahi Holdings (Australia) Pty Ltd
Target: P&N Beverages Australia Pty Limited
Deal value: A\$188 million
Ultimate acquirer country: Japan
Target country: Australia
Date: 02/09/2011

Asahi Holdings acquired P&N Beverages water and juice businesses from Robert Peter Brooks and Goldpeach Pty Ltd for A\$188m. Asahi planned to merge the P&N Beverages business with the Schweppes business, which they bought in 2009. Asahi was looking for growth opportunities in the Australian market given the slow economic conditions and ageing population hampering growth opportunities in the Japanese market.

“

The acquisition of Moraitis Group is an example of Chinese interest in gaining access to the operational expertise of Australian companies. ”

Private equity deals

Top ten private equity deals by deal value

Transaction type	Buyer	Target	Closed date	Target country	Target sub sector	Deal value (A\$million)
PE entry	Berkshire Hathaway Inc. (NYSE:BRK.A); 3G Capital, Inc.; 3G Special Situations Fund III LP	H. J. Heinz Company	7/06/13	United States		27,698
PE entry/ PE exit	Parentes Holding SE, Donata Holding SE, Donata Holdings B.V.	D.E Master Blenders 1753 N.V. (OTCPK:DEMB.F)	25/09/13	Netherlands		9,951
PE entry	Kohlberg Kravis Roberts & Co. (NYSE:KKR); Vestar Capital Partners; Centerview Capital Holdings, LLC	Del Monte Corporation	8/03/11	United States		5,586
PE exit	Molson Coors Brewing Company (NYSE:TAP)	Molson Coors Central Europe	15/06/12	Czech Republic		3,409
PE exit	Cargill, Incorporated	Provimi SA	22/11/11	France		3,345
PE exit	Diageo plc (LSE:DGE)	Mey Icki Sanayi ve Ticaret A.S.	23/08/11	Turkey	 (Distillers & Vintners)	2,059
PE exit	Bright Food (Group) Co., Ltd.	Weetabix Limited	20/06/12	United Kingdom		1,893
PE exit	Nestlé S.A. (SWX:NESN)	Hsu Fu Chi International Ltd.	16/12/11	China		1,662
PE exit	China Mengniu Dairy Co. Ltd. (SEHK:2319)	Yashili International Holdings Limited (SEHK:1230)	13/08/13	China		1,623
PE entry/ PE exit	Campbell Investment Company	Wm. Bolthouse Farms, Inc.	6/08/12	United States		1,522
Total						58,750

Sources: S&P Capital IQ, Mergermarket

Top Australian private equity deals by deal value

Transaction type	Buyer	Seller	Target	Closed date	Target Sub sector	Deal value (A\$million)
PE Entry	TPG Capital, L.P.	Ingham Family	Inghams Enterprises Pty Limited	8/03/13		880
PE Exit	Mitr Siam International PTE. LTD.	Guinness Peat Group plc	MSF Sugar Limited	23/02/12		328
PE Exit	King Bid Company Pty Limited	Catalyst Investment Managers Pty Ltd.	Moraitis Group Pty Limited	8/04/13		212
PE Exit	PZ Cussons plc	Anacacia Capital Pty Limited	Rafferty's Garden Pty Ltd	4/07/13		70
Total						1,489

Sources: S&P Capital IQ, Mergermarket



Valuation multiples by size

As expected, our analysis shows that the larger F&B companies are generally achieving higher valuation multiples than their smaller counterparts. However, a number of other key factors are driving valuation multiples in the F&B sector. These factors include the growth prospects of the target, the strength of brands, the positioning with their retail customers, as well as geographic location and spread.



Global median transaction multiples of deals per target revenue size range (based on available data)*

Revenue Range	Number of deals	Median EV/EBITDA
Less than A\$20 million	8	5.1x
Between A\$20 million to A\$50 million	12	7.3x
Between A\$50 million to A\$200 million	24	8.6x
Between A\$200 million to A\$500 million	14	10.6x
Over A\$500 million	30	10.8x
Median multiples (entire revenue range)		9.4x
Total deals	88	

*88 deals with target revenue disclosed and available EV/EBITDA

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Global median trading multiples of listed companies by revenue size range (as at 31 March 2014)*

Revenue Range	Number of companies	Median EV/EBITDA
Less than A\$50 million	17	7.9x
Between A\$50 million to A\$200 million	34	8.4x
Between A\$200 million to A\$500 million	34	9.1x
Over A\$500 million	308	9.0x
Median multiples (entire revenue range)		8.9x
Total deals	393	

*Listed companies with EV/EBITDA multiples greater than nil

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Background information

Businesses in the F&B sector are often valued based on a multiple of earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is typically used as a measure of earnings for valuation purposes, as it reflects the financial performance of the business, before taking into account how it is funded. A multiple of EBITDA provides an Enterprise Value (EV) of the business (i.e. the value of the business before deducting net debt).

Of the 2,426 recorded M&A transactions in the global food and beverage industry, 88 target companies had both disclosed revenue figures and EBITDA multiples available for analysis.

There was also 393 companies whose shares were listed on a securities exchange and which had positive reported EBITDAs. The median transaction multiples were generally higher than the trading multiples of the listed companies, most likely reflecting the control premium that companies typically pay to gain a controlling interest in a target.

Valuation multiples by sub sector

Median transaction multiples of deals per target sub sector*

Target Sub sector	Number of Deals	Median EV/EBITDA
Agricultural Products	12	9.6x
Brewers	4	12.6x
Distillers & Vintners	1	9.3x
Packaged Foods & Meats	71	9.2x
Soft Drinks	6	7.7x
Total	94	
Median across entire industry		9.4x

*94 deals with available transaction multiples

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis



Businesses, such as Little World Beverages, with strong brands in premium segments achieved high valuation multiples.

Median trading multiples of listed companies (all exchanges) per target sub sector

Subsector	Number of Companies	Median EV/EBITDA Multiples			
		30-Jun-11	30-Jun-12	30-Jun-13	31-Dec-13
Agricultural Products	43	7.9x	8.4x	9.5x	10.4x
Brewers	24	9.0x	9.4x	10.2x	9.7x
Distillers & Vintners	32	11.4x	12.4x	11.5x	12.2x
Packaged Foods & Meats	272	7.4x	7.8x	8.5x	9.4x
Soft Drinks	22	8.2x	7.2x	8.8x	9.5x
Total	393				
Industry median		7.7x	8.3x	8.8x	9.6x

Sources: S&P Capital IQ, Grant Thornton analysis

Our analysis of transaction and listed company EBITDA valuation multiples showed that the F&B sub sectors appear to be valued relatively consistently. Factors such as size, growth prospects, geographic location and market positioning appear to be the most important valuation drivers.

The Brewers subsector had the highest median EBITDA multiple (12.6 times) of the transactions where EBITDA information was available. There were four deals that contributed to this median multiple and all four deals had transaction values greater than A\$250 million. These transactions were:

- The second largest international deal; SABMiller's acquisition of Fosters Group for A\$12,323 million, which had a transaction EBITDA multiple of 14.2x
- Listed North American company, Molson Coors' purchase of StarBev; Central and Eastern Europe's market-leading brewery for A\$3,409 million and an EBITDA multiple of 11.0x
- Royal Unibrew's acquisition of the Finnish brewery business Oy Hartwall Ab for A\$670 million, which had a transaction EBITDA multiple of 9.4x
- Chinese investment firm Anglo-Gaelic investments Pty Ltd's acquisition of Australian brewer Little World Beverages for A\$269 million, which occurred at 20.0x the company's latest EBITDA

Valuation multiples by region

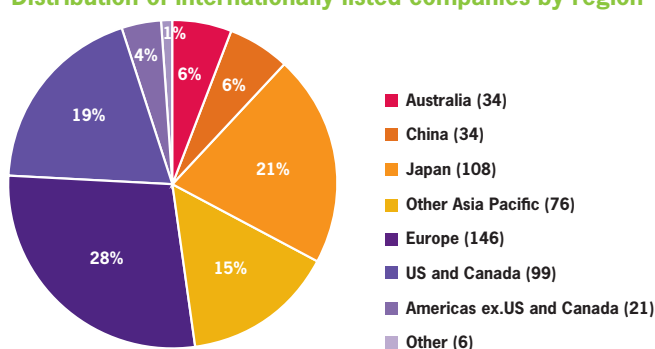
Median transaction multiples of deals per region*

Target region	Number of deals	Median EV/ EBITDA
Americas ex. US & Canada	6	11.2x
Asia Pacific	27	8.9x
Europe	34	9.1x
Other	4	6.4x
US & Canada	23	10.3x
Total	94	
Median across all regions		9.4x

*94 deals with available transaction multiples

Sources: S&P Capital IQ, Mergermarket, Grant Thornton analysis

Distribution of internationally listed companies by region



Sources: S&P Capital IQ, Grant Thornton analysis

Median trading multiples of listed companies by region

Regions	Number of companies	Median revenue as at 30 June 2013 (A\$million)	FY11 median EBITDA multiple	FY12 median EBITDA multiple	FY13 median EBITDA multiple
Asia Pacific	188	27,443	6.6x	6.9x	8.0x
Americas (ex.US and Canada)	15	24,880	8.0x	7.3x	7.9x
Other	4	7,522	8.5x	8.0x	8.4x
US and Canada	75	1,684	9.4x	9.7x	11.0x
Europe	111	908	8.0x	8.5x	9.0x
Median (Overall)			7.8x	8.2x	8.9x
Total	393				

Sources: S&P Capital IQ, Grant Thornton analysis

The deal and comparable company EBITDA multiples observed in the US and Canada were generally above the industry median of the deals where relevant data was available, whereas deal multiples in Asia Pacific were lower than these industry medians.

However, the median deal multiple for Asia Pacific was impacted by generally lower valuation multiples of companies in Japan. Japanese companies are generally attracting lower valuation multiples, as a result of Japan's ageing population and slow economic growth forecasts.

Initial Public Offerings

In total there were only 24 Initial Public Offerings (IPO) in the F&B sector over the period, with half of these being in the Asia Pacific region.









There was a growing number of IPOs in 2013 indicating improving market conditions. Of the IPOs that have taken place, the majority have been trading at a premium since listing.

The vast majority of IPOs were in the packaged food and meats subsector yet the largest IPOs in terms of offer size were companies in the soft drinks sector.

Australia had only one listing throughout the observed period, being that of Bega Cheese Limited (ASX:BGA) with a total offer size of \$35 million. The company has since been trading at a premium to its offer price.

Whilst labelled a de-merger and therefore not captured in our analysis of IPOs, another significant Australian listing in the Food and Beverage industry was that of Treasury Wine Estates (TWE). The company's spin off from Fosters Group occurred in May of 2011. TWE's performance has continued to suffer from reduced global demand, surplus wine production in Australia and increased competition from private label wines.

Top ten IPOs

Company	Listing date	Subsector	Region	Offering size (A\$million)	IPO price (A\$)	Price at 31 March 2014 (A\$)	Price change
Suntory Beverage & Food Ltd (TSE:2587)	02/07/13		Asia Pacific	4,006	33.67	37.24	11%
China Huishan Dairy Holdings Company Ltd (SEHK:6863)	26/09/13		Asia Pacific	1,394	0.37	0.30	-19%
Pinnacle Foods Inc. (NYSE:PF)	27/03/13		US & Canada	556	19.16	32.21	68%
YuanShengTai Dairy Farm Ltd (SEHK:1431)	25/11/13		Asia Pacific	465	0.38	0.18	-52%
Stock Spirits Group plc (LSE:STCK)	24/10/13		Europe	436	3.96	5.30	34%
The WhiteWave Foods Company (NYSE:WWAV)	25/10/12		US & Canada	378	16.42	30.78	87%
Biosev S.A (BOVESPPA:BSEV3)	15/04/13		US & Canada	341	7.31	4.06	-44%
Adecoagro S.A (NYSE:AGRO)	28/01/11		US & Canada	316	11.07	8.80	-20%
Ros Agro PLC (LSE:AGRO)	12/04/11		Europe	316	0.51	5.66	1010%
Tenwow international Holdings Ltd (SEHK:1219)	16/09/13		Asia Pacific	217	0.43	0.49	12%

Source: S&P Capital IQ, Grant Thornton analysis



Range	Number of IPOs	Total offering size (A\$million)	Percentage of total value
Less than A\$50 million	7	147	2%
Between A\$20 million to A\$50 million	3	241	3%
Between A\$50 million to A\$200 million	4	579	6%
Between A\$200 million to A\$500 million	7	2,469	26%
Over A\$500 million	3	5,956	63%
Total	24	9,393	100%

Source: S&P Capital IQ, Grant Thornton analysis

Sub-sector	Number of IPOs	Total offering size (A\$million)	Percentage of total value
Soft Drinks	2	4,172	44%
Packaged Foods & Meats	17	3,924	42%
Agricultural Products	3	843	9%
Distillers and Vintners	2	453	5%
Total	24	9,393	100%

Source: S&P Capital IQ, Grant Thornton analysis

Country	Number of IPOs	Total offering size (A\$million)	Percentage of total value
Asia Pacific	12	6,786	72%
US and Canada	5	1,104	12%
Europe	5	1,074	11%
Americas (ex.US and Canada)	1	341	4%
Middle East	1	88	1%
Total	24	9,393	100%

Source: S&P Capital IQ, Grant Thornton analysis

Region	Number of IPOs	Total offering size (A\$million)	Percentage of total value
Japan	2	4,125	61%
China	8	2,460	36%
Hong Kong	1	166	2%
Australia	1	35	1%
Total	12	6,786	100%

Source: S&P Capital IQ, Grant Thornton analysis

Are you securing your success?

F&B businesses need to have a strategy to leverage the opportunities in Australia and Asia. F&B businesses should consider both organic and M&A strategies to capitalise on these opportunities. Our F&B team can help you consider the best approach to each of these important questions.

F&B	Why it's important	Some key questions to ask yourself or your F&B clients
Growth strategy: Asia	You should ensure that your business is well positioned to capitalise on the increasing demand from Asia for high quality food products.	<ul style="list-style-type: none"> • Have you undertaken appropriate market research to really understand the opportunities that might exist for your business in the Asian markets? • Have you developed the right relationships and implemented appropriate management structures and logistics to support increased export sales to Asia? • Will you have the capacity to deal with the potential increase in volumes from a successful export strategy? • Have you adopted new technology and automation processes to ensure that your operations are efficient and that your cost structures are globally competitive? • Have you considered transfer pricing strategies and issues?
M&A opportunities	By making strategic acquisitions or divestments, you can more quickly leverage the opportunities arising in the market.	<ul style="list-style-type: none"> • Should you buy a business to help you enter new markets, diversify your customer base, develop new products, leverage new distribution channels, improve bargaining power with retailers, strengthen your core offerings or gain economies of scale? • Do you have a strategy in place to ensure that you will maximise the value of your business on exit?
Food safety	Food safety and traceability issues are becoming increasingly important following a number of high profile food scandals.	<ul style="list-style-type: none"> • Have you synchronised compliance practices, risk management and process-improvement solutions across the entire supply chain? • Are you able to demonstrate the integrity of your supply chains to satisfy consumers as well as regulators? • Are you differentiating your business from competitors by highlighting the quality in your products, practices and supply chains?
Private label vs brands	The growth in the trend towards private label by retailers is expected to continue.	<ul style="list-style-type: none"> • Do you have sufficient strength in your key brands to ensure retailers are compelled to maintain distribution of your products? • Have you been making an appropriate level of investment in your branded products to retain and strengthen their competitive advantage? • Have you analysed your pricing strategies to ensure you are making the best strategy decisions in terms of the mix of branded and private label products? • Are you taking advantage of the recent trends in private label products towards differentiation between premium, average and lower-end commoditised goods? • Are you reducing your reliance on retailers by considering channel diversification into institutions, restaurants and other non-retail sectors?
Changing consumer demands	According to Grant Thornton's 2013 global F&B Study, customers are increasingly demanding premium and nutritious food products.	<ul style="list-style-type: none"> • Are you innovating and offering something new to retailers and customers to meet these changing consumer trends and to replace your older and underinvested brands? • Are you accessing all available government grants and tax opportunities associated with innovation, investment and expansion?
Changes in technology	Consumers are increasingly using smartphones and tablets to find product information as they shop or dine.	<ul style="list-style-type: none"> • Are you using social media and other information technologies to build brand awareness and loyalty and to market to individuals (e.g. emails, online advertising, online search engines, Twitter and digital coupons)? Are you monitoring and measuring the value of these efforts? • Are you using big data to better understand consumers and identify trends before your competitors?
Investment priorities	There are a number of potential growth options available to F&B businesses.	<ul style="list-style-type: none"> • Have you prioritised potential investment opportunities by return on investment (e.g. investment in acquisitions, plant and equipment, R&D, social media, brand promotion)?
Funding	Banks and Private Equity firms are currently keen to finance quality businesses in this sector. It is a good time to ensure that you have the optimal funding arrangements in place.	<ul style="list-style-type: none"> • Do you have cost-effective funding in place to support your growth strategy? If not, have you prepared detailed business and financial plans to enable you to secure this financing? • Do you need to restructure your debt to make cash flow more available? • Have you considered alternative financing options, such as co-investment by a Private Equity firm?

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