

Bite Size Dealtracker update

Agribusiness, Food & Beverage
industry insights

June 2019



Agribusiness



Food &
Beverage



Financial
Advisory



Mergers &
Acquisitions



Spotlight on Australian Agribusiness, Food & Beverage industry activity



700

Global M&A deals captured in 2018.



Australia continues to rank 5th in the world in 2018 for deal activity with continued popularity in Australia's Agricultural Products.



24%

of Australian assets sold were purchased by Overseas buyers in 2018, mainly from Asia Pacific, US and Canada.



25

IPOs were recorded globally in 2018, all of which occurred in the Asia Pacific region.



30% of the top 10 global IPOs originated from within Australia.



\$49m

The value of IPO proceeds in Australia in 2018 totalled \$49m from four IPOs during 2018.



Trading Multiples at the end of the 2018 calendar year were affected by **softer macro-economic conditions**. This also decreased the number of IPOs both domestically and globally.



Australian agricultural output continues to grow, accounting for **12% of our Gross Domestic Product (GDP)**.



The **provenance in Australian produce** is a strong factor for the continued interest from Domestic and Global Investors.



“Australia maintains its prominence in the global Agribusiness, Food & Beverage markets which we expect to continue due to significant interest from both Domestic and International Investors, the provenance of our produce in the export market and the overall value chain’s strong contribution to our GDP. The mid-market remains a strong force in this sector with 67% of total deals falling below \$100m Enterprise Value.”

Cameron Bacon, Partner and Victorian Head of Agribusiness, Food & Beverage

The future of Australia’s Agriculture value chain

During 2018, The National Farmers Federation (NFF) issued “2030 Roadmap – Australian Agriculture’s Plan for a \$100 Billion Industry”.

According to NFF’s report, Australian Agriculture requires \$159.5 billion in fresh capital to fund its growth ambitions through technology, vertical integration, innovation, succession, education, marketing and planning for weather events.

Being an industry traditionally funded primarily by debt, there is significant opportunity for equity investors to impact and benefit from an industry that is relatively un-tapped. Australia’s most trusted industry (the entire value Agricultural Value Chain makes up 12% of Australia’s GDP) is going to play a key role in feeding the projected 9.7b global population by the year 2050 (a 54% rise in food demand).

Global M&A insights

Investment in Agricultural assets from Investment Managers such as Private Equity and Institutional Investors is continuing to grow, with many funds taking a longer term view to investing in this sector. Ecological and social impact as well as land and soil regeneration are factors that are contributing to a focus on Impact Investing.



Deal activity trends

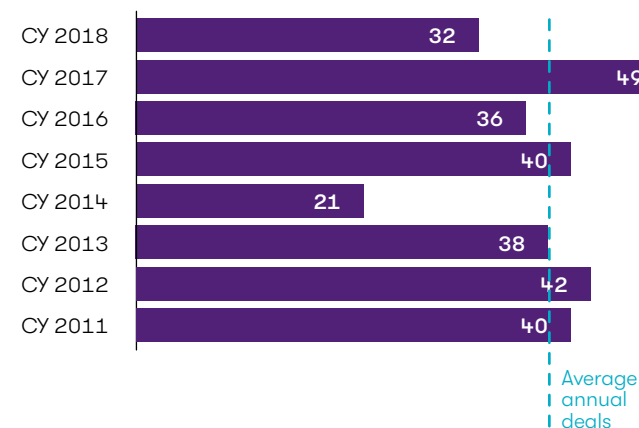
Australia ranked fifth in the world for M&A deal activity in 2018.

- 700 M&A transactions occurred globally in 2018.
- Australia ranked 5th and accounted for 4.6% of the global M&A deal activity in 2018. This is relatively consistent to the Long Term Period (LTP) whereby it ranked 4th overall, behind the United States, United Kingdom and France.
- During 2018, there were a total of 32 M&A deals in Australia; this compares to an average annual of 38 over the LTP from 2011 through to 2017. As discussed in the Glossary there is potential for a lag in published deal activity in the 2018 period as the data was extracted at a point in time.
- Small to mid-sized businesses with transaction values of up to \$100 million remained the predominant acquisition targets, accounting for 67% of Australian deals in 2018, this is consistent to the Long Term Average (LTA) of 69%.

Top 10 countries – 2018 versus LTP

Country	2018 No. of deals	% of deals	LTP	% of deals
United States	192	27.4%	1,185	21.4%
United Kingdom	54	7.7%	409	7.4%
France	45	6.4%	407	7.3%
Spain	34	4.9%	246	4.4%
Australia	32	4.6%	266	4.8%
Canada	26	3.7%	169	3.0%
Russia	25	3.6%	245	4.4%
China	23	3.3%	172	3.1%
Italy	22	3.1%	145	2.6%
Germany	21	3.0%	167	3.0%
Top 10	474	67.7%	3,411	61.5%
Other countries	226	32.3%	2,139	38.5%
Total	700	100.0%	5,550	100%
Average annual deals	700		793	

Australian M&A deals – annual trends



Global valuation multiples: transactions

The median EV/EBITDA multiple (transaction multiple) has increased to 12.1x in 2018 from the observed long term average of 10.1x.

The Agribusiness, Food & Beverage industry has seen a total of 700 transactions throughout the 2018 period. The two prominent sub-sectors, Packaged Foods & Meats and Agricultural Products, registered 66% and 14% of the total deal volume respectively.

Transaction sub-sector composition has remained consistent against the LTA with the largest change coming in the form of a decrease in Distillers & Vintners from 11% to 8%.

Whilst transaction volumes have decreased slightly as compared to the LTA of 793, the Agribusiness, Food & Beverage industry is still a strong performer on the global stage.

The overall median transaction multiple increased from 10.1x in the LTP to 12.1x in 2018. This is a relatively similar increase to that experienced in the Packaged Foods & Meats sub-sector.

2018 versus LTP

Sub-sector	2018				LTP			
	No. of deals	Sub-sector deal composition %	Deals with multiples disclosed	Median EBITDA multiple	No. of deals	Sub-sector deal composition %	Deals with multiples disclosed	Median EBITDA multiple
Packaged Foods & Meats	464	66%	22	13.3x	3,729	67%	185	10.0x
Agricultural Products	100	14%	4	17.2x	718	13%	28	9.6x
Soft Drinks	45	7%	3	10.9x	286	5%	18	8.5x
Brewers	34	5%	1	7.0x	222	4%	15	12.4x
Distillers & Vintners	57	8%	-	-	595	11%	9	14.5x
Median (overall)				12.1x				10.1x
Total	700		30		5,550		255	

Top 10 global deals

1 **Target:** Pinnacle Foods
Target Country: United States
Acquirer: Conagra Brands
Acquirer Country: United States
Deal value: A\$14,792m
Date: 26/10/2018
EV/EBITDA Multiple: 16.53x
Description: Manufactures, markets, and distributes branded convenience food products in North America.



2 **Target:** Blue Buffalo Pet Products
Target Country: United States
Acquirer: General Mills
Acquirer Country: United States
Deal value: A\$10,283m
Date: 24/04/2018
EV/EBITDA Multiple: 25.64x
Description: Develops, produces, markets, and sells dog and cat food.



3 **Target:** Snyder's-Lance
Target Country: United States
Acquirer: Campbell Soup
Acquirer Country: United States
Deal value: A\$7,970m
Date: 26/03/2018
EV/EBITDA Multiple: 21.71x
Description: Engages in the manufacture, distribution, marketing, and sale of snack food products in North America and Europe.



4 **Target:** Refresco Group
Target Country: Netherlands
Acquirer: British Columbia Investment Management Corporation; PAI Partners
Acquirer Country: France
Deal value: A\$3,415m
Date: 03/04/2018
EV/EBITDA Multiple: 10.98x
Description: Operates as a bottler of soft drinks and fruit juices serving retailers and branded customers in Europe and North America.



5 **Target:** Seed and crop protection businesses of Bayer Aktiengesellschaft
Target Country: Germany
Acquirer: BASF SE
Acquirer Country: United States
Deal value: A\$2,724m
Date: 16/08/2018
EV/EBITDA Multiple: Not disclosed
Description: Provides innovative products and services in crop protection, seeds.



6 **Target:** Ainsworth Pet Nutrition
Target Country: United States
Acquirer: NU Pet Company
Acquirer Country: United States
Deal value: A\$2,468m
Date: 14/05/2018
EV/EBITDA Multiple: Not disclosed
Description: Manufactures and distributes healthy pet foods and treats.



7 **Target:** Bob Evans Farms
Target Country: United States
Acquirer: Post Holdings
Acquirer Country: United States
Deal value: A\$2,177m
Date: 12/01/2018
EV/EBITDA Multiple: 26.90x
Description: Produces and distributes food products for grocery retailers in the United States.



8 **Target:** Amplify Snack Brands
Target Country: United States
Acquirer: The Hershey Company
Acquirer Country: United States
Deal value: A\$1,991m
Date: 31/01/2018
EV/EBITDA Multiple: 18.53x
Description: Develops, markets, and distributes better for you snack products in North America and internationally.



9 **Target:** Nidera Seeds
Target Country: Netherlands
Acquirer: Syngenta AG
Acquirer Country: Switzerland
Deal value: \$1,826m
Date: 6/03/2018
EV/EBITDA Multiple: Not disclosed
Description: Produces corn, sunflower, and soybean seeds.



10 **Target:** Murray Goulburn Co-Operative Co.
Target Country: Australia
Acquirer: Saputo Dairy Australia
Acquirer Country: Australia
Deal value: A\$1,783m
Date: 30/04/2018
EV/EBITDA Multiple: Not disclosed
Description: Manufactures, markets, and distributes dairy products in Australia and internationally.





Australian sub-sector deal composition



Packaged Foods & Meats
2018 **59%** ▼ LTA **60%**



Distillers & Vintners
2018 **19%** ▲ LTA **14%**



Soft Drinks
2018 **3%** ▲ LTA **2%**



Agricultural Products
2018 **13%** ▼ LTA **19%**



Brewers
2018 **6%** ▲ LTA **5%**

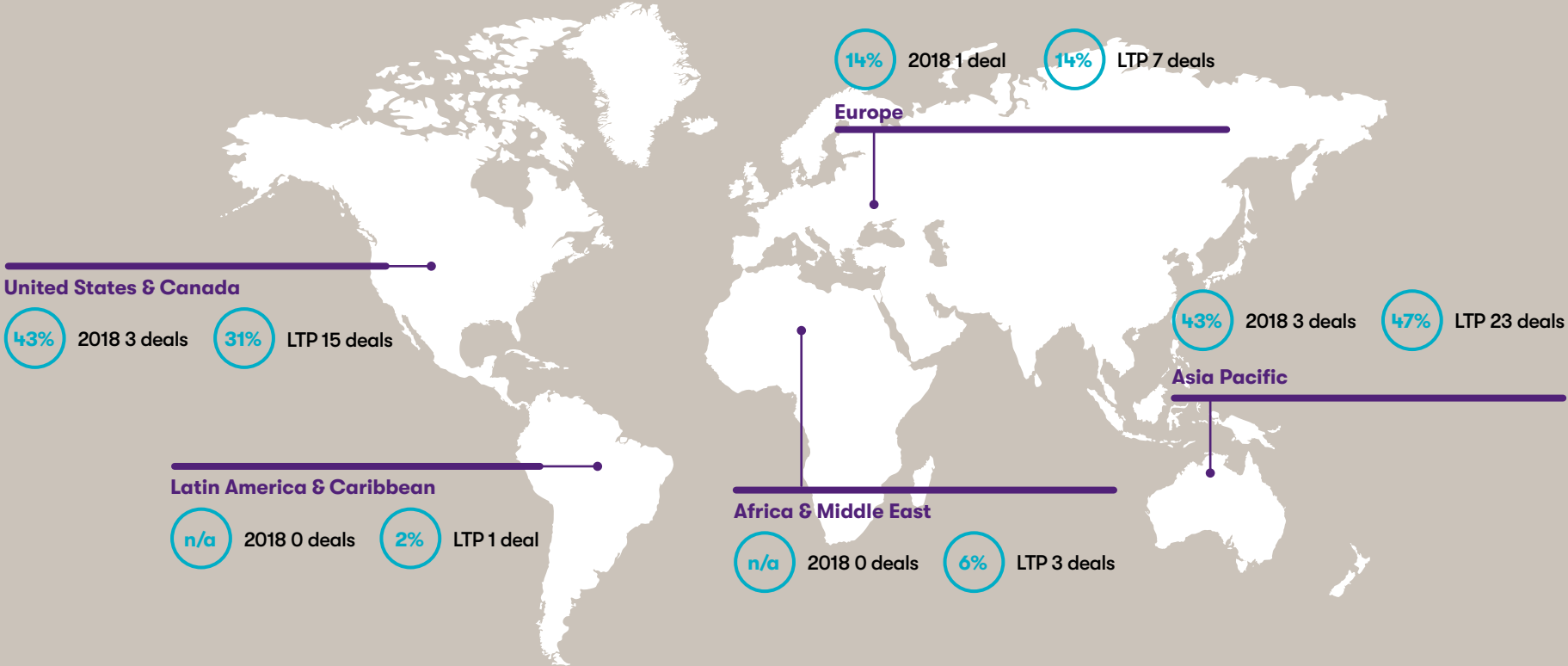
Inbound M&A activity 2018 versus LTP

24%

Of total transactions in 2018 were conducted by an international acquirer

19%

Of total transactions over the LTP were conducted by an international acquirer



Investment Manager activity during 2018

There is significant Investment Manager activity at a global and domestic level. Australia is the most active country in the Asia Pacific region, with 5 transactions in 2018.

The continued appetite of Investment Manager (IM) investors helps increase market confidence and encourages corporate M&A.

IMs are particularly interested 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.

Investment in agricultural assets from Investment Managers is continuing to grow, with many funds taking a longer term view to investing in this sector.

Ecological and social impact as well as land and soil regeneration are factors that are contributing to a focus on Impact Investing.



71

IM investments in 2018 including 5 in the Asia Pacific region.

LTP: 475 IM investments (46 in the Asia Pacific region).

LTA: 68 per year.

53

IM exits in 2018 including 4 in the Asia Pacific.

LTP: 502 (IM exits incl. 52 in the Asia Pacific region).

LTA: 71 per year.

7%

Of IM deals in 2018 were in Asia Pacific.

LTP: 11% PE IM were in the Asia Pacific region.

Global market insights

Softened equity markets in 2018 resulted in a decrease in trading multiples across the globe, with the exception of Latin America that experienced a slight increase. This can be partly attributed to the region embracing free trade and expanding their global commercial footprint with a number of investment and free-trade agreements.



IPO activity 2018

- The proceeds of IPO activity in 2018 totalled \$1.11b of which \$49m was derived from the four Australian IPOs.
- Sixteen (16) out of the 25 IPOs reported for 2018 were in the packaged foods & meats sub-sectors followed by 7 IPOs in agricultural products.
- All 25 recorded IPOs in 2018 occurred in the Asia Pacific Region. Of these, 16 IPOs occurred in India.
- Four (4) IPOs occurred in Australia, of which 3 were included in the top 10 global IPOs by offer size showing the strength of the Australian Agribusiness, Food & Beverage industry.
- Overall, the vast majority of the 2018 IPOs had offer sizes below \$50m.



25

Global IPO's captured in 2018.



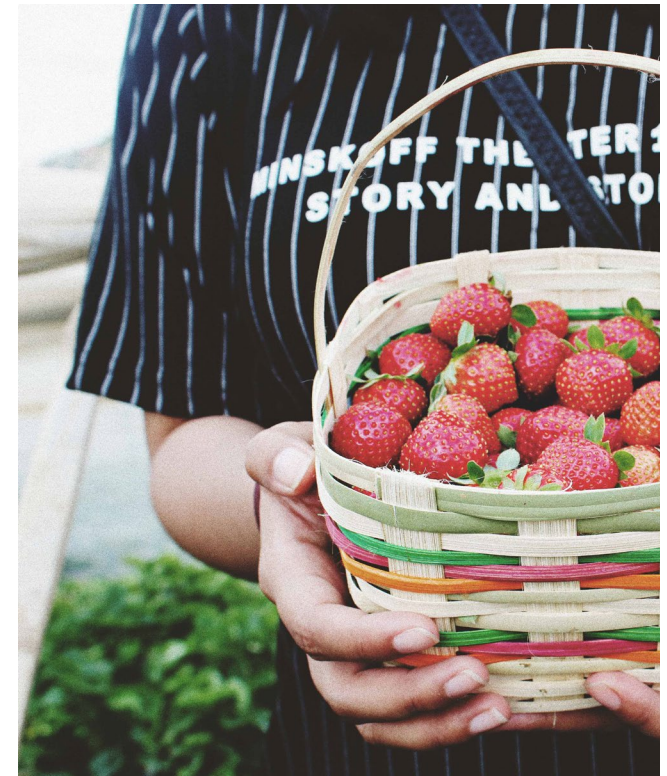
100%

of the IPOs in 2018 occurred in the Asia Pacific region.



4

IPOs in Australia in 2018.



Top 10 global IPOs

1 **Issuer:** Hebei Yangyuan ZhiHui Beverage Co.
Country: China (SHSE)
Offer Size: A\$847.7m
IPO Price: A\$15.76
Price at 31 Dec 2018: A\$8.58
Price change: -46%
Description: Engages in the research and development, processing, production, and sale of walnut milk beverages in China.

2 **Issuer:** Natural Food International
Country: China (SEHK)
Offer Size: A\$121.17m
IPO Price: A\$0.29
Price at 31 Dec 2018: A\$0.24
Price change: -16%
Description: Produces packaged food made of natural ingredients, without any artificial or synthetic food additives, and which include nutrients with health benefits.

3 **Issuer:** Duxton Broadacre Farms Limited
Country: Australia (ASX)
Offer Size: A\$21.11m
IPO Price: A\$1.5
Price at 31 Dec 2018: A\$1.5
Price change: -
Description: Provides acquisition and aggregation of land properties for the development of different commodities.

4 **Issuer:** Keytone Dairy Corporation Limited
Country: Australia (ASX)
Offer Size: A\$15.00m
IPO Price: A\$0.20
Price at 31 Dec 2018: A\$0.35
Price change: +75%
Description: Manufactures and exports its own brands of high-quality dairy and nutrition products.

5 **Issuer:** Manorama Industries Limited
Country: India (BSE)
Offer Size: A\$12.22m
IPO Price: A\$3.59
Price at 31 Dec 2018: A\$4.06
Price change: +13%
Description: Produces and distributes a range of personal care, specialty fats, commodities, and other feed products.

6 **Issuer:** Grace Wine Holdings Limited
Country: China (SEHK)
Offer Size: A\$12.05m
IPO Price: A\$0.06
Price at 31 Dec 2018: A\$0.05
Price change: -22%
Description: An investment holding company, operates as a wine maker in China.

7 **Issuer:** Eggriculture Foods Ltd
Country: Singapore (SEHK)
Offer Size: A\$11.06m
IPO Price: A\$0.09
Price at 31 Dec 2018: A\$0.05
Price change: -44%
Description: Engages in the production and sale of eggs and egg processed products primarily in Singapore.

8 **Issuer:** Sarveshwar Foods Limited
Country: India (NSEI)
Offer size: A\$10.84m
IPO Price: A\$1.68
Price at 31 Dec 2018: A\$0.57
Price change: -66%
Description: Processes and markets rice.

9 **Issuer:** Farmmi, Inc.
Country: China (NASDAQ)
Offer Size: A\$8.47m
IPO Price: A\$5.044
Price at 31 Dec 2018: A\$5.76
Price change: +14%
Description: An agricultural e-commerce and technology enterprise, which aims to build a global trading platform for agricultural products.

10 **Issuer:** Angel Seafood Holdings Limited
Country: Australia (ASX)
Offer Size: A\$8.00m
IPO Price: A\$0.2
Price at 31 Dec 2018: A\$0.15
Price change: -28%
Description: a South Australian based aquaculture company currently operating out of Coffin Bay, Haslam.

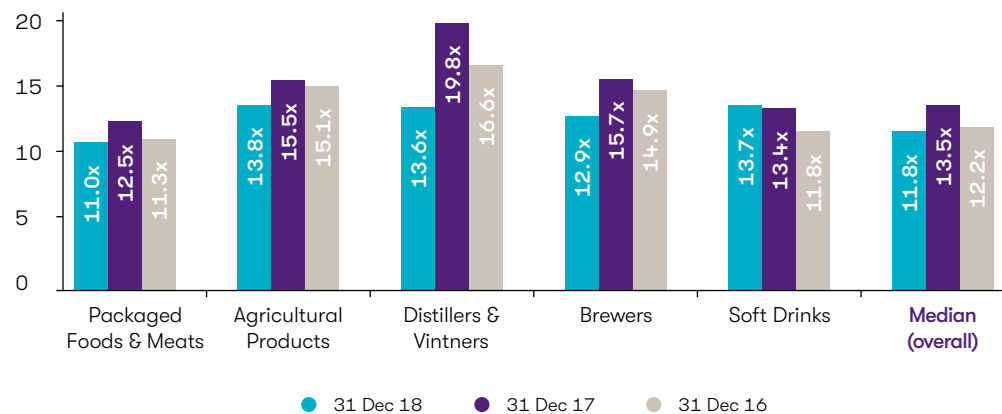
Global valuation multiples: trading by sub-sector

Compared to each of the historical periods presented, there was a decrease in trading multiples across all sub-sectors for the 12 months ended December 2018. The overall Global Market downturn can be attributed to events including the China and US diplomatic discussions, BREXIT and tightening credit conditions.

Sub-sectors with the largest change in trading multiples:

- Median multiple in Distillers & Vintners decreased by c.31% from 19.8x at 31 December 2017 to 13.6x at 31 December 2018.
- Agricultural products saw a high of 15.5x at 31 December 2017 and currently trading consistently at 13.8x at 31 December 2018.
- Brewers saw a high of 15.7x at 31 December 2017 and is currently trading at 12.9x at 31 December 2018.

Global median trading multiple (sub-sector)



Global valuation multiples: trading by region

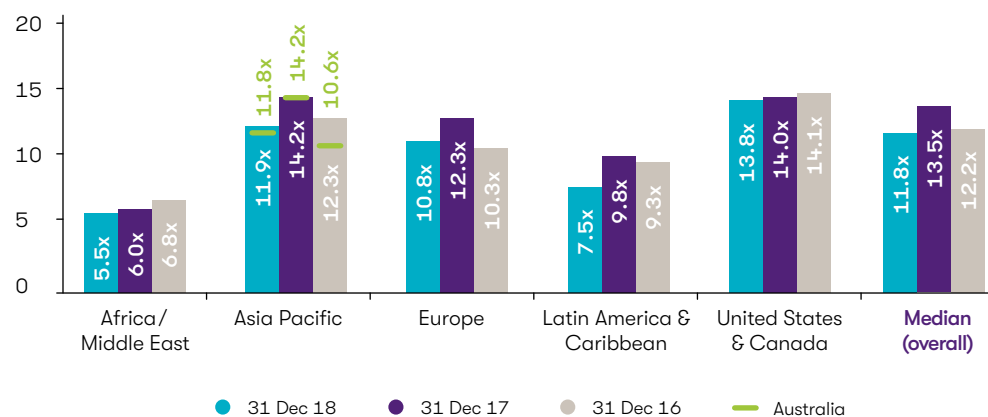
Softened equity markets in 2018 resulted in a decrease in trading multiples across the globe, with the exception of Latin America that experienced a slight increase. This can be partly attributed to the region embracing free trade and expanding their global commercial footprint with a number of investment and free-trade agreements.

The overall number of profitable listed entities has grown significantly from 393 as at 30 June 2014, to 753 as at 31 December 2017 and 778 as at 31 December 2018. The global Agribusiness, Food & Beverage market has seen healthy growth over the last ten years, both in demand and profitability. This is driven by evolving consumer habits and the growing demand for premium food and agricultural products. This is evident not just in the mature retail markets in the United States, Canada and Europe, but also in fast growing emerging markets in Asia Pacific and Middle East & Africa.

Number of listed companies



Global median trading multiple (by region)





About Grant Thornton

Depth of experience

Our corporate finance team works with clients through all stages of a transaction or investment, presenting you with solutions that add value and ensure your shareholder wealth is maximised.

Working with our clients has given our team extensive experience in all aspects of corporate finance, including:

- **M&A transactions:** on both buy and sell side, private equity transactions, cross-border transactions, debt refinancing, ASX/ AIM listings and capital raisings.
- **Transaction services:** acquisition, vendor, tax and commercial due diligence, operational deal services, forecast reviews, data room services and pre-lend reviews.
- **Valuations:** independent valuations and expert reports, purchase price allocations, disputes and litigation support and tax consolidation.
- **Financial modelling:** financial model construction and review, project analysis, feasibility and financing.



Industry expertise

With an abundance of land and natural resources, and a reputation for quality products, the Australian Agribusiness, Food & Beverage industry is in a strong position for continued growth and investment.

Grant Thornton's Agribusiness, Food and Beverage industry team understands the opportunities and issues affecting the industry. We advise at all stages of the food and beverage lifecycle – from production through to processing, packaging, distribution, export and beyond – and understand the pressures of running your business and the steps to reaching your strategic goals.

We can help position your business to capitalise on the latest industry trends and innovations and provide expert advice on exports, international trade, merger and acquisitions, supply chain management, financing, tax, audit, and more.

By working with Grant Thornton, our clients gain access to global expertise and relationships throughout the world.

Tony Pititto

National Head of Agribusiness, Food & Beverage
Grant Thornton Australia



Glossary

This Grant Thornton Agribusiness, Food & Beverage Dealtracker update provides a brief overview of the industry and deal activity including Mergers & Acquisitions (M&A), Investment Manager (IM) and Initial Public Offering (IPO) transactions.

S&P Capital IQ was the primary source for the data in the 2018 report as well as the comparative data alongside a number of other sources. The underlying data upon which this update is derived was extracted at a point in time. Therefore subsequent updates and changes pertaining to deal activity for the updated period, 2018, may not be included at the time of publishing of this report.

Grant Thornton have previously prepared two BiteSize Dealtracker Reports covering the period 1 January 2011 to 31 December 2017.

Long Term Average (LTA)

Average of the industry and deal activity from 1 January 2011 to 31 December 2017

Long Term Period (LTP)

Total of the industry and deal activity from 1 January 2011 to 31 December 2017

2018

Overview of the industry and deal activity from 1 January 2018 to 31 December 2018

Investment managers

Encompasses Institutional and Financial Investors including Private Equity and Agri Funds.



About us

We are Grant Thornton

Grant Thornton Australia is a leading business advisor that helps dynamic organisations to unlock their potential for growth. Our brand is respected globally, as one of the major global accounting organisations recognised by capital markets, regulators and international standards setting bodies.

We are constantly evolving and developing alongside our clients.

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We have the scale to meet your changing needs, but with the insight and agility that helps you to stay one step ahead. More than 53,000 Grant Thornton people, across over 135 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

Privately owned, publicly listed and public sector clients come to us for our technical skills and industry capabilities but also for our different way of working. Our member firm partners and teams invest the time to truly understand your business, giving real insight and a fresh perspective to keep you moving.

Whether a business has domestic or international aspirations, Grant Thornton can help you to unlock your potential for growth.

Snapshot



\$248.4m
(AU 2018 revenue)



166
partners



6
offices



1,300+
people nationally



\$5.45bn
(US 2018 global revenue)



53,000+
people globally



700+
offices globally



135+
countries

Industry specialisation



Agribusiness, food & beverage



Automotive



Consumer products & retail



Energy & resources



Financial services



Health & aged care



Life sciences



Manufacturing



Not for Profit



Professional services



Public sector



Real estate & construction



Technology & media

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Tax

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Grant Thornton Consulting

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Human capital
Performance management
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