

## Special Organic

# AGRI, FOOD & BEVERAGES

## INDUSTRY GROUP

**Q4 2018 EDITION**

The Agri, Food & Beverages industry is constantly evolving to keep up to date with new trends and preferences across different demographics.

Certification and confirmation of quality, ethical practices and sustainability are as important as ever to customers.

M&A Worldwide and the Agri, Food & Beverages specialist group, are always keeping track

with developments in the Agri, Food & Beverages industry, as well as new demands and strategic requirements, enabling us to be a valuable M&A partner.

This report covers market outlook, recent M&A and hot topics in the Agri, Food & Beverages industry. Feel free to contact any M&A Worldwide member for further information

# M&A WORLDWIDE

## THE NETWORK FOR MERGERS & ACQUISITIONS

Established in 2004, M&A Worldwide is a leading global alliance of mid-market merger & acquisition specialists. M&A Worldwide has 43 member firms operating in 45 different countries. All members are closely linked in a global alliance to advise clients on mergers, acquisitions, divestitures, joint-ventures, capital raising, and other strategic transactions. In 2017, the members of M&A Worldwide closed 339 1 deals in for an aggregate value of over US\$3.6 billion.

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## Organic Industry Overview & Global Deals

### Growth Engine in global Agri, Food & Beverage

This report gives a flashlight on recent M&A developments and transactions in Agri, Food & Beverage Industry across 14 countries around the globe.

Due to the rising importance of organic Food we put special attention to the development and trends in this part of the F&B market. Developments and key issues from an M&A perspective are covered as well.

### M&A Activity in Agri, Food & Beverages

Changing consumer tastes and shifting consumer behaviour, new technology and digitalization, cheap debt and high levels of cash held by strategic and private equity buyers are driving the market and valuations across the industry. The effects of the amazon/Whole Foods transaction in 2017, e-commerce, the increasing trend in retail to swap branded products for private label, a slow-down in organic growth and shareholder activism are forcing large Consumer Goods companies to strengthen their portfolios, to embrace an agile operating business model and to seek for new markets. Start-ups utilizing the changing market place for new offerings.

M&A will remain as a way to pivot the portfolio towards growth and improve market

structure. The strongest companies are using M&A as well to achieve visionary and strategic goals. The number of mergers and acquisitions among the big consumer goods companies reached a 15-year high in 2017.

#### Recent, notable examples

Coca-Cola has agreed to buy coffee chain Costa Coffee from UK drinks and hotels group Whitebread for 3,9 billion GBP in August of 2018 to build a strong platform across parts of Europe, Asia Pacific, the Middle East and Africa.

PepsiCo bought the Israel-based carbonated water machine maker SodaStream for 3,2 billion USD in August 2018. SodaStream will be added to PepsiCo's growing water portfolio while catalysing the ability to offer personalized in-home beverage solutions. In May of this year, Nestlé paid 7,15 billion USD for exclusive rights to sell Starbucks line of packaged coffee and teas worldwide.

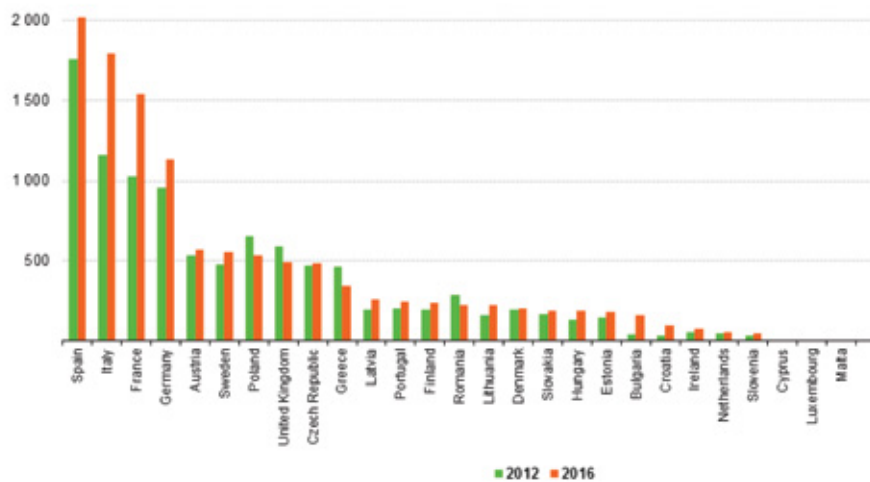
In August, Frutarom shareholders

approved 7,1 billion USD for the merger with USA-based International flavours and fragrances (IFF).

Cannabis will be legalized in Canada for recreational use by October 2018; liked it is allowed already in 7 US-States. Constellation Brands is increasing its stake in Cannabis producer Canopy Growth Corporation, investing another 4 billion USD in the company and taking its overall holding up to 38%. Molson Coors / Canada announced partnership with Canadian cannabis producer Hydropothecary Corporation (Hexo) to create a joint venture that will sell cannabis-infused-beverages.

Heineken signed a deal to acquire 40% interest in CRH Beer / China; CRH Beer parent company CRE (China Resources Enterprise) will buy 0,9% of Heineken shares for 464 Mio. Euro. The goal is to combine CR's deep understanding of the local market with Heinekens' brand and marketing capabilities (8/2018).





Total organic area in the EU area, 2012 and 2016 (1000 ha). Source: Eurostat

Smaller consumer goods companies and agile start-ups are capitalizing on millennial preferences and digitalization and getting the attention of bigger companies: i.e. Fonterra has entered a strategic partnership with Berlin start-up Foodspring.

## Organic – a globally growing Market

The development of organic food & beverages has been one of the most noticeable trends in the Food industry. 57,8 million hectares of organic agriculture are reported for 2016 and organic products with a total value of almost 90 billion US dollars were sold globally in 2016 according to data of the Research Institute of Organic Agriculture.

Rapid growth figures fuelled by increased demand and the introduction of new innovative products and services have created new challenges for companies across the entire supply chain. Transformation to an organic product portfolio has proven to be difficult for the incumbent producers whereas

M&A could be a valuable strategy to climb the latter.

### Organic: becomes mainstream in many countries

From the consumer perspective, organic food products are now perceived as staple goods in West-Europe and North-America. 90% of all global retail sales with organic food were done in these regions. The times when organic products were considered a specialty items are long gone. Several studies have shown that consumers perceive organic food to be healthier, which has proven to be the main driver of growth in demand. However, increase in demand is also to be attributed to transparency and awareness. Consumers demand transparency, they want to know under which conditions organic products are grown and how they impact the environment.

As growth in demand requires companies to adapt, the market is always developing. We observed several interesting developments in the international market.

### Availability as key factor

We observe that the conversion rate to organic for a certain product category does not just depend on demand but on to what

extend organic product are available for purchase (product availability). In addition, willingness to pay extra for organic instead of conventional products, does not seem to depend on product category. Therefore, conversion rate is mainly related to the availability of organics in a category. Consumers buy more organic products, if more organic products are available.

The market for grocery items is shifting away from its conventional structure. On-demand eCommerce is penetrating the market; consumers tend to buy groceries more frequently or opt for home delivery. This requires supermarkets to replenish their stock more frequently. Today, a major part of organic products in supermarkets are perishable products, requiring suppliers to adapt to these higher frequencies of distribution and limit the amount of time organic good spend in transit.

### Organic Agriculture

The major restriction to growth of the market is that producers are not able to find enough reliable resources to be able to keep up with the steadily increasing demand. As mentioned before, we observed that conversion rate potential varies significantly across product categories. Items such as coffee and rice are difficult to produce organically, as organic production requires more labour and resources putting pressure on profitability. In addition to this, it is also true that producers are facing difficulties in expanding production without sacrificing on the “organic” factor of new resources. On the other hand, governments are now proactively supporting organic

farming because the toxic footprint is lower compared to conventional farming.

Almost half of the global organic agricultural land is in Oceania, followed by Europe and Latin America. North America, by far the biggest market for organic product, is just counting for 6% of the organic agriculture.

According to Eurostat, the organic agricultural land in the EU has increased from 5.0 million hectares to 11.1 million hectares between 2002 and 2015. As displayed in figure 1, most of the organic land is situated in the Mediterranean countries of Spain, Italy and France. Despite large amounts of organic agricultural land, these countries still have low penetration rate of organic products (figure 2). Given this we expect these markets to experience high growth and expect to observe more acquisitions of organic producers or investors entering these markets.

### International Trends

Figures of USDA show that USA is the largest market for organic food worldwide with \$43 bn followed by EU-Europe with \$35 bn in 2016. Almost 90% of the global

organic retail sales are made in these regions.

Based on figures by Rabobank, sales of organic food are expected to grow at more than 7% in Europe and the US which is approximately 3 times the total food consumption growth. However, growth is not predicted to occur equally across the US and Europe. Considering Europe, it is obvious that Northern European countries outperform Southern countries in terms of the penetration rate of organics (figure 2). Although willingness to pay extra for organic products has increased, overall demand is still related to prosperity, and other social and economic factors.

The general trend towards a healthier lifestyle and eating habits is fuelling the trend towards organic. Organic products are perceived to have a higher quality and to be safer than conventional food. Millennial consumer and household heads are seeking organic because they are more aware of the benefits of organic and pay more attention to the origin of their food.

In addition to this, discrepancies in penetration rate of organics is also related to distribution. In countries such as Denmark and

Austria, the large supermarkets capture the highest part of sales whereas in other countries sales are more evenly distributed between supermarkets and specialty stores.

In Russia, a new law regulating the production, storing and transportation of organic products has been signed and will enter force in January 1, 2020. The new legislation may help

Russia to take a much larger stake in global organic produce market. The highest growth figures in demand for organic food are expected in Asia. Although current market share in Asia is only at 1%, growth figures are projected to exceed 10%, enabling Asian countries to catch up on Europe and the US. Countries such as the Hong Kong, Singapore, South Korea and Taiwan, but also China and India are showing a high increase in demand for organic food products. With retail sales of 5,9 billion EUROS in 2016, China is already No. 4 worldwide following USA, Germany and France. The main reason for this being the upcoming middle class and higher disposable income in combination with growing health-consciousness and awareness of organic food. The

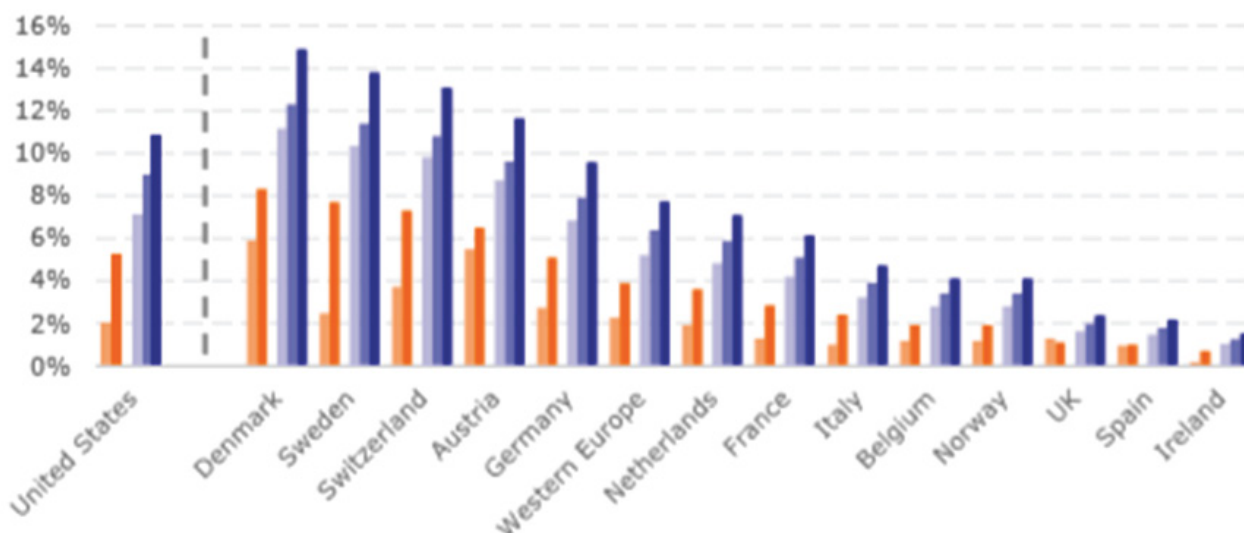


Figure 2: Organic penetration rates in Western Europe and the US, 2005-2025. Source: Euromonitor, Rabobank; Organic Is Good For You!

premium of organic products makes them a niche, affordable only for high-income consumers in Asia whereas in Western Europe and North America increasing competition leads to lower prices and higher penetration rates.

### Using M&A to become organic

In the last 10 years the US and European market for organic food has been strongly influenced by small, innovative producers pressurizing established players who are struggling to maintain their dominant position in the food market. In Europe, apart from the dairy industry, large players are still struggling to convert their portfolios into fully or partially organic.

In the US, major producers are actively acquiring smaller organic producers, also internationally, to swallow up the organic products in their portfolio. Major deals with impact for the organic market happened in 2017, i.e. when Danone acquired American Whitewave for \$12.5 billion. This was followed by Amazon's acquisition of Whole Foods Market for \$13.7 billion, Amazon's largest acquisition ever. Also, in 2017, Unilever acquired the British organic herbal tea business Pukka Herbs Ltd followed by the acquisition of the Brazilian organic food business Mae Terra (Oct. 2017). Campbell's Soup has agreed to buy organic soup maker Pacific Foods.

The shift towards natural and organic products continues in 2018:

In February, Nestlé acquired a majority stake in Ecuador-based organic food company Terrafertil. Flagship brand of Terrafertil is "Nature's Heart" the world's largest buyer of goldendberries, an Andean fruit rich in vitamins

and antioxidants. Terrafertil was founded in 2005. Nestlé Zone Americas CEO Laurent Freixe: "This investment allows us to strengthen our presence in fast-growing categories such as plant-based foods, beverages and healthy snacks, known as superfoods due to their natural nutrient content."

Arla acquired YEO Valley Dairies (subsidiary of Yeo Valley group) to boost its organic dairy business in UK (Feb 2018). The Spanish Ebro-Foods-Group acquired Celnat and Vegetalia to strengthen their organic portfolio. Dutch Wessanen follows the strategy to become an European leader in health and sustainable food supported by selective acquisitions.

Retailers stock their shelves with more organic SKUs; i.e. German food discounter ALDI announced 60 new organic SKUs in the next months which will add-up to 320 organic SKUs' in their stores in Germany by the end of 2018. ALDI is the market leader in organic sales in Germany. The growth of private-label organic food makes organic food available for a broader range of consumers.

On the Agrar-supply side more spaces / acres are being devoted to organic. Packaged goods companies try to secure organic farmland. General Mills has closed a US sourcing agreement with Gunsmoke Farms to convert 34.000 acres of conventional farmland to certified organic acreage by 2020. General Mills expects its organic portfolio in North America to reach 1,5 billion USD in net sales by 2020.

There is a trend towards organic in the ingredient business as well; i.e. Cambridge Commodities (UK-based ingredients supplier) has acquired the ingredients business of Earth Circle Organics

and forms a new US-based ingredients business called Earth Circle Ingredients (July 2018).

Packaging goes bio as well: Danone and Nestlé Waters have joined forces with Origin Materials, a Californian start-up. Their goal is to be the first to commercialize 100% bio-based and recyclable PET bottles. In September 2018 Pepsico joined the NaturALL Bottle Alliance.

The following country reports show that the organic market has already taken a significant role in the industry in Western Europe, North America and Australia. In other countries, organic retail sales are in an early stage but show significant growth. Emerging markets already play a major role when it comes to organic agricultural land. Increasing health consciousness, the rise of the middle class in emerging markets and product availability are fuelling the growth of organic demand globally.



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## Recent Examples of new Organic Product Launches

"Kashi Kids" organics cereal for children (Kellogg's)

"Stonyfield Organic" yoghurt snack (Lactalis)

"SMA Organics" baby milk (Nestlé)

"Font Vella" organic flavored mineral water (Danone)

"Dagoba" Organic chocolate. New flavors (Hershey)

"7-select organic" juices (7-eleven)

"Lokale Rodder" organic beer chips

(Danish Brewery Mikkeller together with start-up Lokale Rodder)

"AMP" Energy Drink (PepsiCo)  
"Red Bull organics"



## Country News

### *14 Countries with News on Agri, F&B and Organic*

M&A Worldwide colleagues in 14 countries put a spotlight on recent developments in their markets regarding Agri, Food & Beverage and to the organic market in particular. The current status of the organic market is different in various countries, but three things are obvious: 1. organic is growing. 2. All parts of the supply-chain are affected. 3. Large companies SMEs and start-ups are involved.



Figure 3: Exemplary International Organic Certification Seals. From top left to bottom right: USA, Australia, Canada, France, European Union, Germany, Japan, Romania. Source: Wikipedia



## Argentina

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### *Organic on a very early Stage*

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Argentina is a leading country in terms of food production with vast natural resources and an extremely fertile land. For the full year of 2017, Argentina exported food products worth US\$25 billion, with soybeans and its sub products, fishing products, meat and wine being the most relevant. Main export destinations were India, Brazil, Vietnam, Spain, the United States, Chile, Indonesia and China, among others.

In the first half of 2018, M&A activity in Argentina's Agri, Food & Beverages sector has been dynamic. After acquiring a stake in Mastellone Hermanos S.A. in 2010, Arcor S.A., one of the world's leading candy producers, increased its shareholding from 40.2% to 42.6% for US\$6.8 million. Bodega & Viñedos O. Fournier S.A. was sold to the Agostino Family, a local wine producer investor. Additionally, Cargill, Inc. increased its shareholding in Glucovil Argentina S.A. (a joint venture with Ledesma S.A. dedicated to the corn wet milling) from 30.0% to 70.0% for US\$79.5 million.

Argentina plays an important role regarding organic agricultural area: with 3 million hectares it is number two worldwide. The organic market in Argentina in

terms of sales is not fully developed yet, however, double digits growth rates are forecasted in the next years. Las Brisas SA, Maoar SRL and AMS Group are the largest companies in the organic packaged food and beverages industry.



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## Australia

### High Share of certified Organic Land

Australia is home to approximately 60% of the world's certified organic land. The total area of land under certified organic management is estimated to be around 35 million hectares which represents about 10% of all of country's agriculture land. The outback States and Territories in Australia dominate the area of organic production and thus make it one of the largest organic producers by area globally. Each State and Territory has its particular speciality which include organic farming, winemaking, organic beef, dairy & organic processing, and fibres & textiles. The total value of the organic industry has grown by 88% since 2012 and currently stands at around AU\$2.4 billion. The retail market is estimated at AU\$1.6 billion and accounts for about two-thirds of domestic organic market including fresh produce, meat and household products, while exporting accounts for the remainder.

The total number of certified organic operations in three broad categories – producers, handlers and processors – is estimated to be over 4,000 in 2018, representing an increase of 55% since 2007. The key demand drivers for the market are

improved product quality, enhanced certification requirements and increased number of organic consumers.

Australia exports a variety of organic products globally including processed food, beef, baby food, wine, processed grain, dairy and processed soya products. East Asia (38%) and North America (12%) account for almost one-half of total exports of organic products produced in Australia.

### Recent M&A activity and deal announcements

Macquarie Group's agricultural arm is acquiring farm assets of Hassad Australia, a company owned by Qatar's sovereign wealth fund, for AU\$ 300 million

Ontario Teachers' acquired Jasper Farms, one of Australia's largest avocado producers, for an undisclosed amount

Bravo HoldCo, a consortium formed by China-based companies Wattle Hill RHC and Roc Partners is seeking to acquire the Australian ASX-listed firm Capilano Honey

Heller, a New Zealand-based processed meats business, is acquiring Moira Mac Poultry, an Australian company supplying poultry products to major retailers, foodservice and convenience food manufacturers Tony Quinn (UK) has recently been acquired by New World Foods, an Australian-based beef jerky maker SunRice, an Australian-based rice grower, has announced to raise \$20-30 million capital through an IPO (ASX listing) to support its growth initiatives



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## Croatia

### *Increasing organic land and number of producers*

Since 2006, utilised organic agricultural land (UOAL) and several Croatian ecological producers record sharp increase in Croatia. As of 2016, there were 94k hectares of UOAL and 3,6k ecological producers which is an increase of 23,4% and 19,0% respectively.

As there are many small ecological producers, focus will be put on Croatian specialized eco - friendly retail chains. Largest ones in the Croatian market are Bio&Bio, Garden and Tvornica zdrave hrane. Bio&Bio, founded in 2003, is the largest retail chain with 17 stores across Croatia and more than 4,000 organic products, supplements, natural cosmetics, etc. In 2017, sales amounted to EUR 14,8 million with an EBITDA margin of 1,2%. Second largest is Garden with four stores located in Zagreb. In 2017, sales amounted to EUR 2,2 million with an EBITDA margin of 6,3%.

Tvornica zdrave hrane, founded in 2014, is the newest chain in the Croatian market with four stores located in Zagreb. In 2017, sales amounted to EUR 2,1 million with an EBITDA margin of 3,3%. Regarding organic food producers, Annapurna Healthy Food, which produces organic products on soy and wheat basis,

can be perceived as the largest with sales of EUR 0,4 million and an EBITDA margin of 12,5%.

Up to the latest date, there was no notable M&A activity in the Croatian organic food sector (both including producers and retail chains).

However, beforementioned retail chains gained considerable brand awareness among customers and expect rapid growth in the unsaturated Croatian organic food market which makes them desirable targets for larger players who want to enter the Croatian market.

### **Important Deals in Agri, F&B**

In the first quarter of 2018, Polish Private Equity fund Enterprise Fund VII bought a majority share (65%) in Croatian bakery chain PAN-PEK Ltd. PAN-PEK Ltd. was founded in 1992, being one of the largest producers of frozen bakery products in the Adriatic region that supplies retail food products today.

PAN-PEK Ltd. also has its own network of fifty retail places, mostly in Zagreb, and has introduced fully automated production lines for selected product categories. The main factory is in Zagreb, while the other smaller factory is in Đakovo in eastern Croatia. In 2017, PAN-PEK Ltd. had an operating revenue of EUR 32 million, EBITDA margin of 18,30% with more than 620 employees. Enterprise Investors, the acquirer, is one of the largest asset management companies in Central and Eastern Europe. The company was founded in 1990 and has developed nine funds whose total capital exceeds EUR 2,5b. These funds invested EUR 1,8 billion in 140 companies from various sectors and came out of ownership from 126 companies with a total gross

income of EUR 3,6 billion. Apart from the acquisition of PAN-PEK, the Agrokor case is still going on. Agrokor, as large Croatian conglomerate largely focused on F&B and retail with operating sales of approximately EUR 6,5 billion, got into financial distress in 2017. After successful pre-bankruptcy procedure under Extraordinary Commissioner, both core (as holding shares) and on-core business will be on sale.



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## Denmark

### *The Future of less Meat and more Organic Food has already arrived*

The small country in the Nordic region with a population of only 5,5 million inhabitants has the highest organic penetration rates in Western Europe at 8 %, a number that is expected to almost double within seven years.

In some segments the organic-share is much higher: In the milk-market, more than three out of 10 litres of milk sold in retail are organic. Experts believe that the Danish organic milk market share cannot be much higher, and that Danish produced organic milk and other dairy products will see increased exports to China, Asia and the Middle East.

Denmark has also been known for being a paradise for meat lovers with an average consumption of 52 kilo annually pr. inhabitant, and that figure has been growing for years. But things are changing, in the last year, the amount of meat sold in Denmark declined by 10-12 %.

56% of Danish consumers say they want less meat and more vegetables. It seems like a lasting trend, as the Danish Vegetarian Association recently has doubled its number of members.

A few weeks ago, the Danish food start-up Simple Feast, who

recently started delivering 100 % organic vegan and vegetarian ready-to-eat-food to consumers, received a 12 million USD investment from British- and US-based investors.

The great interest for organic vegetarian food was also the reason why a local Danish producer of organic apples on the small Island Fejø could raise EURO 200.000 in crowdfunding in only six hours. Across all crowdfunding projects this is unheard fast.

Changes have even reached the local politicians in Copenhagen as well. This past summer, they decided that the municipality's public kitchens should offer more food based on plants instead of meat.

### **Changed focus in food industry**

The change in consumer and public demand has led to several acquisitions and change of focus in the food industry.

The oldest food brand in Denmark, Tulip (part of Danish Crown), which is

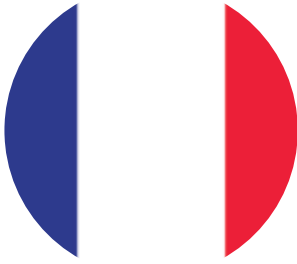
famous for its bacon products worldwide acquired the Dutch bacon producer Zandbergen this summer, is expecting an increase in the vegetarian sale as well. Orkla acquired, via a daughter company, the Danish company Naturli a year ago, which today is used as a brand focused on selling vegetarian products. Especially sales of their 100% plant-based minced are increasing dramatically. The organic meat producer Hanegal plans to raise its vegetarian part of its revenue from 5% to 20-25% within five years. Furthermore, the large chicken manufacturer, Danpo, has recently bought the Rokkedahl company, who produces chickens with a focus on animal welfare. The largest supermarket group in Denmark, Salling Group, is also

looking for more products with a focus on animal welfare, as 67 pct. of their customers consider animal welfare as key when they shop.



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## France

### *Agri, F&B Industry - Growth sustained by Organic Production*

Sustained by the willingness of the biggest firms to diversify their offer, the French agri-food industry remains the first French industrial sector. In 2017, the sector grew by 3.9% compared to 2016 and has generated revenues of more than € 180 billion. Strongly fuelled by a favourable climate for exports and the rise in food raw materials (+ 12%), this increase of revenues has to be compared with the trend observed in the rest of the industrial sector (+5.8%).

As the main driving force of this trend in 2017, the value of purchases of food products from bio-organic production is estimated at € 8.4 billion, a growth of nearly 17% vs 2016. In five years, between 2011 and 2016, the market grew by 82%, a gain of 3.2 billion EUROS.

This trend is explained by a growing craze for this kind of consumption. In the organic food market, more than half of sales in value of organic products are made in the fresh section.

In 2017, as in 2016, the main contributors are groceries (31% of growth), fresh fruits and vegetables (17%) and alcoholic beverages (15%).

A new trend is emerging:

processed products are the most dynamic with caterers (+ 34%), drinks: fruit juice (+ 23%), ciders, beers (+ 26%) and wines (+ 21%).

### Recent Transactions

3rd LBO for Organic Alliance (€ 250 million of revenues), valued more than 10 EBITDA

ORGANIC ALLIANCE and its 2 subsidiaries, PRO NATURA and VITAFRAIS, are the subject of a 3rd LBO organized by CEREAL PARTNERS, a private equity fund dedicated to agribusiness SMEs.

For this third LBO, the French number 1 for the sale of organic fruits and vegetables is valued around € 150 million, slightly more than 10 times the EBITDA (€ 14 million in 2017).

The company benefits on the extraordinary health of the organic sector in France. Last year, the value of food products purchased from organic farming was estimated at € 7.15 billion, a 20% increase from 2015. A growth particularly driven by fruit and vegetables, whose sales growth is proving to be higher than those of other organic products (dairy products...). Organic Alliance achieves a turnover of c. € 250 million, mainly with specialized distributors, and manages a network of thousands of producers rooted in their regions rich of traditions, in the heart of the production basins in France (about 70% of supplies) and abroad. The group is located in Rungis and in several regions of France, as well as in Spain.



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## Germany

### *Intensified M&A Activities in F&B Market*

M&A gets increasing importance in F&B and changing consumer preferences are the main drivers: rising number of single households and a mobile society are favouring more convenience food and out of home eating. Most Germans link nutrition to physical fitness and health. Many see food to overcome health concerns as well as to improve their sense of well-being and performance levels. Millennials customers are looking for innovative Food&Beverage products. Healthy-, "free-from"-, functional- and organic-food is on the rise. New Food&Beverage solutions with a fun-factor and self-rewarding character as well.

The big players in the F&B industry cope with those trends not only with intensified product development but also with increasing M&A activity. They have lowered their turnover expectations for targets and set-up Venture capital funds for healthy start-ups and digital agile companies. Private Equity has identified F&B as a growth-market and cross-border transactions are increasing.

Krüger, a leading German-based contract manufacturer and consumer brand producer (1,8 Mrd Euro) acquired the Sport- and Diet Brands "Maxi Nutrition and "Maxi

Muscle" from Glaxo-Kline. (Jan 2018)

Dutch Parlevliet & van der Plas Group (fishing) took-over Deutsche See (1800 FTE), Germany's leading Seafood processing-company.

Diageo, the global No 1 in spirits, bought German Start-up and Vermouth manufacturer Belsazar (aperitif, wine) in March 2018.

Mast-Jägermeister ("Jägermeister" Liquor) invested in the Gin-producing start-up Vicentina; Brand "Gin-Sul" (August 2018)

Germany's leading snack company Intersnack (via their subsidiary KP Snacks) acquired premium snack brand Tyrrells from Hershey / USA (May 2018): These deals strengthen Intersnack's market coverage in the UK and France but also adds the promising brand "Lisa organic potato chips" in Germany.

In May of 2018, JAB Holdings (Germany's billionaire Reimann family) has acquired a majority stake in UK-based sandwich shop-chain Pret A Manger from Bridgepoint for 1,5 billion GBP (879 mio GBP revenue p.a. and 530 stores in UK, France, US, China) The acquisition adds to JAB's growing portfolio of F&B companies and is following the acquisition of Dr. Pepper by JABs subsidiary Keurig Green Mountain in January of 2018.

Dr. August Oetker (leading company in baking-goods) acquired minority stake in the start-up "Inter Nestor GmbH" (the European market leader for customizable photo cakes) and Alsa (Baking and dessert goods since 1897 in France) from Unilever.

Anheuser-Busch has restarted talks to sell its German beer brands Hasseröder and Diebels after a planned deal with CK corporate Finance fell through. AB want to fully focus on core brands like Beck's; Corona and Franziskaner (July 2018).

### **Germany - second largest Organic market worldwide**

Germany is a key player in the global organic market and has played a pioneering role. Organic food farming and trade has a long tradition in Germany but remained a niche market for most of the last century. In the 1990s conventional retail chains started selling organic goods. Already in 2001, the German ministry of agriculture, nutrition and consumer protection coordinated and regulated organic standards and issued the organic label, called "Bio-Siegel".



### **Today organic food has become an integral part of mainstream culture in Germany.**

In 2017 German consumers spent more than 10 billion Euro on organic products (+6 % vs PY). The share of organic food of all food-spending has tripled since 2004; according to GfK market research. The organic food market in Germany is projected to grow by a CAGR of over 7% during 2016 to 2021.

Major driving forces for the dynamic growth of organic in Germany are high disposable income, increasing awareness on environmental issues and increasing health consciousness among consumers, growing organic farming, a state-of-the-art food industry and a great variety of organic products and increasing availability of organic food in major retailers. Nearly 2500 shops operate in

Germany selling solely organic-produced products, of which 500 can be considered organic supermarkets. But more and more conventional supermarkets are becoming the main sellers for organic products. According to market research company GfK grocery discounter ALDI is Germany's No 1 organic product selling retailer. Aldi announced that it will add more than 60 new own-label-organic products to its discount-supermarkets in Germany. The number of organic products on sale will increase to about 310 by end of 2018. Competitor Lidl will also extend their organic-range, i.e they launched organic sausages in February 2018. Supermarket-chain REWE offers 600 organic SKUs under their own brand "REWE Bio". The emerge of private-label organic food and beverage puts a downward pressure on unit prices in the coming years.

Increasing number of organic launches but the consumer expects more than just an organic label.

Data from Mintel Global New products Database (March 2018) says that 25% of all food and drink products launched in Germany in 2017 carried organic claims. The number of organic launches in Germany has grown by 291% between 2008 and 2017. 72% of Germans would like to have an even wider choice of organic food and drink products in stores they shop and 54% say that a primary factor in their purchasing decision is if a product is organic or has organic ingredients. 58% of the Germans who buy organic F&B claim to do so because these products are GMO-free (no genetic engineering); 54% say it is important for them that organic F&B products do not contain pesticides and chemicals.

Recent developments in organic F&B are the rise of organic superfoods and food for sensitive eaters: i.e gluten free power lunch natural products made from prebiotically fermented organic raw materials. Another major trend is to make organic food convenient and enjoyable to eat: "Healthy eating should be fun again" is the motto of more and more products displayed on the shelves. The organic label is no longer enough to convince consumers to purchase. Many are looking for locally sourced organic food. According to Mintel market research the German consumer expect even more than just products from organic brands: Environmental and ethical credentials are becoming an integrated part of organic consumer expectations.

Major M&A activities in Germany in Organics

European market leading juice producer Eckes-Granini acquired 35% in smoothie start-up True Fruits in April of 2018. True Fruits emphasizes that their product is totally natural, containing 100% fruit and greens without concentrates, added sugar or colourings. The company is not claiming "organic".

The sweet & snacks company Katjes has acquired a 5% stake in organic baking brand Foodstirs (USA). Foodstir claims that all ingredients are organic and never genetically modified. March 2018

"Hello Fresh" (Berlin based meal-kit delivery service, 597 Mio. Euro Turnover in 2016)) has acquired Colorado-based organic meal kit provider "Green Chef" (March 2018) to strengthen Hello Fresh's position in the US market. Fonterra (New Zealand), one of the leading dairy producers globally, has entered a strategic partner-

ship with German / Berlin nutrition Start-up Foodspring (in March 2018. Fonterra" The new partnership will enable Fonterra to tap into the rapidly growing active nutrition consumer segment, which is valued at 200 bn USD globally, and forecasted to expand significantly for the years to come".

The PE Nordwind Capital (D) acquired the majority stake in natural food supplement vendor Supernatura (July 2018).

Swedish Midsona (health foods, personal care, hygiene) acquired German company Davert - a pioneer in the organic food industry (founded 1984, 64 Mio. Euro Turnover in 2017, 150 FTE); May 2018; was acquired by Midsona AB (Sweden)(purchase price was 48,5 Mil. Euro; app. 9,7 EBITDA multiple). Davert premium brand and product portfolio is highly complementary to Midsona's existing organic brands

Philipp Lahm, player of the 2014 Soccer-World-cup team, acquired the majority in Schneekoppe (January 2018) - one of the forerunners in bio/organics food products (founded 1927).



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Italy

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## Strong M&A Activity

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### Italian M&A trend in 2018

The 2018 outlook for the Italian economy appears positive and more robust relative to prior years, with consumer markets enjoying a continuously smooth recovery. Most recent transaction pipelines suggest a strong interest from foreign investors (mainly Asian and US players). In the longer run, however, Italy might witness a decline in foreign investment considering the political uncertainty amid general elections due in March 2018 and their impact on economic and social reforms which commenced in recent years.

In the 1st half of 2018, the Italian M&A market recorded 333 transactions worth over EUR 31.5 billion, of which over EUR 9 billion invested by Italian companies in acquisitions abroad. The domestic market is also lively: the total value recorded in the period under review was EUR 12 billion, an increase of almost three times compared to the same period last year. Finally, 46 transactions finalized by Private Equity funds in the Italian market were completed for a total countervalue of almost EUR 4.5 billion.

In 2018 the Private Equity Funds are playing a primary role in the Italian Agri Food Industry, and the

most sought-after companies belong to the dairy, wine and bakery markets. The multiples show a significant growth, and several transactions have aborted due to a high asking price.

**Italian Bio and Organic market**  
Italy is the third largest market in Europe after Germany and France and before United Kingdom. The Italian market reached 3.5 Billion of sales and the companies, ranging from 20 to 300 million EURO in turnover. There are about 60,000 companies active in the Italian organic food sector, which involves almost 1.8 million hectares of cultivated area, equal to 12% of the total, for a total value of almost EUR 4 billion.

The growth of the organic foods market is the result of a combination of a variety of factors, such as a better consumer education, more options in respect to bio-food retail stores as well as supermarket chains with areas dedicated to organic products.

The growth of consumer demand for organic products is pushing the players of this niche (3,5% of the total food business) in a quickly change of their strategy, today the most active companies in Italy (EcorNaturaSi, Alce Nero, Valsoia, Ki Group, Probios, Molino Rossetto), are focusing on M&A activity.

**Recent M&A-deals in ORGANIC**  
Lab Holding acquired Labomar, a company specialized in the conception, development and production of food supplements. Baule Volante (distributor of organic products) controlled by EcorNatura Group, acquired Fior Di Loto (distributor of bio food products). The transaction price was € 45 Mln. White Bridge Investments acquired minority shares of Nutrilinea, manufacturer of supplements and medical devices. Ebro Foods has executed the acquisition of the 52% of Geovita

Functional Ingredients S.r.l. and its subsidiary Geovita Nutrition S.r.l. (together, "Geovita"). The transaction price was EUR 16.5 million. Geovita is a leading player in the production and sale of legumes, rice, fast-cooking grains and other healthy ingredients.

The Recordati pharmaceutical group has completed the acquisition of 100% of the share capital of Natural Point, an Italian company that operates in the market of food supplements.



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## Lithuania

### Growing Share of Organic Agriculture

The Organic food market in Lithuania is constantly growing as buyers are looking for more natural products, but it is still rather small. The largest retail chains see double digit growth rates for this segment from 2015, therefore they are increasing assortment and shelves for organic food seeking to supply the demand and compete with specialized organic shops.

The number of certified organic manufacturing business units increased by 1,1% from 2.696 in 2013 to 2.725 in 2017. However, much larger growth was visible in utilized organic agricultural area, organic crop production, and increase in the number of organic animals and poultry. Utilized organic agricultural area grew by 41% from 165k ha in 2013 to 234k ha in 2017.

The organic crop production skyrocketed by 95% from 271k tones to 528k tones in the respective years. The number of organic animals and poultry kept in farms also grew by almost 60% from 125k units to 199k units.

### Successful SPO of the largest vertically integrated organic food company in Europe

One of the largest primary agricultural production producers in

Lithuania – AUGA GROUP decided to change their strategy a couple of years ago and shift to purely organic production.

### AUGA PRODUCT PORTFOLIO



With 38k ha cultivated land, AUGA GROUP claims that it is the largest vertically integrated organic food company in Europe, controlling the entire process from field to final product.

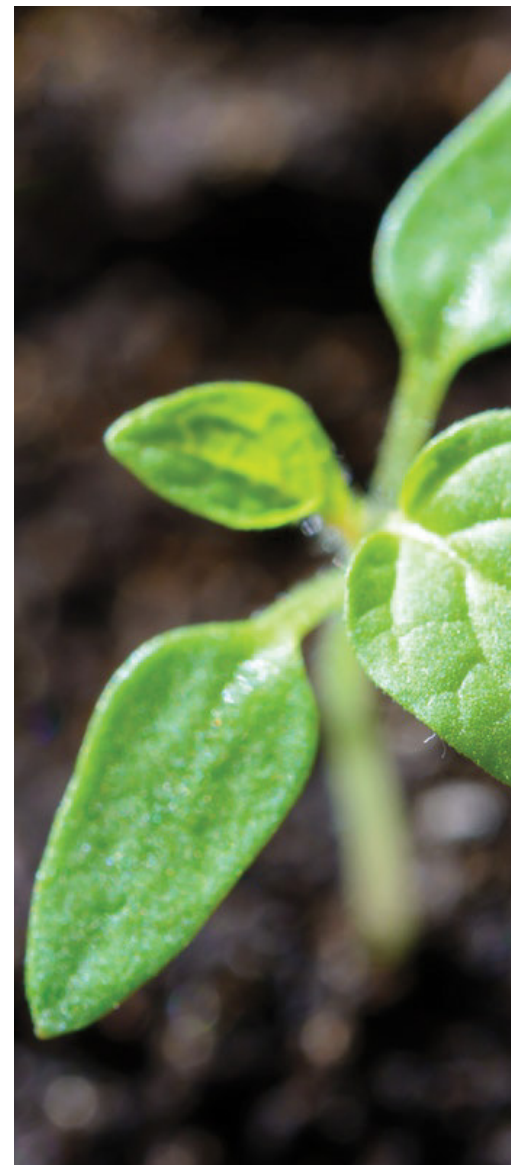
One of the GROUP's main strengths is the ability to supply a wide range and large quantities of organic products and ensure the control and traceability of the production chain. AUGA GROUP is export orientated with c.a. 80% of 2017 sales being generated from exports, mainly from mushrooms, grain and milk.

In 2017, the main export markets of AUGA GROUP were Scandinavian and Baltic countries, Poland and Germany. In 2017 exports were commenced to Israel, the United Kingdom, the Netherlands, Japan and South Korea. AUGA GROUP generated around EUR 50 million turnover in 2017.

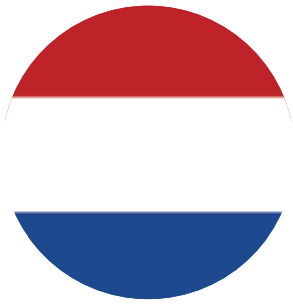
AUGA GROUP successfully completed SPO and raised EUR 36 million in August 2018 attracting new strong investors like EBRD (which invested 9 million EUR for 8,7% stake in the business).



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## Netherlands

### Organic Food in the intermediate Stage

In European perspective, the market for Organic food in the Netherlands is to be characterized as in the intermediate stage. According to Bionext, the leading Dutch association for organic food, the market for organic food was valued €1.4 billion in 2016, 3% of total food products. The large supermarket chains capture approx. 55% of sales whereas specialty stores capture 25%. The remaining 20% is captured by food service companies, local markets and other related companies. As of today, the largest specialty stores are Ekoplaza, Natuurwinkel and Odin. We observed that after 2016, growth figures of specialty stores have been declining as the large supermarkets are more proactively expanding their organic portfolios. Although the market share of 3% is far behind countries such as Denmark (8%), market growth which is projected to be 10% in 2017 and 2018, is in line with neighbouring countries. Rabobank forecasts market share to double and reach

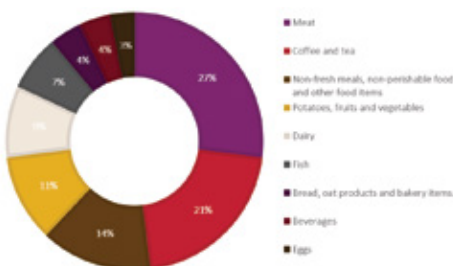


Figure 4: Share of total market value of organics per product category in the Netherlands.

Source: Wageningen University, CBS, Monitor Duurzaam Voedsel 2016

7% by 2025.

Although the market is rapidly growing, there are still significant differences between product categories, which can be seen in Figure 4, describing market share of organics per food category. Product availability plays a vital role in conversion rate. A good example is the market for Potatoes, fruit and vegetables. Suppliers are often strongly dependent on producers from developing countries, limiting the short-term potential to convert to organic.

Organic agricultural area equals 3.1% compared to 6.2% on average in Europe. Given this low share combined with limited growth of agricultural land in general, it will be very difficult for product categories related to agriculture, such as potatoes, to catch up on conversion rate.

Wessanen – growth with organic M&A activity in the Netherlands is largely covered by Wessanen, with several acquisition in the past 5 years. Wessanen is a good example of a successful player in the market for organic food. Unlike many other large players in the market, Wessanen is purely active in the organic food market. Not only has Wessanen managed to profit from first mover advantages of capturing market demand, but also has it proven to be successful in expanding market presence in Europe, also through acquisitions. They acquired Biogran in Spain and most recently Abbot Kinneys, a young, innovation leader in organic almond and coconut yoghurt alternatives and ice-cream.

### Other notable transactions in Agri, F&B

The biggest F&B M&A-deal in the Netherlands is the delisting of Refresco by French and Canadian

investment companies PAI and bclMC. Refresco is Europe's largest manufacturer of soft drinks and fruit juices. The company manufactures products for leading retailers and (inter)national A-Brands and was listed at the Dutch Stock Exchange since 2015. Acquiror PAI has placed multiple bids in the recent years and have now succeeded their acquisition efforts with a total bid of approximately € 1,6 billion (€ 20, - per share).

Another remarkable deal is the sale of EMTE Supermarkes by the Sligro Food Group to its competitors Jumbo en Coop (deal value € 410 million). By selling its retail-activities, Sligro is again focusing on its core-business as a B2B food-wholesaler. Part of the transaction is a multi-year contract for Sligro as the preferred partner for Jumbo subsidiary La Place.

And last but not least have there been multiple deals in the 'animal feed industry'. One of the leading companies (ForFarmers N.V.) acquired 3 different targets in Poland, Belgium and the Netherlands. Another sign on the wall that the consolidation trend in that sector is still continuing.



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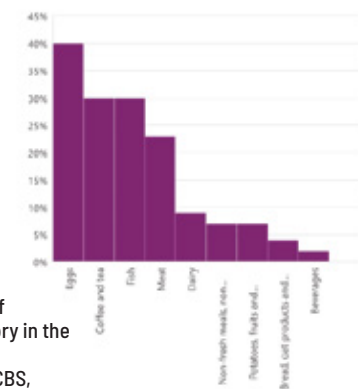


Figure 5 : Market share of organics per food category in the Netherlands. Source: Wageningen University, CBS, Monitor Duurzaam Voedsel 2016



## Romania

### Organic Farming and Sales are growing

The Romanian market of organic and bio products is a very dynamic one, registering interesting growths for several years now. The local players register double-digit or higher y-t-y growth rates, presenting interesting cross-border acquisition opportunities for foreign producers and processors.

Organic foods, cosmetics, ingredients etc. are more and more in demand. Nevertheless, compared to other markets in EU, the Romanian organic market is still in an incipient stage.

The domestic consumption of organic, bio and raw foods in Romania has been on an upward trend in recent years. The organic consumer market was estimated by the USDA at U.S. \$45 million in 2016, an increase of more than 30% compared to 2014. Players in the market estimate that the 30% y-t-y growth has maintained also in 2017 and they expect to continue at a similar rate until 2020.

The growth of the organic foods market in Romania is the result of a combination of a variety of factors, such as a higher purchasing power, better consumer education, more options in respect to bio-food retail stores as well as supermarket chains with areas dedicated to organic products etc. Organic food processors and retailers also play an important

role due to efforts to create and support affordable brands. Large retail chains created separate sections for organic processed products that offer a wide range of mostly imported products.

More and more Romanian importer-distributors of organic and bio products organise B2B and B2C events to promote a healthy lifestyle and raw-vegan products.

Organic baby food is one of the most successful product categories in Romania, growing approx. 5-6 times from 2012 to 2017. Similarly, consumption of organic dairy products (butter, drinking milk, yoghurt, cheese) almost tripled from 2012 to 2017.

Agri Mondo, which distributes organic cereals and organic oil seeds registered, achieved a 30% sales increase in 2017. Biochem Organics which distributes organic agricultural products, such as soft wheat, barley, and maize, registered a y-t-y sales increase of 110% in 2017.

Organic farming is a dynamic sector in Romania that has seen an upward trend in recent years. According to Eurostat data, in 2015 there were 297% more organic farms in Romania compared to 2010, counting nearly 12,000. Many of these farms and companies are exporting most of their crops. The total surface of organic farming in Romania registered 258k ha in 2017 which, according to the FRD Center analysis represents a growth of more than 14% compared to 2016. Looking to locally produced organic foods, the surface cultivated with organic vegetables in Romania has doubled in the last seven years. The local demand for organic vegetables "made in Romania" is very high and the market has high potential to grow even further in the future. Additionally, the external demand is increasing and most of the local players export their products.

For example, Ecofruct, a company which collects organic forest fruits, medicinal plants, herbs and

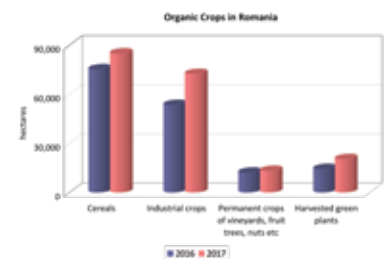
mushrooms which originate in the flora of the Romanian Carpathian Mountains, registered in 2017 a y-t-y turnover growth of 126%.

Primagra is a producer and exporter of sea buckthorn berries. It exploits organically a farmland for research, multiplication and production of sea buckthorn. Their sales increased by 24% in 2017 compared to 2016.

Another type of very popular bio food are the bee products. For example, Apiprodex is a company specialized in the production and processing of organic honey and apiary products. In 2017, according to the same analysis, their sales figure increased 51% mainly due to increasing exports.

Premium Fruct produces bio fruit juices under the brand Profructta. Profructta is a Romanian facility producing 100% natural juices, made of chemically unaltered and genetically unmodified fruit, carefully picked in the orchards of Campulung Muscel, without any sugar, colouring agents, and preservatives added. According to an FRD Center analysis based on official data, their sales increased 77%.

In respect to organic grains cultivated in Romania, the largest growers are foreign nationals residing in Romania. For example, Organic Iași owned by the German Clemens Tönnies (over 3600 ha), Agricola Alba held by Casa Lionello owned by EUROVO from Italy and Ferma Lionello SRL (over 3600 ha) or Luciano Martini, the shareholder of Emiliana West Rom (over 2000 ha).



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## Spain

### Double-digit Growth in Organic

With an annual growth rate of 14% the Spanish Bio market is one of the fastest growing markets worldwide and among the top ten in consumption. Additionally, it has the highest organic cultivation area in Europe as well as unique growing conditions. The Spanish organic food segment is one of the most appealing markets expecting a wave of M&A transactions in Bio-production and -cultivation and it is a pretty sensible moment to take positions on it.

Some companies have already started and are taking advantage of this flourishing market.

Ebro Food, with €2,507 million in revenues and a €220 million profit in 2017, has recently purchased several companies in the organic segment to support its plans to invest in the Spanish and French food industry and enhance its market share.

It is planning to end 2018 with a total revenue of €100 million in its Bio division. Celnat, a French pioneer company of Bio food and leading cereal manufacturer in France was acquired in 2016. It has an important position in the category of high-quality Bio food products with a turnover of €22 million, 20% of which are exports. Furthermore, the €10m revenue

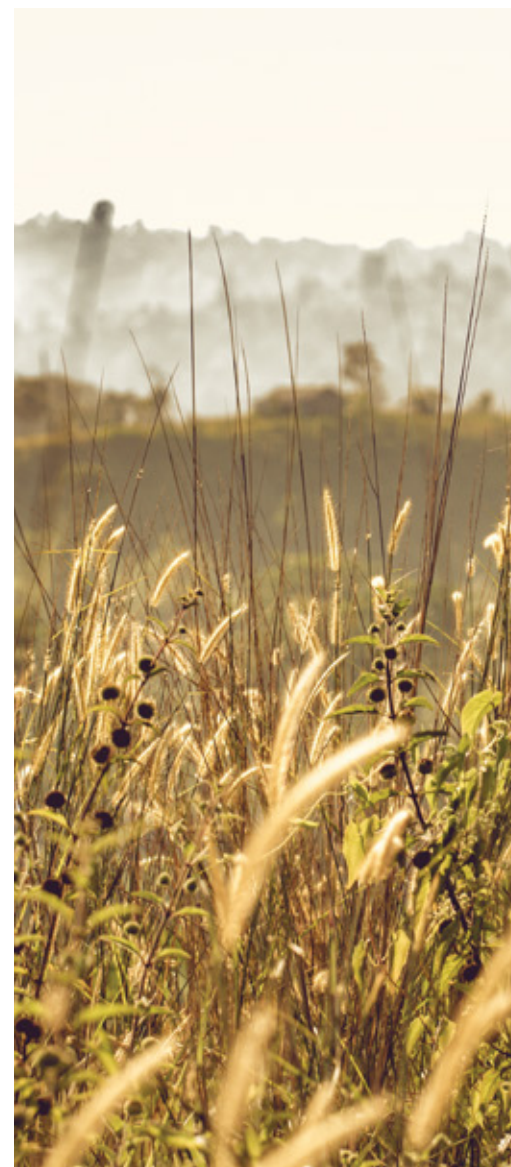
company Vegetalia was also taken over by the Spanish group. It manufactures Bio vegetable protein food and was sold at 9x EBITDA.

Other lately movements are from the Dutch Wessanen that acquired Biogran from Nazca Capital, a Bio food, food supplements and cosmetics manufacturer and distributor with €27 million in sales.

Another purchase made by Idilia Foods was Sorribas-Biogra, producer of Bio-dietetic products (veggie burgers, hummus, cheese, pizzas and rice) accounting €10 million in revenues.



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## Thailand

### *Organic is driven by High-income Consumers*

Thailand's merger and acquisition activity has remained resilient. Consumer sector is expected to continue to be the main driver in the M&A market in Thailand looking ahead.

#### **Focus more on outbound M&A**

Traditionally, the Thai M&A market has focused on domestic and inbound investments; however, owing to ASEAN economy community (AEC), large Thai companies such as Thai Beverage, Indorama Ventures and Thai Union Group, aggressively acquired companies overseas. This approach enhances the companies' ability to leverage the skills and resources obtained overseas to improve their own operations and to encourage technological managerial capabilities.

#### **Notable transactions in Agri, F&B in 2018**

Dusit Foods, a subsidiary of Dusit Thani, acquired 29% stake in NR Instant Produce Co., Ltd, a leading food manufacturer and distributor of own brand and private label, through 24.9% share purchase from Wellpo Capital Limited for approx. US\$19.5 million and share subscription of 0.2 for US\$1.6 million. This transaction will be

financed by loan from its parent company.

The Foodsource Co., Ltd., a subsidiary of Loxley acquired 60% stake in Siam Samut Warin Co., Ltd., an importer and distributor of frozen and processed food, for US\$1.3 million, financed by its own working capital and a loan from its parent company

Dean and Deluca (Thailand) Co., Ltd. completed the acquisition of remaining 49% stake in Dean & Deluca Airport Co., Ltd. from Prakarn Raiva, Ploy Bhinsaeng and Seree Thajongrak for US\$0.7million. Upon completion, Dean & Deluca holds 100% stake in Dean & Deluca Airport.

#### **Organic Food Market Overview**

The total market size of organic packaged food and beverages in Thailand was US\$15.6 million in 2017, making it the 43rd largest market in the world by value with a moderate YoY of close to 7% in 2018. This is slower than the rest of the Asia Pacific region, which is expected to experience approx. 13%.

From 2017 to 2022, Thailand is expected to see growth rates at 6.6% CAGR as demand for premium-priced organic products begins to level off.

#### **Market Trend**

Organic rice recorded by far the highest sales value among organic food categories and organic tea topped the list in terms of sales volume among organic beverage categories.

Strong sales growth is driven by Thai consumers' increasing health consciousness and strong demand from high-income consumers.

Within the Asia Pacific region, China, Japan, South Korea, India and Taiwan all surpass Thailand in total value sales of organic F&B.

The landscape in Thailand is consolidated and dominated by key players - Capital Rice Co Ltd, which maintains 45.1% of total sales, followed by Green Net Coop at 16.5%.

#### **M&A Trend in BIOFOOD**

M&A activity in organic F&B in Thailand is not the most prevalent or generally disclosed.

In August 2018, Jia Meng Marketing, part of Hong Thong Rice Group, announced to acquire Baimiang, an Organic Food Retail Chain

Currently, Jia Meng Marketing is shifting its focus towards quality and healthy food, which is also the principle upon which Hong Thong Rice product is developed.

Jia Meng Marketing successfully launches a retail store selling all kind of organic products on shelves, called Hong Thong Health Station to create convenience for consumer. Currently there are three branches.

Aim to grow inorganically, Jia Meng Marketing acquires Baimiang who also operates chain of organic retail store and is popular among organic food lovers. Baimiang brand is considered premium with high purchasing power customer base. Two years back, in 2016, one of Thailand's long established and listed conglomerates, Premier Marketing acquired an organic Arabica coffee company called Mivana.



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## Vietnam

### Export of Organic Tea and Rice

Vietnam has emerged as a destination for both direct and indirect investment from foreign investors.

Thanks to the Government's strong push for equitization to improve operation and raise capital to address State's budget deficit and as private companies are on the rise and thriving for further investments, more foreign investors are seeking for opportunities to grab a slice of the rising market.

#### Food & Beverage

Vietnam's retail food sector is growing rapidly, fuelled by a combination of strong economic growth, rising income levels, a large young population, a growing middle class, and increasing exposure to a Western lifestyle. More and more consumers have now become more sophisticated in their understanding of healthy eating. This trend has been a driving force in increasing demand for F&B sectors.

M&A in the consumer goods sector (food, drink and household appliances) was quite active in 2017. Foreign investors dominated the list of large value deals with Thailand, South Korea, Japan and Singapore being the main buyers. The activities of Thai and Korean

investors showed competition in accessing the Vietnamese market. This is also the beginning of the acquisition trend of companies with distribution channels in the local market to bring the F&B products of Thailand and Korea into the market in Vietnam.

#### Agriculture

Vietnam's agricultural sector has made enormous progress. The country has listed in the world's top-five exporters of agri-food commodities such as rice, coffee beans, tea, cashew nuts, black pepper, rubber latex, and cassava, as well as aquatic products.

Over the past years, foreign investors have also come to Vietnam to engage in large-scale agricultural projects. Foreign direct investment (FDI) in the country's agricultural sector, which is largely focused on feed, packaged food and clean-cut food chain model "from farm to food" or Feed- Farm - Food (3F) formula.

#### Biofoods

Consumer demand for organic agricultural products in Vietnam is rising rapidly in recent years due to the increasing consumer awareness about product safety and hygiene. The young population structure, rapid increase in income and consumer awareness for health issues will affect the demand for organic products.

The Organic Trade Association estimates that Vietnamese consumer sales of organic produce is USD 1.7 million per year. To encourage investment in high-technology agriculture, the Prime Minister instructed commercial banks to set aside USD 4.4 billion to lend at below-average rates in 2017. The Vietnam's Ministry of Agriculture and Rural Development also held

talks with the European Trade and Investment Support Project to further develop the organic farming industry of Vietnam including potential cooperatives. Vietnam has a number of companies operating in the organic sector such as Ecomart Hanoi with organic tea production, Organik Dalat with organic vegetable products, Vien Phu Green Fram exporting organic rice. All of these products are certified by the US (Organic) and the European Union (EU Organic Farming).

#### Notable Transactions on organic

In early 2017, VinEco Ha Nam, a subsidiary of Vingroup promoted the development of organic agriculture with clean, smart and high-level technology with total investment of USD 29 million which serves both domestic and international market. In 2017, TH True Milk, a large dairy producer, has announced the development of project with investment of USD132 million for growing organic vegetables and making organic milk.

In 2016, Thanh Thanh Cong Group, known as the largest sugar producer in Vietnam, invested millions of USD into organic farming in Tay Ninh province which would serve organic sugar production. In 2016, Vinamilk, the nation's leading dairy producer, invested heavily to launch its organic dairy product.



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## United Kingdom

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### *F&B Companies invest in healthy Products*

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The first half of 2018 saw M&A activity in the UK Food and Beverage sector decline, with 27 deals completed compared to 41 in the same period last year. Despite this, there is reason to be more optimistic about the second half of the year.

In August, Coca Cola announced its £3.9 billion acquisition of Costa from Whitbread Plc. Costa is the second largest coffee shop worldwide and the transaction not only provides Coca Cola a platform in the global coffee market, where its presence is limited, but an opportunity to diversify away from sugary drinks too. This deal marks another in a series of transactions that has seen market leading Food and Beverage companies invest in healthy products to combat changes in consumer preferences. The market of organic food and drink was 1,6 billion in 2017 the UK.

In the same week as Costa was announced, the UK government proposed a ban the sale of energy drinks to children amid concerns about the impact of high-sugar drinks on young peoples' health. With sugar declining in popularity, there is a rise in demand for natural alternatives such as xylitol.

Last month, Bluebox advised on

the sale Peppersmith, a leading retailer of xylitol-based mints and gum to Health Made Easy, the largest wholesaler of natural, healthy and organic foods in the UK. The transaction will allow Peppersmith to accelerate growth in a market climate, which is very favourable.



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USA

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## *The No.1 Organic Market and "Better for You" Category is growing*

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Consumer eating and purchasing habits and tastes are changing and old-line food companies, especially large, multinational Food and Beverage companies, are increasingly using acquisitions to keep up with and follow the trends. A broad slowdown in more traditional packaged foods has occurred as consumers move to more natural products and as a changing and more competitive grocery industry pushes retailer more toward private label in an appeal to value conscious shoppers. Significant M&A activity in Alcoholic Beverages has been closely followed by M&A activity in the Natural, Organic and "Better For You" (BFY) foods categories where the number of reported M&A transactions are up 50% in 2017 vs 2016 and the value of those deals is up 57%.

Major Food companies have found acquisitions a convenient alternative to the long and expensive process of R&D, while Private Equity Groups (PEGS) have found the new healthy food segment increasingly attractive due to potentially high valuations and likelihood of sustained growth.

Multiples on public company reported transactions in the organic niche sector are reported to be in the 15X range, outpacing the market as a whole. Kellogg, Nestle, Danone, Conagra, Unilever and other multinational food operations have been active acquirers of Organic, Natural and healthy food products and companies in the US. Amazon's acquisition of Whole Foods continues to 'over hang' the grocery market and threaten traditional channels and marketing and distribution patterns. Increases in domestic GDP, disposable income and overall economic conditions along with changing consumer demand for simpler, healthy products has stimulated natural, organic and agri-business products and thus interest and M&A activity in companies in those sectors.

### **Recent Transactions - Organic, Biological and Health related F&B**

Kellogg acquires RXBAR, maker of Protein bars for an estimated \$ 600 million at a 6X multiple of revenue. Nestlé acquires Sweet Earth, maker of Vegetarian sandwiches, wraps and burgers in Q4 2017. Danone acquires Happy Family in Q4 2017 maker of organic foods for babies and children in Q4 2017.

### **Other Transactions in the F&B market**

Mason Wells acquires King Juice, producer of lemonades, limeades and teas for \$215 million at 8.6X Revenues. Farmer Bros acquires Boyd Coffee for approximately \$ 60 million (estimated 1X revenue. Hormel Foods acquires Capital Wholesale Meats a producer / distributor of beef, pork and chicken to restaurants and grocery stores for approximately \$

425 million. Sapporo Holdings acquires Anchor Brewing a well establish craft brewing company with strong brand and distribution for \$85 million and approx. 3X revenues. E&J Gallo Winery acquires Craft Distillers a small specialized producer of brandies and spirits for \$ 5million.



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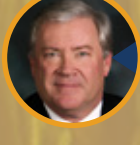
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