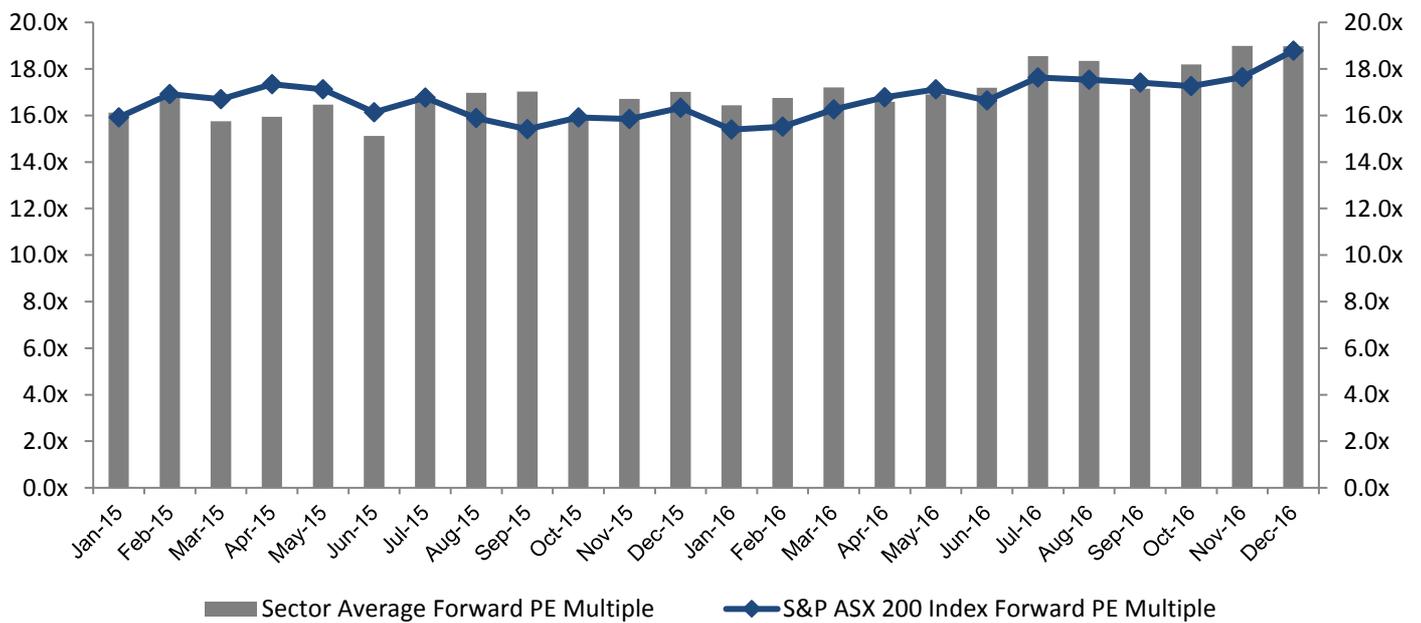


Food & Agribusiness

Pricing Multiples

Forward Price Earnings Multiples (monthly to 31.12.16)¹ Source: S&P Capital IQ

Multiples in the Food & Agribusiness (F&A) sector were stable over the period. At the end of December, the F&A sector traded on a forward PE of 19.0x, in line with the ASX200 on 18.8x.



Average Values and Trading Multiples (as at 20.01.17) Source: S&P Capital IQ

Subsector	Enterprise Value	EV/EBITDA FY2017	EV/EBIT FY2017	Price / Earnings FY2017
Food Processing	11,865	13.1x	13.9x	20.2x
Distillers and Vintners	8,831	12.1x	16.9x	25.5x
Agricultural Products	7,702	10.1x	13.5x	18.3x
Food Wholesale/Retail	99,131	11.7x	11.5x	15.8x

Note: Multiples are based on the forward year of the unreported period. This is currently FY2017 for the majority of companies.

¹ The InterFinancial F&A Index set is an unweighted index comprising F&A related companies trading on the Australian Securities Exchange (ASX). Estimates are sourced from S&P Capital IQ.

Merger & Acquisition News...

- **Bega Cheese** is acquiring most of **Mondelēz International's (MDLZ)** Australia and New Zealand grocery and cheese business for \$460m. The **MDLZ Grocery Business** includes brands such as Vegemite and other products using the **KRAFT** brand under licence for various products, as well as the Port Melbourne site.
- **Australian Pub Fund** has sold three pubs for \$47m. The largest of the three pubs was sold to **JDA** for \$22.5m, with the Como Hotel and Bristol Arms were sold to **Oscars Hotel Group** for \$5.6m and \$19.5m respectively.
- **Woolworths** is selling its 527 fuel convenience sites and 16 committed development sites to **BP** for \$1.79bn. The sale proceeds will be used to strengthen the Woolworths balance sheet and reinvestment in its core businesses.
- **ALS** has acquired **TECAM**, a Brazilian food safety laboratory operator, with part of the purchase price deferred over a two-year period contingent on the business achieving certain financial hurdles. **TECAM** is one of the largest Food Safety laboratory groups in the region and has an excellent reputation for high quality and exceptional client service in Brazil and more broadly throughout South America.
- **Takara Holdings'** alcoholic beverage manufacturer subsidiary **Takara Shuzo** will be acquiring a 51% stake in privately held, Australia-based, Japanese-food wholesaler **Nippon Food Supplies**.
- **Sullivans Cove** whisky distillery in Tasmania has been sold to a group of Melbourne-based investors. The value of the sale was not disclosed.
- **The Healthy Grain (THG)**, the Australia-based agricultural technology business, has received an \$8m investment from Japan's **Teijin Goup**. **THG** specializes in commercializing unique, non-GMO, nutritionally superior wholegrains with substantiated health-claim benefits.

Chewing the Fat...

- **Greenwheat Freekeh**, a private Australian cereal production company, is considering joint ventures and investors to help grow its business internationally. The company is seeking to increase capacity by extending its existing production facility and is looking for investment of around \$8m. The company ideally seeks a strategic investor, not necessarily directly involved in the grain industry, but also companies which would like to use **Greenwheat Freekeh** in their products.
- **Pie Face**, the Australian fast food business, could be taken over by **TCA Global Fund Management**. **TCA** will decide on a debt for equity swap after offers for the company are fully considered. **Pie Face** has also attracted interest from unnamed Chinese and New Zealand players, which are currently conducting due diligence.
- **Flavour Creations**, a private Australian Food for Special Medical Purposes (FSMP) manufacturer, is actively looking to enter the UK, US, and Canada in the next 12 months. It is considering commercial partnerships as well as joint ventures. **Flavour Creations** expects to generate \$30m revenue in the current financial year.
- **Ausnutria Dairy** will look at nutritional product companies and upstream milk businesses for potential acquisitions following its acquisition of **Nutrition Care Pharmaceuticals**, an Australia-based natural medicine business.
- **Bellamy's**, the Australia-based infant formula business, could become an acquisition target. **Bellamy's** revenue and profitability have been impacted by lower than expected demand for its infant milk formula, which has also resulted in increased inventory levels, excess ingredients and shortfall payments to suppliers.
- **Wellards** is seeking buyers for **Beaufort River Meats**, the Australian meat processing operation. It is believed that at least three suitors have considered buying the operation. The meat processing facility has been valued between \$7m and \$10m and employs around 100 staff. **Wellard's** market value has fallen to \$88m from \$556m when it listed over a year ago.
- **Coco & Lucas Kitchen**, a private Sydney-based producer of ready-to-eat meals for children, could sell up to a 90% stake to a strategic investor in the next five years to grow internationally. **Coco & Lucas Kitchen**, which expects to reach \$10m revenues this financial year, would consider potential investors from Australia and overseas.
- **The Food Revolution Group**, a listed food and beverage processing company, has withdrawn from its acquisition of **Healthy Warrior** and **Future Generation Foods**. The board believes that proceeding with the acquisition and capital raise at the Company's current share price would be unfair and not in the best interest of existing shareholders as it would undervalue the company. **The Food Revolution Group** will continue to focus on building its business organically and through strategic alliances with distributors.

- **Wattle Health Australia**, an Australian maker of infant formula and other nutritional dairy and health products, is seeking to raise as much as \$8m through an IPO. The indicative market capitalisation under the proposal will be \$22.9m.
- **Charlie's Cookies**, the family owned gourmet treats manufacturer, is keen to hear proposals from strategic investors to help fund a China entry. **Charlie's** generates more than \$5m in annual turnover, and expects to achieve growth of between \$5m-\$10m in revenue in the next year, driven by new products and new clients.
- **Accolade Wine's** private equity owner, **Champ Private Equity**, is expected to decide whether to list or sell the business by the end of January. **Champ** is expected to raise \$600m, should it proceed with the float.

If you are interested in specific information regarding mergers and acquisitions in the Food & Agribusiness sector, please contact Paul Keehan, David Hassum or Mark Steinhardt.

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This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from S&P Capital IQ.

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