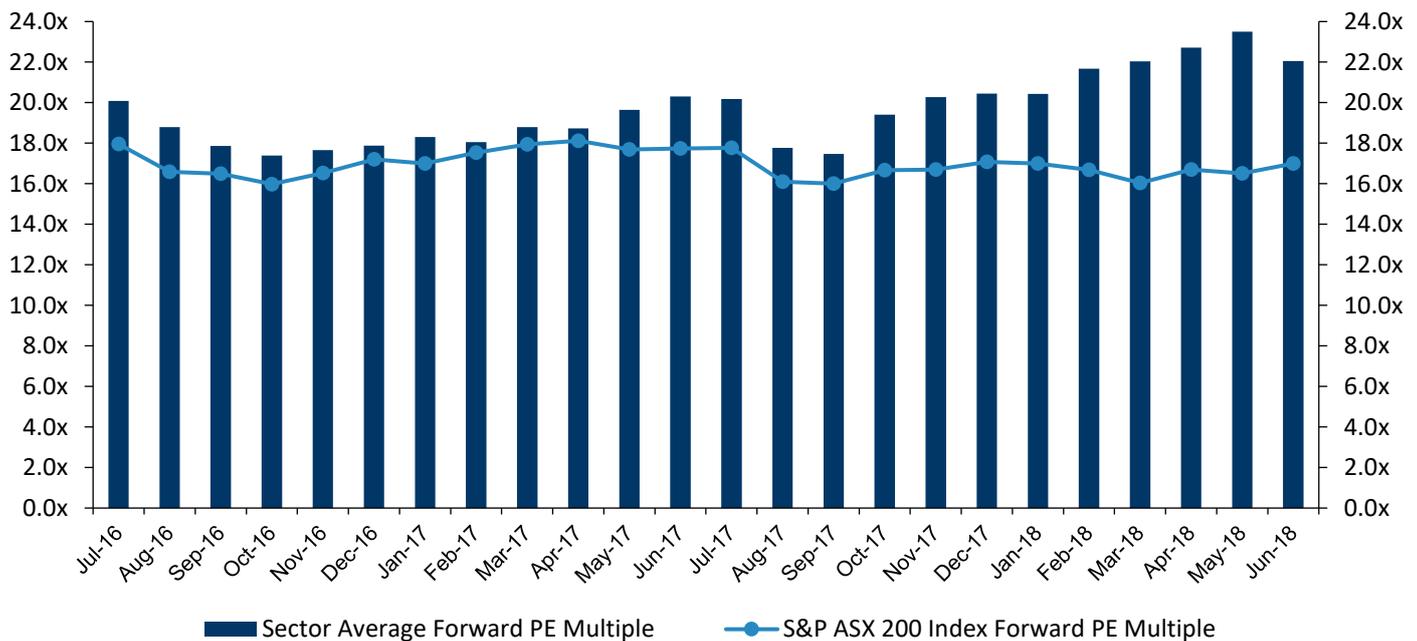


Food & Agribusiness

Pricing Multiples

Forward Price Earnings Multiples (monthly to 30.06.18)¹ Source: FactSet Research Systems Inc.

Multiples in the Food & Agribusiness (F&A) sector decreased over the period. At the end of June, the F&A sector traded on a forward PE of 22.1x, above the ASX200 on 17.0x.



Note: Pool of companies has been updated. Growth in multiples for FY18 represents strong multiples of individual companies, specifically Bellamy's Australia, Clover Corp, and a2 Milk.

Average Values and Trading Multiples (as at 18.07.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2019	EV/EBIT FY2019	Price / Earnings FY2019
Beverages	22,374	13.4x	16.8x	22.8x
Food Producers	13,161	11.2x	13.8x	18.3x
Agricultural Commodities/Milling	8,138	11.7x	14.6x	19.4x
Chemicals	23,395	8.9x	11.9x	16.3x
Food Retail	101,293	10.3x	13.8x	20.1x
Food Distributors	6,074	8.3x	14.0x	16.2x

Note: Multiples are based on the forward year of the unreported period. This is currently FY2019 for the majority of companies. The constituents have been refreshed this month to ensure the sector groups and companies included are current.

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 FactSet Research Systems Inc.

Merger & Acquisition News...



Value: ~\$20m

Australian wine producer **Vasse Felix** is acquiring the wine-producing and related assets of **Watershed** in the Margaret River region for an estimated value of \$20m. The acquisition will include an 80 hectare vineyard, a restaurant and cellar door. **Watershed** will continue its operations independently to sell its wines under the **Watershed** label, while the cellar door and restaurant will continue operations from the present sites under a lease agreement for two years. The acquisition will boost **Vasse Felix's** wine production by as much as 10%.



Value: Not disclosed

Lion has acquired **Fourpure Brewing Co.**, a leading London craft brewer. **Lion** is already active in the UK and Europe, selling a range of Australian and New Zealand craft beers and fine wines from the US and New Zealand. There will be an opportunity for **Lion** to look at how both businesses' sales and distribution channels can be used to reach more drinkers globally. The value of the deal was not disclosed.



Value: \$30m

Fuji Oil Holdings Inc. has acquired Australian industrial-use chocolate manufacturer **Industrial Food Services (IFS)**. The **Fuji Oil Group** is aiming to expand and develop its chocolate business as part of the reinforcement of core competences that form the fundamental approach to its midterm management plan. The **Fuji Oil Group** will aim to strengthen **IFS** by introducing the **Fuji Oil Group's** specialist oils and fats technology to improve chocolate functionality and implementing standardization for raw materials procurement.



Value: Not disclosed

Lavazza Group is acquiring **Blue Pod Coffee Co.**, an Australian company specializing in the distribution of Lavazza espresso systems (capsules and machines) for the Office Coffee Service (OCS) sector. For over 10 years, **Blue Pod** has been **Lavazza Group's** exclusive distributor in Australia for the OCS sector. The operation is aligned with the Group's international expansion strategy and confirms the increasing importance of Australia as key market. The value of the deal was not disclosed.



Value: up to \$50m (rumoured)

Darrell Lea, the Australia-based confectionary business owned by **Quadrant Private Equity**, has entered a deal to buy **Life Savers**, the Australian candy brand, from **Nestle**. **Nestle** approached **Darrell Lea** with a portfolio of brands which presented a great opportunity for the business. **Darrell Lea** is seeking to grow following **Quadrant's** acquisition of the business earlier this year for \$200m. **Darrell Lea** will move the production of **Life Savers** from New Zealand to Australia. The value of the deal was not disclosed, however was rumoured to be worth up to \$50m.



Value: \$89m

Dongfang Modern Agriculture Holding Group has acquired two plantations for camellias and navel oranges in Xingguo County, near the company's existing plantations in the Ganzhou City district of Jiangxi Province, China. **Dongfang** is a key supplier of camellia fruit, tangerine, pomelo and navel orange in China and recently entered the health supplements market through acquisition of an Australian business, **Bio Health**, in April 2018. Their business model is to acquire plantations and apply modern cultivation and tree husbandry methods in order to optimise yields.

Chewing the Fat...

- **Barenburg Holland** has confirmed interest in New Zealand-based farm services business **PGG Wrightson** despite a strong share price that was expected to deter potential suitors. **PGG's** share price is up 21% since the group announced a strategic review last year, meaning it could sell for \$511m.
- Multiple parties, including **Mercer International**, **Folium Capital**, and a group of superannuation fund managers, are vying for **Santanol**, which is majority owned by **KKR**. **Santanol** is a leading producer of Australian grown Indian sandalwood oil and products.
- **Adamantem Capital** is believed to be considering an offer for **Inghams Group's** horse feed business **Mitavite**. **Adamantem** purchased the horse products manufacturer **Hygain Holdings** in November 2017 and would likely bolt **Mitavite** onto that business.

- **Bio-Gene Technology**, an Australian insect control and pest management company, is looking for deals to fast track commercialization of its technology and will consider stake sales and joint ventures.
- **Mackay Sugar**, the Queensland, Australia-based sugar producer, is close to signing a recapitalisation deal with a major overseas sugar company. Brazil's **Cosan SA Industria & Comercio** is thought to be one party that has looked at entering an agreement with Mackay. Other possible investors include **Suedzucker AG**, **British Sugar Plc**, **Tereos Internacional SA**, **Nordzucker GmbH & Co**, and **Louis Dreyfus**.
- **Allied Pinnacle**, the baking products business, is expected to attract interest from **Goodman Fielder** and **Associated British Foods**. **Allied** is estimated to be worth around \$1bn.
- **Sichuan Tequ Investment Group**, a China-based privately held agribusiness active in feedstuff, farming and food spaces, is looking to acquire controlling interests in feedstuff targets in Southeast Asia, South Asia and Australia within the coming months.
- **Bega Cheese** is expected to win the auction for the **Koroit** dairy processing plant. The plant is expected to sell for around \$250m. The Australian Competition and Consumer Commission (ACCC) required **Saputo** to sell the **Koroit** plant as part of its \$1.3bn takeover offer for **Murray Goulburn**, the Australia-based dairy business. The ACCC must approve the **Koroit** transaction, which has not yet been formally submitted to the regulator. Other bidders interested in **Koroit** include **Burra Foods** and Tasmania's **VDL**, which is owned by **Moon Lake Investment**.
- **MMJ PhytoTech Limited** has agreed to sell its subsidiary **PhytoTech Therapeutics** to **Harvest One Cannabis** for \$8m.
- New Zealand-based private equity firm **Pioneer Capital** has increased its stake in dog and cat food manufacturer and exporter **Natural Pet Food Group** (formerly **K9 Natural**) and intends on growing the business organically before considering an exit. In October 2013, the PE firm took a 65% controlling stake in the company, and has since taken its equity stake to nearly 80%.
- **Terra Firma Capital** is looking to sell individual properties from the portfolio of **Consolidated Pastoral Company (CPC)**, the Australian beef producer. Some global players may still be interested in buying the entire \$1bn operation but splitting off individual properties could attract a higher price since certain properties could suit other users. **CPC** has 400,000 cattle spread across 16 properties.
- **Arnott's Biscuits Limited**, the Australia-based foods business, may be available for sale. Speculation has emerged that **Arnott's** owner, the US-based **Campbell Soup Company**, may be considering selling **Arnott's**, which could be valued at over \$1bn. **Arnott's** has 4300 employees.

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

Contact Details

Name	Position	Phone	Email
Sharon Doyle	Managing Director	(07) 3218 9122	sdoyle@interfinancial.com.au
Chris Munday	Partner	(07) 3218 9100	cmunday@interfinancial.com.au
Mark Steinhardt	Director	(07) 3218 9105	msteinhardt@interfinancial.com.au
Cathy Montesin	Director	(07) 3218 9100	cmontesin@interfinancial.com.au
David Hassum	Director	(07) 3218 9108	dhassum@interfinancial.com.au
Andrew Wheeler	Director	(07) 3218 9107	awheeler@interfinancial.com.au
Simon Douglas	Director	(07) 3218 9100	sdouglas@interfinancial.com.au
Anthony Vago	Associate Director	(07) 3218 9100	avago@interfinancial.com.au
Jake Moyle	Associate	(07) 3218 9113	jmoyle@interfinancial.com.au
Michael Kakanis	Analyst	(07) 3218 9106	mkakanis@interfinancial.com.au

This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from FactSet Research Systems Inc.

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InterFinancial
Corporate Finance Limited
ABN: 49 136 962 966
AFSL: 341675
Level 2, 201 Charlotte Street
GPO Box 975
Brisbane Queensland 4001
(07) 3218 9100
admin@interfinancial.com.au
www.interfinancial.com.au