



Food & Agribusiness Disposals, Mergers and Acquisitions

PwC Corporate Finance
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For some, buying or selling a business be a once in a lifetime event, while for others it will be their strategy of choice for creating value. As a business owner or manager your motivations for a transaction will vary depending on your circumstances and these will present specific challenges and opportunities in an acquisition or disposal process.

The Irish Food & Agribusiness Sector is worth €24 billion to the Irish economy annually. Behind this impressive figure are approximately a quarter of a million people who contribute their skills, know-how and hard work which drives the success and reputation of Ireland as a home of quality food & agribusiness products. This reputation manifests itself in the perception of international buyers in some of the world's leading food organisations, from food producers to retailers, who in 2014 purchased approximately €10 billion of Irish Food & Agribusiness exports.

In Ireland we take for granted products that are the envy of many parts of the developed world, let alone the developing world, so much so that the quality of our Food & Agribusiness sector is also a major driver of tourism and the perception of Ireland as a green and beautiful country.

It is clear the Irish economy and Irish people owe a great debt to the endeavour and entrepreneurial spirit of those who set-up and run Food & Agribusiness enterprises. These organisations are the bedrock of the Irish economy and in particular rural Ireland, where they are the primary source of employment and investment. These entrepreneurs face numerous challenges during their business careers. Such challenges include:

- Sourcing finance to start-up and expand,
- Maintaining price and quality competitiveness in an increasingly competitive environment,
- Implementing technological change and meeting ever more stringent regulations,
- Developing a supply chain that will sustain the business over time.

These challenges have been met with both investment of time and money and a commercial and technical nous that is unique to the Irish Food & Agribusiness sector.

Often however new challenges present themselves that those on the coal face are sometimes less equipped to handle. One such challenge arises when presented with the opportunity of acquiring or selling businesses. The drivers of such corporate events are varied and the considerations involved are diverse. Drivers of such decision making might include:

Acquiring a business in order to:

- Build market share through purchasing a competitor,
- Secure your supply chain through purchasing a supplier,
- Improve margins through purchasing a customer,
- Acquiring expertise and technology to compliment your business.

Selling your business in order to:

- Realise a return on your investment,
- Facilitate its growth,
- Secure your business's future in the face of competition.

Succession Planning in order to:

- Secure the future of the business as you approach retirement,
- Ensure efficient tax planning,
- Protect the business against potential personal health issues.

Recent Deal Activity

The diversity of motivation can be seen in some of the more significant deals completed in the Food & Agribusiness sector over the last eighteen months. On each side of a deal there is a motivated seller and a motivated buyer. The best transactions are achieved when their motivations complement each other to facilitate a deal. Recent deals in the Irish Food & Agribusiness sector include:

- In October 2013 Glanbia Ireland Ingredients acquired Wexford Creamery Limited from Wexford Milk Producers (advised by PwC Corporate Finance), securing investment in the creamery and providing a strong and reliable customer for increased milk production to the local dairy farmers into the long term.
- In September 2014 DCC plc disposed of the health food company Kelkin and Robert Roberts, the tea and coffee maker, to Valeo Foods where they have joined an impressive stable of brands.
- In May 2014 Cloetta AB, the listed Sweden-based company that manufactures sugar confectionery, chocolate products, pastilles and chewing gum, acquired a 75% stake in Aran Candy Ltd, a producer of gourmet jelly beans under the brand name The Jelly Bean Factory, from the company's founders.
- In April 2014 WHW Bakeries, an Irish investment holding company, acquired Irish Pride Bakeries Ltd., from One51 Plc, an Irish based investment house.
- In January 2014 Carlyle Cardinal Ireland, an Irish private equity fund launched in 2013 to invest in small and medium-sized businesses across Ireland, acquired an undisclosed stake in Lily O'Briens, the chocolate manufacturer, from its founder Mary Ann O'Brien.

Key Considerations When Buying or Selling a Company

Those who are considering buying or selling a company will have many things to consider. Often they will be as motivated by protecting the business and the employment it provides to their local community and workforce as they will be by achieving the highest price. The entrepreneurs and investors behind the business must be fully informed about the value of their business and how the proposed transaction will impact value, if they are to ensure a favourable outcome of the transaction process.

Whether you are considering the purchase, sale or long term succession of your Food & Agribusiness enterprise there are number of key things to consider:

- ✓ Be clear on your objective
- ✓ Focus on running your business
- ✓ Maintain credible and informative financial information
- ✓ Put in place a Management Team with depth of expertise
- ✓ Reinvest in your business to create value
- ✓ Prepare and revisit your business plan regularly
- ✓ Understand the market outlook and its key drivers and influencers
- ✓ Identify competitive weaknesses
- ✓ Understand where the potential synergies lie and their associated value
- ✓ Identify areas for investment post deal
- ✓ Prepare an effective tax strategy
- ✓ Prepare an effective pension strategy
- ✓ Understand the competition and regulatory impact of your decisions

PwC is the largest financial services firm in Ireland and globally. Within PwC we have a dedicated Corporate Finance team of circa 1,400 professionals in offices throughout the world. In Ireland we have a dedicated Corporate Finance team of 16 professionals, we have an excellent track record of completing deals both domestic and cross border and are one of the leading Irish Corporate Finance houses. We act as lead advisors to clients and advise owners of companies of all sizes, operating across a broad range of industries. We have advised on numerous deals in the Food & Agribusiness sector and are very well placed to advise you as you consider and work through a corporate disposal, merger or acquisition opportunity. For further information please contact the parties below.

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