

SE **Business**

HD **Private equity companies target big Australian food producers**

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Agribusiness - Asian growth spurs interest

Private **equity** investors are muscling in on food companies after being traditionally reluctant to invest in the sector, a **business** advisory **firm** says.

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Takeovers are gaining momentum, with Australian agriculture and food businesses as prime targets, as international companies look for entry into Asia to capitalise on its rapidly expanding middle class.

A Grant Thornton study, which has tracked mergers and acquisitions in Australia's food bowl for the past three years, has found private **equity** firms are increasingly eyeing the sector.

The report comes as Europe's R&R, which is owned by French private **equity firm** PAI Partners, gobbled up ice-cream maker Peters for what is understood to be \$400 **million**.

US private **equity** giant Kohlberg Kravis Roberts has also tried to grab a slice of the action, lobbying a \$3.05 **billion** bid for Treasury **Wine** Estates, the maker of Penfolds.

"Five to 10 years ago, private **equity** was not going into agriculture opportunities because of the risk of primary production," Grant Thornton partner Cameron Bacon said.

"But the sector is becoming very attractive because of the strong growth opportunities in Asia."

From January 2011 to March this year, private **equity** buyers - which are roaring back to life after a soft deal flow since 2012 - comprised 14 per cent of mergers and acquisitions. Mr Bacon said while that was a "relatively small" proportion, private **equity** firms were "much more prevalent" in larger deals.

Private **equity** investors were involved in two of Australia's 10 biggest deals in the past three years.

TPG Capital bought Ingham Enterprises, one of Australia's biggest poultry producers, for about \$880 **million** in June last year. Two months earlier, Catalyst Investment Managers reduced its 49 per cent **stake** in vegetable wholesaler Moraitis **Group** to 15 per cent after **Hong Kong**-listed Chevalier International Holdings secured control of the **company** for \$212 **million**.

"There have ... been a number of large successful PE exits both within Australia and overseas, demonstrating that this is an attractive sector for PE," Mr Bacon said.

He said private **equity** investors were particularly interested in packaged foods and meats, which accounted for 77 per cent of PE global deals.

Mr Bacon said buyers were looking for companies that had strong brands that they could use to improve their own portfolios and sell into Asia.

The trade agreements that the Abbott government has recently struck with Japan and Korea would enhance those opportunities, Mr Bacon said, particularly for **cheese**, beef, horticulture and **wine** exports.

"These agreements should also make Australian companies more attractive to foreign investors.

"It means companies need to be prepared to sell if they get an approach from out of the blue and respond quickly."

There was also interest from private **equity** firms in food distribution businesses. One of the biggest deals in that sector was Bright Foods **Group** acquiring 75 per cent of Food Holdings from CHAMP Private **Equity** for about \$516 **million**.

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