

SE **Business**
HD **Brazilian food giant snaps up Primo for \$1.45b**

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NEWS - Smallgoods - Primo is a move into brands for JBS

Another iconic Australian food **company** has fallen into foreign hands, with Brazilian food giant JBS's \$1.45 **billion** takeover of ham, bacon and smallgoods producer Primo Smallgoods.

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For JBS, which is Australia's biggest meat packer, marketer and exporter and the world's largest processor of protein, Primo is a move away from commodity meat into high-value branded products, an expansion into Australian pig meat and a launching pad to export protein to Asia.

"They [JBS] are not a branded **company** and our products are virtually all brands," Primo chief executive Paul Hitchcock said. "They are a natural owner of this **business** ... and will be valuable in growing our exports. They open doors that we didn't previously have available."

Mr Hitchcock, a former Goodman Fielder and Corporate Express executive, became Primo CEO in August, when founder Paul Lederer and his private **equity** backers Affinity were ready to cash out. It is a recent target for JBS and the deal was struck in months.

A Hungarian immigrant, Mr Lederer owns the Western Sydney Wanderers football club and founded Primo in 1985. He **sold** 70.1 per cent of the **company** to Affinity in October 2011. Primo's enterprise value then was \$740 **million**.

With Affinity's backing, Primo debt-funded a \$200 **million** food plant in Brisbane, acquired New Zealand's largest bacon and ham producer Beehive and opened an office in Shanghai.

Mr Hitchcock said it was early days for the Primo **brand** in Asia. Key markets included Korea, **Hong Kong**, Singapore and **China**.

It is understood Primo will make about \$150 **million** in earnings before interest, tax, depreciation and amortisation this year. Factoring in about \$30 **million** of synergies, the JBS deal represents a multiple of about eight times earnings.

Of Primo's \$1.6 **billion** of revenue, about \$130 **million** is export sales.

JBS wants to leverage its global sales and distribution network to expand exports. "Primo's strong **brand** and portfolio of high-quality smallgoods products, when coupled with JBS's global customer base, will allow us to take high-quality Australian value-added products to the international market," JBS Australia CEO Brent Eastwood said.

The deal is another big one for JBS adviser Rothschild. Sam Prentice's team have had several high-profile deals this year, such as Saputo's acquisition of Warrnambool **Cheese** and Woolworths' David Jones takeover.

Rothschild brought JBS to Australia with the acquisition of Swift and its subsidiary Australian Meat Holdings for about \$US1.4 **billion** in 2007.

JBS then built its Australian footprint, buying Tasman **Group**, Rockdale Beef, Tatiara Meat **Company** and more recently Andrews Meat.

JBS and Mr Hitchcock said there would be no big job cuts or restructuring. It would be **business** as usual for Primo's brands, suppliers and 3000 employees.

JBS must now negotiate the Foreign Investment Review **Board** and the Australian Competition and Consumer Commission to conclude the deal, which is being funded by a mix of cash and debt.

The **sale** is the latest in a string of Australian food and beverage companies being snapped up by foreign buyers.

Treasury **Wine** Estate, maker of Penfolds, rejected a \$3 **billion** private **equity** bid from American private **equity** giant Kohlberg Kravis Roberts earlier this year.

A consortium of Asian investors has made a \$1.4 **billion** bid for Goodman Fielder , and Canadian **dairy group** Saputo won a takeover battle for Warrnambool **Cheese** and **Butter** in January.

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