

FINANCIAL REVIEW

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HD **Hunt on for partners as five:am taps Asia**
BY Sue Mitchell
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Australia's fastest-growing **dairy** foods **company**, organic yoghurt maker five:am, is looking for strategic partners as it embarks on a new phase of expansion in Asia.

Five:am founder David Prior is also considering an initial public offering and bringing in external investors to fund capacity growth and increased distribution locally and overseas.

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The **company**, which has grown sales from \$7 **million** in 2012 to \$23 **million** in 2013 and \$36 **million** in 2014, hopes to take advantage of strong overseas interest in the Australian and Asian **dairy** markets.

Earlier this year Canadian processor Saputo paid \$500 **million**, or 12 times earnings, for Warrnambool **Cheese & Butter**, while Parmalat acquired Perth-based Harvey Fresh for \$120 **million** last month and **Hong Kong** businessman William Hui snapped up United **Dairy** Power, Australia's largest privately owned processor, for \$70 **million**.

Mr Prior has received unsolicited expressions of interest from potential buyers since five:am first started selling its organic yoghurt range in about 400 Woolworths supermarkets in 2011.

He rejected an offer last year because the **company** was preparing to stock its products in Coles and launch its first television marketing campaign while developing plans to expand into the breakfast aisle with organic granola.

"The large **dairy** companies in our space are very acquisitive – we've had many knocks on the door," Mr Prior told The Australian Financial Review. Local expertise a strategic bonus

While he will not rule out selling the entire **business** if the right offer comes along, his preference is for a strategic partnership. "Ideally we'd like to work with a **dairy company** that has expertise on the ground in Asia," he said.

"We would bring the production expertise and product development and they could have experience on the ground in places like **China** – that would be the most logical partner."

Mr Prior has also been in talks with wealthy Indian and Asian families interested in a **stake** in the **company**. "But it's not just about money – it has to be more strategic than that," he said.

Five:am is now **sold** on supermarket shelves in Singapore, Malaysia, **Hong Kong** and Dubai and Mr Prior has been in talks with a **Chinese** retailer with 4000 stores. He has also taken a look at the Indian market, where yoghurt is already a staple food, but says the fragmentation of retailers makes distribution more difficult.

While many suppliers lament concentration in the Australian grocery market, Mr Prior and five:am's sales and marketing manager, Sophie Speer, say the scale of major supermarkets Woolworths and Coles has helped the **company** achieve rapid growth.

"It's a view that's not shared by many people but we see the retailers as our partners," Mr Prior said. The keen surfer and yoga fan has turned organic yoghurt from a niche product normally **sold** at a hefty premium in health food stores into an affordable mainstream product. Sales in 2015 are forecast to grow at similar rates to recent years and five:am is adding new products, including organic baby yoghurt.

"Both retailers are committed to putting better quality product on the shelves and we tapped into that journey quite early," he said. "We took them a product they wanted."

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