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HD Peters **sale** to R&R goes full circle
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Inside the deal This ice-cream trade **sale** ended up with a cast of hundreds and thousands.

It was in October when Peters Ice Cream outlined its five new connoisseur stick flavours, and private **equity firm** Pacific **Equity** Partners (PEP) started seriously weighing an earlier than expected exit.

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PEP had snapped up the **business**, founded in 1907, just 14 months earlier for about \$245 **million**. The typical private **equity** cycle involves holding portfolio companies for three to five years, but the cost cutting and restructuring, coupled with revenue growth at Peters, was ahead of schedule. The release of the new stick flavours to compete with the Magnum brands was also earlier than anticipated.

As the range of connoisseur sticks including the Murray River salted caramel flavour were hitting retail freezers, the vendors were no doubt mindful the window for floats was ajar and trade **sale** conditions were also holding up.

Some local companies in the food and beverage sector were at the time trading at favourable multiples, including the now troubled Coca-Cola Amatil .

Investment banks, accounting firms and lawyers were asked to pitch for the work, with PEP managing directors Tony Duthie and David Brown keeping a close watch on **sale** conditions. PEP director Andrew Charlier was on hand and Peters was now being run by PEP-appointed Stephen Audsley, who ran Breville **Group** for four years after 16 years at Pacific Brands.

Barclays had advised PEP on buying Peters but it was Morgan Stanley – which jointly advised PEP – on the **sale** of poultry **company** Tegel and showed some commitment to steering a dual track process, that scored the new role. Morgan Stanley 's Peter Brownie and Luke Boeg were on deck.

PEP also turned to PwC's Sean Gregory and on the legal side Allens partner Tom Story rolled up his sleeves. The usual hiatus over the Christmas period and no doubt Audsley and his crew were monitoring summer sales of Drumstick and Maxibon.

As 2014, got into full swing the pipeline for initial public offerings was filling to the brim, and Peters was one of many names being touted as a candidate. Investors are, however, always wary of quick turnarounds and exits by private **equity** vendors, particularly in consumer-related sectors. On the other hand, for many potential Peters bidders, the 2012 **sale** process was still fresh in their minds. After the shelving of the Mantra **Group** float and the 11th-hour trade **sale** of Sterling Education, the Peters trade **sale** option accelerated.

Indicative offers lobbed in early April. Among those were **dairy** co-operative Murray Goulburn , Europe's R&R Ice Cream , Bail Capital, and a **Chinese group**. Murray Goulburn and R&R (when it was owned by Oaktree Capital) also participated in the 2012 **sale**, but lost out to PEP. This time round, Murray Goulburn is thought to have opted out early.

R&R – now owned by French buyout **firm** PAI Partners – turned to Rothschild for advice. The independent advisory **firm** had looked after PAI in its purchase of R&R, and since stayed close to the **company**. R&R's chief Ibrahim Najafi helped with assembling a deal team, and KPMG provided accounting and legal advice while Allen & Overy gave legal insights. After the indicative offers were assessed – what began as a trade **sale** led dual track process, to use banker vernacular – started to look more like a vanilla two-pronged process. The vendors and advisers assembled a **board**, led by Peter Bush, Nine Entertainment Co's chairman and former boss of McDonalds Australia.

In mid-to late April, Macquarie Capital was brought in to the fray as it became clear Peters would become one of the year's few dual-track processes with some tension.

It was getting close to crunch time, pre-marketing research landed on the desks of fund managers before the middle of May, and for trade buyers the deadline for final bids was May 21.

In the spirit of the potential IPO, local fundies were treated with ice creams as they considered the float. Investors on the global roadshow weren't as lucky.

About the same time as final bids came in, bankers upped the pressure on fund managers to pay up or risk losing the asset. The prospectus was ready to go, and PEP was to retain a **stake**.

By Friday May 23, R&R and Peters had entered exclusive talks, but a decision would go down to the wire. The agreement was signed in the late hours of Sunday at a price of just under \$450 **million**. That reflected a multiple of 9 times forecast earnings before interest, tax, depreciation and amortisation. On Monday, many of the team relaxed for lunch in Sydney at Woolloomooloo Wharf's **China** Doll. Word on the street was that PEP secured a free lifetime supply of Peters ice cream for its office freezer in Sydney. The deal is due to close at the end of June.

CO ricicl : R&R Ice Cream Ltd | paipar : PAI partners

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