

## HD Brazil's JBS tucks into Primo Smallgoods

BY by Paul Whitfield

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The lure of Asia's growing appetite for protein and processed fare continues to deliver deals for Australian food producers.

On Friday, the world's biggest processed meat maker, JBS SA, of Brazil, agreed to pay A\$1.45 **billion** (\$1.26 **billion**) for private **equity**-owned P&M Quality Smallgoods Pty Ltd., or Primo Smallgoods, securing a foothold in the Asia Pacific region from which it hopes to drive exports.

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Sao Paulo-based JBS will pay about 9.7 times Primo's forecast A\$150 **million** Ebitda for the current year. That valuation will fall to about 8 times Ebitda by 2015, according to JBS, which said it expected to quickly boost earnings at the Australian **business** by about A\$30 **million**.

Hong Kong-based Affinity **Equity** Partners Ltd. owns 70.1% of Primo, Australia's largest maker of ham and bacon. It acquired the **stake** in 2011 in a deal that valued the operation at A\$740 **million**. Primo's founders, the Lederer family, own the remaining 29.9% **stake** and have also agreed to sell to JBS.

"This acquisition is strongly aligned with our global strategy to expand our presence in the value-added product category and well-known brands," JBS CEO Wesley Batista said in a statement. The deal "represents an outstanding opportunity to expand our **business** in Australia [and] increase exports of convenient products."

The acquisition continues a spate of cross-border deals for Australian food and drink companies, which are attracting interest from foreign buyers seeking production assets closer to Asia, and, in particular, **China**.

Earlier this week, **China**'s Freedom Foods **Group** Ltd. and Greenland Holding **Group** Co. announced plans to spend hundreds of **millions** on Australian **dairy**, beef and **wine** companies to secure supplies for **China**. In July, Wilmar International Ltd., of Singapore, and First Pacific Co., of **Hong Kong**, agreed to make a A\$1.32 **billion** bid for Australian **bread** and margarine maker Goodman Fielder Ltd.

**Chinese** imports of beef are likely to grow about 985% between 2009 and 2050, **milk** product imports will climb 165%, and sheep and goat meat imports may climb over 1,800%, according to a March study produced by the Australian Bureau of Agriculture and Resource Economics and Sciences.

The attraction of Australia as an export base for Asia increased this week after **China** signed off on an agreement to remove import tariffs of as much as 20% on Australian **dairy** and meat from next year.

Primo, which was founded in 1985, operates a portfolio of brands, including Primo Smallgoods, Hans, Beehive and Hunter Valley Quality Meats. It employs about 4,000 people in Australian and New Zealand.

JBS took financial advice on the Primo acquisition from Rothschild.

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