

FINANCIAL REVIEW

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HD **JBS snags Primo for \$1.45b**
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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.

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 meats into high-value branded products, an expansion into Australian pig meats and a launching pad to export protein to Asia.

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"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 chief executive in August when founder Paul Lederer and his private **equity** backers Affinity were ready to cash out. Primo 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 is early days for the Primo **brand** in Asia but its key markets include Korea, **Hong Kong**, Singapore and **China**. It is understood Primo will make approximately \$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 grow 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 chief executive 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 out its Australian footprint, buying Tasman **Group**, Rockdale Beef, Tatiara Meat **Company** and most recently Andrews Meat.

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

JBS must now negotiate with 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 deal comes amid a flurry of offshore interest in Australian food and agriculture businesses.

Key points For JBS, Primo is a move into high-value branded products. Primo's key markets include Korea, **Hong Kong**, Singapore and **China**.

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