

October 2017 edition



Industry Report

Agri & Food & Beverages

Introduction

Text for introduction is yet to be sent per mail.

M&A Worldwide

The Network for Mergers & Acquisitions



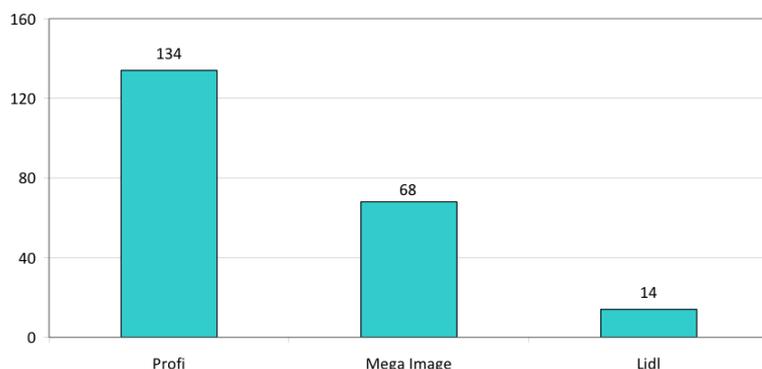
Established in 2004, M&A Worldwide is a leading global alliance of mid-market merger & acquisition specialists. M&A Worldwide has 42 member firms operating in 42 different countries. All members are closely linked in a global alliance to advise clients on mergers, acquisitions, divestitures, joint-ventures, capital raising, and other strategic transactions.

In 2016, the members of M&A Worldwide closed 641 deals in for an aggregate value of over US\$3.7 billion.

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No of stores opened in 2016 by three international food modern retailers in Romania



reached 2,000 stores operated by international retailers. During 2016, the large retailers present on the Romanian market inaugurated about 250 stores, with almost 20% more new stores compared to 2015. For 2017, international food retailers operating on the Romanian market announced plans to open a cumulated number of over 300 new stores.

According to Monitor International, Kaufland Romania maintained the lead in grocery retailers in 2016, with a 13% value share. This position was the result of its strength in hypermarkets, with a 47% value share.

Local food retail chains operating in Romania are:

- Annabella SRL: Annabella, Fresh stores
- Elan Trio SRL: Merkur, Szuper, C+C stores
- Succes Nic Com SRL: Succes stores
- Konsta Splendid SRL: Splendid, Madalina, Vitro stores
- Zanfir SNC: Zanfir stores
- Barta Ati SRL: CBA Barta Ati, Barta Ati cash & carry stores
- Danemar Company SRL: Euromarket stores
- Darina Com SRL: Darina stores
- Paco Prod Serv SRL: Paco stores

Furthermore, some major local food producers with own retail networks in Romania are:

- Unicarm
- Diana
- Sergiana

Online food retails in Romania:

Most of the food retail chains also operate on-line stores.

Examples are:

- www.carrefour-online.ro
- www.cora.ro
- www.metro.ro

Carrefour Romania has launched in November 2016 the CarrefourPay application - carrefour.ro/pay/ -

through which the buyers can pay for their purchases using mobile phones.

The Internet retail sector in Romania has registered a dynamic growth in the past period due to widening Smartphone use and offering a diversified range of products at bargain prices.

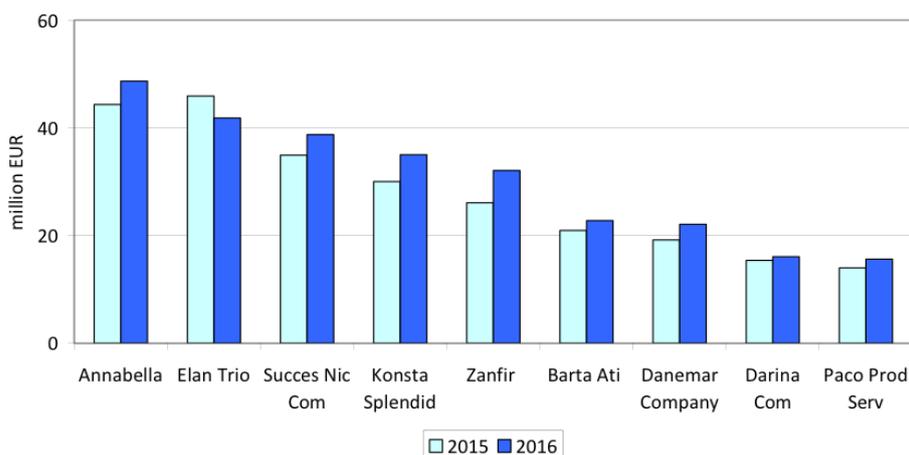
The on-line food sales are expected to record a growing trend during the next years in Romania.

Recent M&A and Investment activities

In regards to M&A, in 2016 two major transactions were completed: **Carrefour** acquired Billa and **Auchan** has completed the merger by absorption with Real.

Carrefour has acquired the 86 Billa stores in Romania from the Rewe Group, in a transaction of EUR 97m. By the end of 2017, all Billa stores in Romania are expected to operate under the "Market" banner, which

Net turnover dynamics of local food retailers in Romania





Developments in Agri, Food & Beverages
Industry Report, October 2017



Carrefour operates on the supermarket segment.

In January 2017, **Metro Group** sold the shares held in Real Hyper Magazine SRL, which operated 4 stores in Romania, to Terazone Enterprises Limited, local firm set up by experienced retail professionals in Romania.

The acquisition of **Profi retail network** by Mid Europa investment fund, a transaction of EUR 533m concluded with Enterprise Investors, took place on February 15th 2017. With its 515 stores and over 11,000 employees at the time, Profi is the modern retail network with the largest geographic expansion in Romania.

Mitiska REIM, an investor specialized in retail parks, has recently announced the successful acquisition of Romanian firm Alpha Property Development, a move by which the Belgian buyer is strengthening its operations in Romania. The acquisition of the Alpha Property Development portfolio, consisting of 11 retail parks and 3 development projects, was carried out on behalf of MITIKA REIM, First Retail International 2 (FRI 2).

After acquiring from Beta Software its 21% stake in July 2017, the French group **Carrefour** currently has 51% of Bringo Magazin SRL, the company operating the Bringo on-line retail platform.

Trends

The private brand sector in Romania has significantly increased in the past years, all the major retailer networks having developed own food private brands.

For the next period, the Romanian food retail sector is expected to benefit from steadier economic growth based on a forecasted real GDP growth rate of 5.2% in

2017, the consumer spending rising and the low inflation rate.





Countries on the Radar



Argentina

Argentina is a leading country in terms of food production with vast natural resources and an extremely fertile land. In the first half of 2017, Argentina exported food products for US\$12 billion, being soybeans and its subproducts, fishing products, meat and wine the most relevant.

Main export destinations were India, Brazil, Vietnam, Spain, the United States, Chile, and Indonesia, among others. During 2017, M&A activity in Argentina's Agri, Food & Beverages sector has been dynamic. After acquiring a stake in Mastellone Hermanos S.A. in 2010, Arcor S.A., one of the world leading candy producers, increased its shareholding a 4.9% for US\$14 million.

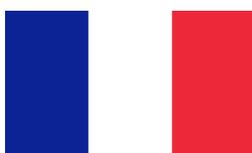
Also, Viñas de Argentina S.A., the wine business unit of local conglomerate Cartellone, was sold to Vicentín S.A., an integrated agribusiness company. Bioceres S.A., a biotechnology firm, acquired 91% of Chemotecnica S.A. (farming supplies) resulting in a US\$10 million deal. Finally, through its local subsidiary, Bunge Ltd. acquired all of the equity capital of Aceitera Martínez S.A.



Denmark

The Top 10 rank of companies in Denmark includes Arla, Carlsberg and Danish Crown which shows the value of the Agri, Food & Beverage sector in Denmark. Looking into those companies' strategy, acquire and the sector in general, they all focus on sustainability, traceability, ecology and convenience with export focus. The Brexit decision has made some changes in the big 3 acquisition. Danish Crown has acquired Easey Holding Ltd. a big pig farm, to secure their platform and production in UK. Arla continues their acquire of dairies both in Denmark and abroad with ecology focus.

Foreign companies at Norwegian Orkla strengthens their position in Denmark by acquiring SR Food A/S. The economic environment is good and back on solid track with growth rate of 2%.



France

The 2017 French M&A activity is at its peak since 2007 with already more than US\$140bn of transactions.

In the Agri, Food and Beverage industry alone, **35 deals** and **40 LBO** and capital raising transactions have already been closed since the beginning of the year *.

French food companies already make 37% of their turnover abroad, but external growth is increasingly a key success factor. Thus, **Bonduelle** (the world leader in the ready-to-eat vegetables sector) took over the American company **Ready Pac Foods** for US\$409m in Feb 2017, and **Lactalis** took control of **Stonyfiel** for US\$875m in July 2017. Stonyfield was a subsidiary of Danone who was obliged, by the Federal Trade Commission of the United States, to sell it after its acquisition of Whitewave for US\$12.5bn the past year.

Finally, **Saint Hubert** was sold for US\$720m to the Chinese conglomerate **Fosun**, who wants to become a major player on the French market.

**source: CF news*



Italy

The Italian M&A market in the first half of 2017 recorded 390 transactions for a value of 16.6 billion euros (132 inbound transactions for a value of about 9.7 billion euros, and Italian operations abroad were only 75 transactions totaling nearly 3 billion euros).

The number of operations within the domestic market also grew: during the period under review, 183 operations were completed against 145 in the first half of 2016.

Very small, medium-sized companies were very active, we register only 8 deals with a transaction value over 100 million. The contribution of mechanics, food, and



Countries on the Radar (cont.)

fashion Markets represent more than 50% of the total.

M&A Italy	1 Half 2016	1 Half 2016	1 Half 2017	1 Half 2017
Direction	N deals	M€	N deals	M€
Foreign > Ita	105	6,7	132	9,7
Ita > Foreign	48	10,1	75	2,6
Ita /Ita	145	8,5	183	4,3
Total	298	25,3	390	16,6



Netherlands

The Netherlands boasts more than 4,000 companies in the Agri, Food & Beverages sector (10% of GDP). In fact, 12 of the world's largest agri-food companies have major production or R&D sites in The Netherlands, including Heinz, Monsanto, Unilever, Mars and many more.

Recent M&A activity in The Netherlands in the Food Industry involved a rumour of a possible merger between Kraft Heinz and Unilever, which would make it the largest M&A deal since 2000.

The second largest takeover in the food industry is the announcement of Refresco NV to acquire Cott Beverages, a large supplier of private label carbonated soft drinks, for roughly € 1 billion.



Romania

Romania is currently the most dynamic large market in the EU, with highest GDP growth in Europe of 5.8% in H1 2017 after a 4.8% growth in 2016. In 2016 vs. 2015, the purchasing power increased with 12% while consumption registered a 13.5% growth.

In the first seven months of 2017, compared with the similar period of 2016, Romanian food and beverages consumption went up 6.6%.

In H1 2017, food retail opened 145 new stores, after some 250 were opened in 2016.

New international players in food retail, as well as international fast food and restaurants announced entry onto the Romanian market. An interesting development in 2017 in Romania is the "Street Food Festival" - a movement which is gaining momentum all over the country and includes Gourmet, Traditional Romania, Fusion etc. attracting numerous public.

Crossborder M&A deals in the F&B sector in Romania in H1 2017: Mexican company Sigma Alimentos has acquired 51% of the shares of Caroli Foods Group, a packaged meats product company in Romania.



United Kingdom

UK food companies have seen an increased appetite from international investors partly due to favourable exchange rates, but more importantly,

the UK market remains extremely attractive. In addition, private equity interest remains strong with the acquisitions of Karro Food Group by CapVest and LDC's acquisitions of Hill Biscuits and Addo Food Group to name a few. Finally, the drinks sector has seen an increase in activity with breweries continuing to attract investors and healthier soft drinks and juice manufacturers being preferred.



United States

The status of Mergers and Acquisitions within the food and beverage sector remains strong in the US. Food Producers continue to be favored by both Strategic and a select group of Financial (PEG) buyers. Some consolidations and mergers are also noted, even in the lower middle market among family owned businesses such as in baking, candy and specialty foods. There has been continued consolidation in the baking sector.

Beverages remain strong with interest in specialty beverages such as Kombucha and flavored teas.

There has also been interest in Agri business, especially in berries and fruit producers.

Multiples have remained strong for sellers.



The organic food market in France

A burgeoning market

After an excellent year 2015 which saw the market increase by 14.5% to reach € 5.5 billion, the organic food market again increased in France by 21.7% in 2016 to reach €6.7 billion (excluding out-of-home catering). If we take into account the out-of-home catering, the market stands at €7.1 billion, with collective and commercial catering representing €229 million (a 5% increase compared to 2015) and €182 million (an increase of 10%) respectively. For 2020, the market could reach €8.9 billion according to the forecasts. Despite this strong growth, the market remains a niche market, representing 3.2% of the total food market in France.

In 2016, the biological activity involved nearly 118,000 direct jobs (an 8.4% growth per year). Moreover, in terms of arable lands, 1,538,047 hectares were committed to this agriculture, a 17% increase compared to 2015).



Key trends

This strong growth of the organic food market can be explained by an increasing attractiveness of organic products due to

motivations related to ecology and health. Indeed, 89% of French people declare themselves today consumers of organic products against 75% in 2014.

The main product categories which drove the market in 2016 were the fruits & vegetables with a 33% increase compared to 2015, the groceries with a 24% growth, and dairy products with a 15% increase.



The main distribution channels are mass-market retailers (45%) such as Carrefour, Auchan or Casino, organic shops (37%) such as Biocoop, Naturéo or La Vie Claire, direct selling from the producers to the consumers (13%), and local craftsmen and traders (5%). The two leading organic brands in France are Biocoop (€768 million of revenue in 2015) and Carrefour (€490 million of revenue in 2015).

Concerning importations and exportations, 71% of the organic products consumed in France come from France. Among the imported products half come from countries of the European Union and the other half from the rest of the world. The importations are generally exotic products (banana, coffee, cacao, etc.) or Mediterranean products (olives, citruses, etc.).

Finally, the exportations increased by 14% in 2016 (€ 629 million) among which wines accounted for two-thirds.



Focus on wholesalers of organic products

The organic wholesalers market would weigh more than €600 million in France, with fruits & vegetables being one of the main segments. The main players are wholesalers which offer a range of organic products such as the market leader Pomona, Transgourmet or Brake, and specialized wholesalers such as ProNatura, Relais Vert or Dynamis.





Western food industry benefit from Asians demand of higher quality

For various reasons, Asia has a growing demand for quality food, which benefits Western companies. The volume of demand stems especially from China's vast and fast growing upper middle class, who have the capability to spend, and are not satisfied with an often poor quality in local food.

Western food companies benefit from its many years with high quality standards in food production, which is based upon a solid tradition of traceability, transparency and sustainability.

This has led to increased export from west to east, which gives great opportunities to establish partnerships with local food production partners in Asia. This could secure higher quality food production standards locally and mature the market in many ways.

An example of increased export is the Danish/Swedish dairy Arla, which is the largest manufacturer of organic milk products in the world. Arla has a large export of milk products to China and has recently announced, that it intends to expand to be the largest provider of organic milk products to the Middle East and Northern Africa.

Furthermore, Arla and Danish authorities are partnering with Chinese dairies and local partners in various areas such as training Chinese inspectors in securing better food safety.

Another example of a new partnership is Danish Crown, the world's largest pork exporter, who recently has established an agreement with Alibaba, the giant

Chinese e-commerce company. The deal is about selling pork online to Chinese consumers, which represent the probably largest - and fastest growing - pork market in the world. Alibaba averages 466 million users per year.

Key food and drink trends in Asia

According to the global market intelligence agency Mintel, there are four key food and drink trends in Asia Pacific:

1. Healthier alternatives

According to Mintel, the first key trend is about consumers trying both be more physically active and to eat healthier and exploring a lot of alternative health products, as many consumers now recognize the balancing act of achieving a healthy diet. From a product perspective, there is a clear increase in vegan or vegetarian claims in the last five years. Bakery, snacks, sauces and seasonings are emerging spaces for product innovation in this area.



Example: As several Asian countries are experiencing growing problem with obesity and diabetes, Coca-Cola, Nestlé

and PepsiCo and four other beverage manufacturers have recently signed a pledge committing to reduce the amount of sugar across their soft drink product ranges sold in Singapore – to 12 per cent or lower by 2020. This move emphasizes efforts taken by industry players to provide consumers with healthier food options and encourage healthier lifestyles.

2. Brand story

The second key trend, called *based on a true story*, is a starting point and where the concept of "craft," "handmade" and "handcrafted" are picking up. Honest communication about a product also involves using technological innovation such as QR codes which carry information about the origin, ingredients and the processes that went with it. Big manufacturers can take a cue from the "think small" mentality and use that in terms of devising some strategies on how to give that story to consumers.

3. Visual eating

While flavour has long been the focus of innovation, in this day and age, eating is all about how the food looks. Consumers are more active on social media and food is often the central element of posts, driving creativity at restaurants and at home that brands can tap into or drive. From a manufacturer's perspective, there is a lot of innovation happening with colour, shape and the element of playfulness in a product, which is something that consumers want.

4. Changing lifestyles



More consumers are living in single-person households or occasionally eating meals alone. These meals for one require right-sized products and packaging. Also, the ageing population is also rapidly growing in Asia. Factors to consider when targeting one-person households and ageing consumers are nutritional needs, price convenience and portion size.

Another lifestyle change is the growth of online shopping, applications and on-demand delivery services that are transforming consumers' access to deals, niche food and drink products, and even full meals. With Internet penetration growing in South-East Asia, the development of new solutions within e-commerce is building. Physical stores can also experiment with online ordering, subscriptions or delivery, offering loyal customers convenience without sacrificing loyalty. E-revolution such as online shopping is going to grow further in the next few years despite a slower growth curve in Asia compared to what is seen in Western markets.

Disruption in the global food industry

Technology is driving pervasive disruption in many industries, including food & beverage, where change is taking place on many fronts – from production, distribution all the way to retail and consumption.



As such, there is an important need for food businesses to take into greater consideration the evolving environment to devise appropriate strategies for the future; why and how things are transforming, and how it might affect them.

Thus, according to PwC, food and beverage companies should be aware of following key industry trends:

1. Globalisation

As the world is more connected today, global megatrends - such as climate change, urbanisation, digitisation and demographic change are transforming society and the way we do business. In a world without borders, staying on-top of issues means being able to adapt faster. Globalisation is also making food supply chains more complex than ever before.

2. Food security

The security of food supply is being challenged. Price spikes, availability of food and the integrity of supply are a concern as global food demand grows. Solutions will continue to be linked to trade, regulation, technology, infrastructure and increased collaboration between the public and private sectors.

3. Scandals

Fake food, contamination, safety and quality failures, ethical and environmental concerns cost money and damage trust. Bad news travels fast, and will quickly influence today's social media addicted consumers. The scrutiny on your food supply chain and focus on brand value goes a long way in protecting the brand.

4. Rules and Regulations

Regulations are increasing worldwide from governments and industry bodies as they respond to the surge in supply chain failures - but what is notable is that food companies are going beyond compliance to win trust.

5. Differentiation

Food trust is not about playing defense but offence. In the midst of a rapidly disrupted marketplace, opportunities are abundant. Food companies must seize these opportunities in order to not only differentiate themselves from their competitors. It is key to communicate to consumers that you are at the forefront of the change.

6. Investment

Big food companies are investing millions in integrating and purchasing whole supply chains to improve oversight, control and integrity.

7. Technology

We are now equipped with smarter technology to manage data from farm to fork. This can help improve supply chain traceability and transparency, which is at the heart of building trust in food.

8. Economic power

Consumers in the region are increasingly affluent and this growth of maturing economies is expanding consumer markets. Closer to home, for instance, is the Halal food market – where consumers are now more conscious about food source, variety and quality.



Disruption from consumers is becoming more prominent than that of industry competitors. Changing taste and growing customer expectations will continue dictating the fortunes of food companies - who must meet these demands or risk losing preference.

10. Millennials and Mobile Commerce

The game is changing - demand for organic, sustainably sourced, ethically traded and healthy food is rising, spurred by millennials and more conscious consumers. Mobile devices are researching and publishing more tools, as millennial shoppers are making mobile commerce an online shopping tool of choice.

11. Connectivity

The ability for consumers to connect themselves to more data is empowering them. There is a growing trend for consumers to want direct links to the companies that grow and produce their food. Companies are collecting more data and using it to feed customers with the information they crave.

12. Keep up the good work

To sum up the year, it has been heartening to see the industry mature to understand that food trust goes beyond just food safety but includes food integrity. We have seen more food and beverage industry players put greater effort in ensuring food trust in their offerings and leveraging opportunities to deliver their brand promise and continue to build consumer trust.





Deal Highlights

<p>May 2017 Orkla ASA acquired SR Food A/S</p>  <p>sold share majority to</p>  <p>CIGNO, Denmark, acted as exclusive sell-side advisor for SR Food A/S</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p>   <p>SOLD</p>   <p>Frozen Meals Producer</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>Main Process S.A.</p> <p>was acquired by</p>  <p>Agrana Fruit S.A.S.</p> <p>Transaction Industry: Food</p> <p>Finanzas & Gestión acted as exclusive financial advisor to Main Process S.A.</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>The assets of Rasic Hermanos S.A.</p> <p>were acquired by</p> <p>Proteinsa S.A.</p> <p>Transaction Industry: Food</p> <p>Finanzas & Gestión acted as financial advisor designated by the National Court of First Instance in Commercial Matters N 18, Sec. N 35 in the Tender for the Transfer of Property</p>  <p>member of M&A WORLDWIDE</p>
<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>Verónica S.A.C.I.A.F. e I.</p> <p>Has Restructured its Financial Debt</p>          <p>Transaction Industry: Dairy</p> <p>Finanzas & Gestión acted as exclusive financial advisor to Verónica S.A.C.I.A.F. e I.</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>Livsmart Americas S.A. de C.V.</p> <p>Has Acquired a 50% Equity Interest in</p>  <p>El Carmen S.A.</p> <p>Transaction Industry: Soft Beverages</p> <p>Finanzas & Gestión acted as exclusive financial advisor to Livsmart Americas S.A. de C.V.</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>La Gloriosa S.A. (and related companies)</p> <p>Evaluation of Financial Alternatives for Project Development</p> <p>Transaction Industry: Food</p> <p>Finanzas & Gestión acted as exclusive financial advisor to La Gloriosa S.A.</p>  <p>member of M&A WORLDWIDE</p>	<p>This announcement appears as a matter of record only</p> <p>In 2016</p>  <p>Frigorífico Rioplatense S.A.I.C.I.F.</p> <p>Structuring of Working Capital Facility</p>  <p>Transaction Industry: Food</p> <p>Finanzas & Gestión acted as exclusive financial advisor to Frigorífico Rioplatense S.A.I.C.I.F.</p>  <p>member of M&A WORLDWIDE</p>

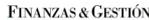
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