BlueMind Fabulous 40

Translation of survey published in the leading Dutch Elsevier Foodmagazine (2011)

'Producers step on the brake'

Less growth and fewer acquisitions during crisis year

BlueMind
corporate finance strategy

Is it still true that the economic crisis has not affected the food market? The second edition of the Fabulous 40 survey of Foodmagazine and BlueMind shows that the revenues of most producers fell in 2009 or is growing at a slower rate compared to preceding years. Nevertheless, there are also high growth performers who manage to benefit even in turbulent periods.

The Fabulous 40 survey is the survey which charts the growth of food producers in the Netherlands. The Dutch version is executed by BlueMind, one of the largest independent corporate finance firms in the Netherlands, in conjunction with Elsevier Foodmagazine. Where is the growth and what are the underlying trends? The figures relate to the period 2007, 2008 and 2009 and are based on data which the companies themselves deposited with the Chamber of Commerce.

The survey shows a completely different picture this year than the first edition of May last year, which related to the years up to and including 2008, the year in which the crisis had not yet been felt. In 2009 virtually everything stood still and companies were hurt. 'It may sound strange, but in 2009, sixteen of the forty fastest growing companies saw their revenues drop. Many will therefore have viewed that year as a lost year. Farm Frites, last year's number 40, scored a growth of 7.5 percent per annum last year. This year the Van Rijsingen Group is only just meeting that, even though it is on the 21st place. 'Producers stepped on the brake in 2009', says Jan Willem Jonkman, managing partner of BlueMind Corporate Finance Strategy.

In 2009 there were only four acquisitions done by companies on the list. Acquirors were Van Loon Vlees, Storteboom Food Group, De Kuyper and Royal Cosun. A few companies did dispose off activities during that year. In the period of 2006-2008, on the contrary, there were substantial more acquisitions than in 2009. This has contributed to the lower growth. After the start of the crisis in 2008 there were substantial commodity price drops. In the meantime – almost a year and a half has passed after the reporting of the figures – the prices of many products have returned to the old level. 'There is definitely an impact on the food market. Banks were cautious and working capital is definitely an issue. Especially companies which are in the hands of investors and which aim for a rapid growth will be marking time', says Jonkman.

Last year the researchers signalled a dominance of private label and fresh produce companies. That dominance is a much less this year. There are sixteen producers of A-brands in the list compared to ten branded goods producers last year. 'The Refresco's of this world, who in the period before the crisis went for one acquisition after another, had to slow down and sometimes even restructure companies in order to generate sufficient cash', says Stephanie Clerx, analyst with BlueMind. Another explanation for the rise of A-brand producers is that private label producers suffer relatively more from fluctuations in commodity prices, because their cost price - and thus revenues – is determined by purchasing costs to a greater degree.

Stephanie Clerx, analyst at BlueMind, which conducted the Fabulous 40 study, pictured in the middle with Jan Willem Jonkman (left) and Bart Jonkman, both managing partners of BlueMind.

Producers which are active in dairy and cheese appear to be suffering, relatively speaking, the hardest (see box). Last year this sector had eight companies in the top 40, this year there is only one. Rouveen Kaasspecialiteiten is on the fortieth place, but saw its revenues in the period 2007-2009 fall by an average of 1.5 percent. It typifies the difficult situation in the cheese market.

‘Delicia is more diverse now’

Delicia is the highest new entry in the Fabulous 40. Up to 2007 the chocolate decorations factory from Tilburg was part of Wessanen. Since the takeover by investor One Equity Partners, the company is experiencing a growth spurt, says managing director Bernd Postma.

Delicia was virtually a prisoner in the period when it was owned by Wessanen. Delicia was a 100 percent private label producer, but as part of the parent concern's strategy it was sucked into the A-brand strategy. This was not a success. The announcement that the Tilburg company was sold was therefore greeted with enthusiasm.

According to Postma, Delicia became more diverse and more flexible. ‘We are able to offer retailers the variation they want. We supply the basic products, but also tailor-made products which increase the choice on the shelves. We have started to use new techniques, for example, coating other ingredients with chocolate, like cornflakes and puffs. We are also making large investments in our business-to-business division. We want to be a true partner for our customers.’

Delicia grew significantly in the last few years, from a turnover of € 30.7 million in 2007 to € 52.8 million in 2010. ‘The crisis has not really affected us that much, because we were still experiencing the stimulating effect of an unrestricted strategy. We are starting to see some stagnation, because the organisation needs time to adjust to the new position which the company has in the market. This increases the complexity.’

Because of the growth the time is coming that private equity investor One Equity Partners will want to realise its investment. According to Postma, 2009 and 2010 were not the right time for this. ‘Money is not the only important factor in the matter. Nevertheless it is not a simple matter. Companies are still more cautious than before the crisis. This may have to do with progressive insight. And of course, the banks are not always very helpful.’

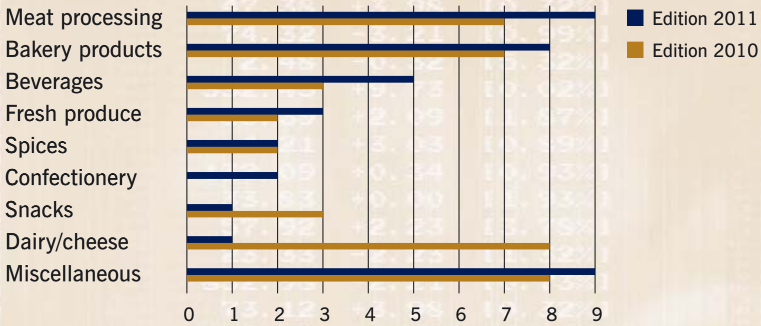
BlueMind Fabulous 40 - Edition 2011

	Company	Sector	Position last edition	Net turnover 2009 in mln. €	Net turnover 2008 in mln. €	Net turnover 2007 in mln. €	CAGR (percentage growth)	M&A activity	Private equity
1	Van Loon Vlees	Meat processing	1	131.6	110.5	65.7	41.5%	x	
2	Van Dijk Food Group	Sauces and fats	4	231.7	187.7	124.8	36.3%	x	x
3	Van Rooi Meat	Meat processing	2	301.9	274.5	164.1	35.6%	x	
4	Borgesius	Bakery products	35	94.2	67.2	58.4	27.0%	x	
5	Delicia	Confectionery (chocolate)	-	44.9	35.9	30.7	21.0%	x	
6	Plukon Royale	Poultry processing	7	674.0	614.2	496.4	16.5%	x	x
7	Remia	Sauces	13	197.8	200.4	147.9	15.7%		
8	Van Hessen	Meat processing (intestines)	18	175.4	169.5	130.7	15.9%	x	
9	Storteboom Food Group	Poultry processing	9	381.9	331.8	292.7	14.2%	x	x
10	VION	Meat processing	38	8,987.9	8,540.4	6,996.0	13.4%	x	
11	Coroos International	Vegetables and fruit (pres.)	-	155.2	135.2	120.9	13.3%		
12	Continental Bakeries	Bakery products	5	272.7	265.8	214.0	12.9%	x	x
13	Huuskes	Fresh produce	14	93.4	86.4	73.9	12.5%		
14	Bakkersland	Bakery products	-	449.9	362.9	356.2	12.4%	x	x
15	Interovo Egg Group	Egg products	-	242.3	222.8	194.9	11.5%		
16	Dis International	Beverages	-	76.6	60.6	61.7	11.4%		
17	Euroma	Herbs/spices/sauces	17	73.5	71.6	59.4	11.2%		
18	Refresco	Beverages	3	1,139.6	1,246.5	951.6	9.4%	x	x
19	Vezet	Vegetables	19	180.2	160.7	150.9	9.3%		
20	Banketbakkerij Merba	Bakery products	21	54.0	53.0	45.4	9.0%		
21	Van Rijsingen Groep	Fresh produce	15	88.0	88.2	75.4	8.0%		
22	Struik Foods	Soups/sauces	-	210.7	201.0	182.7	7.4%		
23	Burg Groep	Oils	27	79.6	76.9	71.4	5.6%		
24	Koopmans Meel	Bakery products	6	65.8	77.7	59.0	5.6%	x	
25	Compaxo Groep bv	Meat processing	-	250.0	255.8	225.7	5.3%		
26	Verstegen Spices & Sauces	Herbs/spices/sauces	34	82.6	81.2	75.1	4.9%		
27	Bavaria	Beverages	25	476.5	501.5	434.7	4.7%		
28	Gulpener	Beverages	-	12.7	12.8	11.6	4.5%		
29	Hilckmann Meat	Meat processing	-	187.7	195.7	175.4	3.5%		
30	Sonneveld	Bakery products	29	53.6	55.8	50.3	3.2%		
31	Bakx Foods	Snacks	30	16.5	16.6	15.9	1.9%		
32	De Kuyper (Royal)	Beverages	-	59.9	61.9	57.9	1.8%	x	
33	(Royal) Cosun	Ingredients	-	1,757.9	1,689.3	1,713.1	1.3%	x	
34	Zeelandia	Bakery products	37	343.7	357.8	338.5	0.8%		
35	Amarant Bakkers	Bakery products	-	58.2	57.2	58.1	0.1%		
36	Hessing	Fresh produce	-	128.9	122.9	129.2	-0.1%		
37	Menken Combinatie	Meat products/salads/sauces	36	79.1	81.3	80.4	-0.8%		
38	Concorp	Confectionery	-	43.0	45.8	44.2	-1.3%		
39	G.P.S. Nunspeet	Poultry processing	23	121.7	124.1	125.3	-1.5%	x	
40	Rouveen Kaasspecialiteiten	Dairy (cheese)	26	77.0	80.5	79.3	-1.5%		

The companies which have been included in the Fabulous 40 meet five pre-defined selection criteria:

- *The companies must be active in the food and beverage production sector*
- *The companies must have their head office in the Netherlands.*
- *The turnover must be at least € 5 million in one of the three measured years and deposited annual accounts must be available.*
- *The companies must not be listed and the majority of the shares must be in the hands of Dutch shareholders (strategic or PE) or foreign private equity parties.*
- *Annual accounts must have been deposited on 31 March 2011 at the latest.*

A heavy knock for dairy producers



If we zoom in on the list and look at the sub-sectors, we see that the number of companies active in the dairy and cheese industry have dropped substantially. Whereas there were still eight companies in the 2010 list, now there is only one. The drop has a.o. to do with the substantial drop in commodity prices.

Van Loon number 1 again

Meat processor Van Loon Vlees is number 1, just like last year. With an annual growth of 41.5 percent the company stands out from the rest. The company's turnover doubled over a period of three years from € 65 to over € 130 million.

Van Loon made a number of smaller acquisitions in the past few years. In 2009 it took over a beef processor in Roosendaal. However, Van Loon's biggest growth comes from an increasing supply to discounters. Van Loon has important customers in Aldi and Lidl and is in fact Lidl's most important meat supplier. In addition the meat processor has come up with a technique for consolidating pieces of meat via enzymes, so that thin pieces of meat can still be used. This market is continuing to grow.

2010, 2011 and beyond

In any event, after the difficult year of 2009 the mergers & acquisitions market has picked up again. There have been more acquisition during 2010 and the first months of 2011. For instance Remia purchased Marne Mosterd in 2010, Storteboom was acquired by 2 Sisters Food Group and Continental Bakeries added Grabower to its portfolio. Van Rooi Meat acquired Pro Viande in 2010.
Van Dijk Food Group, number 2 this year, will presumably not have that position in the next edition. The company sold its margarine and fats business to Vandemoortele in Belgium.

Bakkerij Borgesius is the strongest climber in the Fabulous 40 list and is on number 4, while last year it was still positioned at number 35. Fighting against the trend, the company is growing, inter alia due to the takeover of two bakeries of Quality Bakers in Nieuw Amsterdam and Arnhem.

Although there are still eight bakeries on the list, the sector is struggling. Substantial price fluctuations are to the disadvantage of the manufacturers. If there are price reductions the margin percentage is often maintained, but the margin in euros drops and with sudden price increases it always takes some time before they can be passed on in the retail prices. Producers benefit most from calm market conditions.

Background Fabulous 40

The Fabulous 40 survey can be seen as the Dutch equivalent of the British Fast 50 survey which is published in the British trade journal The Grocer. The companies which have been included in the Fabulous 40 meet five pre-defined selection criteria. The companies must be active in the food and beverage production sector and have their head office in the Netherlands. The turnover must be at least € 5 million in one of the three measured years and annual accounts which have been deposited in time must be available. The companies must not be listed and the majority of the shares must be in the hands of Dutch shareholders or foreign private equity parties.

For the gathering of the necessary information use has been made, inter alia, of data of the Chamber of Commerce, Reach and Amadeus, company information, public information of web-sites and interviews.
The yardstick for the growth is the growth percentage of the turnover over the years 2007,2008 and 2009, the CAGR method (Compound Annual Growth Rate). The survey was set up exclusively for Foodmagazine and was conducted by BlueMind.

Should there be a lack of clarity, discussion about inclusion in the list or if you have suggestions to improve the accuracy or otherwise, you can contact Stephanie Clerx, BlueMind Corporate Finance: stephanie.clerx@bluemind.nl or +31 73 623 87 74.

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