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# Food & Beverage Industry: Dairy Sector Spotlight

In this article, which joins our ongoing coverage of the Food & Beverage industry, we introduce an overview of M&A activity in food production with a focus on the dairy industry. Our upcoming articles will cover a range of topics, from CEO interviews on navigating growth opportunities and industry challenges to profiles of companies shaping the future of this dynamic sector.



## OVERVIEW

# Unlock the potential of the dairy market by embracing change and innovation in an evolving industry

For business owners in the food and beverage industry, the dairy market presents both challenges and opportunities. With a wide range of products like milk, cheese, yogurt, and butter, the market is shaped by shifting consumer demands for both classic dairy items and innovative new offerings. Health trends, dietary preferences, and sustainability concerns are key drivers influencing these changes. The rise of plant-based alternatives has impacted traditional dairy sales, but the industry remains strong. By focusing on product diversification, embracing new technologies, and prioritizing sustainability, business owners can navigate this evolving landscape and meet the changing needs of their customers.

## ICE CREAM INDUSTRY

The global ice cream market is valued at approximately \$91 billion and is expected to grow at a Compound Annual Growth Rate (CAGR) of 5.7% over the next three years, according to Euromonitor. This growth is driven by rising consumer demand for indulgent treats and innovative product offerings.

The North American ice cream market is currently valued at \$22 billion in retail sales, with a projected growth rate of 3.4% CAGR through 2027. The take-home segment dominates, accounting for \$17 billion of the market. Despite the emphasis on "better for you" options like low-fat, low-sugar, and portion-controlled products, the majority of consumers are still purchasing ice cream for indulgence, gravitating towards premium and super-premium brands.

## IN THIS ARTICLE

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Relevant Transactions

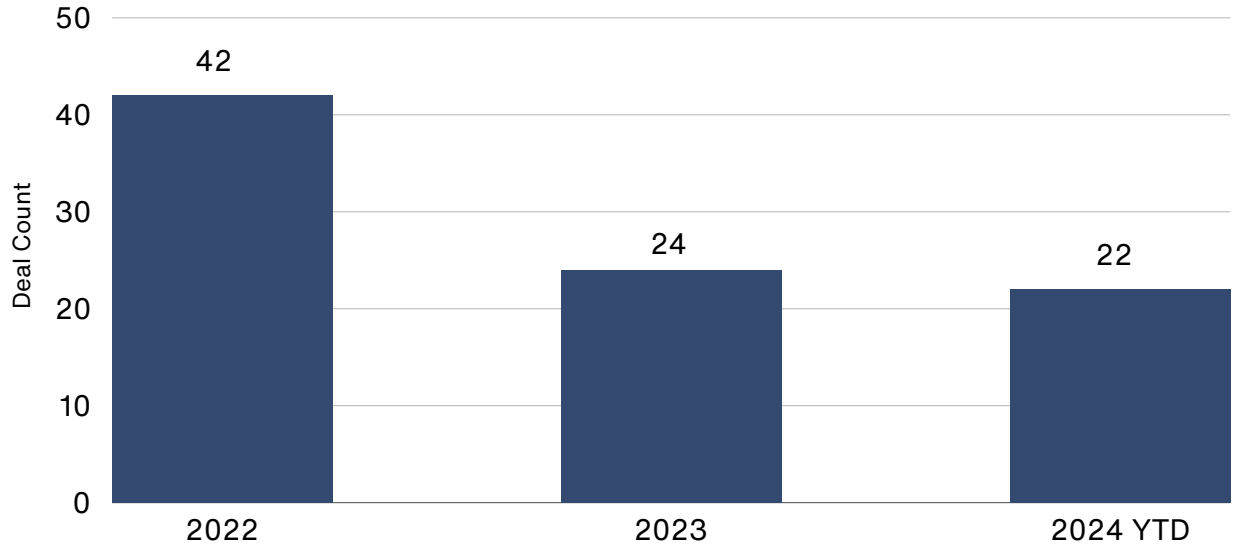
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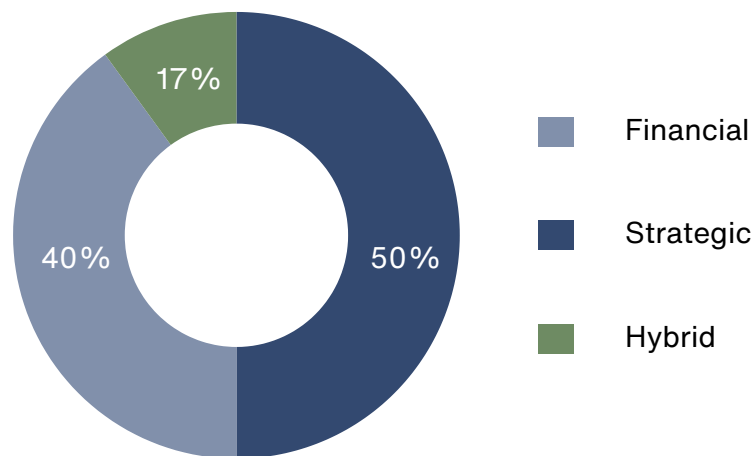
Source: Euromonitor

## DAIRY SECTOR TRANSACTION ACTIVITY: FOCUSING ON PROCESSORS, PRODUCERS AND CO-PACKERS

Tracking dairy processors, producers and co-packers in the US and Europe, we saw a softening of activity in 2023 after an active market in 2022. However, the pace has picked up in 2024, nearly matching 2023 in the first eight months of the year. Strategic acquirers dominate the majority of deals within the dairy sector. PEGs have seen reduced activity in the current market, largely due to the challenging interest rate environment. Some deals have involved PEG-backed strategics, where private equity firms support strategic buyers in acquisitions, which are referred to below as Hybrid.



## Who Are The Buyers in Dairy Products M&A?

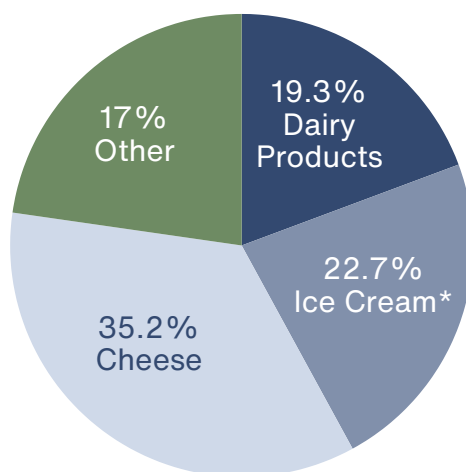


Source: CapIQ and Mergermarket (Deals through 8/29/2024)

\*Hybrid buyers are PEG-backed strategics

CURRENT NEWS

## Dairy M&A Deals, 2022 - 2024 YTD



### Subset of Deals - Ice Cream\*

Announced Date	Target/Issuer Name	Country/Region	Buyer/Investor Name(s)	Buyer Type
6/10/2024	Trade and assets of Northern Bloc Ice Cream Ltd	UK	BIDCORP (UK) LIMITED	Strategic
4/18/2024	CrÈMe De La CrÈMe Belgium NV	Belgium	Greenyard NV	Strategic
6/8/2023	Pastry and Ice Cream activities of Galana	Belgium	Mademoiselle Desserts France	Hybrid
5/3/2023	Silver Pail Dairy (Ireland) Limited	USA	N/A	Strategic
3/9/2023	Italgelato Srl	Italy	ITALPIZZA S.p.A.	Strategic
3/8/2023	Luke's Ice Cream	USA	College Circle Creamery, LLC	Hybrid
2/16/2023	La Compagnie des Desserts SAS	UK	PAI Partners SAS, PAI Mid-Market Fund SCSp.	Strategic
2/13/2023	Dallatte S.R.L.	Italy	Bella Dispensa Srl	Strategic
1/5/2023	Criterion Ices Limited/Marine Ices Limited	UK	Northern Bloc Ice Cream Limited	Hybrid
12/7/2022	Wells Enterprises, Inc.	USA	Ferrero S.p.A.	Strategic
8/6/2022	Cesarin Spa	Italy	IRCA S.p.A.	Hybrid
7/14/2022	Gelato d'Italia - Indian S.r.l	Italy	Davidson Kempner Capital Management LP, Afendis	Financial
5/19/2022	Dippin' Dots, LLC	USA	Dd Acquisition Holdings, LLC	Strategic
5/3/2022	Groupe Mom S.A.	France	Bel SA	Strategic
5/2/2022	Groupe Mom S.A.	France	Unibel S.A.	Strategic
4/11/2022	Pierre's Ice Cream Company	USA	Ohio Processors, Inc.	Strategic
3/9/2022	V&H Limited	UK	L Catterton Partners	Financial
1/4/2022	Casper's Ice Cream, LLC	USA	MidOcean Partners LLP	Financial

Source: CapIQ and Mergermarket (Deals through 8/29/2024)

## CURRENT NEWS

# Mega Ice Cream Deals in the Works

Two big changes in the global landscape of the ice cream business are underway, expected to transact in 2025 and potentially shift the lineup of some of the industry's best known brands.

### UNILEVER'S PLANNED SPINOFF OF ITS ICE CREAM BUSINESS



Unilever says the planned separation of its ice cream business, announced in March, was "on track" to be completed by the end of 2025, as the company reported its overall first half results in July. The ice cream division, which posted sales of \$8.57 billion in 2023, continued its disappointing performance in H1 2024. It saw growth of 0.6% in revenue, with price increases of 1.6% offset by volume declines. Poor performance in China and mixed weather in Europe were noted as reasons in the analyst call. Unilever has five of the world's top ten brands of ice cream.

Splitting off the ice cream business seems to be part of the company's refocusing and simplification effort. CEO Hain Schumacher (official start date 7/1/2023) noted that ice cream requires a different operational model from the rest of Unilever's lines of business, including the demanding and capital-intensive cold-chain system and the mix of in-home/out of home consumption. He also pointed out that 15 years ago, ice cream was but one part of larger food companies, but today the industry has increasingly gone to pure play companies.

Earlier reports indicated 15 billion euros as a ballpark valuation of the ice cream business. On the July earnings call, the possibility of floating the ice cream business separately on the Dutch exchange was again mentioned; a sale is also an option.

### UK-BASED FRONERI PERFORMS WELL IN 2023; JV PARTNER CONSIDERS OPTIONS



Formed in 2016, Froneri is a JV partnership between Nestle and PAI Partners, a global private equity firm with 28 billion euros under management. Froneri's origins date back to PAI's acquisition of a large private label ice cream manufacturer, R&R. Today, it includes such brands as Häagen-Dazs, Oreo, Nuii, and Drumstick.

Early in 2024, PAI Partners was reported by Bloomberg to be talking with bankers about options for disposing of its interest in Froneri, which was suggested to have a value of about 5 billion euros (valuing the entire company at 10 billion euros). Froneri reported strong results for 2023, citing revenue growth of 8.5% and noting the cumulative effects of operational improvements. By May 2024, Bloomberg updated its reporting to indicate that PAI was considering keeping its share by forming a continuation fund. As deal-making has slowed and buyout firms find they are running into lifespan limits for some funds, they are exploring the option of a continuation fund which enables them to hold an investment longer than the typical investment cycle.

On the Nestle side of the equation, the recent replacement of Mark Schneider with Laurent Freixe as CEO (August 2024) rattled the company as the move came as a surprise to employees and investors alike.

## TEAM



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Robert is a leading Corporate Finance Advisor with a wealth of experience in Debt Fundraising and M&A. He is a Fellow of Chartered Accountants Ireland. He has developed a strong reputation for financing and refinancing business and property based portfolios, working across a broad range of Corporate Finance activities. He has significant commercial experience in undertaking M&A, Business Reviews, Due Diligences and Strategic Advisory for Corporate clients. Robert has developed a large client base across a broad range of sectors throughout Ireland.



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Rick Thomas, FOCUS' CEO, has 25 years of consulting, management and M&A advisory experience across industries including manufacturing, distribution, and food service. Prior to joining FOCUS, he served as Vice President at VSI, a boutique investment banking firm located in Washington, DC. He led M&A activities for publicly and privately held companies in the middle market, several of which have annual revenues in excess of \$1 billion.



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Brian Barrett, a FOCUS Managing Director, has extensive expertise in providing strategic advice to entrepreneurs, business owners and companies to assist them in achieving their strategic ambitions and preparing for significant value events. He has over 16 years of corporate finance experience working with SME's, large corporates and semi state bodies across Ireland. Brian has successfully project management and complete many significant transactions across multiple sectors, including retail, technology, food & beverage, agriculture, logistics, banking, energy and leisure.



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Kate Elliott is the Director of Research and oversees the production of research, financial modeling and analysis, and writing assignments that are integral to FOCUS' process-driven methodology for executing M&A transaction work.



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Beth Johnson, a FOCUS associate, supports buy-side and sell-side engagements as well as capital raising. Prior to FOCUS, she led capital raise events as the Director of Development at 4P Foods, a fresh foods distributor serving B2B and B2C customers across the mid-Atlantic region. Her experience includes working with founderowned businesses in the natural/organic segment and agtech ventures, with an emphasis on regenerative agriculture.