

BlueMind Fabulous 40

Translation of survey published in the leading Dutch Elsevier Foodmagazine (2012)



Food industry shows less spirit for growth

Third edition of Fabulous 40: food industry shows sensitivity to the crisis



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It goes without saying that food producers are affected by the economic crisis too. There are clearly fewer acquisitions than before and autonomous growth has also declined somewhat. This is also apparent from this year's Fabulous 40. We have to look a little harder for real growth success stories when compared to previous editions, but that doesn't mean they're not there.



The Fabulous 40 research has proven to be the perfect research for mapping out the growth experienced by food producers in the Netherlands. The Dutch version is carried out by BlueMind, one of the largest independent corporate finance firms in the Nether-

lands, together with Foodmagazine. Where can we identify growth and what are the underlying trends? The figures refer to the 2008, 2009 and 2010 period and have been derived from information filed by companies with the Chamber of Commerce.

'Major investors have largely withdrawn. They are more cautious'

Jan Willem Jonkman



The figures of an impressive eighty plus Dutch food producers have been closely scrutinised. The top forty are included in the list.

This year sees the third edition of the research. The first edition – which reported on 2006, 2007 and 2008 - was definitely still dominated by consolidations and acquisitions and almost the entire list (from number 1 through to 33) was filled with companies which had realised double digit growth figures, but this current list only boasts a total of six companies which have realised a growth level of 10 percent or more. There were seventeen such companies on the 2011 list (referring to 2007, 2008 and 2009). The lower number of strong growers has had an impact on this top 40's average growth. This edition shows an average growth per year (compound annual growth rate, CAGR) of 5.9 percent. This figure amounted to 10.1 percent in last year's Fabulous 40 and as much as 16.9 percent in 2010.

Jan Willem Jonkman, Managing Partner, and Stephanie Clerx, Analyst at BlueMind, have also come to the conclusion that a number of companies are not filing their annual reports. 'It's quite possible that there are companies out there with figures we are not yet aware of, perhaps because they are not quite ready to reveal these yet. Disappointing figures can be one of the reasons for this', according to Stephanie Clerx.

The fact that caution prevails is also evident from the lower number of acquisitions, particularly when compared to the first edition, when there

really was no sign of an economic crisis. The forty fastest growing companies only committed to two acquisitions in 2010. The total was three in 2009 and in 2008 there were nine with the companies featured in this year's list. This brings the total number of acquisitions in this list to fourteen. In comparison, Edition 1 included 24 acquisitions and mergers and 16 in edition 2. Companies which are (partly) owned by private equity funds have noticed that investors like these are increasingly more critical where their participations are concerned in recent years. 'This is partly as a result of the strategies adopted by major investors like private equity firms. These firms have partially withdrawn. They are more cautious. PE-backed parties can realise more profit when things are going well with the economy. The opposite applies when things are going less well. The economy has a leverage effect in such markets', according to Jonkman.

Clerx has signalled another trend. 'We can see that the Fabulous 40 gives a somewhat bleaker picture of the food market compared to when we look at the total food spending, whereby the supermarkets are responsible for the largest share. We haven't conducted any specific research into this, but everything indicates that the share of international food producers active within the Dutch market is on the increase. This could involve large multinationals, but also the smaller and medium sized companies.'

Yet there is no reason for complete negativity. There are even some gems to be found in economically difficult times. The Bakery Borgesius has enjoyed a spot high up on the list for many years (see table on the right). These bakers from the North of the country link acquisitions to autonomous growth. The same applies to Van Loon Vlees (see table) and Delicia. Delicia was last year's highest new entry and is in third place this year. Delicia's Managing Director already



Van Loon Vlees invests in convenience

Van Loon Vlees from Best is one of the most successful food product companies in recent years. The meat processor enjoyed the top spot in the last two Fabulous 40 editions and this year it's in second place. The company's turnover increased from 49 million euro in 2006 to 177 million in 2010. The average growth amounted to 26.7 percent over the past three years.

CEO Erik van Loon expects these results will continue. The company enjoys a strong position in the catering and food service industry. They have also made some considerable investments in food retail during recent years. A major share of the discounters' convenience assortment comes from Van Loon Vlees. The same applies to the centrally managed catering activities at major organisations like Centre Parcs or aviation companies. 'We clearly stand out where ready made and convenience products are concerned. We try to provide our customers with a complete package. We don't produce and support our own A brands, but we do so with our customers' private labels. We are strong on the sidelines', states Erik van Loon.

Van Loon has linked its impressive autonomous growth with a number of acquisitions. Two former competitors were purchased in 2008 and 2009. Van Loon specifically expects to realise growth across the country's borders during the forthcoming years. 'In addition to the development of a number of strong key accounts in the Netherlands, we will also realise growth in our export operations. We are already involved with a small amount of retail and plenty of food service in Germany, Belgium, Scandinavia and Eastern Europe. Not in the mainstream, but in the convenience sector. That's where our strength lies.'

Erik van Loon states Van Loon Vlees is one of Europe's most modern meat companies, when asked for the secret of the company's success. 'We dedicate substantial investments to new techniques and innovation. We are market leaders in precooked, portioned, special sizes and other convenience applications. We are also ahead of our competitors where sustainability is concerned. Many of our products have been awarded with one of several stars of the Animal Protection's Better Living Hallmark. We also publish a Socially Responsible Enterprising report every year, which records and monitors our current performance levels and future objectives.'

Borgesius wants to achieve bigger things

Dutch sobriety reigns supreme in the family business Borgesius from Stadskanaal. Jan Borgesius is in charge of the bakery business' commerce and technology. His brother Hennie is the Operational Director and brother Frits is responsible for Finance. Borgesius is a complete bakery and supplies fresh bread, oven bread, filled rolls and sandwiches and cakes and pastries. Both service supermarkets and discounters are customers of Borgesius, which bakes its products at five different locations. Borgesius is one of the larger members of Bake Five, the organisation of fifteen industrial bakeries in the Netherlands.

Jan Borgesius likes to use his own marketing terms. A good example is a term like the 'swallowing motivation'. The company wants to increase this by making products which consumers really desire. Quality is always at the top of the list of priorities, according to Jan Borgesius, even though the market forces the company to develop sufficient scale size in order to become the cost leader. 'Retailers are really just buyers. You can like it or lump it. I just have to make sure I can provide better quality and freshness at competitive prices. This means I need to invest, also anti-cyclically, in people and machines in order to realise this combination of top quality and cost leadership. This top quality must be reproducible too.'

Autonomous growth is what the Borgesius brothers focus on, although acquisitions are naturally important for the company's development. Borgesius purchased two bakeries from Bakkersland in 2008. The bread market may possibly be on the move again because the sale of Bakkersland by the investor Parcom is still pending. Borgesius is focussing on itself. 'I always say that purchased growth isn't real growth. You can't grow by doing acquisitions, but by supplying fresher, better and more variety of products and therefore fill more mouths.'

Borgesius is quite pessimistic about the incredibly competitive Dutch market. 'We have the lowest bread price per kilo from a European perspective. The price for bread in the Netherlands is even lower than the newly acceded Eastern European countries like Poland and Hungary. The pressure on the Dutch bread market is therefore enormous. The number of bread baking bakers is in rapid decline, on the one hand as a result of the heavy burden on people's social lives – always having to work at night – and on the other hand as a result of the bread price being too low. We can simply no longer justify the investments required. The industrial baker certainly isn't finding it easy either. It's no coincidence that half of all Dutch industrial bakers are up for sale at the moment. We must do everything within our power to stop the consumer from becoming alienated. We must try to avoid the English circumstances. However, the enormous price pressures we need to deal with certainly means we need to face up to some gigantic challenges.'



stated last year that the company feels liberated now it's part-owned by One Equity Partners and has set off on its own independent course. The chocolate sprinkle factory has realised some impressive innovations and has managed to take over a number of its competitors' supply contracts in the food retail industry.

The Verwenbakker and Interchicken are the highest new entries. The Verwenbakker, an industrial baker situated in Limburg, achieved a third place at Het Financieele Dagblad's Gazelle Awards last year. The drinks producer DIS International and egg processor Interovo Egg Group also enjoyed considerable growth and owe their growth, like Verwenbakker and Delicia, mainly as a result of autonomous growth. None of these companies participated with any sizeable acquisitions during recent years.

Stock Market

BlueMind took a close look this year at the developments enjoyed by originally Dutch stock exchange listed companies (see table: Listed companies). This analysis was carried out as a cross-check of the regular list. However, not a great deal would have changed in the top of the Fabulous 40 if these companies had been included in the regular overview. It became apparent that these companies by no means found it easier to get themselves through the economic crisis. Heineken realised an average growth of 6.15 per cent during recent years and would therefore have ended in twelfth place on the list. Unilever and CSM have experienced growth too, but less than Heineken. Wessanen even experienced a decline in turnover over the last few years.

Bavaria is one of the companies which, in contrast to last year, isn't included on this year's list. This is partly as a result of the sale of its soft drinks activities (3-Es and Herschi) to Refresco, which was completed in 2009. Frank

Swinkels, executive board member at Bavaria, already indicated how much the food market is being challenged by the economic circumstances last year. 'The world economy hasn't yet recovered from the effects of the financial crisis. Plus these are difficult times for the energy and raw material markets. It will be incredibly challenging to keep the turnover and results at the required level.'

Mergers and acquisitions

Refresco purchased Bavaria's soft drink branch. This company, which is owned by the investor 3i, was one of the few companies active in acquisitions last year. Once Schiffers Food was acquired in 2009, the soft drinks giant purchased Spumador (Italian market leader) in 2011 and Soft Drinks International (German private



label). Strong companies with strong positions therefore remain capable of realising growth. Although Refresco certainly hasn't had an easy time. Refresco suffered a 25.9 million euro loss

last year, whilst turnover increased by 24.5 percent to 1.52 billion euro. Refresco will therefore undoubtedly enjoy a substantially higher listing next year.

'All this indicates that the importance of international food producers increases'

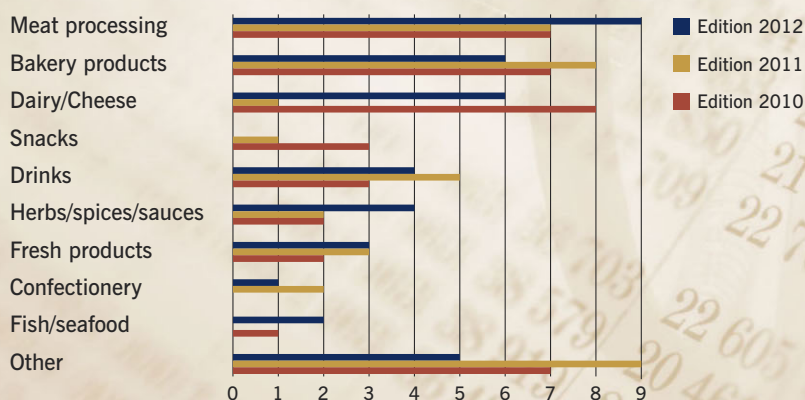
Stephanie Clerx



The rising costs of sugar and packaging are the main culprits, according to CEO Hans Roelofs, when presenting the annual figures. The autonomous turnover growth is 5.9 percent over 2011, whereby the volume went down by 3 percent and the prices were up by 8.9 percent. Roelofs concluded that 2011 was a year characterised by strong increases in costs. 'Especially during the second half of the year, the



Dairy companies are making a comeback on the list



Dairy companies have managed a complete comeback onto the list. This is partly linked to the strong price fluctuations in dairy. The fish and seafood processors are included in the list again too, although none of these players have experienced particularly impressive growth.

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Company	Sector	Position last edition	Net turnover 2010 in mln. €	Net turnover 2009 in mln. €	Net turnover 2008 in mln. €	CAGR (percentage growth)	M&A activity	Private equity
1	Borgesius	Bakery products	4	109.6	94.2	67.2	27.7%	✓
2	Van Loon Vlees	Meat processing	1	177.5	131.6	110.5	26.7%	✓
3	Delicia	Confectionery (chocolate)	5	52.8	44.9	35.9	21.3%	
4	DIS International	Beverages	16	82.7	76.6	60.6	16.9%	
5	De Verwenbakker	Bakery products	-	16.9	14.9	13.7	11.0%	
6	Interovo Egg Group	Egg products	15	274.3	242.3	222.8	10.9%	
7	Interchicken	Poultry processing	-	135.0	115.9	112.1	9.7%	
8	Plukon Royale	Poultry processing	6	738.7	674.0	614.2	9.7%	
9	Van Rooi Meat	Meat processing	3	329.7	301.9	274.5	9.6%	✓
10	Bakkersland	Bakery products	14	433.9	449.9	362.9	9.4%	✓ ✓
11	Coroos International	Vegetables and fruit (pres..)	11	156.9	155.2	135.2	7.7%	
12	Huuskes	Fresh produce	13	98.1	93.4	86.2	6.7%	
13	Hessing	Fresh produce	36	139.9	128.9	123.0	6.7%	
14	Van Hessen	Meat processing (intestines)	8	192.4	175.4	169.5	6.5%	✓ ✓
15	Van Drie Groep	Meat processing	-	1,671.6	1,442.4	1,486.1	6.1%	
16	Continental Bakeries	Bakery products	12	297.1	272.7	265.8	5.7%	✓ ✓
17	Verstegen Spices & Sauces	Herbs/spices/sauces	26	88.1	82.6	81.2	4.2%	
18	DOC Kaas	Dairy (cheese)	-	389.8	299.2	359.2	4.2%	
19	Rouveen Kaasspecialiteiten	Dairy (cheese)	40	87.1	77.0	80.5	4.0%	
20	Nedato	Potato(products)	-	63.2	58.4	58.7	3.8%	
21	Menken Combinatie	Meat products/salads/sauces	37	87.3	79.1	81.3	3.6%	
22	Refresco	Beverages	18	1,223.9	1,139.6	1,146.1	3.3%	✓ ✓
23	Remia	Sauces	7	212.9	197.8	200.9	2.9%	✓
24	G.P.S. Nunspeet	Poultry processing	39	130.7	121.7	124.1	2.6%	✓
25	Royal Cosun	Ingredients	33	1,765.7	1,757.9	1,689.3	2.2%	✓
26	Dairy Trading International	Dairy	-	134.3	115.5	129.1	2.0%	
27	Banketbakkerij Merba	Bakery products	20	55.1	54.0	53.0	1.9%	
28	De Kuyper	Beverages	32	64.2	60.0	61.9	1.9%	✓
29	Zeelandia	Bakery products	34	371.1	343.7	357.8	1.8%	✓
30	Cono Kaasmakers	Dairy (cheese)	-	175.0	154.9	169.0	1.7%	
31	Gulpener	Beverages	28	13.2	12.7	12.8	1.3%	
32	VION	Meat processing	10	8,769.1	8,987.9	8,540.4	1.3%	✓
33	Euroma	Herbs/spices/sauces	17	73.0	73.5	71.6	0.9%	
34	Klaas Puul	Seafood	-	142.7	142.8	140.3	0.9%	
35	Vreugdenhil	Dairy	-	457.1	351.8	450.1	0.8%	
36	Compaxo Groep	Meat processing	25	257.9	250.1	255.8	0.4%	
37	Farm Frites	Potato(products)	-	313.8	316.3	315.6	-0.3%	
38	Vergeer Holland	Dairy (cheese)	-	244.1	235.9	246.7	-0.5%	✓
39	Peka Kroef	Potato(products)	-	95.7	86.5	98.2	-1.3%	
40	Kennemervis Groep	Seafood	-	176.1	161.0	181.0	-1.4%	

The companies which have been included in the Fabulous 40 meet certain 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 majority of the shares must be in the hands of Dutch shareholders or foreign private equity parties.
- The companies must not be listed.
- Annual accounts must have been deposited on 31 March 2012 at the latest.

economic dip in Europe as well as a cold and wet summer. The company's focus in 2012 will be on recovering the margins and searching for new opportunities for improving the market position. We have made the commercial decision to produce somewhat lower volumes in the product categories with lower margins. We are now adjusting our production capacity.'

Remia is number 23 on the list this year, with an average growth of 2.9 percent over the 2008-2010 period. They enjoyed the 7th spot in the previous edition, as a result of considerable growth in 2008. The sauce producer certainly hasn't rested on its laurels over the past 2 years. Marne, the mustard market leader in the Netherlands, was purchased in 2010. A complicated deal with Belgian Van de Moortele followed in 2011. Remia purchased Van Dijk Food's sauce activities in August 2011, with a licence to use Gouda's Glorie licence in the retail channel and Van de Moortele will be selling sauces in the food service sector under this same brand name. Remia has granted Van de Moortele the right to sell liquid (frying) fats under this brand name in the retail sector.

This means Remia and Gouda's Glorie will be sold by a variety of manufacturers in various different assortment groups. Even though consolidation waves generally result in a clearer playing field, these deals clearly show this doesn't always have to be the case.



'The top 10 companies of the Fabulous 40 also outperform the listed Food companies'

Bart Jonkman

Table: Listed companies

Company	Net turnover 2010 in € (x000)	Net turnover 2009 in € (x000)	Net turnover 2008 in € (x000)	CAGR (percentage growth)	Position in Fabulous 40 (if included)
Heineken	16.133.000	14.701.000	14.319.000	6.15%	12
Unilever	44.262.000	39.823.000	40.523.000	4.51%	15
CSM	2.990.000	2.556.000	2.599.000	7.26%	17
Wessanen	712.200	702.500	725.400	-0.91%	39

Measure for growth

The Fabulous 40 research is a Dutch counterpart of the British Fast 50 research which is published in the British trade journal The Grocer. The companies included in the Fabulous 40 satisfy five predetermined selection criteria. The companies must be active in the food and beverage production sector and must have their main site in the Netherlands. The turnover must amount to at least €5 million in one of the measured years. The 2010 annual accounts must be filed with the Chamber of Commerce no later than 31st March 2012. The company should not be listed on the stock exchange and the majority of shares must be held by Dutch shareholders or foreign private equity parties.

Data made available from the Chamber of Commerce, Reach and Amadeus, corporate information and public information from websites and interviews is used when acquiring the information needed. The growth percentage of the turnover realised over 2008, 2009 and 2010 is opted for as a measure for growth, the so-called CAGR method (Compound Annual Growth Rate). The research is exclusively organised for Foodmagazine and executed by BlueMind.

Should there be any uncertainty, should discussions arise regarding the inclusion in the list, or should you have any suggestions regarding any possible improvements or other matters, please don't hesitate to contact Stephanie Clerx, BlueMind Corporate Finance: stephanie.clerx@bluemind.nl or (073) 623 87 74.

ACQUISITIONS
MONTHLY
AWARDS
2011

ACQUISITIONS
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AWARDS
2008

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