

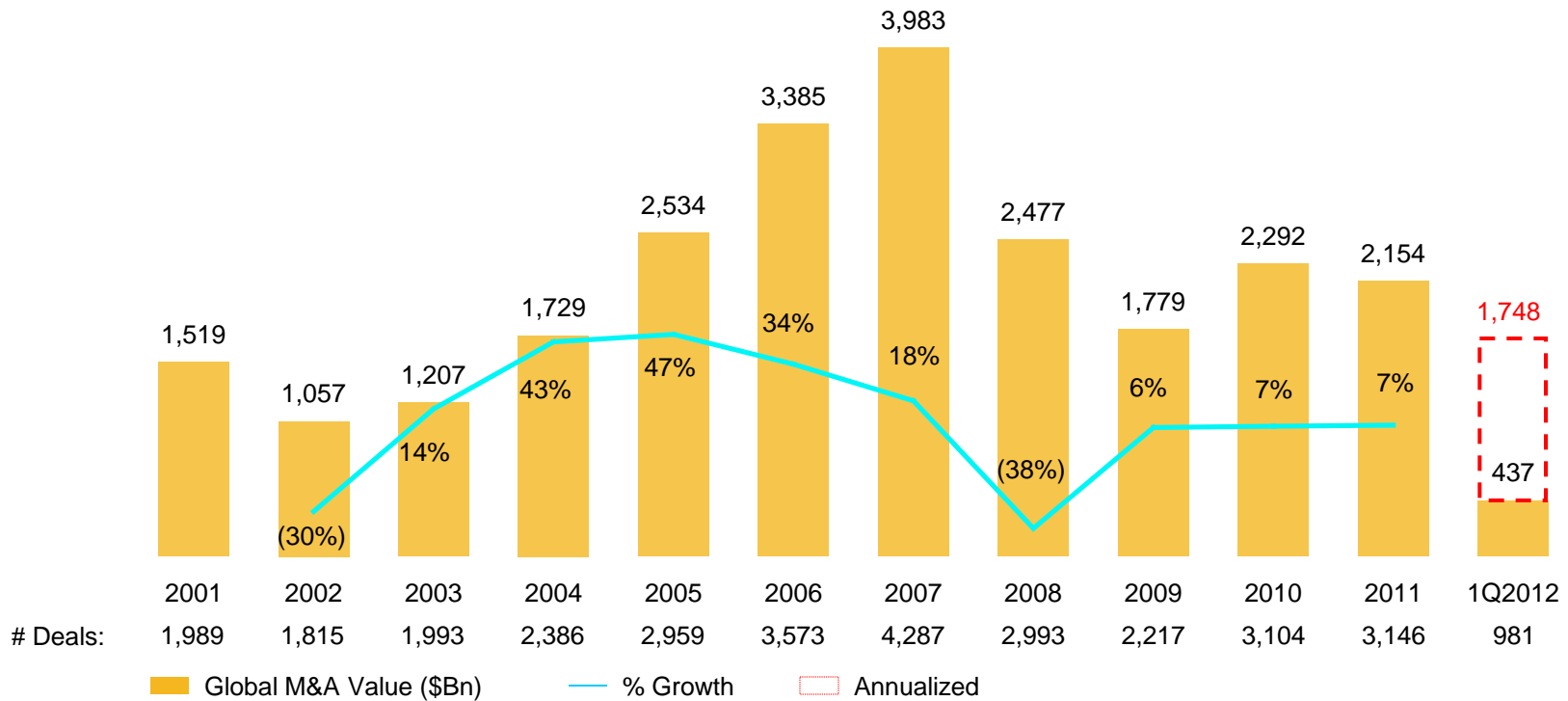
# Global M&A Trends and Implications for the Tuna Industry

May 2012

# Global M&A Deal Volume

## Global M&A Value<sup>(1)</sup>

US\$Bn



Source: Dealogic

# Why Do Companies Participate in M&A?

## Key Drivers of M&A Activity

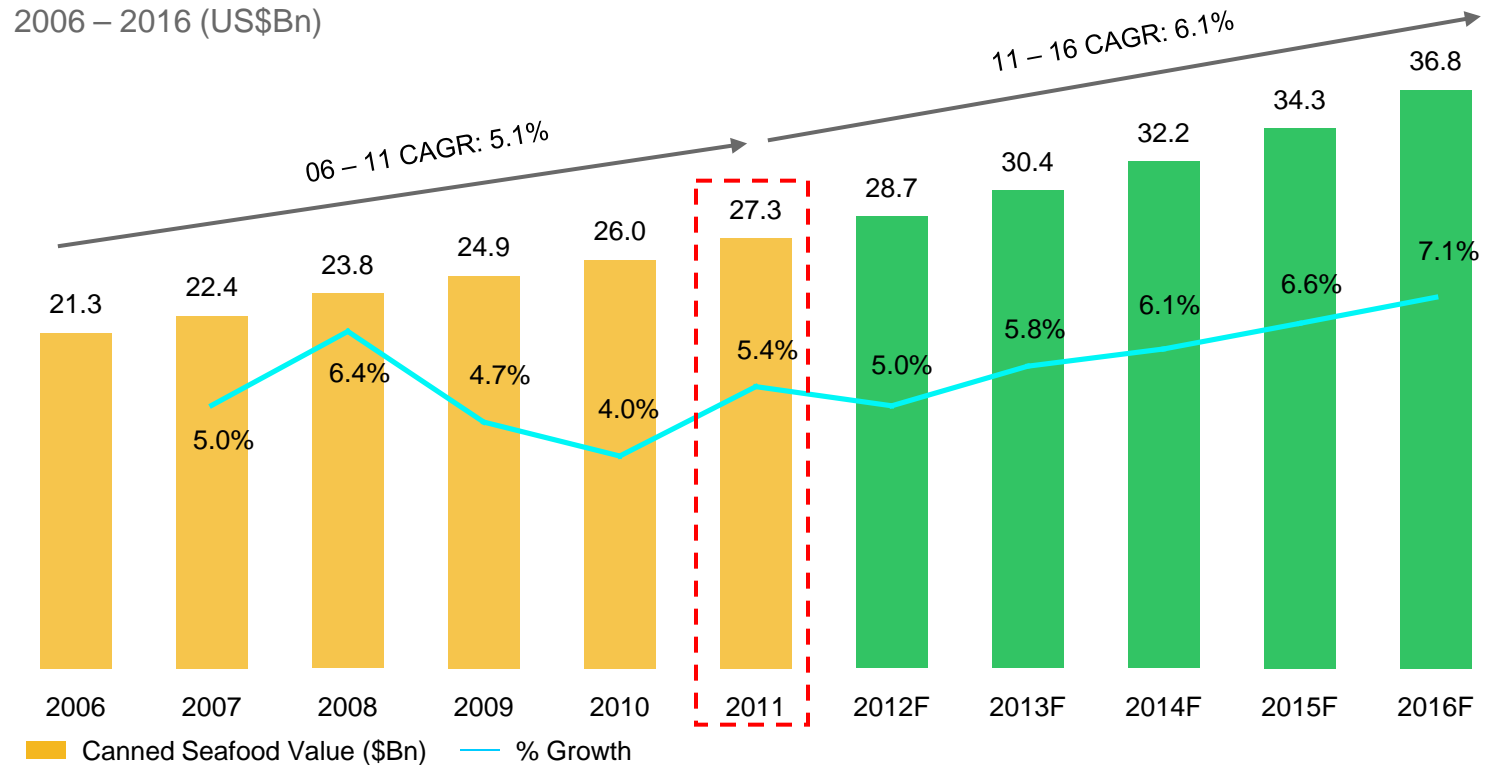
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- ✓ **Generate excess returns over organic growth trajectory**
- ✓ **Synergy from combination (operational / financial)**
- ✓ **Undervaluation of target (i.e. opportunistic)**
- ✓ **Diversification of earnings and reduction of risk**
- ✓ **Highly correlated to GDP**

# Global Canned Seafood Market Today

## Global Canned Seafood Market (1)

2006 – 2016 (US\$Bn)

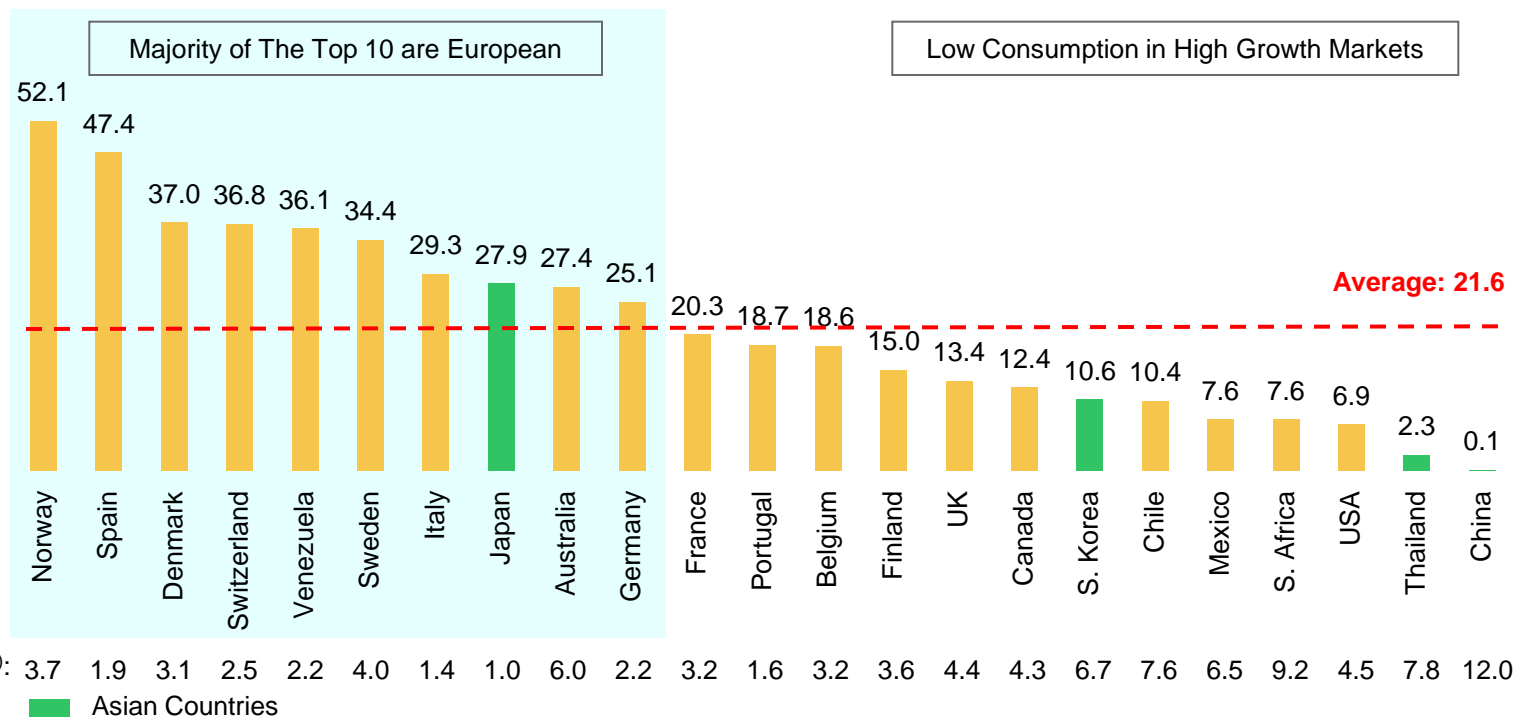


Source: Euromonitor

# Global Canned Seafood Market Today (Cont'd)

## Canned Seafood Consumption Per Capita (1)

By Country 2011 (US\$)



Source: Euromonitor

(1) Includes fish, shellfish and seafood sold in cans and glass jars aluminum/retort packaging. Product types: cod, haddock, mackerel, sardines, tuna, prawns, crab, mussels, anchovies

(2) 2011 – 2016 forecasted GDP Growth

# Key Trends in the Shelf-Stable Seafood Industry

## Increased Focus on Health and Wellness

- Shelf-stable seafood, with high levels of protein and Omega-3s and low levels of fat and cholesterol, has a superior nutritional profile compared to beef, chicken or pork

## Demographic Shifts Driving Increased Consumption

- Increasing dual income or single-parent households – greater demand for easy-to-prepare meals and smaller portions
- In developed markets, aging population who tend to over index in canned seafood and in emerging markets, increasing per capita income driving consumption

## Value-Added Products and Innovative Packaging

- Value-added processed products suitable for a variety of eating occasions
- Pouch and bowl formats along with other innovative meal and ready-to-eat snack options provides enhanced convenience
- Longer shelf life

## Greater Accessibility of Product

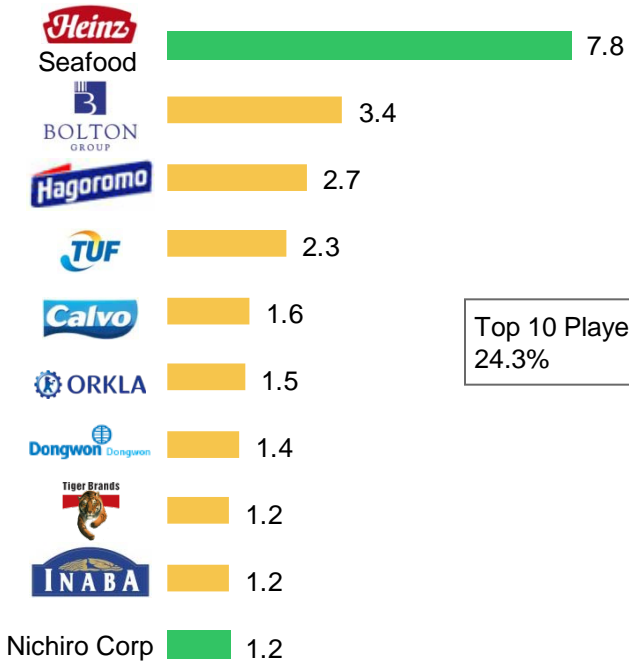
- Canned seafood has been a long-standing consumer staple item
- Lower consumer barriers due to growth of modern trade retail channels, particularly in high-growth emerging markets and rise in household disposable income

# Who Are The Major Players Today?

## Industry Fragmentation With Emergence of New Asian Players

### Top 10 Players in 2001<sup>(1)</sup>

Market Share (%)



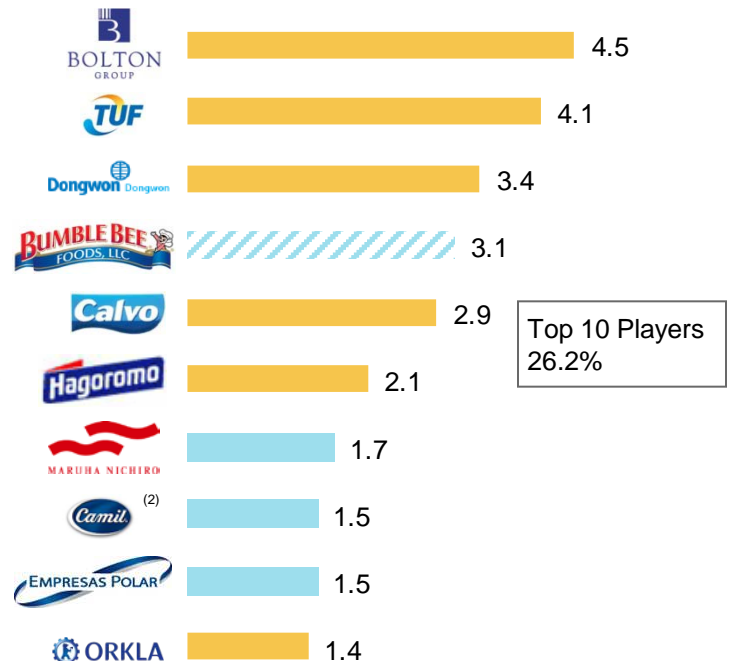
Top 10 Players  
24.3%

■ Indicates Companies Which Have Been Acquired

Source: Euromonitor

### Top 10 Players in 2010<sup>(1)</sup>

Market Share (%)



Top 10 Players  
26.2%

■ Indicates New Entrants from 2001 to 2010

▨ Sponsor-Owned Asset

Source: Euromonitor

(1) Global canned seafood market includes fish, shellfish and seafood sold in cans and glass jars aluminum/retort packaging. Product types: cod, haddock, mackerel, sardines, tuna, prawns, crab, mussels, anchovies

(2) PepsiCo sold its Brazil canned seafood business to Camil Alimentos in 2011

# Key Themes in Shelf Stable Seafood M&A

## Vertical Integration

- Building capability from sourcing to value added products
- Enables passing of increasing raw materials and operating costs to the end consumer
- Control over operations – fisheries to canning – and provides diversification

## Acquisition of Premium Brands that Resonate with the Consumer

- Premium brands command higher margins and greater shelf space
- No truly global brands – typically regionally focused

## Expand Global Footprint

- Globalized raw material sourcing
  - High risk of regional political / regulatory constraints and volatile tuna catches

## Industry Consolidation

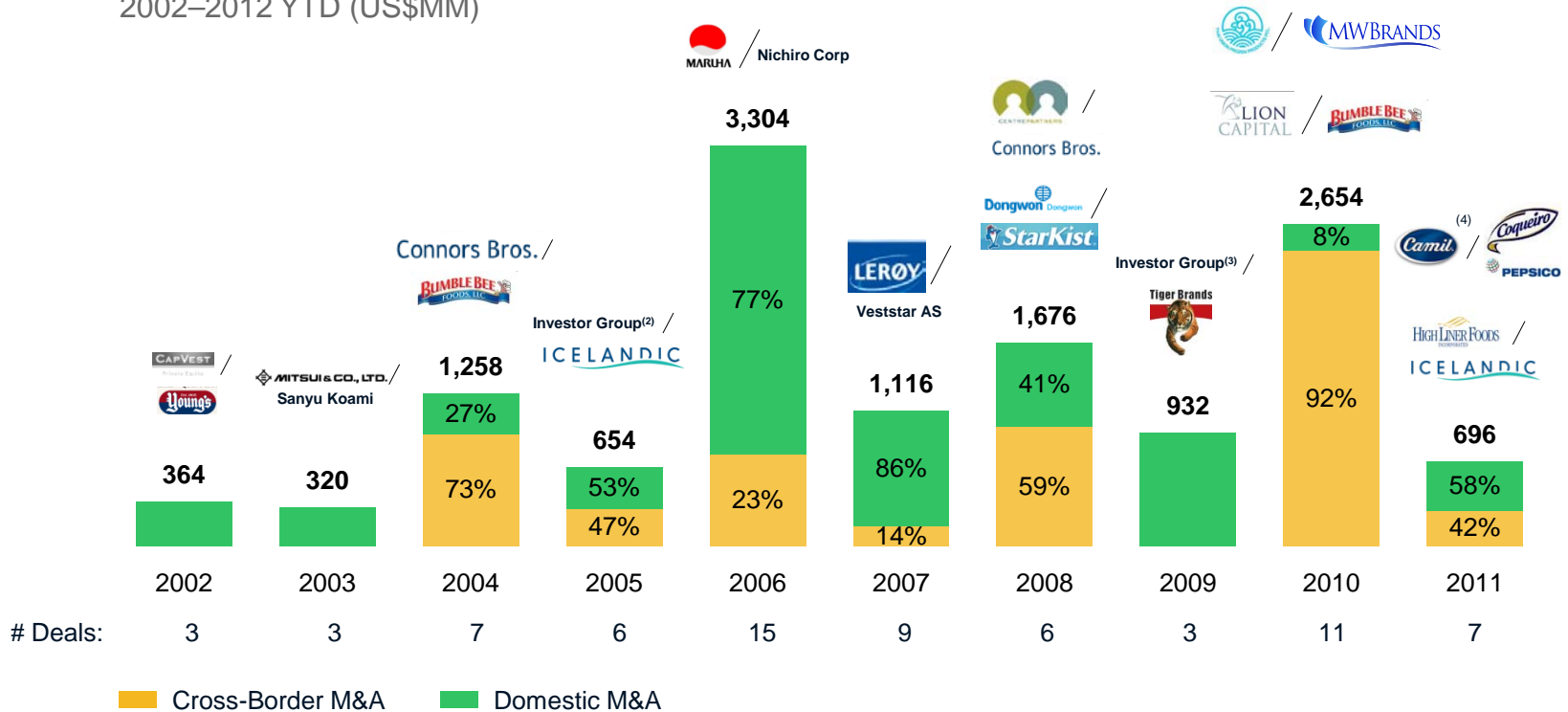
- Competition from large multi-national companies that sell multiple shelf-stable tuna products, own a number of brands, and supply a wide range of geographical markets
- Large food conglomerate companies (e.g. Heinz, Unilever) divesting processing interests to financial holding companies (e.g. Trilantic, Lion Capital LLP, Connor Bros.)



# M&A Activity in the Global Canned Seafood Industry

## Global Canned Seafood M&A<sup>(1)</sup>

2002–2012 YTD (US\$MM)

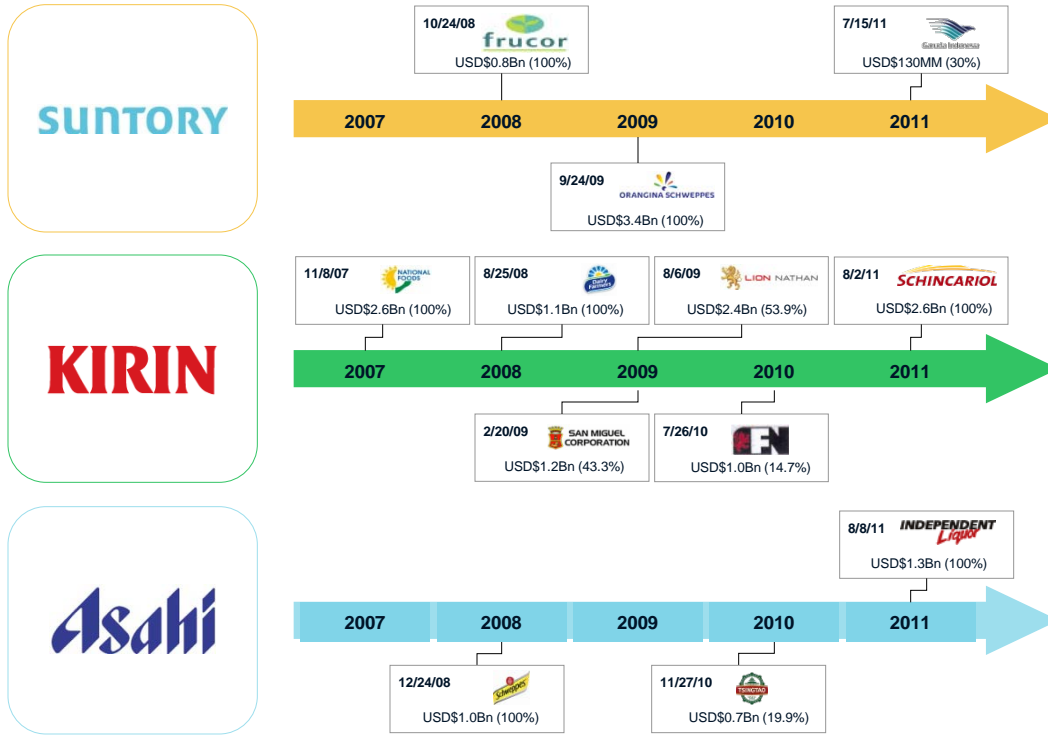


Source: Dealogic

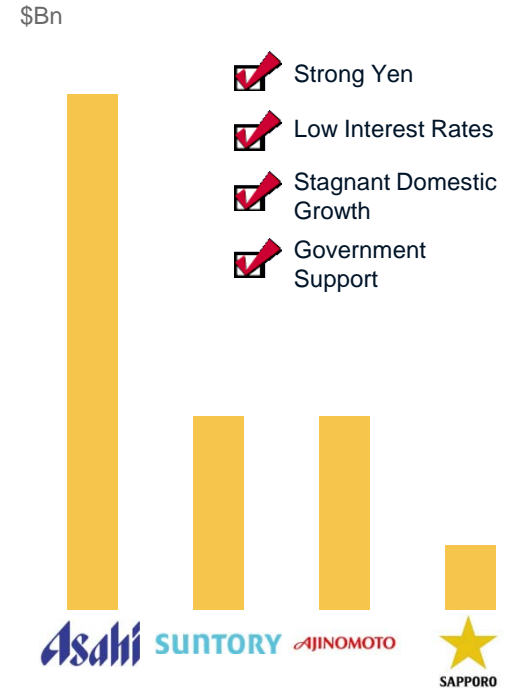
- (1) Canned seafood includes fish, shellfish and seafood sold in cans and glass jars aluminum/retort packaging. Product types: cod, haddock, mackerel, sardines, tuna, prawns, crab, mussels, anchovies. Logos represent the major deals of that year
- (2) Includes ISP, Mirol Investment, BOM Investments and Eimskip
- (3) Includes Brimstone Investment, Mapiitso Consortium Investments, Tiger Brands Black Managers Trust II, Tiger Brands General Staff Trust, Thusani Trust, and Tiger Brands Foundation
- (4) PepsiCo sold its Brazil canned seafood business Coqueiro to Camil Alimentos for an undisclosed amount

# Japanese Acquirers Continue to Be Focused on Food & Beverage Assets

## Kirin, Asahi and Suntory Have Been the Key Consolidators...



## ...With Significant "M&A Budget" to Continue to Pursue Transactions (1)



Source: Nikkei Report (7/6/2011)

# Chinese Increasingly Involved in M&A Dialogue in the Food & Beverage Space

## Changing Outbound M&A Landscape

Chinese M&A Activity Historically Concentrated in Domestic Market...

- Outbound acquisition activity for Chinese corporates has historically been modest, with cumulative transaction volumes of USD\$180Bn over the past 5 years
  - Compares to USD\$222Bn for domestic Chinese acquisitions over the same time period
  - Chinese players have focused primarily on equity capital raisings to support domestic-led growth

...With a Particular Lack of Focus on Outbound Consumer and Retail M&A...

- Consumer and retail related M&A accounted for just 4.1% of total transaction volumes (~USD\$17Bn) over the past 5 years, driven by:
  - Lack of familiarity with the operating environment outside of the domestic marketplace
  - Investors strongly favoring China focused strategies vis-à-vis the pursuit of diversified geographic expansion

...However, Outbound Activity May Increase in Near Term

- However, there is greater perceived interest levels in outbound M&A from corporates, driven by:
  - The desire to acquire products, technologies and brands that could be imported back into China
  - Strong equity currencies in China, relatively low cost of debt funding and decreasing multiples for consumer assets in the U.S. and Europe
  - While this trend has not yet materialized into a meaningful level of M&A activity, Morgan Stanley has registered the uptick in focus

## Significant Interest Has Been Registered Recently

Key Acquirers



Recent Active Situations



TREASURY WINE ESTATES



Nutrition



Morgan Stanley  
Morgan Stanley

Thank You