

YUNO
advisors



PERIODIC MARKET REPORT

Dairy

Vol. 6

August 2021





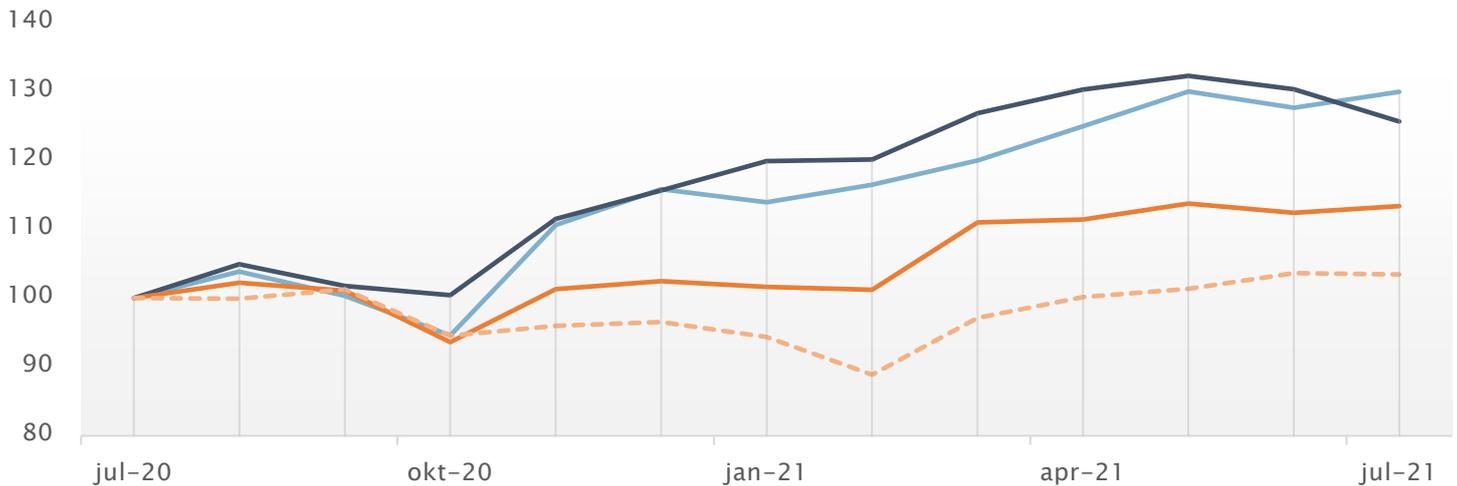
Table of Contents

- Market index
- Market Multiples
- Comparability
- M&A Food Sector
- Transactions
- Highlighted Transactions



01

Market Index Dairy



Dairy index shows upward trend during the pandemic

The graph above compares the price developments of the S&P EUROPE 350 and the S&P Food & Beverage Index with those of a self-composed index concerning the dairy industry, consisting only of listed companies active in the dairy industry (Dairy Index; see next page). Fonterra and Oatly have been excluded of the self-composed dairy index due to a lack of data.

| Index | 5 years | 3 years | 1 year |
|---------------------------|---------|---------|--------|
| S&P EUROPE 350 | 48.2% | 20.1% | 32.1% |
| S&P F&B | 52.6% | 38.1% | 3.0% |
| Dairy (average)* | 6.0% | 1.5% | 12.4% |
| Dairy (weighted average)* | 30.5% | 27.5% | 3.6% |

The chart shows that the Dairy Index (*Dairy Index) has experienced smaller growth compared to the broader Food sector (S&P 350 and S&P F&B). Although on average the index realised a 12.4% y.o.y. price growth (August 2021), in line with strong sectoral growth during the pandemic. Dairy consumption increased during the pandemic. For example, in the UK, consumption of cheese increased by 15.7%, yogurt by 4.1% and butter by 16.1%.

The best performing company in the Dairy Index during the past year has been Ireland's Glanbia with a 41.1% y.o.y. increase. The increase is due to strong demand for Glanbia Performance Nutrition (GPN) products and Nutrition Solutions ingredients (NS), which are both highly linked to an increasing consumer awareness on health and fitness. Hence, the pandemic has been cushioned by strategic decisions from management, with a greater focus on healthy lifestyle products.

The index's worst performing firm is the Japanese Meiji Dairy, which has seen a y.o.y. decline of 20.6% (August 2021). Contrary to the broader market, dairy product sales at Meiji have been in a downward trend since 2018. In an attempt to break this negative trend, Meiji is increasingly focusing on infant nutrition. As a result of the baby boom in Vietnam, this strategy is expected to bring in 650.000 potential customers.

* The price chart is based on the share prices of a selection of leading listed companies in the sector.



Market Multiples

Dairy

02

| Name | Country | Market cap. (€ Billions) | EV*/Sales | | EV*/EBITDA | | EV*/EBIT | |
|---------------|----------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Danone | France | 42.0 | 2.28x | 2.19x | 12.4x | 11.7x | 16.5x | 15.5x |
| Emmi AG | Switzerland | 5.1 | 1.52x | 1.49x | 14.6x | 14.2x | 20.5x | 19.7x |
| Glanbia | Ireland | 4.2 | 1.06x | 1.03x | 13.6x | 12.7x | 23.3x | 19.6x |
| Meiji | Japan | 7.4 | 0.81x | 0.95x | 6.2x | 6.2x | 9.1x | 9.1x |
| Nestlé | Switzerland | 291.0 | 3.93x | 3.75x | 18.2x | 17.2x | 22.4x | 21.2x |
| Oatly | Sweden | 9.5 | 14.76x | 7.95x | - | - | - | - |
| Saputo | Canada | 10.1 | 1.31x | 1.28x | 13.7x | 12.5x | 19.5x | 18.8x |
| Savencia | France | 1.0 | 0.34x | 0.33x | 4.4x | 4.2x | 8.1x | 7.5x |
| Unilever Plc | United Kingdom | 127.0 | 2.93x | 2.81x | 13.2x | 12.5x | 15.9x | 15.1x |
| Median | | | 1.52x | 1.49x | 13.4x | 12.5x | 18.0x | 17.2x |

*EV = Enterprise Value

Listed dairy producers experience moderate growth

Danone and Nestlé are the biggest players within the dairy industry. Together they make up about half of the Peer Group based on market capitalization.

The Swedish Oatly has a relatively high Sales multiple compared to the other peers. Given that the EBIT and EBITDA multiples are still negative it is clear to see that the company is in a growth phase. Oatly has been listed since May 2021 with a market capitalization of €9.5 billion.

The median EBIT multiple 2021 (18.0x) is higher than the EBITDA multiple 2021 (13.4x), indicating a relatively capital intensive industry. A positive outlier in terms of both EBIT and EBITDA multiples is Nestlé, which is primarily attributable to the company's high operational margins.

Dairy has as a sector in general a non-cyclical nature. This stable nature combined with market wide high valuations is reflected in the Peer group (apart from Meiji and Savencia), with a median EBITDA multiple valuation of 13.4x. It is important to note here that for Unilever and Nestlé, dairy sales are a portion of the total sales generated within the various divisions of the companies.

EV/Sales '21: 1.52x

EV/EBITDA '21: 13.4x

EV/EBIT '21: 18.0x

Periodic
Market Report
Dairy



yunoadvisors.com

* Multiples are based on current market values (17 Aug 2021) of a selection of leading listed companies.



03 Comparability Dairy

| Name | Avg. Revenue growth % (2020-2023) | Avg. EBITDA Margin (2020-2023) | Avg. EBIT Margin (2020-2023) |
|---------------|-----------------------------------|--------------------------------|------------------------------|
| Danone S.A | 0.2% | 18.8% | 14.2% |
| Emmi AG | 3.3% | 10.7% | 7.6% |
| Glanbia Plc | 3.3% | 7.5% | 4.8% |
| Meiji | -4.8% | 13.9% | 9.5% |
| Nestlé | 0.4% | 21.5% | 17.6% |
| Oatly | 77.8% | -4.4% | -12.06% |
| Saputo Inc | 3.2% | 10.1% | 7.2% |
| Savencia SA | 3.0% | 7.7% | 4.3% |
| Unilever Plc | 1.8% | 22.1% | 18.7% |
| Median | 2.5% | 10.6% | 7.6% |

Oatly combines strong sales growth with low margins



The companies in the Dairy Index show a diverse picture. The median sales growth over 2020 - 2023E is equal to 2.5%. However, there are two outliers: Oatly (77.8%) and Meiji (-4.8%).

The flip side of the dairy sectors' stable nature is a generally stable but low sector wide growth. Though, during the pandemic the firms have performed well, mainly due to dairy being a primary need in the kitchen, as well as lockdowns causing consumers to stay and consume more at home.

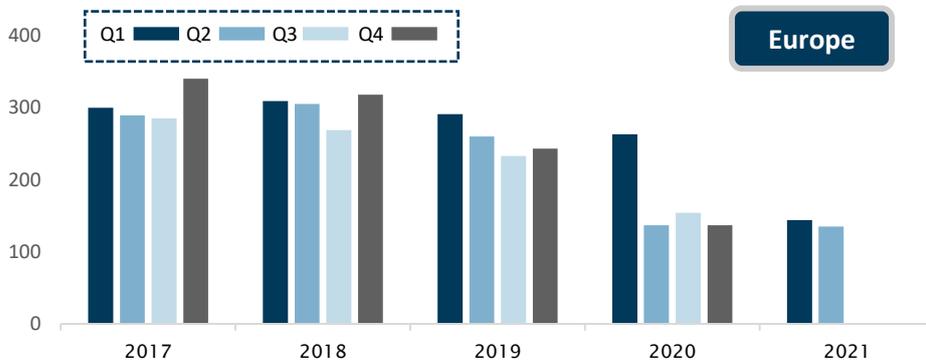
Notable is Oatly, a dairy substitute that has seen a large increase in sales and is expected to continue to grow in the coming years. Dairy substitutes is a growing market in which Oatly has a significant presence. Its sales have increased by 212% between March-October 2021.

The median (expected) EBITDA margins over 2020 - 2023 come out to 10.6%. With the rise of dairy substitutes, traditional dairy producers will increasingly need to evolve in order to maintain their margins and growth. Options are to develop dairy substitutes themselves, before parties such as Oatly have created a 'moat', or buy market share through M&A. In addition, consumer awareness will play a major role for the sector in the coming years and companies will need to focus on the development of alternative products.



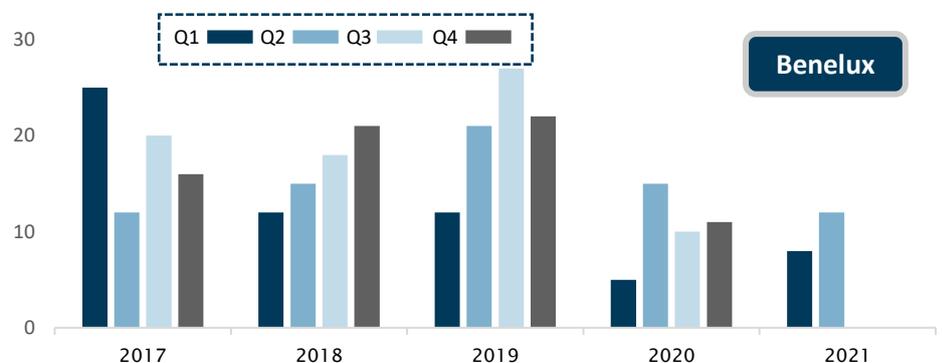
M&A Food Sector

04



Due to the influences of COVID-19, the Food-related M&A market in Europe has seen a decrease in 2020 and Q1 2021. The number of M&A deals decreased from 1,214 deals in 2017 to 691 deals in 2020. In Q1 2021, a total of 144 M&A deals were reported, down 55% from Q1 last year.

In the Benelux, 284 deals have been reported in the Food sector over the past four years. Although the number of deals has remained relatively stable over the period of 2017-2019, strong fluctuations can be seen within the quarters. Furthermore, the effect of the pandemic is again clearly visible. In 2020, around half of the number of food deals (41) were reported compared to the previous year.



The pandemic has had a strong impact on the number of M&A deals



05

Transactions Dairy



Mei
2021

IPO Oatly on NASDAQ



Mei
2021

Saputo acquires Bute
Island Foods



Mrt
2021

Sodiaal acquires Yoplait



Mrt
2021

Lactalis acquires
Agropur's yogurt division Ultima
Foods



Feb
2021

Danone acquires
Follow your Heart



Dec
2020

FrieslandCampina acquires
Dutch Nutrition



Sep
2020

Lactalis acquires
cheese division
Kraft Heinz



Sep
2020

Fonterra acquires
Dairy Country



Mei
2020

Dairy farmers of America
acquires Dean Foods



Dec
2019

Froneri acquires Nestle's US ice
cream division



Transactions Highlighted

06

Oatly goes public

Oatly went public on Nasdaq in May 2021. Oatly may call itself the largest "plant-based beverage" company to go public this year. The IPO raised \$1.4 billion at a valuation of \$10 billion, which the company intends to use. Through this financing Oatly is able to accelerate its scaling process which should lead to increased profitability.



Lactalis acquires cheese division Kraft Heinz and Ultima Foods

In 2020 and 2021 the French Lactalis has completed the acquisitions of Kraft Heinz's cheese division, and the Canadian Agropur's yogurt division Ultima Foods. The acquisitions provide Lactalis with new market opportunities. In particular, the broadening of Lactalis' product portfolio, through the acquisition of the cheese division of Kraft Heinz, should provide a stronger international position. In contrast, the strategic rationale for the acquisition of Agropur's yogurt subsidiary Ultima Foods lies in gaining market share in the Canadian Yogurt business. This acquisition should strengthen domestic sales in Canada by lifting on consumer trends such as a move toward organic consumption. Approximately 1,200 employees from both acquired companies will join Lactalis.



Froneri acquires Nestlé's US ice cream division

Froneri is a joint venture established by Nestlé and PAI Partners to combine the companies' ice cream operations. In 2019 Nestlé sold its US ice cream division to its own JV interest Froneri. The transaction value was \$4 billion, and allows Froneri to instantly become a notable player in the US ice cream sector, next to the regions where it already operates being Europe, South America, Africa and Asia.



About Yuno

“Added value through focus”

Yuno Advisors was established early 2013 by corporate finance experts to fulfill the growing demand for dedicated advisory with in-depth sector knowledge. We are specialised in Food, Consumer, and Retail, and have additionally served a broad number of clients in other industries.

Contact

Thorstein Vrolijk
Partner

+31 (0)6 2888 3325
thorstein@yunoadvisors.com



Nick Vermeulen
Partner

+31 (0)6 1119 8464
nick@yunoadvisors.com



Björn Zuithoff
Senior Advisor

+31 (0)6 4603 1865
bjorn@yunoadvisors.com



Mart van Zon
Advisor

+31 (0)6 8120 3888
mart@yunoadvisors.com



Yuno Advisors
Weesperstraat 98F
1112 AP Diemen
+31 (0)20 240 2235

