

Opportunity to acquire one of Australia's largest specialized contract manufacturers of health, wellness and better-for-you snack products with a long term customer base and consistently growing revenue and profitability

Overview

Founded in 1978, the business is a premium Australian snack food (health bars and chocolate) contract manufacturer based in Melbourne.

- ✓ The business operates from a production facility that has the capacity to produce 3,900 mt p.a. of chocolate and specialty health bars using modern equipment. The chocolate products comprise bars (solid, coated and enrobed) and advanced health food bar lines.
- ✓ All revenue generated is from contract work for some of Australia's leading healthy snack brands. The business does a small amount of bulk / foodservice manufacturing. The business does not manufacture any products under its own brands or retailer 'home brand' products. This is a key factor underpinning the Company's attractive margins.
- ✓ The production facility is experiencing strong demand from its existing customers seeking new and innovative health food and better-for-you products for launch into the Australian supermarkets and export markets.
- ✓ A new Chocolate bar line (**total cost \$2.6m**) has been acquired from Europe and is due to be installed in July 22 which will double capacity and significantly improve employee efficiency.
- ✓ The business is budgeted to generate \$24m of revenue p.a. in FY23 of which 90% is from the manufacture of products for the retail market. **The business has grown its EBITDA from FY20 \$1.1m to FY22B \$3.1m. The forecast FY23 EBITDA of \$4.5m, is driven by the investment in a new chocolate line and continued strong product demand from its customers across the health & wellness category.**

Customer Profile

- ✓ Customers have utilized the business over the long term due to its:
 - ✓ Product innovation and improvement
 - ✓ Focus on the functional food sector
 - ✓ High quality, reliable and nimble manufacturer and co-packer
 - ✓ Chocolate manufacturing capability
 - ✓ Flexible run sizes
 - ✓ Competitive pricing
- ✓ The business currently has around 30 active customers and a few in progress.
- ✓ Customers are all "brand" owners with no supermarket house brands or generics.
- ✓ Top 10 customers:
 - ✓ Represent around 90% of revenue
 - ✓ Purchase a mix of products including nutritional bars and chocolate products
 - ✓ Have an average duration with the business of 9+ years
- ✓ No individual customer represents more than 30% of the revenue.
- ✓ The top three customers are under contract with a further top 10 customer contract under negotiation.
- ✓ Approximately 60% of revenue is under contract.



Key Investment Highlights

1

Manufacturing Facility

- ✓ The business has continually invested in new PPE over the past 10 years.
- ✓ The recent \$2.4m investment in a new Chocolate moulding line will allow factory production volumes to double over the next 18 months.
- ✓ The factory is flexible and can perform small to large product runs which satisfies the different customers based on the customers needs.

2

Loyal Customer Base

- ✓ The business has been operating since 1978 and has built up significant customer loyalty over this period.
- ✓ The top 10 customers have an average duration of 9 years with the company.
- ✓ The business provides its customers with high quality, reliable and nimble manufacturing with flexible run sizes.

3

Growing Product Segment

- ✓ The business is focussed on the manufacture of better-for-you functional foods.
- ✓ The company has experienced strong growth from its chocolate division. The chocolate segment is expected to drive revenue growth in the future.

4

Attractive Customer Profile

- ✓ The business has around 30 customers all of which are leading Australian brand owners who outsource the manufacturing of specific products to the business.
- ✓ The top 10 Customers represent 90% of revenue and no single customer represents greater than 30% of Revenue.
- ✓ Approximately 50% of revenue is under contract.

5

Strong Product Innovation

- ✓ The R&D team have over 50 years experience and is made up of qualified food science and technologists.
- ✓ The plant has modern test facilities and undertakes lab trials and full scale factory trials.
- ✓ Numerous projects are underway for new and existing customers.

6

Attractive Revenue Growth and Margins

- ✓ Average annual revenue growth over the last 3 years in excess of 20% p.a.
- ✓ FY23B gross margin of c.50% and EBITDA margin of 19% is attractive for a contract manufacturer.
- ✓ Specialisation in premium health and chocolate categories supports margins and growth.

Production Capacity – Current v Future Capability

- ✓ The new fully funded chocolate moulding line is expected to be installed in July 22. Once installed, the business will be able to reduce production to one shift, rather than the two shifts that it currently operates whilst also increasing volumes.
- ✓ The new moulding line has the potential for the business to increase annual Revenues to \$42m+ over the next 18 months with no additional capex.

NPD Capabilities and QA

The business has invested in Quality Assurance, Innovation and Technical resources over the past 10 years to attract fast growing customers and create a point of difference from its competitors

- ✓ The company's focus on better-for-you functional foods allows it to leverage its research and new product development (NPD) team.
- ✓ Product IP (formula, knowhow) is owned by the business. This may be transferred to the customer under a manufacturing contract.
- ✓ Currently two employees undertake the NPD for clients based on their marketing and technical requirements.

Summary Profit and Loss

- ✓ The business has achieved consistent revenue growth driven by the success of its customer products and ability to attract new customers.
- ✓ The EBITDA has grown due to the business continual investment in capex over the past few years.

\$000	FY20A	FY21A	FY22B	FY23B
Sales	15,604.3	18,285.1	22,000.0	24,000.0
Gross Margin	7,834.4	8,908.3	10,801.4	11,780.5
Normalised EBITDA	1,103.7	1,970.4	3,230.7	4,472.2
Gross Margin %	50.2%	48.7%	49.1%	49.1%
Normalised EBITDA %	7.1%	10.8%	14.7%	18.6%

The Company's founders have indicated an interest in either seeking a strategic capital partner to fund future growth or to achieve a partial or full exit. The key management are prepared to continue in the business for an agreed period.

An Information Memorandum is available upon execution of an NDA. **Expressions of Interest are due 28 April 2022.**

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