



SELLING TO A BOTTLING PARTNER

Deal snapshot

- Sanpellegrino, a Nestlé (SWX:NESN) company, has sold its Recoaro mineral water brand, business and assets to the Dutch listed group Refresco (AMS: RFRG). The transaction also included a co-packing agreement for three of Sanpellegrino's branded products (Sanbitter Emozioni, Gingerino, and Acqua Brillante) that have historically been produced at Recoaro's bottling facility but were not part of the transaction.
- Recoaro is a high quality mineral water and a long-established Italian brand. It is located in the northeastern town of Recoaro Terme and is sourced from the Conca di Smeraldo, a protected and uncontaminated area surrounded by the Little Dolomites, which provides a distinct water with a balanced mineral salt content and a low presence of sodium.
- Given the co-packing component of the deal, the selection of a reliable partner that at the same time could maximize the value of the business was key. Out of the multiple offers received, Refresco, the independent Dutch bottler of soft drinks and juices for retailers and top-level brands in Europe and the USA, was selected for its proven track record as a co-packer as well as for its production, global sourcing and local R&D capabilities. Refresco's 2015 revenues amounted to over US\$2 billion.
- Sanpellegrino, the undisputed Italian leader in the mineral water and soft drink beverage industry, acquired Recoaro in 1988. In 2015, the company's revenues were over US\$1 billion.



Transaction rationale

In recent years, Sanpellegrino's strategy has been to focus its efforts on its international mineral water brands (Sanpellegrino and Acqua Panna) and a few targeted domestic brands (Levissima and Nestlé Vera). Consequently, the company decided to divest its Recoaro business following the sale of the Pejo and S. Bernardo brands.

Our role in the transaction

Oaklins' Italian team advised Sanpellegrino throughout the sale process, identifying potential buyers, managing the auction process, coordinating the buyer selection process as well as contributing to the negotiation of the legal documentation, including the co-packing and brand coexistence agreements.



Market trends and deal drivers

- The bottled water market has become the world's fastest-growing drinks market and it is expected to reach US\$280 billion in value by 2020, approximately 8–9% CAGR. This growth is mainly due to rising customer concern regarding their health and wellness, which has triggered an increase in consumption of water and healthy soft drink alternatives.
- In 2013, the global bottled water market accounted for more than 250 trillion liters, and continues to show signs of persistent growth. The top 10 countries represented 75% of global consumption, with Italy – which ranked seventh – being the highest in Europe.
- The Italian bottled water market is highly fragmented. The industry includes 253 brands. In addition, the industry employs over 7,000 people and is worth approximately US\$3 billion. Despite being so fragmented, the top 8 bottled water manufacturing groups account for 73.3% of total production volume.

M&A valuation aspects

- Throughout the valuation process, our team focused on two key aspects: maximizing the value of the asset and the potential savings of a co-packing agreement while maintaining the same quality standards.
- Given the presence of a co-packing agreement, the seller carefully considered the potential buyer's track record and its capacity to deliver the highest standards.
- As the deal is a combination of an asset deal and a co-packing agreement, standard metrics can only be partially applied (M&A multiples, listed companies and discounted cash flow).
- Overall, players active in the mineral water sector are benefiting from an increase in their implied valuation multiples. This is mainly being driven by the perceived high quality of Italian mineral water as well as increasing margins due to rising export values.

Oaklins industry specialists



✉ **Marco A. Vismara**, Partner, Food & Beverage Specialist, Oaklins, Italy

Marco has extensive experience in the food & beverage industry, having been involved in the sector since 1990. He has advised Sanpellegrino not only on the sale of Recoaro to Refresco but also on the sale of the SanBernardo mineral water brand, business and assets to Gruppo Montecristo, a fast-growing Italian mineral water and soft drinks player. He also advised on the sale of Preziosi Food, a savory and sweet snacks producer, to the Italian private equity firms Vertis and Hat via a leveraged management buy-out. Marco has served on the board of directors of several Italian food companies.

OAKLINS HAS CLOSED 82 DEALS IN FOOD & BEVERAGE IN THE LAST FIVE YEARS

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