



Masters 2018



News That Makes Teeth Whiter, Clothes Brighter, and Life Just Plain Better

## Transaction News

*Just like on Sunday at Augusta, every shot makes somebody happy.*

### The Consumer Biz Buzz

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- **JAB Holdings** is buying **Dr Pepper Snapple** for \$21 billion, combining it with **Keurig Green Mountain**. It is the biggest PE deal since 2016, and **Mondelez** is one of the investors.
- **General Mills** is paying \$8 billion for pet food company **Blue Buffalo**. It is the second-largest pet deal ever, and the price represents a 17% premium per share.
- **Bacardi** is buying the remaining 70% of **Patrón** tequila, at a total valuation of \$5 billion. This came shortly after **Pernod Ricard** bought the rest of **Avion** tequila.
- **GlaxoSmithKline** is paying \$13 billion to **Novartis** for their 37% share of the consumer products JV owned by the companies. The brands include *Sensodyne* and *Panadol*.
- Meanwhile, **Pfizer** can't seem to find a buyer for their consumer business. **Reckitt Benckiser** and **Glaxo** have both dropped out as bidders, although **P&G** may be in now.
- **Clorox** is paying \$700 million for **Nutranext**, the nutritional supplements company formerly known as **Wellnext**. The seller is PE firm **WM Partners**.
- **Smucker** is paying \$1.9 billion for **Ainsworth**, maker of the *Nutrish* premium pet food brand. The happy seller is **L Catterton**.
- **Buderim Group** of Australia bought **Royal Hawaiian Orchards**. They will merge it with their *MacFarms* brand to become the #1 macadamia nut marketer in the US.
- **Edgewell Personal Care** bought **Jack Black**, a men's skincare company.
- **L'Oreal** is buying **ModiFace**, the Canadian company behind *Makeup Genius*. The app lets consumers try out makeup online.
- **Spin Master** bought the *GUND* brand of stuffed animals from **Enesco**. The price was \$79 million.
- **Nestlé** bought a majority stake in **Terrafertil**, the Ecuador-based maker of *Nature's Heart* natural and organic snacks.
- **Hostess** bought the *Cloverhill* brand and other breakfast assets (think pastries) from **Aryzta**, a Swiss food company.

*Private equity firms buy companies so they can sell companies:*

- **Verus Investment Partners** sold **Pittsburgh Brewing**, the maker of *Iron City* beer, to the founder of a nearby mining company.
- **HIG Capital** sold **Matrixx Initiatives**, the *Zicam* company, to **Gryphon Investors**.

## Transaction News

*Continued.*

*Other private equity firms started the buying cycle anew:*

- **Kainos Capital** bought **Bonewerks**, a maker of chef-inspired sauce products.
- **Clayton Dubilier & Rice** is buying 60% of **American Greetings**.
- **New Water Capital** invested in **Pegasus Foods**, a contract maker of frozen snacks and appetizers.
- **Runnymede Investments** bought **Smuttynose Brewing**, the largest craft brewer in New Hampshire.

- **Alliance Consumer Growth** bought a minority stake in **Harry's**, the direct-to-consumer shaving company.
- **2x Consumer Growth Partners** and **AHR Growth Partners** invested in **Surratt Beauty**, a luxury color cosmetics brand.

*You may have seen the "For Sale" signs:*

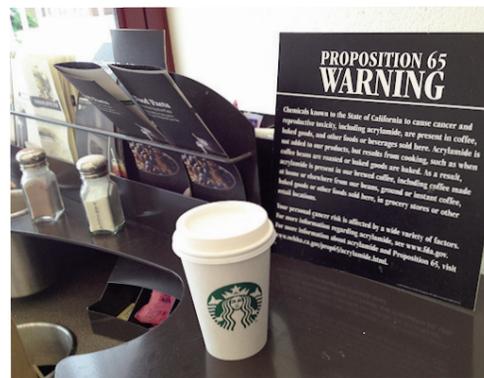
- **NECCO**, the maker of *Necco Wafers* and other confections, is apparently on the block. **American Capital** is the PE owner.
- **Newell Brands** will slim down. Brands outside their core focus include *Rawlings* sporting goods and *Goody* hair products.



## Courtrooms and Bureaucracy

*We have some friends who are lawyers. And better friends who used to be lawyers.*

- The latest legislation to protect us from ourselves comes from California (surprise!). A judge there ruled that **coffee must carry a cancer warning**. The concern is that acrylamide forms when beans are roasted.



- **Tyson**, **Pilgrim's Pride**, and **Sanderson Farms** were among the chicken companies sued by Sysco and US Foods. The distributors allege price manipulation by the processors.
- **Smucker** is no longer buying *Wesson* cooking oil from **Conagra**. The feds saw it as creating a potential monopoly situation in the all-important vegetable oil segment of our economy.

## Expanding & Contracting

*With all due respect, we prefer the former.*

- **PepsiCo** announced plans to cut about 1,000 jobs. The restructuring will cut costs in response to falling beverage demand.
- **Kimberly-Clark** plans to cut up to 5,500 jobs, or 13% of workers. They will close 10 plants.

- **Campbell Soup** is closing a factory in Toronto. About 380 jobs will go away as the company deals with declining soup sales.

## People News

At Augusta, they still update the leaderboard manually.

### CEOs

- **Jan Zijderveld** is the new CEO of **Avon Products**, the non-US part of the direct selling icon. He was at **Unilever**.
- **Dave Burwick** joined **Boston Beer** as CEO, stepping in from the board. He was at **Peet's Coffee** and **PepsiCo**.
- **Sandy Douglas** joined **Staples** as CEO. We care because he was at **Coca-Cola**.
- **Giannella Alvarez** joined **Beanitos** as CEO. She was at **Harmless Harvest**, with more corporate gigs at **Del Monte**, **Barilla**, **Kimberly-Clark**, and **P&G**.
- **Mike Axelrod** joined **Passport Food Group** as CEO. His prior roles include **TreeHouse Foods**, **McCain Foods**, and **Kraft**.
- **Rob Leibowitz** joined **Kite Hill**, a maker of plant-based alternative dairy products, as CEO. He was at **TSG Consumer**, where he ran **Raybern Foods**, with earlier stints at **Del Monte** and **Mars**.
- **Terry McDaniel** joined **Ronnoco Coffee** as CEO. He was at **Inventure Foods**, **Wise**, **Nestlé**, and **Tropicana**.
- **Heidi Manheimer** and **Joyce Avalon** joined **Surratt Beauty** as chairman and president, respectively. Heidi was at **Shiseido** and Joyce was at **Space NK**.
- **Etienne Patout** is joining **Theo Chocolate**, a maker of organic chocolate, as CEO. He was at **Pharmavite**, **Kellogg**, and **Kraft**.
- **Jeff Ansell** joined **Vestar Capital Partners** as a senior advisor. He worked with them for six years as the CEO of **Sun Products**.

*A couple of moves failed to utilize a highly-skilled executive recruiter.*

*Or our competitors:*

- **North American Breweries**, the *Labatt* people, promoted **Adrián Lachowski** to CEO. He ran the Central America business.
- **Tupperware** promoted **Tricia Stitzel** to CEO. She has been the company's COO since late 2016.

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## People News

### Presidents and GMs

Continued.

- **Philippe Pinatel** joined **Estée Lauder** as global GM of *MAC Cosmetics*. He was at **Birchbox**, **Sephora**, and **Guerlain**.
- **Oren Lewin** joined **Peju Winery/Liana Estates** as GM. He entered the wine business after **Nabisco** and **Clorox**.
- **April Anslinger** is joining **Estée Lauder** as GM of North America for *Aveda*. She was at **Schwan Food** and **P&G**.
- **Debbie Perelman** stepped in from **MacAndrews & Forbes** to become COO of **Revlon**. Her father, **Ron Perelman**, runs the investment firm that owns the company.

*Other moves failed to support the vital headhunter sector of our economy:*

- **Nestlé** promoted **Steve Presley** to CEO of the US business, stepping up from CFO. He succeeds **Paul Grimwood**, who is now the non-executive chairman.
- **Henkel** named **Stephan Fuesti-Molnar** as president of North American consumer goods. He ran the business in Germany.
- **Smucker** named new business unit leaders as **Steve Oakland** retires. **Joe Stanziano** will be GM of coffee, **Tina Floyd** will be GM of consumer foods, and **Amy Held** will lead strategy and M&A.

### Sales and Marketing

- **Martin Renaud** joined **Mondelez** as chief marketing officer. He was at **Danone**.
- **Bibie Wu** joined **Del Monte Foods** as CMO. She was at **Henkel/Sun Products**, **Pepperidge Farm**, and **General Mills**.
- **Gail Tifford** joined **Weight Watchers** as chief brand officer. She was at **Unilever** and **Viacom**.
- **Andrew Archambault** joined **Keurig Green Mountain** as chief customer officer. He was at **Nature's Bounty**, **Bacardi**, and **Coca-Cola**.

- In a related move, **Bob Goode** succeeded **Archambault** as chief customer officer at **Nature's Bounty**. He was at **J&J**, **LVMH**, and **Warner-Lambert**.
- **Dean Gold** joined **Just Desserts** as VP of sales. He was at **Kraft Heinz** and **Dannon**.
- **Jean-Marie Heins** joined **Broken Shed Distilleries**, the maker of *Broken Shed* vodka, as CMO. She was at **Sidney Frank**.

*Yada yada about promotions from within:*

- **L'Oreal USA** is promoting **Gretchen Saegh-Fleming** to CMO. She has been at the company since 2012.

## People News

### Other Functions

Continued.

- **Rod Little** joined **Edgewell Personal Care** as CFO. He was at HSN, **Elizabeth Arden**, and **P&G**.
- **Alex Pease** joined **CommScope**, a technology company, as CFO. He was at **Snyder's-Lance** and **McKinsey**.
- **Maria Sceppaguercio** is joining **Keurig Green Mountain** as SVP of investor relations. She was at **Pinnacle Foods**, **Revlon**, **Ann Taylor**, and **Nabisco**.
- **Rich Libby** joined **Herbalife** as CIO. He was at **Shaklee**, **Gap**, and **JPMorgan**.
- **Matthew Amigh** joined **Lenny & Larry's** as CFO. He was at **Reybern Foods**.

*Enough with the internal moves!*

- **Mars** promoted **Stefanie Straub** to general counsel for the company. She held a similar role in their **Wrigley** division.
- **Molson Coors** promoted **Lee Reichert** to chief legal and corporate affairs officer. He joined the company in 2002.
- **Clorox** promoted **Kevin Jacobsen** to CFO as **Steve Robb** retires. Kevin joined the company in 1995.
- **L'Oréal** promoted **Jean-Claude Le Grand** to EVP of HR as **Jérôme Tixier** retires. Jean-Claude joined the company in 1996.

### Board of Directors

- **Deanie Elsner** joined the **Owens Corning** board. She runs the US snacks business at **Kellogg**.
- **Debra Crew** and **Peter May** joined the **Mondelez** board. She was the CEO of tobacco company **Reynolds American**, and he is a partner at hedge fund **Triam**.
- **Brett Icahn**, **Patrick Campbell**, **Andrew Langham**, and **Courtney Mather** joined the **Newell Brands** board. All are affiliated with **Icahn Capital**, the activist firm that now owns 7% of the company.

- **Nancy Reardon** joined the board of **Signet Jewelers**. She was the chief HR officer at **Campbell Soup**.
- **Michael Hartman** joined the board of **KonaRed**, the Hawaiian coffee company. His marketing background includes **Chuck E. Cheese**, **Busch Gardens**, and **PepsiCo**.
- **Ralph Santana** joined the board of **Dollar General**. He is the CMO of **Harman**, an audio products company, and his early days were at **PepsiCo**.
- **Ynon Kreiz** added **Mattel's** chairman title to his board role. He has run media companies.

### Obituaries

- **Erivan Haub** died at 85. He was CEO of the German company that bought **A&P** in 1979, and he and his sons spent two decades trying to revive the chain.



## Marketing & Strategy

You don't get to Augusta by laying up.



- **Metallica** is working on a whiskey brand. They have partnered with **Dave Pickerell**, the former master distiller of *Maker's Mark*.
- Meanwhile, **Ryan Reynolds** bought a significant stake in *Aviation* gin, which is from **Davos Brands**. Frankly, we are more excited about his new *Deadpool* sequel.
- Marketers continue to have "What were they thinking?" moments. Exhibit A is **Heineken**, who had to pull a *Heineken Light* TV spot that could be viewed as having racist overtones.
- Exhibit B is **Carlton & United Brewers**, the Australian makers of *Rusty Yak Gingery Ale*. They pulled an ad suggesting **red hair is a disease** to be eradicated. People did not understand that it was meant as a joke.

■ **Coca-Cola** is launching their first alcoholic beverage in Japan, after 125 years as a teetotaler. They will enter the Chu-Hi category, which are cans of carbonated flavored drinks made with shochu liquor.

■ **PepsiCo** launched refrigerated nutrition bars under the *Naked* brand. Apparently they are the first to contain real chunks of fruit and vegetables.

■ Meanwhile, **Unilever** is launching *Growing Roots*, a plant-based organic snack. (Think coconut and seed bites.) Half the profits will go to urban farming initiatives.

■ **Diageo** is introducing *Jane Walker*, a limited-edition version of *Johnnie Walker* scotch. Relax, it's only a label change.



## In Closing

Soaring shots and silly shanks.

- In February, **consumer confidence reached the highest level** since 2000. We are not sure why it happened, but we like it.
- Pitchbook reports that **VC firms invested more capital** (over \$84 billion) in 2017 than any year since the dot-com days. But there were slightly fewer deals overall.
- **Unilever** picked Rotterdam over London as they consolidate their dual headquarters. But two of three operating divisions – home care and beauty and personal care – will remain in London.
- The closing of Toys "R" Us means **Loss "R" Us for toy companies**. The chain had problems, but they sold 20% of all US toys.

■ **The new tax law impacts our PE friends.** Interest is only deductible up to 30% of EBITDA, making high leverage less attractive ... and possibly depressing sale multiples. And a company must be held 3 years for capital gains treatment.

■ Since the Masters marks the unofficial start of the golf season, how about a shout out to the CPG sponsors of tournaments? For the PGA they are **Valspar, Sanderson Farms, Barbasol, and Coca-Cola**. And the LPGA has **Hershey, P&G, Evian, and Pure Silk**.

