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Krakakoa – Exit strategy

16/4 Final Presentation

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Primary

- Sabrina Mustopo, Founder & CEO at Krakakoa
- James Constantini, Senior Affiliate Professor of Strategy at INSEAD
- Fr. Due Diligence officer at LVMH, L Catterton
- Investment Professional, Sustainable Food Focused Investment Fund
- Investment Professional, Consumer Goods Family Office

Secondary

- Capital IQ
- Crunchbase
- Preqin
- Factiva
- Krakakoa internal documents
- Company Websites

Executive Summary



Comparable deals

- Limited data suggests **velocity of Asian CPG deals** is increasing with **min. 4** chocolate-specific deals in 2 years
- **Environmental and social responsibility** alone with **limited value** for most investors, however **story of the brand** can be valuable
- Strategic investors look for **fit of scale and value chain** – Krakakoa fit for **smaller acquirer** given small, broad presence
- Strong **founder** often part of **brand story** – Often continues as manager after buy-out

Exit options

- Strategic acquirers require scale, but could be interested in Krakakoa's brand or sustainability capabilities. Krakakoa should work on a scale-up play and strengthen their consumer brand
- Southeast Asia-fund focused on consumer goods could present a good partner, however only few candidates with close fit to Krakakoa. Krakakoa meets many investment criteria, however limited scale will be an issue and CPG-fund might undervalue ESG capabilities.
- Sustainability focused investor could be interested in buying out some investors while simultaneously investing for further growth

Comparable deals

Exit options

Focused investors acquiring CG companies with continued founder involvement seems a trend in small-cap acquisitions



	Susana Balbo	Ohso	Hu	Aalst	BTCOCOA	GKC Foods
Target						
Acquirer						
Description	Winery acquired by CG-focused investor to fuel international expansion, while founder remains CEO	Probiotic chocolate brand acquired by health and wellness focused investor. Founders remain in charge	Global food company Mondelez acquires fast growing premium chocolate brand Hu	Aalst hopes to exploit partnership to further expand into China and other new geographies. Founders remain CEO & COO	Expand Olams footprint in Asia while enabling sustainable sourcing in one of the fastest growing markets in SEA	BC has been expanding in APAC recently. GKC acquisition gives a head start in Australia, establishing direct presence and manufacturing
Date	Feb 2019	Feb 2021	Jan 2021	Aug 2019	Feb 2019	Mar 2019
Valuation	Undisclosed	\$554K	\$250M	\$84M (pre money)	\$94M	Undisclosed
Key learnings	<ul style="list-style-type: none"> Focused investors Founder value Sustainability Premium 	<ul style="list-style-type: none"> Focused investors Founder value Proprietary technology 	<ul style="list-style-type: none"> Scale needed Strategic fit Innovation need 	<ul style="list-style-type: none"> Local acquirers Scale Needed Value chain fit 	<ul style="list-style-type: none"> Supply chain asset Long term partnership Building core strengths 	<ul style="list-style-type: none"> Strategic fit Value chain fit
	<i>Financial investors</i>			<i>Strategic investors</i>		

Susana Balbo Wines: high-end mid-sized winery in Argentina acquired by specialized financial investor



COMPARABLE DEALS

L Catterton buys majority share Susana Balbo Wines

Investor

L CATTERTON

- Consumer-brands focused PE fund
- Collaboration between LVMH, Groupe Arnault and Catterton

\$25B
AUM

200+
Investments

Target

- Argentinian female-founded winery
- Committed to highest standards of sustainability and corp. social responsibility

\$12M
Sales

~9%
Rev. growth

Transaction Info

- Transaction date: April 2019
- Transaction stake: 68%
- Price: Undisclosed

Deal Rationale

- Susana Balbo Wines had established a **premium export brand** based on high-quality wines and a high level of CSR
- L Catterton already with investment in **competing winery**
- Balbo and her family **remains in control of daily operations**, calling it a Strategic Partnership
- Stated goal of the partnership is to **fuel global expansion**, driving growth in key export markets

“The success of Susana Balbo Wines is the product of hard work and an unwavering commitment to our environment, our people, and our community.(...) we are eager to invest back into the business, while maintaining the fundamental business philosophy.”

Susana Balbo, Founder

Business Model of Target

- Produces high-quality wine for export through 4 main brands: Crios, Susana Balbo, Nosotros, and BenMarco
- As a winery, grows grapes at self-owned farms
- Serves tourists with experiences and 2 restaurants

Key learnings

Focused investors

Investors like L Catterton are **focused on consumer brands specifically**, and could show interest despite limited scale

Founder value

Despite buyout, founder can **stay on with minority stake**, controlling daily operations and leveraging resources of investor

Sustainability Premium

Some professional investors view sustainability as a differentiating factor, enticing a higher price from customers

Ohso: Luxury chocolate with added live cultures acquired by financial investor



COMPARABLE DEALS

S-Ventures buys majority stake in probiotic chocolate brand Ohso

Investor

S Ventures

- Health, wellness, organic food and wellness focus
- Listed in UK and serving clients in Europe

2020
Launch

3
Investments

Target

ohso

- Probiotic cultured chocolate to support digestive health as daily delicious treat
- Established in 2009 in the UK

\$432k
Sales

Transaction Info

- Transaction date: February 2021
- Transaction stake: 75,1%
- Price: \$416k

Deal Rationale

- S Ventures is expanding its portfolio of small wellness, health and organic focused companies in the UK
- The founders - who **remain in control of daily operations** - have been granted options to sell their remaining 24,9% to S-ventures contingent upon future financial performance
- Ohso, with investment in hand, seeks to expand its range in new products and considers licensing its technology to other major brands




Business Model of Target

- Ohso chocolate adds good bacteria probiotics to its confectionary, to be consumed as a healthy alternative to yogurt
- Distribution via subscription, online retail and high street retailers

Key learnings

Focused investors




Investors like S Ventures focus on niche consumer product brands with strong foundations, acting as an enabling platform to scale

Founder value



Despite buyout, founder can **stay on with minority stake**, controlling daily operations and leveraging resources of investor

Proprietary technology



Investor see a premium in proprietary technology that can be applied to other products

Hu: Mondelez, as a strategic acquirer, takes over Hu to strengthen its healthy snack business



COMPARABLE DEALS

Mondelez acquires better-for-you chocolate maker Hu

Investor



- American multinational confectionery, food, and beverage company
- Market leader after Mars and Ferrero

27 bn \$
Revenue 2020

>5
Investments in
healthy snack
sector

Target

- Founded in 2012 in New York
- Premium chocolate brand
- Expanded its portfolio to grain-free crackers, chocolate covered nuts and fruits



~100 m \$
Revenue 2020

Transaction Info

- Transaction Date: Jan 2021
- Valuation: ~250 mn \$

Deal Rationale

- Since 5 years, Mondelez started investing in **healthy snack brands** as consumers' eating habit shift, adding brands such as Tate's and Perfect Snacks
- In 2019, Mondelez took a **minority stake** in Hu Products through **SnackFutures**, its innovation and venture hub dedicated to unlocking emerging snacking opportunities
- In 2021, Mondelez **acquired** remaining 93% stake in **Hu for ~\$230m**

"Smaller deals allow us to remain what we want to be, which is a great snacking company."
Dirk Van de Put, Mondelez's CEO

Business Model of Target

- Hu's business model circles around its strong brand that is based on **wellness, vegan and paleo-friendly snacks**
- Ingredient integrity and transparency, sourcing high quality and healthy ingredients, including organic cacao and unrefined coconut sugar

Key learnings



Scale needed

Strategic acquirers, esp. multinational corporates, look for companies that add **marginal revenue and value**



Strategic fit

Strategic acquirers, more so than VC or PE funds, lay out a **specific investment theme** and search for companies that complement them regarding the theme



Innovation need

Consumer habits in the food industry are **shifting** towards healthy and sustainable making it crucial for corporates to innovate, organically or through M&A


Aalst: In Singapore, Agribusiness Wilmar acquires Aalst stake from financial investor to expand value chain presence



COMPARABLE DEALS

Wilmar acquired Aalst stake from KV Capital

Investor



43 bn \$
Revenue 2019

50+ countries
Distribution network

- Asia's leading agribusiness group, HQ'd in Singapore
- Activities include oil palm cultivation, edible oil refining, sugar milling and refining, etc.

Target



\$50-100M
Revenue 2016*

\$84m
Pre-money valuation

- Singapore-based chocolate manufacturer founded in 2003
- Highly-automated production in Singapore with global sourcing

Transaction Info

- 2015: KV Capital, a mid-cap Asia-focused PE firm, initially acquired a 40% stake
- 2017: Wilmar acquired 50% stake for \$48M, including \$34M stake from KV Capital

Deal Rationale

- Aalst hopes to exploit partnership to further expand into China, a rapidly growing chocolate market, and expand into new geographies
- Founding couple remains in control as CEO and COO
- Management cites future ambitions of IPO

"Wilmar is a leading manufacturer of specialty fats used in the manufacture of chocolates and compounds, and Aalst Chocolate, with its long experience and expertise in chocolate and compound-making, is our ideal partner to expand our offering and services to bakery products and confectionery manufacturers."

Kuok Khoon Hong, CEO of Wilmar

Business Model of Target

- Manufactures chocolate couvertures and compounds from highly automated factory in Singapore for both B2C and B2B customers. Exports 98% of products.
- Claims to source ingredients from reputable suppliers that follow the best practices in sustainability

Key learnings

Local acquirers



Asian-based strategic acquirers exist, and Asia-focused funds invest into chocolate manufacturing specifically

Scale needed



Strategic acquirers, esp. multinational corporates, look for companies with a **minimum revenue and value**

Value chain fit



Strategic acquirers are looking for **complements to their existing operations** – Krakakoa

Note: *) 15,000 MT sales, assuming price of ~3-7 USD / kg
Source: Capital IQ; sgsme.sg; Company Website

Olam acquires BT Cocoa to capitalise on Asia's trajectory to become largest global producer of cocoa powder



COMPARABLE DEALS

Olam acquires BT Cocoa, Indonesia's largest cocoa processor

Investor



- HQ in Singapore
- Major food and agri-business company across 60 countries
- One of the largest suppliers of cocoa beans, coffee & rice.

32 Bn \$
Revenue 2020

>30
Years of
experience in
the industry

Target

- B2B cocoa powder supplier
- Founded in 1983 and provider of Cocoa to about 50 countries
- Actively cares about sustainability issues, launched BT Care



28.4
Mn \$
Revenue
2019

Core Info

- Transaction Date: Feb 2019
- 85% stake for \$90mn, rest remains with the founders
- Brings Olam to Asia's traceable sourcing

Deal Rationale

- Rapidly expand Olam's cocoa footprint in Asia, enabling Olam to sustainable sourcing in one of the fastest growing market.
- Strong strategic fit: Breadth, scale and sustainability all over the world combined with similar strengths in Asia
- Olam and BT cocoa had been working 3 years already before the deal, making continuous financial and operational improvements .
- Addressing future trends: Asia's demand CAGR was expected to be 8% and if such deal wasn't made, heavy competition from the local geography was in horizon

Target Business model

- Asia largest cocoa ingredient producer, leveraging a fully integrated cocoa supply chain
- Cocoa experts: Decades of shared processing knowledge
- Prioritizes food safety, compliance, operational health and safety, and protecting the environment

Key learnings

Supply chain asset



Many strategic acquirers proposes acquisitions just to build upon suppliers and distribution capabilities.

Long term partnership



It is worth spending resources in partnering with right companies to strengthen key levers. Partners can be acquirers.

Building core strengths



Diversifying has its benefits but when it comes to inching towards acquisitions strengthening core capabilities go a long way.

GKC Foods: Barry Callebaut acquires GKC Foods to grow its operational presence in Australia



COMPARABLE DEALS

Barry Callebaut acquires GKC Foods in Australia

Key learnings

Investor




4 bn \$
Revenue 2020

- Located in Zurich
- One of the world's leading chocolate company, with growing presence in APAC
- Active M&A activity

>15
M&A deals in the last 10 years

Target



- B2B chocolate manufacturer
- Founded in 1980 in Melbourne
- Active in Australia and New Zealand

10 mn \$
Revenue 2019

Core Info

- Transaction Date: March 2019
- Undisclosed
- Majority stake transaction



Deal Rationale

- Barry Callebaut consistently grew its presence in APAC, now operating >10 factories
- Recently, BC further expanded its sales operations in Indonesia and Philippines, builds a factory in India, and tries to expand into further APAC markets
- GKC Food's acquisition gives BC a head start in Australia establishing direct presence and manufacturing capacity to cater the market

"We strongly believe in the growth of the Australian chocolate market. (...) We will further grow our competitive advantage through the acquisition (..) GKC Foods manufacturing facility."
Ben De Schryver, President Asia Pacific




























Target Business Model

- GKC Foods does not have its own brands or direct consumer sales channels
- Pure B2B business model focusing on private label and contract manufacturing

- Strategic fit**
- 
- Strategic acquirers, more so than VC or PE funds, lay out a **specific investment theme** and search for companies that complement them regarding the theme
- Value chain fit**
- 
- Strategic acquirers are looking for **complements to their existing operations**

We found few but increasing number of chocolate transactions



Target	Acquirer	Country	Date	Valuation	Business model
 Marou Chocolate	 Mekong Capital	Vietnam	Mar-21		Manufactures dark chocolate while working directly with local cacao farmers
 Imperial	 Chocolates Valor	Portugal	Mar-21		Manufactures chocolate products
 Blommer Chocolate	 Fuji Oil Holding	Malaysia	Feb-20	\$8M for 28%	Develops, manufactures and markets industrial chocolate
 Kras	 Braca Pivac	Croatia	Nov-19	\$37M for 18%	It manufactures and sells confectionery products
 La Suisse	 Colussi	Italy	Jul-19		Manufactures and markets confectionery products
 Bumitangerang Mesindotama	 Olam International	Indonesia	Feb-19	\$90M for 85%	Manufactures and distributes cocoa powder, cocoa butter, and cocoa liquor.
L&M Mayson	 Lotte Confectionery	Myanmar	Oct-18		Manufactures and markets bread, cookies and pies
 Lily O'Brien's	 Colian	Ireland	Jan-18	\$48M	Manufactures chocolate bars and snacks
 Darrell Lea Confectionery	 Quadrant Private Equity	Australia	Jan-18	\$200M	Manufactures and retails confectionery products
 Hancock Cash & Carry	 American Wholesale	UK	Apr-17		Sweets and chocolates wholesaler to independent businesses
 Fannie May	 Ferrero	USA	Mar-17	\$115M	Manufactures chocolate bars, praline and chocolate snacks
 Harald Indústria e Comércio de Alimentos	 Fuji Oil Holding	Brazil	Apr-15		Manufactures chocolate and other cocoa products
 FrenchKiss	 Venture Investment and Yield Management	Russia	Sep-14		Manufactures and distributes premium chocolate and confectionery products
 Chocovic	 Barry Callebaut	Switzerland	Nov-09	\$68M	Business to business supplier of high-quality chocolate and cocoa products.

Evaluating the historic deals, four key takeaways stand out: value of story, fit, market, and founder

Environmental and social responsibility alone with **limited value** for many investors, however **story of the brand** can be valuable



Strategic investors look for **strategic fit and scale** – Krakakoa fit for **smaller acquirer** given scale and sustainability edge



Limited data suggests **velocity of Asian CPG deals** is increasing with **min. 4** chocolate-specific deals in 2 years



Strong **founder** often part of **brand story** – Often continues as manager after buy-out



Comparable deals

Exit options

Krakakoa has three main exit options: National food player, CPG-focused Financial, and Sustainable Financial

EXIT OPTIONS



National food player

Archetype description

National food or confectionery player with home or main market in Indonesia

Investment criteria



Strategic fit



Scale



ESG

Examples



CPG-focused Financial

- Small to medium fund interested in majority stake in Consumer products company.
- To provide funding, direction & growing a passionate team



Growth



Team



Location



Sustainable Financial

- Sustainability focus
- Emphasis on fueling future growth



Financial attractiveness



Demonstrated sustainability



Exit opportunities





National food player: Strategic ac. require scale, but could be interested in K.'s brand or sustainability capabilities



EXIT OPTIONS

Profile of acquirer

- **National** food or confectionery player with home or **main market in Indonesia** and working on the following strategic angles:
- Trying to **expand product / brand portfolio** into the craft chocolate market
- Improving **impact angle** or activities around **sustainable sourcing**

"I see mainly Tier 2 companies interested in an acquisition with a rationale circling around sustainability. The biggest companies, like a Mars or Mondelez, have that in place already."

Senior Affiliate Professor of Strategy at INSEAD

Examples



Investment Criteria

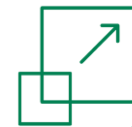
1 Strategic fit

Strategic acquirers lay out a **investment theme** and search for companies that **complement** them regarding the theme



2 Scale

Strategic acquirers, esp. multinational corporates, look for companies that add **material revenue** and / or **profit**



3 ESG

Driven by consumer preferences, food comp., esp. in **developed countries**, have to establish a **scalable sustainable tracability** and **sustainable sourcing** method



A larger Krakakoa can suit ESG and scaling needs of tier-2 manufacturer

Example: Aalst



History

- Founded in **2003** in **Singapore**
- Started with SEA focus and **expanded to over 50 countries** by now
- 2015 acquired by a **KV Capital**, a mid-cap Asia-focused PE firm
- 2017 acquired by **Wilmar**
- **Founding couple** remained in **control** as CEO and COO

Potential deal rationale

- With a **global customer base**, Aalst already positions themselves as a **sustainable manufacturer** and claims to source ingredients from **reputable suppliers**
- However, **none** of its 2 **consumer brands** (Aalst Chocolate, Louella) convey a **sustainability angle**
- Krakakoa could help Aalst to **complement** its **brand portfolio** and **enhance** their **capabilities** in the space of scalable sustainable tracability

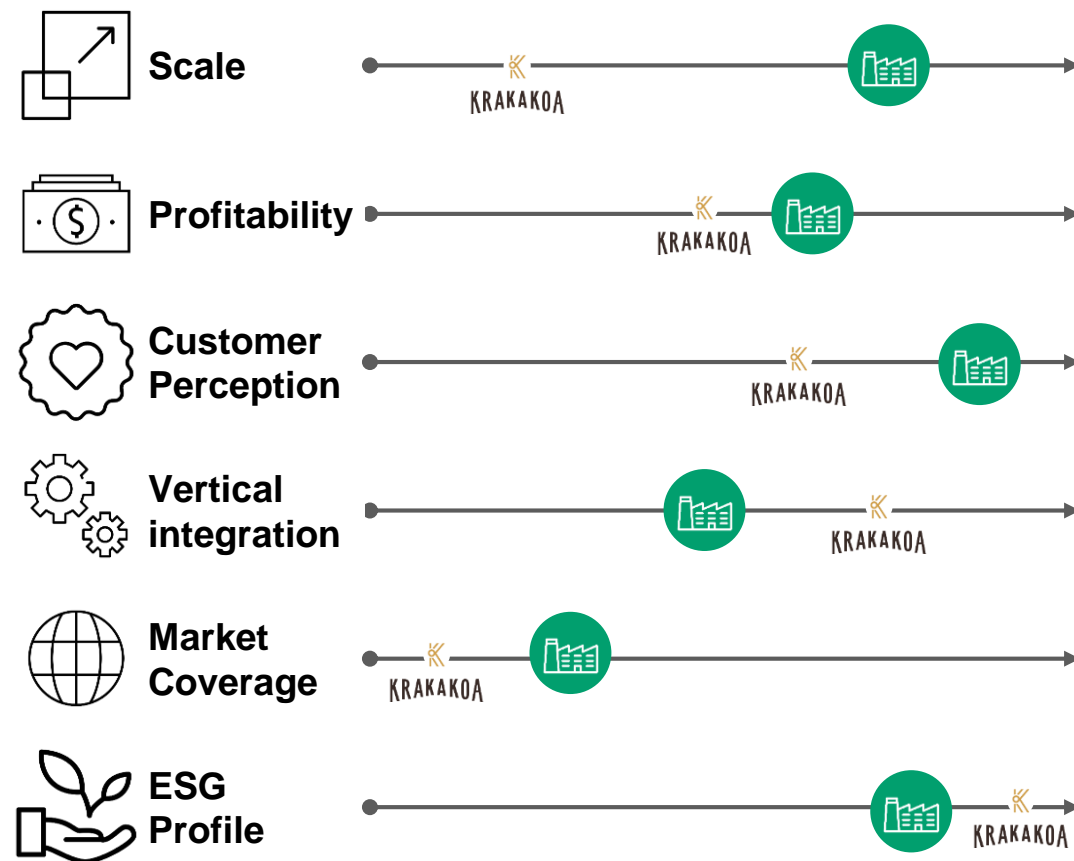


National food player: Krakakoa should work on a scale-up play and strengthen their consumer brand



EXIT OPTIONS

For strategic exit, we see the biggest gap in scale and brand perception



Legend

X Investment Criteria

KRAKAKOA 2025 Krakakoa plan

Acquirer preferences

Krakakoa should therefore work on a scale-up play and strengthen their consumer brand

Focus on Indonesian scale

- Reach material local market coverage and topline pushing distribution channels and potentially merging with competitors

Further work on scalability of sustainability measures

- Improve scalability of sustainability tracing and sourcing to make solution implementable at bigger corporates

Strengthen Krakakoa consumer brand

- Build further brand awareness around the core values of sustainability and healthy snacks



CPG-focused Financial: SEA-fund focused on CPG could be good partner, however only few candidates with good fit



EXIT OPTIONS

Profile of acquirer

- **Local or international PE firm** with knowledge of the local consumer market.
- Values a startup focused on doing good for the society, especially understanding the sustainability and fair-trade aspects.
- Runs a portfolio of semi-established consumer products startup or SMEs

“Big PE firms or financial funds wouldn’t be looking at such company unless they have reached an impressionable scale and brand equity.”

Former Due Diligence officer at LVMH

Examples



Investment Criteria

1 - Growth

These PE firms eye growth in the company and look for areas which can be easily turned around. Broken is better.



2 - Geography

HQs and supply chain geography does play a huge role. Closer is more favorable.



3 - Brand Equity

Brand Equity besides growth is the biggest driver for persuasion. It helps PE firm convince industry partners as well as customers acquisition.



**Krakakoa for right scale/geo fund
looking for right team & USP**

Example: Hector Hector Capital

History

- Singapore based & Asia, USA focused.
- Firm specializes in growth-oriented consumer product companies: Targets typically EBITDA profitable and growing SMEs which provide commonly-used products
- also invest in special situations, convertible equity such as distressed companies with under-appreciated assets

Potential deal rationale

- Great financial buyer as well as investment partner fit.
- Long standing and diversified experience in the industry
- Prior experience with sustainability but zero diversification in products such as chocolate.

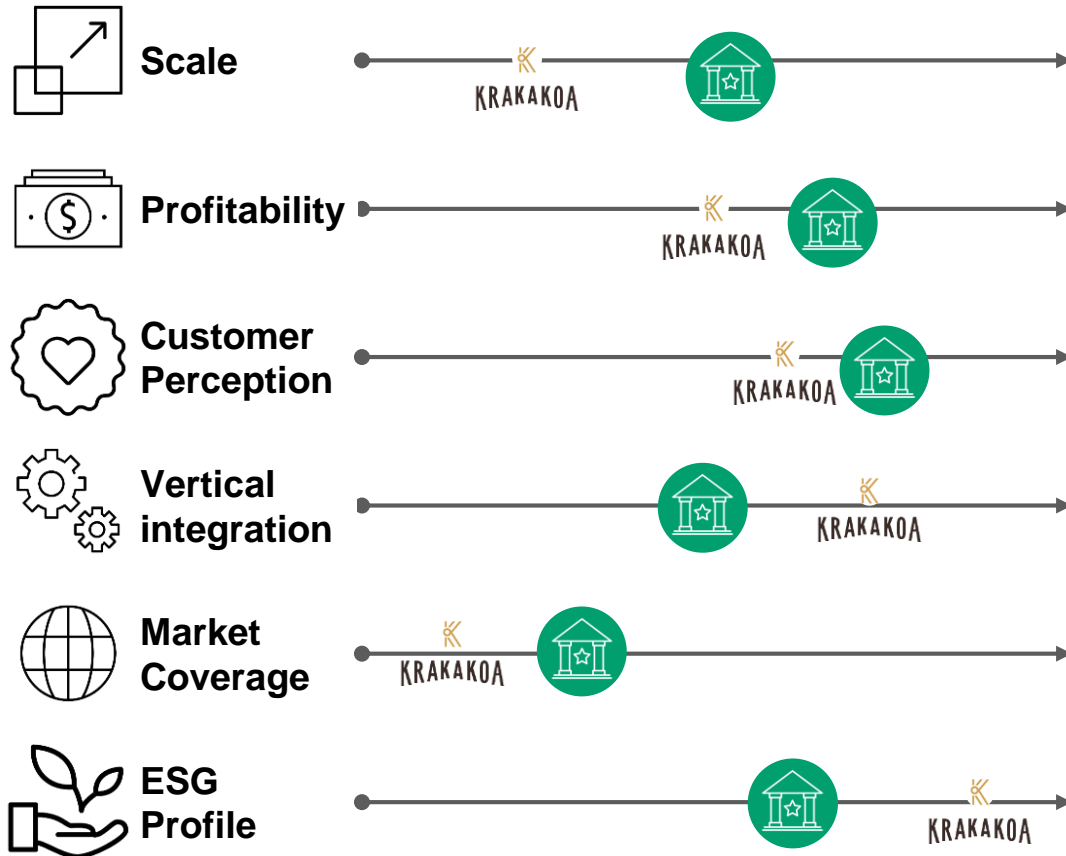


CPG-focused Financial: Krakakoa meets many criteria, however scale will be an issue and fund undervalues ESG



EXIT OPTIONS

Financial partnership needs proximity to the criterions.



Legend

- X Investment Criteria
- KRAKAKOA 2025 Krakakoa plan
- Acquirer preferences

Krakakoa needs to work on a succession plan and confirm the strengths of its management.

Solid end to end team lineup

- Make sure to have end to end team management and efficiencies development to ease the ownership transfer process.

Develop partnerships of exports

- Explore domestic and international customers and build exports business.

Unique customer acquisition strategy

- Build USPs as well as unique customers pipelines in this world full of competition.



Sustainable Financial: Focus on sustainability without compromise on financials



EXIT OPTIONS

Profile of acquirer

- Sustainability focused investment firm with consumer brands / food focus
- International mandate with portfolio companies in emerging markets

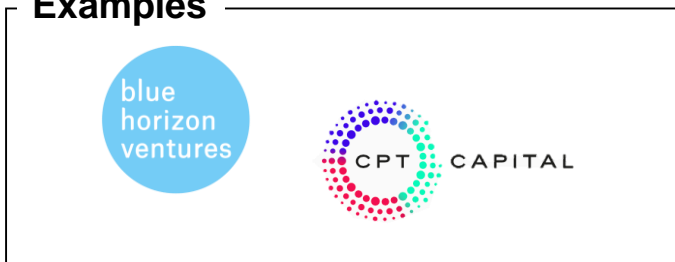
\$1-10M Ticket size

\$0.1-50M Annual revenue

“Although we focus on investing in companies that have a strong sustainability angle, we do not compromise on financial returns”

Investment Manager, Blue Horizon Ventures

Examples



Source:

Investment Criteria

1- Financial attractiveness

- Attractive market dynamics, strong market position
- Profitability or demonstrable path to profitability



2- Demonstrated sustainability

- Tangible and recognizable sustainability angle
- Certain firms have specific mandates (e.g. vegan only)



3- Exit opportunities

- Path to exit to strategic or financial exit within 5-8 years
- Emphasis on strategic acquirer for brand and/or technology



Attractive exit if sustainability and financial attractiveness co-exist

Example: Blue Horizon Vent.

History

- Founded in 2018 by serial entrepreneurs and investors Roger Lienhard & Michael Kleindl after they successfully did angel investments in sustainability focused companies

Investment mandate (/criteria)

- Plant based proteins and cellular agriculture (clean meat) are the main focus areas
- Fund operates and sources globally but has a preference for Europe
- Thresholds on secondaries

Krakakoa fit

- Due to Blue Horizon's focus on plant based proteins and cellular agriculture and a bias for Europe, Krakakoa is not a prime target. Nevertheless, investments in HumanFood are analogous to Krakakoa

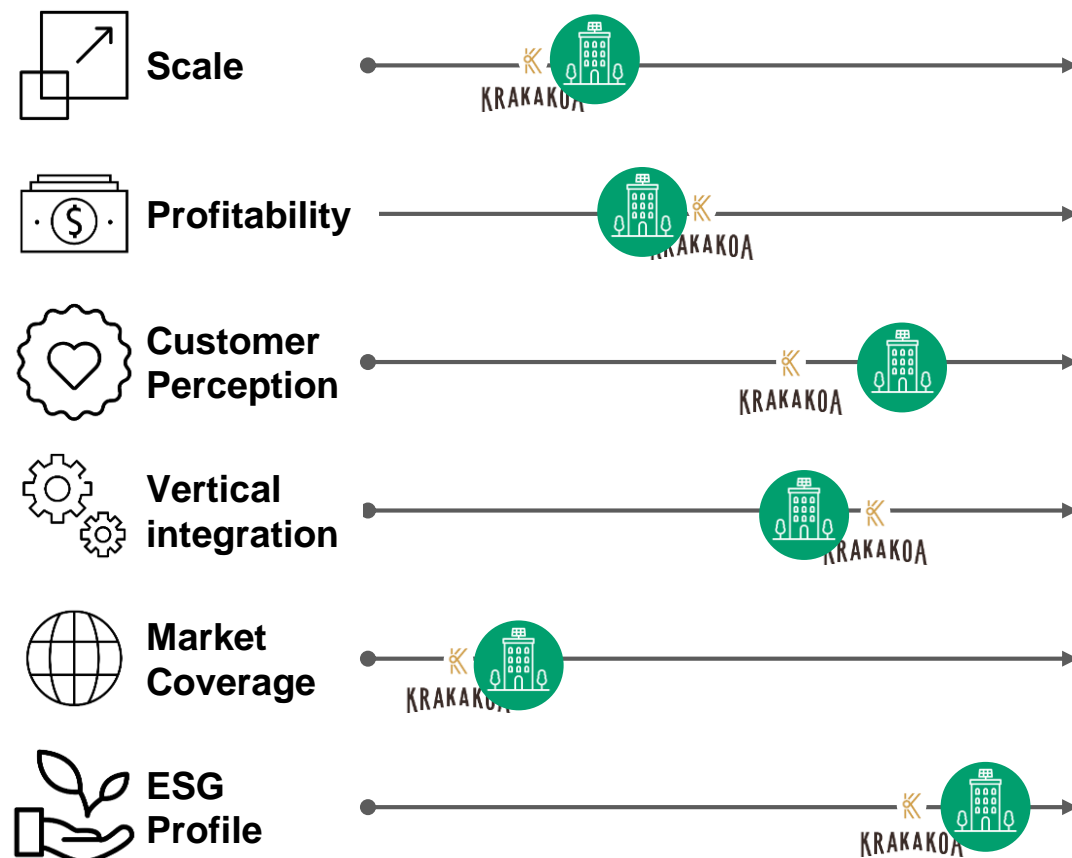


Sustainable Financial: Partial exit for existing shareholders as the focus will be on fueling growth



EXIT OPTIONS

For strategic exit, large and efficient operations key



Legend

X Investment Criteria

2025 Krakakoa plan

Acquirer preferences

Krakakoa should expand by leveraging its sustainability capabilities to drive sales volume and value

Increase scale

- In order to become attractive, Krakakoa needs grow sales significantly

Strong unit economics

- Sustainability focused investors require strong unit economics, driven by sustainability edge

Customer appetite for sustainability

- Krakakoa should be able to demonstrate that it's sustainability efforts drive customer perception

"Most sustainability investors will also care about growth"

Investment Manager, Blue Horizon Ventures