

Expertise



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Michael Tinkler, Former CEO, Rafferty's Garden



A baby food producer revolutionised the market thanks to backing from a private equity fund.

Adrian Pike, the co-founder of Rafferty's Garden, didn't even have a bawling hungry baby of his own when he came up with an idea that was ultimately to revolutionise baby food in Australia and beyond.

When a relative visited with her baby, Adrian noted that the food she was using was—he thought—like sludge in a jar. That experience inspired him to launch a more nutritious offering into the baby food market, with innovative packaging, in 2007. At that time, the space was dominated by Heinz, which had about 80 per cent of the wet baby food market. Rafferty's Garden would eventually be cutting deeply into that figure.

Adrian and the initial staff always had great ambitions for Rafferty's. In the end, those ambitions were to be realised through a partnership with private equity firm Anacacia Capital, together with a fresh management team to complement the existing staff.

Jeremy Samuel, the founder and managing director of Anacacia, says he was looking for opportunities in the branded food business and approached Adrian directly in 2010. At this point, Rafferty's had already made an impact, thanks to getting

on the shelves at Coles and Woolworths. It had gone from zero to 24 per cent of the baby food market, and had turnover of \$28 million. The story was good enough for Anacacia to buy 67 per cent of the business for \$5.3 million and also introduce a co-investor.

Anacacia could see that while Adrian was a classic entrepreneur and innovator, different skills would also be required to get to the next level. In particular, deep expertise in the field of fast-moving consumer goods was essential.

“Start-up entrepreneurs can often be great innovators, [but] in this case everyone agreed that the business had progressed and needed different skills in a chief executive to work alongside the entrepreneur,” Jeremy says.

Private equity investment super-charged the company.

So Jeremy brought in a new chief executive in the shape of Michael Tinkler, a long-term player in the fast-moving consumer



Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

goods market with a CV that spanned Unilever, Johnson & Johnson and Goodman Fielder. Adrian focused on his strengths of food technology and remained on the board as a director.

“The existing team had done a great job in getting the business to a certain level and we were able to support a strengthened management team to take the business to the next level.”

For Michael, who would be moving away from working for multinationals into a small operation, the backing by private equity gave him significant confidence. “When you work in large multinationals, there is a great system of checks and balances,” he says. “In a small business, private equity is great at providing the governance while still making sure you can be agile.”

Anacacia also brought in other talent and put experienced retail and fast-moving consumer goods players on the board, such as Em Pope, the ex-head of Nestlé in Australia.

Much of Rafferty's success is down to innovation in terms of taste and packaging.

Prior to Rafferty's, most baby food came in jars and tins; Rafferty's comes in a foil pouch with an attractive design and it was a first mover in what became redefined as the pouch category for baby food.

In 2013, when considering a bid for Rafferty's, the Australian Competition and Consumer Competition said: “In 2007, Rafferty's Garden entered the market with a clear point of difference to the range of wet infant food available at the time – its pouch-and-spout packaging. This was a significant innovation and market inquiries indicate that Rafferty's Garden has also led innovation in other non-price aspects of wet infant food, such as branding, packaging design, product quality and flavours.”

Anacacia Capital received a special Chairman's award at the 2014 annual AVCAL Awards in recognition of their investment in Rafferty's Garden.

However, private equity investment super-charged the company, and in the last five years it has moved from 24 per cent of the baby food market to approximately 40 per cent in grocery chains. Additionally, the big successes have been an expansion of its distribution through baby speciality stores, pharmacies and larger shops such as Big W and Target, as well as developing an online and export business.

Private equity supported research and development to expand its product range. The company increased its range significantly in vegetable-only baby food and new lines aimed at babies and toddlers.

As well as putting in a new chief executive, Anacacia also brought on other senior staff including a new chief financial officer and food technology support. At the same time it was proactively preparing for it to be part of a larger group by putting in place stronger documentation and reporting procedures.

The next big challenge for the business was to be the export market, and Anacacia marked Asia as a strong potential destination; the company would look to meet the needs of the continent's emerging middle class.

“When Rafferty's first launched in Australia, it was described as a test market for the US,” Jeremy explains. “We did explore the US and Asia and started a reasonable export business but did not want to replicate the distribution that an international player could bring with its existing network.”

In Australia, the duopoly of Coles and Woolworths means small organisations can get good distribution with relative ease—once they get through the door. In foreign markets, however, a sales force is a necessity and that can be capital intensive.

All parties could see the benefits of leaving something on the table for an acquirer that already had a sales and distribution force offshore—such as eventual acquirer PZ Cussons.

“PZ Cussons is a global business with other food and baby interests and distribution in Asia and beyond,” Jeremy says. “They have a great opportunity to introduce the Rafferty's premium quality products to the rising middle class in Asia. It's a great strategic opportunity for them.”