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Icicle owner eyes aquaculture

By Tom Seaman

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The private equity owner of Icicle Seafoods has a considerable war chest for acquisitions and plans to grow in aquaculture, as well as in its traditional wild catch business.

Paine & Partners, a U.S. -based private equity firm with over \$2 billion (€1.52 billion) of assets under management, plans to continue to build on Icicle's aquaculture operations in Chile and the United States, as well as develop its quotas and fleet in pollock, salmon, cod, halibut and crab.

It's been a couple of years since Icicle last made any big moves –the acquisition of U.S. processor and salmon farmer Smoki Foods and the purchase of pollock vessel Stellar Sea took place in 2008 – but the company has capital to invest over 2010.

Icicle, which had a turnover of \$400 million (€304 million) for 2009, has a strong balance sheet and “the company has generated a lot of cash,” Kevin Schwartz of Paine & Partners told IntraFish. “So, we have almost \$100 million (€76.4 million) of liquidity in Icicle, leaving aside what we can invest from our fund to continue to grow it. It is positioned quite well.”

The company has \$600 million (€456 million) left for investment -- not only in Icicle -- from its Paine & Partners Fund III, founder Dexter Paine told IntraFish.

Chile could be the setting for some of this expansion. Icicle already part-owns Salmenes Aysen, a Chile based coho and trout producer, and Schwartz said Chile is definitely on the radar.

“We may also look at other opportunities in Chile. The trout business has been a good business for us – and coho as well – and we will continue to grow that.”

Prices for both trout and coho have been strong, because of the demand created by the infectious salmon anemia (ISA) virus decimating Chilean Atlantic salmon production, he said.

“Aquaculture is a great area to invest our capital in,” Paine said.

Schwartz said Paine & Partners is looking “outside of the geographies we are currently in to get into new markets.”

In terms of buying new businesses, Paine and Schwartz said prices, particularly for salmon farming companies, are currently sky high.

“We have spent a lot of time looking into seafood, globally, and life is pretty good for these guys,” said Paine.

Strength in diversity

When Paine & Partners acquired Icicle in 2007, it was a wild catch business in Alaska with the small joint venture in Chile to farm trout and coho.

Icicle has grown organically in aquaculture in Chile under its private equity owners, as well as with the addition of Smoki Foods.

“This makes us the only guys in the U.S. that combine wild catch and aquaculture,” said Schwartz.

“We think, going forward, it is a model that is a pretty interesting one,” said Paine.

This diversity “has worked out quite well for us, so far,” said Schwartz. “There is a lot of volatility in wild catch from season to season. So, having the aquaculture business—which is a fully integrated from hatchery all the way through to production—has helped us mitigate the volatility in the wild catch side.”

“Not only that, but Icicle can provide year-round fresh fish to its customers. A lot of the purely wild guys can’t do that,” he said.

The company is also investing in staff on the aquaculture side and recently appointed a new head of aquaculture, recruited from Cooke Aquaculture.

Building up the fleet

Paine & Partners plans to continue to add to Icicle’s wild catch capacity and shares of pollock, salmon, cod, halibut and crab.

“We want to continue to grow the wild side of the business and continue to build up the fleet,” said Schwartz.

The company controls 5 percent of the total allowable catch (TAC) for pollock, and between 15 percent to 20 percent of the wild salmon quotas in Alaska.

On the pollock side, expansion has been possible by buying new boats. “It’s not the same for salmon; you have to buy processing plants in new areas you didn’t operate in before,” said Paine.

Schwartz said Paine & Partners is still “very much in growth mode. Our strategy is to continue to transform business.”