

In Fish-Eat-Fish Deal, Paine & Partners Buys Scanbio Marine Group

By Beina Xu

8 July 2011

Dexter Paine, co-founder of Paine & Partners LLC, was on the phone from Washington D.C., where he was giving a speech at the World Bank on government responsibility for sustainability in the aquaculture industry.

Likewise, the firm's first deal of the year follows this theme of sustainability. The firm agreed to buy Scanbio Marine Group from Scanbio AS. The Trondheim, Norway-based company produces fish protein concentrate, fish meal and fish oil from by-products, and sells them to the aquaculture fish feed, animal feed and biofuel markets.

DnB NOR ASA led the financing, which was an all-senior facility at around three times earnings before interest, taxes, depreciation and amortization. The company, which generated more than 300 million Norwegian kroner (\$55.8 million) in revenue last year, is partially owned by Nordic secondary direct fund manager Verdane Capital Advisors.

During Verdane's ownership, the company developed new products and streamlined operations, resulting in annual Ebitda growth of close to 30% over the past seven years, according to a release. Verdane was not available to comment.

Dexter Paine, co-founder of the firm, said the business contributes to the increasingly sustainable operating practices employed in the Norwegian wild catch and salmon aquaculture sectors, and addresses the increasing demand for efficient and sustainable protein sources and seafood processing, Paine said.

The traditional alternative for fish feed is anchovies, which had been in poor supply last year, he added. By-product provides a much more long-term and sustainable option, he said.

The deal marks the first for Paine & Partners in Norway, where it spends a lot of its time, given the size of the seafood market there. The firm's investments include Icicle Seafoods Inc., which provides items including salmon and crab, and a joint venture in Chile producing farm-raised coho and trout.

Market valuations for seafood businesses have floated in the six to eight times earnings range, which is lower than it traditionally has been, according to Paine.

The firm currently makes investments through its \$1.2 billion fund, Paine & Partners Capital Fund III LP, which closed in 2007. That vehicle is roughly 50% invested.