

Paine & Partners casts net wide for more seafood investments

By Tom Seaman

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US-based private equity Paine & Partners is looking up and down the seafood value chain for investments, having closed its fund VI oversubscribed, raising \$893 million for deals exclusively in food and agribusiness.

The firm, which is based in New York, Chicago and San Mateo California, hired John Binde, the former CEO of Norway Royal Salmon, last year and confirmed farmed salmon is part of its future investment focus. At the time, the firm stated to *Undercurrent* it plans for more deals in seafood.



Kevin Schwartz (pictured), president of Paine & Partners and a founding partner, reiterated this after the closing of the fund.

“Our work with John and our overall investment focus includes farmed salmon, but is much more broad than solely that segment,” Schwartz (pictured) told Undercurrent News.

Binde joined Paine & Partners in a year in which the firm lost Mitchell Presser, a founding partner and a regular face at seafood events around the world. Presser has since joined law firm Freshfields Bruckhaus Deringer.

Paine & Partners-post Presser is looking at investing in a wide range of seafood businesses, upstream and downstream, said Schwartz.

“We will continue to focus on the upstream sectors of the agribusiness value chain and will also pursue opportunities downstream where we have developed specific investment theses,” he said.

There are recent consolidation moves taking place in whitefish, a trend which has long been called for by top executives in the sector.

“We are interested in consolidation strategies in segments such as cod and haddock, among others. However, for consolidation to work the industry dynamics, goals of existing business owners and up and downstream segment participants need to align,” he said of the fragmented sector.

Paine & Partners is also looking at companies on the fringes of the seafood and aquaculture sector, a rational similar to its investment in Scanbio, a fish feed and oil maker using by-products from the salmon farming sector looking to turnaround 2013 losses.

“Enhancing productivity is a core focus area and would include segments of the value chain such as breeding, feed and feed inputs, animal health and nutrition, and equipment, to name a few,” he said. “Downstream opportunities are also interesting and we focus on businesses driving health and wellness, primarily in developed economies.”

He also said the range of situations in which Paine & Partners might invest is also diverse.

“Specific situations include distressed or turnaround scenarios, buy and build strategies, growth programs, partnerships and public-to-private transactions, among others,” said Schwartz.

Fund IV is the largest, dedicated food and agribusiness private equity fund, and the fund will be entirely focused on investing across the food and agribusiness value chain.

“We see significant opportunities across the food and agribusiness sector – including the seafood and aquaculture industries – which are underserved by private equity,” said Schwartz.

There has been talk that private equities are interested in getting into seafood, but struggle to compete with strategic bidders in auctions. In an interview in December, KeyBanc Capital Markets vice president Larsen Mettler noted private equity interest in the sector over 2014, with few actual deals made.

“They weren’t winning them,” Mettler, who predicted increased PE involvement back in January, said of PE firm’s involvement in sales processes in 2014. “A lot of them are new entrants into the space, and they were not able to put in as competitive bids because they didn’t have the synergies that the other investors had.”

Companies already in seafood are able to justify paying higher prices for deals because they had synergies that would amplify the value of the assets up for sale, said Mettler.

When asked if he saw this as an issue, Schwartz said Paine & Partners is undeterred.

“We believe there are significant investment opportunities across the seafood and aquaculture industries, which are underserved by private equity,” he said.

The closing of the fund IV does not mean a focus on existing investments such as Scanbio or Icicle Seafoods, the Seattle-based fishing and salmon farming company acquired in 2007.

“We exit investments once we believe we have maximized value for the company and our LPs [limited partners]. Raising new capital has no impact on the timelines for our existing investments,” he said.