

Just desserts

When Livingstone Chicago helped Ciao Bella Gelato Company raise capital recently, they developed a sweet tooth, and strengthened their credentials in the premium consumer goods sector.

Founded in 1983 in New York City,

Ciao Bella is a manufacturer, retailer and marketer of gelato (ultra-premium ice cream), sorbet and other frozen desserts. Made using the highest quality ingredients and natural flavours, and with less butterfat and air, the result is a smoother, more intense flavour than traditional ice cream.

The company – the only US-based gelato manufacturer with a national presence – has established a strong market position. The Ciao Bella brand name has become one of the country's fastest emerging brands, helped along by high profile support from the likes of Oprah Winfrey, who named it as one of her "favourite things" in 2007.

Products are sold directly to customers through scoop shops and dessert bars, in high-end restaurants and hotels, and most recently through branded retail. The latter came in 2003, when the management team decided to focus on

penetrating the retail market; the company has since expanded its distribution to 49 US states.

TEMPTING OFFER

While the majority of Ciao Bella's growth had been internally financed, the management team realised that driving further rapid expansion, in the retail sector in particular, would require an injection of funds from an institutional investor. They appointed Livingstone to help raise this growth equity.

"The consumer product sector is one that we have a particular focus on and we monitor the market closely," says Livingstone partner David Sulaski. "Having the opportunity to work with a premium brand like Ciao Bella was fantastic for us."

Inspired by the quality of the company's products, the Livingstone team set out to generate interest among a number of carefully selected private equity funds with an interest in the consumer sector. "As well as an information memorandum, we sent those private equity houses that showed initial interest a pack of 16 flavours of Ciao Bella ice cream," says Livingstone partner Steve Miles.

CREAM OF THE CROP

The approach was successful in generating interest in the investment opportunity and, after detailed negotiations, an agreement was reached with Encore Capital and



DEAL AT A GLANCE

Deal
Ciao Bella Gelato

Client
Management team

Activity
Manufacturer, retailer and marketer of gelato, sorbet and other frozen desserts

Deal type
Capital raising

Deal value
\$14m (£7.6m)

A FEW OF OUR FAVOURITE THINGS

Thorough as ever, the Livingstone Chicago team took it on themselves to investigate the quality of Ciao Bella's products first hand. After extensive sampling, they each have their favourite – Tahitian Vanilla for Steve Miles, Pistachio for David Sulaski and Blackberry Cabernet for associate Ryan Buckley, who also worked on the deal. For the record, Oprah's favourite was Blood Orange Sorbetto. It's a tough job but someone's gotta do it!

Sherbrooke Capital Partners. Encore is a San Francisco-based private equity firm focused on the food and consumer products industries, while Massachusetts-based Sherbrooke is a fund focused exclusively on providing growth and expansion capital to emerging companies in the health and wellness sector.

"This is an exciting transaction for us at a critical point in our company's history," says FW



Pearce, Ciao Bella's chief strategy officer. "We will continue to focus on making the very best product possible, and are delighted that even more consumers will now be able to find Ciao Bella gelato and sorbet in their local stores."

Pearce adds that Livingstone's efforts were much appreciated. "There were many days when it seemed highly unlikely that the deal would close and, were it not for

Livingstone, it probably wouldn't have," he says. "Steve and the team worked tirelessly to ensure a successful conclusion."

"We believe that Encore and Sherbrooke represent ideal strategic partners to assist the company in growing and building the Ciao Bella brand," says Miles. "With this capital, we hope that consumers in America, if not worldwide, will soon see Ciao Bella in their local stores."

TORRID TRADING CONDITIONS

The Livingstone UK & Ireland Food Sector Index, comprised of the leading food companies in these territories, has had a rocky ride. Over the past eight months, it lost seven per cent of its value, compared to a 13.5 per cent drop in the FTSE 100. However, most of the losses occurred during the first third of this period. Since then, the food index has fallen just 1.9 per cent, comfortably ahead of the FTSE 100's 12.3 per cent decline.

The big rise in both raw material and commodity prices has increased the pressure on food producers – resulting in significant margin erosion and acting as a dampener on the share price of many. However, a small number of companies have proved resilient, generating positive returns. Glanbia is the strongest performer, reporting a strong first half in 2008. Initiatives such as the sale of its pig-meat business and a strong contribution from its agribusiness and Far Eastern operations have been key to the 20.1 per cent rise in its share price. Another robust performer is baker IAWS group, which gained 14.4 per cent. Solid sales performance and a well received merger-cum-takeover of Swiss bakery group Heistand were key drivers.

At the other end of the scale, Premier Foods and Greencore have been the worst performers from a share price perspective – posting declines of 57.4 per cent and 41.5 per cent respectively. Premier has been battered by soaring wheat costs and high debt levels from its takeover of RHM, but has limited scope to push through further price increases to customers. Greencore's share price was hit by the discovery of an accounting irregularity at its bottled water division, which is expected to wipe €9m (£7.3m) from earnings in FY2008. Though management were quick to accept responsibility, it triggered a huge sell off of shares. We expect share price to remain subdued until the market believes the company's internal audit controls are sufficiently bolstered to prevent a recurrence.