



October 2024



Fund OMPE Fund V

Sector FMCG

Geography Southern Africa

Origination Proprietary

Economic Interest 84%

Date Of Acquisition June 2022

Date Of Exit October 2024

## CHILL & INHLE BEVERAGES

Chill & Inhle Beverages is a fully-integrated beverages platform (product development, brand owner, manufacturer, co-packer and sales/marketing) with one of the largest independent production capacities in the market through two production facilities, Chill Beverages in Stellenbosch, Western Cape, and Inhle Beverages in Heidelberg, Gauteng. The company manufactures its own brands and uses excess capacity to co-pack for other multinational companies in the energy drinks and alcoholic beverages industry.

### WHAT WAS THE INVESTMENT OPPORTUNITY?

OMPE identified Long4Life (L4L) as a potential delisting opportunity shortly after L4L announced that it was undergoing a strategic review to assess options towards unlocking value for its shareholders. Given its small cap nature on the JSE, limited institutional following and thin liquidity, as well as a holding company structure with a large head office cost, L4L consistently traded at a significant discount to its sum-of-the-parts valuation, with the share price in consistent decline since its listing in 2017.

Most of the businesses within L4L (particularly Holdsport and Chill & Inhle Beverages) were well known to OMPE, having historically assessed these businesses when they were previously sold in the private market. This strong degree of knowledge and familiarity with the L4L portfolio allowed OMPE to move very quickly from its first evaluation of the delisting opportunity, to making a binding offer to shareholders, with OMPE in a position to make a firm, fully-funded offer within a period of circa four months.

### WHAT WAS THE INVESTMENT RATIONALE?

- Strong own-brand portfolio operating in attractive, fast-growing sub-segments of the beverages market. Its brands continue to win market share and there is a strong new product development drive for both new products and new brands;
- The leading independent contract manufacturer of beverages for third parties (in terms of scale and lowest cost) and exposure to fast-growing segments of the beverages industry;
- The combined business is a well-invested platform, given significant capital expenditure in preceding years, which gives rise to strong cash generation and significant synergies at the group level;
- The opportunity to partner with a strong and experienced management team that we like, trust and admire; and
- Highly attractive entry multiple with potential for significant multiple arbitrage.

## KEY PERFORMANCE METRICS

- Grew EBITDA at 26% CAGR, driven by strong revenue growth and margin expansion from improved operating efficiencies
- Increased EBITDA margin to 17.9% from 15.7%
- Decreased Net Debt/EBITDA to 0.1x from 1.2x



## HOW WE GREW AND TRANSFORMED THE BUSINESS

- Drove the strategic integration of the two underlying businesses, which has been key to unlocking synergies and innovation
- Designed and implemented a management incentive schemes scheme to appropriately align management with ourselves



- Enhanced corporate governance processes through continued focus and commitment, by introducing various Board subcommittees and other structures
- Assisted management with its ESG strategy via the Social, Ethics and Transformation Committee
  - Invested further capex, thereby creating jobs and increasing employment within the group
  - Alternative power solutions implemented and CO2 storage enhanced in order to mitigate against business interruption
  - The company supports teams and communities that play in the sand pitches of the townships of South Africa by sponsoring more than 1,200 grassroots soccer clubs. Sponsorships include:
    - The Bayhill Premier Cup, one of Africa's largest youth development soccer tournaments
    - The Living Legends Touch Rugby teams, underpinning the company's commitment to community development and upliftment through sport
    - Western Province Score Sevens, and at least half of all clubs which play almost 15 sides over six weeks

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