



George Weston Foods hungry for acquisitions

Exclusive

Sue Mitchell

George Weston Foods is eyeing Goodman Fielder's leading share of the \$2 billion bread market after posting its best results in four years and entering a new era of growth that could include acquisitions, joint ventures and partnerships.

"Our ambition across Australia and New Zealand is to be the leading bakery business – if that means the market leader we're more than happy to sign up to that," George Weston chief executive Andrew Reeves said.

"Goodman Fielder is certainly the market leader in packaged bread – I'd like to think over time we could wrestle leadership in that segment," Mr Reeves told *The Australian Financial Review* in an exclusive interview on Monday.

George Weston, which owns Tip Top, Burgen and Abbotts bread, is currently the second largest player in the fresh loaf market with 34 per cent compared with Goodman's 42 per cent.

Mr Reeves plans to boost product innovation and invest more in marketing while strengthening relationships with the major retailers to take share from Goodman and private label brands, where sales are rising after Woolworths cut the price of white sliced house brand bread to 85¢ a loaf.

George Weston's plan to turn up the heat on Goodman will come as unwelcome news to Singapore-based edible oils company Wilmar International and Hong Kong investment company First Pacific, whose \$1.3 billion offer for the company has been delayed until early 2015 by regulatory approvals.

Over the last two years Mr Reeves, a former Lion and Coca-Cola Amatil executive, has slashed costs in bread manufacturing and distribution and reinvested most of the savings into mainstream marketing – resurrecting Tip Top's "Good on You Mum" campaign – while launching new products such as Golden crumpets with oats.

"The work we've done in the last few years to remodel the business to make it more efficient, to make sure we can consistently produce what we need to

produce to meet market needs and make sure we have a sustainable route to market, all those things have been important to build a strong business," he said. "Then we have to invest in our brands and our innovation."

"This is really where this battle over time is going to be won – it comes from

the strength of your brands, the strength of your product innovation and the strength of your relationships with your customers, particularly if that allows you to then influence the category growth story."

George Weston has been wholly owned since 2002 by UK-based food and agribusiness group Associated British Foods, which also owns clothing chain Primark, global food ingredients business AB Mauri and brands such as Twinings, Ovaltine and Ryvita.

According to ABF's accounts for the year ending August, George Weston's profits were 'well ahead' of those in 2013, fuelled by higher bread prices, stronger volumes in Don KRC Smallgoods and cost reductions.

George Weston's earnings were not disclosed, but ABF's profits from the Asia Pacific region, which also includes China and India, jumped to £40 million from a £27 million loss in 2013.

Mr Reeves is also eyeing the \$1 billion bread market outside supermarkets –

not by competing head on with independent bakers but by helping them to grow.

In September, George Weston completed the integration of its flour milling business and AB Mauri's Australian ingredients arm, forming a single \$500 million-plus unit delivering flour, yeast, mixes and improvers, equipment and technical assistance to more than 20,000 bakers.

"We didn't do it from a cost synergies point of view," Mr Reeves said. "The real opportunity is creating an integrated solution for bakery goods producers."

George Weston is now eyeing growth opportunities, particularly in the artisan and specialty bread markets, where sales are growing faster than packaged loaf bread.

"Our big emphasis in recent times has been getting our core packaged

bread business stronger ... other growth options will start to emerge in the years ahead," Mr Reeves said. "We're actively looking across the market as to whether we enter organically or do we enter via acquisition or joint ventures."

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Andrew Reeves, CEO