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US McCormick spices giant to buy Italy's flavours leader Enrico Giotti



Second Italian acquisition for the US spices and flavors giant **McCormick & Co.**, following the 2015 acquisition of Drogheria & Alimentari spa (see here a previous post by BeBeez). McCormick announced yesterday an agreement for the acquisition of 100% of **Enrico Giotti**, the leading Tuscan

based producer of natural flavors. Seller is the Giotti family, which together with the current management, will remain at the helm of the historical company established in 1928 (download [here the press release](#)).

The company was valued at 120 million euro, or 12 times the ebitda expected for 2016, amounting to over 10 million euro. Sales are expected to reach approximately 55 million euro this year, generated mostly in Italy (60%) and the rest in Africa, Russia, Germany and the USA, supplying clients like Nestle, Pepsi and Ferrero. The company reached 49.9 million euros in revenues in 2015, with 8 million in ebitda and a net financial debt of just 8.8 million (see [here an analysis by Leanus](#), after free registration an login).

For McCormick, the transaction was originated and executed by the m&a boutique **CP Advisors**, in the persons of Salvo Mazzotta and Marco Garro. The law firm Shearman & Sterling has provided legal assistance. The financial advisor of Enrico Giotti was Kon, with Francesco Ferragina and Giovanni Nucera, whereas the legal assistance provided by the lawyer Philip Laroma Jezzi.

The Giotti group operates with two plants in Italy (Scandicci and Fidenza), one in Macedonia, sales offices in Russia, Ukraine and Romania and employs 130 employees. The company produces natural and organic flavors, extracts of herbs, fruit juice concentrates and a wide range of aromatic bases for all food sectors (beverages, spirits, food, bakery products and confectionery), with over 3000 active references.

McCormick & Co, with over 4.4 billion dollars in revenue and a market capitalization of 12 billion at the NYSE, with this acquisition creates a European production platform to develop the flavor business for the whole European market, Middle Eastern and African. The acquisition will represent a sort of springboard for Enrico

Giotti to accelerate its growth, since the Italian company will be able to count on considerable resources and global customer base that the American group will deploy.

The Giotti's acquisition also represents for McCormick a further step in the execution of its strategic international growth plan. In Europe, McCormick is an undisputed leader in spices and condiments in the consumer sector, with significant market shares in the UK (Schwartz), France (Ducro and Vahine'), Poland and Russia (Kamis), Italy (Drogheria & Alimentari), Netherlands (Silvo) and Spain and Switzerland (McCormick). The acquisition of Drogheria & Alimentari, also originated by CP Advisors, has already took the Italian company to grow 15% in revenues in 2016, with sales of its spices reaching approximately 60 million euros.

The global market for flavors is valued over 11.5 billion dollars and is expected to reach 16 billion in 2021, with a 7.5% cagr. In volume terms, in 2015 the market for flavors has consumed about 587 million tons of products. Flavors are mainly used to improve and speed up the taste, smell and color of the products, and are available in two categories, namely natural and synthetic. The future is strongly in favor of natural flavorings, which already represent 50% of the business. This is the segment in which Enrico Giotti competes. The main markets are the US which accounts for almost 35% of consumption, followed by Europe with Germany and France in the lead. Key international players of the sector are **Givaudan, Firmenich, Kerry, Symrise, Wild, Frutarom, IFF, Mane, ADM and Sensient.**