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Founders Buy Back Food And Beverage Biz



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Food & Drink

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When Matt McLean, the founder of Uncle Matt's Organic, sold his company to Dean Foods in 2017, he didn't plan on being a comeback kid. The company had grown, attracted a bigger beverage company and the price was right. What looked like the end of the story, however, recently turned into a new beginning.

McLean, who continued leading the brand after the sale, led a buy back of the company for \$7.25 million after Dean, the parent company, filed for bankruptcy. He's part of a group of food and beverage founders (you might even call it a founder's club) buying back the business in a sort of food and beverage version of Back to the Future.

Many are taking advantage of low stock prices, a difficult economy and changing strategies that give them a second bite at the apple. Who are you going to call when you want to sell a brand? Why not reach out to the people who built and sold it in the first place?

Other founders are finding opportunities in adversity. Five years after Hershey bought beef jerky brand Krave for \$220 million, the company is selling Krave to Sonoma Brands run by (who else?) founder Jon Sebastiani. Campbell Soup Co., which acquired Bolthouse Farms in 2012, is selling it for \$510 million to a buyer affiliated with Butterfly Equity, where Bolthouse ex CEO Jeff Dunn is an operating partner.

Founders are back in the house abroad as well. The founding family of Britain's Iceland Foods and CEO Tarsem Chaliwal bought the remaining roughly 63 percent of the supermarket chain for \$146 million, giving them complete control of the company. Welcome home: Founder Malcolm Walker said he was happy to "turn this new page in Iceland's history" just before the 50th anniversary of the opening of its first store. There's often an emotional as well as an economic aspect to these deals.

Why are giants selling these companies? Big businesses typically want big profits and growth from brands, which often means focusing on their core. Dean sought to expand beverage offerings by buying Matt's, but then refocused on milk. Hershey's sought to sell Krave, after deciding it was outside of its core and a drain on resources. Campbell's CEO Mark Clouse said his company was selling Bolthouse Farms "to focus on our two core North American businesses," Campbell Snacks and Campbell Meals and Beverages, which he said include "iconic brands and strong market positions."

In some cases, as with McLean, the founder never really left the house, making deals a continuation of business as usual, not so much of a change. McLean was given a three-year incentive plan to lead the brand.

I highly recommend founders remain in touch with the acquiring company. Maintaining a relationship can be good for the founder in the future – and the acquirer. If founders are still involved with or in touch with the acquiring company, they're likely candidates to go back to, if it's up for sale. And they may be able to buy it back for cents on the dollar.

Founders aren't typically doing deals on their own; they typically team with other business people and investors.

McLean, for instance, worked with Renewal Funds, a venture capital company specializing in organic companies. He also joined with experienced entrepreneurs and F&B founders as investors and advisors on the deal, such as Gary Hirshberg, co-founder of Stonyfield Organic; John Foraker, former CEO of Annie's and co-founder and CEO of Once Upon a Farm; Dr. Andrew Abraham, CEO and founder of Orgain; Nicole and Peter Dawes, who founded Late July Snacks and Nixie Sparkling Water; and Matt Rogers, founder of Nest and Incite.org. There's a lot of expertise on board for this.

Most founders who sell don't plan on coming back: When they sell, they mean it. But goodbye can easily turn into goodbye for now. McLean is a case in point. "If you told me three years ago after selling to a publicly traded, multi-billion dollar CPG [consumer packaged goods] leader that I'd buy Uncle Matt's Organic back out of bankruptcy, I wouldn't have believed you," McLean said when he announced his return. But things changed and he's back in the saddle to ride again, hoping to grow the business.

Sometimes founders get a deal they think is just too good to pass up. I had a client who sold their company and bought it back for ten cents on the dollar, because it didn't achieve the goals the larger company wanted. What did they do next? They double dipped, selling the company again two years later for even more.

Expect to see more founders back in the corner office, although it's hard to tell whether they'll stay there briefly or for the long haul. The big question, though, may be how juicy their second bite of the apple turns out to be and what, if any, lessons they learned.

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