

ENTREPRENEUR

Roynat Capital presents a series of business profiles celebrating the success of Canadian companies



Roger Dickhout has a vision. While others may look at the North American food industry and see a mature, intensely competitive, low-margin business with little room for a major new player, he sees nothing but opportunity.

Backed by a pair of partners with financial resources, extensive contacts and confidence in the man who led Canada Bread Co. Ltd. through a dramatic turnaround a few years ago, Mr. Dickhout is in the process of creating a specialty and private-label food products company that he and his partners believe will quickly grow into a major North American player.

Pineridge Foods Inc. of Brampton, Ont., has already acquired Liberty Brand Products of Montreal, a leading producer and distributor of natural and organic dairy products through its Western Creamery and Liberté lines. Due diligence is underway for another acquisition, and Mr. Dickhout says the company is negotiating with a couple of other potential acquisitions.

"Our goal is to invest up to \$200-million in equity, leveraged by debt," he says. "We are targeting companies with between \$50-million and \$200-million a year in sales to start. We can then acquire smaller companies in specific categories."

Pineridge's model is Magna International. He can see Pineridge doing for the specialty and private-label food industry what Magna has done in the automobile sector. Pineridge, like Magna, will be a decentralized holding company, tying together a growing group of small and medium-sized subsidiaries, each led by a professional manager with top-notch business skills and, of equal importance, great entrepreneurial flair.

What all will share is Mr. Dickhout's vision. Pineridge will prosper by creating value through new growth opportunities, improving profit margins and increasing the productivity of invested capital in the businesses it operates, he says.

"The entire North American food industry, a \$500-billion-a-year-market, is in a great state of change," he says. "It presents a terrific opportunity to take a fresh perspective, and that is exactly what Pineridge is doing."

Fuelling that change is a demand from consumers for specialty and organic products. Look at new Loblaws, A&P or Sobeys' outlets, he says. Traditional grocers are adding or expanding specialty food sections in their stores. Private-label products and ready-to-serve meals are gaining quickly in consumer popularity.

At the same time, investors are proving eager to participate in this dramatic change.

"Most investors want to hold consumer goods as part of their portfolio," he says.

"The problem is there is little available to them in Canada. From an investment point of view, this is a tremendous opportunity."

Nor is there any lack of management talent ready and willing for new, expanded opportunities.

"There is a great Canadian talent pool of consumer goods executives," he says. "Some feel underutilized and under-rewarded working in Canadian branches of multinationals. Others want the chance to apply their considerable entrepreneurial skills."

Finally, North America is rich in family-owned businesses facing succession issues and in large corporations keen on spinning off non-core divisions.

"You have family-owned businesses where the next generation is not interested in carrying the business forward and the owner thinks selling is the best option," he says. "There are also small and medium-sized businesses without the capital necessary to maintain forward momentum to expand to seize market opportunities."

Pineridge Foods is positioned to take maximum advantage of all those factors, he says. The company's management strength begins with Mr. Dickhout, who led Canada Bread through 11 straight quarters of year-over-year performance improvements between 1999 and 2002. Its financial clout comes from partnerships with Roynat Capital, Canada's largest merchant bank, and Swander Pace Capital, a leading U.S. private-equity fund specializing in food and consumer products.

"When I first conceived the idea for Pine-



Andrew Richards, managing director of Swander Pace Capital, left, Valerie Scott, director of mergers and acquisitions for Roynat Capital, and Roger Dickhout, president of Pineridge Foods, in the company warehouse in Brampton, Ont.

ridge strategy, I wanted both a Canadian and a U.S. equity partner," Mr. Dickhout says. "I also wanted partners that brought more than just money to the table. Between Roynat and Swander Pace there is enormous experience and networks of contacts."

"Swander Pace alone brings tremendous expertise and experience in the food industry. Between them, they offer Pineridge an important competitive edge and access to opportunities when it comes to expansion across Canada and into the United States."

Proof of their value is the acquisition of Liberty Brand Products last August, Mr. Dickhout says. The company had been a long-time Bank of Nova Scotia client and, when the owner decided to sell, he told his banker, who passed the information on to Roynat. Roynat, in turn, brought in Pineridge.

"Liberty's owner was concerned about succession," Mr. Dickhout says. "It was not a turnaround situation for us. Liberty was a thriving company. It required an injection of new capital and a fresh perspective to accelerate growth and unleash the company's full potential."

"We are only six months into it now, but



Tom Brennan stocks shelves at the company warehouse.

I can say the company is already showing great promise," he says.

Mr. Dickhout says that, unlike many investors, his partners are not looking at short-term profits.

"We have established a five-year window," he says. "There is no set exit strategy in place. What all of us want is to establish Pineridge as a major presence in specialty and private-label foods in North America. There is an enormous opportunity here and that is what is driving us."

Pineridge Foods Inc.

Head office Brampton, Ont.

Business sector Specialty and private-label foods

Market Canada

Number of Employees 325

Web site www.pineridgefoods.com

Read more Entrepreneur business profiles at www.nationalpost.com/entrepreneur

Roynat > CAPITAL™

Vision, innovation, passion, determination, leadership. These are but a few of the characteristics that define entrepreneurial success and that Roynat Capital, Canada's leading mid-market merchant bank, believes should be showcased as proof that entrepreneurial dreams can indeed become reality.

We both know it takes more than money to be successful long term. That's why we're here.

From providing traditional and non-traditional financing in the form of term loans, subordinated debt or equity, to providing strategic advisory services, Roynat Capital will work with you: to help grow your business, to finance and execute mergers, acquisitions and divestitures, to restructure debt and equity capital, or to arrange strategic partnerships.

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