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Sealing The Deal: Faegre Clinches $700M Skippy Buy

By **Brian Mahoney**

Law360, New York (February 26, 2013, 5:22 PM ET) -- When food giant Hormel Foods Corp. wanted to purchase the famed Skippy peanut butter brand from Unilever U.S. Inc. last month in an expedited, $700 million cross-border transaction, Faegre Baker Daniels' food and agriculture industry attorneys canceled their holiday plans.

The late-December timing of the deal wasn't ideal for Faegre partners George D. Martin and Ryan R. Miske, who served as the principal attorneys for Hormel. Both had blocked out time off for the winter holidays and the firm's M&A team had been working day and night to close out dozens of other transactions before the end of the calendar year.

But Faegre's food and agriculture team is specially structured for such time-sensitive and complicated transactions, the pair said, and when Hormel approached Martin about its interest in Skippy, Martin knew the firm was capable of clinching the deal quickly.

"I had been planning on taking several days off; there was a break in the deals action," Martin said. "Ryan had just closed three deals in six days. But I told him, 'We're going to New York for this deal.'"

Miske, Martin and more than 20 other attorneys and specialists from Faegre's food and agricultural group spent the next two weeks hammering out a complex, cross-border transaction that entailed the purchase of the Skippy's brand and Skippy manufacturing facilities in Little Rock, Ark., and China's Shandong province.

The all-cash deal, announced Jan. 3, gave Minnesota-headquartered Hormel, the maker of Spam meat products, control of a leading brand in the $2 billion worldwide peanut butter business and a key foothold in the Chinese emerging market for peanut butter, the attorneys said.

In a deal that typically takes two to three months, Faegre negotiated the $700 million bid and finalized the definitive deal documentation in only three weeks, with the firm's Minneapolis, Indianapolis and Shanghai offices playing key roles in streamlining the transaction, according to the firm.

"The success of the deal was largely based on the depth and breadth of our M&A bench," Miske said. "We assembled a team to work through the holidays day and night. That would have been impossible without a culture focused on client service and teamwork. It was an inconvenience for everybody — all had plans with family and friends that had to be canceled — but the firm's team has a common sense of commitment."

While a committed M&A bench was essential to the deal, Faegre's food and agriculture team is also structured in a way to maximize value for the firm's industry clients, Martin said. The practice group contains over 130 attorneys devoted to transactions, advisory work, litigation and other concerns for businesses within the food and agricultural industry.

This multidisciplinary focus enables the firm to offer a wide range of services to its corporate clients, adding value and enabling the closing of transactions at a faster rate than those at other firms, according to Martin.

"The food and agriculture industry team is multidisciplinary and is [composed] of many different practice areas," Martin said. "We meet on a regular basis, we share information and we host industry conferences. It's an area in which we've developed a great deal of expertise and knowledge that we think goes beyond our lawyering."

The practice group's unique and comprehensive structure had already won over Hormel, which had tapped the firm as its primary outside counsel. For the Skippy deal, that relationship grew stronger, as Hormel's in-house transaction counsel Mike Clausman accompanied the firm through the three-week dealmaking marathon for the coveted Skippy brand.

"We had a lot of help in partnering with Hormel's corporate in-house counsel," Martin said. "When you have to make decisions rapidly from a business and legal standpoint, you need someone from the client with you day and night."

Faegre's international reach, with offices in Beijing and Shanghai, also streamlined the deal and provided great value to Hormel, which views Asia as a key emerging market for its food brand. The firm has locked down the U.S. side of the deal, while it continues to await regulatory approval for the China-based divisions.

"Hormel's geographic reach was important to them to enhance their international footprint," Miske said.

Indeed, Faegre had an excellent year for China-based or China-related transactions.

"Our China office had one of their busiest years ever and a lot of it is strategic M&A work," Martin said.

The 81-year-old Skippy brand currently encompasses 11 varieties of shelf-stable peanut butter products. The brand holds the No. 2 market share in a category of less-perishable food items that Martin described as "center of the store," and is the leading brand in the natural peanut butter subcategory, according to the company.

Long a mainstay of American cuisine, peanut butter enjoys a 74 percent rate of household penetration and is the second-most popular sandwich behind ham in the U.S., according to Hormel.

Skippy is already China's top peanut butter brand, and is sold in more than 30 other countries on five continents, Hormel said. The brand's 2012 sales are expected to total about $370 million, with nearly $100 million of that revenue coming from outside the U.S., according to the company.

The all-cash Skippy deal is subject to regulatory approval and expected to close early in 2013, the parties said.

Hormel is represented by George D. Martin, Ryan R. Miske and others of Faegre Baker Daniels, in addition to exclusive financial adviser Barclays PLC.

Unilever is represented in the sale by Mark I. Greene, Andrew R. Thompson, Kenneth S. Gerold and Isaac C. Beerman (corporate), Michael L. Schler, Dana Frenkel and Joanne J. Lee (tax), Eric W. Hilfers, Jarrett R. Hoffman and Matthew Cantor (executive compensation and benefits), Matthew Morreale (environmental), John Gerhard (real estate), and Christine A. Varney and Veena Viswanatha (antitrust) of Cravath Swaine & Moore LLP.

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