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NEWS & ANALYSIS

Advent's Francesco Casiraghi: IRCA to fatten up US presence

IRCA, a speciality ingredients producer, entered talks to acquire Kerry Group's Sweet Ingredients Portfolio for €500m.

Industry consolidation and growth in the US market are at the top of Advent International's menu for portfolio company IRCA, managing director Francesco Casiraghi told PE Hub Europe.

IRCA entered talks to acquire Kerry Group's Sweet Ingredients Portfolio for €500 million, comprising an initial cash consideration of €375 million and a €125 million interest-bearing vendor loan note, in mid-January.

Based in Gallarate in northern Italy, IRCA is a producer of speciality ingredients for artisanal pastries, cakes and gelatos. The company distributes its products across more than 100 countries and runs 13 production facilities in Italy, the US, Belgium and Vietnam.

"Historically, the space is incredibly fragmented, with a lot of family-owned businesses in Italy, France or Germany," Casiraghi said. "These businesses are lacking sufficient scale, and there's a lot of merit in driving consolidation in this space."

Casiraghi describes IRCA as having been historically very Italian-centric, so Advent's ambition for the firm was to create a global platform. The addition of Kerry's Sweet Ingredients portfolio, a deal in between signing and closing, speeds up the realisation of that goal. "We will remain open to do more acquisitions, although we don't need to as we now have



Francesco Casiraghi, Advent International

a global platform," Casiraghi explained. "These are interesting times – the sector is of full of interesting opportunities."

Sweet Ingredients is a producer of sweet and cereal items with a focus on Europe and the US. It operates in six locations across the UK, the Netherlands, Germany and France in addition to four production facilities in the US (in Illinois, Kansas, Missouri and California).

"We now make roughly \$300 million of sales in the US, which is starting to be meaningful, and there's a lot of growth ahead in the US," said Casiraghi.

The acquisition will be IRCA's third since Advent purchased it from Carlyle

in April 2022, following Anastasi Group, an Italian pistachio ingredients company, and Cesarin, an artisanal fruit-based ingredients company.

Sweet trends

Within the ingredients subsector, Advent has noted certain trends that make the Boston-based firm trust the resiliency of the segment. "There is less and less skilled workforce at the point of sales, resulting in higher propensity to use these semi-finished ingredients to make the final product for customers," said Casiraghi.

Chains and bakeries need to rely on partners like IRCA and Kerry, according to Casiraghi. "It's a service to help them prepare indulgent products, but with less labour."

Health consciousness is another trend that has made its way into the sweet desserts segment. This can take the form of providing products that have lower sugar content or are higher in protein. The acquisitions of Anastasi Group and Cesarin played into this trend, as the ingredients are nut- and fruit-based.

Advent's trust in the sector and the platform extends well into the future. "We believe if we deliver on our ambition, this is a platform that could be an IPO candidate in Europe or in the US, or it can be a strategic target for a bigger consolidator," said Casiraghi. ■