

Company name
Headline

IAWS Group PLC
IAWS acquires Otis Spunkmeyer

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IAWS Group PLC
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IAWS ACQUIRES OTIS SPUNKMEYER IN THE US

LEADING PREMIUM BAKED GOODS BRAND

ENTERPRISE VALUE \$561m (€445m)

IAWS Group, plc (" IAWS ") the international food company, today announced the signing of an agreement to acquire Otis Spunkmeyer Holdings, Inc (" Otis "), a leading US specialty baked goods business, from the private equity firm of Code Hennessy & Simmons and the current management team of Otis Spunkmeyer.

Based on a closing enterprise value of \$561 million, the consideration for the equity is circa \$340m with an additional payment to stock and option holders contingent on the achievement of agreed performance milestones, up to a maximum of \$25m. The acquisition is being funded by additional debt facilities.

Otis Spunkmeyer is a major premium freshly baked goods brand in its US market categories. An iconic brand, it has strong recognition and awareness across a national customer base in the foodservice and retail channels. The company has a unique flexible coast-to-coast supply chain to its 62,000 customers, offering direct delivery through 52 nationwide sales centers.

In addition to supplying prepared products for fresh baking, Otis also supports customers with ovens, merchandising, display cases and point of sale material. Otis has over 55,000 ovens in use throughout the USA in both foodservice and retail outlets. The company operates four manufacturing facilities strategically located in California, Texas, South Carolina and Pennsylvania.

Otis generated revenue of \$336m for the year ended 31 December 2005, EBITDA of \$48m and operating profit of \$29.1m (\$35.3m when adjusted for intangible amortisation). From 2001 to 2005 Otis achieved a net sales compound annual growth rate in excess of 9 per cent. Total assets (excluding goodwill and intangibles), at acquisition will be c.\$50m.

Otis Spunkmeyer has a strong presence in a niche growth segment of the bakery market that is complementary to IAWS' existing La Brea Bakery business. In the year to July 2006 La Brea Bakery increased sales by over 26 per cent and is the leading Artisan bread brand in the USA. The Group will now have a major brand presence in two niche growth segments of the specialty bakery market. The acquisition will increase IAWS' sales in the US by 200 per cent to over \$530m, bringing scale to these operations.

It is expected that the acquisition will be earnings enhancing for IAWS from the date of completion, which is scheduled for the end of October, 2006.

Code Hennessy & Simmons and the current management team of Otis Spunkmeyer together completed an MBO of the business in 2002. John Schiavo, who has been CEO of the business since 1996, will remain with the business, as will the rest of the current senior management team. Steven R. Brown, partner at Code Hennessy & Simmons said:

" We are pleased to have worked closely with John and his exceptional group of managers over the last four years, extending Otis Spunkmeyer's history of success, The growth of the company during this period is a reflection of their vision, focus on quality and commitment to both customers and employees. "

IAWS was advised on the transaction by Bank of America and BMO Capital Markets. Otis Spunkmeyer was advised by Merrill Lynch & Co. and JP Morgan Securities Inc.

Commenting on the transaction Owen Killian, CEO of IAWS Group, plc said:

" Otis Spunkmeyer is an exceptional company with an outstanding performance record, a national distribution platform and a superb product range. It has proven management that is committed to the business and that shares IAWS' passion for customer service, product innovation and quality. Otis' product categories are complementary with our existing US business in both retail and food service channels. The acquisition is an excellent fit and offers IAWS a strong platform for future growth in the US market"

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