

What's Next in Mondelez's M&A Spree? 5 Possibilities

CPG Specialist has a few educated guesses, based on what we know about the Oreo maker.

By **S.L. Fuller**, **Shefali Kapadia** | March 13, 2023



Courtesy of Business Wire

Word on the street is **Mondelēz International** has cash to burn, and it might be looking to burn it on M&A. But which CPG would be the Oreo maker's main target?

Axios reported — after observing an investor conference in Florida (which CPG Specialist attended; [read our coverage here](#)) — that **Hostess Brands** "stands out as an attractive candidate." The news site also mentioned **McKee Foods** and **Flowers Foods** as intriguing options. Intriguing indeed.

At this point, Axios appears to be taking educated guesses, rather than pointing to secret knowledge or inside information.

But it became clear when chatting around CPG Specialist's proverbial watercooler that we have our own educated guesses (read: hot takes) based on what we know about Mondelez:

- It has said it prefers to acquire companies that make between \$600 million and \$700 million in annual revenue.
- It has said it wants to focus on biscuits and chocolates, recently adding baked snacks to that list.
- It has the most to gain in snack bars, as well as cakes and pastries. Globally, Mondelez is No. 1 in biscuits with 17% market share and No. 2 in chocolate with 13% market share, but it's further behind in baked snacks. At CAGNY, CEO **Dirk Van De Put** said the CPG is No. 3 in cakes and pastries with 3% share and also No. 3 in snack bars with 10% share.
- It has \$1.92 billion cash on hand, at least some of which can be spent on acquisitions (although that's a lot lower than the \$3.55 billion it had last year).

Mondelez M&A Since 2018

Company	Date Closed	Net Revenue (In Millions)	Acquisition Value (In Millions)
Clif Bar	Q3 2022	\$800	\$2,900
Ricolino	Q4 2022	\$500	\$1,300
Chipita	Q1 2022	\$500	\$2,000
Gourmet Food	Q2 2021	\$100	Not disclosed
Grenade	Q1 2021	\$100	Not disclosed
Hu	Q2 2020	\$100	Not disclosed
Give & Go	Q3 2019	\$500	Not disclosed
Perfect Snacks	Q3 2019	\$100	Not disclosed
Tate's Bake Shop	Q2 2018	\$100	\$500

Source: Mondelez Investor Presentation and Press Releases

Now, for the hot takes:

Axios' Take: Hostess

To Axios, Hostess makes sense because of how large Mondelez and its interest in snack cakes are. Some of the most iconic snack cakes belong to Hostess.

Hostess made more than \$1.36 billion in net revenue last year. And Axios argued that if Mondelez wants to make a move that will really count, then it will go big. This is something Mondelez has done before, namely with its \$2.9 billion acquisition of Clif Bar in June 2022.

Though Mondelez didn't comment on Axios' article, Hostess did. CEO **Andrew Callahan** told the outlet, "If Hostess were to agree to a sale to Mondelez, it would only be for a robust premium that reflects the company's future prospects."

That Callahan didn't immediately shut down the notion of a sale is noteworthy. But it's clear that it would cost Mondelez big billions, which might actually be fine.

"Even a lofty 33% premium to its current market cap would equate to an enterprise value of roughly \$5.3 billion, well within Mondelez's financial reach," Axios wrote.

Axios' Take: McKee Foods

You know who did basically shut down Mondelez in a way that Hostess did not? McKee Foods, the maker of Little Debbie.

"McKee Foods is a third-generation family-owned company that strives to remain family owned as long as it exists," a spokesperson told Axios.

So, that puts the kibosh on that.

Because the company is private, there's less to say about its financials or future plans. But Axios said it would have made for a good target because if you're eating a snack cake that's not a **Twinkie**, there's a good chance it's from Little Debbie.

Axios' Take: Flowers Foods

Axios sort of backed in and out of suggesting Flowers Foods as a target in the same sentence.



"Flowers Foods is another maker of snack cakes under the **Tastykake** brand, but the business largely comprises lines like bread brands **Wonder** and **Dave's Killer Bread**, which may be less attractive to Mondelez."

It's hard to picture an M&A strategy in which Mondelez wants to start baking more bread. Flowers Foods currently owns Wonder Bread, which it bought from — guess who — Hostess. Hostess still has bread, but it ditched Wonder more

Courtesy of Dave's Killer Bread

than a decade ago, ostensibly to focus more on snack cakes. Hmm, it seems everyone wants a slice of the snack cake pie.

Shefali Kapadia's Take: Tastykake

If acquiring all of Flowers Foods isn't appealing, what about just buying the snack cake part?

We've ruled out Little Debbie. Hostess is a maybe, if the price is right. That leaves Tastykake, owned by Flowers Foods.

At this point, snack-cake brand Tastykake is almost an outlier in Flowers' bread-dominant portfolio. The CPG announced plans in December to acquire Papa Pita. And DKB seems to be the darling of Flower Foods' brands. DKB was mentioned five times by executives on their earnings call last month. Shoutouts for Tastykake during that call? Zero. Ouch.

For Mondelez, Tastykake would help the CPG grow cake and pastries market share. And Mondelez has the international distribution presence to take the brand overseas, if it wanted. Also, imagine the flavor possibilities without the need for cross-CPG licensing. An Oreo Tastykake — yum!

S.L. Fuller's Take: Entenmann's

Continuing the conversation about acquiring one brand instead of an entire enterprise, maybe **Entenmann's** would make sense as a target. It's currently owned by **Grupo Bimbo**, which is a familiar dealing partner for Mondelez.

In April last year, Mondelez announced it would buy **Ricolino**, the Mexico-based giant's confection business. The deal closed in November and was worth \$1.3 million, for a unit that brings in around \$500 million in annual revenue.

Grupo Bimbo said Entenmann's is part of a cohort of brands that brought in sales of more than \$1 billion in 2022. Recall Hostess did about that much. Entenmann's line of **Little Bites** snack cakes on its own is in the \$500 million cohort.

Would Grupo Bimbo want to part with Entenmann's? Maybe not. But if the CPG decides it wants to give away some of its sweet to focus on savory — its **Takis** brand is not only lucrative but award-winning — Entenmann's could net Grupo Bimbo a significant amount.

