ConAgra Foods Going Private – A Recipe for Success?

Susan White, University of Maryland at College Park
Carlos Trejo-Pech, The University of Tennessee at Knoxville
Magdy Noguera, University of Idaho

ABSTRACT

In the fall of 2012 ConAgra Foods had the opportunity to become the largest private packaged food producer in North America. ConAgra was considering the purchase of Ralcorp, a large private brands manufacturer. This could be a strategic step for ConAgra, since the potential acquisition seemed aligned to the firm's strategy for growth, as delineated in the "recipe for success" (ConAgra's 2011 Annual Report). The potential acquisition might represent a move for the firm to take advantage of economies of scale that being a large food producer would provide. Ralcorp, with revenue and assets representing about one third of ConAgra's, was large enough to impact the business strategy and financial structure of this firm. This case study provides both firm level and private brands industry data to assess the potential acquisition. In particular, the Porter's Five Forces framework could be employed to analyze ConAgra post-acquisition. In addition, ranges of implied stock prices could be estimated by using alternative techniques, namely, Discounted Cash Flow Valuation, Comparable Multiples, and Comparable Merger and Acquisitions Transaction analysis. A comparison of implied stock prices and actual stock price by the time of the case leads to the topic of control premium paid during acquisitions and to potential enterprise synergies.