THE LIST: PRIVATE 100 • FOOD & LIFESTYLE

ITS OWN SOLAR SYSTEM

A new purchase for Mars Inc. will send it into the stratosphere

McLean's Mars Inc. is Greater Washington's largest private company.

ILLUSTRATION BY ABDULLAH KONTE

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The biggest private company based in Greater Washington is poised to grow to mammoth proportions, like it's eaten way too many of its own treats.

McLean conglomerate Mars Inc., the company behind the likes of M&Ms, Milky Way and Life Savers, announced plans in August to acquire Chicago-based Kellanova Co. (NASDAQ: K), the publicly traded Kellogg Co. spinoff that makes popular snacks such as Pringles, Pop-Tarts, Cheez-Its and Eggo waffles.

Mars agreed to pay $83.50 per share of Kellanova stock, valuing the deal at $36 billion. The transaction is slated to close next year, pending regulatory approvals.

One of a string of Mars' acquisitions in recent years, the deal will have massive implications for the company. In 2023, Mars posted $50 billion in revenue and Kellanova $13.1 billion in sales. The combined company would generate more than $63 billion based on 2023 figures.

That would make the 113-year-old Mars the third-largest private company in the U.S. based on revenue, up from No. 4 now. It would vault over Publix Super Markets and trail only Koch Industries and Cargill.

“We are very excited by the Kellanova opportunity,” said Andy Pharoah, vice president of corporate affairs and sustainability for Mars. “These are two very complementary companies – we're in complementary categories in that they make almost nothing that we make, and vice versa.”

The two companies also sync up well from a global market perspective, Pharoah continued, as Kellanova is “strong and we are weaker” in some emerging markets, and in others, it's “the other way around.”

A rendering of the Mars Inc. headquarters expansion in McLean. The company is currently operating out of temporary space in Tysons.

MARS INC.

The string of acquisitions also has prompted growth in Mars' local real estate footprint, with a 31,000-square-foot expansion and upgrade of its McLean headquarters underway. The new offices will have more flexible spaces with integrated technology throughout, Pharoah said — though it will be a "relatively modest building design" for just a couple hundred people. Pharoah, a native Londoner who started his career in U.K. politics before pivoting to consulting and then executive roles with Wrigley and ultimately Mars, spoke to me from his temporary office space in Tysons.

Working from home has never really been a Mars thing, even during Covid, because of the nature of manufacturing. The company has a hybrid policy for office-based workers and executives, with people in the office at least half the time, but it's a different story for the rest of the workforce.

"The overwhelming majority of our associates need to be exactly where the work gets done," Pharoah said. "So if you're in a veterinary hospital, you need to be where the pets are. You're in a factory, you need to be where the products are being made."

Mars is building more than offices. This January it announced construction of a $237 million, 339,000-square-foot baking facility in Salt Lake City for its Nature's Bakery brand of fig bars, brownies and oatmeal treats. The same month, a $42 million, 44,000-square-foot chocolate R&D facility was unveiled in Chicago, where Mars can design and create new products, Willy Wonka-style.

Really big deal

Let's not undersell how big a deal this Kellanova acquisition is.

Mars currently owns 15 brands worth over $1 billion, of which five are snack foods. Kellanova has two brands worth over $1 billion, which means Mars will soon have seven 10-figure snack brands after the deal goes through.

But snack foods aren't even Mars' biggest segment. "Our biggest business is pet care," said Pharoah, adding, "that would surprise most people, I think."

Andy Pharoah is vice president of corporate affairs and sustainability for Mars.

MARS INC.

Mars actually bought its first pet care business, U.K.-based Chappel Brothers Ltd., just a few years after it started selling candy. But it has aggressively expanded its pet care segment through acquisitions in recent years, including Heska Corp. and Synlab Vet.

What began in 1935 with Chappie brand dog food is today a segment that makes up just under 60% of Mars sales, Pharoah said. Of the 70,000 people Mars employs in the U.S., 50,000 of them work in veterinary care.

And worldwide, the segment employs 100,000 in over 130 countries. That pet care segment also includes 3,000 veterinary hospitals worldwide, 2,000 of which are in the U.S.

Most recently, the company has invested in growing the diagnostics division for veterinary care, which has a major center in Chantilly, and acquired a series of diagnostic laboratories for this division with its July purchase of Cerba Vet in France.

“You know, dogs and cats typically can't talk. So when they go to the vet, they can't say what's wrong with them. So the role that diagnostics plays in that is incredibly important,” said Pharoah.

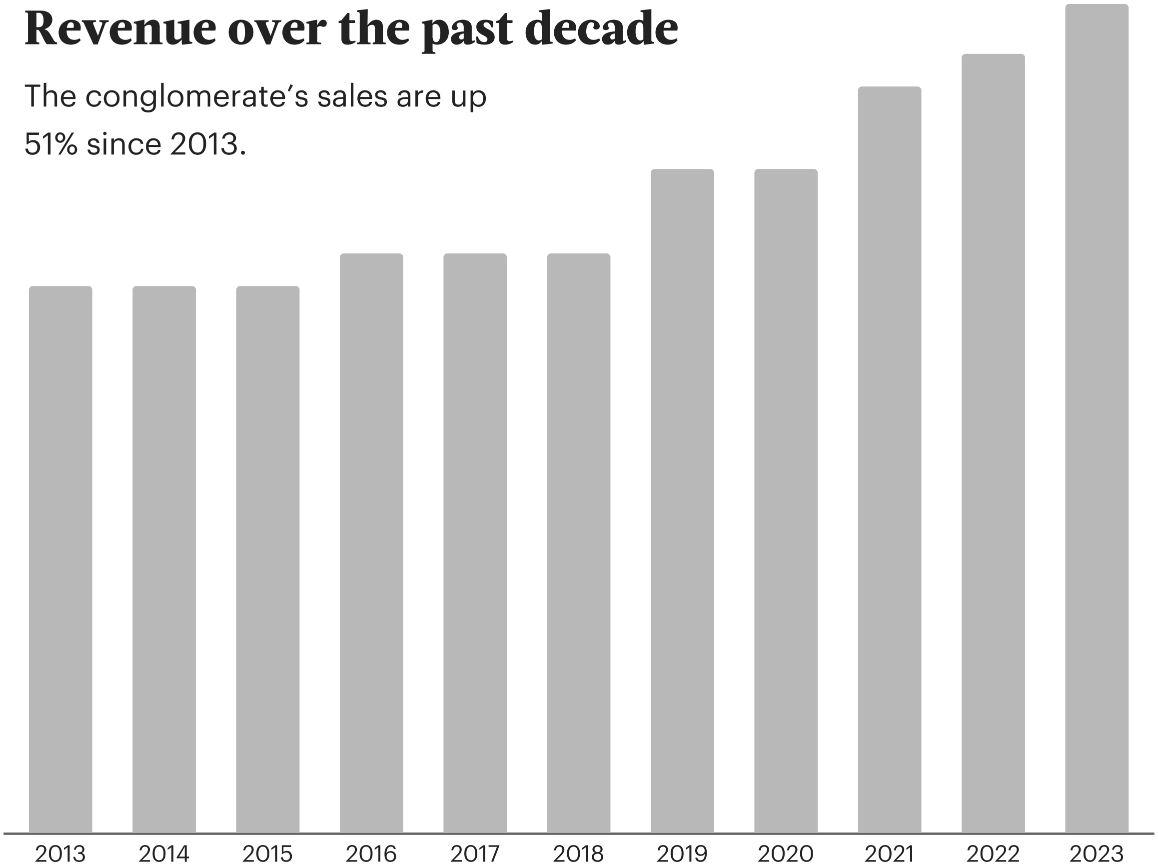
Snacks, meanwhile, account for about 38% of Mars global sales, Pharoah said. But the Kellanova acquisition would put snack foods at about equal in value with the pet care segment — that makes it one of the biggest acquisitions in the family-owned company’s long history, which began in 1911.

As for what’s next on the Mars acquisition plate, Pharoah balked at sharing any details. “That’s the point about M&A, you don’t signal — you can’t signal it in advance,” he said, except to affirm there will be more to come. “Essentially, yeah, we want to grow. Yeah, we want to be financially successful, but we want to do in a very responsible way.”

A taste of Mars Inc.

Revenue over the past decade

The conglomerate's sales are up 51% since 2013.



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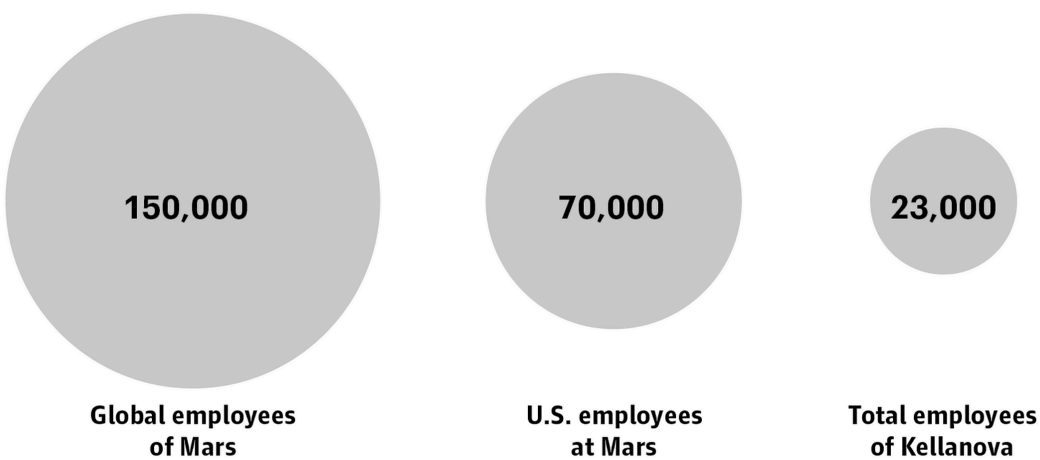

$13.1 billion

Kellanova revenue in 2023, after completing spinoff from Kellogg Co.

SOURCE: MARS INC., KELLANOVA

Global citizenship

The bigger a company gets, the more chinks there could be in its ever-growing chain. For Mars, that has shown itself in the form of child labor controversy, specifically as it relates to the farming of cocoa in Africa. Lawsuits and investigations dating back years have accused Mars and other candy makers of using children as young as 5 to harvest cocoa beans.

In a statement, Mars said national governments must enforce and strengthen their laws, while companies must "identify and respond to human rights risks."

"The use of child labor has no place in our supply chain, and we are committed to helping eradicate it, which is why we have a robust Protecting Children Action Plan in place that is backed by a significant financial investment," Mars said in a statement. "We are also transparent in saying that we know that more needs to be done and we continue to work diligently to take action to fix what is broken about global supply chains."

"We would expect any company that we acquire to uphold these standards," the statement continues.

Pharoah, meanwhile, said Mars has fully integrated into its business model giving back to the communities in which it operates.

Mars President and CEO Poul Weihrauch unveiled the "Mars Compass" in 2018, a set of four connected objectives to guide the company's strategy and decisions, and to measure its progress: financial performance, quality growth, positive societal impact and being a trusted partner with stakeholders.

That translates into philanthropic efforts, like its donations and work with Barry Farm Recreation Center in Southeast D.C., the National Cherry Blossom Festival, the Animal Welfare League of Alexandria, Bread for the City and the Washington National Opera, for which Pharoah is board president. Or the $42 million it donated (cash and in-kind) toward disaster relief efforts through CARE, United Nations World Food Programme, Humane Society International, Oxfam International, Business Fights Poverty and numerous smaller, local organizations in the communities where it operates during Covid.

Or the stated Mars goal of becoming a net-zero company by 2050 — meaning to eliminate or offset all greenhouse gas emissions from its operations, which factors into virtually every business decision, Pharoah said. The company has reduced its total greenhouse gas emissions by 16% since 2015, he said, all the while growing its business by 60%.

“When we look to any acquisition, we look at, what's going to be the cost in that acquisition, what's going to be the cost that we're going to have to move that business so that it moves on the same trajectory as us?” he said. “We actually built that into the business case, and we built that into the expected investments we're going to need to make, and how we assess whether it's a good return or not.”

Alexis Gilman is a partner at Crowell & Moring.

CROWELL & MORING

4 questions with Alexis Gilman

Crowell & Moring partner Alexis Gilman specializes in antitrust, competition and M&A. We asked him about the hurdles Mars and Kellanova need to clear to get their deal approved by regulators.

Any transaction that would create a monopoly by substantially lessening the competition is generally blocked. So how do they prove it will not be a monopoly? There are generally two main ways to do this. The first is to show that the parties' products don't compete in the same relevant market. So here, for example, that would mean trying to show that Mars' Kind and Nature's Bakery bars don't compete in the same market as Kellanova's Nutri-Grain and Special K bars because they are sufficiently distinct products.

The second main way to show that the transaction won't substantially lessen competition is to show that, even if the parties' products are in the same market, the market will remain competitive. Typically, the parties do this by showing that the combined firm won't have an unduly large market share, the transaction won't eliminate significant and close competition between the parties' products, and that there are enough other meaningful competitors left in the market that overall market competition won't be harmed. Here, that would mean that the parties would be trying to show that there are a slew of other competitors in market, whether the agency defines the market as a single bar market or defines it more narrowly as breakfast bars or other types of bars.

What's another recent comparable M&A deal that was approved, and what happened? Recently, the FTC closely examined Campbell's proposed acquisition of Sovos Brands. The deal was announced in August 2023. It was reported that the FTC issued a "Second Request" for additional information to the parties in October 2023. Ultimately, however, the deal closed in March 2024, without the FTC bringing an enforcement action or requiring a remedy of any kind.

What do you think is usually the biggest antitrust challenge in getting a merger like this approved? Often, two of the biggest challenges are the time and expense of holding a deal together while getting it through the antitrust-review process, particularly when a Second Request is issued, which can take several months and costs millions of dollars to comply with. Plus, under the Biden Administration, the agencies are examining a broader set of issues, evaluating more novel theories, and are quite resource constrained, so the process can be more time consuming and costly, and the outcome more uncertain.

A long list of mergers have been blocked in recent years. But what's an example from the food industry that was blocked, and what happened there? Though not the most recent example of a blocked merger, in the food industry specifically, in 2019, the FTC sued to block Post's proposed acquisition of TreeHouse Foods because of agency concerns about lost competition in the private label ready-to-eat cereal market. The parties subsequently abandoned the transaction.

Mars has reached a deal to buy Kellanova, whose portfolio includes Eggo, Cheez-It, Pringles and Pot-Tarts.

MARS

Gobbled up

Major acquisitions by Mars Inc. in the past two years:

Kellanova Co.

- **Headquarters:** Chicago
- **Deal value:** $36 billion
- **Deal closed:** Pending, expected to close in the first half of 2025; announced August 2024
- **Focus:** Snack foods, including Pringles, Cheez-It crackers, Eggo waffles and Pop-Tarts

Cerba Vet

- **Headquarters:** Issy-les-Moulineaux, France
- **Deal value:** Not disclosed
- **Deal closed:** July 2024
- **Focus:** Veterinary diagnostic laboratories in France and Switzerland

Antagene

- **Headquarters:** Lyon, France
- **Deal value:** Not disclosed
- **Deal closed:** July 2024
- **Focus:** Animal DNA testing for dogs, cats, horses and wildlife

Hotel Chocolat

- **Headquarters:** Royston, Hertfordshire, U.K.
- **Deal value:** $662 million
- **Deal closed:** January 2024
- **Focus:** Luxury chocolate manufacturing, including its own cocoa farm in Saint Lucia in the Caribbean Islands

SYNLAB Vet

- **Headquarters:** Munich, Germany
- **Deal value:** Not disclosed
- **Deal closed:** September 2023
- **Focus:** Veterinary diagnostic segment of SYNLAB

Kevin's Natural Foods

- **Headquarters:** Modesto, California
- **Deal value:** $800 million, per Reuters
- **Deal closed:** August 2023
- **Focus:** Sous-vide healthy meals

Heska Corp.

- **Headquarters:** Loveland, Colorado
- **Deal value:** $1.3 billion
- **Deal closed:** June 2023
- **Focus:** Veterinary diagnostic and specialty solutions

Champion Petfoods

- **Headquarters:** Alberta, Canada
- **Deal value:** Not disclosed
- **Deal closed:** February 2023

- **Focus:** Premium pet food brands including Orijen and Acana

Trü Frü LLC

- **Headquarters:** West Valley City, Utah
- **Deal value:** Not disclosed
- **Deal closed:** February 2023
- **Focus:** Fruit and chocolate snacks including Kind and Nature’s Bakery brands

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Greater Washington's largest private companies, behind the numbers

Largest Private Companies in Greater Washington

Total 2023 revenue

Rank	Prior Rank	Name/Prior/URL
1	1	Mars Inc.
2	2	Bechtel Corp.
3	3	Carahsoft Technology Corp.

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