

Monogram expands with plant purchase

by Chris Sheffield

Monogram Food Solutions LLC has completed its second plant acquisition and is in the process of raising more than \$27 million in debt and equity financing for future acquisitions and growth, says chairman and CEO Karl Schledwitz. The acquisition of Al Pete Meats, which makes and distributes Pete's Pride Meat Products in Muncie, Ind., was completed May 5. The total cost of the acquisition, including equipment and property, was more than \$5 million, Schledwitz says.

Memphis-based Monogram assumed management of the plant in January 2008 to start Monogram Comfort Foods. At the end of 2008, it exercised its option to purchase the 35,000-square-foot plant. It has been working out details of the purchase since. The company invested more than \$3 million in the operation during 2008.

It anticipates adding as many as 75 more employees to the company with the addition of the Muncie plant, which it plans to expand. It currently employs 225 in Memphis, Muncie and Chandler, Minn., where it operates Trail's Best Meat Snacks. Monogram bought that plant in 2006 and has grown its sales from \$13 million to more than \$40 million.

Monogram decided to purchase the Muncie plant after it was successful in growing sales from less than \$2 million annually to more than \$20 million on an annualized basis, says Wes Jackson, president of Monogram Food Solutions. The plant produces corn dogs and pork fritters, a regional product akin to country fried steaks in the South, Schledwitz says. Plans are to capitalize on the infrastructure and develop a line of catfish fritters to be marketed in the South either under Bass Pro's Uncle Buck brand, which Monogram has a licensing agreement to produce, or Monogram's signature King Cotton brand. But the real jewel is the corn dog.

"What's really driving it is the corn dog business," he says. "We've acquired a lot of private label corn dog business for major retailers and been very successful in doing that."



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Analyst Jonathan Feeney, who previously covered Smithfield Foods, Inc., and now covers Hormel Foods Corp. for Janney Montgomery Scott LLC, says demand for easy-to-prepare products like corn dogs and hot dogs is strong. That's especially true now in an economy where more consumers are opting for home meals instead of eating out.

"Those are the parts of Smithfield and Hormel that are doing best," he says.

Also strong is Monogram's private label business, which now accounts for one-third of its more than \$53 million in sales, Schledwitz says. Monogram now makes corn dogs and other meat products for some of the larger grocery and convenience stores in the country.

Monogram was founded five years ago when Schledwitz led a group of investors to purchase the King Cotton and Circle B brands from Sarah Lee Meats. The company today makes and distributes products under its own brands, through products it controls and licenses or with co-pack partnerships, meaning it makes and distributes the products for other brands.

The Muncie acquisition is just the latest in what is expected to be a string of purchases, Schledwitz says. The company's board of directors recently approved raising \$7 million of additional capital to fund several more proposed acquisitions the company is pursuing. The board will seek approval of the deal at a May 27 shareholder's meeting, he says. The company has about 30 Memphis shareholders.

Also, the company has received commitments for more than \$20 million in new bank financing to further help with acquisitions.

Randy Karchmer, managing director of mergers and acquisitions for Morgan Keegan & Co., Inc., says while getting deals financed is tough, those with assets attached are easier to sell to investors.

"It's all about operations and performance," he says.

Morgan Keegan has plenty of experience in the food business, having represented Back Yard Burgers in its sale to private investors and advising on the sale of seasonal popcorn products maker Houston Harvest to Signature Brands.

"Food, health care and those types of sectors are certainly exhibiting more strength than retail and housing and building products," Karchmer says.

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