A Sweet Alliance: The Mars — Kellanova Merger and Its Impact on the Food Industry

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"*In welcoming Kellanova's portfolio of growing global brands, we have a substantial opportunity for Mars to further develop a sustainable snacking business that is fit for the future[…].*" Poul Weihrauch, CEO and Office of the President of Mars Inc.

Deal Overview

- Acquiror: Mars Inc.
- Target: Kellanova (NYSE:K)
- Industry: Packaged Foods and Meats
- Transaction amount: $35.9bn
- Announcement date: August 14, 2024
- Advisors to Mars: Citigroup
- Advisors to Kellanova: Goldman Sachs, Lazard

Deal Summary

On August 14, 2024, the food company Mars Inc. announced that it has agreed to acquire Kellanova, a publicly listed multinational food company specializing in snacks and cereals, making it the largest M&A transaction in the food industry since Kraft Foods in 2015. Mars, the family-owned company behind Snickers, M&M's, and Skittles, will pay a total of $35.9bn for Kellanova, which amounts to $83.50 per share.

Company Overview – Mars Inc.

Mars was founded in 1911 by Franklin Clarence Mars in Tacoma, Washington, where it began by producing buttercream candies. Over the years, the company expanded rapidly across the U.S. and established a presence in Europe, growing its portfolio through both organic growth and the acquisition of well-known brands. Names like Maltesers, Twix, M&M's, and Whiskas helped Mars grow its presence in the confectionery and pet care markets. Today, Mars is one of the largest privately held food companies globally, generating $50 billion in revenue in 2024. The company operates through four main segments: Mars Wrigley, Mars Food, Mars Petcare, and Mars Edge. Mars Wrigley produces some of the world's most famous confectionery brands, while Mars Food focuses on household staples such as Uncle Ben's (now Ben's Original). Mars Petcare has grown into a global leader in pet nutrition and veterinary health, with brands like Pedigree, Royal Canin, and Banfield Pet Hospitals.
Mars employs over 150,000 people in more than 80 countries.

Company Overview – Kellanova

Kellanova's origins can be traced back to 1894, when Will Keith Kellogg and his brother, John Harvey Kellogg, revolutionized breakfast and came up with the invention of cornflakes. Seeing the business potential of their creation, Will Keith Kellogg founded the Kellogg Company in 1906 to bring their innovation to the market. The company gained early market traction in the breakfast foods segment with their cereal products.
In 2023, following a major corporate restructuring, the Kellogg Company was renamed Kellanova. This transition included the spin-off of WK Kellogg, which now focuses on North American cereal brands, while Kellanova retained its focus on snacks and cereal products for global markets.
The company operates production facilities in 17 countries and sells its products in more than 180 nations. Kellanova is a leading global player in the snack segment, with established brands such as Pringles and Cheez-It. In 2024, Kellanova generated $13 billion in annual revenue and employed over 30,000 people across the globe.

Industry Overview – Packaged Foods and Meats

The global snack market has been steadily growing, driven by changing consumer habits, health trends, and increased demand for convenient, on-the-go food options. The market is varied, offering everything from traditional snacks like chips and candy to newer categories like plant-based, protein-packed, and functional options. As consumers become more health-oriented, there is a noticeable shift towards healthier snack options, including gluten-free, low-sugar, and organic products.
Another main driver in the snack market is the increasing demand for convenience. Busy lifestyles have led consumers to buy snacks that are easy to consume, portable, and quick. This shift has led to a surge in single-serve packaging and snacks that are quick and easy to prepare. Furthermore, there is a strong focus on sustainability in the snack market. Companies are responding to both consumer demand for more eco-friendly products and regulatory pressures regarding packaging waste. The use of recyclable packaging, reducing carbon footprints, and sourcing ingredients sustainably have become key trends.
In terms of product innovation, snacks with added health benefits, such as those enriched with protein, fiber, and vitamins, recently became very popular. Plant-based snacks have grown significantly as well, reflecting broader trends in the food industry towards plant-based diets. These snacks appeal to an increasing number of consumers who are seeking alternatives to traditional meat-based options, as well as to those aiming to reduce their environmental footprint.
However, despite the health trends, traditional snacks, like chips and sweets, remain dominant in many markets. This creates a balancing act for snack companies, as they work to appeal to both health-conscious consumers and those who seek comfort in foods.
Overall, the snack market is expected to keep growing, with innovation and sustainability being

important. To remain competitive, brands must balance consumer demand for convenience, health-conscious products, and environmental responsibility.

Deal Structure

The Mars-Kellanova deal, announced as an all-cash transaction, is valued at $35.9bn. Mars will acquire Kellanova's entire equity at $83.50 per share, representing a 44% premium over Kellanova's 30-day volume-weighted average share price prior to the announcement. The deal structure includes the assumption of Kellanova's net debt, which brings the enterprise value (EV) to around $39bn. Mars plans to fund the acquisition with a combination of its own cash reserves and debt financing, leveraging both its strong liquidity and financial backing to secure the deal. The transaction is expected to close in the first half of 2025, subject to regulatory approvals and other closing conditions.

The deal, with a $39bn valuation, achieves an EV/EBITDA multiple of 15.4x, which is significantly higher than the median EV/EBITDA multiple of 12.3x observed among comparable companies in the packaged foods and meats industry. The valuation underscores Mars' confidence in Kellanova's growth potential, strong market position in the global snack and cereal market, and robust brand portfolio.

Despite the high valuation, the deal makes strategic sense. Mars is looking to leverage Kellanova's innovation, global reach, and ability to adapt to shifting consumer trends. While the higher multiple reflects Mars' anticipation of long-term growth, the synergies created by the merger are expected to offset the initial cost and drive substantial value creation post-merger.

Potential Risks & Upsides

The Mars-Kellanova deal presents a mix of upsides and risks that could significantly influence its outcome.

On the upside, the acquisition of Kellanova enables Mars to extend its presence in the global snack market, leveraging Kellanova's strong portfolio, which aligns with growing consumer demand for snacks. This provides Mars with an opportunity to diversify and build a stronger presence in a market increasingly driven by convenience and healthier options, enabling better competition with giants like Ferrero or Mondelez. The merger allows Mars to expand beyond its primary focus on confectionery and Petcare, benefiting from Kellanova's strength in snacks.

A diversified portfolio can help Mars to be better prepared for market fluctuations while accessing Kellanova's innovations in snack products, including Nutri-Grain bars and an extensive range of cereals such as Special K, Frosted Flakes, and Rice Krispies, which appeal to convenience-driven consumers. Meanwhile, traditional products like Pringles and Cheez-It broaden Mars' snack portfolio. By expanding its product portfolio, Mars can address shifts in consumer demand more effectively.

Moreover, Mars' global reach and infrastructure will facilitate the distribution of Kellanova's products, providing operational synergies through economies of scale, while Kellanova's innovations in packaging, such as compostable and recyclable materials, could support Mars' sustainability efforts.

However, risks include integration challenges, as merging two large companies with different cultures, operational structures, and business practices often lead to disruption, employee turnover, and inefficiencies, potentially weakening the anticipated benefits. Regulatory concerns are another risk, as competition regulators may scrutinize the deal for monopolistic effects, potentially delaying or altering its terms. Additionally, rapidly shifting consumer preferences for healthier and more sustainable products could pose challenges if Mars is unable to adapt Kellanova's offerings, risking market share loss.

In summary, the Mars-Kellanova deal offers Mars an opportunity to strengthen its position in the growing snack market. However, successful integration, regulatory navigation, and alignment with consumer trends are crucial to the long-term success of both the merger and the combined business.

Table 1: Comparable Company Analysis

	Market Data - as of 24.03.2025			Sales			EBITDA			EV/Sales			EV/EBITDA		
	Price	Market Cap	EV	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Company Name	($/share)	($mn)	($mn)	($mn)	($mn)	($mn)	($mn)	($mn)	($mn)						
General Mills, Inc.	58.17	32124.9	46531.3	19815.6	19370.3	19198	4250.5	3847.1	3815.2	2.3x	2.4x	2.4x	10.9x	12.1x	12.2x
Nestlé S.A.	101.32	260509.6	304809.9	103732.7	106270.8	109952.1	21877.7	21051.2	22317.8	2.9x	2.9x	2.8x	13.9x	14.5x	13.7x
JM Smucker Co	111.75	11960.2	19823.2	8178.7	8883.1	9038.8	2119.1	2107.7	2156	2.4x	2.2x	2.2x	9.4x	9.4x	9.2x
Mondelez International, Inc.	64.95	84481.2	100221.2	36441	37500.8	39040.9	6632	6578.4	7068.6	2.8x	2.7x	2.6x	15.1x	15.2x	14.2x
Tyson Foods, Inc.	60.37	21759.5	29554.5	53309	53907.6	54812	3251	3485.9	3663.5	0.6x	0.5x	0.5x	9.1x	8.5x	8.1x
Hormel Foods Corporation	29.26	16121.3	17423.9	11920.8	12172.1	12484.2	1271.2	1485	1603.4	1.5x	1.4x	1.4x	13.7x	11.7x	10.9x
Mean										2.1x	2.0x	2.0x	12.0x	11.9x	11.4x
Median										**2.4x**	**2.3x**	**2.3x**	**12.3x**	**11.9x**	**11.5x**
Top quartile										2.7x	2.6x	2.5x	13.9x	13.9x	13.3x
Bottom Quartile										1.5x	1.4x	1.4x	9.4x	9.4x	9.2x
Kellanova	82.5	28969.4	34488.4	12749	12868.7	13212.4	2246	2341.8	2444.9	2.7x	2.7x	2.6x	15.4x	14.7x	14.1x

Source: FactSet 24.03.2025 – own illustration, calendarized data