Hormel Foods to Buy Muscle Milk for $450M

The Associated Press

NEW YORK (AP) — The maker of Spam is bulking up on its protein with Muscle Milk.

Hormel Foods said it will pay $450 million to acquire CytoSport, which owns Muscle Milk sports nutrition drinks, bars and powders. The move builds on Hormel's push to expand beyond its stable of packaged meats, which include Dinty Moore stews and its namesake chili. Last year, Hormel also added Skippy peanut butter to its lineup.

In a call with analysts Tuesday, Hormel CEO Jeff Ettinger said people are increasingly looking for portable, easy-to-eat products packed with protein. It's why the company recently introduced Rev snack packs, which are wraps filled with meat and cheese, and Skippy Singles, which are portion-controlled packs of the peanut butter.

As for Muscle Milk, Ettinger said the brand would give it access to a different kind of customer.

"It's much more active, young consumer that was appealing to us," he said.

Americans have increasingly been looking to increase their protein intake in recent years, and packaged foodmakers have been responding by adding it to a variety of products. General Mills Inc. even recently rolled out a version of Cheerios with extra protein, for instance.

Last year, Coca-Cola Co. bought a stake in the maker of Core Power, which is marketed as a post-workout recovery drink. The Atlanta-based company didn't disclose its stake in Fair Oaks Farms Brands LLC or other terms of the deal.

Private-equity firm TSG Consumer Partners is selling its stake in CytoSport, which is based in Benicia, California

CytoSport founders Greg and Mike Pickett, who are father and son, will still be involved in day-to-day operations. For 2014, Hormel said it expects sales of CytoSport to be about $370 million. The deal will add about 5 cents per share to its fiscal 2015 earnings, the company said.

Shares of Hormel Foods Corp., based in Austin, Minnesota, slipped 14 cents to $49.21.

The deal is expected to close within 30 days.

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