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## World Tea News

### Seattle's Barnes & Watson Merges with Maskeliya Tea Exports

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By Dan Bolton, World Tea News Editor



SEATTLE, Wash.

Barnes & Watson Fine Teas of Seattle on Tuesday announced a strategic merger with Maskeliya Tea Exports, a large Sri Lanka-based grower and exporter.

The combination recasts **Barnes & Watson** as the U.S. sales and marketing arm of a formidable vertical group of companies employing more than a 1000 workers in growing, processing, warehousing, packaging and exporting Sri Lanka (Ceylon) teas. It also brings the resources of that nation's third largest brokerage and its network of far-flung suppliers into the mix.

Ken Rudee, Barnes & Watson owner and director, is the American touch point. Rudee, a master blender and taster currently serves as chairman of the Specialty Tea Institute. A respected leader with a base of 500 hotels, foodservice and specialty tea clients and a profitable online business, Rudee has standing in the North American tea community.



Ken Rudee, Founder of Seattle-based Barnes & Watson Fine Teas, with Ravi Kumararatne and Maskeliya Tea Export CEO Ruwanga Kumararatne. Maskeliya is headquartered in Colombo, Sri Lanka.

Rudee announced that Ravi Kumararatne, an experienced corporate executive and plantation manager, will join the management team of the combined business which retains its respective names and identity. During his 40-year career Kumararatne led three British pioneered and publicly traded tea plantation management companies and served on the executive board of multiple other private and publicly traded companies in Sri Lanka.

**Maskeliya Tea Exports**, which has long sought the right opportunity to expand its presence in North America, opened a U.S. office in Costa Mesa, Calif., last October. "Having grown up in Sri Lanka and lived a significant portion of my life in the U.S., I've for long sought an opportunity to bring our two cultures together. Considering Maskeliya Tea Export's established infrastructure in Sri Lanka, and Barnes & Watson's current positioning in the U.S. market, this opportunity seemed as good as it gets," says Ruwanga Kumararatne, CEO Maskeliya Tea Exports and Barnes and Watson Fine Teas.

#### M&A Activity Frozen by Recession Begins to Thaw

VANCOUVER, Wash.

The tea industry is emerging from a terrible recession where the number of mergers and acquisitions declined precipitously.

"The volume of deals was cut by half. Buyers didn't come through, the lenders didn't come through and deals thought to be worth \$50 million were suddenly valued at \$25 million and pulled from the market," observes K. Perry Campbell, managing director of the Vancouver, Wash. office of Seattle-based ACT Consultants. The firm specializes in lower mid-range transactions valued at \$100 million or less.

"Volume has been coming back up. I've seen an increase in the number of transactions and the volume of these transactions in both strategic and financial deals," he says.

"In my world we talk about synergy. Synergy can be of two kinds," he explains.

"The simplest is cost elimination synergy: One company acquires another because they already have the manufacturing capacity, or back office or accounting capability to make it duplicative. You can eliminate people and costs and the two entities joined will be more profitable," says Campbell. The more positive synergies are where you companies with



"We are extremely excited about our merger that will enable Barnes & Watson to propel itself to the next level by encompassing all areas of tea business expertise: finance, production and corporate management, as well as keeping us focused on our mission of being the market leader by providing the finest premium teas to the hospitality and specialty retail industries" Ruwanga Kumararatne added.

"Barnes & Watson is no longer just a company that buys the vast majority of its product from brokers," says Rudee. "This merger assures that our tea can be shipped within hours of harvest and processing, giving our products the advantage of even finer quality and value," he says.

"We now have connections in countries where we can import direct including China, India and Japan," he explained. "Tea generally it takes at least two months to reach our warehouse from when it's plucked and another month or more if we go through brokers," says Rudee. Now, if the tea is special, "in some instances we could air it out within a week at cost savings so huge that we can offer it for less than we do now." The merger puts Barnes & Watson in the private label business with the capability to do garden to delivery dock deals.

"As a family-owned company we never had financial resources like this behind us," says Rudee. "We expect to be more competitive with a fabulous quality tea at the same cost," he says.

The combination of Kumararatne's expertise in sourcing garden fresh teas, logistics and international trade and Rudee's passion for tea and industry knowledge as a director of the Tea Association of the USA "will forge a perfect mix for Barnes & Watson to move ahead in our growing industry," says Rudee.

The privately held Savora International, LLC owned by Rudee, has operated Barnes & Watson since its founding in 1997. The company specializes in providing premium teas to hospitality and specialty retail industries. Barnes & Watson has garnered 21 awards for hot and iced tea blends since 2005.

The deal closed in mid-February. Financial details of the privately held companies were not disclosed.

Sources: [Barnes & Watson Fine Teas](#), [Maskeliya Tea Exports](#)

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certain characteristics of benefit to both and put them together. "It's a case where one and one makes three," he says.

"That appears to be what you have going on here (merger of Barnes & Watson Fine Teas and Maskeliya Tea Exports). Positive synergies include geographic expansion, penetration into additional markets, people on-site with knowledge and relationships in locations where the tea is coming from," says Campbell.

The tea industry resembles many food and beverage segments. Multiples are similar (covering a broad range) with lots of folks involved in smaller enterprises, he says.

— Dan Bolton

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