

FOOD AND BEVERAGE M&A REVIEW

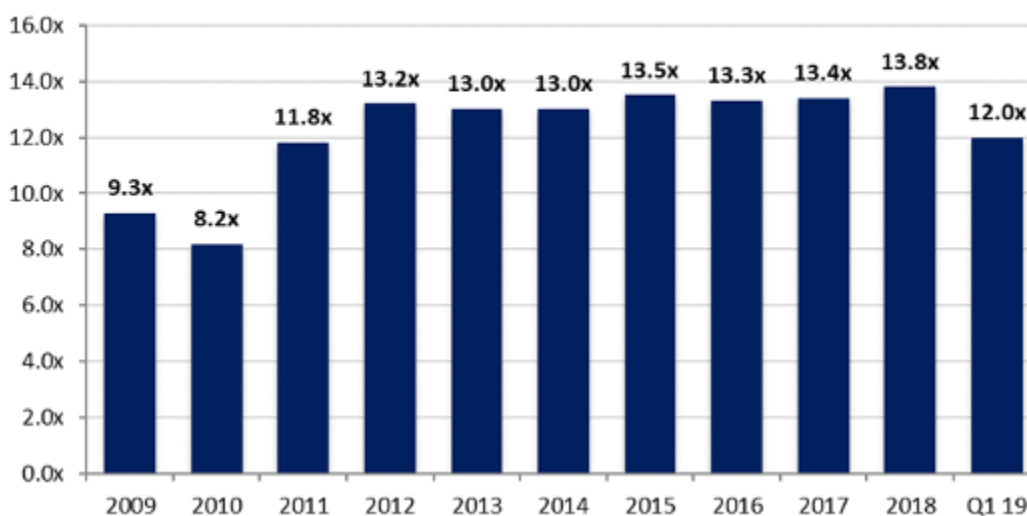
SUMMER 2019 PERSPECTIVES

Food and beverage transaction multiples in 2018 hovered above prior years' valuations, with an average EV/EBITDA multiple of 13.8x. Although 2019 deal valuations have not yet reached this same record-breaking height, industry multiples remain strong, with Q1's average EV/EBITDA multiple at just 12.0x. The transaction data used in this analysis includes branded consumer products, which typically generate higher multiples than manufacturers and packaging companies.

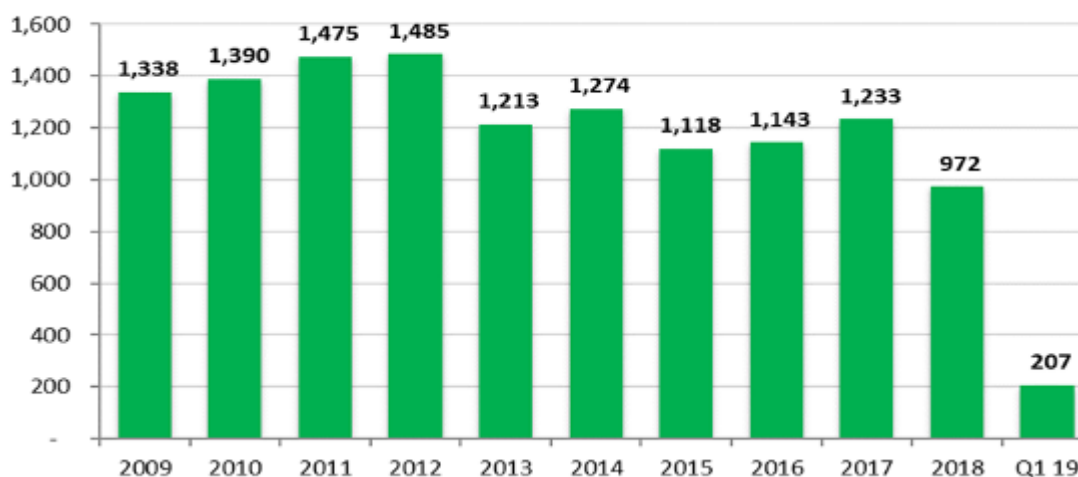
Although valuations in the food and beverage industry hit decade-high levels last year, total transaction volume fell short of prior years, with less than 1,000 food and beverage M&A transactions globally. As noted above, M&A activity is off to a more moderate start through the Q1 2019, with 207 reported transactions.

The deceleration in Q1 2019 can be attributed to general economic concerns regarding slowing growth, potential trade and tariff implications, and increased doubt of mega-mergers in the food industry (as seen in the high number of corporate divestitures in 2019, as well as those anticipated in 2019).

Average EV/EBITDA Multiples — Food and Beverage M&A

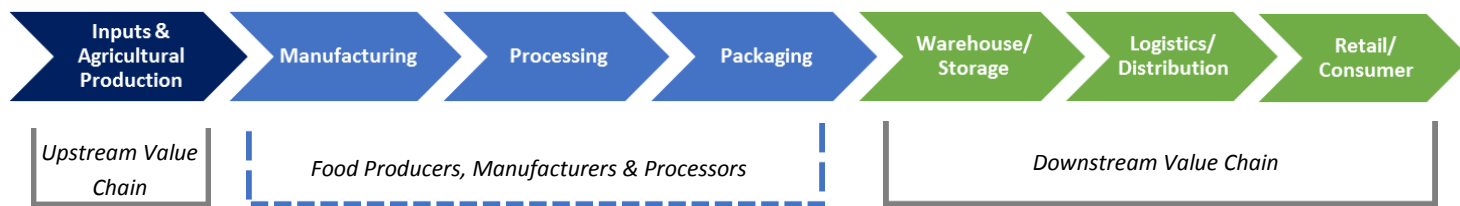


Of Deals — Food and Beverage M&A



Source: William Blair

Strategic Buyers: Vertical and Horizontal Market Consolidation in Food



Vertical Prospective Acquirers

Vertical prospective acquirers include large, diversified corporations looking to integrate operations across the value chain, both upstream and downstream. Vertical integration is intended to exploit synergies in the value chain and create further cost efficiencies for business operations.

Food product manufacturers, processors and packagers are likely to experience interest from vertical acquirers that are downstream and closer to the retail customer. These buyers are in search of bolt-on acquisitions that can create supply chain and overhead synergies, while allowing the buyer to “own” the process from raw materials through wholesale distribution and even to retail shelves.

Horizontal Prospective Acquirers

Horizontal prospective acquirers are in the same line of business as the acquisition target but are making acquisitions to: i) improve product. ii) expand customer portfolios or geographic reach, or iii) enhance operational efficiencies through economies of scale. Many large, corporate and mid-sized manufacturers or processors are looking to achieve growth in niche market segments, such as Convenience, Organic, and Premium. These buyers may include direct competitors.

Additionally, acquisitions consolidating the food processing industry also tend to be brand-focused, as brand equity may be a meaningful valuation driver for certain buyers. With any acquisition, manufacturers are strategizing to gain better access to and stronger relationships with large retail players.

Note: After Kraft Heinz’s significant write-down of its Kraft and Oscar Meyer brands in February 2019, large corporate players are taking a more measured approach to factoring potential synergies and cost-saving efficiencies.

Source: Barron’s

Financial Buyers: Private Equity Interest in Food Products

Financial buyers (typically private equity sponsors) are also active in the food and beverage industry. Although the majority of transactions are by strategic buyers, financial buyers should not be overlooked in the M&A process. Across the U.S., private equity groups are looking to put meaningful capital to work and are aggressively seeking middle-market transactions.

According to reported private equity transactions, financials buyers are willing to pay 6.0x to 10.0x+ EBITDA multiples for the right acquisition. Larger multiples are generally ascribed to larger transactions, typically \$100+ million in Total Enterprise Value (“TEV”) with meaningful EBITDA margins over 20%.

Food Manufacturer Deal Terms — Private Equity Buyers

TEV Range	Average					# Deals Tracked	
	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Rev		TEV / EBITDA
\$10 - \$25	\$16.7	\$17.9	29.8%	18.1%	1.2x	6.7x	23
\$25 - \$50	\$35.8	\$42.6	19.4%	17.5%	1.1x	6.3x	11
\$50 - \$100	\$61.3	\$48.7	14.4%	17.3%	1.5x	8.7x	8
\$100 - \$250	\$117.4	\$62.4	16.6%	23.5%	2.5x	10.1x	4
Total	\$37.8	\$33.1	23.5%	18.3%	1.4x	7.3x	46

2003-2018 Private Equity Investments	
<i>\$ in millions; Averages of all reported transactions</i>	
# of Deals	100
Total Enterprise Value \$	\$38.0
Revenue \$	\$46.2
TTM Revenue Growth %	15.3%
EBITDA Margin %	16.3%
TEV/Rev Multiple	1.1x
TEV/EBITDA	6.5x

2017 Private Equity Investments	
<i>\$ in millions; Averages of all reported transactions</i>	
# of Deals	11
Total Enterprise Value \$	\$50.7
Revenue \$	\$38.6
TTM Revenue Growth %	8.8%
EBITDA Margin %	20.5%
TEV/Rev Multiple	1.7x
TEV/EBITDA	7.9x

2018 Private Equity Investments	
<i>\$ in millions; Averages of all reported transactions</i>	
# of Deals	5
Total Enterprise Value \$	\$35.4
Revenue \$	\$22.6
TTM Revenue Growth %	16.3%
EBITDA Margin %	17.3%
TEV/Rev Multiple	1.5x
TEV/EBITDA	8.3x

Source: GF Data

FOOD AND BEVERAGE M&A REVIEW - 2019 PERSPECTIVES

The largest brands in each food and beverage category (general consumer packaged goods, health-centered brands, and snack foods) have remained competitive with one another, with the median EV generally rising over the last 12 month period.

CATEGORY/Company	LTM Period						
	LTM Period	EV	EBITDA	Revenue	EBITDA Margin	EV/Rev	EV/EBITDA
GENERAL CONSUMER PACKAGED							
Kraft Heinz	Jan. 2017-Dec. 2018	\$ 83,687	\$ (9,054)	\$ 26,268	-34.5%	3.2x	12.5x
Campbell Soup Co.	Apr. 2018 - Apr. 2019	\$ 20,913	\$ 1,056	\$ 10,071	10.5%	2.1x	31.8x
Smucker's	Apr. 2018 - Apr. 2019	\$ 19,831	\$ 1,356	\$ 7,838	17.3%	2.6x	13.2x
Conagra	Feb. 2018 - Feb. 2019	\$ 22,550	\$ 1,326	\$ 8,891	14.9%	2.8x	19.8x
B&G Foods	Mar. 2018 - Mar. 2019	\$ 3,219	\$ 378	\$ 1,682	22.5%	1.9x	8.4x
Lancaster Colony	Mar. 2018 - Mar. 2019	\$ 4,116	\$ 225	\$ 1,292	17.4%	3.2x	18.5x
Treehouse Foods	Mar. 2018 - Mar. 2019	\$ 5,748	\$ 288	\$ 5,632	5.1%	1.0x	20.0x
Kellogg	Mar. 2018 - Mar. 2019	\$ 28,853	\$ 1,987	\$ 13,668	14.5%	2.1x	13.5x
General Mills	Feb. 2018 - Feb. 2019	\$ 43,175	\$ 3,073	\$ 16,594	18.5%	2.7x	14.5x
Median		\$ 20,913	\$ 1,056	\$ 8,891	14.9%	2.6x	14.5x
Mean		\$ 25,301	\$ 70	\$ 10,083	10.1%	2.4x	16.7x
HEALTH							
Hain Celestial	Mar. 2018 - Mar. 2019	\$ 3,097	\$ 53	\$ 2,364	2.3%	1.3x	53.8x
Sunopta	Mar. 2018 - Mar. 2019	\$ 889	\$ (1)	\$ 1,253	-0.6%	0.7x	NA
Median		\$ 1,993	\$ 26	\$ 1,809	0.8%	1.0x	53.8x
Mean		\$ 1,993	\$ 26	\$ 1,809	0.8%	1.0x	53.8x
SNACK FOODS							
Mondelez International	Mar. 2018 - Mar. 2019	\$ 89,520	\$ 4,003	\$ 25,711	15.6%	3.5x	21.8x
Post Holdings	Mar. 2018 - Mar. 2019	\$ 14,048	\$ 1,069	\$ 6,037	17.7%	2.3x	18.4x
J&J Snack Foods	Mar. 2018 - Mar. 2019	\$ 2,847	\$ 167	\$ 1,155	14.5%	2.5x	17.4x
John B. Sanfilippo & Son	Mar. 2018 - Mar. 2019	\$ 875	\$ 66	\$ 871	7.6%	1.0x	13.5x
Hershey	Mar. 2018 - Mar. 2019	\$ 20,862	\$ 1,797	\$ 7,836	22.9%	2.7x	11.3x
Median		\$ 14,048	\$ 1,069	\$ 6,037	15.6%	2.5x	17.4x
Mean		\$ 25,631	\$ 1,420	\$ 8,322	15.7%	2.4x	16.5x
Median		\$ 16,940	\$ 717	\$ 6,936	14.7%	2.4x	17.4x
Mean		\$ 22,764	\$ 487	\$ 8,573	10.4%	2.2x	19.2x

Source: Public company data, Pitchbook

2019 Transaction History

Just under fifty acquisitions have been announced in 2019 through the first week of June (6/7/19) in the food product manufacturing sector. Demonstrating the consolidation trend within large, strategic food companies, 65% of reported transactions were by strategic buyers. These buyers consist of middle market privately-held companies, private equity-backed portfolio companies, and large multi-national public companies – including Kraft Heinz and Post Holdings. Nearly one quarter of all transactions were corporate divestitures, as large food manufacturers seek to streamline operations and develop strategic focus on certain product portfolios. Other deal trends include a focus on innovative product offerings and on-trend health and better-for-you categories capturing Millennials and Gen Z.

YTD (6/7/2019) Food Product Manufacturer Deal Stats		
Total Transactions	49	100%
Add On Acquisitions	10	20%
Corporate Divestiture	11	22%
Financial Buyer	17	35%
Strategic Buyer	32	65%
Deal Value Disclosed	12	24%
Largest Transaction	\$1.3 billion	
	<i>Ferrero's acquisition of Keebler/Famous Amos</i>	
Smallest Transaction	\$3.5 million	
	<i>RiceBran's acquisition of MGI Grain</i>	




FOOD AND BEVERAGE M&A REVIEW - 2019 PERSPECTIVES

Target Name & HQ Location	Food Product(s)	Deal Date	Acquirer	Disclosed Deal Size (\$M)	Corporate (Strategic) or Private Equity (Financial)	Add-on Acquisition?	Corporate Divestiture?
 Before the Butcher Irvine, CA	Plant based meat	6/5/19	 Jensen Meat (Hamann Companies)		Corporate	No	No
 Panorama Meats Woodland, CA	Grass-fed and grass-finished certified organic beef	5/23/19	 Perdue Premium Meat Company		Corporate	No	No
 Sky Valley Foods Danville, VA <i>Previously backed by Armada Equity Partners</i>	Natural and organic salad dressings	5/23/19	 Litehouse Foods	\$46.0	Corporate	No	No
 Arcobasso Foods Hazelwood, MO <i>Previously backed by Advantage Capital</i>	Refrigerated dressings, sauces and beverage mixers	5/23/19	 Golding Farm Foods (Centre Partners)		Private Equity	Yes	No
 Clabber Girl Terre Haute, IN <i>Subsidiary of Hulman & Co.</i>	Cooking and baking ingredients	5/15/19	 B&G Foods (NYS: BGS)		Corporate	No	Yes
 WestSoy Boulder, CO <i>Subsidiary of The Hain Celestial Group</i>	Tofu, seitan and tempeh products	5/6/19	 Nature's Soy (Keystone Capital)		Private Equity	Yes	Yes
 Prairie City Bakery Vernon Hills, IL	Individually-wrapped and bulk food service bakery products	5/3/19	 McKee Foods		Corporate	No	No
 TreeHouse RTE Cereal Business Saint Louis, MO <i>Subsidiary of TreeHouse Foods (NYSE: THS)</i>	Ready to eat the cereal	5/2/19	 Post Holdings (NYS: POST)		Corporate	No	Yes
 Turkey Hill Conestoga, PA <i>Subsidiary of Kroger</i>	Specialty frozen desserts and beverages	4/29/19	 Peak Rock Capital	\$215.0	Private Equity	No	Yes





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 Big League Foods Gaithersburg, MD	Frozen dessert products and confections	4/26/19	 Verus Foods (OTCPink : VRUS)		Corporate	No	No
 Kabobs The Hors d'Oeuvre Specialists Lake City, GA	Hors d'oeuvres, ethnic and breakfast, supplied to foodservice operations, hotels, convention centers	4/25/19	 Gourmet Culinary Holdings (AUA Private Equity Partners)		Private Equity	No	No
 El Sol Foods Gilbert, AZ	Homestyle salsas	4/22/19	 Cacique Inc		Corporate	No	No
 OLLY San Francisco, CA <i>Previously backed by Base Ventures, Obvious Ventures, Serena Ventures, Simon Equity Partners</i>	Wellness and nutrition products	4/18/19	 Unilever United States		Corporate	No	No
 Riceworks US gourmet rice snacks <i>Subsidiary of Shearer's Snacks</i>	Gourmet snacks made from brown rice	4/17/19	 Wholesome Goodness		Corporate	No	Yes
 Paradise (Fruit Business) Plant City, FL	Candied fruit products	4/16/19	 Seneca Foods (NAS: SENEA)	\$9.4	Corporate	No	Yes
 Cholula HOT SAUCE Jersey City, NJ	Mexican-style hot sauce	4/15/19	 L Catterton		Private Equity	No	No
 Ballreich Bros. Tiffin, OH	Potato chips and other snacks	4/12/19	 Ballreich's Snack Food Company		Corporate	No	No
 Earthbound Farm San Juan Bautista, CA <i>Subsidiary of WhiteWave Foods</i>	Prepackaged vegetables	4/11/19	 Taylor Farms	\$500.0	Corporate	No	Yes

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 Fruit Revival Denver, CO	Farm-fresh fruit and thoughtful snacks	4/10/19	 The Fruit-Guys		Corporate	No	No
 Harry's Fresh Foods Portland, OR <i>Previously owned by Joshua Green Corporation</i>	Refrigerated soups, entrées, sides and desserts	4/8/19	 Investar Financial (Kainos Capital)		Private Equity	Yes	No
 Rose Packing Barrington, IL	Value-added pork, turkey, chicken, and beef products	4/8/19	 OSI Group (US)		Corporate	No	No
 MGI Grain East Grand Forks, MN	Pearled barley and related products	4/4/19	 RiceBran Technologies (NAS: RIBT)	\$3.5	Corporate	No	No
 Mid South Baking Company Bryan, TX	Bakery products.	4/2/19	 C.H. Guenther & Son (Pritzker Private Capital)		Private Equity	Yes	No
 Proven Partners Group Elgin, IL	Dried and powdered foods	4/2/19	 Tilia Holdings		Private Equity	No	Yes
 Keebler and Famous Amos business Battle Creek, MI <i>Subsidiary of Kellogg's</i>	Baked snacks	4/1/19	 Ferrero International, Hostess Brands	\$130 0.0	Corporate	No	No
 Gourmet Kitchen Neptune, NJ	Burgers, sandwiches, desserts, flat-breads, biscuits, sausages, crab cakes and pastries	3/27/19	 AUA Private Equity Partners		Private Equity	No	No
 Turkey Creek Snacks Thomaston, GA	Branded pork based food products	3/21/19	 Evans Food Group (Wind Point Partners)		Private Equity	Yes	No









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 Iowa Premium Tama , IA Beed and meat products	3/12/19	 National Beef Packaging Company (Marfrig Global Foods)	\$76.5	Corporate	No	No	
 Bubbles Baking Van Nuys, CA Home made pastries	3/4/19	 Global Bakeries (Surge Private Equity)		Private Equity	Yes	No	
 Kane Beef Houston, TX Beef and beef meat products	3/4/19	 STX Beef	\$28.0	Corporate	No	No	
 Clifty Farm Country Hams Paris, TN Country cured ham, bacon, sausage, barbecue and other specialty items	3/1/19	 Burgers' Smokehouse		Corporate	No	No	
 Gilman Cheese Gilman, WI Processed cheese	2/28/19	 Borgman Capital Tecum Capital Midwest Growth Partners		Private Equity	No	No	
 Wesson Oil Memphis, TN Subsidiary of Conagra Brands (NYSE: CAG) Oils, including canola oil, corn oil, soybean oil and sunflower oil	2/25/19	 Richardson International	\$167.1	Corporate	No	Yes	
 Garden Fresh Salsa Company Ferndale, MI Subsidiary of Campbell Soup Company (NYSE: CPB) Salsa, humus, chips, soups, dips and guacamole	2/24/19	 Fountain of Health USA		Corporate	No	Yes	
 Legacy Fruit Packers Wapato, WA Subsidiary of Valley Fruit and Larson Fruit Apples and cherries	2/23/19	 International Farming Corporation		Corporate	No	No	
 Sage Fruit Yakima, WA Fruits, including apples and pears	2/23/19	 International Farming Corporation		Corporate	No	No	

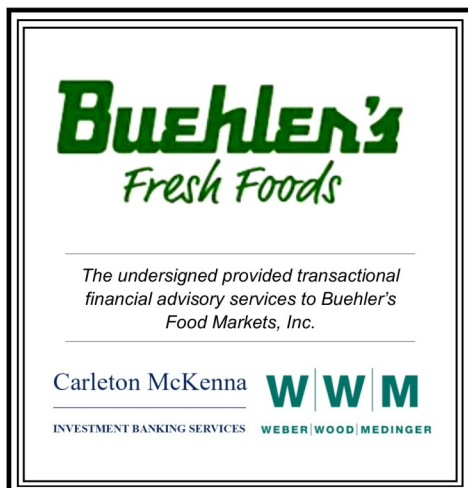
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 Circle Foods San Diego, CA <i>Previously owned by Tyson Foods</i>	Easy-to-prepare specialty food products	2/21/19	 Ajinomoto Foods North America (Ajinomoto (TKS: 2802))		Corporate	No	Yes
 Troger Cheese Millersburg, OH	Cheese, deli meats, special-recipe beef jerky, jar goods, candy, snacks, butter, popcorn	2/20/19	 Lipari Foods (H.I.G. Capital)		Private Equity	Yes	No
 Watson (West Haven) West Haven, CT	Better-for-you ingredients	2/20/19	 Glanbia (DUB: GL9)	\$89.0	Corporate	No	No
 Rite Stuff Foods Jerome, ID	Potato product	2/15/19	 Frostkrone Tiefkuhlkost (EMERAM Capital Partners and Idinvest Partners)		Private Equity	Yes	No
 Eddy Packing Yoakum, TX <i>Previously owned by Mason Wells</i>	Smoked, cooked and fresh pork, beef and poultry products	2/8/19	 Insight Equity		Private Equity	No	No
 California Sun Dry Foods Danville, CA	Sun-dry food products	2/4/19	 Saco Foods (Benford Capital Partners)		Private Equity	Yes	No
 Power of 3 Nutrition Tenants Harbor, ME	Whole food source products	2/4/19	 Tierra Farm		Corporate	No	No
 Dancing Deer Baking Company Boston, MA <i>Previously backed by Generation Equity Capital, Ironwood Capital</i>	Gourmet food gifts and baked goods for food service	2/1/19	 Hudson River Foods		Corporate	No	No
 La Panzanella Tukwila, WA	Artisanal snacking products	1/31/19	 Dare Foods		Corporate	No	No

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 American Dehydrated Foods Springfield, MO	Sustainable meat and egg-based nutrition ingredients	1/31/19	Symrise (ETR: SY1) 	\$900.0	Corporate	No	No
 The Deli Source Antioch, IL	Dairy-based products	1/28/19	 Lipari Foods (H.I.G. Capital)		Private Equity	Yes	No
 Acornseekers Louise, TX	Iberian ham	1/8/19	 Incarlopsa <i>Calidad por Naturaleza</i>		Corporate	No	No
 Primal Kitchen Oxnard, CA <i>Previously backed by Proton Enterprises, Wild Ventures</i>	Paleo mayo and dressing	1/4/19	 Kraft Heinz (NAS: KHC)	\$200.0	Corporate	No	No

Representative Carleton McKenna & Co. Food and Beverage Transactions...



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