



Food & Beverage M&A Outlook Q2 2017

About Us

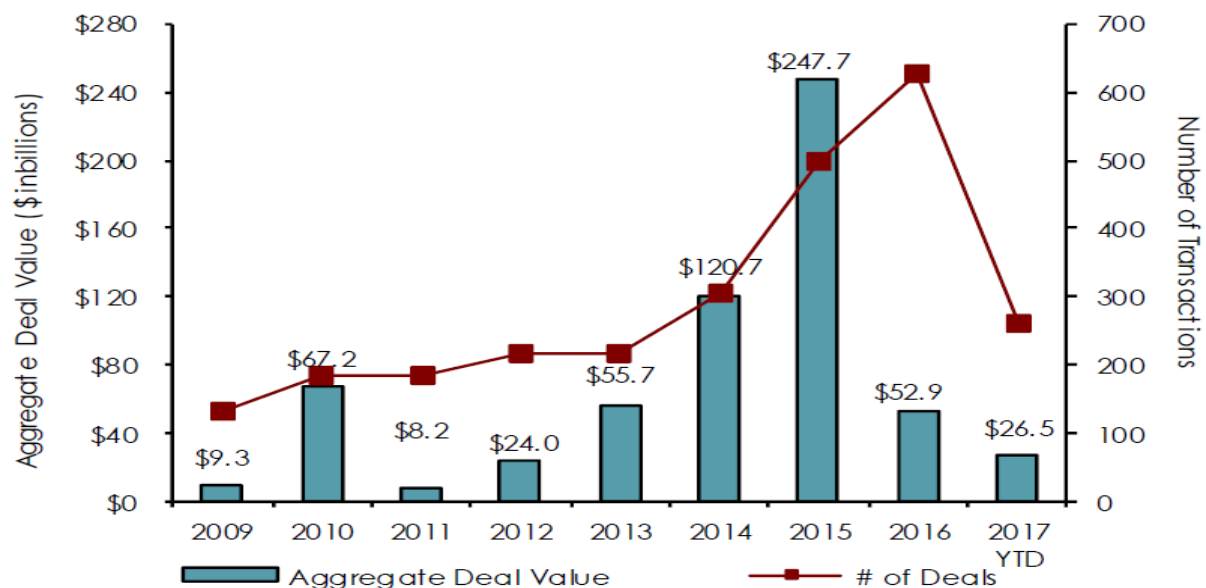
Calabaras Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies. We specialize in representing and advising businesses on sell-side and buy-side mergers and acquisitions and we raise private equity and debt capital.

Overview

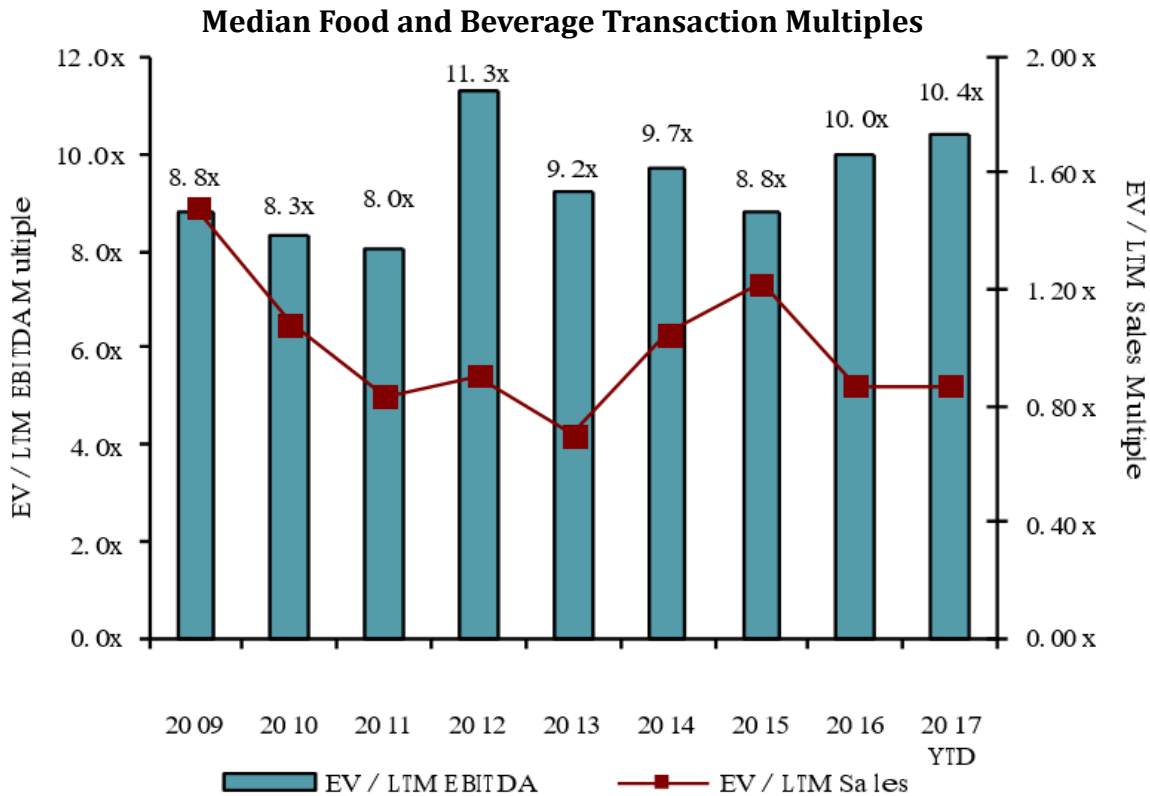
- The Food & Beverage industry has seen robust M&A activity in 2016 and the first half of 2017 due to strong economic growth and recent trends including a growing demand for better-for-you (BFY) snacks and beverage products that reduce waste, are sustainable and plant based, and help save preparation time.
- Deal count has been steadily increasing this year, with nearly 300 transactions recorded so far (as of end of May 2017).
- The high deal value of \$247.7 billion in 2015 was skewed by megadeals such as the \$106 billion acquisition of SABMiller from Anheuser-Busch.

Announced Food and Beverage Transactions

(\$ in billions)



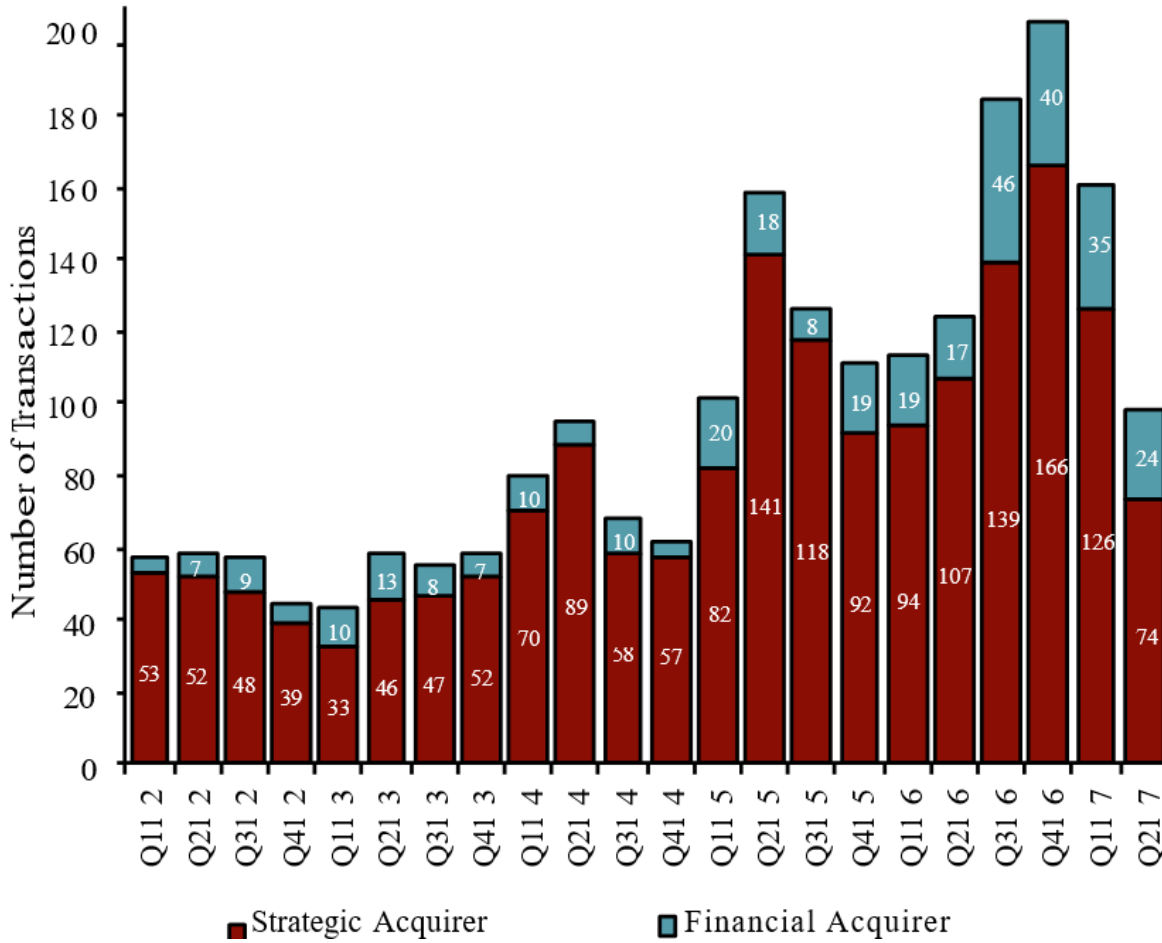
- Revenue and EBITDA multiples remain quite strong at .82x and 10.4x, respectively during the first half of 2017.



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2017

- Private equity firms continue to remain active in the industry because of its fragmented nature and relative stability. PE firms can capitalize on carve-outs from large companies looking to sell non-core businesses. Although these corporate orphans may be experiencing slow growth, many maintain strong cash flow positions enabling financial buyers to use leverage in making acquisitions.
- In 2Q17, strategic buyers accounted for 73% of deals while financial sponsors accounted for 27% of the volume as the former are actively seeking to keep up with trending demands of consumers.

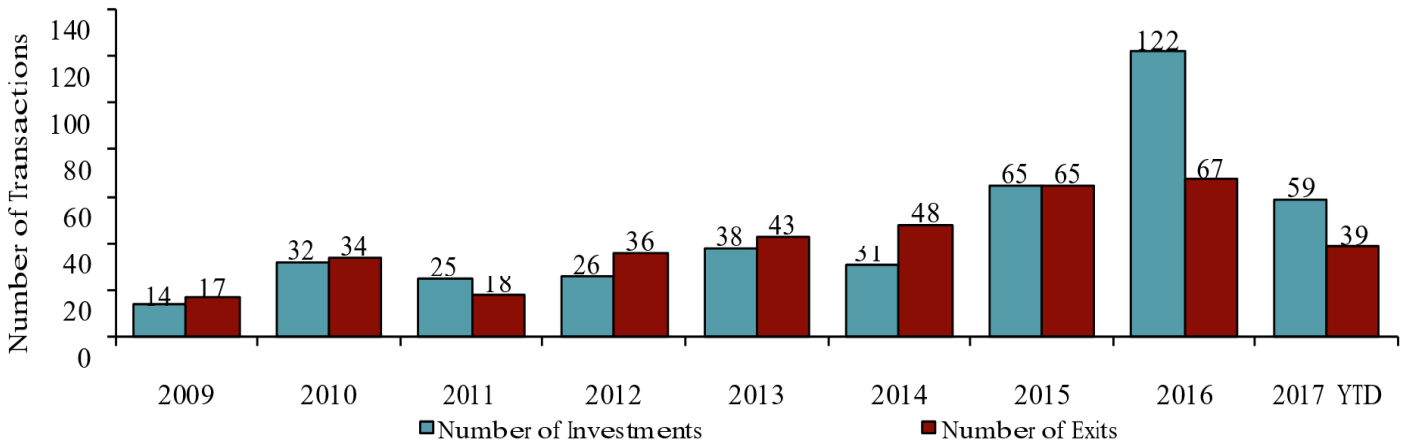
Quarterly M&A Activity



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2017

- Since 2015, the high number of investments by private equity firms implies that a number of these companies will come back to the market in the next few years as they exit.

Private Equity Investments & Exit in Food and Beverage Industry



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2017

Drivers of Consolidation

A wide range of highly targeted and strategic acquisitions are occurring in the industry. Drivers of such transactions include food manufacturers pursuing new sub-sectors with promising long-term growth prospects, companies' efforts to improve sales through expansion into new markets, and the opportunity to improve margins through economies of scale. Key industry drivers have included:

Changing Consumer Preferences

One of the biggest factors affecting the food & beverage industry is consumers' changing habits. Rising health consciousness and an increasing demand for convenience has affected the food industry, increasing the demand for **healthy and organic foods**. A growing number of consumers are replacing meals, especially breakfast, with snack foods, transitioning from the typical 3 meals a day to 6 meals a day. The center of the supermarket, concentrated with big brand names, is no longer the focus; instead consumers are attracted to the **healthy and convenient perimeter goods**. Brand loyalty is continuously growing along the perimeter due to consumers trust that they can quickly purchase any good with the confidence that the product is organic and healthy. Failure to adapt to consumers' preferences will result in shrinking market share and contracted profit margins, especially for companies whose products go against the health craze.

For example, Amazon, an E-commerce giant, has been providing a convenient way for consumers to receive goods from all around the world. Amazon has dabbled with the idea of creating a convenient brick and mortar grocery store called "Amazon Go". Their recent acquisition of Whole Foods, a store centered around healthiness with goods without artificial preservatives, colors, flavors, sweeteners, and hydrogenated fats, creates tensions among competitors as consumers will flock to the attractiveness of a certified healthy, inexpensive, and convenient grocery store.

Growing Innovation

The promise of innovation that startups offer potential acquirers is often a major driver of food and beverage M&A. For example, "plant – based ingredients" have been around for 20 years, but there hasn't been a surge of desire in those products due to their lack in taste; however, in the past 5 years, because of innovation, those products have started to taste good. Consumers used to be faced with the dilemma of health vs. taste, but thanks to recent innovation they don't have to. Newer brands have an advantage in attracting new customers because they provide the innovation that is desired by the

consumers' health consciousness.

With perimeter brands populating the supermarkets, addressing consumer preferences, and generating customer loyalty, bigger brands are forced to adapt to increase revenue. They are poised with the choice, to innovate internally and increase R&D, or to acquire a startup to diversify their portfolio. With consumers shunning bigger brands and costly R&D associated with rebranding towards a healthier audience, companies with larger market share are heading towards acquiring startups. Last year, many food companies, including General Mills, Kellogg Co., and Campbell Soup Co., established venture capital funds to invest in food & beverage startups; the industry is taking on a similar approach to tech companies with their own venture arms. They get in the door very early and help them grow, so long term acquisition of the business will be easier and more profitable. More large food companies are expected to follow suit with their own investment funds to keep up with the growing desire for innovation.

Supply of Acquisition Targets

Access to capital remains a critical contributing factor to a healthy M&A environment, and companies are enacting more stringent cost-saving initiatives. Coupling a healthy balance sheet with a generous cash balance and the motivation by consumers to innovate, big companies have been able to execute on M&A. Although bigger companies are ready to acquire, many startups, typically among younger generations, avoid selling their business. Baby Boomers, on the other hand, said to be the largest and most prosperous generation, own many businesses in the food & beverage industry and are increasingly looking for exit opportunities. They are on average 52 to 70 years old and are seeking options to head into retirement, creating a supply of acquisition targets. In 10 years, Baby Boomers will be on average 62 to 80 years old, and the supply of owners looking to sell is expected to increase tremendously, increasing M&A activity.

Recent Industry Transactions

Date	Acquirer	Target	Target Business Description	EV (mm)
6/23/17	Amazon	Whole Foods	High-end supermarket.	\$13,700.0
5/30/17	The J.M. Smucker Co.	Wesson Oil Brand	Cooking oil brand.	\$285.0
5/24/17	Luigi Lavazza SpA	Kicking Horse Coffee Co.	Organic coffee roaster in Canada.	\$159.4
5/22/17	HGGC LLC	Nutraceutical International Corp.	Manufacturer of nutritional supplements and healthy foods.	\$446.0
5/2/17	LAG Holdings, Inc.	Karoun Dairies, Inc.	Producer of ethnic cheeses and dairy products.	\$130.0
4/25/17	Tyson Foods, Inc.	AdvancePierre Foods Holdings	Supplier of proteins and sandwich products.	\$4,132.5
4/20/17	Unilever	Sir Kensington's	Condiment maker.	\$140.0
4/18/17	Post Holdings, Inc.	Weetabix Ltd.	Various cereal products.	\$1,763.2
4/14/17	Danone	The WhiteWave Foods Co.	Consumer packaged food and beverage company.	\$12,500.0
3/31/17	New Age Beverages Corp.	Maverick Brands	Produces organic coconut water.	\$11.1
3/31/17	Palladium Equity Partners Advisor	Kar Nut Products Co	Produces nuts and trail mixes.	-
3/30/17	Davos Brand	Sombra Mezcal	Produces tequila.	-
3/30/17	Dcoop SCA	Pompeian, Inc.	Imports olive oils in U.S.	-
3/29/17	New Age Beverages Corp	Marley Beverage Co.	Ready-to-drink coffee and teas.	\$13.0
3/29/17	Land O'Lakes Inc.	Vermont Butter & Cheese Creamery, Inc.	Produces goat cheese, cultured butter and fresh dairy.	-
3/28/17	Kainos Capital	Country Fresh, Inc.	Provides fresh-cut fruit.	-
3/23/17	E&J Gallo Winery, Inc.	Stagecoach Vineyard	1,300 acre vineyard in Napa.	-
3/23/17	The Pictsweet Co.	Fresh Frozen Foods	Grower of frozen vegetables.	\$23.7
3/23/17	Blue Apron LLC	BN Ranch	Provider of meats.	-

3/17/17	Changnong Co. Ltd.	Waldo Genetics, Inc.	Pig improvement.	\$16.5
3/13/17	JBS USA LLC	Plumrose USA	Produces sliced meats.	\$230.0
3/09/17	Coffee Roasting Co.	Bird Rock Coffee Roasters, Inc.	Produces coffee.	-
3/06/17	Cemoui Chocolatier SAS	Chris Candies, Inc.	Produces low-sugar candy.	-
3/03/17	The Legacy Cos.	Healthy Foods LLC	Produces soft-serve treats.	-
3/03/17	The Legacy Cos.	Vinturi, Inc.	Wine accessories.	-
3/02/17	Landec Corp.	O Olive Oil, Inc.	Produces specialty oils.	\$10.0
3/02/17	Lallemand, Inc.	Nova Microbial Technologies	Supplies feed additives to the feedlot industry.	-
2/24/17	Coffee Holding Co.	Comfort Foods, Inc.	Manufacturers coffee.	\$2.3
2/24/17	Hamburg Coffee Co.	Intercontinental Coffee Trading	Imports coffee.	-
2/23/17	Bonduelle SA	Ready Pac Foods, Inc.	Leader in vegetables.	\$409.0
2/23/17	SNM Global Holdings	Healthy Beverage	Produces organic tea drinks.	-
2/21/17	Maple Leaf Foods	Lightlife Foods	Manufacturer of plant-based protein foods.	\$140.0
2/21/17	Thomas H. Lee Partners; Give & Go Prepared Foods	United Baking Co.	Produces muffins.	-
2/19/17	Taylor Shellfish Co.	Ekone Oyster Co.	Family run oyster business.	
2/17/17	Hammond, Kennedy, Whitney & Co.; Barings; PANOS Brands	Walden Farms, Inc.	Diabetic foods company.	-
2/16/17	Metropolitan Foods, Inc.	D. Brickman, Inc.	Produce provider in NY.	-
2/16/17	Palermo Villa, Inc.	Connie's Naturals	Produces frozen pizza.	-
2/16/17	Pasta Fresca, Inc.	Open Road Snacks, Inc.	Manufacturers Rocky Mountain Popcorn, Sinfully Thin Popcorn and Diego's Chips.	-
2/09/17	Cal-Maine Foods, Inc.	Happy Hen Egg Farms, Inc.	Production and distribution of shell eggs.	-
2/08/17	AC Bebidas S de RL de CV	Coca-Cola Southwest Beverages	9 production plants and 42 facilities Texas.	-
2/07/17	Farmer Brothers Co.	West Coast Coffee Co., Inc.	Oregon coffee roaster.	\$14.50
2/06/17	Glanbia Plc	Grass Advantage LLC	Organic plant based nutrition	-

2/02/17	Davide Campari-Milano SpA	CK3 LLC	Produces alcohol.	\$55.0
2/02/17	Xylitol Canada, Inc.	Nektar Naturals Fine Foods	Produces natural sweeteners.	\$0.5
2/02/17	Wonderful Citrus LLC	DNE World Fruit LLC	Produces citrus fruits.	-
2/02/17	Reckitt Benkiser Group	Mead Johnson Nutrition Co.	Nutrition company for babies.	\$17,710.2
2/01/17	Advent International Corp; Grand Prix Intermediate, Inc.	Bottom Line Food Processors, Inc.	Produces Italian appetizers, entrees and sauces.	-
2/01/17	Calbee America, Inc.	Calbee NA LLC	Produces potato products.	\$170.0
2/01/17	Sustainable Sea Products International LLC	Dickie Poh Corp.	Wholesale distribution of fish.	-
1/31/17	Marin Sun Farms, Inc.	Mindful Meats, Inc.	Organic, pasture raised beef company.	-
1/28/17	Fox Heritage Farms, Inc.	Willow Creek Farms Charcuterie, Inc.	Farm raising pork.	\$0.5
1/26/17	Valora Holding AG	Pretzel Baron Properties LLC	Manufacturers pretzel foods.	-
1/24/17	Bob Evans Farms, Inc.	Pineland Farms Potato Co., Inc.	Produces potato products.	\$140.0
1/23/17	Wisconsin Distributors	River City Distributing, Inc.	Distributes alcohol.	-
1/18/17	San Francisco Equity Partners	Brinkhoff & Monoson, Inc.	Produces organic spices.	-
1/18/17	Liberty Richter, Inc.	Silva Regal, Inc.	Produces olive oils, salt and spices, cheese and meats.	-
1/18/17	Vintage Wine Estates, Inc.	Cameron Hughes Wine	Produces wine.	\$5.5
1/13/17	Hochland SE	Franklin Foods, Inc.	Produces cream cheese foods.	-
1/11/17	Beach Whiskey LLC	American Harvest Vodka	Manufacturers vodka.	-
1/09/17	Iron Heart Canning Co	Land of The Sky Mobile Canning LLC	Canning services for the beer market.	-
1/05/17	Constellation Brands, Inc.	Catoctin Creek Distilling Co.	Produces alcohol products.	-
1/04/17	Emmi AG	Jackson-Mitchell, Inc.	Processing fluid milk, cream.	\$31.1
12/28/16	Simply Unique Snacks	Wild Joe's Beef Jerky	Produces beef jerky.	-
12/20/16	Natural American Foods	Sweet Harvest Foods	Produces honey & peanut	-

			butters.	
11/28/16	Sun Orchard	Blue Lake Citrus	Produces bulk citrus products.	-
11/22/16	Dr. Pepper Snapple Group	Bai Brands	Maker of fruit flavored, anti-oxidant beverages	\$1,700.0
11/21/16	PepsiCo	KeVita	Leader in probiotic drinks.	-
11/03/16	Diaz Wholesale & Manufacturing	Origin Food's Frutel Brand	Produces drinkable yogurts.	-
11/03/16	Nassau Candy	Classic Snacks	Produces snack and nut mixes.	-
10/25/16	Ferris Coffee and Nut	Lush Gourmet Foods	Produces small-batch nuts.	-
10/05/16	Constellation Brands	High West Distillery	Produces whiskey, spirits and cocktails.	\$160.0
9/28/16	China Bilingual Tech & Education	Avita Artesian Water	Operates as an alkaline water producer.	-
9/27/16	Agrial	Seattle Cider and Two Beers	Produces cider and beer.	-
9/26/16	Nature's Path Foods	Reallygoods	Offers crunchy snack products.	-
9/21/16	Jusu Bars	Cru Juice	Blends and bottles cold-pressed juice.	-
9/09/16	Anheuser-Busch InBev	Boathouse Beverage	Manufacturers alcoholic seltzer.	-
8/23/16	Munchkin	Milkmakers	Produces cookies and teas.	-
8/23/16	J.M. Smucker	Millstone Coffee	Produces and supplies coffee.	-
8/11/16	United Natural Foods	Gourmet Guru	Organic food distributor.	-
8/04/16	Cott	S&D Coffee	Supplies coffee, iced tea and extracts.	\$355.0
7/29/16	Bevolution	Dr. Smoothie Brands	Produces organic smoothies.	-
7/28/16	Associated Wholesale Grocers	Affiliated Foods Midwest	Distributes groceries and foods products.	-
7/20/16	iBrands	Avita Artesian Water	Alkaline water producer.	-
7/19/16	Utz Quality Foods	Golden Enterprises	Offers potato chips, corn chips, fried pork skins, etc.	\$133.0
7/13/16	Nassau Candy	AmuseMints Sweets & Snacks	Produces mint candies.	-
7/08/16	Hispanica Intl. Delights	Energy Source Distribution	Distributes drinks and beers.	-
7/07/16	Danone	WhiteWave Foods	Manufactures branded plant-	\$12,475.3

			based foods and beverages.	
7/05/16	Gores	Hostess Brands	Produces breads, snack cakes, and donuts.	\$2,300.0
6/30/16	Southern Glazer's Wine and Spirits	Glazer's	Distributes and sells alcohol and energy drinks.	-
6/23/16	Naturalnano	Omni Shrimp	Wholesales American shrimp.	-
6/17/16	Keystone Capital	nature soy	Produces soy and vegetarian products.	-
6/16/16	Kashi	Pure of Holland	Produces healthy snack foods.	-
6/13/16	Topco	Western Family Foods	Distributes grocery items.	-
6/02/16	Country Pure Foods	The Ridgefield's Brand	Produces fruit juice.	\$13.8
5/24/16	Vietnam Dairy Products	Driftwood Dairy	Produces and markets dairy and juice products.	\$10.0
5/18/16	Hormel Foods	Justin's	Manufacturers ice cream.	\$155.0
5/16/16	United Natural Foods	Haddon House Food	Distributes organic and gourmet ethnic products.	\$217.5
5/09/16	Dean Foods	Friendly's Mfg. and Retail Bus.	Manufacturers snacking chocolates.	\$300.0
5/02/16	Amplify Snack Brands	Boundless Nutrition	Offers nutritional snack bars.	\$30.8
4/26/16	Hershey	BarkThins	Manufacturers chocolates.	\$300.0
4/19/16	Peace River Citrus	Louis Dreyfus's Frozen Juice Bus.	Manufacturers frozen concentrated orange juices.	-
4/01/16	Monster Beverage	American Fruits and Flavors	Produces energy drinks.	\$688.5
3/31/16	Archer Daniels Midland	Harvest Innovations	Provides minimally processed, expeller-pressed soy proteins, oils and gluten-free ingredients.	\$93.3
3/31/16	United Natural Foods	Nor-Cal Produce	Distributes produce in CA.	\$68.6
3/24/16	Pulmuone Foods	Nasoya Food	Offers organic soyfoods.	\$50.2
3/07/16	Albert's Organics	Global Organic Specialty House	Distributes organic produce.	-
2/29/16	United Natural Foods	Haddon House Food Products	Distributes grocery and food products.	\$217.5

Calabasas Capital Food Industry Transaction Experience



strategic advisory

Calabasas Capital advised Rice Garden on strategic alternatives.



strategic advisory

Calabasas Capital advised Dr. Sears on strategic and financing alternatives.



financial advisory

Calabasas Capital advised Slim Chickens on valuation and financing alternatives.



has been acquired by

A Private Investment Group

A managing director of Calabasas Capital served as exclusive financial advisor to Hamlet Group while at a previous firm.

Mandarin Holdings
has acquired



with financing provided by



A managing director of Calabasas Capital served as financial advisor to Mandarin Holdings while at a previous firm.

Six Holdings, LLC
has acquired the assets of



from

CARLSON

with financing provided by



Calabasas Capital served as financial advisor to Stix Holdings, LLC an affiliate of Mandarin Express, Leeann Chin & Chin's Asia Fresh.

Stripes Restaurants, Inc



buy-side M&A and strategic advisory

Calabasas Capital acted as exclusive financial advisor to Stripes Restaurants.

Parco Holdings, LP



buy-side M&A and strategic advisory

Calabasas Capital served as exclusive financial advisor to Parco Holdings, LP.

Universal Foods



Strategic Advisory

A managing director of Calabasas Capital advised Universal Foods on its strategic and financing alternatives while at a previous firm.



strategic advisory & debt restructuring

A managing director of Calabasas Capital served as exclusive financial advisor to Chef Jays while at a previous firm.



has obtained debt financing from



A managing director of Calabasas Capital served as financial advisor to Crunchies while at a previous firm.



Buyside M&A Advisory



Calabasas Capital served as buyside M&A advisor for Raymundo's and its private equity owner AUA Private Equity Partners



Strategic Advisory

Calabasas Capital advised Yummy on strategic alternatives.



Strategic & Financial Advisory

Calabasas Capital advised Fired Pie on strategic and financing alternatives

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

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