



FOOD · BEVERAGE

THIRD QUARTER

2013

This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Direction of the Mergers & Acquisitions Market

M&A activity was up in the Food & Beverage ("F&B") sector in 2012. Transaction volume, aggregate value and multiples were all higher year over year as the economy showed improvement and tax-minded business owners got nervous about an impending capital gains hike. In Q1 2013 activity slowed as a result of tax-driven M&A deal activity that pulled transactions into Q4 2012. However, according to a report from Deloitte, trading multiples across various F&B industry sectors (food packagers, ingredients, beverages, and retail) increased modestly on average during Q1 2013, compared to Q4 2012.

Notable transactions thus far in 2013 include:

August 2013 - DeDS Waters of America, Inc. acquired office coffee and water filtration service divisions of Cascade Coffee, Inc. Details of the transaction were not made public.

August 2013 - Treehouse Foods, Inc. (NYSE:THS) entered into a securities purchase agreement to acquire Associated Brands, Inc. from Torquest Partners Fund II, L.P. of TorQuest Partners, Inc. and other investors for approximately CAD 190 million. The purchase price is subject to an adjustment for working capital. The transaction is subject to the satisfaction of customary closing conditions, including the receipt of Canadian anti-trust regulatory approval, execution of escrow agreement, resignation letters of Directors of Associated Brands, regulatory approval and is expected to close in the third quarter of 2013.

August 2013 - Pinnacle Foods Inc. (NYSE:PF) entered into an agreement to acquire Wish-Bone(R) salad dressings business from Conopco, Inc. for \$580 million. The transaction is subject to regulatory approval, the execution and delivery of ancillary agreements, expiration or termination of the waiting period under the HSR act and other Governmental approvals and other customary closing conditions, is expected to be completed in late third quarter or early fourth quarter of 2013.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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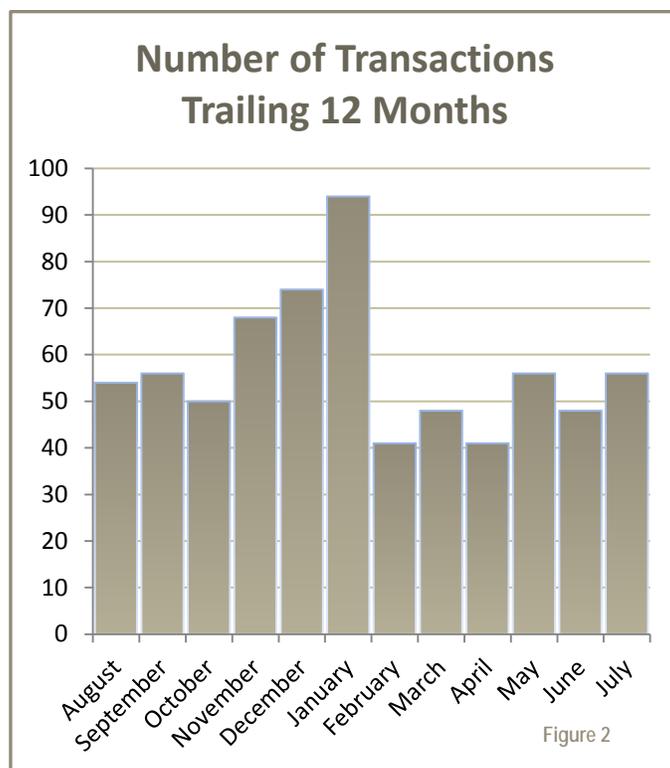
Selected Q2 Transactions	
Target/Issuer	Buyers/Investors
The New French Bakery Inc.	Arbor Private Investment Company
RMH Foods, LLC	Sandridge Food Corporation
Otter's Chicken Tenders, LLC	Peterson Foods, LLC
Robert's American Gourmet Food	B&G Foods North America, Inc.
Les Brasseurs du Nord inc.	Fonds de solidarité FTQ
Four Big M Supermarkets	Tops Markets, LLC
West Bay Marketing, Inc.	Tomich Bros Fish Co Inc.
Overhill Farms, Inc.	Bellisio Foods, Inc.
Golden Guernsey Dairy, LLC	Lifeway Foods Inc. (Nasdaq:GM.LWAY)
Green Mtn Coffee Roasters(Nasdaq:GS.GMCR)	Luigi Lavazza S.p.A.
Nestlé USA, Inc., Bit-O-Honey Brand	Pearson's Candy Company
Two Willamette Valley Vineyards	NW Wine Company, LLC
City Ice Company	Arctic Glacier U.S.A., Inc.
Brasserie Mcauslan Inc.	Les Brasseurs RJ, Inc.
Dominex Natural Foods, LLC	Westin, Inc.
Eppa Wine Company.	Technocraft Industries (India) Ltd

Figure 1

Industry Landscape

According to a report from industry research group, First Research, demand for food distribution is driven largely by demographic shifts, particularly trends in population, age, and levels of disposable income. Small operations compete by distributing imported, high-end, or natural products. Large operations focus on selling to regional and national chains, warehouse retailers, and big-box outlets. Companies control costs through efficient operations and maximize profits by optimizing the company's product mix.

First Research reports that almost 60% of food retailers say they expect business conditions will improve for the remainder of 2013, with about 65% expecting increases in the average shopping basket, according to a Food Marketing Institute survey released in May 2013. The survey also found about 60% of retailers reported higher customer counts during 2012 compared to 2011, and more than 45 percent reported stronger transaction sizes, which bodes well for 2013.



Domestic demand for food, an indicator for wholesalers, is forecast to grow at an annual compounded rate of 3 percent between 2013 and 2017. Data Published: March 2013.

Global Trends

According to a recent survey performed by Bharatbook.com, a market research firm, the global F&B market views China to be the most important region for growth among emerging markets, along with India and the Middle East. In addition, India and the Middle East are considered the two most important emerging markets by respondents from food manufacturing companies, while India and Brazil are identified as the two most important emerging markets by respondents from beverage manufacturing companies.

Outlook

F&B M&A activity should remain robust for the remainder of 2013 with continuing growth in deal values. Many business owners sold prematurely in 2012 to avoid increased tax burdens. However, with easing credit and cash-heavy financial and strategic buyers looking for food and beverage acquisitions, values for sellers is likely to improve. In addition, as the global economy stabilizes, owners are gaining confidence in the opportunity to achieve the values they sought prior to 2008's recession. According to a survey of food and beverage companies by Canadean, a U.K.-based firm that tracks consumer market trends, 46% of respondents said they anticipate increased mergers and acquisitions activity over the next 12 months. Respondents cited a broad range of reasons for the projected increase in deal flow, including growing cost pressures and the low level of cash on balance sheets for many small food and beverage companies. Many of these groups could increase their viability with a transaction.

The Food and Beverage Practice Group provides M&A advice to public and private companies in all sectors of the food and beverage industry, including frozen and non-frozen food manufacturing, meat processing, dairy, beverages, snack foods, restaurants, food franchises, food packing equipment and food distribution.

