

FOOD · BEVERAGE

SECOND QUARTER

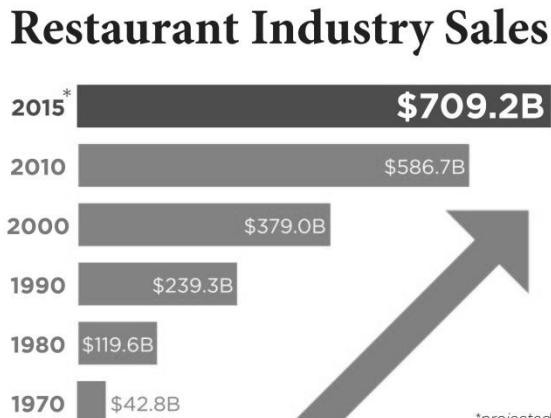
2015

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.

Food & Beverage M&A

M&A activity for North American based target companies in the Food and Beverage sector for Q1 2015 included 88 closed deals, according to data published by industry data tracker FactSet, with an average enterprise value of

\$136 million. One of the more active segments of the sector included branded organic food products manufacturers who were gobbled up by larger strategics looking to offer an organic option in the marketplace. Millennials have been the population demographic driving the growth in organic healthy foods. As that group ages and becomes more prominent consumers, M&A activity should continue to grow. Another attractive area has been corporate carve outs of chain restaurants. In March, Redrock Partners LLC acquired struggling Romano's Macaroni Grill from Ignite Restaurant Group Inc. (Nasdaq: IRG) for \$8 million in cash. Still, the restaurant industry continues to see increased sales as people eat out more frequently.



Source: National Restaurant Association, Restaurant.org/Forecast

Transactional Overview

Notable closed transactions for the period in the Food and Beverage sector include:

March 2015 - Pacific Coast Producers agreed to acquire the business and assets of Modesto CA Business from Seneca Foods Corp for US\$175 million in cash plus assumption of assumed liabilities. Pacific Coast Producers supplies fruits and vegetables. Seneca Foods Corp. is engaged in the processing and sale of fruits and vegetables. Seneca's products are sold under private label, as well as national and regional brands that the company owns or licenses, including Seneca, Libby's, Aunt Nellie's Farm Kitchen, Stokely's, Read, Taste of the West, Cimarron and Tendersweet.

March 2015 - The Hain Celestial Group Inc acquired the remaining 80% stake, not already owned in EK Holdings Inc from Palisades Associates Inc for US\$57.6 million. The Hain Celestial Group, Inc. manufactures, markets, distributes and sells natural and organic products. Empire Kosher Poultry, Inc. processes and distributes poultry products. The company's products include Turkey, Frozen, Chilled, Deli, and Fully Cooked Chicken.



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March 2015 - SunOpta, Inc. acquired Citrusource, LLC for US\$13.3 million in cash with an undisclosed amount in contingent payout, subject to post-closing adjustments. SunOpta, Inc. is a global company focused on natural, organic and specialty foods products. Citrusource provides natural, organic and specialty foods products.

M&A Trends

Industry consolidation was prevalent in 2014 as large manufacturers (Tyson merged with Hillshire), distributors (Sysco merged with US Foods) and retailers (Albertsons merged with Safeway) all looked to expedite growth through M&A. While megadeals like the aforementioned were not as common in Q1, there was plenty of activity in the sector. Many strategic players with strong balance sheets will take advantage of that fact coupled with excellent financing rates to keep accelerating top-line sales.

Industry Update

A shift in consumer tastes have resulted in recent plant closures as food manufacturers look to align production with demand. Many food companies in the US are shedding manufacturing operations amid weak demand for cookies and snacks. Post Holdings announced plans in March 2015 to close its PowerBar manufacturing facility in Boise, Idaho and shift production of the products to a third-party provider. Post's decision reflects the difficult environment in the food and beverage industry, which has struggled as consumers' tastes have shifted to healthy, fresh food, according to The Wall Street Journal. Post's announcement comes a month after General Mills announced it will close a Pillsbury refrigerated baked goods plant in New Albany, Indiana, and little more than a year after Kellogg decided to shutter a cookie plant in Charlotte, North Carolina.

Sales of gluten-free products have grown by more than 30 percent annually in each of the last four years, reaching \$973 million in 2014 – and that market could grow to \$2 billion by 2019, according to a report from industry tracker Packaged Facts.

Key Indicators

The consumer price index for food, an indicator of food product values, rose 2.3 percent in March 2015 compared to the same month in 2014. US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 2.3 percent year-to-date in February 2015 compared to the same period in 2014. US retail sales for food and beverage stores, a potential measure of food demand, increased 3.1 percent in the first three months of 2015 compared to the same period in 2014.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Gehl Foods, Inc.	Wind Point Partners
Natural Resources Corp.	Romulus Corp.
Flatout Holdings, Inc.	T. Marzetti Co., Inc.
Sager Creek Vegetable Co.	Nutriasia Holdings Ltd.
American Beverage Corp.	Brynwood Partners; Harvest Hill Bev
Brand Aromatics, Inc.	McCormick & Co., Inc.
MRRM, Inc.	Marbour SAS
EK Holdings, Inc.	The Hain Celestial Group, Inc.

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.

