

FOOD · BEVERAGE

FOURTH QUARTER

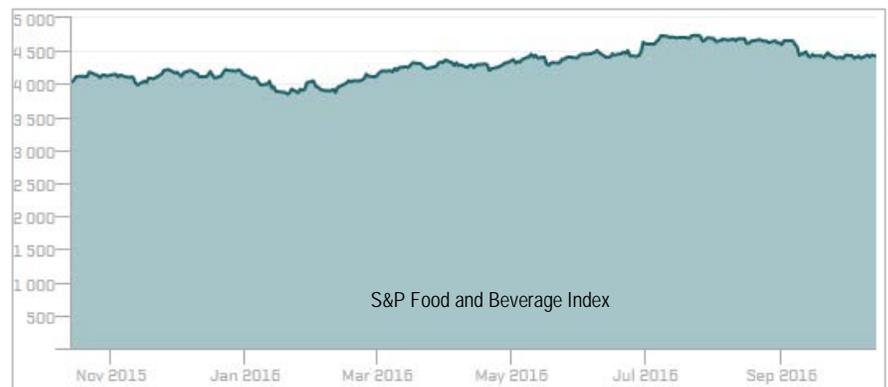
2016

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 Q3 2016 included 52 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$91 million.

One of the largest deals of the quarter was announced in July when French dairy company Danone SA agreed to buy U.S. organic-foods producer WhiteWave Foods Co. for \$10.4 billion. The move is an example of large food companies paying strong multiples to get a footprint in organic product lines.



On the public markets, food and beverage stocks started the quarter on an upward trajectory before leveling off and slightly declining toward the end of the September. Food giant Tyson Foods, Inc. (NYSE: TSN) had a particularly strong quarter gaining more than \$8 per share from \$66.02 on July 1 and closing at \$74.67 on September 30.

Transactional Overview

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

August 2016 - Corby Spirit & Wine Ltd, formerly known as Corby Distilleries Ltd acquired the business and assets of spirits business from Domaine Pinnacle Inc, for CAD12 million (US\$9.2 million) in cash. The transaction includes Ungava Premium Canadian gin brand, Chic Choc spiced rum and Coureur des Bois and Cabot Trail as well as related production assets and inventory. Corby Spirit & Wine Ltd. markets and distributes spirits and imported wines. It operates through the Case Goods and Commissions business segments. Domaine Pinnacle produces and supplies wines.



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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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August 2016 - Blue Harvest Fisheries LLC, a portfolio company of Bregal Partners, acquired the business and assets of Scallop Business and Facility from High Liner Foods, Inc. for US\$8 million in cash. Under the terms of the agreement, Blue Harvest Fisheries LLC would pay an additional payment for High Liner scallop inventories. Founded in 2012, Bregal Partners is a private equity fund located in New York City.; Blue Harvest Fisheries LLC engages in the harvesting, processing and marketing of Atlantic sea scallops. High Liner Foods manufactures and markets scallops.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Caterina Foods LLC	Archer-Daniels-Midland Co.
Field Stone Winery & Vineyard, Inc.	Jackson Family Wines, Inc.
Wetzel's Pretzels LLC	CenterOak Partners LLC
InterHealth Nutraceuticals, Inc.	Lonza Group AG
S&D Coffee, Inc.	Cott Corp. (Canada)
Robert Hall Winery	O'Neill Vintners & Distillers
Golden Enterprises, Inc.	UTZ Quality Foods, Inc.
California Oils Corp.	AAK AB

July 2016 - UTZ Quality Foods, Inc. acquired Golden Enterprises Inc for US\$135.5 million in cash. UTZ Quality Foods, Inc. manufactures potato chips and snacks. It offers the following brands: utz, Bachman, Zapp's, and Dirty Potato Chips. Golden Enterprises, Inc. produces, markets, and distributes snack products. It operates as holding company of Golden Flake Snack Foods, Inc. The firm offers potato chips, corn chips, pork skins, cheese puffs, tortilla chips, popcorn, cheese curls, and puff corn.

Industry Update

Food producers may have to spend more for in-house testing to determine whether their products contain GMOs as a result of a new federal labeling law. A new law requiring the USDA to develop a nationwide standard for labeling foods containing genetically modified organisms (GMOs) is expected to result in higher costs for food manufacturers. The law, approved in summer 2016, will require companies to disclose GMOs through text labels, symbols, or digital codes (such as QR codes). The USDA has been given two years to finalize the rules. The USDA is also tasked with determining the amounts of GMO substances present in foods necessary to prompt labeling, according to Food Safety News. The law's supporters, which include many large food companies, trade groups, and retailers, contend that federal rules will counter a patchwork of state-level GMO labeling legislation. The legislation's critics argue that the law could make it difficult for consumers to determine if GMOs are present in foods. Despite substantial scientific evidence that GMOs are safe, their presence in the food supply remains controversial.

Industry Indicators

- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 0.3% year-to-date in July 2016 compared to the same period in 2015.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 2.1% in the first eight months of 2016 compared to the same period in 2015.

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.

