

# FOOD · BEVERAGE

FOURTH QUARTER

2017

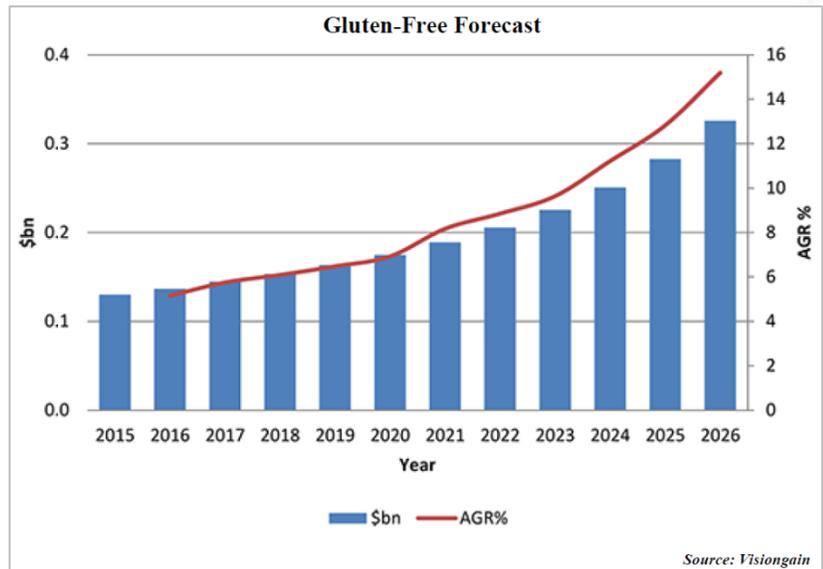
The Food & Beverage Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Food & Beverage category. Working with your local CFA representative, 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 2017 included 49 closed deals, according to data published by industry data tracker *FactSet*.

Consolidation continues in the sector as McCormick & Co, Inc. acquired the business and assets of the food division of Reckitt Benckiser Group Plc for US\$4.2 billion in cash. The deal includes a 100% stake in The French's Food Co LLC, The French's Food Co, Inc., The RT French's Food Co Ltd and Tiger's Milk LLC. The acquisition strengthens McCormick & Co.'s market position. According to reports, Kraft Heinz Co and other American private equity firms were interested in acquiring the business.

With the rise in popularity of organic foods, one sub-sector that continues to grow is the gluten-free sector, which is on a strong upward trajectory.



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## Transactional Overview

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

**September 2017** - McCall Farms, Inc. acquired Sager Creek Foods, Inc., a subsidiary of Del Monte Foods, Inc., and ultimately owned by Del Monte Pacific Ltd, for US\$55 million. McCall Farms produces and distributes vegetables. It sells and exports products to distributors and food processors. Sager Creek Foods provides vegetable canning services. Its products include baked beans, black beans, butter beans, corn and hominy, mixed vegetables, okra, peas, squash, succotash and white potatoes.

**August 2017** - Farmer Brothers Co acquired Boyd Coffee Co for US\$39.5 million in cash. Farmer Brothers Co. engages in the manufacture, wholesale and distribution of coffee, tea and culinary products. It directly distributes products under its own brands to restaurants, hotels, casinos, hospitals and other food service providers. Boyd Coffee Co. sells coffees, teas, flavorings and beverages. Its products include hot and cold beverages, espresso, syrups and gift items. The company was founded in 1900 and is headquartered in Portland, OR.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Sager Creek Foods, Inc.	McCall Farms, Inc.
Inventure Foods, Inc. / Frozen Business	Oregon Potato Co.
Fells Point Wholesale Meats, Inc.	The Chefs' Warehouse, Inc.
Boyd Coffee Co.	Farmer Brothers Co.
Calera Wine Co.	TSG Consumer Partners LLC; Duckhorn Wine Co.
Creekstone Farms Premium Beef LLC	Marubeni Corp.
BakeMark USA	Pamplona Capital Management LLP
Flavor Ingredient Holdings LLC	T. Hasegawa USA, Inc.

**July 2017** - T. Hasegawa USA Inc., a subsidiary of T. Hasegawa Co Ltd, acquired Flavor Ingredient Holdings LLC from White Road Passo Stelvio Fund LLC, Damiano Investment Group LLC, and Sandcastle Management LLC for US\$55 million in cash. T. Hasegawa USA manufactures food supplements and other flavors. It offers chicken, peanut, alliums and spice, citrus, dairy, fruit, vegetable and seasoning, wine and spirit, butter, garlic and onion flavors. Flavor Ingredient Holdings manufactures and distributes food supplements and other flavors. The company was founded on December 23, 2013 and is headquartered in Corona, CA.

## Industry Update

US farmers are testing a number of methods to prepare for droughts, floods, severe heat, and other extreme weather events that threaten to disrupt harvest cycles and shrink yields of fruit and vegetable crops. Soil preservation techniques, such as the use of cover crops and no-till planting, are becoming more popular, and new drainage systems are being used to divert flood water, according to The Wall Street Journal. Climate-control equipment is becoming more important because high temperatures can cause fruit trees to bud too early. Growers are also using misting systems to sustain fruit and nut trees in hot and dry climates. Many farmers are attempting to shorten their growing seasons by planting crops more quickly and harvesting them earlier to minimize exposure to extreme conditions. Horticulture researchers are also breeding plants that mature faster and can survive extreme temperatures.

## Industry Indicators

- The consumer price index for food, an indicator of food product values, rose 1.2% in September 2017 compared to the same month in 2016.
- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 5.4% year-to-date in August 2017 compared to the same period in 2016.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 2.2% in the first nine months of 2017 compared to the same period in 2016.
- Total US wholesale sales of nondurable goods, a potential measure of food demand, rose 5.9% in August 2017 compared to the same period in 2016.

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.

