

FOOD · BEVERAGE

FIRST QUARTER

2018

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 Q4 2017 included 72 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable transactions of the quarter was announced in October when Ferrero SpA acquired Ferrara Candy Co, Inc., a portfolio company of Catterton Management Co LLC, for a reported value of US\$1.3 billion, including debt. The acquisition expands Ferrero SpA's product offerings and footprint into United States markets.

Foods centered on health and wellness continue to grow year over year.

Transactional Overview

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

December 2017 - GreenSpace Brands, Inc. acquired Galaxy Nutritional Foods, Inc., doing business as GO Veggie, a portfolio company of Mill Road Capital Management LLC, for US\$18.9 million in cash, stock and debt notes. Under the terms of transaction, GreenSpace Brands would pay US\$4.5 million in cash, US\$8.6 million in stock, representing 7.16 million issued shares of GreenSpace Brands, and US\$5.7 million in debt notes to Galaxy Nutritional Foods. GreenSpace Brands engages in the development, marketing, and sale of natural food products. Galaxy Nutritional Foods develops and manufactures cheese alternatives. The company was founded in 1980 and is headquartered in North Kingstown, RI.

November 2017 - A private group led by The Western Investment Co of Canada Ltd. and Alberta Treasury Branches Financial acquired a 90% majority stake in Foothills Creamery Ltd. for CAD27.6 million (US\$21.6 million) with an undisclosed amount in contingent payout.



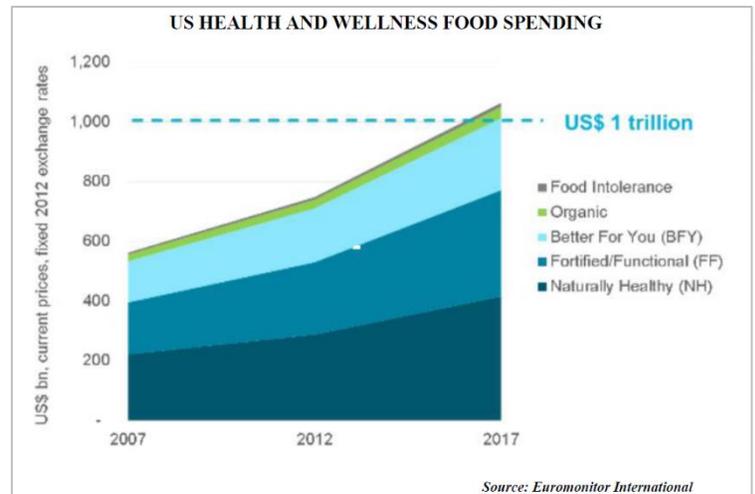
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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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Alberta Treasury Branches Financial operates as a financial institution that provides personal and business financial services. Foothills Creamery produces hand crafted dairy products. The company was founded in 1969 and is headquartered in Calgary, Canada.

November 2017 - John B Sanfilippo & Son, Inc. acquired Squirrel Brand LP for US\$31.5 million in cash and notes. Under the terms of transaction, John B Sanfilippo & Son would pay US\$20 million in cash and US\$11.5 million was financed through a three year unsecured promissory note to Squirrel Brand. John B. Sanfilippo & Son engages in selling nut and nut products through distribution channels. Squirrel Brand produces and supplies roasted and flavored nuts. The company was founded in 1888 and is headquartered in McKinney, TX.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Kangaroo Brands, Inc. /Sandwich Bros Business/	Conagra Brands, Inc.
Nutri Pea Ltd. /Pea Protein Bus/	G.S. Dunn & Ltd.
Hood River Distillers, Inc. /Pendleton Whisky Assets/	Becele SAB de CV
Craft Brew Alliance, Inc. /Woodinville Facility/	Sound Commercial Investment Holdings LLC
Cambrooke Therapeutics, Inc.	Ajinomoto North America, Inc.
Tazo Tea Co.	Unilever Plc
US Salt LLC	Metalmark Capital LLC; The Kissner Group, Inc.
Topo Chico Mineral Water	Coca-Cola North America

Industry Update

The share of food manufacturing professionals who are upbeat about the new year has reached the highest level in five years, according to Food Processing magazine's 17th annual Manufacturing Outlook Survey. About 80% of food manufacturing professionals say they are either "very optimistic" or "somewhat optimistic" about their company's prospects in 2018. Makers of seafood, poultry, and meat products are the most confident about the upcoming year, followed by confections, and sauces and condiments. Overall, about 85% of survey respondents expect production to increase in 2018, and of those, more than half believe production increases will reach double digits. On average, respondents say their company will increase capital expenditures by more than 5% in 2018. Packaging equipment tops the list for types of planned capital spending, followed by equipment replacement, plant and worker safety, control systems and electronic records for track and trace, and quality management. Food safety remains the top concern among food professionals; other key issues include cost control, worker safety, and automation and capacity expansion.

Industry Indicators

- The consumer price index for food, an indicator of food product values, rose 1.7% in January 2018 compared to the same month in 2017.
- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 5.0% year-to-date in December 2017 compared to the same period in 2016.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 4.3% in the first month of 2018 compared to the same period in 2017.
- Total US wholesale sales of nondurable goods, a potential measure of food demand, rose 5.4% in December 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.

