



# FOOD & BEVERAGE / Q

## Industry Insights for Q4 2019

Merger and Acquisition (M&A) activity among food & beverage (F&B) industry participants in North America maintained a reasonably robust pace in 2019 with over 300 completed transactions, achieving a level roughly in line with 2018 performance. At the same time, the aggregate value of deals closed in 2019 dropped significantly to just over \$14 billion, as compared to just over \$35 billion in 2018 and approximately twice that amount in 2017. This follows a trend of fewer blockbuster transactions in which mega strategics traditionally pursued competing and/or complimentary product lines aimed at consolidation, expanding category market share, and dominating retailers' shelf space.

For many of the large consolidators of years past, the current focus has shifted from market share expansion to optimizing previous acquisitions and pursuing investments in legacy brands and on-trend alternatives (e.g., better-for-you foods). These better-for-you foods are generally natural/organic, minimally processed, and plant-based with a focus on the consumer that is pursuing a healthier, more active lifestyle. M&A activity within the F&B industry is increasingly attributable to several prevailing themes, including (i) divestitures of non-core brands and product lines in order to reshape portfolios and focus resources on traditional core competencies, and (ii) pursuit of disruptive acquisitions in areas that appeal to growing consumer preference for healthy beverages, snacks and meals that fall within the better-for-you category. Significant divestiture transactions in 2019 included (i) Kellogg's sale of its cookies and fruit snacks business to Ferrero International (makers of Nutella) in July, 2019 for approximately \$1.3 billion, and (ii) the sale by Campbell Soup of its Arnott's Biscuits division to financial buyer KKR in August, 2019 for \$2.2 billion. As for transactions of a more niche variety that fit the healthy, better-for-you description, there were numerous

examples, with healthy snacks and beverages accounting for the majority. Examples included (i) PepsiCo's announced acquisition of BFY (Better For You Brands), maker of PopCorners and Rice Rounds, in December, 2019, (ii) Hostess Brands' announced acquisition of Voortman Cookies in December, 2019 for \$320 million, (iii) Hershey's acquisition in September, 2019 of ONE brands (nutrition bar maker) for just under \$400 million, (iv) Atkins Nutritionals acquisition of nutritional snack company Quest Nutrition for \$1.0 billion in August, 2019, and (v) Coca Cola's September, 2019 acquisition of Italian mineral water and sparkling beverage company Lurisia for \$97 million.

So, does an environment in which larger strategic acquirers are more focused on rebalancing current portfolios and less on growth via acquisition equate to a softer market for potential sellers of F&B companies? The answer is generally "no". Whatever pull back occurred among strategic buyers in 2019 was effectively offset by an escalation in transaction demand on the part of financial sponsors (e.g., private equity funds), which represent a massive and growing pool of investable liquidity. KKR's \$2.2 billion acquisition of Arnott's Biscuits from Campbell Soup, mentioned previously, is a prime example of private equity's interest in the F&B sector. Investor interest in F&B targets in 2019 was enhanced by dynamics that included (i) less competition from more internally focused traditional strategic buyers, and (ii) given concerns about a potential economic slowdown, the desire to invest in more defensive, less cyclical industries such as F&B. With relative economic stability, receptive capital markets and early signals of lessening trade tensions as we head into 2020, we anticipate that the drivers of M&A activity in the F&B industry in 2019 will continue to support a robust deal pace in the coming year. •

## Recent Deal Activity 3Q/4Q 2019

December 19, 2019 – New York, New York-based **Act II Global Acquisition Corp.** (NasdaqCM:ACTT) announced the acquisition of New York, New York-based **Flavors Holdings Inc.** Flavors Holdings manufactures and markets zero and low-calorie sugar substitutes under several brand names. Upon completion of the transaction, Act II will change its name to Whole Earth Brands and continue to be listed on the NASDAQ stock exchange. Act II management noted their excitement in the creation of Whole Earth Brands, which will be focused on natural ingredients and clean labels. The announced transaction value was \$547 million.

December 12, 2019 – Modesto, California-based **E. & J. Gallo Winery, Inc.** acquired the wine and spirits portfolio of Victor, New York-based **Constellation Brands, Inc.** (NYSE:STZ). The wine and spirits portfolio consisted of wine and spirits operations in California, New York, and Washington. E. & J. management noted that the acquisition presents E. & J. with a tremendous opportunity to provide their customers with quality products at every price point. The announced transaction value was \$1.1 billion.

December 11, 2019 – Northallerton, United Kingdom-based **Froneri International Limited** announced the agreement to acquire the U.S. ice cream business of **Nestlé S.A.** (SWX:NESN). The U.S. ice cream business consists of several high-profile brands, including Häagen-Dazs and Drumstick brands. Froneri management noted that the acquisition will allow the Company to continue to delight customers with innovative, high-quality products in all markets. The announced transaction value was \$4 billion.

November 17, 2019 – São Paulo, Brazil-based **Marfrig Global Foods S.A.** (BOVESPA:MRFG3) acquired an additional stake in Kansas City, Missouri-based **National Beef Packing Company, LLC.** National Beef produces and sells meat products in the United States and internationally. The acquisition raised Marfrig's ownership to 81.7% from 51%. The announced transaction value was \$970 million, which implies revenue and EBITDA multiples of 0.4x and 4.6x, respectively.

November 11, 2019 – St. Louis, Missouri-based **Anheuser-Busch Companies, LLC** announced an agreement to acquire the remaining 68.8% stake in Portland, Oregon-based **Craft Brew Alliance, Inc.** (NasdaqGS:BREW). Previously, Anheuser-Busch owned a 31.2% stake in the Company. Craft Brew sells craft beers and ciders in the U.S.

and internationally. Anheuser-Busch management noted that the Company looks forward to supporting Craft Brew as it continues to bring great products to beer drinkers across the United States. The announced transaction value was \$288 million.

August 27, 2019 – Hershey, Pennsylvania-based **Hershey Company** (NYSE:HSY) announced the acquisition of Charlotte, North Carolina-based **ONE Brands, LLC.** One Brands produces and markets a line of low sugar and nutritional snack bars. Hershey management noted that the acquisition is a strong strategic fit within their overall innovative snacking vision. The announced transaction value was \$397 million.

August 21, 2019 – Denver, Colorado-based **Atkins Nutritionals Holdings, Inc.,** subsidiary of Denver, Colorado-based **The Simply Good Foods Company** (NasdaqCM:SMPL), announced the acquisition of El Segundo, California-based **Quest Nutrition, LLC.** Quest Nutrition produces and markets protein bars and other high-protein snacks. Simply Good Foods management noted that the acquisition will strengthen the Company's position within the nutritional snacking category by expanding their portfolio of brands and product offerings. The announced transaction value was \$1.0 billion.

August 2, 2019 – New York, New York-based **KKR & Co. Inc.** (NYSE:KKR) announced the acquisition of certain international operations of Camden, New Jersey-based **Campbell Soup Company** (NYSE:CPB). The operations consisted of North Strathfield, Australia-based **Arnott's Biscuits Holdings Pty Limited** and other assets in Campbell's international operations. KKR management noted that the acquisition will give KKR access to several top-selling international brands. The announced transaction value was \$2.2 billion, which implies a 6.5x EBITDA multiple.

July 1, 2019 – Richmond, Virginia-based **Performance Food Group Company** (NYSE:PFGC) entered into an agreement to acquire La Crosse, Wisconsin-based **Reinhart FoodService LLC** and associated real estate companies from Rosemont, Illinois-based **Reyes Holdings, LLC** and **Lone Oak Realty LLC.** Reinhart operates as one of the largest food service distributors in the United States. Performance management noted that the acquisition will expand the PFG platform to help their diverse customer base thrive. The announced transaction value was \$2 billion. •

## Food & Beverage Supplier Trading Multiples

(\$ in millions)	12/31/19	Qtrly Price	Market	Total	LTM		Gross	EBITDA	Net Debt/	Enterprise Value/LTM	
Company	Stock Price	Change	Cap.	EV <sup>(1)</sup>	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
<b>Beverages</b>											
The Coca-Cola Company	\$55.29	4%	\$237,147	\$269,934	\$33,560	\$10,670	62%	32%	2.9x	8.0x	NM
Keurig Dr Pepper Inc.	28.96	8%	40,572	56,046	10,999	3,485	58%	32%	4.4x	5.1x	16.1x
National Beverage Corp.	51.40	11%	2,407	2,218	976	168	36%	17%	NM	2.3x	13.2x
Primo Water Corporation	11.55	(3%)	452	654	307	46	27%	15%	4.4x	2.1x	14.4x
<b>Median<sup>(2)</sup></b>							<b>47%</b>	<b>24%</b>	<b>4.4x</b>	<b>3.7x</b>	<b>14.4x</b>
<b>Mean</b>							<b>46%</b>	<b>24%</b>	<b>3.9x</b>	<b>4.4x</b>	<b>14.5x</b>
<b>Food Retail</b>											
Ingles Markets, Incorporated	\$48.88	27%	\$967	\$1,777	\$4,202	\$261	24%	6%	3.1x	0.4x	6.8x
The Kroger Co.	29.10	16%	23,025	43,059	120,989	5,138	22%	4%	3.9x	0.4x	8.4x
United Natural Foods, Inc.	8.42	3%	448	4,719	24,538	455	13%	2%	9.4x	0.2x	10.4x
Village Super Market, Inc.	23.66	(9%)	341	402	1,649	57	28%	3%	1.1x	0.2x	7.1x
Weis Markets, Inc.	40.82	9%	1,079	1,145	3,534	172	27%	5%	0.4x	0.3x	6.7x
<b>Median<sup>(2)</sup></b>							<b>24%</b>	<b>4%</b>	<b>3.1x</b>	<b>0.3x</b>	<b>7.1x</b>
<b>Mean</b>							<b>23%</b>	<b>4%</b>	<b>3.6x</b>	<b>0.3x</b>	<b>7.9x</b>
<b>Manufactured Foods</b>											
B&G Foods, Inc.	\$17.61	(5%)	\$1,167	\$3,078	\$1,648	\$287	24%	17%	6.7x	1.9x	10.7x
Bridgford Foods Corporation	\$24.80	(6%)	\$226	\$232	\$186	\$13	33%	7%	0.5x	1.2x	17.9x
Conagra Brands, Inc.	\$34.23	21%	\$16,634	\$26,912	\$10,532	\$2,172	28%	21%	4.7x	2.6x	12.4x
Flowers Foods, Inc.	\$21.62	(4%)	\$4,598	\$5,893	\$4,087	\$400	48%	10%	3.2x	1.4x	14.7x
General Mills, Inc.	\$52.85	(0%)	\$32,170	\$46,716	\$16,783	\$3,723	35%	22%	3.7x	2.8x	12.5x
The Hershey Company	\$146.62	(5%)	\$30,841	\$35,285	\$7,906	\$2,056	46%	26%	2.2x	4.5x	17.2x
J & J Snack Foods Corp.	\$186.14	(2%)	\$3,527	\$3,285	\$1,186	\$166	30%	14%	NM	2.8x	19.8x
Kellogg Company	\$68.89	11%	\$23,590	\$32,069	\$13,672	\$2,065	33%	15%	3.8x	2.3x	15.5x
The Kraft Heinz Company	\$31.70	19%	\$38,613	\$67,723	\$25,332	\$6,245	33%	25%	4.6x	2.7x	10.8x
Lancaster Colony Corporation	\$159.63	18%	\$4,408	\$4,263	\$1,328	\$214	25%	16%	NM	3.2x	19.9x
Mondelez International, Inc.	\$54.98	2%	\$79,593	\$98,430	\$25,728	\$5,024	39%	20%	3.7x	3.8x	19.6x
TreeHouse Foods, Inc.	\$48.23	(9%)	\$2,686	\$5,073	\$5,567	\$506	17%	9%	4.7x	0.9x	10.0x
<b>Median<sup>(2)</sup></b>							<b>33%</b>	<b>17%</b>	<b>3.8x</b>	<b>2.6x</b>	<b>15.1x</b>
<b>Mean</b>							<b>33%</b>	<b>17%</b>	<b>3.8x</b>	<b>2.5x</b>	<b>15.1x</b>
<b>Protein &amp; Dairy</b>											
Cal-Maine Foods, Inc.	\$42.53	13%	\$2,093	\$1,863	\$1,262	\$29	12%	2%	NM	1.5x	NM
Dean Foods Company	\$0.06	(95%)	\$5	\$1,401	\$7,418	(\$58)	20%	(1%)	NM	0.2x	NM
Hormel Foods Corporation	\$45.01	5%	\$24,202	\$23,769	\$9,497	\$1,306	20%	14%	NM	2.5x	18.2x
Sanderson Farms, Inc.	\$174.72	19%	\$3,894	\$3,854	\$3,440	\$203	8%	6%	NM	1.1x	18.9x
Tyson Foods, Inc.	\$90.25	10%	\$33,403	\$44,994	\$42,405	\$3,978	12%	9%	2.9x	1.1x	11.3x
<b>Median<sup>(2)</sup></b>							<b>12%</b>	<b>6%</b>	<b>2.9x</b>	<b>1.1x</b>	<b>18.2x</b>
<b>Mean</b>							<b>14%</b>	<b>6%</b>	<b>2.9x</b>	<b>1.3x</b>	<b>16.2x</b>

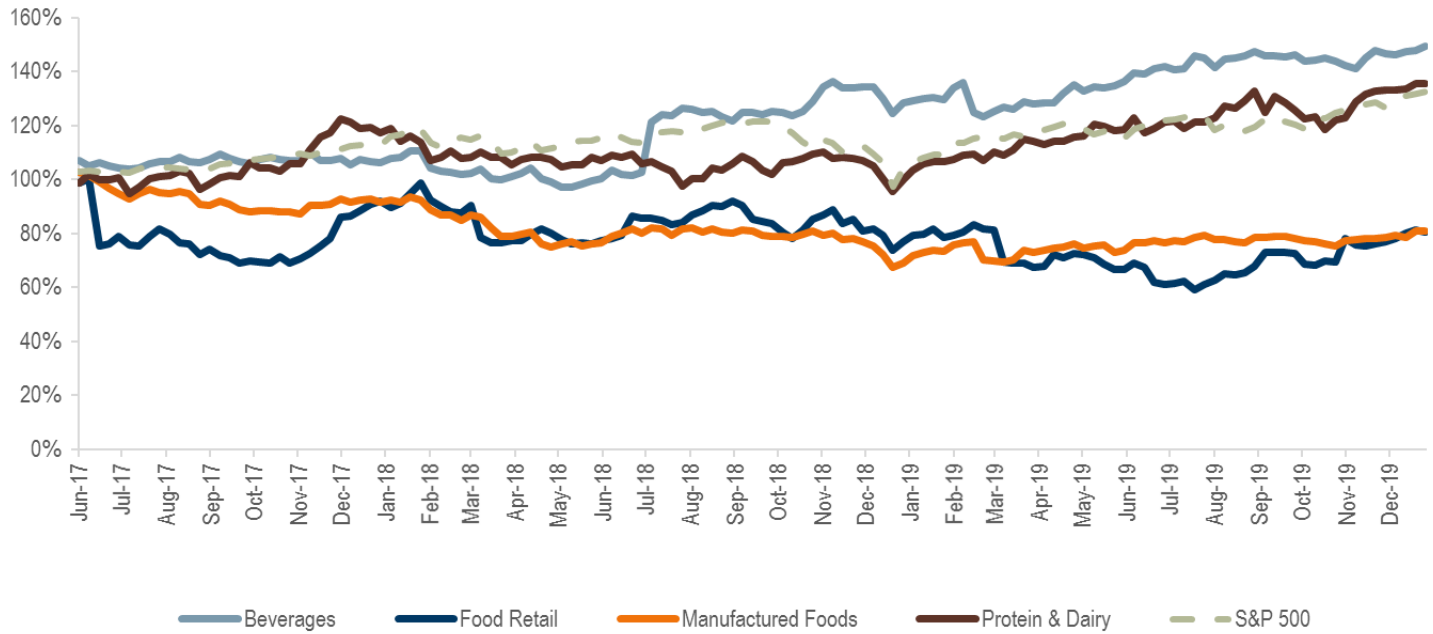
(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity and minority interest.

Source: Capital IQ (as of December 31, 2019)

(2) Median and mean values exclude all non-meaningful values.

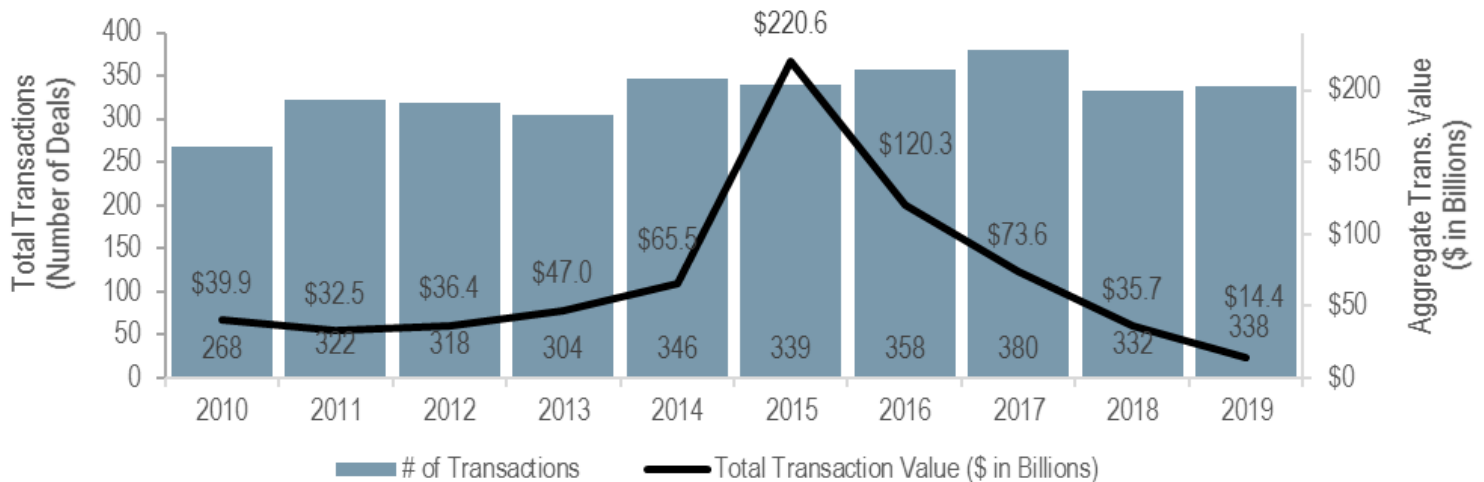


## AmherstPartners Food & Beverage Supplier Index



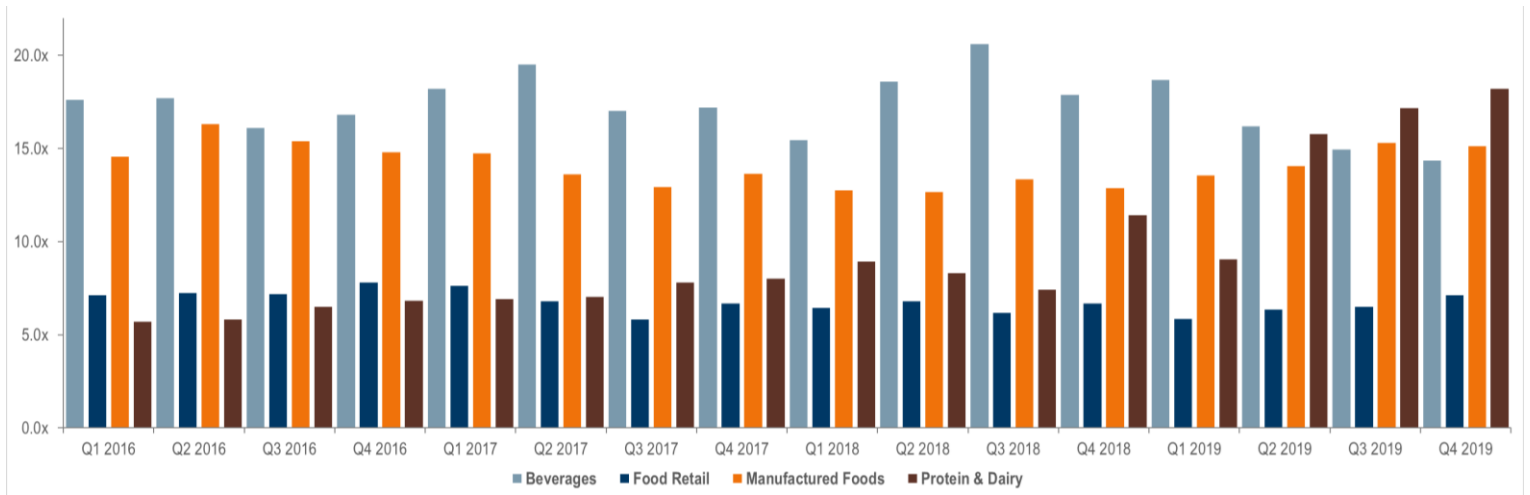
Source: Capital IQ (as of December 31, 2019)

## U.S. M&A Activity



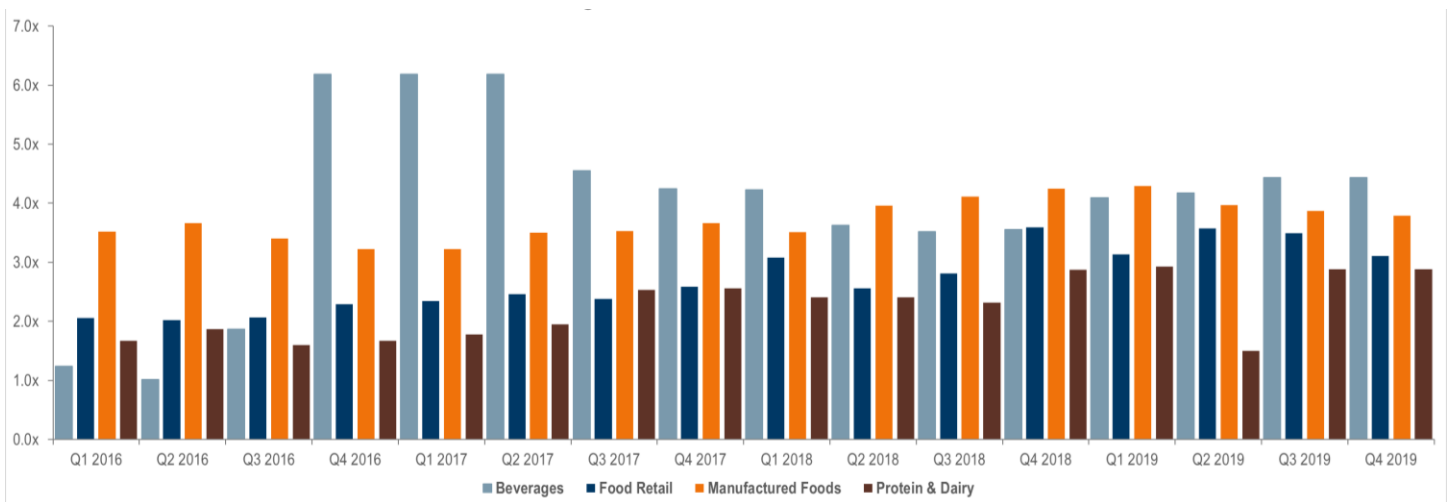
Source: Capital IQ (as of December 31, 2019)

## Food & Beverage Indices – Median Enterprise Value/LTM EBITDA



Source: Capital IQ (as of December 31, 2019)

## Food & Beverage Indices – Median Net Debt/LTM EBITDA



Source: Capital IQ (as of December 31, 2019)

## FOOD &amp; BEVERAGE IQ

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