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FOOD & BEVERAGE *IQ*

Industry-Specific Overview of Recent M&A and Capital Markets Activity

JULY 2023

Recent Market Observations

Food & Beverage Industry Update | July 2023

As we move into the second half of 2023, Amherst Partners continues to actively track trends impacting businesses operating in the global food and beverage (“F&B”) market, which according to The Business Research Company, is anticipated to grow at a 6.8% CAGR, from ~\$7.2 billion in 2023 to ~\$9.2 billion in 2027. Market participants are buoyed by a growing consensus among industry experts and analysts that the worst of inflationary price increases and supply chain constraints appear to be behind us, and according to a growing list of economists, the belief that the U.S. economy has likely avoided a widely anticipated recession. It also appears that consumers share this growing sense of optimism, as evidenced by the July 2023 University of Michigan Consumer Sentiment Survey, which showed an 11% month-over-month increase and the highest reading since October 2021.

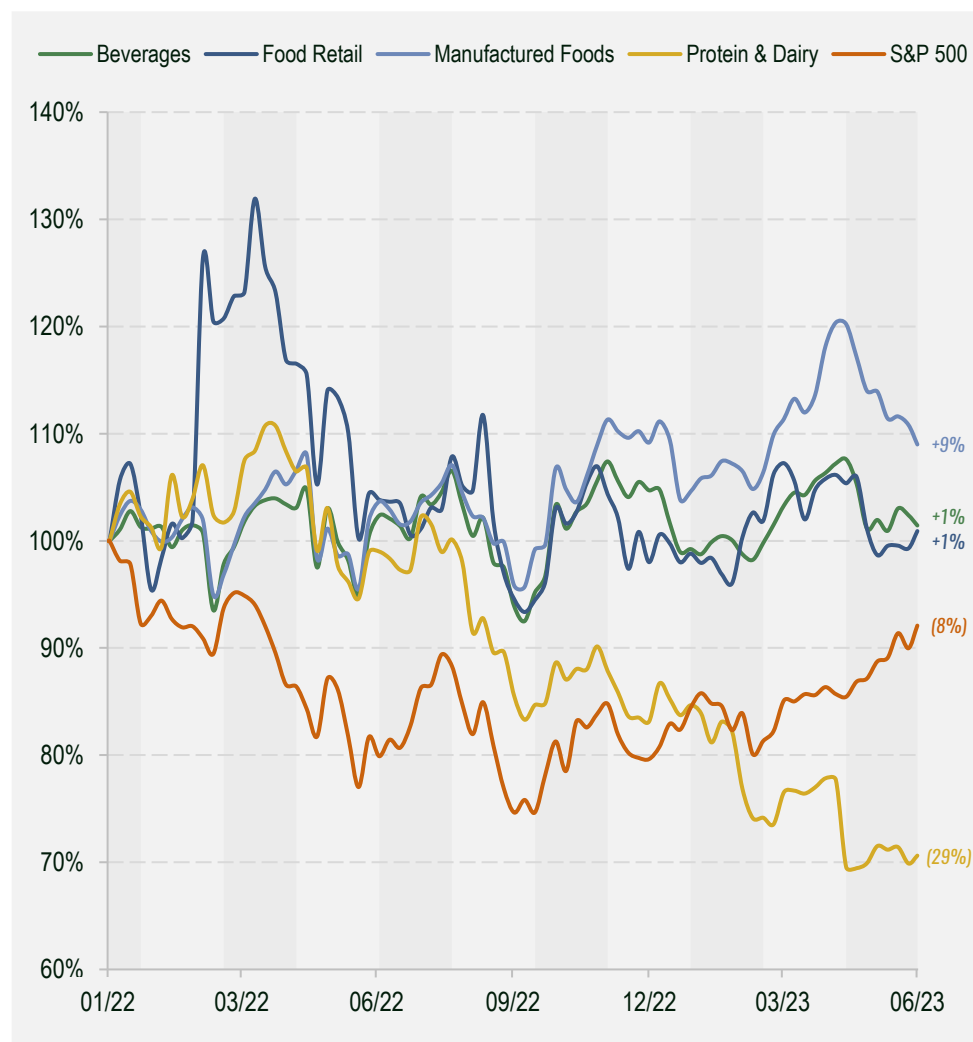
Despite improving sentiment, however, inflationary pressures are likely to impact consumers into the foreseeable future. Businesses throughout the F&B supply chain reacted to escalating input costs in recent years by raising prices to protect profit margins, often at the expense of volume growth. These price increases likely still have some runway to go before we see meaningful relief. Case in point, Kellogg’s CEO, Steve Cahillane, noted at a recent conference that despite meaningful price increases in recent years, the company’s gross margin is still below pre-pandemic levels, signaling that price increases have not been sufficient to offset higher costs. Of the input costs contributing to sustained higher prices throughout the F&B industry, the cost of labor is perhaps the most significant. Food manufacturers that experienced labor disruptions as a result of pandemic restrictions have been challenged to fill those positions without providing compensation packages that include meaningful increases in wages and benefits as well as improved working conditions.

While consumer spending remained resilient during much of the COVID-19 pandemic, the fatigue of chronically higher prices and economic headwinds appears to be setting in. Despite consumer surveys that show a growing preference for premium products, particularly those that fall into the better-for-you category and/or reflect sustainable manufacturing practices, consumers are increasingly scaling back purchases of such products in favor of lower priced store brands and private label products. Sales of private label products climbed throughout 2022 and today are estimated to comprise ~23% of total retail food sales.

Mergers & acquisitions (“M&A”) activity within the F&B market, and for the broader consumer markets as a whole, was relatively modest during the first half of 2023, reaching its lowest levels since the beginning of the pandemic. Limitations on available capital and concerns about the strength of the economy generally put buyers in a “wait and see” mode. Likewise, valuations generally experienced a pullback from frothy highs experienced during 2021, although high-quality companies were an exception to that rule and continued to command scarcity-driven premium valuations. We anticipate that improving fundamentals and long-term trends will support more stable M&A activity as we progress through the second half of the year.

Source: Wall Street research, NielsenIQ, Company Reports

Recent Stock Price Performance – Food & Beverage Indices


























Source: Capital IQ

Food & Beverage Universe – **Beverage:** FIZZ, KDP, KO, PEP, PRMW | **Food Retail:** IMKT.A, KR, VLGE.A, WMK
Manufactured Foods: BGS, BRID, FLO, GIS, HSY, JJSF, K, KHC, LANC, MDLZ, THS
Protein & Dairy: CALM, HRL, TSN

Public Market Trading Multiples

Food & Beverage Industry Update | July 2023

(\$ in millions, other than stock price)		6/30/2023	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV ⁽¹⁾	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Beverage	 The Coca-Cola Company	\$60.22	(3%)	\$260,426	\$291,649	\$43,493	\$13,456	58%	31%	2.1x	6.7x	21.7x
	 Keurig Dr Pepper	31.27	(11%)	43,896	57,551	14,332	3,574	52%	25%	3.6x	4.0x	16.1x
	 National Beverage Corp.	48.35	(8%)	4,514	4,392	1,173	207	34%	18%	NM	3.7x	21.2x
	 PepsiCo	185.22	2%	255,176	291,872	88,038	14,816	53%	17%	2.3x	3.3x	19.7x
	 Primo Water Corporation	12.54	(18%)	1,995	3,694	2,236	389	59%	17%	3.8x	1.7x	9.5x
Median								53%	18%	3.0x	3.7x	19.7x
Food Retail	 Ingles Markets	\$82.65	(7%)	\$1,570	\$1,918	\$5,784	\$460	24%	8%	0.7x	0.3x	4.2x
	 Kroger	47.00	(5%)	33,734	51,604	148,823	7,683	22%	5%	2.1x	0.3x	6.7x
	 Village Super Market	22.82	(0%)	339	610	2,140	99	28%	5%	1.7x	0.3x	6.2x
	 Weis Markets	64.21	(24%)	1,727	1,583	4,737	253	25%	5%	NM	0.3x	6.2x
Median								25%	5%	1.7x	0.3x	6.2x
Manufactured Foods	 B&G Foods	\$13.92	(10%)	\$1,005	\$3,322	\$2,142	\$296	20%	14%	7.3x	1.6x	11.2x
	 Bridgford Foods	11.51	(18%)	104	98	259	12	26%	5%	NM	0.4x	8.1x
	 Flowers Foods	24.88	(9%)	5,271	6,608	4,904	483	47%	10%	2.3x	1.3x	13.7x
	 General Mills	76.70	(10%)	44,884	56,496	20,094	3,694	33%	18%	2.9x	2.8x	15.3x
	 The Hershey Company	249.70	(2%)	51,038	55,603	10,741	2,709	43%	25%	1.7x	5.2x	20.5x
	 J&J Snack Foods	158.36	7%	3,049	3,149	1,470	125	28%	9%	0.7x	2.1x	NM
	 Kellogg Company	67.40	1%	23,102	30,657	15,696	1,945	30%	12%	3.4x	2.0x	15.8x
	 The Kraft Heinz Company	35.50	(8%)	43,567	63,120	26,929	6,017	31%	22%	2.6x	2.3x	10.5x
	 Lancaster Colony	201.09	(1%)	5,534	5,469	1,820	222	22%	12%	NM	3.0x	24.6x
Protein & Dairy	 Mondelez International	72.94	5%	99,334	118,444	32,898	6,139	36%	19%	2.8x	3.6x	19.3x
	 TreeHouse Foods	50.38	(0%)	2,837	4,413	3,576	301	16%	8%	4.3x	1.2x	14.7x
	Median							30%	12%	2.8x	2.1x	15.0x
Protein & Dairy	 Cal-Maine Foods	\$45.00	(26%)	\$2,204	\$1,558	\$3,051	\$1,042	39%	34%	NM	0.5x	1.5x
	 Hormel Foods Corporation	40.22	1%	21,971	24,681	12,267	1,475	17%	12%	1.4x	2.0x	16.7x
	 Tyson Foods	51.04	(14%)	18,150	26,592	53,625	3,538	8%	7%	1.9x	0.5x	7.5x
Median								17%	12%	1.7x	0.5x	7.5x

Source: Capital IQ

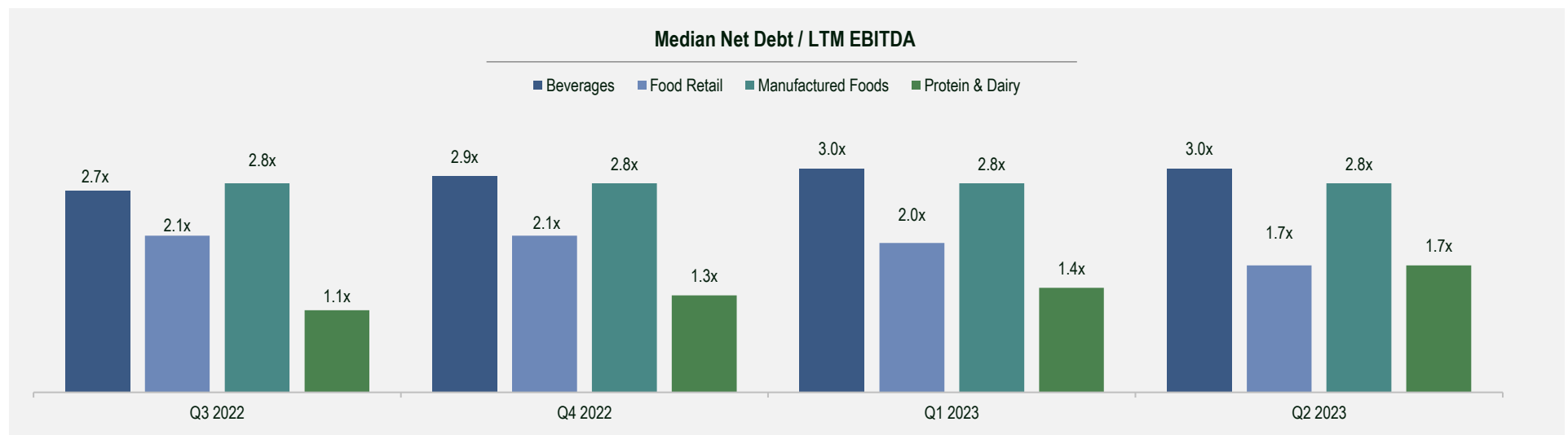
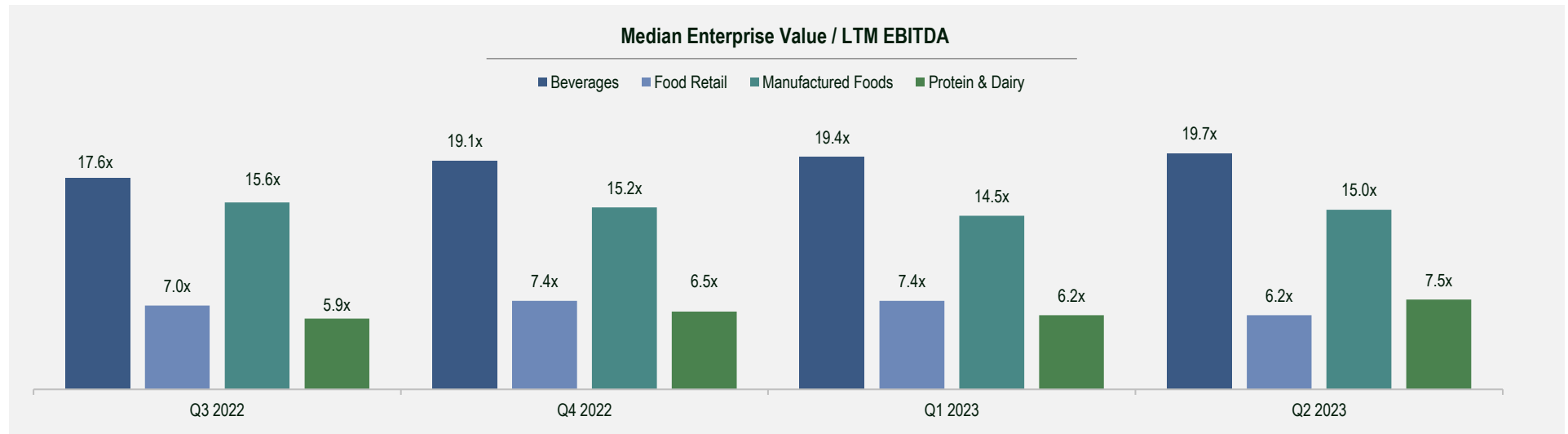
(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity and minority interest.

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

Valuation and Debt Multiples

Food & Beverage Industry Update | July 2023

Valuation and debt levels have remained relatively stable across the Food & Beverage industry over the past year; however, Food Retail players experienced the most significant compression in valuation multiples



Source: Capital IQ

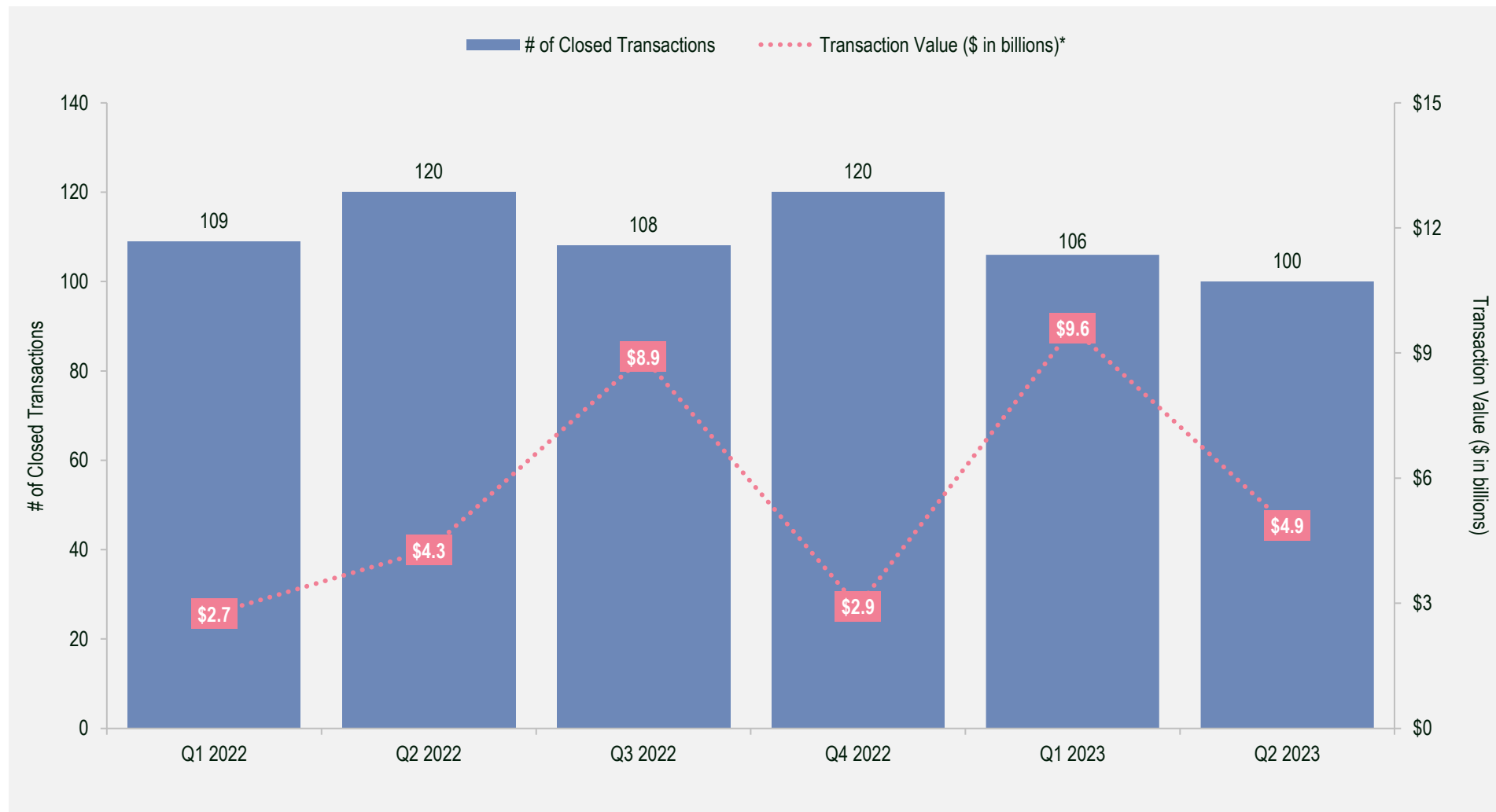
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U.S. M&A Activity

Food & Beverage Industry Update | July 2023

Aggregate deal value in Q2 2023 increased ~14% to \$4.9 billion from \$4.3 billion in Q2 2022. Year over year deal volume was slightly lower for the second consecutive quarter, with 100 Food & Beverage reported deals in Q2 2023 as compared to 120 in Q2 2022







































Source: Capital IQ

*Transaction Value represents publicly announced deal terms

Recent Transaction Activity

Food & Beverage Industry Update | July 2023

Date	Target	Acquiror	Enterprise Value (\$M)	Target Description
06/23	 DOMAINE CURRY	 Constellation Brands	Undisclosed	Manufactures and sells wine and wine products
06/23	 PENELOPE BOURBON	 luxco	\$105.0	Operates distillery to produce and sell craft Whiskey through distributors and restaurants
05/23	 EMERALD FOODS	 FLAGSTONE FOODS	\$40.0	Manufactures and distributes various nuts to consumers
05/23	 CURRENT FOODS	 WICKED HEALTHY	Undisclosed	Produces plant-based seafood to prevent environmental harm
05/23	 Hardie's	 chefswarehouse	\$38.0	Processes and distributes fruits and vegetables to food service and retail markets
05/23	 ESBENSHADE FARMS	 The Wenger Group™	Undisclosed	Produces and distributes eggs and egg products
04/23	 LEGACY BAKEHOUSE	 B.C.P. Benford Capital Partners	Undisclosed	Produces bread baked snack products and foods such as berries and chocolate sweets
04/23	 KAUPHOLD'S KURDS	 SKY ISLAND CAPITAL	Undisclosed	Provides hand-breaded Wisconsin cheese curds
03/23	 UNITED MALT	 malteries FRANCO-BELGES	\$1,542.2	Processes and supplies malt and craft ingredients to breweries and distilleries worldwide
03/23	 SKREWBALL PEANUT BUTTER WHISKEY	 Pernod Ricard	Undisclosed	Produces and sells peanut butter flavored whiskey
03/23	 RIOT ENERGY	 SIERRA NEVADA	Undisclosed	Produces and sells energy drinks
02/23	 UNO foods	 NEWPORT GLOBAL ADVISORS	Undisclosed	Produces pizzas and related items, extending to calzones, entrees, and other appetizers
02/23	 WILLIAMS SAUSAGE	 Tyson	Undisclosed	Produces and distributes breakfast foods with a concentration on sausage products
02/23	 TOFURKY	 morinaga®	\$12.4	Produces vegetarian food products, offering kosher, vegan, organic soybean, and tofu products
02/23	 YUCATAN GUACAMOLE	 Flagship PREMIUM FOOD GROUP	\$17.5	Produces and sells guacamole, salsa, and other dips
01/23	 RC cola	 MACY'S HOLDINGS	\$45.9	Produces and markets bottled soft drinks
01/23	 BIRCH BENDERS	 sovos brands	\$40.0	Produces baking mixes and frostings, pancakes and waffle mixes, birch benders cups, and toaster waffles sold online and through distributors
01/23	 ORCA BAY FOODS	 Silver Bay SEAFOODS	Undisclosed	Processes seafood products such as crab, salmon, tuna, and more for consumer direct sale

Source: Capital IQ

Amherst Partners – Representative Transactions

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<p>Awrey Bakeries, LLC Livonia, MI</p>  <p>Has been acquired by Monomoy Capital Partners New York, NY</p>  <p>AmherstPartners</p> <p>Acted as advisor to Awrey Bakeries LLC</p>	<p>BarFly Ventures Grand Rapids, MI</p>  <p>Has secured a \$25 million investment from</p>  <p>AmherstPartners</p> <p>Acted as exclusive advisor to BarFly Ventures</p>	<p>Blumefield Foods, LLC Wyandotte, MI</p> <p>Blumefield Foods, LLC</p> <p>Has acquired Weyland's Fisheries, Inc. Wyandotte, MI</p>  <p>AmherstPartners</p> <p>Acted as exclusive advisor to Blumefield Foods, LLC</p>	<p>Coffee Beanery Flushing, MI</p>  <p>Amherst provided financial advisory services</p> <p>AmherstPartners</p> <p>Acted as exclusive advisor to Coffee Beanery</p>	<p>Country Fresh, LLC Grand Rapids, MI</p>  <p>Amherst provided financial advisory services</p> <p>AmherstPartners</p> <p>Acted as exclusive financial advisor to Country Fresh, LLC</p>	<p>Herbruck Poultry Ranch Saranac, MI</p>  <p>Amherst provided management advisory services</p> <p>AmherstPartners</p> <p>Acted as exclusive advisor to Herbruck's Poultry Ranch</p>
<p>Irish Dairy Board Dublin, Ireland</p>  <p>Has acquired Thiel Cheese and Ingredients Hilbert, WI</p>  <p>AmherstPartners</p> <p>Acted as exclusive advisor to the Irish Dairy Board</p>	<p>Peter Kölln KGaA Elmshorn, Germany</p>  <p>Amherst provided financial advisory services</p> <p>AmherstPartners</p> <p>Acted as exclusive financial advisor to Peter Kölln KGaA</p>	<p>Marsh Supermarkets, Inc. Indianapolis, IN</p>  <p>Has obtained a senior credit facility from Bank of America Charlotte, NC</p>  <p>AmherstPartners</p> <p>Acted as exclusive financial advisor to Marsh Super Markets⁽¹⁾</p>	<p>Packard Farms Claire, MI</p>  <p>Amherst provided financial advisory services</p> <p>AmherstPartners</p> <p>Acted as exclusive advisor to Packard Farms</p>	<p>Pressed Paperboard Technologies, LLC Bingham Farms, MI</p>  <p>has been acquired by May River Capital Chicago, IL</p>  <p>AmherstPartners</p> <p>Acted as advisor to Pressed Paperboard Technologies, LLC</p>	<p>Spartan Stores, Inc. Grand Rapids, MI</p>  <p>AmherstPartners raised junior and senior debt facilities totaling \$185mm</p> <p>AmherstPartners</p> <p>Acted as exclusive advisor to Spartan Stores, Inc.</p>

(1) Transaction executed by Amherst professionals while employed at previous firms

The Amherst Partners Team

Food & Beverage Industry Update | July 2023

With a track record spanning over 25 years, Amherst Partners is a boutique investment banking firm focused on providing M&A advisory and capital raising services primarily for closely-held businesses

Boutique investment bank with significant Wall Street experience

Adams
Street

BAIRD

bakertilly

EY
Capital Advisors, LLC

Giuliani Capital
Advisors

The Hackett Group

J.P.Morgan

KPMG
Corporate Finance LLC



MACQUARIE



plante moran

Core Execution Team



Charles Chandler
Partner



Donald Luciani
Partner



Fahad Siddiqui
Director



John Wendzinski
Senior Associate



Sam Jabara
Associate



Emily Pachla
Controller

Operations Advisory



Jon B. Cotton
CEO, Apex Health, Former President,
Meridian Health Plan of Michigan



Ray Dallavecchia, Jr.
Owner, Venetian Associates



S. Evan Weiner
President/CEO, Edw. C. Levy Co.

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