

April 2019

U.S. Healthy Food & Beverage Industry Update





Healthy Food & Beverage M&A Market Trends

Overview

Industry Overview

The natural, organic and healthy food segment has seen tremendous growth recently when compared to historical norms for the overall food industry. As consumers have adopted more healthy eating habits, the growth of the natural, organic and healthy food segment has sky rocketed.

2019 Food Trends

- **Healthy Eating:** Organic, raw, gluten-free, non-soy, dairy-free, non-GMO, no additives, sugar free and high protein products are in high demand.
- **Plant-based Protein:** Proteins and superfoods such as quinoa and chia seeds as well as partial proteins such as peas, broccoli and spinach have become increasingly popular with consumers.
- **New Flavor Combinations:** As the world becomes more globalized, consumer preferences trend towards more unique international and ethnic flavors and away from traditional flavors of the past.
- **Convenient Single-Serve Snacks:** Healthy single serve snacks have grown in popularity with consumers increasingly on-the-go lifestyle. These snacks often serve as portion-controlled meal replacements.
- **Transparent Ingredients:** Consumers want to know what goes into a product, where it comes from and what steps a company took to ensure the product is made or grown ethically, while delivering the health benefits that they seek.
- **Sustainability and Social Responsibility:** Consumers are increasingly interested in buying products from companies that exhibit strong social responsibility and are highly sustainable and transparent in their supply chain.
- **Kid-Friendly Snacks:** Parents are careful about what they give their children and as work weeks expand, parents have less time to prepare snacks, leading them to buy healthy on-the-go snacks instead of preparing themselves.

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Tully & Holland Experience

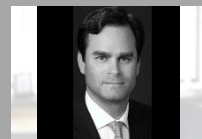
About Tully & Holland

Tully & Holland is a leading Boston-based investment banking advisory firm offering highly customized M&A and corporate advisory to consumer companies in the US and abroad. Founded in 1992, our seasoned team brings decades of extensive industry and investment banking expertise and the proven ability to successfully complete deals on behalf of our clients.

Our Industry Experts



Timothy Tully
President
(781) 239-2900 ext. 14
jtully@tullyandholland.com



Jon Pratt
Managing Director
(781) 239-2900 ext. 15
jpratt@tullyandholland.com

Tully & Holland, Inc.
535 Boylston Street, 7th Floor
Boston, MA 02116
www.tullyandholland.com

2019 Beverage Trends

- **Naturally low sugar:** As more people monitor and cut back on their sugar intake, companies have been challenged to adapt and deliver beverage formulations that meet a range of expectations. Sweet low-calorie options such as agave, stevia and monk fruit are replacing high fructose corn syrup and pure cane sugar. People also prefer natural juices over synthetic or “bad for you” sugar alternatives.
- **Ready-to-drink:** Energy and sports drinks, drinkable yogurt/fermented beverages & coffee drinks are the top categories for functional & healthy claims, and as a result have been showing strong growth.
- **Plant-based ingredients:** Soy and pea proteins, used in smoothies and shakes, have grown in popularity as plant-based ingredients of choice.
- **Protein, Vitamins & Probiotics drinks:** Healthy single serve snacks have grown in popularity with consumers increasingly on-the-go lifestyles. These snacks often serve as portion-controlled meal replacements.
- **Sparkling drinks (Seltzer):** Hard seltzers, the feistier cousins of non-alcoholic sparkling waters like LaCroix, are surging in popularity. Less-sugary seltzers are likely to continue booming as more American consumers reach for products, they consider to be healthier.
- **Cannabidiol (CBD):** CBD is appearing in cold-brew coffee, tea, beer, lemonade and more. Manufacturers claim that CBD beverages will provide “functional chills,” and “natural” ways to de-stress.



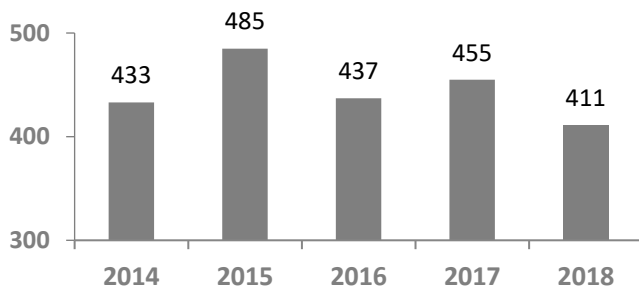
M&A Market Trends

Deal Activity

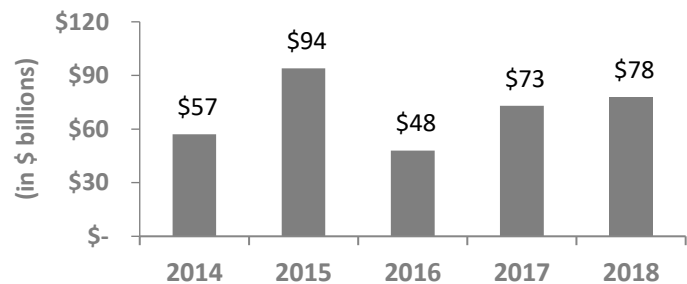
US M&A transactions in the natural, organic and healthy food & beverage segment recorded 147 closed transactions in 2018, 12% lower than the record high of 167 transactions in 2017, but 12% higher than 131 transactions in 2016. The CAGR of natural, organic and healthy M&A deals from 2014-2018 has been 3%. The share of healthy food & beverage M&A transactions has been also growing as a percent of total food & beverage deals. Large food & beverage companies have been reshaping their strategies by acquiring better-for-you companies or selling off assets to become more focused, growing streamlined businesses. There have been many strategic acquisitions in the healthy food & beverage segment where small rapidly growing companies with healthy, good-for-you, innovative products are acquired by large strategic buyers. Rather than increasing their R&D spending on new products with high risk of commercialization, strategic buyers have elected to expand their portfolio through M&A.

Total US Food & Beverage M&A Transactions

Annual Number of Transactions Closed

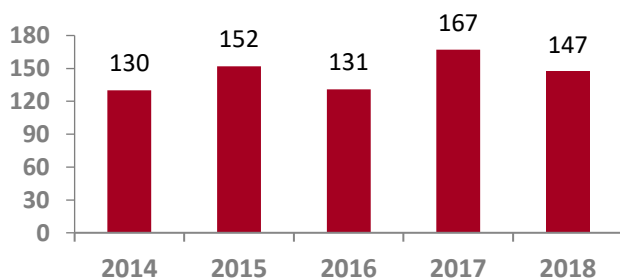


Total Transaction Volume

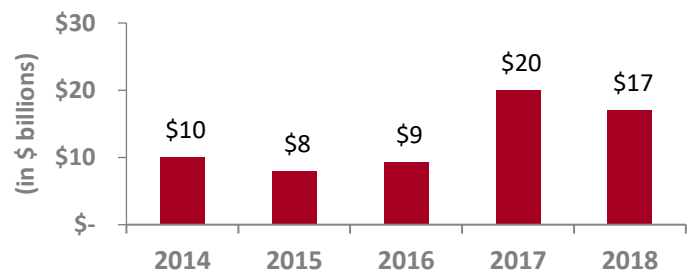


US Healthy Food & Beverage M&A Transactions

Annual Number of Transactions Closed
























Total Transaction Volume



Source(s): CAP IQ, PitchBook and Tully & Holland research.

2019 Notable M&A Transactions

Quarter	Target	Buyer	Description
2018			
Q1			<ul style="list-style-type: none"> The Hershey Company's \$1.5B purchase Amplify Foods for 4.1x revenue and 18.5x EBITDA on January 31, 2018.
			<ul style="list-style-type: none"> Danone's purchase of natural and plant-based food producer WhiteWave for \$10B at a 3.0x revenue multiple and a 24.8x EBITDA multiple and on February 23, 2018.
Q2			<ul style="list-style-type: none"> General Mills purchased organic pet food producer, Blue Buffalo Pet Products for \$8B at a 6.3x revenue and 25.5x EBITDA multiple illustrating the overall strength of the healthy pet food market.
		 	<ul style="list-style-type: none"> PepsiCo/Frito-Lay agreed to purchased Bare Foods on May 25, 2018 for an undisclosed sum in a deal expected to close this year.
			<ul style="list-style-type: none"> NU Pet Company, a subsidiary of Smucker's, entered into a definitive agreement to acquire Ainsworth Pet Nutrition from L Catterton and the Lang Family for \$1.9 billion on April 4, 2018.
Q3			<ul style="list-style-type: none"> PepsiCo has agreed to acquire countertop carbonated water machine maker SodaStream for \$3.2 billion.
			<ul style="list-style-type: none"> Keurig Dr Pepper entered into a definitive agreement to acquire the remaining 94.9% stake in Core Nutrition, LLC for approximately \$450 million on September 27, 2018.
Q4			<ul style="list-style-type: none"> The Kraft Heinz Company entered into a definitive agreement to acquire Primal Nutrition, LLC for approximately \$200 million on November 29, 2018
			<ul style="list-style-type: none"> PepsiCo has agreed to acquire Health Warrior, Inc. on October 31, 2018 for an undisclosed amount.
2019			
Q1			<ul style="list-style-type: none"> PepsiCo has agreed to acquire CytoSport from Hormel Foods Corp. on February 19, 2019 for \$465 million.

Source(s): CAP IQ, PitchBook and Tully & Holland research.

Valuation Trends

M&A Transactions

Not only has the demand for deals been strong, but also the multiples at which natural, organic and healthy food & beverage companies have traded have been increasing over the same period. The breadth and depth of these deals shows across the board strength in M&A of companies in the natural, organic and healthy food and beverage segments. Consumers are increasingly more informed about the benefits and impacts of healthy eating and are willing to shift their purchasing decisions towards “better-for-you” options where differentiation can add significant value.

When comparing healthy food & beverage companies to mainstream food & beverage companies over the past 5 years in different size categories, the “healthy” sector enjoys significantly higher EV/ EBITDA valuations in every segment.

Last 5 Years U.S. M&A Transactions

	Overall M&A Market		Overall F&B		Mainstream F&B		“Healthy” F&B	
Deal Value (\$mm)	EV/EBITDA	EV/REVENUE	EV/EBITDA	EV/REVENUE	EV/EBITDA	EV/REVENUE	EV/EBITDA	EV/REVENUE
\$0-\$100	9.1x	1.6x	7.3x	1.3x	5.2x	1.1x	9.6x	1.8x
\$100-\$300	10.6x	1.9x	11.4x	2.1x	11.1x	2.0x	15.4x	2.1x
\$300-\$1,000	11.2x	2.2x	13.3x	1.8x	11.6x	1.7x	14.6x	2.0x
>\$1,000	13.1x	3.0x	14.6x	2.2x	12.9x	2.1x	17.9x	2.4x

Source(s): CAP IQ and Tully & Holland research.

Note: Key identifiers for healthy companies are the use of “Healthy”, “Organic”, “Vegan”, “Kosher”, “Sugar-free”, “Fat-free”, “Soy”, “Non-GMO”, “Fresh Vegetables”, “Fresh Fruit”, or “Fresh” in a description of their business operation.

*Mainstream F&B equals Overall F&B minus “Healthy” F&B.

Selected M&A Transactions

Selected Recent US M&A Transactions: Healthy Food Products

Announced Date	Target/Issuer	Buyers/Investors	Target Description	Total Transaction Value (\$mm)	Valuation Metrics	
					EV/Revenue	EV/EBITDA
03/11/2019	Infusionz, LLC	Golden Developing Solutions, Inc.	hemp CBD isolate, distillate, wax, shatter, and live sauce products	-	-	-
02/19/2019	CytoSport Business of Hormel Foods Corporation	PepsiCo, Inc.	fitness food products	\$465	1.6x	-
12/20/2018	Tio Foods, LLC	Tipp Enterprises, L.P.	organic and gluten-free chilled vegetable soups	-	-	-
11/29/2018	Primal Nutrition, LLC	The Kraft Heinz Company	non-GMO and organic sauces and seasonings	\$200	-	-
11/28/2018	Watusee Foods	Arch Point Group	organic and gluten-free snack food	-	-	-
10/31/2018	Health Warrior	PepsiCo, Inc.	chia bar snacks, seeds and protein bars	-	-	-
10/26/2018	96 Degrees	Schlotterbeck & Foss Company	salad dressings and organic salsas	-	-	-
10/26/2018	Winona Pure Inc.	The Starco Group, Inc	non-GMO cooking oil and condiment sprays	-	-	-
10/05/2018	WholeMe	Log House Foods	nutrient-dense foods	-	-	-
07/30/2018	Yorkshire Valley Farms	Premium Brands	fresh and frozen chicken products	-	-	-
07/24/2018	Wholesome Pride Pet Treats LLC	Outward Hound	natural treats for pets	-	-	-
06/28/2018	Chobani, LLC	HOOPP Capital Partners	yogurt products	-	-	-
06/20/2018	EdgiLife Media (dba Love with Food)	Awesome Office	organic and all-natural snacks	-	-	-
05/25/2018	Amplify Snacks	The Hershey Company's	healthy snack foods	\$1,500	4.1x	18.5x
05/25/2018	White Wave	Danone	plant-based food producer	\$10,000	3.0x	24.8x
05/25/2018	Bare Foods	PepsiCo, Inc./Frito-Lay	healthy snack foods	-	-	-
04/12/2018	McLean Meats	Premium Brands	preservative-free and organic processed meat products	-	-	-
04/04/2018	Ainsworth Pet Nutrition Parent, LLC	NU Pet Company (Smucker's)	healthy pet food products	\$1,900	-	-
02/23/2018	Blue Buffalo Pet Products, Inc.	General Mills, Inc.	healthy pet food products	\$8,326	6.3x	25.6x

Source(s): CAP IQ and Tully & Holland research.

Selected Recent US M&A Transactions: Healthy Beverage Products

Announced Date	Target/Issuer	Buyers/Investors	Target Description	Total Transaction Value (\$mm)	Valuation Metrics	
					EV/Revenue	EV/EBITDA
02/21/2019	NEO Superwater Corporation	Betta4U Brands Inc.	high pH alkaline bottled water			
12/27/2018	Wild Poppy Company, Inc.	Life On Earth, Inc.	beverages with juice and organic fruit	\$2	-	-
12/11/2018	Betta4U Brands Inc.	DNA Brands, Inc.	high alkaline, electrolyte, and antioxidant water	-	-	-
11/13/2018	HEMP2O LLC	Freedom Leaf, Inc.	organic hemp-infused beverages	-	-	-
10/15/2018	Mountain Valley Spring Company	DSS Group	bottled spring water	\$79	-	-
08/31/2018	Cave Shake, LLC	L.A. Libations LLC	ready-to-drink ketogenic shakes	-	-	-
08/20/2018	SodaStream	PepsiCo, Inc.	carbonated water machine maker	\$3	-	-
07/30/2018	Bump Brands LLC	1908 Brands, Inc.	beverages that include juices and tea	-	-	-
07/02/2018	Good Karma Foods, Inc.	Dean Foods Company	non-GMO flaxmilk beverages	\$15	-	-
06/25/2018	American Soy Products	Morgan Foods	fruit and vegetable combination beverages	-	-	-
06/20/2018	RUNA	All Market	plant-based energy drinks	-	-	-
05/17/2018	Zipfizz Corporation	KUC Holding	energy infused drinks	\$80	-	-
04/04/2018	Temple Turmeric	Dunn's River Brands	whole-root turmeric beverages	-	-	-
02/14/2018	Core Nutrition, LLC	Keurig Dr Pepper Inc.	organic beverages and bottled water	\$453	-	-

Source(s): CAP IQ and Tully & Holland research.

Selected Recent US M&A Transactions: Food Distributors

Announced Date	Target/Issuer	Buyers/Investors	Target Description	Total Transaction Value (\$mm)	Valuation Metrics	
					EV/Revenue	EV/EBITDA
03/19/2019	All Seas Wholesale, Inc.	Cooke, Inc.	seafood distribution	-	-	-
01/28/2019	Waugh Foods, Inc.	Sysco Corporation	food service distribution	-	-	-
08/28/2018	Letica, Foodservice Business	Graphic Packaging	foodservice	\$95	0.9x	-
12/05/2018	Olean Wholesale Grocery Cooperative, Inc.	C&S Wholesale Grocers	food distribution and wholesale	-	-	-
08/24/2018	Kahiki Foods, Inc.	CJ America, Inc.	natural frozen Asian meals and appetizers	-	-	-
07/30/2018	Services Group of America	US Foods	foodservice broadline distribution	\$1,800	0.6x	12.5x
07/26/2018	SUPERVALU	United Natural Foods	grocery wholesale, retail manufacturing and distribution	\$2,904	0.2x	6.8x
07/06/2018	Good Source Solutions Inc.	Highview Capital, LLC	food distribution	-	-	-
07/02/2018	S. Abraham & Sons, Inc.	Imperial Trading Co., L.L.C.	refrigerated food distribution	-	-	-
05/30/2018	Concord Premium Meats	Premium Brands	distribution of protein products	\$99	-	-
04/25/2018	Penguin Meat Supply	Premium Brands	distribution and wholesale of protein products	\$188	-	-
04/09/2018	National Beef Packing	Marfrig Global Foods	distribution of fresh and frozen beef products	-	-	-
03/15/2018	Frandon Seafood	Premium Brands	distribution of seafood	-	-	-
02/19/2018	Doerle, Foodservice Distribution	Sysco	food distribution	-	-	-
02/06/2018	Mann Packing	Del Monte Fresh Produce	distribution and wholesale of fresh-cut vegetables	\$361	0.7x	-
01/04/2018	Bark To Basics LLC	Animal Supply Company, LLC	pet food distribution	-	-	-

Source(s): CAP IQ and Tully & Holland research.

About Tully & Holland

Comprehensive Sector Expertise

Healthy Food & Beverage has been a very active industry in which Tully & Holland has been involved since its inception. As a leading Boston-based investment banking advisory firm, we offer highly customized M&A and corporate advisory to consumer product companies in the US and abroad. Founded in 1992, our seasoned team brings decades of extensive industry and investment banking expertise and the proven ability to successfully complete deals on behalf of our clients.

Our sector expertise includes the following segments:

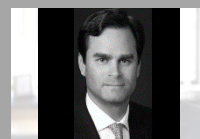


- Healthy Food Products
- Healthy Beverages
- Vitamins & Supplements

Contact Us

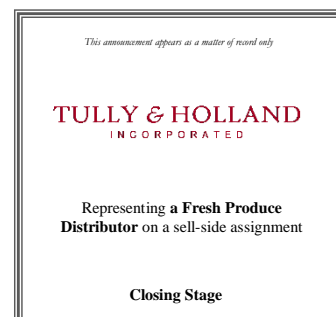
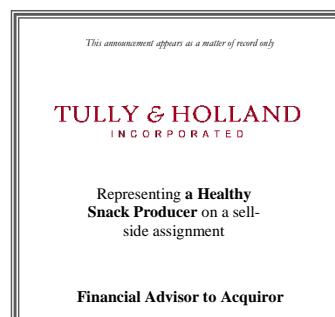
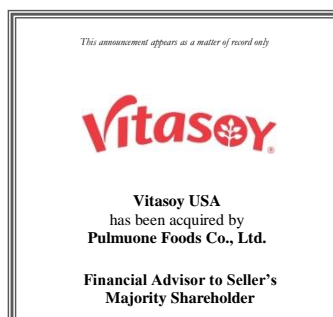
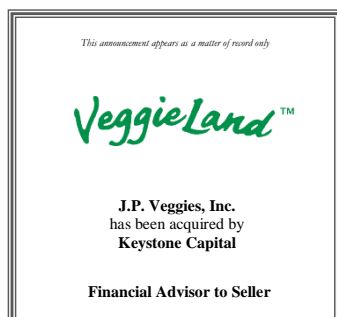


Timothy Tully
President
(781) 239-2900 ext. 14
ttully@tullyandholland.com




Jon Pratt
Managing Director
(781) 239-2900 ext. 15
jpratt@tullyandholland.com

Selected Healthy Food Transactions




Service Capabilities




Sales & Divestitures

- Sales
- Mergers
- Recapitalizations
- Divestitures




Acquisition Advisory

- Strategic Planning
- Prospect Search
- Valuation
- Negotiation



Financings

- Growth Capital Sourced From Private Equity & Family Offices
- Senior Debt Financings
- Bridge Financings
- Mezzanine Financings



Valuations

- Business Valuation of Privately-Held Consumer Companies



Tully & Holland, Inc.
535 Boylston Street, 7th Floor | Boston, MA 02116
www.tullyandholland.com

